ANNUAL REPORT 2001

STAINLESS

AvestaPolarit's mission is to make the world stainless. Stainless steel is the fastest growing metal - a durable and virtually maintenance-free material with low life cycle costs. It is hygienic, lightweight and ductile, and it has green credentials as a fully recyclable product.

AvestaPolarit
STAINLESS

AvestaPolarit in brief

AvestaPolarit is a dedicated stainless steel producer that was formed in January 2001 by the merger of Avesta Sheffield and Outokumpu Steel. The Group's vision is clear: to become 'Best in stainless'.

AvestaPolarit is one of the world's largest producers of stainless steel and its product range is one of the most diversified on the market. The Group has production facilities in Finland, Sweden, the UK and the USA. These operations are supported by a world-wide network of sales companies and agents, as well as by service centres in all key markets.

The Group, which reported net sales of approximately EUR 3 billion in 2001, employs around 9 000 people.

AvestaPolarit Oyj Abp's shares are listed on the stock exchanges in Stockholm and Helsinki. The main shareholders are Outokumpu Oyj (55%) and Corus UK Ltd (23%). AvestaPolarit has a total of over 18 000 shareholders.

All figures, both pro forma and statutory actual figures, have been presented in tables throughout the Annual Report using the following colour code:

Statutory actual figures

Pro forma figures

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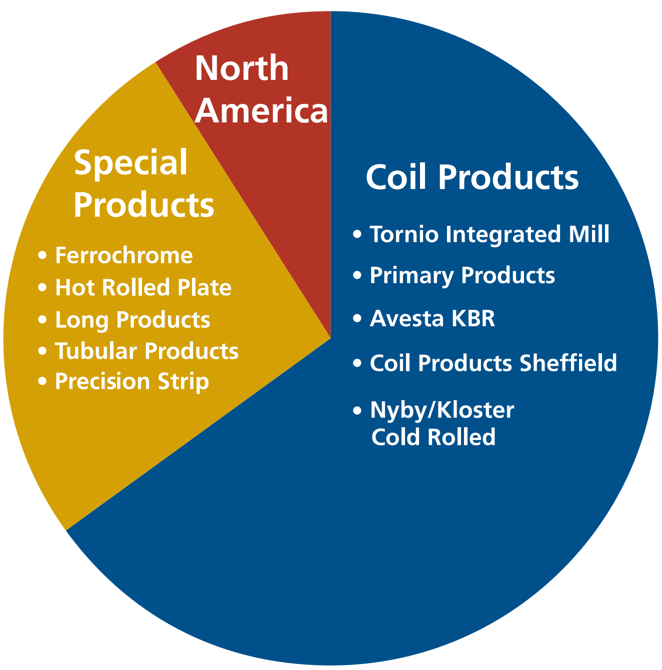
AvestaPolarit 2001

Organisation



The start of an exciting journey

We have now completed AvestaPolarit's first year of operations. I am pleased to report that our greatest challenge – completing the merger and integrating our businesses – has progressed according to plan. We have continued the march towards our main goal – to become 'Best in stainless'. Customers have welcomed AvestaPolarit and our status in financial markets has been strengthened. Our aim is to remain the preferred choice of our customers and to meet the most demanding of expectations.

The organisation has advanced relentlessly to achieve its strategic goals. The estimated synergy benefits of EUR 100 million identified following the merger are well within our reach, and estimated synergies of EUR 18 million have already been achieved. The combination of improved production models and more efficient logistics, coupled with the benefits of product swaps and a greater degree of specialisation at our production plants, is expected to generate greater merger savings than originally anticipated.

The Group's main investment project in Tornio is proceeding according to plan. When the expansion of the site is completed in 2002, the Tornio mill will be the world's largest integrated production facility for stainless steel. The investment programme will also make it possible to restructure the entire Coil Products business area, thus securing an improved and more efficient set-up for the Group's production and logistics.

This restructuring process includes the rationalisation of AvestaPolarit's melting facilities announced in the autumn. Following the expansion of the melting shop in Tornio, the Group's melting capacity will exceed our anticipated needs for the next few years. This makes it necessary to rationalise the business and improve overall efficiency. In accordance with the plans announced, the Group will close its smallest melting shop in Degerfors and transfer its production volumes to the Sheffield melting shop, where a billet caster is being installed. The decision represents a problem for employees at the Degerfors works and will have repercussions for the local community, but the decision has been inevitable and necessary to preserve and improve the company's competitiveness.

Following completion of the project to expand capacity in Tornio, reorganisation of melting facilities and specialisation of production units, AvestaPolarit's cost efficiency and competitiveness will improve considerably. These measures will also provide us with a strong platform for developing further our production and downstream businesses.

The trading environment for stainless steel during the past year has been difficult. World apparent consumption of stainless steel fell by about 3%, and price levels also dropped sharply compared to those in 2000. The combination of low prices and shrinking volumes caused the company's results to weaken considerably compared with the previous year's results. AvestaPolarit's pre-tax result was EUR 131 million, compared to a pro forma result of EUR 460 million in 2000. In this unusually harsh trading climate, in which most stainless steel companies have been reporting losses, we at AvestaPolarit can be relatively pleased with the results achieved. The outlook for the immediate future, however, continues to be overshadowed by uncertainty in the global economy, and 2002 is therefore likely to remain a difficult year for the industry. There have nevertheless been indications to suggest that a market recovery could take place during the second half of 2002. The long-

term prospects for the consumption of stainless steel remain good, with annual growth foreseen to average 5-6%.

AvestaPolarit has a strong position in the global stainless steel market and the potential for future development is promising. When the market recovers and is back to normal, we will be well placed to pursue growth plans and maintain good levels of profitability.

The merger process, which has involved starting a new business and integrating its constituent parts, has been both interesting and challenging. When we launched the new company, Stuart I. Pettifor held a key position as deputy CEO and president of the Coil Products business area. His decision to leave the company in August meant that we lost a colleague whose extensive experience of the industry and strong leadership qualities will be missed, as they played such an important role in the formation of AvestaPolarit. I would like to take this opportunity to thank him and wish him every success in his future career.

The integration process has demanded enormous efforts from our employees. They have risen to the task with exemplary loyalty. We have successfully completed the beginning of our journey, and I would like to offer my sincere thanks to all employees for their contributions. Co-operation, openness to change and support of common objectives will continue to be necessary to ensure that AvestaPolarit's journey remains a successful one. I am convinced that employees will welcome this opportunity to take part in the development process that will make AvestaPolarit the industry leader.

Ossi Virolainen
President & CEO

A stainless mission and vision

AvestaPolarit's mission is to "Make the world stainless" and its vision to become "Best in stainless". This vision reflects the company's ambition and determination to become its customers' preferred choice of partner, recognised for its manufacturing excellence, price competitiveness, high standards of customer service, wide range of products and fast, cost-efficient transactions. AvestaPolarit also aims to become the preferred employer for current and potential employees. Finally, by reporting a consistently strong financial performance, the company aims to become the preferred investment among shareholders.

AvestaPolarit - a strong combination

When Avesta Sheffield and Outokumpu Steel announced their merger plans on 28 September 2000, the announcement was well received by the market. The two companies were seen to match each other perfectly, with Outokumpu Steel's cost-efficient and integrated production providing an excellent complement to Avesta Sheffield's broad product range and extensive distribution network. Synergy benefits from the merger were estimated at EUR 100 million; these were foreseen to be realised by the end of 2005, with the majority already by 2003.

Between September 2000 and January 2001, the companies had to wait for the appropriate approvals from the EU's competition authority and a listing approval from the stock exchanges in Stockholm and Helsinki. The deal was also dependent on shareholders approving an exchange of shares in Avesta Sheffield for AvestaPolarit shares. On 22 January, all the basic requirements for a combination had been met and on 30 January, AvestaPolarit was listed on the stock exchanges in Stockholm and Helsinki.

The new company was born and the integration process could begin.

AvestaPolarit
STAINLESS

The logotype that was produced for AvestaPolarit symbolises the uniting of two strong forces. The basic shape of the logotype derives from the symbol for iron and also incorporates the round shape of a coil. The logotype's circular movement reinforces the image of stainless steel as a recyclable material and illustrates that AvestaPolarit is a company constantly moving forward to meet its customers' needs and requirements.

Clear objective and strategies

AvestaPolarit's overall objective is to secure a significant and sustainable increase in shareholder value as a world-class, independent, focused, profitable and growth-oriented stainless steel company with the potential and ambition to become the global leader in the stainless steel industry.

Clear strategies to achieve this goal and support the integration process were laid out from the very start. Focus is on developing Coil Products as the core business, and initially on ensuring an effective implementation of the major ongoing investment programme that will provide a new platform for growth and global expansion. Key drivers in creating value are also a prompt and effective integration of the two companies and their complementary strengths to exploit economies of scale in production, sales and distribution, research and development, purchasing and administration.

Sales and marketing was a key area for rapid integration. Work also promptly began to set up common systems for finance, IT issues, logistics and purchasing. Corporate offices for AvestaPolarit were established in Stockholm as well as in Espoo, on the outskirts of Helsinki. No external recruitment was required to create an effective management team.

AvestaPolarit's major ongoing investment programme focuses on the production facilities in the Kemi-Tornio region in northern Finland, which encompass a fully integrated production chain from chromium ore mining to stainless steel mills.

Major investment programme to fuel growth

AvestaPolarit's strategy to seek continued growth and expansion emanates from an extensive investment programme for the period 2000 to 2004, which was a cornerstone in the joint business plan drawn up for the merger. The majority of these investments are being made to expand production at the Tornio works in Finland, further strengthening the cost-efficient production of this fully integrated facility for the benefit of the entire Group. The programme will increase the Group's annual production capacity for steel slabs from 1.75 million tonnes to 2.75 million tonnes. Coil rolling capacity is being enhanced from 1.2 million tonnes to around 1.9 million tonnes.

Specialisation for greater efficiency and added value

By integrating production systems at the Group's main coil production facilities in Finland, Sweden and the UK, AvestaPolarit can optimise its business operations. Increasing specialisation at individual production units reduces overlap in capacity and improves overall efficiency. This also helps the Group's facilities to schedule longer production runs and take full advantage of existing capacity, whilst at the same time reducing operational and logistics costs.

AvestaPolarit has a broad range of special products in stainless steel, such as hot rolled plate, tubes and fittings, long products and precision strip. These products have a higher degree of added value, and in many of these businesses AvestaPolarit is already the global market leader. These business units are therefore being developed to focus on products which offer good growth potential and higher margins.

A quality brand

A new Group, focused on growth and determined to become the preferred choice among customers, demands a new strong brand which embraces the Group's core values. Consistent promotion should help associate the AvestaPolarit brand with high quality, service and cost efficiency.

First financial year for the combined new Group

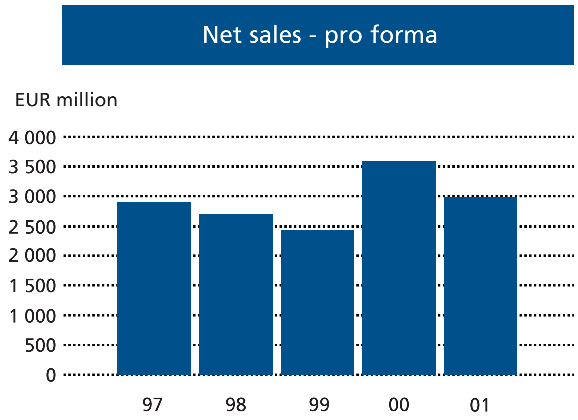
• Stainless steel markets weakened considerably in 2001. The trading environment was extremely difficult and average stainless steel transaction prices and conversion margins were 20% below last year's levels. Against this background, the financial result for 2001 can be considered as satisfactory.

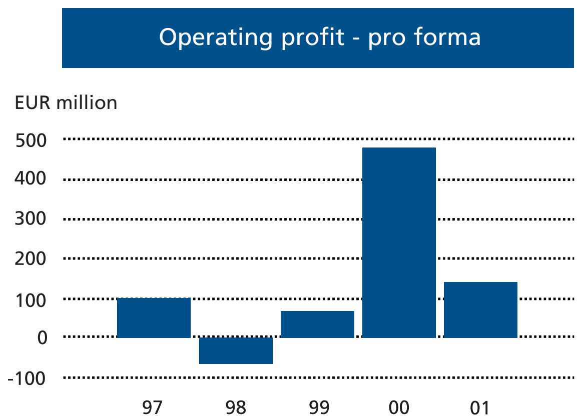
• Both net sales and operating profit for the financial year were significantly down compared to 2000, as a result of lower prices and reduced deliveries. Net sales for 2001 amounted to EUR 2 977 million (EUR 3 592 million), operating profit to EUR 141 million (EUR 479 million) and profit before extraordinary items to EUR 131 million (EUR 460 million).

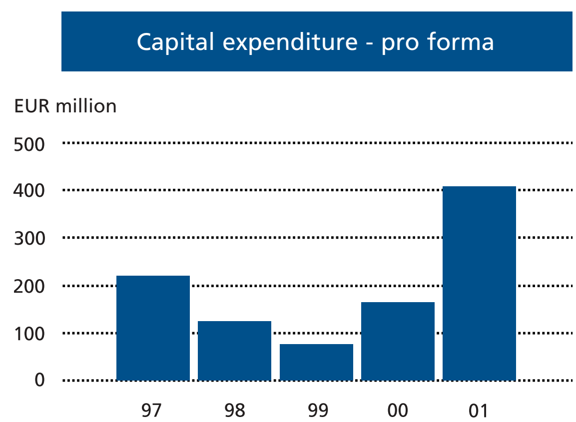
• The integration process following the combination of Avesta Sheffield and Outokumpu Steel has proceeded well.

• The Board of Directors recommends to the Annual General Meeting that a dividend of EUR 0.08 per share be paid out for 2001.

Key figures	Pro forma	
EUR million	**2001**	2000
Net sales	**2 977**	3 592
Operating profit	**141**	479
Profit before extraordinary items	**131**	460
Profit for the financial period	**112**	342
Return on capital employed, %	**7.0**	25.7
Net interest-bearing debt at year end	**482**	269
Debt-to-equity ratio (gearing), %	**39.7**	22.8





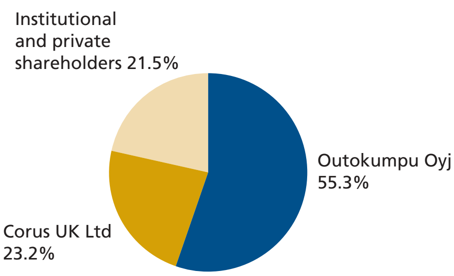


• The first day of trade with the share on the stock exchanges both in Stockholm (XSSE) and Helsinki (HEX) was 30 January 2001.

• During the first twelve months of trading, the share price rose at HEX by 43.2% and at XSSE by 53%.

• Continuous significant increase during the year was recorded in both trading volume and number of shareholders in Finland.

Ownership

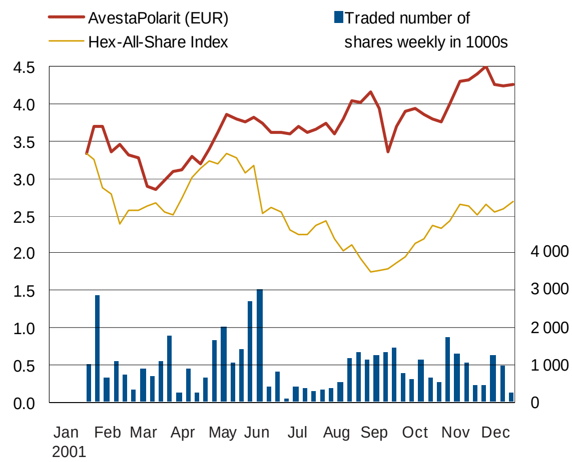


Key share-related data	Pro forma	
EUR	**2001**	2000
Earnings per share		
- excluding negative goodwill[1]	**0.19**	0.98
- including negative goodwill	**0.32**	0.98
Cash flow per share	**0.61**	1.04
Shareholders' equity per share	**3.46**	3.36
Dividend per share	**0.08**[2]	0.15
Dividend/earnings ratio, %	**0.25**[2]	0.15
Dividend yield, %	**0.02**[2]	-
Price/earnings ratio	**21.3**	-
Market capitalisation at end of period[3], EUR million	**1 483**	-

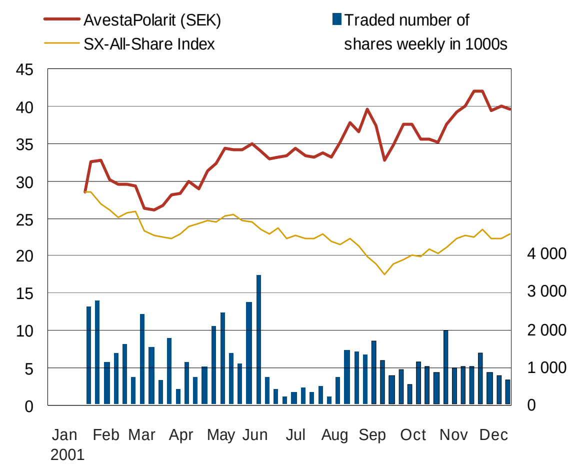
1) Amortisation of negative goodwill deducted from profit.
2) The Board of Directors' proposal to the Annual General Meeting.
3) On the Helsinki Stock Exchange.

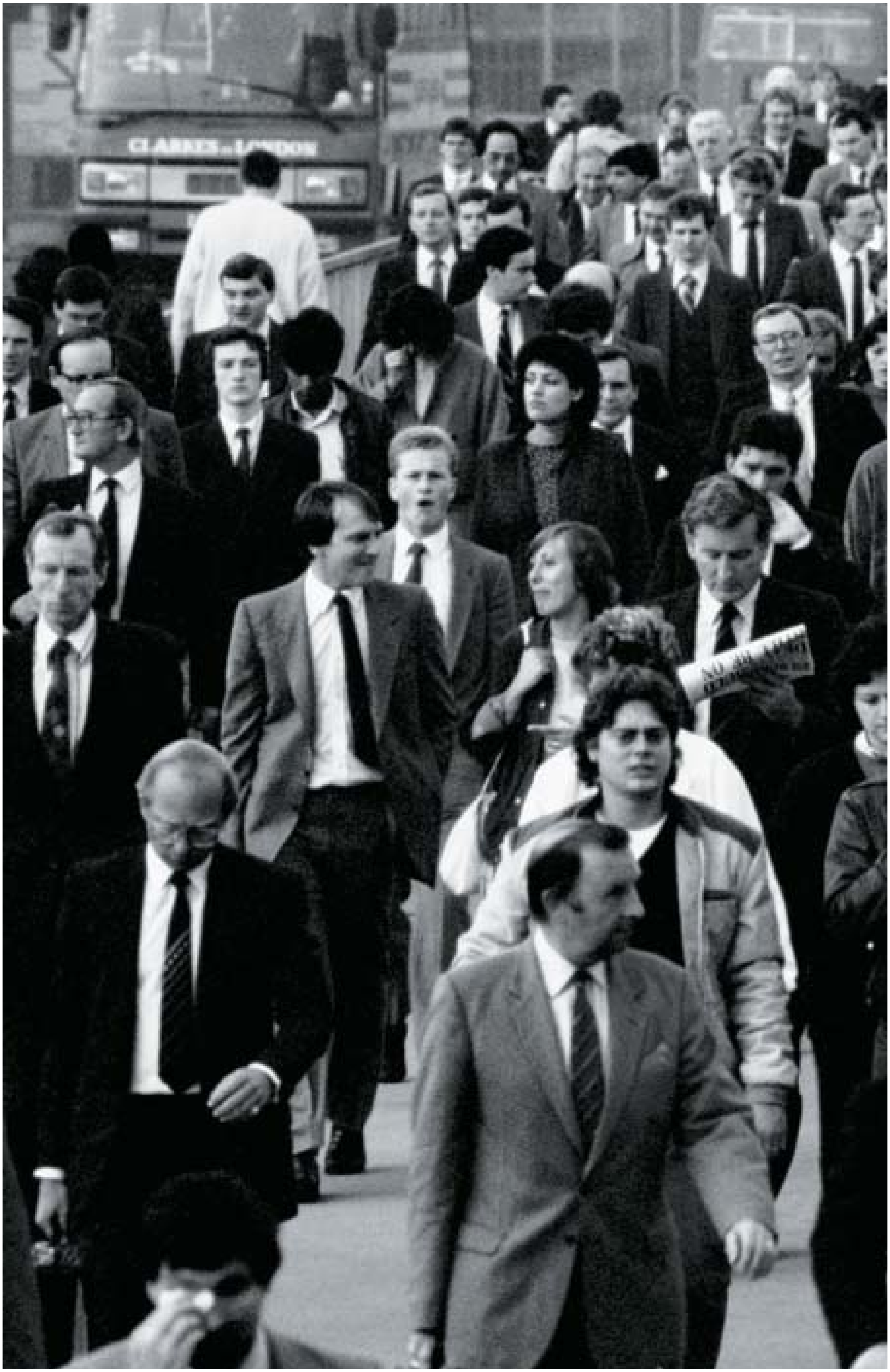
Share price and trading volume

Helsinki



Stockholm





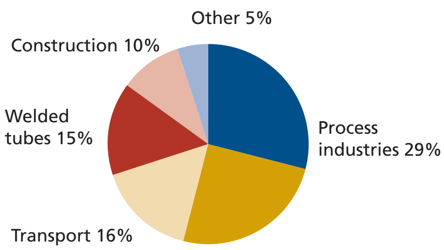
Global market decline for stainless steel

The trading environment in 2001 was difficult, characterised by economic uncertainty in general and a recession in the USA in particular. The events of 11 September and their consequences have exacerbated the situation further. Latest estimates indicate that the global economy grew by just over 1% in 2001, whilst the European economy grew by about 1.6%, despite a slowdown towards the end of the year, particularly in Germany.

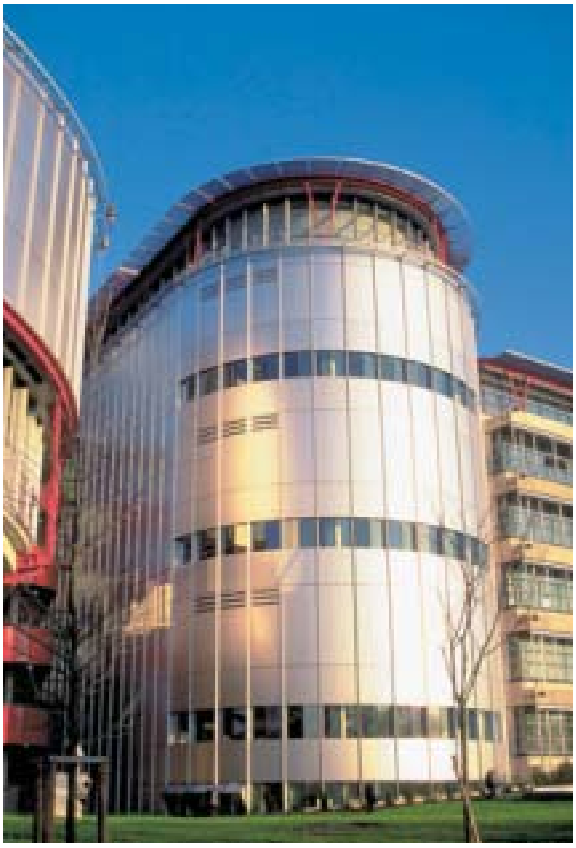
The economic slowdown has also been noticed in other markets. After a slight recovery, the Japanese economy stagnated and GDP in 2001 fell marginally. However, economic developments in Asia were supported by strong growth in China, where GDP increased by more than 7%.

World apparent consumption of stainless steel in 2001 fell by about 3% to an estimated 19.2 million tonnes. Apparent consumption of cold rolled material fell by 2% to 9.9 million tonnes. This reduction occurred principally in Europe and the USA; in contrast consumption in China and Japan increased by 13% and 8% respectively. World demand for hot rolled stainless steel remained unchanged in 2001 at 2.5 million tonnes, with consumption of both continuously produced plate and quarto plate little changed from 2000. Strong growth in demand for hot rolled material in China and Japan offset reductions in Europe and the USA.

Stainless steel consumption 2001



Source: CRU International



Stainless steel facade at the European Court of Human Rights in Strasbourg.

Europe

For the European market, 2001 got off to a promising start and demand for cold rolled stainless steel rose by 4.5% during the first quarter compared to the final quarter of 2000. This increase reflected the end of the de-stocking phase which began during the summer of 2000 and helped raise base cold rolled prices from EUR 1 150/tonne in March to EUR 1 350/tonne by June. Nickel prices also rose and total cold rolled selling prices, including alloy surcharges, peaked at almost EUR 1 800/tonne in August. However, during the summer months, as the economic outlook started to look less favourable, demand started to decline. As pessimism was at its greatest in the consumer sector, demand for consumer products was hardest hit. Demand remained subdued in the final quarter of the year due to continued de-stocking and lower economic activity. Nevertheless, whilst total cold rolled prices declined in line with the fall in nickel prices, base prices remained stable, as producers reduced production in line with demand. Overall, demand in 2001 fell by almost 5% compared to 2000.

European hot rolled demand fell by 6% in 2001, but base prices remained steady. Demand also fell for long products and tubes, but not to the same extent as for cold rolled coil. This is because demand for these products is more closely related to industrial production and new investments in industry than to consumer behaviour.

USA

Stainless steel demand in the USA, which was already poor at the beginning of 2001, weakened further during the summer months and cold rolled demand for the year fell by approximately 15% compared to 2000. Stainless steel production has averaged around 155 000 tonnes a month, the lowest level since 1994.

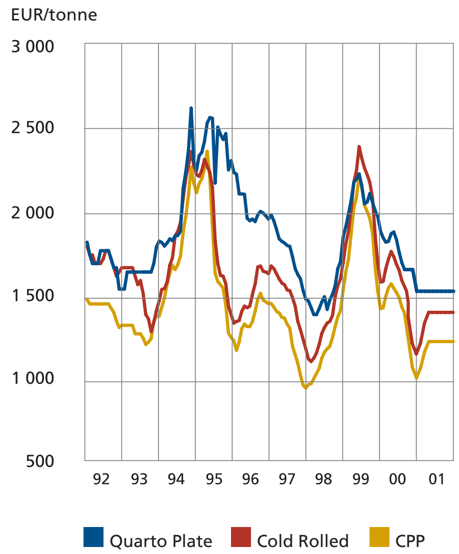
The poor economic background in the USA and the difficult situation facing the steel industry will continue to encourage protectionist policies. However, in October, the International Chamber of Commerce ruled that all stainless steel semi-finished products would be exempted from further investigations within the framework of the Section 201 review concerning the impact of steel imports on local producers. This means that imports of slabs and billets are not affected. The same ruling declared that long products, fittings and flanges would be the subject of further investigations. AvestaPolarit takes a positive view of this decision, as coil imports are not affected and the Group's deliveries of semi-finished products to its business area in North America can continue.

Average cold rolled total selling prices were some 20% above European prices in 2001. Demand was depressed through 2001 for both bar and plate, with selling prices below 2000 levels.

Asia

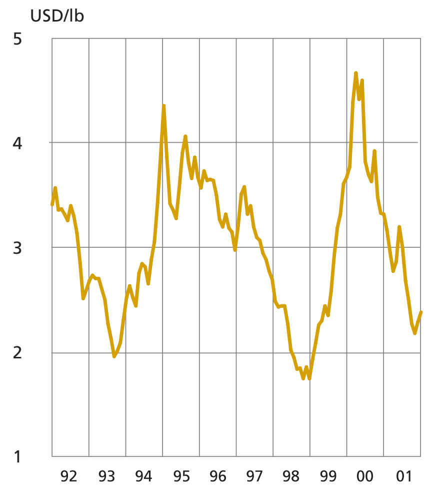
In Japan, domestic demand was very weak during 2001 and Japanese stainless steel producers cut production. The situation facing Japanese mills was exacerbated by imports from South Korea, which rose by almost 50% during the first five months of 2001. Demand in Taiwan and Korea was also low, prompting a sharp cutback in output by domestic producers. Despite some weakness in China due to a slow-

Stainless steel prices*

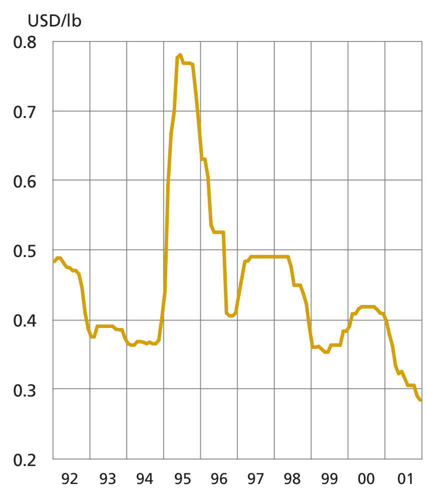


* European stainless steel transaction prices

Nickel price



Ferrochrome price



down affecting the re-export of processed products to the USA in particular, demand for cold rolled material grew by 13% in 2001, to 1.5 million tonnes, and demand for hot rolled products also rose strongly by about 20%. The country's demand for stainless steel is expected to grow at a rate of 8-10% over the next 5 years. Accession by China to the World Trade Organisation means that import duties on cold rolled material will be substantially reduced and this should help underpin future growth in demand.

Raw materials

In the 2001 financial year, expenditure on the raw materials nickel, chromium and molybdenum, including the secondary alloying elements in stainless steel scrap, represented approximately 50% of the Group's costs. Raw material expenditure in the year amounted to EUR 1.4 billion, including EUR 1.0 billion for nickel.

The extended de-stocking cycle and reduction in real demand suffered by the stainless steel industry in 2001 had a major influence on the prices of key raw materials, which showed considerable weakness throughout the year. Although speculative activity continued to produce some volatility in nickel pricing, excess supply in the market resulted in a very sharp fall in prices over the year. The average LME nickel cash price for 2001 of USD 2.70/lb compares with the 2000 average of USD 3.92/lb. Recovery in nickel consumption is not expected before mid-2002.

The charge chrome market was also extremely weak and the annual average price fell to USD 0.32/lb Cr, an all-time low in real terms.

AvestaPolarit's status in the market

The merger between Avesta Sheffield and Outokumpu Steel was finalised at the end of January 2001. One of the overall targets set by the merger was to integrate the two companies' sales channels to convey a single image to the market, with minimum disturbance to existing customer relations. Since the merger, the company has consolidated its position in Europe and has either defended or grown its market share in its product sectors.

Market prospects for stainless steel

Historically, stainless steel consumption has been very strong, growing in the western world at an annual rate of around 5.5% since 1980. The growth trend for cold rolled was even higher during the 1990s at 7.5%. Therefore falling market demand for stainless steel is unusual considering the strong underlying growth in terms of actual requirements. In fact consumption has only fallen on two separate occasions during the past 25 years: during the oil crisis of 1979-81 and the 1990 recession.

Even taking a cautious view today as far as the economic recovery is concerned, it is likely that inventory levels during 2002 will once again rise, though consumption is expected to improve by at least 3-5%. Future growth in stainless steel consumption is expected to follow historical trends.

A material for the future

There are several reasons for the high rate of growth enjoyed by stainless steel. The first is its low life cycle cost. Whilst stainless steel may initially be more expensive in installations, the material requires very little maintenance during its service life, which tends to be much longer than for competing materials. Another reason is the growth and expansion of larger groups of affluent consumers, which has in turn created a greater need for construction, consumer goods, transportation, energy, chemicals and water. All of

Average annual metal market prices		**2001**	2000	1999	1998	1997	Change % 2001/2000
Stainless steel							
- transaction price	EUR/kg	**1.65**	2.07	1.30	1.41	1.64	-20.3
- base price	EUR/kg	**1.28**	1.52	1.18	1.28	1.40	-15.8
- conversion margin	EUR/kg	**0.86**	1.08	0.74	0.83	0.93	-20.4
Ferrochrome (Cr-content)	USD/lb	**0.32**	0.41	0.36	0.45	0.46	-22.0
	EUR/kg	**0.79**	0.98	0.75	0.89	0.88	-19.4
Nickel	USD/lb	**2.70**	3.92	2.73	2.09	3.14	-31.1
	EUR/kg	**6.64**	9.35	5.65	4.15	6.04	-29.0

Sources:
Stainless steel: CRU - Germany transaction price, base price and conversion margin (2mm cold rolled 304 sheet). CRU estimate prices for deliveries made in Germany during the period.
Ferrochrome: CRU - high carbon ferrochrome, 50-55% Cr. *Nickel:* London Metal Exchange (LME) cash quotations.

these sectors are significant users of stainless steel. The increasing efficiency of industrial processes has led to greater demands being placed on the materials used in such applications, and stainless steel is capable of meeting these demanding requirements.

The decline in stainless steel prices has also contributed to the material's strong volume growth. This fall in prices can be shown by using the transaction price in Germany for 2mm 304 material as a comparison to illustrate trends throughout Europe. Using this method, prices have fallen by 30% during the period 1980-2000 based on ”money of the day” prices, while at the same time real prices (inflation adjusted) have more than halved. Also the price of stainless steel has fallen significantly relative to that of competing materials.

Many of the developments noted for stainless steel to date have focused on the material's excellent corrosion resistance, which will ensure that the material continues to play an important role for industries such as pulp and paper, oil and chemicals. More recently, attention has been focused on other important properties of stainless steel such as its mechanical properties and the possibility to take advantage of its surface finish in both aesthetic and functional contexts.

There is little doubt that the properties which have contributed to growing demand for stainless steel will continue to be an important consideration in the future. It is also likely that the downward price trend will continue in the next few years, both in real terms and in comparison to competing materials. Technical developments will continue and enable higher quality stainless steel to be produced at lower cost. Efforts to integrate production further will also continue. These will primarily focus on developing casting processes for thin slab and thin strip to optimise production at the hot rolling stage. As regards cold rolling, the trend is moving towards more integrated production units where several production processes can be handled on a single production line.

Stainless steel is also likely to benefit from the declining cost of the key alloying elements, nickel and chrome. In the early 1990s the expected long-term average price for nickel was expected to be around USD 4/lb but widespread cost cutting and the introduction of new refining technology has brought this down to around USD 3/lb. Similarly for ferrochrome, a few years ago the expectation was that long-term prices would average around USD 0.50/lb whereas today the figure is perceived to be in the range USD 0.35-0.40/lb.

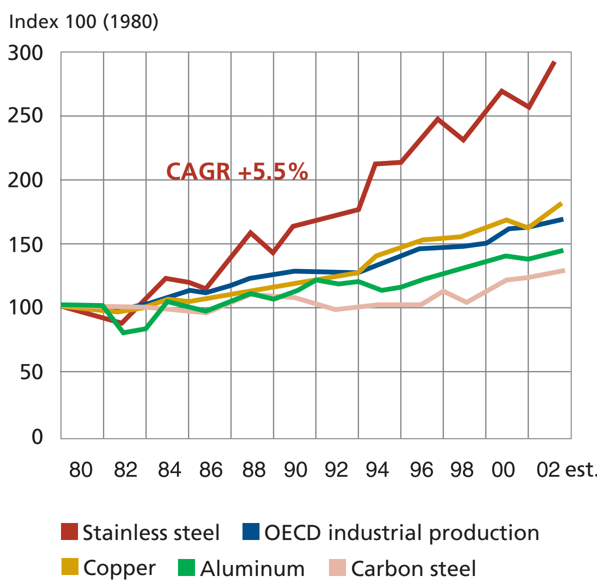
Consolidation and competition

Large-scale economies are another driver for lower production costs. In 1976 there were 20 manufacturers of stainless steel in Western Europe, which had an average production capacity of 70 000 tonnes a year. In 2001, only four remain, each with an average melting capacity of about 2 million tonnes.

The most recent merger has included the stainless steel units of Usinor (Ugine in Europe, J&L in USA, Acesita in Brazil, and Thainox in Thailand) and Arbed (ALZ). This has resulted in the formation of Arcelor, which has become the world's second largest group active in the stainless steel market, with an annual slab melting capacity of 2.5 million tonnes. CRU estimates that the Arcelor group has a market share of 25% in Europe, compared to 33% for Krupp Thyssen Nirosta, 28% for AvestaPolarit and 14% for Acerinox.

In 2001, Acerinox acquired a 64% stake in the South African producer Columbus Stainless. Columbus operates melting facilities and hot and cold rolling mills. Acerinox also owns North American Stainless, which operates hot and cold rolling facilities and is currently commissioning a new melting shop. This group has an overall melting capacity of about 2.5 million tonnes.

Stainless steel the fastest growing metal



Source:CRU

In Japan, Kawasaki and NKK have announced merger plans and a series of less formal production agreements, under which certain production units will focus on certain products.

Global production to increase in the long term

Although production capacity for crude stainless steel increased only 6% between 1998 and 2001, new investments will add capacity of approximately four million tonnes by 2004, corresponding to a growth rate of 6-8% per year. The production capacity of cold rolled stainless steel is expected to rise by approximately 2 million tonnes during the same period. Europe will account for more than half of the growth anticipated for crude stainless steel capacity and around 30% of the growth for cold rolled steel capacity. During this period, several major developments will take place in China but China is nevertheless expected to remain a net importer for the foreseeable future.

Stainless steel has brilliant prospects

Stainless steel is used in a wide variety of applications. In addition to its popularity in everyday applications such as sink units, razorblades and cutlery, it is often the preferred material for demanding industrial applications in harsh environments, e.g. offshore installations, where reliability and safety are paramount. And as stainless steel requires virtually no maintenance, it can offer important environmental and cost benefits.

In addition to its excellent corrosion resistance, stainless steel is light, strong and aesthetically pleasing, and these properties have contributed to its increasing popularity in, among others, architectural and structural applications (cladding for walls and facades, reinforcement bar, etc) and the automotive segment (exhaust systems).

Further, stainless steel is an excellent choice for applications in the food and beverage sector, the pharmaceuticals industry and in health care, where hygiene requirements are often critical.

As price differentials with competing materials continue to shrink, the position of stainless steel can be expected to be further enhanced. And as new, hitherto unexplored, markets and segments appear on the horizon, the growth potential for stainless steel is stronger than ever. The message is clear: stainless steel has brilliant prospects.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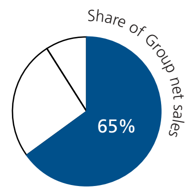
Capacity enhancement for core Coil Products businesses

The Coil Products business area is AvestaPolarit's core business and consists of the steel melting and coil processing systems in Tornio in Finland, at Avesta, Nyby and Kloster in Sweden and in Sheffield in the UK. These facilities are being integrated and developed to create a world-leading production system distinguished by high quality and cost efficiency. When the current Tornio capital expenditure programme is completed in December 2002, annual stainless steel slab melting capacity for the Coil Products business area will increase from 1.75 million tonnes to 2.75 million tonnes.



Strategies

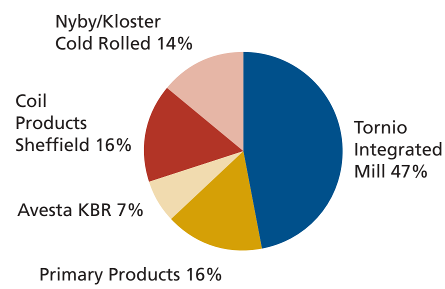
The Coil Products business area is developing the Tornio steel mill to create the world's most cost-efficient production facility for stainless steel. An investment in new integrated rolling, annealing and pickling technology will further improve AvestaPolarit's competitiveness in the stainless steel market. The capacity of the existing hot rolling mills in Avesta and Tornio will be gradually enhanced to match the increasing melting capacity and the coil processing facilities in Avesta will be developed to create a large-scale, cost-efficient processing line for both cold rolled and CPP (Continuously Produced Plate) material. Coil Products Sheffield will concentrate on refined, surface-treated products whilst the mills at Nyby and Kloster will focus on the growing market for thinner cold rolled products. In key markets, the sales companies have processing facilities to improve the range of service to customers.

	Pro forma	
Key figures, EUR million	**2001**	2000
Net sales	**2 227**	2 686
Operating profit	**77**	341
Capital employed at year end	**1 370**	NA
Return on capital employed, %	**6**	NA
Number of employees	**4 009**	3 859

	Pro forma	
Production, 1000 tonnes	**2001**	2000
Steel slabs	**1 456**	1 536
Cold rolling mill production		
- cold rolled	**766**	828
- white hot strip	**337**	363

	Pro forma	
Net sales by business unit, EUR million	**2001**	2000
Tornio Integrated Mill	**910**	1 143
Primary Products	**1 124**	1 131
Avesta KBR	**298**	372
Coil Products Sheffield	**465**	531
Nyby/Kloster Cold Rolled	**319**	406
Sales within the business area	**-889**	-897
Total	**2 227**	2 686

Employees by business unit 2001



Financial performance 2001:

Net sales in 2001 were down 17% and operating profit down 77% for the Coil Products business area, compared to 2000 levels. The decline was primarily attributable to a fall in both selling prices and delivery volumes. Coil Products maintained its market share throughout 2001.

Coil Products business units

Tornio Integrated Mill

The Tornio Integrated Mill focuses on standard austenitic grade stainless steel strip and sheet. Upon completion of the current expansion, Tornio will be the world's largest integrated facility for stainless steel production. A special feature in Tornio is the opportunity for synergies provided by the ferrochrome production at the same site. Liquid ferrochrome can be supplied for the steel melting, and carbon monoxide gases from the ferrochrome process can replace part of the liquid petrol gas as fuel in the entire steel production chain. The principal strategy of the unit is to achieve profitable growth through expansionary investments and by continuously improving the entire operation.

A major proportion of AvestaPolarit's future capacity enhancement will take place at Tornio and is supported by a capital expenditure programme totalling EUR 790 million according to the latest estimate. These investments will be completed during 2002 and the new capacity will start gradually to come on stream during the second half of 2002.

The capacity of the steel melting shop will increase from today's 650 000 tonnes per year to 1.65 million tonnes per year.

Capacity of the hot rolling mill will by 2004 be increased gradually to one million tonnes per year, at the same time as the capacity for the production of cold rolled material will be increased by about 450 000 tonnes to one million tonnes per year. Growth in strip products will occur primarily through the installation of a new integrated production line that includes cold rolling, annealing, pickling and skin-pass rolling. This ”RAP-line” will produce finished products as well as hot band for further processing at AvestaPolarit's other cold rolling mills. A slitting line is also being installed at the Terneuzen processing facility in the Netherlands to improve customer service.

Other capital expenditure programmes completed during 2001 include the start-up of a coil brushing line and a neutralisation facility, as well as a modernisation of the number two Sendzimir mill at the cold rolling plant.

Primary goals for continuous improvements are to shorten lead times, improve delivery reliability, reduce costs and to maintain high product quality. A new IT module for production planning was implemented during the summer. This will provide better

Scrap is the main raw material used in the production of stainless steel.

The scrap is melted and alloying elements, such as nickel, molybdenum and chromium, are added.

The cast steel slab is rolled to a length of up to one kilometre and down to thicknesses of 2-12 millimetres on the hot rolling mill.

control of the order and supply chain. Delivery reliability was affected during the third quarter due to start-up and production problems, but these were solved during the fourth quarter.

Primary Products

The Primary Products business unit includes the melting shop in Avesta, the SMACC melting shop in Sheffield and the Steckel rolling mill in Avesta. The unit supplies stainless steel slabs and hot rolled material for further processing at the Group's various rolling mill units.

The goal for the next few years is to develop capacity at the melting shop in Avesta to achieve a stable production rate of 580 000 tonnes per year. A capital expenditure programme to support this objective was completed in 2001, when the melting shop also improved its cost structure and increased production volumes.

At the SMACC melting shop in Sheffield, an investment of EUR 22 million in a continuous casting line for billets and blooms is under way to produce steel for long products, thereby complementing the plant's existing slab production. The production volumes from the melting shop in Degerfors will progressively be moved to the SMACC facility during 2002-2003 and the melting shop in Degerfors will be closed. The SMACC melting shop in Sheffield continued to achieve high and even production levels during the year.

The Steckel rolling mill in Avesta performed extremely well during the first half of the year, but experienced disruptions to production in the second half caused by start-up problems related to investments made during the summer shutdown period. These problems have since been resolved and the goal of the facility is to increase capacity to one million tonnes per year.

Avesta KBR

Avesta KBR produces and sells stainless steel products up to two metres in width and in thicknesses up to 13 millimetres. The business unit is part of the integrated facility in Avesta. KBR has a unique product mix, with both hot rolled and cold rolled products as well as high-alloy, speciality steel grades.

During 2001 KBR initiated a project to enhance its production capacity from 200 000 tonnes to 330 000 tonnes per year, and this capacity will be reached towards the end of 2002.

The strip is then coiled before being transferred to the cold rolling mill.

After an initial annealing process, the hot rolled coil undergoes cold rolling and final annealing. During this stage of production, the steel can be rolled to very thin gauges.

Stainless steel coil products are cut and slit to a variety of dimensions, depending on the intended area of application.

High strength material, such as duplex grades, are an important part of the programme to offer cost-benefits to customers. New developments are made in co-operation with customers and supported by Group R&D. The driving force behind this development is a desire to optimise the strength/weight relationship of stainless steel.

Coil Products Sheffield

This business unit comprises two manufacturing sites. The main site is located in Sheffield, and this is complemented by a smaller site located in Panteg, South Wales.

The unit in Sheffield manufactures austenitic stainless steel in the form of cold rolled sheet and strip. During the year, the unit started work to change focus from bulk products to niche products that generate higher returns, and to products for end users. The aim is to offer a high service level to demanding customer segments and this would also complement the bulk production from Tornio.

A plan to improve profitability and lower costs was formulated during the first half of the year. The main focus is to improve the business's position in the market as well as to achieve significant cost savings. A recent marketing innovation has been the development of the SuperBrush™ product, which has grown quickly and found many applications in white goods, architectural applications and wine tanks. To better meet future challenges, the organisation has been changed and streamlined. One aspect of this has been that the Billing business unit in the UK, selling seconds from the business, has been integrated into Coil Products Sheffield to achieve not only synergies and greater efficiency, but also a reduction in the output of non-prime material.

The Panteg unit in Wales concentrates its efforts on ferritic products, and all austenitic production will be phased out at this site during 2002. An announcement was made in January 2002 of restructuring at the Panteg unit to develop a more cost-effective ferritic process.

Nyby/Kloster Cold Rolled

The cold rolling mills Nyby in Torshälla and Kloster in Långshyttan constitute the Nyby/Kloster Cold Rolled business unit and manufacture cold rolled stainless steel strip and sheet.

The Nyby facility specialises in delivering to markets where thin-gauge, wide strip is used, and in special-grade material and downstream products. It also supplies the Kloster plant and the Group's Swedish tube production businesses with material. The Kloster plant specialises in thinner gauge material than Nyby. Both facilities are highly specialised to meet customer-specific requirements.

Nyby has completed a capital expenditure programme that will increase the facility's capacity for the production of thinner gauge material and special grade products. The programme will enable the weight of cold rolled coil to be increased and the maximum width of strip to be increased from 1 350 millimetres to 1 500 millimetres.

A robot-controlled cutting system has been introduced at the Kloster plant and a new standard for tolerances and slitting burr has been established.

Investments and integration progressing to plan

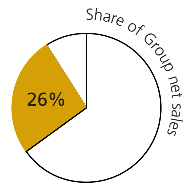
Production swaps have already taken place between the various cold rolling mills to optimise the production of coil products. Completion of the Tornio capital expenditure programme will enable more product swaps to take place. This will contribute to reducing the cost base for Coil Products as a whole.

A decision was made in February 2002 to revise the organisational structure of AvestaPolarit, in order to better align it to the strategic business development framework. All the operating units in Avesta (melting shop, hot rolling mill and KBR) will be combined to form a new business unit: the Avesta Integrated Mill. The SMACC melting shop in Sheffield will be combined with the Long Products unit, to which there is a natural link as one of SMACC's main tasks will be to supply billets for the production of long products. This revised business structure will be effective from 1 April 2002, and will mean discontinuing the current Primary Products business unit.

Special Products focus on creating added value

The Special Products business area consists of business units with operations that cover AvestaPolarit's entire production chain. These businesses are: Ferrochrome, Hot Rolled Plate, Long Products, Tubes, Fittings, and Precision Strip.

The units in Special Products represent businesses with a higher degree of added value, and in many of these businesses AvestaPolarit is already the global market leader. These units are being developed to focus on products with good further growth potential and higher margins. Value enhancement and improvements in efficiency are also achieved by their links to the Coil Products businesses. The units can create and maintain integrated flows of material and processes, common process technology and joint distribution channels, as well as integrated marketing initiatives to target shared customer groups.



		Pro forma
Key figures, EUR million	**2001**	2000
Net sales	**903**	1 030
Operating profit	**26**	104
Capital employed at year end	**267**	NA
Return on capital employed, %	**10**	NA
Number of employees	**3 231**	3 248

		Pro forma
Production, 1000 tonnes	**2001**	2000
Ferrochrome	**236**	261
Quarto plate	**65**	74
Long products	**209**	209
Tubes and tube fittings	**60**	75
Precision strip	**25**	27

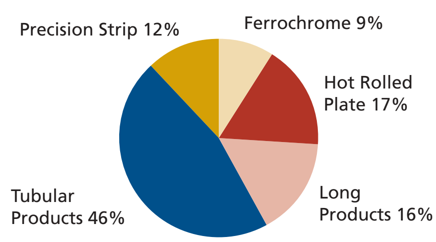
		Pro forma
Net sales by business unit, EUR million	**2001**	2000
Ferrochrome	**96**	109
Hot Rolled Plate	**195**	206
Long Products	**248**	299
Tubular Products	**297**	356
Precision Strip	**99**	96
Sales within the business area	**-32**	-36
Total	**903**	1 030

Special Products business units

Ferrochrome

Operations in the Ferrochrome business unit consist of the chromium mine and concentrator in Kemi and a ferrochrome plant in Tornio in Finland. The main product is charge grade ferrochrome, which is used as a raw material in the production of stainless steel at the nearby integrated melting shop in Tornio and at AvestaPolarit's other melting shops in Avesta and Sheffield. Any remaining ferrochrome is sold in the

Employees by business unit 2001



Financial performance 2001:

Net sales for the Special Products business area fell by 12% compared with the previous year, as most business units reported lower delivery volumes and selling prices. Operating profit was down 75% compared to 2000 levels. As a result of the difficult trading environment in 2001, profitability for most business units fell, compared with the levels reported in 2000.

Hot Rolled Plate maintained profitability, despite the low level of investment activity in the market. Precision Strip also maintained a satisfactory level of profitability, as deliveries and selling prices for these products held up well. Volumes for Long Products were similar to those levels reported for the previous year, but lower selling prices contributed to a decline in profitability. The Tubes and Fittings businesses were also affected by the low level of investment activity in the market, coupled with pressure on selling prices. Profitability of the Ferrochrome business unit was adversely affected by the low selling prices for ferrochrome.

Kemi mine production	2001	2000
Ore excavated, million tonnes	**1.2**	1.3
Chromite concentrates, tonnes	**575 100**	628 400

Ore reserves and mineral resources, 31 December 2001

	Million tonnes	Grade
Ore reserves		
Proved	54	25% Cr_2O_3
Probable	3.3	26% Cr_2O_3
Mineral resources		
Measured	13	22% Cr_2O_3
Indicated	20	28% Cr_2O_3
Inferred	72	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 deposit, the extent and grades of which have been assessed by geological methods. Ore reserves are the economically exploitable part of the mineral resources defined on the basis of feasibility studies.

The table presents the total tonnes of the deposit. Ore reserves are not included in mineral resources. The extent of ore reserves and mineral resources is presented in millions of tonnes (Mt) and the grades as percentages (%) of Cr_2O_3 = chromium oxide.

open market, primarily to other European stainless steel producers. The Kemi mine produces approximately one million tonnes of chromite ore per year from an open pit mine. The chromite ore is then used to produce about 260 000 tonnes of ferrochrome annually.

The strategy for the Ferrochrome business unit is to maximise the shared value with Coil Products by providing high-quality ferrochrome at competitive prices. The key goals are to increase cost efficiency in order to increase profitability and to further improve safety and environmental standards in mining and metallurgical production.

Ferrochrome's capital spending during 2001 was focused mainly on development of the mining operations, and this capital expenditure programme, amounting to approximately EUR 70 million, is progressing according to plan. The changeover to less expensive underground mining is expected to occur in stages after 2003.

AvestaPolarit is the largest producer of ferrochrome in Europe. Its raw material base is secured from the company's own Kemi chromium mine, where the ore reserves are abundant and have been estimated to suffice for well over 50 years at current ferrochrome production levels.

Hot Rolled Plate

The Hot Rolled Plate business unit, which is a world leader in quarto plate, includes the Hot Rolled Plate production facility in Degerfors and the niche manufacturing units AvestaPolarit Press Plate and AvestaPolarit Prefab in Avesta in Sweden. These are complemented by six plate service centres based at strategic locations in Europe. All facilities are closely linked through joint production offerings of individually rolled heavy stainless steel plate, often known as quarto plate. The total manufacturing capacity for quarto plate is about 100 000 tonnes per year.

Hot Rolled Plate produces plates in gauges ranging from 5-100 millimetres, in widths of up to 3.2 metres and lengths of up to 14.0 metres. The plates are used primarily for highly demanding applications within segments such as offshore, pulp and paper, chemical tankers, and plants for processing chemicals, urea and desalination.

AvestaPolarit Press Plate produces press plates, transport plates and wear plates that are used in the manufacture of plastic laminates, hard board, plywood and veneer. AvestaPolarit Prefab manufactures prefabricated products such as suction roll shells, material sets for pressure vessels and thick-walled welded pipes.

The pulp and paper industry is a major user of stainless steel.

The plate service centres offer a wide range of downstream processing services to meet the special needs of customers.

Since the volume of quarto plate is relatively small but specialised, it is likely that the trend will be towards a smaller number of producers striving for cost efficiency and a higher degree of specialisation. The goal of Hot Rolled Plate is to be at the leading edge of these expected structural developments. Focus will therefore be on development of further specialised steel grades and improved cost efficiency. The recent investment in a modern roller hearth furnace will play an important part in achieving this goal. The concentration of plate service centres in Finland and a reorganisation of several other facilities have resulted in a strengthened organisation.

Long Products

Long Products' manufacturing units include Degerfors Stainless, Alloy Steel Rods (ASR) and AvestaPolarit Welding, and two joint ventures, Fagersta Stainless and Avesta Valbruna.

Degerfors Stainless is currently responsible for the production and sales of semi-finished, continuously cast billets and blooms. However, in order to improve the Group's melting shop structure and reduce costs it was decided to close the melting shop in Degerfors, which is the smallest of the four melting facilities. According to the plan, Degerfors Stainless will be closed in 2003 and its production volumes will be transferred to the melting shop in Sheffield. A key goal during the coming year is to continue providing customers with excellent quality and service from Degerfors Stainless until the production of long products has been established at Sheffield. The new continuous casting facility for billets and blooms at Sheffield will constitute a basis for further growth and business development.

The food and beverage industry appreciates the hygienic properties of stainless steel.

ASR is a rod-rolling business, which, in addition to rounds, supplies special niche products and a broad range of flat bar in coil, as well as squares, hexagon and rebar. ASR was able to improve its competitive edge during the period due to lower feedstock costs made possible by direct casting billets in Degerfors. ASR also continued its work to remove production bottlenecks by investing in descaling.

AvestaPolarit Welding manufactures stainless steel welding consumables, such as welding electrodes, flux-cored wire, MIG and TIG wire, welding strip and chemical products for pickling stainless steel. AvestaPolarit Welding will develop further the potential for its latest investment in flux-cored wire production. At the same time, leading logistics systems and route-to-market systems will be utilised to achieve a better service level for its growing customer base. A subsidiary in Indonesia successfully started production of covered electrodes during the year.

Fagersta Stainless is a Swedish wire rod producer and Avesta Valbruna sells stainless steel bars in the Nordic market. AvestaPolarit holds a 50% stake in each of these joint ventures. Sandvik Invest AB owns the remaining 50% of Fagersta Stainless and Acciaierie Valbruna srl the remaining 50% of Avesta Valbruna. Both have shown a positive development during the year. Their feedstock comes partly from companies in the Group.

Tubular Products

The Tubular Products business unit was reorganised into two separate business units in November 2001, Tubes and Fittings, reflecting the two main product categories. This has provided a clearer structure for efficient management of each respective product sector and for further development of the businesses.

This reorganisation will be accompanied by a legal restructuring, in which Oy JA-RO Ab will be transferred to become a subsidiary of Avesta Sandvik Tube (AST) through a sale of shares. AST is currently owned 75% by AvestaPolarit and 25% by Sandvik Invest AB. AST will finance the purchase by a share

Stainless steel hose clamp.

issue, in which Sandvik Invest has declared that it will not subscribe for new shares. The transfer is scheduled to take place during the first quarter of 2002, and as a result of the transaction AvestaPolarit's ownership of AST will increase to about 83%.

Tubes

The Tubes business unit includes the facilities of the Avesta Sandvik Tube Group, JARO Tubes and Stelco Hardy. These businesses produce stainless steel welded tubes in a variety of dimensions used in a number of different applications in segments such as the pulp and paper industry, the chemical and petrochemical industries, the dairy and food and beverage sectors, the automotive industry and in pipelines for potable water. A majority of the products are made of austenitic stainless steel using modern and efficient welding methods, such as MIG, TIG, plasma, high frequency and laser welding in the production processes.

Avesta Sandvik Tube has production facilities in Sweden, Finland and the Netherlands. Its Helmond plant in the Netherlands was completely destroyed by fire in January 2002 (further information on page 45). JARO Tubes has its production in Jakobstad, Finland. Stelco Hardy is a small tube producer located in South Wales in the UK, which focuses on supplying ferritic grade material to key customers.

The Tubes business unit aims to strengthen its position as one of the leading producers of welded stainless steel tubes in Europe. This will be achieved by maintaining a comprehensive product range, motivated employees, efficient utilisation of available production technology and effective distribution, through both AvestaPolarit's own sales companies and independent distributors.

Fittings

The Fittings business unit comprises the AvestaPolarit ABE Group and JARO Fittings. The unit produces stainless steel butt weld fittings, flanges, threaded fittings and pressure vessels. In the global fittings industry, AvestaPolarit is the largest producer in the world of thin walled fittings.

The AvestaPolarit ABE Group has its head office in Örnsköldsvik, Sweden, but also has operations in Finland, Canada, Mexico, Belgium, Estonia and France. JARO Fittings is located in Jakobstad and Vetil, Finland.

The Fittings unit is currently undergoing a restructuring process aimed at improving efficiency and strengthening the business unit by identifying ways of making more efficient use of existing production plants.

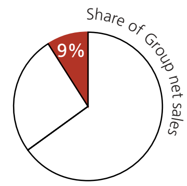
Precision Strip

Precision Strip produces thin, narrow, cold rolled stainless steel and carbon steel strip at its two facilities in Stocksbridge and Meadowhall in the UK. Precision strip material is used in a broad range of applications, such as heat exchangers, surgical instruments, razor blades and stainless steel foil. Precision Strip is the market leader in its target market segments.

The growth strategy for Precision Strip is to target those specific market segments which offer the greatest earnings potential for the future. Through investment in both equipment and personnel, Precision Strip will achieve improved product quality and service, continue to lower operating costs and find growth in the relatively fast-growing precision strip segment.

An important element for implementation of this strategy is a capital expenditure programme which includes an investment in a cold rolling mill. A recently completed project to transform the business process will increase efficiency considerably, lower costs and improve customer service. An IT development programme in support of altered methods of working and integration of the production facilities in Stocksbridge and Meadowhall is being introduced. Investments are also being made in training and development to support new ways of doing business

AvestaPolarit's face in the North American market



The North America business area consists of three production facilities for quarto plate, bar, and pipe and pipe fittings. The business area is also responsible for the marketing, sales and distribution of AvestaPolarit's European produced steel products in the North American free-trade market (NAFTA).

The most important goal of the business area is to build strong partnerships with customers by being sensitive to customer needs and by being easy to do business with. In order to achieve this goal, efforts have been made to improve customer service and achieve more flexible product flows and reduced cost levels, while maintaining a structure that brings the customer closer to the operations.

Operations are organised in a business unit structure, where each unit is responsible for the entire business process, from the procurement of semi-finished products to sales and delivery. At the business area's headquarters in Schaumburg, Illinois, a small staff handles functions such as administration, finance/treasury management and information technology.

	Pro forma	
Key figures, EUR million	**2001**	2000
Net sales	**285**	324
Operating profit	**-6**	11
Capital employed at year end	**3**	NA
Return on capital employed,%	**neg.**	NA
Number of employees	**360**	363
Production, 1000 tonnes		
Quarto plate, bar and tubes	**75**	74

Other functions based in Schaumburg include coil and welding sales and service. The business area also has business units located in New Castle, Indiana, where quarto plate is produced, in Wildwood, Florida, where tubular products are made, and in Richburg, South Carolina, where long products are manufactured.

During 2001, the North America business area continued to develop and strengthen its efforts to provide customers with high value and quality service. After the formation of AvestaPolarit, a combined group was created to manage coil products business in the region, organised as two-person teams with focus on marketing and customers. This was done to ensure the shortest possible contact routes between customers in North America and the Group's European steel mills. The business unit for hot rolled plate continued its work to ensure timely shipments with good results. The business unit for the production of bar installed new equipment for finishing and surface treatment during the fourth quarter, which added new capacity, cut lead times and improved delivery reliability. The business unit for pipes and fittings started a campaign for increasing value for customers.

Continuing technical improvements will allow the North America business area to maintain its competitiveness. Both the public web site and the extranet for customers were upgraded during 2001. A recent added application allows for automatic messages to be sent to customers via e-mail as soon as a shipment has been made.

Financial performance 2001:

The trading environment in the USA remained difficult throughout the year and deteriorated further after the events of 11 September 2001. Although production within the North America business area ran smoothly, selling prices were down compared to the previous year.
Net sales for the business area declined by 12% compared to 2000 figures and the business area reported an operating loss, with its pipe business particularly affected by reduced conversion margins.
Comments on the Section 201 steel import proceedings are given in the Directors' report, page 44.

AvestaPolarit is enhancing its long products capabilities in North America.

Proximity to the market gives competitive advantage

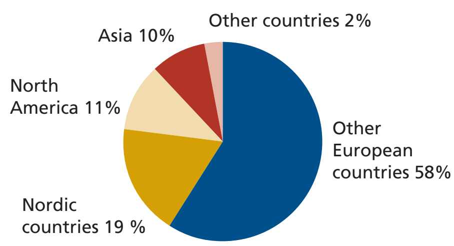
A strong presence in local markets is an important part of AvestaPolarit's formula for success. By being close to its markets, the Group can offer customers unparalleled service for all types of products through a local or regional presence. AvestaPolarit currently has sales and distribution channels in 52 countries, either in the form of its own sales offices or through representatives. The Group has its own sales offices for coil and special products in 32 countries, where over 900 people are employed. The steel mills also have sales personnel who co-operate closely with sales company staff and customers.

The Coil Products business area accounts for about two-thirds of AvestaPolarit's total net sales. A steering group co-ordinates the sales of coil products and continuously monitors the development of markets and prices. This group consists of managers who have been assigned responsibility for markets in four regions: the British Isles, Europe, Scandinavia and the rest of the world. The managers are responsible for co-ordinating all coil sales in their respective markets, regardless of where the material for the order was produced, and also handle the contacts with the sales offices and sales representatives in those markets.

Warehousing and processing facilities in key markets guarantee short lead times to local customers and enable the Group to deliver customised products to order. In addition to adding value, processing services such as slitting or cutting-to-length mean that customers need not invest in cutting equipment of their own.

The Special Products business units utilise the AvestaPolarit network of sales companies as well as independent agents for the distribution and sale of their products. The sales of semi-finished products by the Long Products business unit are mainly directed to processors or end-users. The Hot Rolled Plate business unit operates six plate service centres. These facilities, which are located in Sweden, the UK, Italy, Finland, Germany and the Netherlands, offer customised downstream processing and sales of hot rolled plate products close to the customer.

Sales by market area 2001



The North America business area has a separate sales organisation for its own production of plate, pipe and bar, which also handles the sale of coil products and welding consumables imported from the Group's European mills.

Major integration effort

The sales and marketing organisations of Avesta Sheffield and Outokumpu Steel were integrated at an early stage in order to maximise the efficiency of the new company. This integration effort was to be completed before the end of June 2001, which was an ambitious schedule. The natural step was to separate Outokumpu Steel's sales organisation from the Outokumpu Group and merge it into Avesta Sheffield's existing organisation. Outokumpu Steel had a smaller sales organisation and greater concentration on direct sales, since the bulk of its production originated from a single location: the integrated mill in Tornio. Avesta Sheffield's organisation was more diversified, with greater reliance on local sales offices, a broader range of products and more steel mills. The geographical move was made easier by the fact that the sales organisations of both companies were represented largely in the same areas. Common IT systems were promptly installed to facilitate the integration. A common reporting system for sales was also developed and is now in the process of being installed.

The ambitious goal was achieved with the inte-

gration being completed to plan. AvestaPolarit has retained or increased its market shares and retained its customer base in the most important market areas.

Strategies for growth

The large capacity increase that will result from the present capital expenditure programme places great demands on the sales organisation. The overriding goal is to grow faster than the market as a whole. In order to create an optimum chain from production to customer, detailed business plans will be drawn up for all key markets. These plans will be based on production capacity as well as local market conditions.

The existing organisation is considered to be adequate to handle the increased volumes.

In the fast growing Asian market, sales will grow by establishing partnerships with, among others, distributors. In recognition of the importance of this market to the Group, action was taken in 2001 to reorganise and strengthen the Group's sales companies in Hong Kong, Singapore and Japan. This market will play a large role as an outlet for the increased production. Europe is still regarded as the Group's main market.

Efficient logistics

Optimising logistics is a major challenge but also a good opportunity for AvestaPolarit to improve both its customer service and profitability. The Group's production facilities are in some cases located far from their main markets and the challenge is therefore to identify and offer rapid and flexible logistics solutions that are also cost-efficient. The strategy is to reduce transportation as much as possible, to transfer as much transportation as possible from road to rail and sea, and to co-ordinate transports to achieve larger volumes per shipment. The goal is to limit the use of road transport for the final stage of delivery to the customer's premises. As the Group is a large buyer of transportation services, improvements in the cost-efficiency of AvestaPolarit's logistics are anticipated.

		Pro forma
Other operations - net sales by unit		
EUR million	**2001**	2000
Sales and distribution	**1 198**	1 383
Billing Metal Trading	**83**	78
Corporate Management	**36**	6
Sales within other operations	**-45**	-8
Total	**1 272**	1 459
Other operations - personnel by unit		
Sales and distribution	**918**	902
Billing Metal Trading	**15**	41
Corporate Management	**81**	69
Corporate and site services	**390**	430
Total	**1 404**	1 442

Hans Jacobsson, head of refining at the Avesta plant.

Focus on competence management in a multicultural business

To develop and retain a competent and motivated staff is central to the success of AvestaPolarit. Consequently the Group's human resources (HR) management has a key role to play at all levels of the organisation. AvestaPolarit's employees come from varying linguistic and cultural backgrounds, and provide the Group with essential knowledge and expertise in a wide range of disciplines. An important challenge for AvestaPolarit's HR management is to meet the education and training needs of each of these professional categories, to ensure that AvestaPolarit can maintain its leading position in the stainless steel industry.

Clear business-related strategies and goals

The overall strategy for AvestaPolarit's HR management is to support the business strategies by creating a culture where skilled employees may thrive and prosper. The current five-year plan for HR management activities has targeted five key areas:
- to implement a common HR policy,
- to control personnel costs,
- to recruit and retain key individuals,
- to adopt a reward system that supports the business strategies,
- to ensure that health and safety aspects remain in focus.

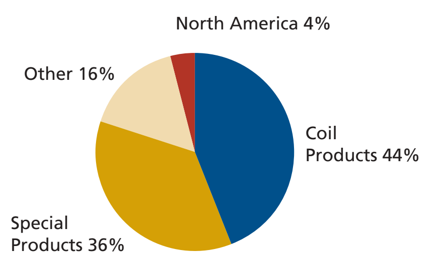
Encouraging active participation

AvestaPolarit's vision to be "Best in stainless" presumes that all employees can embrace an ethical code of conduct that reinforces AvestaPolarit's reputation as a reliable, trustworthy company that is committed to honest and prudent business principles. This also implies a strong commitment to basic rights such as safety in the workplace and to principles of fairness and equality for all employees.

AvestaPolarit seeks to create a culture of constant improvement, which emphasises continuous competence development.

Establishing a positive work atmosphere, in which individuals are encouraged to take an active part in the business, is seen as a pre-requisite for commitment and motivation. By basing annual performance reviews on a personal dialogue, managers and supervisors are able to encourage open communication with their staff and identify optimum areas of development for the individuals and the Group. Emphasis is also put on effective and open communication throughout the Group, and AvestaPolarit promotes the use of modern information technology to effectively share information and knowledge.

Employees by business area 2001



31 December 2001	Sweden	Finland	UK	USA	Other	Total
Total number of employees	3 286	2 635	1 697	361	1 025	9 004
Average age, years	44.0	41.4	41.0	43.7	40.0	42.0
Average period of employment, years	19.0	14.5	18.0	11.9	8.0	14.3
University degree, %	7.7	5.7	13.0	16.0	15.0	11.5
Men/women, %	86/14	83/17	91/9	85/15	67/33	82/18

A year of basic integration activities

Integrating AvestaPolarit's multicultural organisation, which includes employees of many different nationalities from a variety of backgrounds, has been a key challenge. During the year, the HR staff has been actively involved in this integration process, and has focused on establishing new patterns of co-operation and common goals, as well as on drafting a new Group-wide HR policy, which would effectively integrate the principles formerly applied by Avesta Sheffield and Outokumpu Steel.

One measure of the extent to which the merger has impacted the work climate is personnel turnover. Whilst mergers often give rise to a higher turnover rate, it is nevertheless important for the new company to retain its key personnel during the crucial period of post-merger reorganisation and restructuring. During the year, only 12% of AvestaPolarit's managers left the Group. The number is even lower among other categories of personnel.

AvestaPolarit has good relations with the trade union organisations in all those countries where the Group has operations. Discussions held with the union organisations during the year have led to an agreement regarding the formation of an employee forum in accordance with EU directives.

AvestaPolarit has no personnel representatives on its Board of Directors, but an Employee Committee comprising nine employee representatives from Sweden, Finland and the UK has been set up to promote a constructive dialogue between employee representatives and corporate management.

Competence development projects

Several competence development projects were started during the year. These included leadership training programmes and e-learning modules.

An international induction programme for graduates was started to help AvestaPolarit develop and retain key competence. Nurturing talent and allowing it to grow by giving employees an opportunity to take up positions in other areas of the organisation, occasionally by crossing national borders, is regarded as one of the HR function's key goals. Increasing mobility of labour is also a target, offering an excellent way of maximising the degree of internal recruitment for filling vacancies throughout the Group.

An e-learning pilot project was launched as a part of the competence development effort. E-learning is primarily intended to refresh knowledge and to complement traditional training. By using e-learning tools, the time spent on training can be more efficiently utilised and costs can be reduced.

Special HR project for Degerfors

The plan announced in August to close Degerfors Stainless by mid-2003 will lead to the loss of about 330 jobs at AvestaPolarit in Degerfors, Sweden. Since two units - Degerfors Stainless and Hot Rolled Plate - share the same site and are parts of the same company, all employees at Degerfors were initially given notice according to local labour regulations. Local negotiations according to the Swedish Act on Co-determination at Work were promptly initiated in order to reduce the lingering uncertainty about the impact of the closure and to be able to proceed swiftly with the necessary planning for establishing the future organisation for the Hot Rolled Plate business unit, which will continue to operate at the site.

The closure of Degerfors Stainless will occur in steps by mid-2003, in parallel with the transfer of billet casting operations to the Group's melting shop in Sheffield. The 1-2 year closure schedule is a major challenge and entails a change process, for which a special Degerfors HR project has been set up. The aim of the project is to ensure that everything is handled responsibly and in the best interests of all parties - the employees concerned, the local community and the AvestaPolarit Group as a whole. AvestaPolarit has offered to assist with new jobs within the Group for those affected by the closure and also to offer other types of support, e.g. with retraining or early retirement packages.

Highlighting health and safety

AvestaPolarit is committed to continuous improvement in the working environment, highlighting the need for rigorous health and safety standards. Everyone in the company is responsible for maintaining health and safety by adhering to set rules and regulations. Local managers are responsible for ensuring that all due procedures are strictly followed and also for promoting a positive health and safety culture within each organisation. Development efforts focus on establishing safer ways of working, effective training initiatives and more detailed monitoring systems.

Committed to safeguarding the environment

AvestaPolarit's vision is to be the leading supplier of stainless steel. The company also wishes to be known and respected for its contributions to environmental protection. AvestaPolarit promotes sustainable development, which requires integration and balance among three key elements: the environment, economy and society.

Environmental policy

During the year, AvestaPolarit has adopted an environmental policy that will guide the Group in all aspects of its operations.

AvestaPolarit will strive to reduce pollution by being aware of the importance of environmental protection and the principles of sustainable development. The Group will meet environmental legislation, as well as all other relevant requirements placed upon it. The goal is to achieve continuous improvements in performance and to reduce the environmental impact of the business.

Winter landscape in Tornio, Finland.

AvestaPolarit will also contribute to the development of innovative solutions to reduce the environmental impact of its operations. Information about the progress made in this area will be communicated throughout the organisation to maximise the effect of all new achievements.

AvestaPolarit believes in an open dialogue about environmental issues concerning its operations and products. The Group's stakeholders will receive all appropriate information required to appreciate the environmental impact of the business.

The policy places great emphasis on the need to install and operate environmental management systems and significant reductions in waste, water usage and packaging costs have already resulted from the implementation of such systems.

Responsibility for implementing the environmental policy lies with AvestaPolarit's management. Each and every business in the organisation must develop a programme to meet the requirements of the policy. This includes making all employees aware of and training them in environmental issues.

Environment-friendly steel

The intrinsic properties of stainless steel alone contribute to sustainable development, since at least 95% can be recycled and reprocessed with no loss of quality. Stainless steel's natural resistance to corrosion also makes it an environment-friendly choice. This contributes to long life cycles for products made with stainless steel and eliminates the need for surface treatment and protection such as painting, which can be harmful to the environment.

Stainless steel has many properties which indirectly help reduce the environmental impact of industrial production. The excellent mechanical properties of stainless steel, which include higher strength, mean that many products and components can be made smaller and lighter with retained safety margins. These qualities, and other properties unique to stainless steel (minimum maintenance requirements, corrosion resistance in a wide range of service environments), enable reductions to be achieved in the consumption of primary raw materials and energy and also offer certain cost benefits for customers.

Environmental improvements during 2001

AvestaPolarit's production methods are subject to continual environmental audit. Parts of the Group's business operations are already certified according to generally accepted international standards for environmental management. Others are in the process of preparing for accreditation. All major units will have completed this work by 2003.

The environmental work at Tornio has been closely monitored during 2001. Metallic emissions to wastewater remained far below permissible levels at the facility. New emission levels to take into account the capacity development were approved by the appropriate environmental authorities in October 2001 and January 2002.

The investment in the refurbishment of the annealing and pickling line at KBR in Avesta will reduce the levels of nitrogen oxides (NO_X) emitted by the fuel for the annealing furnace. This will result in lower NO_X emissions despite increased capacity. Further, an improved system for handling acids will lead to lower acid consumption. The new reheating furnace will be equipped with oxy burners, which will reduce oil consumption.

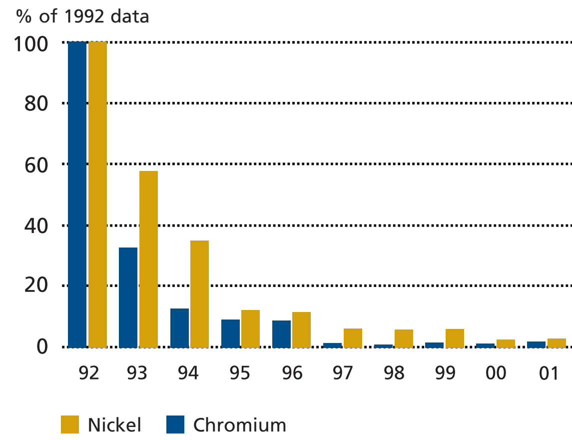
A new method of recycling pickling acid introduced at the Nyby plant has significantly reduced the nitrogen content of the wastewater.

The installation of a selective catalytic reduction system on the pickling lines at the Sheffield cold rolling mill has reduced NO_X emissions by 95%.

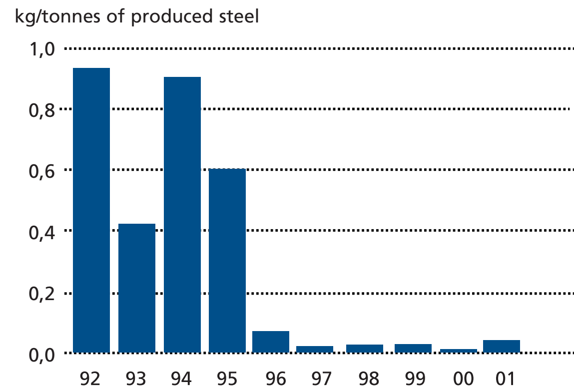
Modification of the slag process at the SMACC melting shop in Sheffield has made it possible to use 20 000 tonnes of waste product for road-making instead of sending it to landfill sites.

R&D is currently working on further developing methods to minimise the environmental impact of pickling processes at the various facilities. The goal is to recover metal oxides and acids from the residual product after the pickling bath through a neutralisation process, or directly from the bath. When it comes to the latter alternative, the main challenge is to find reliable methods of separating appropriate components after the pickling bath in a manner which enables them to be reintroduced in solid form.

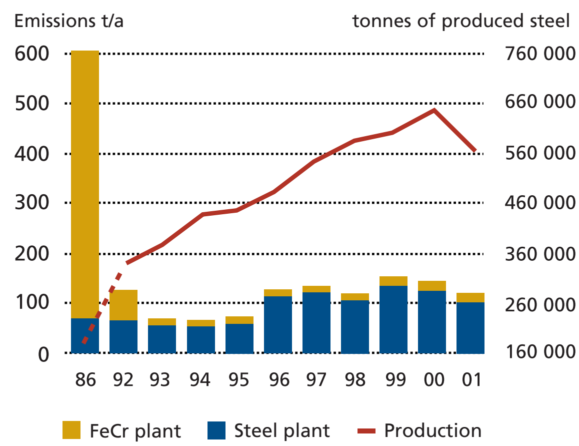
Average metal content of effluent from the Sheffield treatment plant

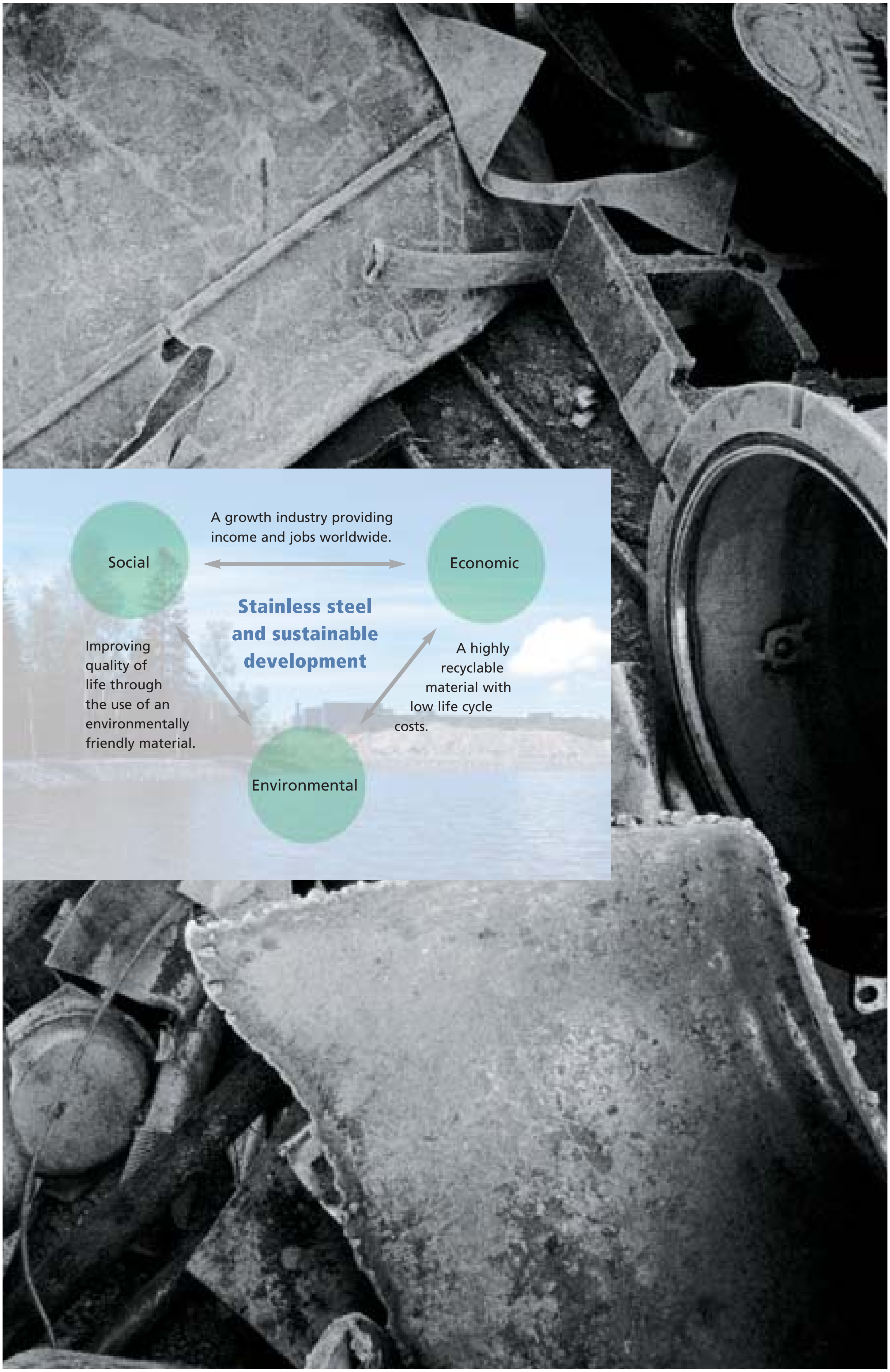


Dust emissions at Avesta melting shop



Total dust emissions at Tornio site




Stainless steel and sustainable development
Social
Economic
Environmental
A growth industry providing income and jobs worldwide.
Improving quality of life through the use of an environmentally friendly material.
A highly recyclable material with low life cycle costs.

Researching and developing the steels of the future

In order to live up to the vision of being "Best in stainless", AvestaPolarit is constantly seeking to improve production processes, optimise product properties and create solutions for specific applications. Advanced research and development and efficient production technology are crucial for reaching these goals.

The merger has enabled Avesta Sheffield's tradition of market and application-oriented product development to be combined with Outokumpu Steel's focus on process development and production technology. The integration achieved during 2001 has created a framework within which these complementary traditions can be used effectively to achieve the new Group's goals. Guiding principles have been to blend a centralised and a decentralised structure and to appoint a network of experts to handle special projects, thus producing the best balance between long-term and current development activities.

Investments in R&D in 2001 totalled about EUR 13 million, of which EUR 2 million related to services purchased from the Corus Group and the Outokumpu Group, and from research institutions and universities. During the year, AvestaPolarit has co-ordinated and participated in a number of projects financed by the European Commission. At AvestaPolarit, around 200 people work with R&D issues.

Research centres in Avesta and Tornio

Most of the R&D personnel are employed at the Group's two research centres in Avesta and Tornio. The Avesta research centre focuses on product and application development, whilst the research centre in Tornio works primarily with process development and quality improvement projects pertaining to the production processes. A smaller group in Sheffield concentrates on more sophisticated surface treatment methods.

The Avesta centre has advanced equipment for studying corrosion in different environments, including very high temperatures. A new forming laboratory, equipped with a computer-controlled laboratory press, which has a capacity of 120 tonnes, is now being used to serve both internal and external customers.

The Tornio centre is well suited for carrying out the full range of process-analytical studies, and for performing computer simulations of processes and operations. The centre also has an advanced pilot facility for simulating stainless steel production processes.

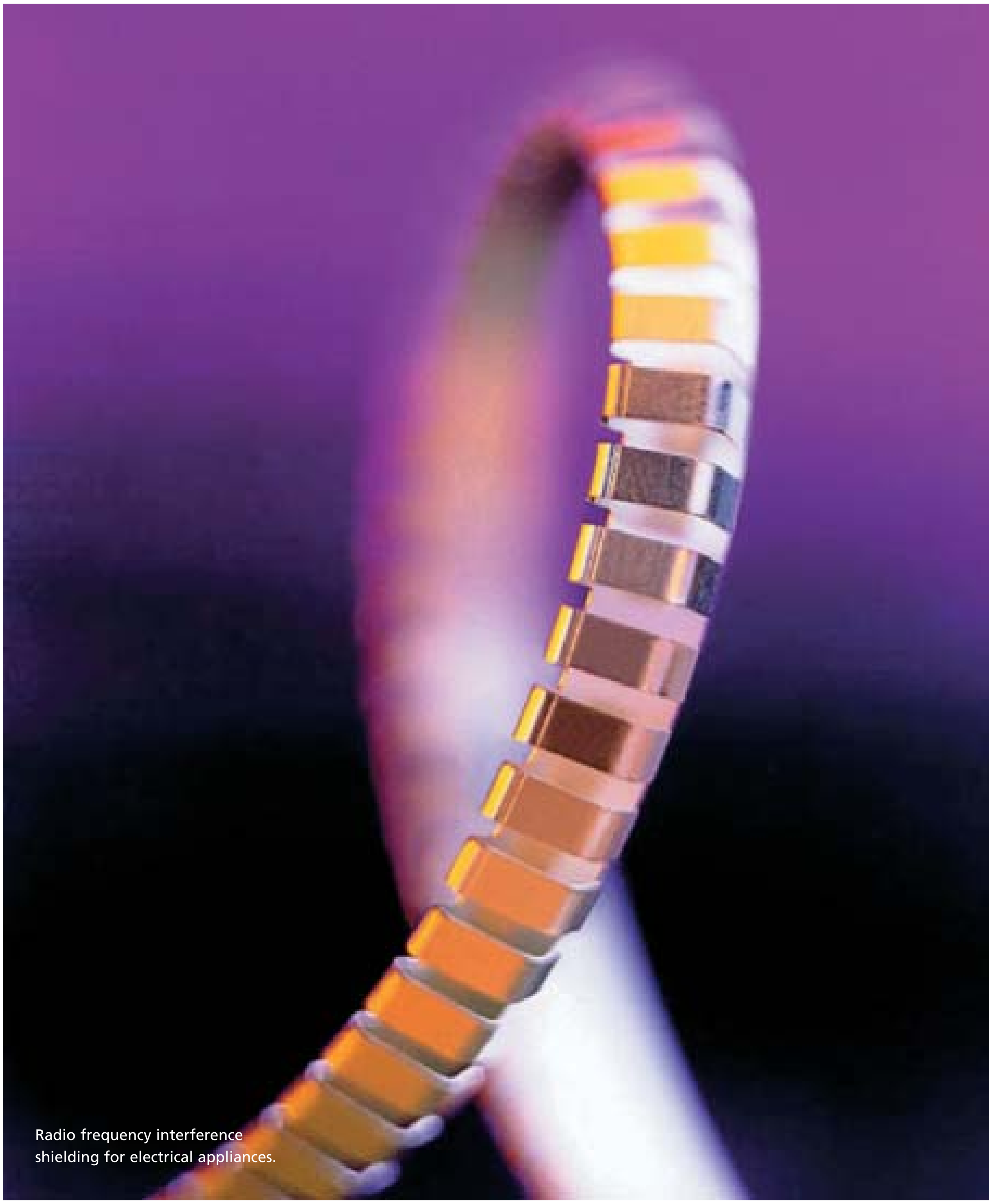
Harmonisation of R&D and Group strategies

The R&D strategy is directly linked to the strategies of the Group and the business units. Most projects are defined by the business units and conducted together with R&D, although some strategic, long-term R&D projects are initiated and financed by the Group.

The primary role of R&D is to develop and maximise the existing technical knowledge and skills within the Group.

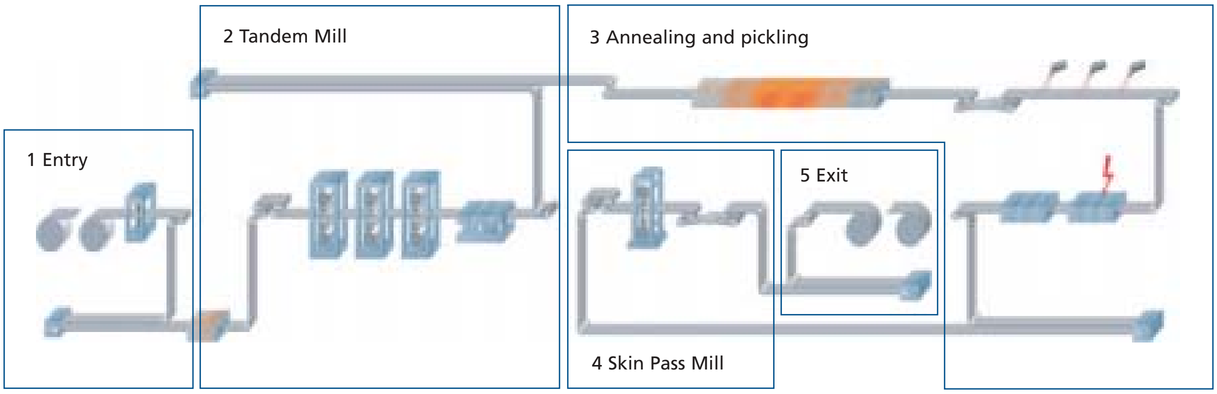
In product development, the work to develop new alloys continues, as do the initiatives regarding defining performance requirements for materials in construction and design. Design aspects for stainless steel are becoming increasingly important in the construction and transportation segments. Some areas of development, e.g. fuel cells, where the potential for stainless steel is considerable, are being closely monitored in joint projects with appropriate partners.

In process development, the focus is on efficient production and measures to reduce the environmental impact of production and product quality. In order to promote knowledge sharing in process development research, seven expert groups have been formed to link the business units and R&D units and exchange information on technological developments in their respective fields. By sharing knowledge and experiences, these groups aim to raise compe-



Radio frequency interference shielding for electrical appliances.

The new Tornio RAP 5 line



tence and technological awareness within the Group and define the focus of R&D within each specialised area. It is vital that marketing and sales support staff have a good applications knowledge and basic understanding of how stainless steel reacts to different manufacturing processes. In addition to responsibility for supplying technical data to support marketing and sales efforts, R&D staff participate in internal and external training seminars.

Projects

R&D projects cover a broad spectrum of areas, ranging from quick trouble-shooting techniques to researching the effects of corrosion in new applications to studying the emergence of new technologies and their potential areas of use within the Group.

The research in and development of new alloys is an important area, and here the focus has been on developing competitive and improved properties in stainless steel whilst reducing the alloy content. A new type of duplex steel, known as Lean Duplex and designed especially for rebar applications, is currently undergoing tests for approval by the authorities. New equipment for studying corrosion at high temperatures is an excellent tool for developing new alloys that can offer a cost-efficient alternative to AvestaPolarit's established high-temperature microalloy grades.

New hygienic surface qualities, such as HyClean, have been developed for the food industry, whilst for architectural applications, sophisticated polished and brushed surface qualities have been developed.

In recent years, there has been a growing interest in ultra-high strength steels, particularly from the agricultural, construction and automotive sectors. These steels are now marketed by the Group under the HyTens™ trademark, with a focus on new application areas. The tensile strength of modern ultra-high strength stainless steels can be as high as 2000 mm^2. Materials with such a high tensile strength do not normally respond well to forming, but, to resolve this, a special method has now been developed specifically for forming such steels, BlancForm. During the year, ultra-high strength stainless steels have been used in numerous commercial applications.

Austenitic stainless steel grades retain their strength at higher temperatures better than common structural steel. To make carbon steel structures fire-resistant, expensive coatings are required. Stainless steel, however, can often be used without any coating. Major research efforts are under way to increase awareness of this fact and to specify limits for the steel grades that can be used in such applications. This is a joint project with other European producers of stainless steel and the leading European research institutions in this field.

In process development, the focus has been on developing new annealing and pickling lines in Nyby and Avesta, and on detailed process design for the unique, integrated rolling, annealing and pickling line (RAP line) in Tornio. Other activities include a project to design and develop a cost-efficient process for ferritic steel grades. Environmental initiatives have also been a priority area during the year.

The plan for the expansion of operations in Tornio has been a challenge for R&D. New operating models have been developed for continuous casting and hot rolling, and for the new RAP line.


RESEARCH AND DEVELOPMENT

IT systems to support advanced business processes

The main goal of AvestaPolarit's activities in the area of information systems and information technology (IS/IT) is to enable and support efficient and increasingly advanced business processes, decrease transaction costs and improve business integration. The prime objective is to achieve seamless integration of internal systems for effective and cost-efficient process steering and knowledge management. Integration with external partners is also beginning to play an increasingly central role in the IT area.

AvestaPolarit's IT systems handle everything from production process monitoring to supply chain management, order handling and office automation.

The AvestaPolarit Group currently employs about 230 people working directly with IT issues. It is important for the Group to retain the high level of competence it has access to today so that the Group can keep up with developments in IT and defend its leading position in the future. The Group has a subsidiary company dedicated to IT, which provides IT services for corporate functions and business units. The company's managing director reports directly to the Chief Information Officer.

Main projects in 2001 focused on new infrastructure and sophisticated systems

Following the merger, initial efforts to build up AvestaPolarit's IT infrastructure focused on linking existing systems and services. This involved not only combining the networks of the two merged companies, but also separating AvestaPolarit's network from that of the Outokumpu Group, to which Outokumpu Steel was formerly linked.

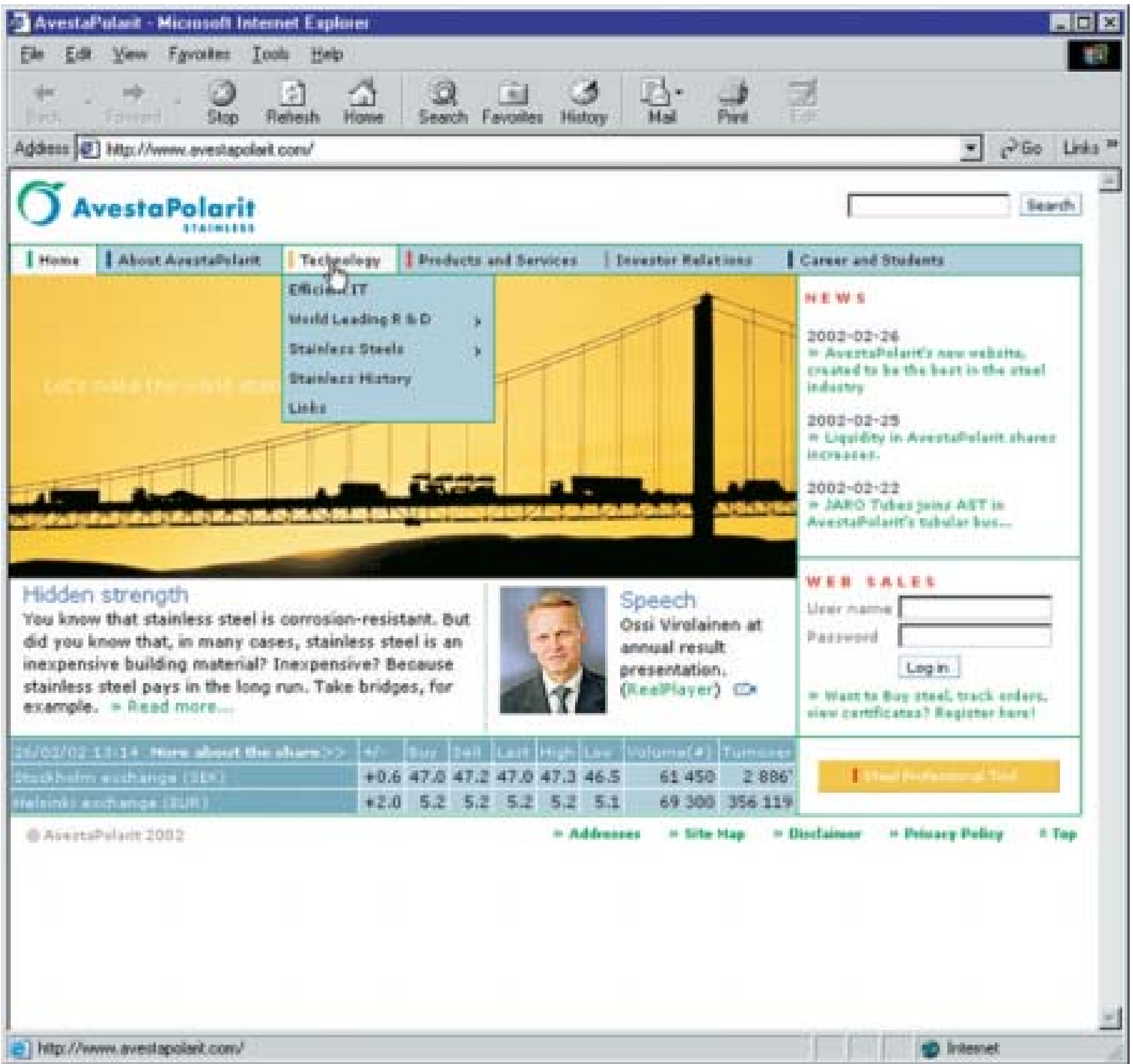
The significant benefits of Internet technology, enabling fast and effective communication, prompted AvestaPolarit to develop a new Internet Web site and Group-wide intranet. Both of these were ready in a basic version in time for the launch of the new Group.

Following completion of the basic network integration, priority was given to projects aimed at reducing the number of systems, in order to simplify IT management and reduce maintenance costs. One example was the decision to install a common e-mail system for the entire Group, to be implemented in 2002. Another priority area has been the improvement of business processes, starting with analysis of main work processes and the drafting of systems requirements. This work has progressed well and has been complemented by the introduction of improved project management tools, which have been made available to all employees throughout the Group.

Standardisation of the Group's IT infrastructure and applications will be an ongoing process in order to achieve faster and simpler development and a more cost efficient support of existing systems and equipment.

A new system for financial consolidation – Hyperion – was introduced during the year, and the ambitious timetable called for its implementation in time for the Q3 interim report in 2001. The new system offers excellent opportunities for further development and streamlining of the consolidation and reporting process, and also for achieving further time and cost savings.

During 2001, much time and effort was devoted



AvestaPolarit´s Internet Web site is constantly being developed to provide better service to customers, investors and other important stakeholders.

to soft issues to promote co-operation after the merger. By recognising and respecting differences and by sharing knowledge and experiences, IT integration activities were able to proceed smoothly, and this achievement now opens the way for further improvements in efficiency.

High priority for security of information

Security of information is a high-priority issue for AvestaPolarit. The Group operates numerous business-critical systems, which demand an infrastructure that can offer the highest level of security and reliability. Systems integrity is also a prerequisite for successful e-commerce. AvestaPolarit seeks to protect its networks from unauthorised access by investing in tools that give control of the network traffic and allow partners and internal users to engage in transactions over a secure network.

Clear and effective guidelines and instructions on the protection of sensitive information as well as the communications channels are an important element of the Group's risk management programme. The goal is to strike a balance between critical security measures, that are necessary to safeguard the interests of the Group and its business partners, and overly exaggerated security measures that could hamper effective communication. To ensure the highest of standards, the Group uses the ISO/IEC17799 standard as its basic platform for work related to security of information.

Risk management

Although a key element in the formation of AvestaPolarit was the reduction of business risk, the business and the financial position of the Group may still be directly or indirectly affected by a number of external factors, some of which are beyond the control of AvestaPolarit. In particular, the Group operates in international markets and is subject to those external influences, such as industry and market factors and the risks of conducting business activities in foreign markets, which are a feature of contemporary business life. Risk in global terms is a large and complex issue. Business transactions in the Group's home markets are relatively straightforward, but transacting business in another country involves a range of factors such as cultural differences, legal barriers, political barriers and different business traditions and practices.

Corporate governance is also increasing in importance to the Group's international stakeholders as they come to expect higher standards from businesses.

Corporate governance

The Board of Directors is committed to promoting the highest standards of corporate governance within the company. A summary of the principles of corporate governance adopted by the company is given on pages 87 to 88 of this Annual Report.

Internal control

The Chief Executive Officer has overall responsibility for the day-to-day management of the Group in accordance with the guidelines provided by the Board. To fulfil this responsibility there is a planning, control and performance management framework within which each of the Group's business units operates. Within this framework, the management of each of the business units considers strategic, operational, commercial and financial issues, and the associated risks. This framework includes:

- Business strategy reviews, for five years.
- Annual operating plans and quarterly rolling re-forecasts.
- Capital expenditure approval procedures.
- Monthly reporting to the Executive Committee and to the Board.
- Financial strategy, including assessment of the financial risks related to foreign currency exposure, debt maturity and liquidity.

Risk management

The risk factors deemed to have the greatest potential impact on the operations and financial results of AvestaPolarit are described below, together with indications of some of the risk management practices followed by the Group:

- Industry and market factors
- Globalisation and risks of conducting business activities in foreign markets
- Competitors' own activities and deterioration of the Group's relative cost position
- Exposure to currency exchange rate fluctuations
- Exposure to environmental issues
- Exposure to raw material and energy price fluctuations
- Dependence on specific countries and suppliers for raw material supplies
- Disruption to production of critical operations
- Availability of adequate financing for the Group
- Difficulties in attracting personnel with the desired qualifications.

The stainless steel industry is characterised by significant volatility in apparent demand and selling prices, related to cycles in the business and economic environment. Part of this volatility relates to the effect on nickel prices of speculative activity. The key to countering adverse macro economic conditions is to have a strong Group, with a low cost base and superior customer service. The current expansion of the Tornio site into the world's lowest cost stainless steel

The Finnish artist Eero Hiironen uses stainless steel as a material in his artwork.

manufacturing facility will enhance the Group's ability to withstand cyclical downturns.

AvestaPolarit operates in a global market. The Group is therefore exposed to the potential changes in political, economic, or social conditions, particularly in emerging markets. The Group's main market Europe is not regarded as an area of risk. In North America, the Group has its own manufacturing operations and sales network. The Group is represented in its other main markets by wholly-owned sales companies, ensuring that detailed information on local market conditions in key countries is always available. The Group is not dependent to any significant degree on any one individual customer.

The Group operates a corporate treasury function which manages, in a non-speculative manner, financial risks related to funding, interest rates and foreign currency. The Group's foreign exchange policy with regard to transaction exposure is to fully hedge receivables, payables and other contractual commercial items, combined with some hedging of forecast cash flows.

Raw materials are the major cost item in stainless steel production. The Group's raw material supplies are secured through medium term contracts, ranging generally from one to three years duration and established, predominantly, with major, global, integrated producers. Supply risk is managed by maintaining, where possible, a global network of suppliers and no excessive concentration in one particular geographical area. However, the nature of the raw materials used in the manufacture of stainless steel means that the ability to spread sourcing is limited. The Group has a clear policy not to speculate on raw material prices. Price exposure - essentially on nickel - on fixed price sales contracts is controlled by using the forward pricing mechanisms offered by the London Metal Exchange. Movements in prices are naturally hedged through the operation of the Alloy Adjustment Factor ('AAF'). The AAF is an additional element in the total stainless steel selling price invoiced to customers, and seeks to recover changes in alloy costs in the Group's raw material purchases.

The Group reduces its primary alloy requirements and improves cost efficiency by recycling around 850 000 tonnes of stainless steel scrap per year. The Group aims to maximise the intake of secondary raw materials but recognises the need to strike a sensible balance between primary and secondary raw material commitments.

The Group considers security of its operational performance as a high priority and uses structured and systematic risk management in this area. To reduce its exposure to catastrophe losses, AvestaPolarit uses insurance, most of which is arranged through a wholly-owned subsidiary which reinsures catastrophe risks with the external insurance market.

Although the Group considers it has procedures in place to monitor those risk factors which could significantly affect its operations, it is not possible to provide absolute assurance that protection is in place against all possible risks which could affect the business.

Sensitivity analysis

Selling prices and volumes

The earnings of AvestaPolarit are sensitive to changes in selling prices and sales volumes. Demand and supply in the stainless steel industry are cyclical, leading to imbalances in world supply and demand from time to time. The following sensitivities illustrate how Group profitability is affected by changes in average conversion margins and deliveries (sensitivities relate to year 2001 profitability, with all other factors remaining constant):

	Effect on pretax profit EUR million
Reduction in average conversion margins of 5%	-75
Reduction in deliveries of cold rolled coil of 5%	-20

Currency effects

AvestaPolarit has operations in several countries and markets its products throughout the world. The profitability of the Group is therefore affected by movements in exchange rates. The key exposures that AvestaPolarit faces are that its sales are predominantly denominated in EUR but it has SEK-denominated operating costs in Sweden, GBP-denominated operating costs in the United Kingdom and USD-denominated operating costs in the USA. The large USD cash flows in both raw material purchases and USD denominated sales largely offset each other. The following sensitivities illustrate the effect on Group profitability of changes in the SEK, GBP and USD exchange rates against the EUR (sensitivities relate to year 2001 profitability, with all other exchange rates being constant against the EUR):

	Effect on pretax profit EUR million
SEK strengthens against EUR by 5%	-25
GBP strengthens against EUR by 5%	-10
USD strengthens against EUR by 5%	+5

Raw material prices

The Group operates the AAF, which seeks to recover changes in the prices of alloys through an alloy surcharge included in the total selling price of stainless steel. However, speculative activity by stainless steel customers can result in significant effects on demand and stainless steel prices. This can also lead to holding gains or losses in alloys in stock. The effects of these are difficult to predict.

Interest rate effects

Based on average Group net borrowings through 2001, the following sensitivity indicates the effect on year 2001 Group profit before tax of a change in interest rates:

	Effect on pretax profit EUR million
Increase in interest rates of 1% per annum	-4

Euro exchange rates

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

The European Central Bank's euro exchange rates.

Fixed conversion rates to euro

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

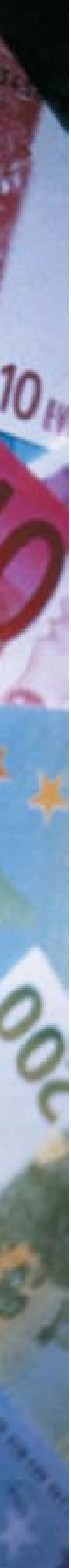
ANNUAL ACCOUNTS

All figures, both pro forma and statutory actuals, have been presented in tables throughout the Annual Report using the following colour code.

Statutory actual figures

Pro forma figures

All figures given as "0" are figures below EUR 0.5 million, whereas those marked "-" are absolute zero.



Directors' report

Stainless steel markets weakened considerably in 2001. The trading environment was extremely difficult and average stainless steel transaction prices and conversion margins were 20% below last year's levels. Against this background, the financial result for 2001 can be considered satisfactory.

Both net sales and operating profit for the financial year were significantly down compared to 2000, as a result of lower prices and reduced deliveries. Net sales for 2001 amounted to EUR 2 977 million (EUR 3 592 million), operating profit to EUR 141 million (EUR 479 million) and profit before extraordinary items to EUR 131 million (EUR 460 million).

The combination between Avesta Sheffield AB and Outokumpu Steel Oyj was completed on 22 January 2001. On completion of the combination, Outokumpu Steel Oyj was renamed AvestaPolarit Oyj Abp and the share was listed on the Stockholm and Helsinki Exchanges on 30 January 2001. The integration process following the combination has proceeded well.

The Board of Directors recommends to the Annual General meeting that a dividend of EUR 0.08 per share be paid out for 2001.

All text comments on 2000 figures and 2001 full year figures in this report relate to pro forma figures.

Difficult year in stainless steel market

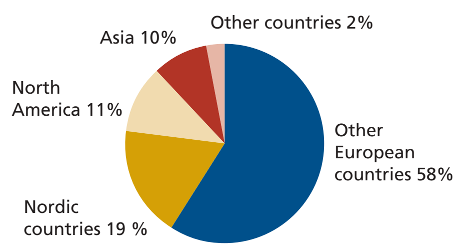
The world economy weakened considerably in 2001. The global economy grew by just over 1% and during the latter half of the year the three main economies – USA, Europe and Japan - all contracted simultaneously. In China, the economy continued to grow at a very healthy rate of more than 7%. The impact of the global downturn was felt particularly in the industrial sector. Industrial growth slowed markedly, and in the second half of the year world industrial output was well below the previous year's level. In an attempt to reverse the economic slowdown aggressive monetary and fiscal measures were adopted, with US and European interest rates being lowered several times during the year to stimulate growth. By the end of the year, there were tentative signs that business and consumer confidence indices had bottomed out. In Japan, economic conditions have remained difficult.

Stainless steel markets weakened significantly in 2001, with world apparent consumption of stainless steel estimated to have fallen by about 3%. In both Asia and the USA markets were heavily oversupplied. The supply in European markets was more closely aligned to demand, which nevertheless fell by almost 5% compared to 2000. Demand fell in all regions except China compared with the previous year, reflecting poor underlying consumption exacerbated by de-stocking.

Producers responded to deteriorating market conditions by cutting output. Global production of stainless steel declined by some 3% in 2001. Despite widespread de-stocking, stainless steel inventories are still relatively high in the USA and Asia, though inventory levels in Europe are regarded as normal.

In the difficult trading environment, stainless steel prices declined. According to CRU, the conversion margin for cold rolled stainless steel in Europe averaged EUR 0.86/kg in 2001, 20% below the average in 2000.

Sales by market area 2001



In October, the United States International Trade Commission determined that all semi-finished stainless steel products are to be excluded from the Section 201 steel import relief proceeding, on the ground that imports of such products have not caused and do not threaten serious injury to U.S. steel producers. The 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. As a consequence, imports of stainless slabs and billets will not be restricted in this 201 case. With respect to the above mentioned finished stainless steel products, the U.S. President will decide by 6 March 2002 whether to impose import restrictions. The decisions taken as a result of this Section 201 review are not expected to have any significant impact on the Group’s core operations or profitability.

The oversupply in the western world nickel market was close to 30 000 tonnes in 2001. Demand from the stainless steel sector declined during the year, but the proportion of primary nickel used in stainless steel production increased, due largely to tightening scrap markets following the sharp drop in scrap availability from Russia. Global consumption of nickel fell by some 2% in 2001, whereas production rose by about 4%. Nickel prices averaged USD 2.70/lb during the year, 31% below the average in 2000.

Following a significant fall in the first half of the year, ferrochrome prices stabilised during the second half, although at a historically very low level. The European closing spot price for 2001, USD 0.28/lb, was 30% below the year-end price in 2000. The average price for 2001 as a whole was USD 0.32/lb, a decline of 22% compared to the previous year.

Sharp drop in net sales

Net sales for the financial year 2001 were down by 17% compared to the previous year and amounted to EUR 2 977 million. This decrease resulted from a decline in both sales prices and deliveries. Stainless steel cold rolled market prices were on average down by about 20%, due in part to a 30% drop in nickel prices. The Group's stainless steel deliveries fell by 4% compared to 2000.

Net sales - pro forma

EUR million	2001	2000	Change %
Coil Products	**2 227**	2 686	-17
Special Products	**903**	1 030	-12
North America	**285**	324	-12
Other operations	**1 272**	1 459	-13
Intra-group sales	**-1 710**	-1 907	
Total for the Group	**2 977**	3 592	-17

In relative terms, the biggest decline in net sales was recorded by the Coil Products business area, which reported a fall of 17%. With the exception of Long Products, all Special Products business units reported lower net sales for the year and, overall, the business area recorded a fall of 12%. In North America, net sales were down 12%. For a breakdown of net sales by geographical markets, see section 2 in Notes to the Consolidated Financial Statements.

Production ran smoothly during most of the year, with the exception of the summer period, when some problems were experienced in Avesta, Sweden and in Tornio, Finland. The production of stainless steel slab decreased 5% compared to the previous year. Cold rolling mill production was down 7%. Overall, production volumes of Special Products fell, although for long products volumes were on a par with the previous year's figures. North American production volumes were also at 2000 levels. For more detailed production figures, see pages 15, 20, 24 and 76.

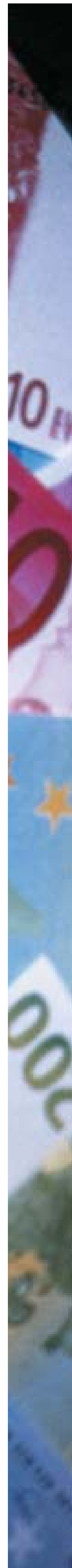
A fire at the tube plant operated by AST in Helmond in the Netherlands on 16 January 2002 completely destroyed the tube production facilities and AvestaPolarit regional stocks stored at a warehouse on the site. No people were injured by the fire. Action was promptly taken to maintain supplies to customers. The short-term financial consequences will be limited as the incident was covered by insurance.

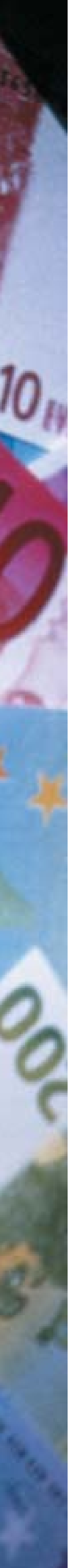
Profitability hit by low prices and decreased deliveries

The operating profit for the 2001 financial year dropped sharply compared to the previous year and amounted to EUR 141 million (EUR 479 million). The fall in profitability resulted from a decline in deliveries, shrinking conversion margins and the effect of reductions in nickel prices, which created a negative price change in inventories of EUR 94 million. As a result of the upturn in nickel prices from mid-October and a stock turnover of some three months, most business units still reported a negative price change in inventories in the fourth quarter. The full year result was also affected by some production difficulties during the third quarter.

Operating profit - pro forma

EUR million	2001	2000	Change %
Coil Products	**77**	341	-77
Special Products	**26**	104	-75
North America	**-6**	11	-155
Other operations	**-4**	50	-108
Amortisation of negative goodwill	**45**	-	
Intra-group items	**3**	-27	
Total for the Group	**141**	479	-71





The operating profit for 2001 includes an amortisation of negative goodwill amounting to EUR 45 million (zero) and the cumulative effect of changes in accounting principles, corresponding to a loss of EUR 2 million (zero). Unusual items include restructuring provisions totalling EUR 29 million and a corresponding additional amortisation of negative goodwill. The net income effect of these items is zero. These provisions include the restructuring of melting activities in Degerfors, Sweden (EUR 23 million), closure of a sales office in Amsterdam in the Netherlands (EUR 4 million) and restructuring of site administration in Sheffield, UK (EUR 2 million). The operating profit margin for the financial year was 4.7% (13.3%).

Operating profit for all business areas fell significantly. Coil Products' operating profit was down 77%, Special Products 75% and North America 155%.

Equity earnings in associated companies totalled EUR 0 million (EUR 2 million) and net financial expenses amounted to EUR 10 million (EUR 21 million). The decline in net financial expenses resulted mainly from the fall in interest rates and an increase in dividends received. Profit for the financial year totalled EUR 112 million (EUR 342 million). The return on capital employed was 7.0% (25.7%) and earnings per share EUR 0.32 (EUR 0.98).

Financial position strong

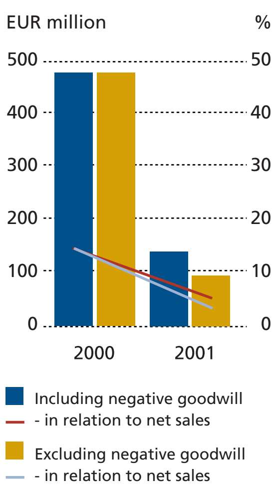
Despite a difficult trading environment and the ongoing capital expenditure programme, the Group's financial position has remained strong. The cash flow from operating activities in 2001 decreased compared to 2000 and amounted to EUR 214 million (EUR 362 million).

As a result of major capital expenditure projects, net interest-bearing debt increased during the year by EUR 213 million to EUR 482 million.

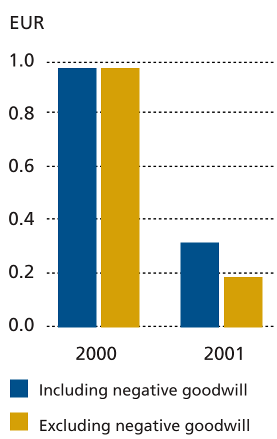
Key financial indicators - pro forma

EUR million	**31 Dec 2001**	31 Dec 2000
Net interest-bearing debt		
Long-term debt	**203**	232
Current debt	**391**	165
Total interest-bearing debt	**594**	397
Cash and marketable securities	**105**	117
Interest-bearing receivables	**7**	11
Net interest-bearing debt	**482**	269
Net interest-bearing debt in relation to net sales, %	**16.2**	7.5
Shareholders' equity	**1 206**	1 173
Debt-to-equity ratio (gearing), %	**39.7**	22.8
Equity-to-assets ratio (solvency), %	**41.6**	41.3
Cash provided by operating activities	**214**	362
Net financial expenses	**10**	21
Net financial expenses in relation to net sales, %	**0.3**	0.6

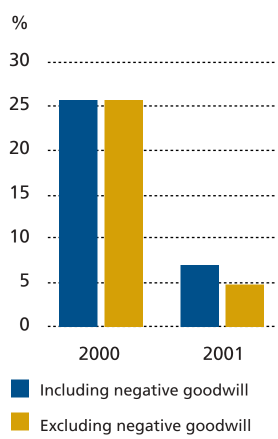
Operating profit – pro forma



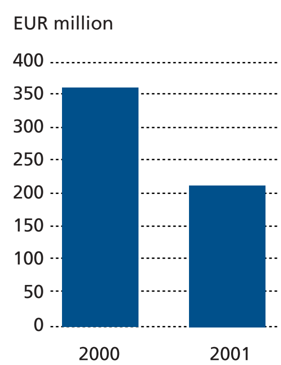
Earnings per share – pro forma



Return on capital employed – pro forma



Cash provided by operating activities – pro forma



The debt-to-equity ratio increased compared to the previous year due to an increase in net interest-bearing debt.

Taking into account the extent of its capital expenditure programme, the Group maintained satisfactory liquidity and gearing levels throughout the financial year. Gross interest-bearing debt at the year-end totalled EUR 594 million (EUR 397 million) and cash and marketable securities totalled EUR 105 million (EUR 117 million). The Group had unutilised committed credit facilities of EUR 353 million.

Tornio expansion to be completed by the end of 2002

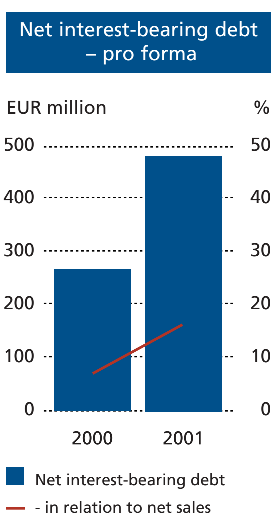
The total capital expenditure for the financial year amounted to EUR 408 million (EUR 159 million). The major investment projects ongoing in 2001 were the construction of the new melting shop and the development of the hot and cold rolling mills in Tornio (the latest estimate for the total project cost is EUR 790 million), the move to underground mining at the Kemi chromium mine (EUR 73 million) in Finland and an increase of cold rolling capacity at Avesta KBR (EUR 35 million) and Nyby (EUR 17 million) in Sweden. The project to install a new billet caster at the Sheffield melting shop (EUR 22 million) started during the fourth quarter of 2001. The expansion programme in Tornio is expected to be completed on schedule by the end of 2002 and it is expected that full production capability will be reached during 2004.

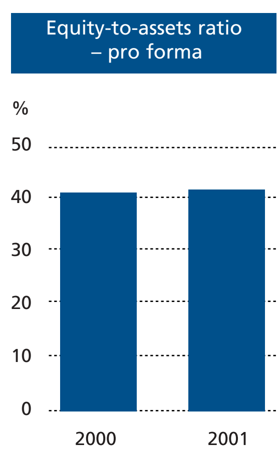
Capital expenditure - pro forma

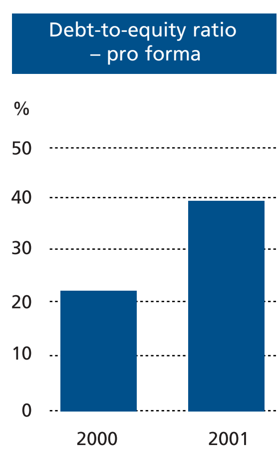
EUR million	**2001**	2000
Coil Products	**357**	123
Special Products	**27**	19
North America	**3**	3
Other operations	**21**	14
Total for the Group	**408**	159

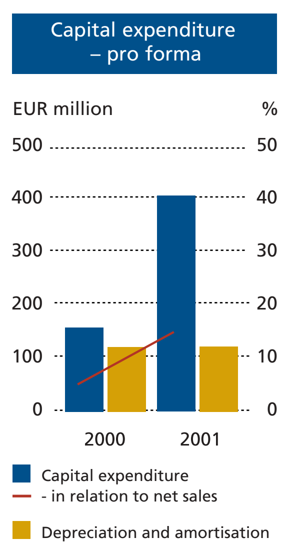
Post-merger integration proceeded well

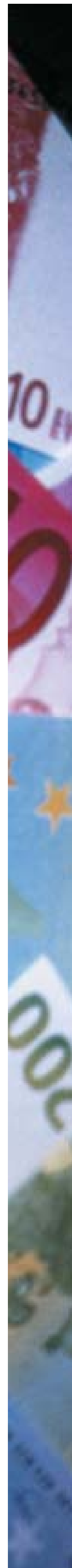
The integration process following the combination of Avesta Sheffield AB and Outokumpu Steel Oyj on 22 January 2001 has proceeded well and the work of numerous integration teams to exploit synergies from the merger is progressing according to plan. The projected annual synergies are considered well within reach and are expected to be realised in full by 2005, with the greater part by the end of 2003. It is now antici-











pated that synergies in excess of the originally announced EUR 100 million will be reached. Around EUR 18 million had been secured by the end of 2001.

As part of the integration process following the combination, AvestaPolarit announced in August its plans to restructure the Group's melting activities. These plans will entail a phased closure of the melting shop and billet rolling facilities in Degerfors, Sweden, by mid-2003 and the transfer of production to the melting shop in Sheffield, UK, where continuous casting facilities for blooms and billets are currently being installed. The decision means that operations at Degerfors Stainless will be discontinued. The Group's Hot Rolled Plate business in Degerfors will continue to operate from the site and focus on developing the business further to maintain its position as the world's leading producer of stainless steel quarto plate.

The separation procedure, ensuring the ability of AvestaPolarit to operate on a stand-alone basis, and to ensure the arms-length nature of any and all relations of entities between Outokumpu and AvestaPolarit, has been completed, in compliance with contractual and other obligations.

Changes in Group structure apart from the combination

In January, the legal ownership of two German companies, Outokumpu Service Centre GmbH and Outokumpu Holding GmbH & Co. Grundstucks KG, was transferred from the Outokumpu Group to AvestaPolarit as mentioned in the exchange offer. In August, AvestaPolarit purchased the 50% share it did not already own in AvestaPolarit Asia Pacific Ltd (BVI) from Corus Asia Limited, whose ultimate parent company is Corus Group plc. For more detailed information on these transactions and other changes in the Group structure, see Note 23 to the Consolidated Financial Statements.

Global sales and marketing network streamlined

The Group currently has sales and distribution channels in 52 countries, including company-owned sales and marketing units in 32 countries and a number of independent sales and marketing outlets, all of which co-operate closely with the sales personnel at AvestaPolarit's business units. The sales and marketing organisations of Avesta Sheffield and Outokumpu Steel were combined by the end of June 2001, and since then, development work has focused on streamlining the distribution network and processes, improving logistics and systems, and completing the final stages of the integration process.

The Group has been able to defend or increase its market shares and retain its customer base in its most important market sectors during the post-merger and integration processes.

Focus on integration and multicultural competence development

AvestaPolarit seeks to create a culture of constant improvement, emphasising open communication and continuous competence development and encouraging all employees to take active part in the business.

Several competence development programmes were launched during the year and an international induction programme for graduates was started. The restructuring of business operations in Degerfors, with a 1-2 year closure schedule for the melting shop and billet rolling mill, is a major challenge and entails a change process, for which a special Degerfors HR project has been set up. This includes establishing the new organisation for the Degerfors Hot Rolled Plate unit, which will continue to operate at the site.

Personnel	Actual 31 Dec 2001	Pro forma 31 Dec 2000
Coil Products	4 009	3 859
Special Products	3 231	3 248
North America	360	363
Other operations	1 404	1 442
Total for the Group	9 004	8 912

At the year-end, the Group employed 9 004 people in 35 countries. The increase of personnel in Coil Products results from employees taken on in preparation for the Tornio expansion. For a breakdown of personnel by geographical areas, see section 2 in Notes to the Consolidated Financial Statements.

Environmental issues highlighted

AvestaPolarit wishes to be known and respected for its contribution to environmental protection and sustainable development. The intrinsic properties of stainless steel alone contribute to sustainable development, e.g. through durability, which leads to low life-cycle costs and through the fact that 95% or more of stainless steel can be recycled and reprocessed without loss of quality. The Group's operations are also subject to continual environmental audits. In addition, all major units aim for certification according to generally accepted international standards for environmental management by 2003. Parts of the operations have already received such certification.

During the year, the Group adopted an environmental policy with a goal to achieve continuous performance improvement and to reduce the environmental impact of its operations. AvestaPolarit operates at all its sites in accordance with the local rules and emission limits approved by authorities. New emission levels, which take into account the increasing production capacities at the Tornio works, have been approved by the authorities in October 2001 for wastewater emissions and in January 2002 for all other emissions.

R&D engaged in both process and product development

The Group's R&D function consists of some 200 people working in research centres in Avesta, Tornio and Sheffield and at different business units. In addition, R&D services are bought from research institutions, universities and the two main shareholders, Outokumpu and the Corus Group. Expenditure on research and development during 2001 amounted to EUR 13 million, 0.4% of net sales (EUR 18 million, 0.5%). The fall in R&D expenditure can be considered as a temporary one and it results from the reorganisation of R&D activities and timing of R&D initiatives.

The most important process-related R&D projects during 2001 included the detailed process design for the unique, integrated rolling-annealing-pickling line (RAP line) to be installed in the new cold rolling mill at Tornio, and new and improved methods to reduce the environmental impact of stainless steel pickling processes.

In product development, the focus has been on developing new, cost-effective steel grades for construction applications and on the utilisation of stainless steel's excellent forming and work hardening properties in lightweight applications for the automotive and transportation industries. The R&D function's participation in a European research project has increased appreciation of the fire-resistant properties of stainless steel and has specified limits for steel grades that can be used in high temperature applications. During the year, the Group also participated in a number of projects financed by the European Commission.

Initiatives taken to enhance internal efficiency

To underpin its integration targets in the current difficult and uncertain market climate, the Group has launched a project focusing on cost and capital expenditure control and revenue generation. The first effects of immediate measures began to materialise at the end of the year and the benefits are expected to increase during the coming months. These measures include a review of current and proposed capital expenditure projects, a reduction or postponement of spending in some of the projects and other initiatives aimed at cutting costs and reducing inventory levels.

The Tubular Products businesses have been reorganised according to their current main products into two business units: one will focus on tubes and the other on fittings.

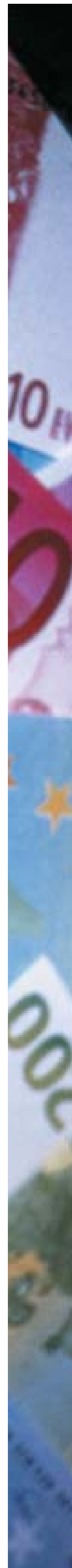
In addition, a project was launched in January 2002 to further develop the Group's business organisation and approach to corporate governance and thereby enhance internal efficiency and effectiveness and improve the Group's management and leadership processes.

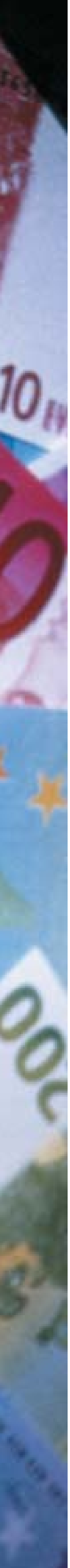
Restructuring of Coil Products' Panteg works in UK was announced in the end of January 2002 and includes investment in batch annealing at Sheffield and consolidation of warehousing onto the Sheffield site. As a result of the reorganisation, manning levels in Panteg will be reduced by 44 employees by the end of July 2002.

Short-term outlook still uncertain

The world economic development is still uncertain although some positive indications have recently been witnessed in the USA and Europe. The timing and speed of the recovery is difficult to predict but the general assumption is that it will start during the second half of the year.

The stainless steel market is also affected by the uncertainties of the economic outlook. European stock levels are normal, which indicates that short-term demand should reflect underlying consumption. Apparent consumption is expected to improve in 2002. Stainless steel prices remained stable during the fourth quarter of 2001 and some price increases are expected





during the first two quarters of 2002. Nickel prices strengthened during the fourth quarter but its price volatility continues, which increases the uncertainty as regards the development of stainless steel prices.

Given the uncertainty surrounding the recovery of the world economy and consequently the stainless steel market, it is quite difficult to provide a reliable forecast, even for short-term financial performance. However, assuming selling prices remain roughly at year-end levels and synergy benefits continue to be realised as planned, AvestaPolarit expects to see an improvement in its profitability for the first quarter of 2002 compared to the last quarter of 2001.

To achieve its full earnings potential in 2002, the key success factors for the Group, apart from improved market conditions, will be continuation of the integration process to realise all available synergy benefits, to build on the initiatives already taken to enhance internal efficiency, and to complete the investment project in Tornio to plan.

Board of Directors' proposal for profit distribution

The objective of the Board of Directors is to maintain a dividend pay-out ratio of at least 30% of post-tax earnings over the business cycle calculated before the amortisation of negative goodwill. In accordance with this policy, the Board of Directors considers the financial performance together with the Group's investment and development needs in its annual proposal for profit distribution to owners.

Based on the financial statements as at 31 December 2001, the Group's distributable funds are EUR 196 million and those of the Parent Company EUR 102 million.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.08 per share be distributed and the remaining distributable funds be allocated to retained earnings. The proposed dividend corresponds to 42% of net profit of EUR 67 million calculated before the amortisation of negative goodwill of EUR 45 million.

Stockholm, 13 February 2002

Jyrki Juusela
Chairman

Tony P. Pedder
Deputy Chairman

David M. Lloyd

Bernt Magnusson

Jacob Palmstierna

Timo Peltola

Stuart I. Pettifor

Juha Rantanen

Risto Virrankoski

Ossi Virolainen
President and CEO

Auditor’s Report

To the shareholders of AvestaPolarit Oyj Abp

We have audited the accounting, the financial statements and the corporate governance of AvestaPolarit Oyj Abp for the period 1.1. - 31.12.2001. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the CEO. Based on our audit we express an opinion on these financial statements and on corporate governance.

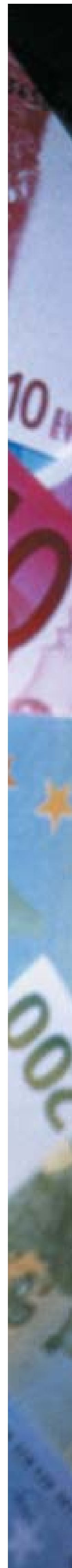
We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by 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.

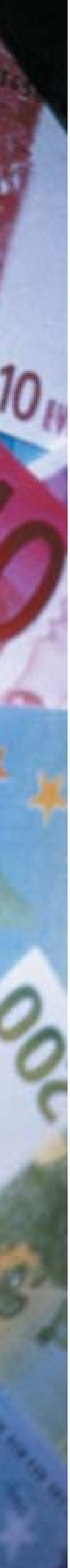
In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent 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 period audited by us. The proposal by the Board of Directors regarding the distributable assets is in compliance with the Companies' Act.

Espoo, 26 February 2002

SVH Pricewaterhouse Coopers Oy
Authorised Public Accountants

Markku Marjomaa
Authorised Public Accountant





Consolidated income statement

EUR million		Actual 2001	2000	Pro forma 2001	2000
Net sales	[2]	**2 851**	1 177	**2 977**	3 592
Cost of sales	[3]	**-2 539**	-877	**-2 660**	-2 906
Gross margin		**312**	300	**317**	686
Selling and marketing expenses		**-121**	-20	**-123**	134
Administrative expenses		**-91**	-26	**-92**	-101
Research and development expenses		**-13**	-7	**-13**	-18
Unusual items	[5]	**-**	-	**-**	42
Other operating income and expenses	[6]	**7**	-1	**7**	4
Amortisation of negative goodwill		**45**	-	**45**	-
Operating profit	[2-7, 11]	**139**	246	**141**	479
Equity earnings in associated companies	[12]	**-0**	-	**-0**	2
Financial income and expenses	[8]	**-10**	-5	**-10**	-21
Profit before extraordinary items		**129**	241	**131**	460
Extraordinary items	[9]	**-**	-102	**-**	-
Profit before taxes		**129**	139	**131**	460
Income taxes	[10]	**-16**	-38	**-18**	-116
Minority interests in earnings		**-1**	-	**-1**	-2
Profit for the financial year		**112**	101	**112**	342
Earnings per share (excluding extraordinary items)	EUR	**0.33**	0.88	**0.32**	0.98
Earnings per share	EUR	**0.33**	0.52	**0.32**	0.98
Average number of shares		**338 312 000**	193 111 110	**348 942 000**	348 942 000

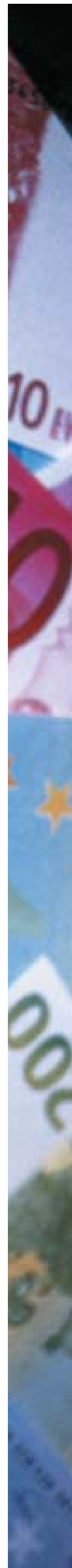
In all pro forma figures, Avesta Sheffield has been consolidated into AvestaPolarit for the whole period. In pro forma figures for 2000, the group contributions granted and received by Outokumpu Steel in 2000 have been eliminated from the consolidated income statement and the respective tax effect (29%) added to current taxes and the negative goodwill reported as the final amount at combination without amortisation. Pro forma figures have been reported for the Directors' report, consolidated income statement, balance sheet and cash flow statement, key figures, financial development by quarter, business area reviews (pages 15-27) and financial summary and have been marked "Pro forma". All other figures reported include Avesta Sheffield as of 23 January 2001.

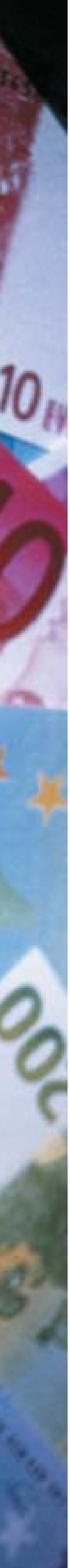
Figures in square brackets refer to the Notes to the consolidated financial statements on pages 58-76.

Consolidated balance sheet

EUR million		Actual 2001	2000	Pro forma 2000
ASSETS				
Fixed assets and other long-term investments	[11, 12]			
Intangible assets		**18**	4	7
Property, plant and equipment		**1 505**	590	1 268
Long-term financial assets	[14]	**58**	15	62
Total fixed assets and other long-term investments		**1 581**	609	1 337
Current assets				
Inventories	[13]	**664**	239	771
Receivables	[10, 12, 14]	**572**	166	637
Marketable securities		**49**	-	6
Cash and bank		**56**	76	111
Total current assets		**1 341**	481	1 525
TOTAL ASSETS		**2 922**	1 090	2 862

EUR million		Actual 2001	2000	Pro forma 2000
SHAREHOLDERS' EQUITY AND LIABILITES				
Shareholders' equity	[15]			
Share capital		**188**	104	188
Premium fund		**602**	212	602
Retained earnings		**304**	259	41
Profit for the financial year		**112**	101	342
Total shareholders' equity		**1 206**	676	1 173
Minority interests		**8**	10	9
Negative goodwill	[16]	**401**	-	479
Liabilities				
Long-term	[10,17]			
Interest-bearing		**203**	65	232
Non interest-bearing		**285**	99	297
Current	[10,17]			
Interest-bearing		**391**	64	165
Non interest-bearing		**428**	176	507
Total liabilities		**1 307**	404	1 201
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2 922**	1 090	2 862





Consolidated statement of cash flows

EUR million		Actual 2001	2000	Pro forma 2001	2000
Operating activities					
Profit for the financial year		**112**	101	**112**	342
Depreciation and amortisation of negative goodwill		**45**	61	**45**	122
Equity earnings in associated companies		**0**	-	**0**	-2
Deferred taxes		**-31**	-6	**-31**	36
Other adjustments	1)	**0**	102	**-3**	23
Income financing		**126**	258	**123**	521
Change in working capital					
Decrease (increase) in current non interest-bearing receivables		**86**	-24	**72**	-41
Decrease (increase) in inventories		**91**	-69	**105**	-106
(Decrease) increase in current non interest-bearing liabilities		**-80**	53	**-86**	-10
		97	-40	**91**	-157
Other adjustments		**-**	-	**-**	-2
Cash provided by operating activities		**223**	218	**214**	362
Investing activities					
Capital expenditure for purchase of fixed assets		**-405**	-80	**-408**	-159
Investment in subsidiaries, net of cash acquired	2)	**41**	-	**10**	-12
Proceeds from sales of business operations and fixed assets	3)	**18**	0	**19**	10
Increase in other long-term financial assets		**-4**	-	**-4**	-22
Decrease in working capital related to fixed assets		**15**	4	**15**	7
Cash used in investing activities		**-335**	-76	**-368**	-176
Cash flow before financing activities		**-112**	142	**-154**	186
Financing activities					
Borrowings of long-term debt		**125**	0	**125**	10
Repayments of long-term debt		**-151**	-6	**-154**	-6
Increase (decrease) in current debt		**221**	-21	**226**	-29
Dividends paid		**-52**	0	**-52**	-37
Other financial items	4)	**0**	-115	**0**	-115
Cash provided by financing activities		**143**	-142	**145**	-177
Increase (decrease) in cash and marketable securities		**31**	0	**-9**	9
Adjustments	5)	**-2**	0	**-3**	4
Increase (decrease) in cash and marketable securities in the consolidated balance sheet		**29**	0	**-12**	13

1) Includes gains and losses on sales of business operations and fixed assets, dividends from associated companies, group contributions, provisions, exchange gains and losses and minority interests in earnings.
2) Includes cash and marketable securities of acquired subsidiaries.
3) Proceeds from sales of business operations are reported net of cash and marketable securities in the balance sheets of subsidiaries sold.
4) Includes group contributions paid and issue of shares.
5) Includes the effect of exchange rates on cash and marketable securities in the consolidated balance sheet.

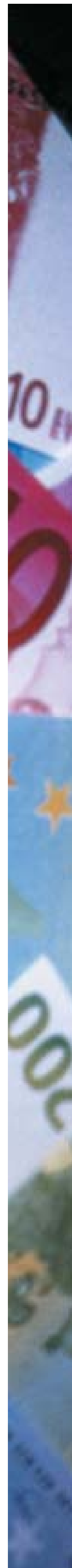
Key financial indicators

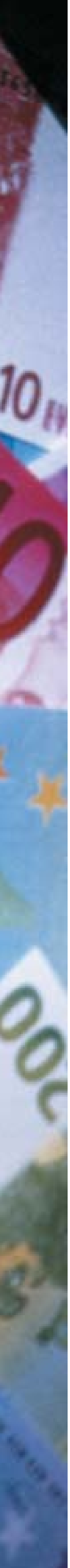
Key financial indicators of the Group[1]

		Actual 2001	2000	1999	1998	1997	Pro forma 2001	2000
Scope of activity								
Net sales	EUR million	**2 851**	1 177	778	795	832	**2 977**	3 592
- change in net sales	%	**142.2**	51.3	-2.1	-4.4	10.2	**-17.1**	NA
- exports from and sales outside Finland, of total net sales	%	**95.1**	90.2	91.4	89.4	87.3	**95.2**	94.6
Capital employed at 31 December	EUR million	**2 097**	739	681	663	690	**2 097**	1 930
Capital expenditure	EUR million	**405**	84	36	51	138	**408**	159
- in relation to net sales	%	**14.2**	7.1	4.6	6.4	16.6	**13.7**	4.4
Depreciation and amortisation[2]	EUR million	**120**	61	59	55	46	**123**	122
Research and development costs	EUR million	**13**	7	8	8	9	**13**	18
- in relation to net sales	%	**0.5**	0.6	1.0	1.0	1.1	**0.4**	0.5
Personnel 31 December		**9 004**	2 438	2 397	2 391	2 391	**9 004**	8 912
- average for the year		**8 855**	2 500	2 509	2 519	2 479	**9 003**	8 907
Profitability								
Operating profit	EUR million	**139**	246	52	50	92	**141**	479
Operating profit margin								
- excluding negative goodwill[3]	%	**3.3**	20.9	6.7	6.3	11.1	**3.2**	13.3
- including negative goodwill	%	**4.9**	20.9	6.7	6.3	11.1	**4.7**	13.3
Equity earnings in associated companies	EUR million	**-0**	-	-	-	-	**-0**	2
Profit before extraordinary items	EUR million	**129**	241	47	42	94	**131**	460
- in relation to net sales	%	**4.5**	20.5	6.0	5.3	11.3	**4.4**	12.8
Profit before taxes	EUR million	**129**	139	-30	5	79	**131**	460
- in relation to net sales	%	**4.5**	11.8	-3.9	0.6	9.5	**4.4**	12.8
Profit for the financial year	EUR million	**112**	101	-25	4	55	**112**	342
- in relation to net sales	%	**3.9**	8.6	-3.2	0.5	6.6	**3.8**	9.5
Return on shareholders' equity	%	**11.9**	33.0	8.0	8.0	15.0	**9.5**	31.2
Return on capital employed								
- excluding negative goodwill[3]	%	**6.6**	34.6	7.7	7.4	14.0	**4.8**	25.7
- including negative goodwill	%	**9.8**	34.6	7.7	7.4	14.0	**7.0**	25.7
Financing and financial position								
Liabilities	EUR million	**1 307**	404	397	330	415	**1 307**	1 201
Net interest-bearing debt	EUR million	**482**	53	129	116	143	**482**	269
- in relation to net sales	%	**16.9**	4.5	16.6	14.6	17.2	**16.2**	7.5
Net financial expenses	EUR million	**10**	5	5	8	1	**10**	21
- in relation to net sales	%	**0.4**	0.4	0.6	1.0	0.1	**0.3**	0.6
Net interest expenses	EUR million	**14**	5	1	8	5	**14**	23
- in relation to net sales	%	**0.5**	0.4	0.1	0.9	0.6	**0.5**	0.6
Interest cover		**10.2**	49.2	48.0	6.3	19.8	**10.4**	21.0
Share capital	EUR million	**188**	104	103	103	98	**188**	188
Other shareholders' equity and minority interests	EUR million	**1 026**	582	447	552	549	**1 026**	994
Equity-to-assets ratio	%	**41.6**	62.0	57.9	62.0	57.0	**41.6**	41.3
Debt-to-equity ratio	%	**39.7**	7.8	23.8	21.0	26.0	**39.7**	22.8
Cash provided by operating activities	EUR million	**223**	218	73	123	125	**214**	362
Dividends	EUR million	**28[4]**	52	-	-	-	**28[4]**	52

1) The figures for 1997-98 are converted to euros by using the fixed conversion rate, EUR 1 = FIM 5.94573. The figures for 1998-99 have been restated to reflect the change in the inventory valuation principle. For more specific information see note 1 Principles applied in the financial statements.

2) Amortisation of negative goodwill not included.
3) Amortisation of negative goodwill deducted from profit.
4) The Board of Directors' proposal to the Annual General Meeting.





Key financial indicators by business area

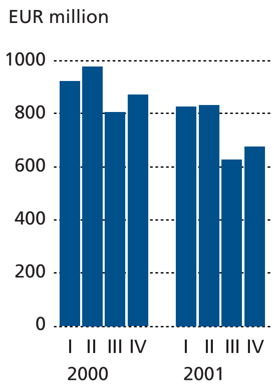
		Pro forma 2001	2000
Coil Products			
Net sales	EUR million	**2 227**	2 686
Share of the Group's net sales	%	**48**	49
Operating profit[1]	EUR million	**77**	341
Operating profit margin	%	**3**	13
Return on capital employed	%	**6**	NA[2]
Capital employed 31 December	EUR million	**1 370**	NA[2]
Capital expenditure	EUR million	**357**	123
Depreciation[3]	EUR million	**84**	83
Personnel 31 December		**4 009**	3 859
Special Products			
Net sales	EUR million	**903**	1 030
Share of the Group's net sales	%	**19**	19
Operating profit[1]	EUR million	**26**	104
Operating profit margin	%	**3**	10
Return on capital employed	%	**10**	NA[2]
Capital employed 31 December	EUR million	**267**	NA[2]
Capital expenditure	EUR million	**27**	19
Depreciation[3]	EUR million	**25**	24
Personnel 31 December		**3 231**	3 248
North America			
Net sales	EUR million	**285**	324
Share of the Group's net sales	%	**6**	6
Operating profit	EUR million	**-6**	11
Operating profit margin	%	**neg.**	3
Return on capital employed	%	**neg.**	NA[2]
Capital employed 31 December	EUR million	**3**	NA[2]
Capital expenditure	EUR million	**3**	3
Depreciation[3]	EUR million	**4**	4
Personnel 31 December		**360**	363
Other operations			
Net sales	EUR million	**1 272**	1 459
Share of the Group's net sales	%	**27**	27
Operating profit	EUR million	**-4**	50
Operating profit margin	%	**neg.**	3
Capital expenditure	EUR million	**21**	14
Depreciation[3]	EUR million	**10**	11
Personnel 31 December		**1 404**	1 442

1) Restructuring provisions made during the fourth quarter of 2001 have been netted with the corresponding additional amortisation of negative goodwill. Accordingly, the operating profit for each business area is presented with a net income effect of zero for these two items.
2) Business area balance sheets for 2000 not available.
3) Amortisation of negative goodwill not included.

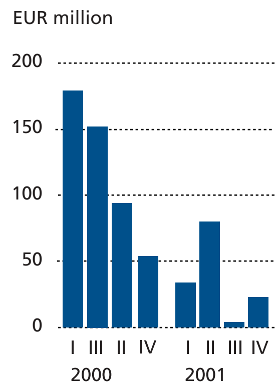
Financial development by quarter

EUR million	Actual			Pro forma				
	IV/01	III/01	II/01	I/01	IV/00	III/00	II/00	I/00
Net sales								
Coil Products	525	453	629	620	654	608	732	692
Special Products	223	186	247	247	250	230	284	266
North America	63	70	74	78	79	79	83	83
Other operations	288	292	349	343	356	328	398	377
Intra-group sales	-420	-370	-462	-458	-464	-436	-515	-492
Total for the Group	679	631	837	830	875	809	982	926
Operating profit								
Coil Products	21	-2	42	16	68	67	108	98
Special Products	-9	9	15	11	21	20	33	30
North America	-3	-1	0	-2	2	2	3	4
Other operations	-6	-2	-2	6	-55	10	16	79
Amortisation of negative goodwill	12	12	12	9	-	-	-	-
Intra-group items	8	-12	13	-6	18	-5	-8	-32
Total for the Group	23	4	80	34	54	94	152	179
Equity earnings in associated companies	-0	-0	-	-	2	-1	2	-1
Financial income and expenses	-2	-2	-4	-2	-4	-7	-6	-4
Profit before extraordinary items	21	2	76	32	52	86	148	174
Earnings per share (excl. extraordinary items), EUR	0.08	0.02	0.15	0.07	0.09	0.09	0.37	0.43

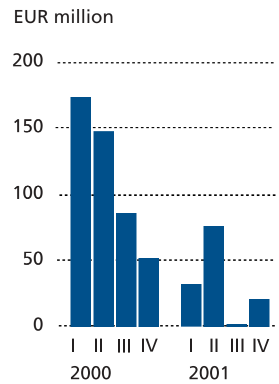
Net sales – pro forma*



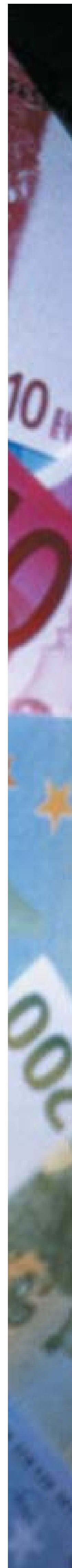
Operating profit – pro forma*

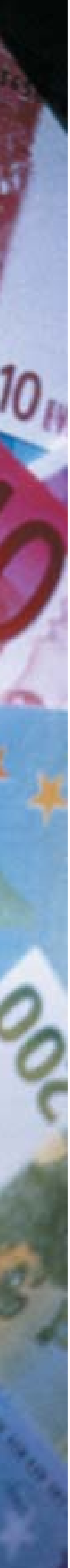


Profit before extraordinary items – pro forma*



*Quarters II-IV, 2001, are actuals.





Notes to the consolidated financial statements

1. Principles applied in the financial statements

The consolidated financial statements of AvestaPolarit Oyj Abp are prepared in accordance with generally accepted accounting principles in Finland ("Finnish GAAP"). The reconciliation of the profit for the financial period, and the equity, to International Accounting Standards ("IAS") does not show any material differences, as demonstrated below for the 2001 financial year.

EUR million	Actual	Pro forma
Profit for the financial period, Jan-Dec 2001		
Profit for the financial period as reported	112	112
Unrealised gains on hedges	0	-3
Profit for the financial period based on IAS	112	109
Shareholders' equity, 31 December 2001		
Equity as reported	1 206	1 206
Unrealised gains on hedges	2	2
Equity based on IAS	1 208	1 208

Consolidated financial statements

The consolidated financial statements include the Parent Company AvestaPolarit Oyj Abp and its subsidiaries, i.e. companies in which AvestaPolarit Oyj directly or indirectly holds more than 50% of the voting rights.

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 statements from their acquisition up to their divestment date. The figures for companies in which controlling interest is relinquished through stock sales or other transfers during the accounting period are included in the consolidated statements until the date they lose subsidiary status.

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

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

In applying the purchase method in accounting for acquisitions, the cost of acquiring shares in subsidiaries is allocated to the fair values of the underlying assets and liabilities, and the remaining difference is carried as goodwill on consolidation and amortised over its useful life, not exceeding 10 years. Allocations to fixed assets are amortised according to the depreciation plan of the underlying asset. The negative goodwill arising from the acquisition of Avesta Sheffield is amortised over 10 years.

Foreign exchange 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 AvestaPolarit holds 20-50% of shares and voting rights, are included in the consolidated accounts on the equity method. The Group's share in earnings in such companies, less amortisation of the goodwill recorded on acquisition, is presented in the consolidated income statement, and dividends received from associated companies are eliminated. In the consolidated balance sheet, the investment in associated companies and the Group's equity have been adjusted with the Group's share in associated companies' increased net worth after their acquisition, less accumulated amortisation of goodwill. Where significant differences exist, the results and shareholders' equities of associated companies are restated to comply with AvestaPolarit'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 currencies other than the euro are translated into the euro at the closing rate on the balance sheet date quoted by the European Central Bank. Advances paid and received appear in the balance sheet at the exchange rate effective on the day of payment.

All exchange gains and losses attributable to transaction risk (currency receivables, loans and other contractual commercial items) as well as hedging the 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 recorded under financial income and expenses. Prior to 1999 all exchange gains and losses were recorded under financial income and expenses. Prior years' financial statements have not been restated to conform to the new presentation principle for the income statement.

Derivative financial instruments used as hedges against exchange or interest rate risks are valued at the exchange rate or market rate on the balance sheet date and the unrealised losses are recognised in the income statement and balance sheet. Due to the restrictions of Finnish GAAP, unrealised profits have been charged to the income statement only to the extent of respective unrealised losses per currency. The interest component inherent is accrued as interest income or expenses, and exchange gains and losses are recorded under net sales, costs, expenses, financial income and expenses.

Fixed assets and other long-term investments

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

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

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

Mine properties are amortised 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 purchased metals and metal raw material are valued according to the FIFO (first in-first out) principle at the lower of cost or market.

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.

Acquisition analysis and negative goodwill

The acquisition value of Avesta Sheffield (EUR 486 million) was EUR 479 million less than the corresponding capital and reserves at the date of acquisition (EUR 965 million). The management has performed an impairment test and based on this test, no part of the consolidation difference can be attributable to identifiable assets or liabilities. Therefore, the consolidation difference is considered as negative goodwill.

Negative goodwill represents the excess of the fair value of the net assets acquired over the cost of acquisition. The remaining weighted average useful life of the non-monetary assets acquired was estimated to be 10 years. Amortisation of negative goodwill has been accounted for since completion of the combination. Some of the key financial figures have been reported by both including the effects of negative goodwill and excluding them.

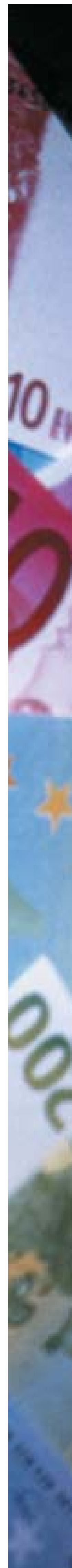
To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the combination plan and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised as income when the future losses and expenses are recognised.

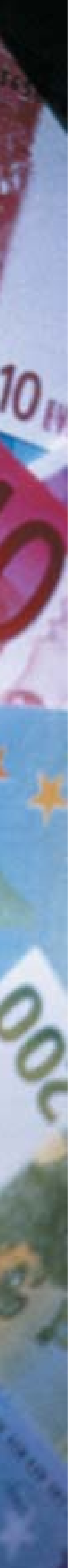
Net sales

Net sales include revenue from goods sold less discounts and sales-related indirect taxes. Revenue on goods sold is recognised at the time of delivery.

Commodity hedging

Derivative financial instruments used as hedges against metal and electricity price risks are valued at the market rate on the balance sheet date and the unrealised losses are recognised in the income statement and balance sheet. Due to the restrictions of Finnish





GAAP, unrealised profits have been charged to the income statement only to the extent of respective unrealised losses per commodity.

Research and development

Research and development costs are expensed as incurred.

Unusual items

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

Other operating income and expenses

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

Extraordinary income and expenses

Extraordinary items include highly exceptional and significant transactions outside the Group's core business activities.

Extraordinary items also include material cumulative effects on income arising from changes in accounting principles.

The extraordinary items of Parent Company financial statements also include Group contributions granted or received.

Contingent losses

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

Pension plans

The Group companies have various pension schemes in accordance with the local conditions and practices in the countries where they operate. The schemes are generally funded through payments to insurance companies or to trustee-administered funds as determined by periodic actuarial calculations.

Costs for pension and post-retirement benefits regarding defined benefit plans are recorded in the income statement, based on actuarial calculations as at 31 December 2001. Payments to the defined contribution plans and to multi-employer and insured plans are recorded as an expense under the period to which the contributions relate.

Untaxed reserves

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

All allocations to untaxed reserves, including accumulated depreciation difference, are reversed on consolidation and recorded under the equity after deferred tax provision. In the income statement, changes occurring in untaxed reserves during the fiscal year have correspondingly been divided into the accounting period result and deferred tax.

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

Income taxes

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

A deferred tax liability or asset has been determined for all temporary timing differences between taxation and the financial statements, using the tax rates effective for future periods. Deferred tax liabilities are recognised in the balance sheet in full, and deferred tax assets at their estimated realisable amounts.

Changes in accounting principles

With effect from 1 January 2001, AvestaPolarit changed its accounting principles regarding pensions and post-retirement benefits as well as the treatment of metal, currency and electricity hedges. The cumulative effect of these changes amounted to EUR -2 million and this loss has been booked to the income statement during the first quarter of 2001.

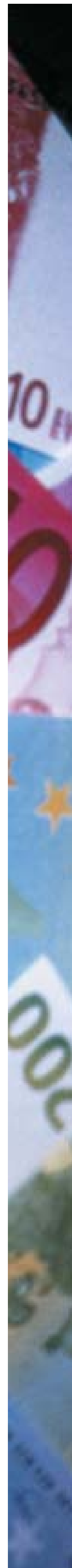
All changes to Avesta Sheffield's accounting principles were made prior to the combination and therefore only affect Avesta Sheffield's equity at combination and the respective calculation of negative goodwill. Computer software with an economic lifetime of more than three years has been capitalised in the acquired companies as of the date of the combination.

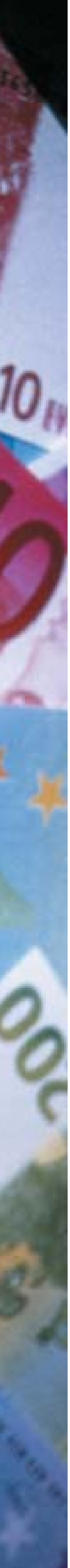
Pro forma combined figures

In the pro forma figures for 2001, Avesta Sheffield has been consolidated into AvestaPolarit for the full period stated.

The pro forma combined financial statements for 2000 were prepared by adjusting the financial information of Avesta Sheffield and Outokumpu Steel to comply with uniform accounting principles and classifications based on Finnish GAAP as applied by AvestaPolarit since the combination. These adjusted figures have been combined using normal consolidation principles. The pro forma combined balance sheet for 2000 was prepared using the final amount of negative goodwill and no amortisation of negative goodwill has been accounted for. In the pro forma figures for 2000, the group contributions granted and received by AvestaPolarit Oyj Abp to and from Outokumpu have been eliminated from the consolidated income statement and the respective tax effect (29%) added to current taxes.

In the annual report, pro forma figures have been reported for the Directors' report, income statement, balance sheet, cash flow statement, key figures, financial development by quarter, business area reviews and financial summary and have been marked "Pro forma". All other figures reported in the annual accounts include Avesta Sheffield as of 23 January 2001.





Definitions of key financial indicators

Capital employed	=	Total assets - non interest-bearing liabilities - interest-bearing assets
Research and development costs	=	Research and development expenses in the income statement (including expenses covered by grants received)
Return on shareholders' equity	=	Profit before extraordinary items - taxes / Shareholders' equity + minority interests (average for period) ˇ 100
Return on capital employed	=	Operating profit / Capital employed (average for period) ˇ 100
Net interest-bearing debt	=	Total interest-bearing debt - interest-bearing assets
Interest-bearing assets	=	Cash and marketable securities + interest-bearing receivables
Interest cover	=	Profit before extraordinary items + net interest expenses / Net interest expenses
Equity-to-assets ratio	=	Shareholders' equity + minority interests / Total assets - advances received ˇ 100
Debt-to-equity ratio	=	Net interest-bearing debt / Shareholders' equity + minority interests ˇ 100
Earnings per share (excluding extraordinary items)	=	Profit before extraordinary items - taxes - minority interests in earnings / Adjusted average number of shares during the period
Earnings per share	=	Profit for the financial year / Adjusted average number of shares during the period
Cash flow per share	=	Cash provided by operating activities / Adjusted average number of shares during the period
Shareholders' equity per share	=	Shareholders' equity / Adjusted number of shares at end of period
Dividend per share	=	Dividend for the financial period / Adjusted number of shares at end of period
Dividend/earnings ratio	=	Dividend for the financial period / Profit before extraordinary items - taxes - minority interest in earnings ˇ 100
Dividend yield	=	Dividend per share / Adjusted trading price at end of period ˇ 100
Price/earnings ratio	=	Adjusted trading price at end of period / Earnings per share (excluding extraordinary items)
Average trading price	=	EUR amount traded during the period (HEX) / Adjusted number of shares traded during the period
Market capitalisation at end of period	=	Number of shares at end of period ˇ trading price at end of period (HEX)
Trading volume	=	Number of shares traded during the period (HEX), and in relation to the weighted average number of shares during the period

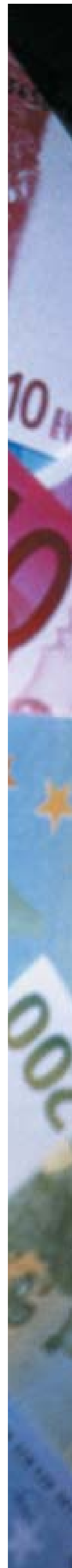
2. Geographical information

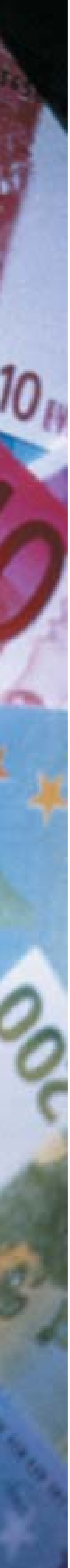
Net sales, operating profit and total assets by geographical area [1]

EUR million	Finland	Sweden	UK	Other Europe	North America	Other countries	Inter-area	Group total
Net sales								
2001	**1 048**	**1 061**	**752**	**876**	**275**	**77**	**-1 238**	**2 851**
2000	1 330	-	-	88	-	-	-241	1 177
Operating profit								
2001[2]	**100**	**72**	**-29**	**0**	**-7**	**3**	**-**	**139**
2000	241	-	-	5	-	-	-	246
Total assets								
2001	**1 154**	**863**	**411**	**314**	**125**	**55**	**-**	**2 922**
2000	1 048	-	-	43	-	-	-	1 090

Net sales by country [3], EUR million	**2001**	**%**	2000	%
EUROPE				
Germany	**460**	**16.1**	222	18.9
Italy	**303**	**10.6**	110	9.3
UK	**255**	**8.9**	32	2.7
Sweden	**214**	**7.5**	57	4.8
Finland	**160**	**5.6**	116	9.8
France	**147**	**5.2**	64	5.4
Denmark	**98**	**3.4**	33	2.8
Netherlands	**93**	**3.3**	55	4.7
Spain	**75**	**2.6**	35	2.9
Norway	**67**	**2.3**	18	1.6
Austria	**54**	**1.9**	19	1.6
Switzerland	**51**	**1.8**	24	2.0
Belgium	**39**	**1.4**	24	2.0
Poland	**33**	**1.2**	28	2.4
Russia	**31**	**1.1**	20	1.7
Czech Republic	**15**	**0.5**	22	1.9
Portugal	**15**	**0.5**	8	0.7
Ireland	**14**	**0.5**	4	0.4
Hungary	**9**	**0.3**	0	0.0
Other European countries	**49**	**1.7**	8	0.7
	2 182	**76.6**	899	76.4
NORTH AND SOUTH AMERICA				
USA	**274**	**9.6**	25	2.1
Canada	**44**	**1.5**	30	2.5
Brazil	**7**	**0.2**	3	0.2
Mexico	**5**	**0.2**	5	0.4
Chile	**2**	**0.1**	5	0.4
Other countries in North and South America	**10**	**0.3**	19	1.6
	342	**12.0**	87	7.4
ASIA				
China	**58**	**2.0**	25	2.1
Taiwan	**55**	**1.9**	1	0.1
Hong Kong	**42**	**1.5**	50	4.2
Turkey	**23**	**0.8**	29	2.5
Japan	**17**	**0.6**	19	1.6
Rep. of Korea	**15**	**0.5**	7	0.6
Malaysia	**11**	**0.4**	13	1.1
Other Asian countries	**61**	**2.1**	34	2.8
	282	**9.9**	178	15.1
Australia	**23**	**0.8**	6	0.5
South Africa	**9**	**0.3**	1	0.1
Other countries	**3**	**0.4**	6	0.5
Group total	**2 851**	**100.0**	1 177	100.0

1) Net sales, operating profit and total assets are presented by the location of the Group or associated companies.
2) Finland includes amortisation of negative goodwill EUR 45 million
3) Net sales are presented by destination.





Personnel by country at 31 December	2001	2000
EUROPE		
Sweden	**3 286**	-
Finland	**2 635**	2 295
UK	**1 697**	-
Germany	**205**	42
Netherlands	**162**	101
France	**86**	-
Italy	**85**	-
Belgium	**76**	-
Estonia	**69**	-
Austria	**54**	-
Denmark	**32**	-
Spain	**23**	-
Czech Republic	**23**	-
Poland	**19**	-
Norway	**14**	-
Hungary	**13**	-
Other countries	**25**	-
	8 504	2 438
NORTH AND SOUTH AMERICA		
USA	**361**	-
Canada	**35**	-
Mexico	**28**	-
	424	-
ASIA		
Indonesia	**20**	-
Other countries	**27**	-
	47	-
Australia	**25**	-
South Africa	**4**	-
Group total	**9 004**	2 438

3. Cost of sales

EUR million	2001	2000
Raw materials and merchandise	**1 317**	550
Fuels and supplies	**173**	86
Wages and salaries	**241**	71
Other personnel expenses	**71**	24
Rents and leases	**7**	2
Energy expenses	**110**	74
Depreciation and amortisation	**110**	57
Production for own use	**-11**	-5
Change in inventories	**85**	-69
Other cost of sales	**436**	87
	2 539	877

4. Personnel expenses

Fees and salaries paid to the Board of Directors and Managing Directors [1]	**5**	1
Other wages and salaries	**319**	84
Pension contributions	**36**	11
Other personnel expenses [2]	**61**	17
Personnel expenses in the income statement	**421**	113

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

Average number of personnel	**8 855**	2 500
Personnel at 31 December	**9 004**	2 438

EUR million	2001	2000

5. Unusual items

Restructuring provisions related to the combination		
Degerfors Stainless	**-23**	-
Others	**-6**	-
Additional amortisation of negative goodwill	**29**	-
	-	-

6. Other operating income and expenses

Other operating income		
Gains on sales of fixed assets	**1**	0
Other income items	**14**	1
	15	1
Other operating expenses		
Losses on disposals of fixed assets and scrapping	**-4**	-2
Other expense items	**-4**	-0
	-8	-2
Other operating income and expenses, total	**7**	-1

7. Provisions for restructuring measures

Provisions at 1 January	**-**	-
Combination	**6**	-
Restructuring costs charged against provisions	**-8**	-
New provisions recorded and changes in earlier provisions	**28**	-
Provisions at 31 December	**26**	-

8. Financial income and expenses

Dividends received	**3**	0
Interest income on long-term financial assets	**1**	-
Other interest income	**7**	3
Other financial income	**2**	0
Interest expenses	**-22**	-8
Other financial expenses	**-1**	-0
Exchange gains (losses)	**0**	0
	-10	-5

Interest capitalised on investment projects during the year was EUR 4 million (2000: EUR 0 million). Total interest capitalised on fixed assets at 31 December 2001 was EUR 49 million (31 December 2000: EUR 11 million).

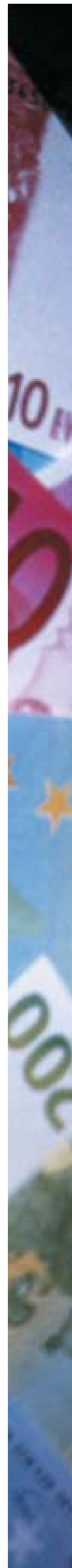
The interest component of derivative financial instruments consists of EUR 0 million (2000: EUR 1 million) in other interest income, and EUR 0 million (2000: EUR 0 million) in interest expenses.

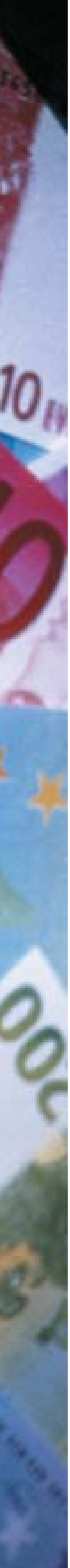
Exchange gains and losses in the income statement		
In net sales	**-12**	-5
In purchases and other expenses	**12**	12
In financial income and expenses	**0**	0

At the balance sheet date, EUR 2 million of unrealised net exchange gains on financial instruments were not accrued for (2000: EUR 2 million).

9. Extraordinary items

Extraordinary income		
Group contributions to the Outokumpu Group	**-**	-113
Change in the accounting principle (inventory valuation)	**-**	15
Of which deferred taxes	**-**	-4
Total extraordinary items	**-**	-102





EUR million	2001	2000
10. Income taxes		
Current taxes		
Accrued taxes for the year		
Finnish Group companies	**-23**	-43
Group companies outside Finland	**-25**	-1
Tax adjustments for prior years		
Finnish Group companies	**0**	-0
Group companies outside Finland	**1**	-
	-47	-44
Deferred taxes		
Deferred taxes in Group companies		
Finnish Group companies	**1**	-2
Group companies outside Finland	**31**	-0
Deferred taxes on untaxed reserves		
Finnish Group companies	**6**	5
Group companies outside Finland	**-3**	-
Deferred taxes on consolidation		
Finnish Group companies	**-1**	3
Group companies outside Finland	**-3**	-
	31	6
Total income taxes	**-16**	-38
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	**-37**	-40
Effect of different tax rates outside Finland	**3**	-0
Non-deductible expenses and tax exempt income	**0**	-0
Losses incurred by Group companies outside Finland for which no deferred tax benefit is recognised	**-7**	-
Elimination entries without tax effect	**18**	0
Changes in carrying amounts of deferred tax assets at 1 January	**3**	-
Taxes from prior years	**1**	-0
Income taxes related to extraordinary items	**-**	4
Other items	**3**	-2
Income taxes in the consolidated income statement	**-16**	-38
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	**22**	-
Effect of consolidation	**6**	3
Provisions for future expenses	**5**	-
Other items	**6**	-
	39	3
Deferred tax liabilities		
Depreciation and amortisation of fixed assets	**-188**	-96
Capitalised interest	**-14**	-
Untaxed reserves	**-11**	-
Valuation of inventories	**-7**	-8
Effect of consolidation	**-4**	-
Other items	**-8**	-4
	-232	-108
Net deferred tax liability	**-193**	-105
Deferred taxes in the balance sheet:		
Long-term assets	**14**	-
Long-term liabilities	**-207**	-99
Current liabilities	**-**	-6
	-193	-105

Deferred tax assets and liabilities have been reported as a net balance for Group companies who file a consolidated tax return, or may otherwise be consolidated for tax purposes.
At 31 December 2001 AvestaPolarit had deferred tax assets of EUR 43 million (2000: -), the utilisation of which was not probable and which were not recognised in the balance sheet. At 31 December 2001 AvestaPolarit also had tax loss carry-forwards of EUR 60 million, which did not create deferred tax asset in the balance sheet. Of these tax loss carry-forwards EUR 1 million expire in the following 3-5 years (2000: -) and the rest earliest in the year 2007.

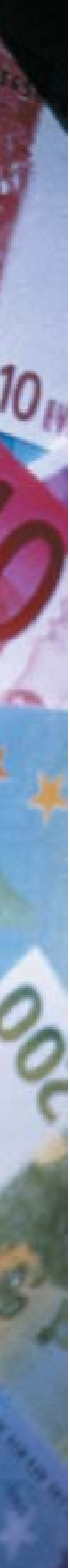
11. Fixed assets

EUR million	Historical cost at 1 Jan 2001	Translation difference	Combination	Other additions	Disposals	Accumulated depreciation 31 Dec 2001	Carrying value at 31 Dec 2001
Intangible assets							
Intangible rights	5	0	0	1	-0	-5	1
Goodwill	-	-	2	-	1	-3	0
Goodwill on consolidation	-	-	-	4	-	-0	3
Other long-term expenses	13	-	1	15	-0	-12	17
Goodwill netting [1]	-	-	-	-4	-	0	-3
	18	0	3	16	1	-20	18
Property, plant and equipment							
Land	1	-0	32	2	-0	-4	31
Mine properties	1	-	-	-	1	-1	1
Buildings	221	-1	223	7	3	-255	198
Machinery and equipment	806	-16	1 188	59	-2	-1 169	866
Other fixed assets	25	-1	34	14	34	-61	45
Advances paid for fixed assets and construction in progress	61	-1	60	317	-73	-	364
	1 115	-19	1 537	399	-37	-1 490	1 505
Long-term financial assets							
Investments in associated companies [2]	-	-0	20	1	-2	-	19
Other long-term equity investments	15	-0	9	1	-16	-	9
Long-term loans receivable	-	0	8	1	-6	-	3
Deferred tax asset	-	-0	1	12	1	-	14
Other financial assets	-	-1	15	1	-2	-	13
	15	-1	53	16	-25	-	58
Total fixed assets	1 148	-20	1 593	431	-61	-1 510	1 581

1) Goodwill netted with negative goodwill in balance sheet, see note 16.
2) Associated companies at 31 December 2001 are listed on page 75.

Depreciation

EUR million	Accumulated depreciation at 1 Jan 2001	Combination	Accumulated depreciation of disposals	Depreciation during period	Accumulated depreciation 31 Dec 2001
Intangible assets					
Intangible rights	4	0	- 0	1	5
Goodwill	-	2	1	0	3
Other long-term expenses	10	0	0	2	12
	14	2	1	3	20
Property, plant and equipment					
Land	-	4	-0	0	4
Mine properties	1	-	-	0	1
Buildings	93	147	-1	16	255
Machinery and equipment	423	694	-44	96	1 169
Other fixed assets	8	19	29	5	61
	525	864	-16	117	1 490
Total fixed assets	539	866	-15	120	1 510



EUR million	2001	2000
Depreciation and amortisation by group of expenses		
Cost of sales	**110**	57
Selling and marketing expenses	**3**	0
Administrative expenses	**6**	2
Research and development expenses	**1**	1
Total	**120**	60
Amortisation on positive goodwill on consolidation	**0**	-
Amortisation of negative goodwill on consolidation	**-75**	-
Total	**-75**	-
Depreciation and amortisation total	**45**	60

12. Associated companies

Investments in associated companies		
Historical cost at 1 January	**-**	-
Additions	**7**	-
Historical cost at 31 December	**7**	-
Equity adjustment to investments in associated companies		
1 January	**-**	-
Change in translation difference	**0**	-
Additions	**16**	-
Disposals and other changes	**-4**	-
Equity earnings in associated companies	**-0**	-
31 December	**12**	-
Carrying value of investments in associated companies	**19**	-
Receivables from and liabilities to associated companies		
Long-term receivables		
Loans receivable	**0**	-
Current receivables		
Accounts receivable	**3**	-
Current liabilities		
Accounts payable	**3**	-

The Group's result does not include interest income on loans receivable from associated companies (2000: EUR - million).

13. Inventories

Raw materials	**95**	28
Fuels and supplies	**23**	13
Work in progress	**277**	76
Finished goods and merchandise	**269**	122
	664	239

EUR million	2001	2000

14. Receivables

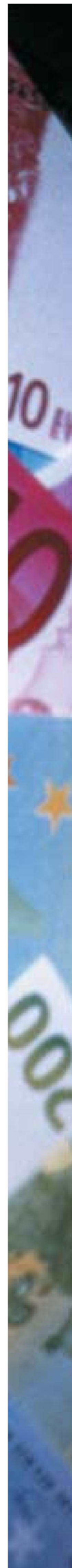
Receivables in the balance sheet		
Accounts receivable	**484**	136
Loans receivable	**4**	-
Prepaid expenses and accrued income	**48**	22
Other receivables	**36**	8
	572	166
Prepaid expenses and accrued income		
Value added taxes receivable	**22**	15
Accrued exchange gains	**1**	4
Prepaid interest expenses and accrued interest income	**2**	-
Other items	**23**	3
	48	22

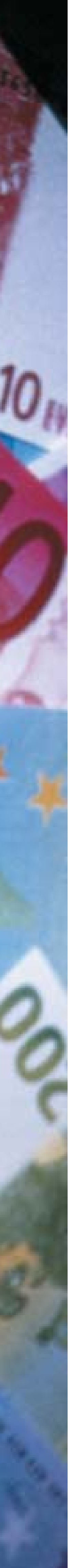
At 31 December 2001 the Group companies had EUR 0 million current loans to the Parent Company's or subsidiaries' management (2000:-).
Receivables include non-current receivables of EUR 0 million in 2001 (2000:-).
Long-term and short term receivables include interest-bearing assets of EUR 7 million at 31 December 2001 (2000:-).

15. Shareholders' equity

Share capital		
Share capital at 1 January	**104**	102
Bonus issue	**-**	2
Targeted issue	**84**	-
Share capital at 31 December	**188**	104
Premium fund		
Premium fund at 1 January	**212**	180
Bonus issue	**-**	-2
Targeted issue [1)]	**390**	-
Other changes	**-**	34
Premium fund at 31 December	**602**	212
Retained earnings		
Retained earnings at 1 January	**259**	284
Prior year's profit	**101**	-25
Dividends paid	**-52**	0
Change in translation difference	**-4**	-
Retained earnings at 31 December	**304**	259
Profit for the financial year	**112**	101
Total shareholders' equity at 31 December	**1 206**	676
Distributable funds		
Retained earnings	**304**	259
Profit for the financial year	**112**	101
Less untaxed reserves in shareholders' equity	**-220**	-237
Other undistributable equity	**0**	-
Distributable funds at 31 December	**196**	123
Untaxed reserves in equity		
Untaxed reserves at 31 December	**309**	333
Deferred tax liability on untaxed reserves	**-89**	96
Untaxed reserves in equity at 31 December	**220**	237

1) The difference between the increase in premium fund in consolidated accounts (EUR 390 million) and that in the Parent Company (EUR 528 million) results from the fact that the statutory amount for the share issues and the respective increase in premium fund for the Parent Company had to be fixed before the completion of the combination, while the consolidated figures are based on the final valuation at combination. The valuation for the Parent Company statutory purposes was based on Avesta Sheffield's weighted average share price of SEK 33.39 per share during the three months before the announcement of the combination in September 2000. The final valuation was based on Avesta Sheffield's closing share price of SEK 27.00 per share at completion of the combination on 22 January 2001.





EUR million	2001	2000

16. Negative goodwill

	2001	2000
Negative goodwill at 1 January	-	-
Additions	479	-
Amortisation of negative goodwill		
Amortisation	-46	-
Additional amortisation	-29	-
Negative goodwill in the balance sheet (gross) 31 December	404	-
Goodwill in the balance sheet (gross) 31 December	-3	-
Negative goodwill in the balance sheet (net) 31 December	401	-

17.Liabilities

	2001	2000
Liabilities in the balance sheet		
Long-term liabilities		
Interest-bearing		
Bonds and debentures	2	-
Loans from financial institutions	157	1
Pension loans	38	4
Other long-term loans	6	60
	203	65
Non interest-bearing		
Deferred tax liablitity	207	99
Other long-term liabilities	78	0
	285	99
Current liabilites		
Interest-bearing		
Bonds and debentures	2	-
Loans from financial institutions	123	3
Pension loans	3	0
Bills payable	1	-
Other current loans	262	61
	391	64
Non interest-bearing		
Advances received	1	0
Accounts payable	248	92
Accrued expenses and prepaid income	137	73
Other current liabilities	42	11
	428	176
Total liabilities	1 307	404

Repayment schedule of long-term debt at 31 December 2001

EUR million		Repayments						
		2002	2003	2004	2005	2006	2007-	Total
Bonds and debentures	USD	2	2	-	-	-	-	4
Loans from financial institutions	EUR	0	0	0	0	0	35	35
	USD	-	2	-	-	-	-	2
	SEK	-	1	1	112	1	4	119
Pension loans	EUR	3	6	4	4	5	18	40
	SEK	-	0	0	0	0	2	2
Other long-term loans	EUR	0	0	0	-	-	-	0
	SEK	1	1	0	1	0	4	7
Total		6	12	5	117	6	63	209

Average maturity for long-term debt was 6 years and 3 months, and the average interest rate was 4.06 %.

	Interest rate	2001	2000
Bonds and debentures			
Debenture 2001-2003	8.00%	4	-
Accrued expenses and prepaid income			
Accrued employee related expenses		55	27
Income taxes payable		27	42
Accrued interest expenses and prepaid interest income		9	1
Other		46	3
		137	73

18. Management of financial risks

Internal financial control and risk management

The Board of Directors is responsible for determining the long-term strategy of the Group, the product sectors and markets in which the Group operates and the level of risk acceptable in each area of its business. Responsibility for the management and control of business risk is delegated to the President & CEO.

AvestaPolarit operates a system of internal control aimed at ensuring that the assets of the Group are safeguarded, business transactions authorised and recorded properly and any material errors and irregularities either prevented or detected within a timely period. However, no system of internal control can provide absolute assurance against material misstatement or loss. The internal audit function undertakes a programme of work focused on the areas of greatest perceived business risk, including corporate and business unit activities. This work is aimed at highlighting control weaknesses to which the Group could be exposed so that corrective action can be taken.

The Group considers security of its operational performance as a high priority and uses structured and systematic risk management in this area. To reduce its exposure to catastrophe losses, AvestaPolarit uses insurance, most of which is arranged through a wholly owned subsidiary, which reinsures catastrophe risks with the external insurance market.

The Group's business operations involve many market price, credit and liquidity risks. The business units are responsible for the identification of their risks, which are mainly hedged through intra-group transactions. The finance controllers in business units monitor the risk management practices in their units.

AvestaPolarit seeks to manage and monitor its external and internal funding requirements and treasury risks in support of Group objectives. Treasury activities are governed by policies and procedures approved by the Board of Directors. The Group's treasury function (Corporate Treasury) operates as an internal bank and manages foreign exchange and interest rate risks aiming to hedge a significant part of the identified exposures and provides financial advice to operating businesses and subsidiaries. Corporate Treasury is also responsible for management of the Group's liquidity risk and credit risks related to finance. Corporate Treasury manages, in a non-speculative manner, any financial risks related to funding, interest rate and foreign currency. Counterparty credit risk is also controlled by Corporate Treasury, with specific limits applied to counterparties and to transactions.

Details of the operations of the Board of Directors and the Audit Committee are summarised in the section Corporate Governance on pages 87 to 88.

Market price risks

Exchange rate risks

The Group's foreign exchange policy with regard to transaction exposure is to fully hedge receivables, payables and other contractual commercial items, combined with some hedging of forecast cash flows. The hedge level for anticipated currency flows varies between business units. Foreign currency contracts do not generally extend beyond twelve months.

The Group, in common with the steel industry generally, does not hedge its economic exposure for long-term foreign exchange risks. Equity hedging of currency exposures in the form of investments in foreign subsidiaries is not undertaken as the Group's balance sheet is regarded as strong and able to absorb fluctuations in value arising from such exchange movements in underlying assets.

The effects of fluctuations in the relationship between the Swedish krona, sterling, the US dollar, and the euro (which tends to be the dominating currency for European steel selling prices) are complex. Variations in a specific direction will not always have a consistent effect on Group profitability, which can be affected by other related economic factors. At 31 December 2001 AvestaPolarit had outstanding foreign exchange forward contracts for the amount of EUR 201 million (EUR 190 million).

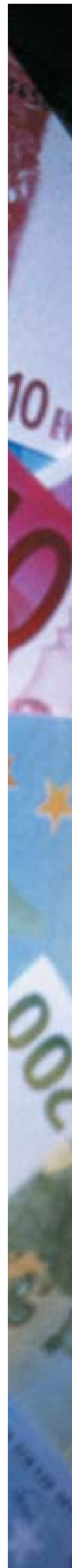
At 31 December 2001 the average maturity for currency forwards was 3.5 months.

Interest rate risks

In order to effectively manage interest rate risks, the Group's loans and investments are dispersed in fixed and floating rate instruments. In the management of interest rate risks the most important currencies are the euro and Swedish krona. The Group's net interest-bearing debt is mostly in euro.

During 2001, much of the Group's borrowings have been through a Finnish Domestic Commercial Paper Programme, using short tenors. This has benefited the Group's net interest costs because of the reduction in interest rates throughout the year. At 31 December 2001, the weighted average term of Group utilisation of both committed and uncommitted funding was 26 months.

During 2001 the Group introduced a cash pool in several European countries for euro transactions. This has improved the efficiency of cash management for those countries.



Metal price risks

Nickel is the most significant raw material cost associated with the manufacture of stainless steel. Selling prices for the majority of the Group's sales include an alloy surcharge (Alloy Adjustment Factor), which is an automatic hedge against price fluctuations in nickel, chromium and molybdenum. There is a forward and futures market for nickel, which can be used to secure the price of nickel. In those instances where the Group sells at fixed prices, which constitute a relatively small proportion of the Group's business, it seeks to reduce its exposure to the potential volatility of nickel prices by using the forward price fixing mechanisms offered by the London Metal Exchange. At 31 December 2001, the Group held forward price contracts for the purchase of nickel totalling the equivalent of EUR 20 million (market value EUR 19 million).

The profitability of the Kemi mining operation is directly dependent on the market price of ferrochrome. There is no forward or futures market, which can be used to secure the price of ferrochrome.

At 31 December 2001 the Group had metal derivative contracts (nickel forwards) of 3 126 tonnes (612 tonnes).

Electricity risks

The Executive Committee has approved a Power Policy for the Group. Changes in electricity prices in both the UK and the Nordic region represent a price risk for the Group's production plants. The Group's electricity purchasing in the UK and the Nordic region is coordinated by the Group's Power Committee, which is also responsible for managing the electricity risk. Electricity purchases for other locations are carried out locally.

The portfolio of electricity supplies includes derivative contracts and agreements with physical delivery. Derivative contracts are made on the Nord Pool electricity exchange and with approved counter-parties. At 31 December 2001 the Group had electricity forwards of 43 GWh (- GWh).

Credit risks

The Group seeks to minimise the credit risks related to financial instruments by limiting the counter-parties to major banks, other financial institutions and brokers and suppliers of electrical power, whose credit rating is good. Money market investments are made in liquid instruments with low credit risk. Credit risks did not produce bad debts during 2001.

The Group's accounts receivable are generated by a large number of customers in various industries around the world. Credit risks on these commercial flows are managed by business units, with overall risk monitored by the Chief Financial Officer.

Liquidity risk

The Group seeks to minimise liquidity and refinancing risks through a balanced maturity profile of loans, as well as by ensuring that adequate committed and uncommitted credit lines are available. This objective calls for efficient cash and liquidity management. The current main funding programmes and credit facilities include:

a) Two committed multi-currency 364-day bilateral credit facilities to AvestaPolarit Oyj Abp, each for EUR 150 million, available from February 2002 and expiring in February 2003. These facilities replaced a committed 364-day credit facility for EUR 250 million, which expired in February 2002.

b) A committed credit facility to AvestaPolarit Oyj Abp from the Nordic Investment Bank of EUR 35 million, which is available until November 2009.

c) A committed multi-currency revolving credit facility to AvestaPolarit AB of EUR 300 million from a consortium of 14 banks, expiring in May 2005. This facility is available for the total Group.

d) A committed credit facility for EUR 35 million for 10 years to AvestaPolarit Oyj Abp.

e) A Finnish Domestic Commercial Paper Programme totalling EUR 350 million, of which EUR 229 million was utilised at 31 December 2001.

f) An operational lease facility for EUR 61 million to partly finance the purchase of the new rolling, annealing and pickling line being installed at Tornio.

The Group also has uncommitted credit lines with domestic and overseas banks which are used to finance working capital requirements.

At 31 December 2001, unutilised credit facilities totalled EUR 570 million for the Group and EUR 281 million for the Parent Company.

During 2001, the Group repaid all outstanding intra-group loans between Outokumpu Steel and Outokumpu Group.

Fair value of investments and receivables, debt and derivatives

The carrying values and fair values of the Group's investments and receivables, debt and derivatives at 31 December 2001 are presented in the following table. Fair values were estimated based on market prices, where available, or dealer quotes.

EUR million	2001 Carrying value	2001 Fair value	2000 Carrying value	2000 Fair value
Investments and receivables				
Investments in associated companies	**19**	**19**	-	-
Other long-term equity investments	**9**	**10**	15	15
Long-term loans receivable	**3**	**3**	-	-
Current loans receivable	**4**	**4**	-	-
Cash and marketable securities	**105**	**105**	76	76
Debt				
Long-term debt	**203**	**203**	65	65
Current debt	**391**	**391**	65	65
Financial derivatives 1)				
Forward foreign exchange contracts	**-1**	**1**	4	3
Metal derivatives 1)				
Forward nickel contracts	**-1**	**-1**	-	0
Electricity derivatives 1)				
Forward contracts	**-**	**0**	-	-

1) The derivative transactions have been made for hedging purposes. The fair value of derivatives indicates the result of those transactions if the deals were closed at the balance sheet date.

19. Commitments and contingent liabilities

EUR million	2001	2000
Pledges at 31 December		
Mortgages to secure own borrowings	**43**	6
Mortgages to secure together with Outokumpu Oyj	**-**	152
	43	158
Guarantees at 31 December (on behalf of other parties)		
For financing	**73**	3
For other commitments	**11**	4
	84	7
Minimum future lease payments on operating leases at 31 December		
In 2002	**7**	2
Thereafter	**97**	3
	104	5

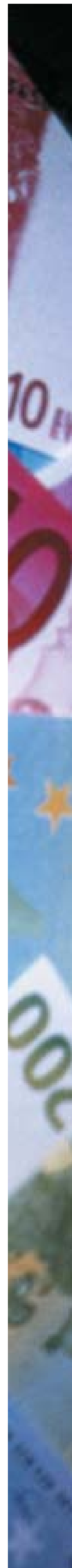
The mortgages are given to secure loans of EUR 39 million, mostly being pension loans.

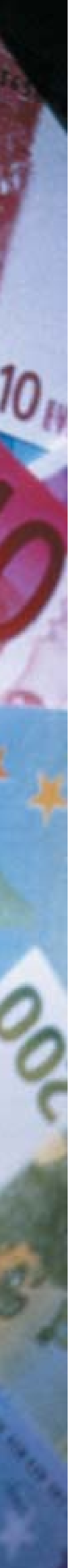
Management expects that the pledges and guarantees given on behalf of the Group's own commitments and on behalf of other parties will not have a material adverse impact on the Group's result or financial position.

Pension liabilities

The Group companies have various pension schemes in accordance with the local conditions and practices in the countries where they operate. The schemes are generally funded through payments to insurance companies or to trustee-administered funds as determined by periodic actuarial calculations.

In relation to the United Kingdom (UK), AvestaPolarit's UK subsidiaries are members of the British Steel Pension Scheme (1990) as regards their employees at the date of combination. There is a special agreement as part of the Combination Agreement, according to which the current employees in the UK will remain in the British Steel Pension Scheme. If the UK Inland Revenue in the future gives notice requiring the cessation of participation of AvestaPolarit in the British Steel Pension Scheme, AvestaPolarit will be required to establish a similar pension scheme. Corus Group will, for a period up to 31 March 2008, compensate AvestaPolarit based on the difference between the contributions needed to set up a separate AvestaPolarit Pension Scheme, and those contributions it would have paid whilst remaining in the British Steel Pension Scheme. Such compensation is limited to a maximum payment of GBP 18 million. Regarding new employees in the UK employed after the combination, AvestaPolarit has set up a new separate scheme.





20. Disputes and litigations

In June 1998, the US Authorities initiated an investigation into claims of dumping of cold rolled sheet and strip (including foil) in coil against the UK. A preliminary deposit rate of 13.45% was determined, which applied to shipments landed in the USA between 17 December 1998 and 27 July 1999. A final deposit rate of 14.48% was issued in July 1999, which has applied to shipments from the UK landed in the USA from 27 July 1999.

The status of the steel import relief proceeding by the United States International Trade Commission is described in the Directors' report on page 44.

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

21. Subsidiaries by country at 31 December 2001

			Country	Nature of activity	Group holding, %
AvestaPolarit Pty Ltd		1)	Australia	●	100
AvestaPolarit Ges.m.b.H		1)	Austria	●	100
AvestaPolarit N.V.		1)	Belgium	●	100
Hertecant N.V.			Belgium	▲	100
2843617 Canada Inc.			Canada	◗	100
AvestaPolarit s.r.o.		1)	Czech Republic	●	100
AvestaPolarit A/S		1)	Denmark	●	100
AS Avesta Polarit Ratas Oü		1)	Estonia	▲	92
AvestaPolarit Baltic Oü		1)	Estonia	●	100
AvestaPolarit Chrome Oy	*)	1, 2)	Finland	❖▲	100
AvestaPolarit Finland Oy		1)	Finland	●	100
AvestaPolarit Stainless Oy	*)	1, 2)	Finland	▲	100
Finnbend Oy			Finland	▲	100
Finnpipe Oy			Finland	▲	75
Kandelinin Seuraajat Oy		2)	Finland	◗	100
Oy JA-RO Ab	*)	2)	Finland	▲	100
SH-Trade Oy			Finland	●	100
AvestaPolarit ABE SARL		1)	France	●	100
AvestaPolarit SA		1)	France	●	100
E.L.F.E. SA			France	●	100
AvestaPolarit GmbH		1)	Germany	●	100
AvestaPolarit Holding GmbH		1)	Germany	❂	100
AvestaPolarit Plate Service Centre Germany		1)	Germany	▲	100
AvestaPolarit Service Center Bönen GmbH		1)	Germany	●▲	100
AvestaPolarit Stainless Oy & Co. KG		1)	Germany	◗	100
AvestaPolarit Asia Pacific Ltd	*)	1)	Hong Kong	●	100
AvestaPolarit Kft		1)	Hungary	●	100
PT AvestaPolarit Welding Products		1)	Indonesia	▲	100
AvestaPolarit Ireland Ltd		1)	Ireland	●	100
AvestaPolarit S.p.A.		1)	Italy	●▲	100
AvestaPolarit Japan K.K.		3)	Japan	●	100
AvestaPolarit UAB		1)	Lithuania	●	100
AvestaPolarit ABE, S.A. de C.V.		1)	Mexico	▲	100
AvestaPolarit B.V.		1)	Netherlands	●	100
AvestaPolarit Finance B.V.		1)	Netherlands	◗	100
AvestaPolarit Gebouwen B.V.		1)	Netherlands	◗	100
AvestaPolarit Holding B.V.		1)	Netherlands	❂	100
AvestaPolarit Plate Service Centre Benelux B.V.		1)	Netherlands	▲	100
AvestaPolarit Processing B.V.		1, 2)	Netherlands	▲	100
Avesta Sandvik Tube B.V.			Netherlands	▲	75
AvestaPolarit AS		1)	Norway	●▲	100
AvestaPolarit Sp z o.o.		1)	Poland	●	100
ZAO AvestaPolarit		1)	Russia	●	100
AvestaPolarit (SEA) Pte Ltd		1)	Singapore	●	100
AvestaPolarit (Pty) Ltd		1)	South Africa	●	100
AvestaPolarit S.A.		1)	Spain	●	100
AB Örnsköldsviks Mekaniska Verkstad (ÖMV)			Sweden	▲	100
Avesta Sandvik Tube AB			Sweden	▲	75
AvestaPolarit AB (publ)	**)	1)	Sweden	▲	98,6
AvestaPolarit ABE AB		1)	Sweden	▲	100
AvestaPolarit Information Systems AB		1)	Sweden	◗	100

		Country	Nature of activity	Group holding, %
AvestaPolarit Nordic AB	1)	Sweden	●	100
AvestaPolarit Plate Service Centre Nordic AB	1)	Sweden	▲	100
AvestaPolarit Prefab AB	1)	Sweden	▲	100
AvestaPolarit Press Plate AB	1)	Sweden	▲	100
AvestaPolarit Welding AB	1)	Sweden	▲	100
Billing Metal Trading AB		Sweden	▲	100
Calamo Nords AB		Sweden	▲	100
Husqvarna Elektrolytpolering AB		Sweden	▲	100
Visent Invest AB		Sweden	◗	100
Visenta Försäkrings AB		Sweden	◗	100
AvestaPolarit Holdings Ltd	1)	United Kingdom	❂	100
AvestaPolarit Ltd	1)	United Kingdom	▲	100
AvestaPolarit Pension Trustees Ltd	3)	United Kingdom	◗	100
AvestaPolarit Bar Company	1)	USA	▲	100
AvestaPolarit Coil, Inc.	1)	USA	●	100
AvestaPolarit East, Inc.	1)	USA	▲	100
AvestaPolarit, Inc.	1)	USA	❂	100
AvestaPolarit Pipe, Inc.	1)	USA	▲	100
AvestaPolarit Plate, Inc.	1)	USA	▲	100
AvestaPolarit Welding, Inc.	1)	USA	●	100

Foreign branches
AvestaPolarit S.A., Branch Office, Portugal
AvestaPolarit Asia Pacific Ltd, Branch Office, Republic of Korea
AvestaPolarit Asia Pacific Ltd, Representative Offices, China and Taiwan
AvestaPolarit Baltic Oü, Branch Office, Latvia

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

1) Name change
2) AvestaPolarit Oyj Abp's subsidiaries at 31 December 2000. All other companies acquired during the year 2001.
3) Founded

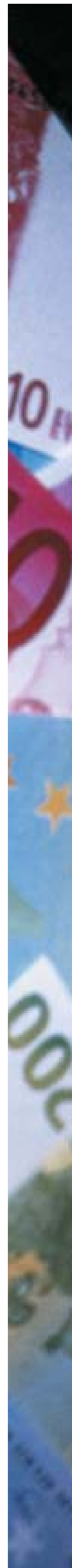
*) Shares and ownership interests held by the Parent Company.
**) Parent Company's ownership 98.6%.

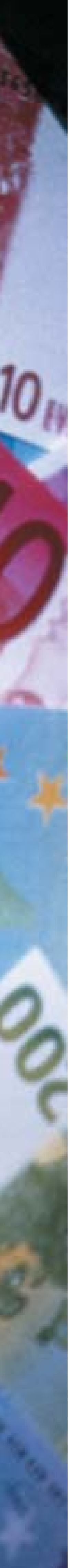
Legend	
❂	Management or holding
❖	Mining
▲	Production
●	Sales and marketing
❑	Research and development
◗	Service

22. Associated companies and other shares and stock at 31 December 2001

	Country	Nature of activity	Group holding, %
Shares and ownership interests in associated companies			
ABB Industriunderhåll AB	Sweden	◗	49
Avesta Valbruna AB	Sweden	▲	50
Djäknehytterotarnas Skifteslag	Sweden	◗	50
Fagersta Stainless AB	Sweden	▲	50
IT Barents Region AS	Norway	❂	40
Jan Sahlin Gjutteknik AB	Sweden	▲	20
Prokopto AB	Sweden	◗	25
Rekuperator Svenska AB	Sweden	❑	40
Ståltransporter i Avesta AB	Sweden	◗	49
Sváltbackens Kraft AB	Sweden	▲	33

Other shares and stock
The market value of the shares in publicly listed companies included in other shares and ownership interests exceeds the balance sheet value of EUR 9 million by EUR 1 million.





23. Changes in Group structure in 2001

The exchange offer for the combination of Avesta Sheffield AB and Outokumpu Steel Oyj stated that the legal ownership of two German companies, Outokumpu Service Centre GmbH and Outokumpu Holding GmbH & Co. Grundstucks KG, would be transferred from the Outokumpu Group to AvestaPolarit at or around the beginning of 2001. The transfers were to be carried out at net asset value. The purchase price was to be based on the net asset value at 31 December 2000. The actual purchase price, assessed by external experts, was EUR 6 million, including goodwill of EUR 3 million. This goodwill is subject to depreciation over a 10-year period.

In August, AvestaPolarit purchased the 50% share it did not already own in AvestaPolarit Asia Pacific Ltd (BVI) from Corus Asia Limited, whose ultimate parent company is Corus Group plc. The agreed purchase price was EUR 4 million, including goodwill of EUR 1 million. This goodwill is subject to depreciation over a 5-year period. This company was subsequently sold.

All other additions to the legal Group structure took place in the combination on 22 January 2001.

Companies merged and dissolved

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

Companies sold

AvestaPolarit Asia Pacific Ltd (BVI)

The effect of sales of business operations on the consolidated net sales is EUR 0 million (2000: -)

24. Production of main products

1,000 tonnes	Actual 2001	2000
Coil Products		
Slabs	**1 404.8**	636.3
Cold rolling mill production		
- cold rolled material	**746.3**	421.7
- white hot strip	**323.8**	135.0
Special Products		
Ferrochrome	**236.0**	260.7
Tubes and tube fittings	**50.8**	32.1
Quarto plate	**60.9**	-
Long products	**197.1**	-
Precision strip	**23.1**	-
North America		
Quarto plate, bar and tubes	**71.1**	-

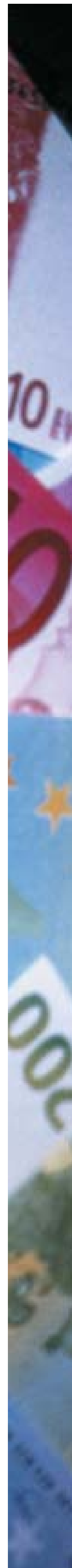
Parent company financial statements

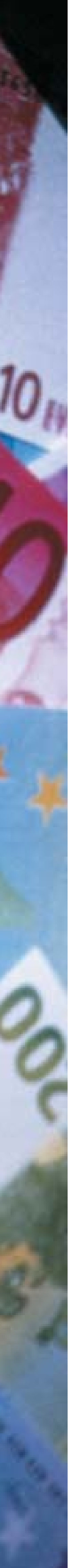
Income statement

EUR million		2001	2000
Net sales		**32**	6
Sales and marketing expenses		**-7**	-
Administrative expenses		**-31**	-7
Research and development expenses		**-1**	-0
Other operating income and expenses	[3]	**-0**	-0
Operating loss	[1-3]	**-7**	-1
Financial income and expenses	[4]	**-2**	-0
Loss before extraordinary items		**-9**	-1
Extraordinary items	[5]	**81**	146
Profit before appropriations and taxes		**72**	145
Appropriations		**0**	0
Income taxes	[6]	**-21**	-42
Profit for the financial year		**50**	103

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

Figures in brackets refer to notes to the Parent Company financial statements on pages 80-82.





Balance sheet

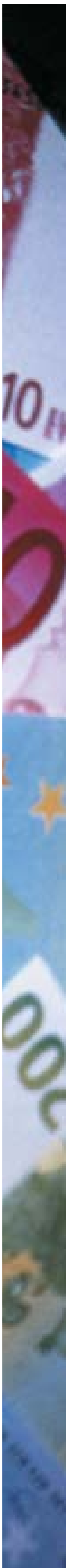
EUR million		2001	2000
ASSETS			
Fixed assets and other long-term investments	[7]		
Intangible assets		**1**	0
Property and equipment		**0**	0
Long-term financial assets		**936**	318
Total fixed assets and other long-term investments		**937**	318
Current assets			
Receivables	[9]	**500**	149
Cash and bank		**1**	-
Total current assets		**501**	149
TOTAL ASSETS		**1 438**	467

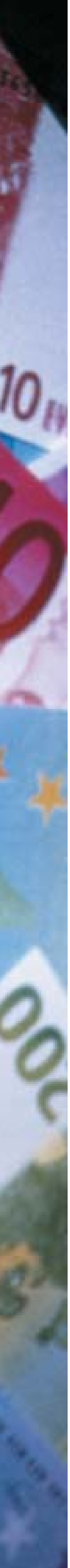
EUR million		2001	2000
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	[8]		
Share capital		**188**	104
Premium fund		**740**	212
Retained earnings		**52**	1
Profit for the financial year		**50**	103
Total shareholders' equity		**1 030**	420
Untaxed reserves			
Accumulated depreciation difference		**0**	0
Liabilities			
Long-term	[9]		
Interest-bearing		**37**	-
Non interest-bearing		**1**	-
		38	-
Current	[9]		
Interest-bearing		**366**	-
Non interest-bearing		**4**	47
		370	47
Total liabilities		**408**	47
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1 438**	467

Statement of cash flows

EUR million	2001	2000
Operating activities		
Result for the financial year	**50**	103
Depreciation and amortisation	**0**	0
Change in depreciation difference	**-0**	-0
Income financing	**50**	103
Change in working capital		
(Increase) in current non interest-bearing receivables	**-3**	-0
(Decrease) increase in current non interest-bearing liabilities	**-42**	42
	-45	42
Other adjustments *)	**-39**	-146
Cash provided by operating activities	**-34**	-1
Investing activities		
Capital expenditures on purchase of fixed assets	**-1**	-0
Investments in Group companies and other equity investments	**-7**	-38
Proceeds from sales of fixed assets	**0**	1
Increase (decrease) in long-term financial assets	**-307**	4
Cash used in investing activities	**-315**	-33
Cash flow before financing activities	**-349**	-34
Financing activities		
Borrowings of long-term debt	**36**	-
Increase in current debt	**366**	-
Dividends paid	**-52**	-
Share issue	**-**	34
Other financial items	**-**	-0
Cash used in financing activities	**350**	34
Increase (decrease) in cash and marketable securities in the balance sheet	**1**	-0

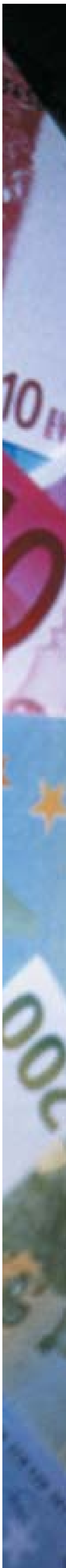
*) Includes gains and losses on sales of fixed assets, exchange gains and losses, and group contributions.





Notes to the Parent Company financial statements

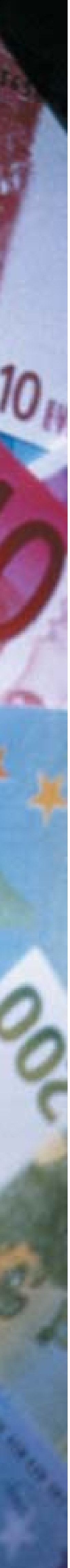
EUR million	2001	2000
1. Personnel expenses		
Fees and salaries paid to the Board of Directors and President	**1**	0
Other salaries	**2**	0
Pension contributions	**1**	0
Other personnel expenses	**0**	0
Personnel expenses in the income statement	**4**	0
Average number of personnel	**17**	5
Personnel at 31 December	**20**	4
2. Depreciation and amortisation		
Depreciation and amortisation by group of assets		
Intangible assets	**0**	0
Other long-term expenses	**0**	0
Buildings	**-**	0
Machinery and equipment	**0**	0
	0	0
Depreciation and amortisation by group of expenses		
Administrative expenses	**0**	0
	0	0
3. Other operating income and expenses		
Other operating income		
Gains on sales of fixed assets	**0**	0
Other operating expenses		
Losses on disposal of fixed assets and sales of shares	**-0**	-0
Other operating income and expenses, total	**-0**	-0
4. Financial income and expenses		
Interest income on current assets	**8**	0
Interest expenses	**-9**	-0
Other financial expenses	**-1**	-0
	-2	-0
Financial income from and expenses to subsidiaries		
Interest income on		
Long-term financial assets	**0**	-
Current assets	**7**	0
Interest expenses		
Long-term loans	**-0**	-
Other interest expenses	**-1**	-0
Other financial expenses	**-0**	-
	6	0
5. Extraordinary items		
Group contributions	**81**	146
6. Income taxes		
Income taxes		
Accrued taxes for the year	**-21**	-42
Tax adjustments for prior years	**-**	-0
	-21	-42
Deferred taxes in the balance sheet		
Deferred tax liabilities	**-**	0
Deferred tax assets	**0**	-
Net deferred tax asset	**0**	0



7. Fixed assets

EUR million	Historical cost at 1 Jan 2001	Additions	Disposals	Accumulated depreciation 1 Jan 2001	Accumulated depreciation of disposals	Depreciation during period	Accumulated depreciation 31 Dec 2001	Carrying value at 31 Dec 2001
Intangible assets	0	1	-0	-0	0	-0	-0	1
Property and equipment								
Machinery and equipment	0	0	-0	-0	0	-0	-0	0
Other fixed assets	0	0	-0	-	-	-	-	0
	0	0	-0	-0	0	-0	-0	0
Long-term financial assets								
Shareholdings in subsidiaries	314	620	-	-	-	-	-	934
Other long-term equity investments	4	-	-4	-	-	-	-	-
Long-term loans receivable	-	2	-	-	-	-	-	2
	318	622	-4	-	-	-	-	936
Total fixed assets	318	623	-4	-0	0	-0	-0	937

EUR million	**2001**	2000
8. Shareholders' equity		
Share capital at 1 January	**104**	102
Bonus issue	**-**	2
Targeted issue	**84**	-
Share capital at 31 December	**188**	104
Premium fund at 1 January	**212**	180
Bonus issue	**-**	-2
Targeted issue	**528**	34
Premium fund at 31 December	**740**	212
Retained earnings at 1 January	**1**	1
Prior year's profit	**103**	0
Dividends paid	**-52**	-
Retained earnings at 31 December	**52**	1
Profit for the financial year	**50**	103
Total shareholders' equity at 31 December	**1 030**	420
Distributable funds		
Retained earnings at 31 December	**52**	1
Profit for the financial year	**50**	103
Distributable funds at 31 December	**102**	104



9. Receivables and liabilities

EUR million	**2001**	2000
Receivables		
Accounts receivable	**0**	0
Loans receivable	**310**	3
Prepaid expenses and accrued income	**4**	1
Other receivables	**186**	145
	500	149
Long-term liabilities		
Interest-bearing		
Loans from financial institutions	**35**	-
Other long-term loans	**2**	-
	37	-
Non interest-bearing		
Other long-term liabilities	**1**	-
Current liabilites		
Interest-bearing		
Loans from financial institutions	**90**	-
Other current loans	**276**	-
	366	-
Non interest-bearing		
Accounts payable	**0**	3
Accrued expenses and prepaid income	**2**	44
Other current liabilities	**2**	-
	4	47
Total liabilities	**408**	47
Receivables from and liabilities to subsidiaries		
Long-term receivables		
Loans receivable	**2**	-
Current receivables		
Loans receivable	**310**	3
Accounts receivable	**0**	0
Prepaid expenses and accrued income	**3**	0
Other receivables	**186**	145
	499	148
Long-term liabilities		
Long-term loans	**2**	-
Current liabilities		
Current loans	**49**	-
Accounts payable	**0**	3
Accrued expenses and prepaid income	**0**	1
	49	4
Prepaid expenses and accrued income		
Prepaid interest expenses and accrued interest income	**4**	-
Other	**0**	1
	4	1
Accrued expenses and prepaid income		
Accrued employee related expenses	**1**	0
Accrued interest expenses and prepaid interest income	**1**	-
Other	**0**	44
	2	44

10. Commitments and contingent liabilities

Guarantees at 31 December		
On behalf of subsidiaries		
For financing	**70**	-
For other commitments	**2**	-
	72	-

The pensions of employees have been arranged by pension insurance. Additional pensions have also been arranged through life insurance companies and the pension liabilities are sufficiently funded.

AvestaPolarit Oyj Abp's shares and shareholders

Shares and share capital

AvestaPolarit Oyj Abp has issued a total of 348 942 296 shares. The accounting par value of each share is EUR 0.54. Each of the company's shares entitles shareholders to one vote at general meetings of shareholders.

AvestaPolarit Oyj Abp's minimum authorised share capital is EUR 100 000 000 and the maximum authorised share capital is EUR 400 000 000. The issued share capital may be increased or decreased within these limits without amending the Articles of Association. The company's issued and fully paid share capital registered with the Finnish Trade Register at 31 December 2001 was EUR 188 428 839.84.

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

Listing of shares

AvestaPolarit Oyj Abp's shares are listed on the stock exchanges in Stockholm (Stockholmsbörsen) and Helsinki (Helsinki Securities and Derivatives Exchange, Clearing House Ltd). The shares are quoted in Swedish krona in Stockholm and in euro in Helsinki.

Shareholders' Agreement

In connection with the formation of the AvestaPolarit Group, Outokumpu Oyj and Corus Group plc entered into a Shareholders' Agreement regarding the shareholding in AvestaPolarit Oyj Abp of Outokumpu Oyj and members of the Corus Group. The Shareholders' Agreement remains in force until the first of the following dates: (i) the date on which the Outokumpu Group's shareholding in the company falls below 20%; (ii) the date on which the Corus Group's shareholding in the company falls below 10%; (iii) the date on which the aggregate shareholdings of Outokumpu and Corus in the company fall below 50%; and (iv) the date two years after Outokumpu's shareholding in the company has fallen below 40%.

The agreement sets out the parties' agreement on, among other things, the following:

Outokumpu has agreed to decrease its shareholding in AvestaPolarit Oyj Abp to no more than 40% by 31 March 2004. However, this period may be extended until 31 December 2005 in the case of materially adverse capital market conditions.

Outokumpu and Corus have agreed to vote congruently when electing the Board of Directors.

Certain decisions of the Board of Directors are agreed to require the support of all of the Board members nominated by both Outokumpu and Corus. These decisions include i.a. proposals to the shareholders' meeting to amend the Articles of Association and to increase the share capital, the appointment and dismissal of the Chief Executive Officer, decisions on major business acquisitions and divestments as well as decisions on major capital expenditure schemes and major new borrowings.

Redemption obligation

The Articles of Association contain a redemption clause according to which a shareholder whose shareholding or voting rights equals or exceeds 30% or 45%, respectively, of all outstanding shares of the company or of the voting rights, is obliged to redeem the shares of all other shareholders who request such redemption, as more precisely defined in the Articles of Association.

The Articles of Association provide for certain exceptions to the redemption obligation and accordingly the obligation does not apply to a shareholder whose proportion of shares has reached or exceeded any of the said thresholds prior to the registration of this redemption obligation in the Articles of Association with the Trade Register and the proportion continues to exceed such a threshold.

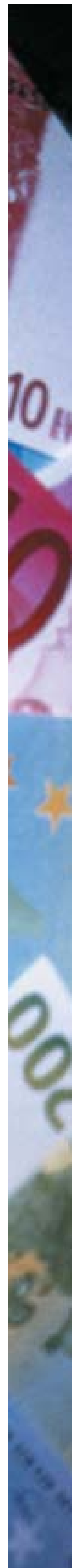
Authorisations

The Board of Directors of AvestaPolarit Oyj Abp is not currently authorised to repurchase the company's own shares, to increase the company's share capital or to issue share options or convertible bonds.

The Board of Directors proposes to the Annual General Meeting to be held on 9 April 2002 that it be authorised to increase the share capital by issuing new shares and by taking convertible loan. The total increase may amount to a maximum of 37 685 767.86 euros or 69 788 459 shares and the authorisation is proposed to be valid for one year from the Annual General Meeting.

Shares in AvestaPolarit AB (publ), former Avesta Sheffield AB (publ)

As a result of the exchange offer to form the AvestaPolarit Group, AvestaPolarit Oyj Abp became in February 2001 the owner of 98.63% of all the shares in AvestaPolarit AB (publ). A compulsory acquisition process was then



initiated in accordance with the laws of Sweden for the acquisition of the remaining 1.37% of the shares. In February 2002 AvestaPolarit Oyj Abp has obtained advanced title to the remaining shares against a bank guarantee of SEK 90 million as security for payment for the shares. Payment shall be made once the price has been determined by the Arbitration Board.

Avesta Sheffield AB (publ) launched in 1999 a plan to incentivise the senior management of the former Avesta Sheffield Group by using call options. To execute the incentive scheme, call options in underlying Avesta Sheffield AB (publ) shares were issued by British Steel plc (later renamed Corus UK Limited following the formation of the Corus Group). Currently only one individual, a former employee of Avesta Sheffield AB (publ), still holds 12 450 call options, now for AvestaPolarit Oyj Abp shares. The exercise price is SEK 42.57 and the call options have a maturity of three years, ending on 4 June 2002.

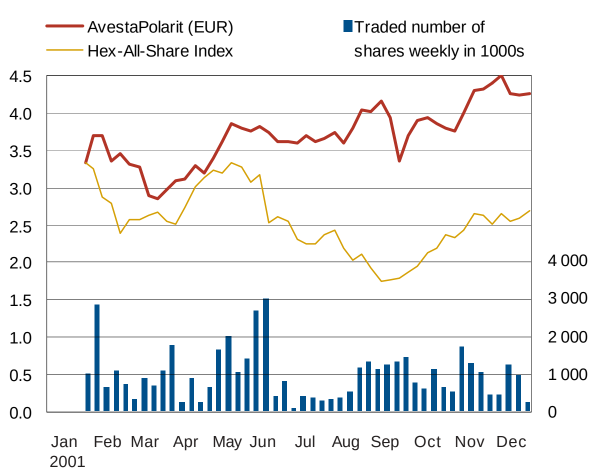
Management shareholdings

At the end of 2001, the total shareholdings of AvestaPolarit's Board of Directors and President amounted to 29 000 shares, corresponding to 0.01% of the company's total share capital. During 2001, the company had no option programmes in place.

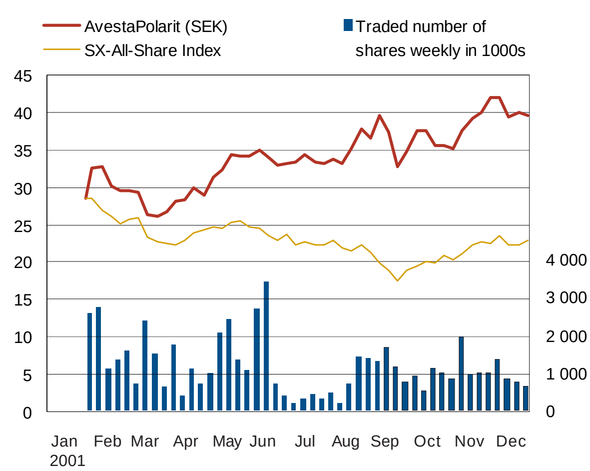
Share price development and trading volume

The trade with the AvestaPolarit share started on 30 January at a share price of EUR 3.31 in Helsinki and at SEK 28.5 in Stockholm. Since its listing and until the year-end, the AvestaPolarit share price rose by 28.4% on the Helsinki Stock Exchange (HEX) and by 39.0% on the Stockholm Stock Exchange (XSSE). By the year-end the general HEX index had fallen by 19.6%, and the general XSSE index by 19.8% over the same period. During the first 12 months of trade (30 January 2001 - 30 January 2002) the share price rose at HEX by 43.2% ending at EUR 4.74 and at XSSE by 53% ending at SEK 43.6. The number of shares traded during the period was 55 178 316 shares in Helsinki, corresponding to 15.8% of the total number of shares and 56 622 089 in Stockholm, corresponding to 16.2% of the total number of shares. The main share-related key figures are presented on page 86.

Helsinki



Stockholm



Principal shareholders at 31 December 2001 [1)]

Shareholder	Shares	%
Outokumpu Oyj	193 111 111	55.3
Corus UK Limited	80 882 090	23.2
Pension Insurance Company Ilmarinen Ltd.	5 549 700	1.6
Odin Norden	4 346 200	1.2
Alecta Pension Insurance, Mutual	2 689 360	0.8
Varma-Sampo Mutual Pension Insurance Company	2 634 400	0.8
The Finnish Social Insurance Institution	1 380 400	0.4
OP-Delta Investment Funds	1 271 600	0.4
Life Insurance Company Skandia	1 254 543	0.4
Kunskaps- och Kompetensutveckling	1 000 000	0.3
Nominee accounts held by custodian banks	34 240 067	9.8
Other shareholders	20 582 825	5.9
Total number of shares	348 942 296	100.0

1) Statistics based on a consolidation of data from the Finnish Central Securities Depositary and the Swedish Värdepapperscentralen.

Shareholders by group at 31 December 2001 [1)]

Shareholder group	Shares	%
Privately held companies	194 525 569	55.7
Publicly held companies	65 100	0.0
Financial and insurance institutions	135 888 940	38.9
Public sector and public organisations	14 985 150	4.3
Non-profit organisations	2 030 438	0.6
Private households	1 411 907	0.4
Private international shareholders	35 192	0.0
Total	348 942 296	100.0

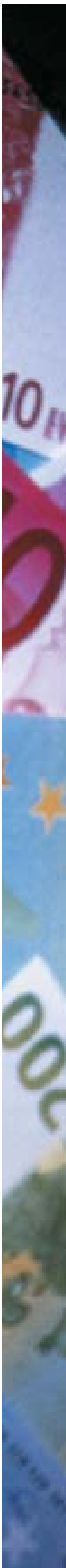
1) Data supplied by the official shareholders register held by the Finnish Central Securities Depository. This data includes all international nominee registered shareholdings grouped under financial and insurance institutions. Approximately 124 million (35.5%) of all shares were registered in the name of a nominee.

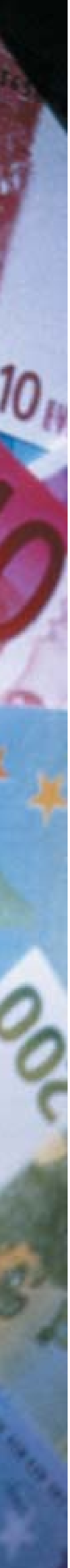
Distribution of shareholdings at 31 December 2001 [1)]

Number of shares	Number of shareholders	% of shareholders	Total number of shares	% of share capital
1-100	61	4.4	5 082	0.0
101-1 000	770	55.4	406 555	0.1
1 001-10 000	406	29.2	1 424 667	0.4
10 001-100 000	96	6.9	3 610 118	1.0
100 001-1 000 000	50	3.6	16 083 295	4.6
1 000 001-	6	0.4	327 412 579	93.8
Total	1 389	100.0	348 942 296	100.0

1) Data supplied by the Finnish Central Securities Depository, including nominee registrations.

By a combination of data provided by both the Finnish Central Securities Depository and the Swedish Värdepapperscentralen AvestaPolarit had a total of 18 261 shareholders at the end of the year.





Share capital development 1997-2001

Year	Transaction	Increase in number of shares	Increase in share capital (EUR)	Total share capital (EUR)	Total number of shares
1997	New share issues	3 000 000	5 045 637.79	102 594 635.14	61 000 000
2000	Share split [1]	132 111 110	-	102 594 635.14	193 111 110
2000	Bonus issue [1]	-	1 685 364.26	104 279 999.40	193 111 110
2000	Bonus issue [1]	1	0.54	104 279 999.94	193 111 111
2001	Targeted issue [2]	149 633 289	80 801 976.06	185 081 976.00	342 744 400
2001	Targeted issue [2]	6 197 896	3 346 863.84	188 428 839.84	348 942 296

1) The extraordinary general meeting of Outokumpu Steel held on 10 November 2000 resolved, firstly, to increase the number of shares in Outokumpu Steel from 61 000 000 shares to 193 111 110 shares without increasing the share capital of Outokumpu Steel, whereby the accounting par value of the shares was decreased from approximately EUR 1.68 to approximately EUR 0.53. Secondly, the extraordinary general meeting resolved to increase the share capital of Outokumpu Steel by EUR 1 685 364.26 to EUR 104 279 999.40 by means of a bonus issue through increasing the accounting par value of the shares to exactly EUR 0.54. The share split and related bonus issue were effected in order to implement the exchange offer in accordance with the exchange ratio agreed in the Combination Agreement.
2) Targeted share issue to the Avesta Sheffield shareholders.

Share-related data

		Actual 2001	2000	1999[3]	1998[3]	1997	Pro forma 2001	2000
Earnings per share (excluding extraordinary items)								
- excluding negative goodwill[4]	EUR	**0.20**	0.88	0.15	0.16	0.35	**0.19**	0.98
- including negative goodwill	EUR	**0.33**	0.88	0.15	0.16	0.35	**0.32**	0.98
Earnings per share								
- excluding negative goodwill[4]	EUR	**0.20**	0.52	-0.09	0.03	0.29	**0.19**	0.98
- including negative goodwill	EUR	**0.33**	0.52	-0.09	0.03	0.29	**0.32**	0.98
Cash flow per share	EUR	**0.66**	1.13	0.38	0.64	0.67	**0.61**	1.04
Shareholders' equity per share	EUR	**3.46**	3.50	2.85	2.94	2.91	**3.46**	3.36
Dividend per share	EUR	**0.08[1]**	0.15	-	-	-	**0.08[1]**	0.15
Dividend/earnings ratio	%	**0.25[1]**	0.04	-	-	-	**0.25[1]**	0.15
Dividend yield	%	**0.02[1]**	-	-	-	-	**0.02[1]**	-
Market capitalisation at end of period[2]	EUR million	**1 483**	-	-	-	-	**1 483**	-
Price/earnings ratio		**21.3**	-	-	-	-	**21.3**	-
Average number of shares[5]	1 000 shares	**338 312**	193 111	193 111	193 111	185 997	**348 942**	348 942
Number of shares at end of period[5]	1 000 shares	**348 942**	193 111	193 111	193 111	193 111	**348 942**	348 942

1) The Board of Directors' proposal to the Annual General Meeting.
2) On the Helsinki Stock Exchange.
3) The figures for 1998-99 have been restated to reflect the change in inventory valuation principle. For more specific information. see note 1 Principles applied in the financial statements.
4) Amortisation of negative goodwill deducted from profit.
5) Adjusted number of shares outstanding.

Definitions of key financial indicators are presented on page 62.

Development of share price and trading volume 2001

		Helsinki EUR	Stockholm SEK
Development of share price			
Price on the first day of trading at 30 Jan		3.31	28.50
Average trading price		3.76	34.30
Lowest trading price		2.76	25.60
Highest trading price		4.58	43.10
Trading price at end of period		4.25	39.60
Development in trading volume			
Trading volume	1 000 shares	55 178	56 622
In relation to weighted average number of shares	%	16.3	16.7

Corporate governance

The parent company of the AvestaPolarit Group is AvestaPolarit Oyj Abp, a company registered and domiciled in Finland. The control and management of AvestaPolarit Oyj Abp is hence governed by the laws of Finland, the company's Articles of Association and the Corporate Governance Principles adopted by the Board of Directors. The company also complies with the rules and instructions of the stock exchanges in Stockholm and Helsinki.

The General Meeting of Shareholders is the supreme decision-making body of the Company, and normally convenes once a year. The Finnish Companies Act provides that certain important decisions, such as amendments to the Articles of Association, approval of the financial statements, decisions on dividends, and election of the Board of Directors and the auditors, are the exclusive domain of the General Meeting of Shareholders. The ultimate responsibility for the management and operations of the AvestaPolarit Group lies with the governing bodies – the Board of Directors and the Chief Executive Officer – of the parent company AvestaPolarit Oyj Abp.

The Board of Directors

The company's Board of Directors (the Board) acts within the powers and responsibilities provided under the Finnish Companies Act and 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 is responsible for organizing and supervising the management of the company and its operations. The Board has the duty at all times to act in the best interests of the company.

The Board consists of six to twelve members. Members are elected by the General Meeting of Shareholders and the term of office expires at the end of the Annual General Meeting following election. The Articles of Association contain provisions for certain special rights for a 10% minority in the election procedure. The Board elects the Chairman and the Vice Chairman from any of its members, other than the Chief Executive Officer. The Chairman presides over the Board and, in the event of a split vote, has the casting vote.

The Board has approved The Board of Directors' Rules of Procedure for the organisation of its activities. According to these Rules of Procedure it is the general duty of the Board to secure a significant and sustained increase in value for the AvestaPolarit shareholders. In more detail, the Board has determined that it shall take the decisions on the basic strategies for the Group and monitor their implementation. Also, the Board shall take the decisions on major investments, business acquisitions and divestments. The Board nominates and dismisses the Chief Executive Officer and the Deputy Chief Executive Officer and decides on their terms of employment and benefits. The Board also nominates the members to the Executive Committee. The Board convenes as necessary but at least five times every year. In 2001, the Board met 13 times.

The Board has appointed an Audit Committee, consisting of three members of the Board, and assigned it the task of reviewing the auditing work, internal controls, the scope of internal and external audits, the Group's financial policies, and other procedures for managing the Group's risks. In 2001, the Audit Committee met twice.

A more in-depth presentation of the internal financial control and risk management procedures is given in the Note 18 to the Consolidated Financial Statements on pages 71 to 73.

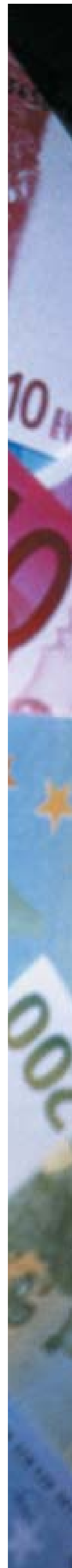
Chief Executive Officer and Executive Committee

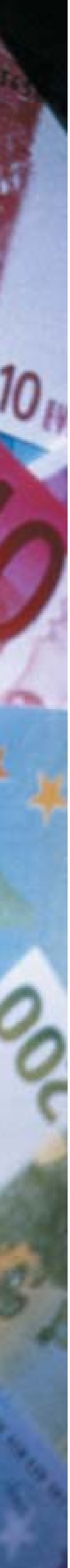
The Chief Executive Officer (CEO) is responsible for managing and controlling the company's business and for ensuring that the day-to-day operations of the Group are in compliance with existing laws and regulations, the operating principles of the Company and decisions made by the Board.

The role of the Executive Committee is to support the CEO in his responsibilities. The Executive Committee consists of the CEO and the Group's Executive Vice Presidents.

Auditors

According to the Articles of Association, the company shall have no less than one and no more than two auditors. One of the auditors shall be an entity of certified public accountants or an individual approved by the Finnish Central Chamber of Commerce. The auditors are appointed by the General Meeting of Shareholders for a term of office expiring at the close of the Annual General Meeting following appointment.





AvestaPolarit and its majority shareholder shall have different audit partners even if the same audit firm may be employed by both AvestaPolarit and the majority shareholder.

AvestaPolarit Oyj Abp is audited by SVH PricewaterhouseCoopers Oy, the audit partner being Mr. Markku Marjomaa, APA, who is also responsible for overseeing and coordinating the audit of all Group companies.

Insider rules

The Board of Directors has approved Insider Rules for the Group. The Insider Rules are based on and comply with the applicable guidelines of the Helsinki Stock Exchange. According to the Insider Rules the members of the Board of Directors, the Chief Executive Officer and his deputy, the auditors, the members of the Executive Committee, the secretaries to the Chairman of the Board, to the Vice Chairman of the Board and to the members of the Executive Committee, members of the Employee Committee and other individuals named by the Executive Committee are permanent insiders of AvestaPolarit.

Project to develop AvestaPolarit's organisation model

A new project to review and develop AvestaPolarit's organisational model has recently been launched by the Executive Committee. The overall objective is to develop an organisational model, which effectively supports AvestaPolarit's business objectives. The project entails a thorough review of the organisational structure and leadership processes with the goal to design a more effective organisational model, ready for implementation by early April 2002.

Remuneration and benefits for Directors, the CEO and the members of Executive Committee

The fees, salaries and employee benefits paid to the members of the Board of Directors and the Executive Committee in 2001 were as follows:

No fees are paid to Board members other than those decided by the Annual General Meeting and the salaries and bonuses paid to the CEO and Deputy CEO. The current performance-related bonus scheme applying to the CEO and members of the Executive Committee in addition to their salary and employee benefits is calculated on the basis of the company's financial performance and achievement of non-financial targets. The maximum bonus payable is 40% of the annual base salary.

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

The pension benefits of the CEO and the other Finnish members of the Executive Committee are based on the Finnish Employees' Pensions Act (TEL). The CEO and the Finnish Executive Committee members are entitled to retire from the age of 60. In certain cases the CEO may retire already before the age of 60. Executive Committee members employed under Swedish conditions can, according to a pension plan, retire at the age of 60. Pension rights to retire at age 60 are accrued after the age of 40, over a period of 10 years of pensionable service in an eligible position. The pension level between age 60 and 65 is 70% of the pensionable earnings up to a maximum of earnings equivalent to 50 Swedish base amounts. Pension from age 65 is accrued according to the ITP Plan, with an additional pension payable of 32.5% of pensionable earnings between 20 and 50 Swedish base amounts at full pensionable service. Executive Committee members entitled to a UK pension from the British Steel Pension Scheme (1990) can retire with immediate pension from the age of 60 with the consent of the company, or from the age of 55 at the request of the company.

EUR	Salaries and fees with employee benefits	Performance-related bonuses	Total
Directors*	327 355	0	327 355
CEO	310 477	0	310 477
Other Executive Committee members	1 518 618	103 901	1 622 519

* Excluding CEO's and Deputy CEO's salary and bonuses

Board of Directors

Jyrki Juusela, Chairman, Born 1943, D.Sc. (Tech.)
President and CEO of Outokumpu Oyj. Board member of Outokumpu Oyj.
Vice Chairman of the Board of Directors of Sampo plc. Member of the Supervisory Board of Varma-Sampo Mutual Pension Insurance Company. Member of the Board of Directors of the Confederation of Finnish Industry and Employers and the Federation of Finnish Metal, Engineering and Electrotechnical Industries.
Shares: 10 000.

Tony P. Pedder, Vice Chairman, Born 1949, M.Sc.
Chief Executive and Board member of Corus Group plc.
Member of the Board of Directors of Delta plc. Vice President of the UK Steel Association.
Shares: -

David M. Lloyd *), Born 1963, BA (Hons), ACMA
Executive Director, Finance and Board member of Corus Group plc.
Deputy member of the Board of Directors of Caparo Merchant Bar plc.
Shares: -

Bernt Magnusson, Born 1941, MA (Pol)
Chairman of the Board of Directors of Swedish Match AB and Dyno Nobel ASA. Vice Chairman of the Board of Directors of Net Insight AB. Member of the Board of Directors of Volvo Car Corporation, Höganäs AB, Nordea Plc and Pharmadule AB. Advisor to the European Bank for Reconstruction and Development.
Shares: 2 000.

Jacob Palmstierna, Born 1934, Dr. of Economics h.c.
Chairman of the Board of Directors of Bilia AB, Siemens AB and Stockholm School of Economics Executive Education AB. Member of the Board of Directors of Nordstjernan AB and Höganäs AB. Senior Advisor of Credit Suisse First Boston.
Shares: 5 000.

Timo Peltola, Born 1946, Dr. of Economics h.c.
CEO and Board member of Huhtamäki Oyj.
Member of the Board of Directors of Nordea Plc and Instrumentarium Corp. Chairman of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company. Member of the Supervisory Board of the Finnish Cultural Foundation and the Finnish Fair Corporation.
Shares: -

Stuart I. Pettifor, Born 1945, B.Sc. (Hons) Metallurgy
Executive Director and Board member of Corus Group plc.
Chairman of the Board of Governors of Ashorne Hill Management College.
Shares: 10 000.

Juha Rantanen *), Born 1952, M.Sc. (Econ.), MBA
President & CEO of Ahlstrom Corporation.
Chairman of the Board of Directors of the Finnish Forest Industries Federation. Vice Chairman of the Board of Directors of the Confederation of Finnish Industry and Employers. Member of the Board of Directors of KCI Konecranes International Plc and Paroc Group Oy Ab.
Shares: -

Risto Virrankoski *), Born 1946, B.Sc. (Econ.)
Deputy President & Deputy CEO of Outokumpu Oyj.
Vice Chairman of the Board of Directors of Partek Oyj Abp.
Member of the Board of Directors of VR Limited (Finnish Railways).
Shares: -

Ossi Virolainen, Born 1944, B.Sc. (Econ.), LL.M.
President and CEO of AvestaPolarit Oyj Abp.
Vice Chairman of the Board of Directors of Elisa Communications Corporation. Member of the Board of Directors of the Federation of Finnish Metal, Engineering and Electrotechnical Industries and the Association of Finnish Steel and Metal Producers.
Shares: 2 000.

All the above members of the Board have been in their current positions since the formation of AvestaPolarit on 22 January 2001, except for David M. Lloyd, who joined the Board on 23 April 2001.
Other members of the Board during 2001 were Antti Närhi, until 22 January 2001, and John L. Rennocks, from 22 January until 31 January 2001.

*) Member of the Audit Committee

Details of shareholdings relate to holdings on 13 February 2002.

From the left: Jacob Palmstierna, Ossi Virolainen, Bernt Magnusson, Jyrki Juusela, Risto Virrankoski, Juha Rantanen, Tony P. Pedder and Timo Peltola. Missing: David M. Lloyd and Stuart I. Pettifor.

Executive Committee

Ossi Virolainen
Born 1944
President and CEO
(see previous page).

Pekka Erkkilä
Born 1958
M.Sc. (Eng.)
President - Coil Products.
Shares: 1 000.

Antti Närhi
Born 1944
M.Sc. (Eng.)
President - Special Products.
Shares: -

Ian L. Cooper
Born 1947
B.Sc. (Hons) Metallurgy, M.Sc., FCMA, MCT
Chief Financial Officer (CFO).
Areas of responsibility: Financial planning, control and reporting, treasury, taxation, credit and risk management.
Shares: 6 000.

Leif Helgman
Born 1961
Military Education - Swedish Army Officer
Executive Vice President - Human Resources.
Areas of responsibility: Human resources, health and safety, industrial relations.
Shares: -

Karri Kaitue
Born 1964
LL.M., LL.Lic.
Executive Vice President - M&A and Legal Affairs.
Areas of responsibility: Legal affairs, mergers and acquisitions, energy issues, Corporate Secretary.
Shares: -

John Newborn
Born 1944
B.Tech, C.Eng, M.I.E.E.
Executive Vice President - Business Development and Integration.
Areas of responsibility: Business development and integration, including research and development, environment, general purchasing and logistics.
Shares: -

All the above members of the Executive Committee have been in their current positions since the formation of AvestaPolarit on 22 January 2001, except for John Newborn, who joined the Executive Committee on 1 September 2001.

Stuart I. Pettifor held the position of Deputy CEO, and was also President - Coil Products and a member of the Executive Committee until 31 August 2001 (see previous page).

Barrie Cheetham was Executive Vice President - Sales & Marketing and a member of the Executive Committee until his retirement on 31 May 2001.

Details of shareholdings relate to holdings on 13 February 2002.

From the left: John Newborn, Karri Kaitue, Ossi Virolainen, Leif Helgman, Antti Närhi, Pekka Erkkilä and Ian Cooper.

Business unit managers and corporate staff

Business unit managers

Coil Products
Niilo Suutala, Tornio Integrated Mill
Sean Lyons, Primary Products
Olof Faxander, Coil Products Sheffield
Ulf Öhnfeldt, Avesta KBR
Lars-Göran Jöbo, Nyby/Kloster Cold Rolled

Special Products
Harri Natunen, Ferrochrome
Leif Rosén, Hot Rolled Plate
Peter Holes, Long Products
Christer Bäck, Tubes
Bengt Blomberg, Fittings
Andrew Black, Precision Strip

North America
Mike Rinker

Corporate executive staff

Jouni Grönroos, Deputy CFO
Jukka Jokinen, Sales and marketing - Coil Products
Jorma Kemppainen, Research & Development
Sjaak Klap, Logistics
Jorma Kovalainen, General purchases
Leif Lindbergh, Treasury
Katarina Lybeck, Communications
Claes Wallnér, Information technology
Christer Wallstén, Raw materials

Contact information

AvestaPolarit Oyj Abp
Corporate Management

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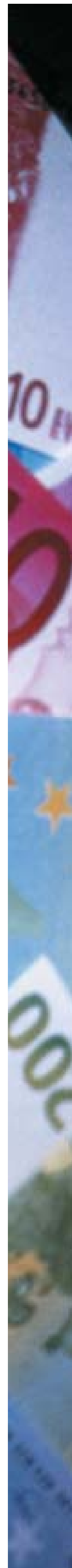
Registered office: Espoo. Business Identity Code: 0823312-4.

Other addresses
Up-to-date contact information about all
AvestaPolarit subsidiaries and sites is available
on the Group´s Internet home page www.avestapolarit.com.



Annual General Meeting

The Annual General Meeting of shareholders of AvestaPolarit Oyj Abp will be held at the Dipoli Congress Centre, at Otakaari 24, FIN-02150 Espoo, Finland at 2.00 p.m. on Tuesday, 9 April 2002. Registration for attendance and distribution of voting slips will begin at 1.00 p.m.

Items on the agenda of the Meeting

In addition to the ordinary items specified in Section 14 of the Articles of Association the agenda for the Meeting will include proposals by the Board of Directors as follows:

- The proposal by the Board of Directors to issue warrants to the key personnel of the AvestaPolarit Group, as well as to a wholly-owned subsidiary of AvestaPolarit Oyj Abp.
- The proposal by the Board of Directors to authorise the Board of Directors to increase the share capital by issuing new shares and by taking out convertible loans, in one or more instances.

Further material and copies available

Copies of the 2001 Annual Accounts and the proposals by the Board of Directors will, from 28 March 2002 until the date of the Meeting, be available for inspection by shareholders on the Company's website at www.avestapolarit.com as well as at the Corporate Management offices at Linnoitustie 4 A, FIN-02600 Espoo, Finland and Vasagatan 8 - 10, SE-10327 Stockholm, Sweden. Copies of these documents will be sent to shareholders upon request.

Right to attend the Annual General Meeting

In order to attend the Annual General Meeting, shareholders must be registered in the Shareholders' Register of the Company, maintained by the Finnish Central Securities Depository. (Suomen Arvopaperikeskus Oy) (the "APK"), on 27 March 2002. Shareholders who own their shares through a nominee shareholder must contact their bank or broker to be temporarily recorded in the Shareholders' Register in their own name. Accordingly, also those shareholders whose shareholdings are registered with the Swedish Central Securities Depository and Clearing Organisation (VPC AB) (the "VPC") should request temporary registration with the APK by delivering a specific VPC form to the VPC. The form is available at the Company's Corporate Management offices both at Linnoitustie 4 A, FIN-02600 Espoo, Finland and Vasagatan 8 - 10, SE-10327 Stockholm, Sweden. These forms will also be sent to shareholders upon request. To allow sufficient time for the temporary registration the VPC form must be delivered to the VPC by 3.00 p.m. Swedish time on 22 March 2002, at the latest.

In order to attend the Annual General Meeting, shareholders must also notify the Company of their intention to do so by telephone to +358-9-57645546, by fax to +358-9-57645553, by letter addressed to AvestaPolarit Oyj Abp, P.O Box 270 (Linnoitustie 4 A), FIN-02601 Espoo, Finland, by e-mail to agm@avestapolarit.com or at AvestaPolarit's website at www.avestapolarit.com. The notification must be received by the Company by 4.00 p.m. Finnish time on 2 April 2002, at the latest.

Shareholders who wish to be represented by proxy at the General Meeting, must deliver the proxy document (copy or original) to the Company by fax to +358-9-57645553 or otherwise to the Company's office at Linnoitustie 4 A, FIN-02600 Espoo, Finland, by 4.00 p.m. Finnish time on 2 April 2002, at the latest. Shareholders are reminded that the original proxy document must be submitted to the Company latest at the General Meeting.

Dividends

The Board of Directors is proposing a dividend of EUR 0.08 per share. The dividend will be paid to the shareholders who are registered in the Shareholders' Register of the Company maintained by the APK or who are registered with the VPC on the record date 12 April 2002. The dividend is proposed to be paid in euros to those shareholders registered with the APK and in Swedish krona to those registered with the VPC. Payment of the dividend is proposed to be effected as of 24 April 2002.

Information meeting for shareholders in Stockholm on 10 April 2002

Shareholders who will not be in a position to attend the Annual General Meeting in Espoo, Finland, will have an opportunity to take part in an information meeting in Stockholm, Sweden, which will be attended by senior Company management. The information meeting will include a briefing on the Annual General Meeting agenda issues and resolutions and a presentation by the Chief Executive Officer.

The information meeting will be held at Konferenshallen Polstjärnan, Sveavägen 77, SE-10432 Stockholm on 10 April 2002 beginning at 5.00 p.m. Swedish time. Shareholders who wish to attend this meeting are requested to confirm their participation no later than on 2 April 2002 by telephone to +46-8-6133648, by fax to +46-8-6134401 or by e-mail to inger.waern@avestapolarit.com.

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Financial reporting schedule

The Board of Directors for AvestaPolarit Oyj Abp has confirmed the company's reporting schedule for 2002:

26 April 2002 Interim report for the first quarter of 2002
25 July 2002 Interim report for the second quarter of 2002
24 October 2002 Interim report for the third quarter of 2002

For further information please contact:
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Cover: A detail from a sculpture called "Rinnakkain", made by Prof. Eero Hiironen.
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AvestaPolarit
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