outokumpu

living the future of metals today

Annual Report 2002

living the future of metals today

Our business is based on deep knowledge of metals and metals processing. Every day we apply this knowledge while developing new applications together with our customers. We have a passion to lead the way – make the future of metals already today.

Contents

outokumpu

www.outokumpu.com

Vision, strategy and values

Strategy

To achieve its vision, Outokumpu adopted a strategy of growth and transformation in 2000. The target was to double the volumes and profits and transform by focusing on more downstream and higher-margin businesses. As a result of recent investments and acquisitions and the divestiture of most of the base metals mining operations, the implementation of this strategy is well on track. The focus is now on capturing value of the position that has been built.

In line with our strategy we intend to:

- Strengthen our position as a leading metals and technology group.
- Focus on integration of acquired businesses, profitability and cash flow.
- In stainless steel, pursue global leadership through cost-efficient production.
- In copper products, seek higher returns through focus on products and businesses with faster growth and higher value-added content.
- In zinc, focus on leveraging our position as a low-cost producer.
- In technology sales, utilize fully the new extended product and service offering.
- Actively develop the Group's business portfolio.

Key strengths

Extensive knowledge of metals and metals processing

Exposure to fastest-growing areas of metals market

Major investment program for future earnings growth nearing completion

Significant future potential from the AvestaPolarit transaction

High-growth, value-added presence in fabricated copper products

One of the world's lowest-cost zinc producers

Creation of value from expertise in minerals and metals technology

Vision

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

For us leading means:

- Being one of the foremost players in the businesses we operate.
- Being committed to innovate and make major improvements in our areas of expertise.
- Being the supplier of choice for our customers, a preferred employer for the best contributors in our field and a profitable investment for our owners.

The Outokumpu way

In 2002, the Group's new identity – the Outokumpu way – was crystallized along the basic values. The values combine the requirements set by the Group's strategy, the traditional strengths derived from the company's history and the expectations of individuals.

The Outokumpu way was condensed to the following values:

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

In addition, leadership principles for the Group were defined under a motto – Every employee in Outokumpu is entitled to good leadership. The new values will be integrated into management systems and leadership processes.

Financial objectives

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

Dividend policy

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

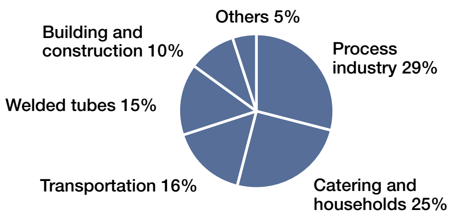
Outokumpu business operations and market position

Stainless steel

Main products and customers

The main products of Outokumpu's subsidiary AvestaPolarit include cold and hot rolled products, tubular products and long products. These products are mainly used in process industries (such as pulp, paper and chemicals and the offshore oil industry), catering and households, vehicle manufacture and the building and construction industry.

End-uses



Source: CRU

Market position

- world market size 19 million tonnes. Consumption grows 5% per annum on average
- one of the world's largest and most cost-efficient producers: slab production capacity increases from 1.75 million tonnes to 2.75 million tonnes in 2004
- 28% share of the stainless steel coil market in Europe and 8% worldwide
- main markets Europe (75% of net sales), North and South America (11%) and Asia (12%)

Production facilities

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

Raw materials and energy

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

In 2002, electric energy accounted for 4% of total costs.

Major producers

Estimated slab capacity (million t)

	Slabs 2002	Slabs 2004
ThyssenKrupp Stainless, Germany	2.21	2.88
Arcelor [1], Luxembourg	2.50	2.85
AvestaPolarit, Finland	1.75	2.75
Acerinox [2], Spain	2.50	2.50
POSCO, South Korea	1.25	1.70

[1] Including Usinor Stainless and ALZ.
[2] Including Columbus and NAS.

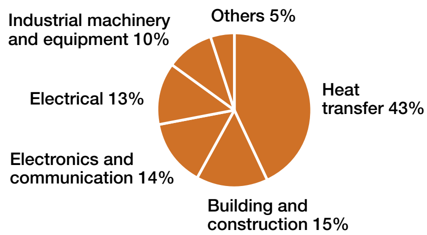
Sources: CRU and Outokumpu

Copper

Main products and customers

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

Outokumpu customer groups



Market position

- world market size 19 million tonnes, of which the market served by Outokumpu 4.5 million tonnes. Demand growth 2–3% per annum; for special products 5–10%
- the only global manufacturer of higher value-added products, local production in the US, Europe and Asia
- delivery capacity 450 000 tonnes, 10% share of the global market
- main markets North and South America (45% of net sales), Europe (40%) and Asia (14%)

Production facilities

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

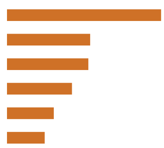
Raw materials and energy

Cathode copper, copper scrap and alloy elements, such as zinc and tin are used as raw material. Some 70% of the copper raw materials are purchased on the open market, while 30% is supplied internally from Harjavalta Metals.

In 2002, electric energy accounted for 3% of total costs.

Major producers

	Estimated delivery capacity (1 000 t)
SMI (KME), Italy	840
Outokumpu, Finland	450
Wieland-Werke, Germany	450
Poongsan, South Korea	350
Mueller Industries, the US	250
Lamitref Industries, Belgium	200



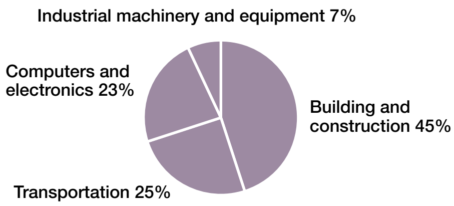
Source: Outokumpu

Zinc

Main products and customers

Main products are zinc ingots that are primarily used in the galvanization of carbon steel for the building and construction and transportation industries.

Outokumpu customer groups



Market position

- world market size 9 million tonnes. Demand growth 2–3% per annum
- one of the world's most cost-efficient producers
- production capacity 410 000 tonnes
- 15% share of zinc production in Europe and 5% worldwide
- main market Europe (98% of net sales)

Production facilities

Production facilities are located in Finland and Norway.

Raw materials and energy

Outokumpu Zinc Commercial in the Netherlands is responsible for zinc concentrates purchasing and for marketing, selling and managing the logistics of the zinc metal. Part of the zinc concentrates is bought from the Group's Tara mine.

In 2002, electric energy accounted for 10% of total costs.

Major producers

	Estimated production capacity (1 000 t)
Glencore, Switzerland	1 100
Korea Zinc, South Korea	880
Pasminco, Australia	670
Umicore, Belgium	590
Outokumpu, Finland	410
Teck Cominco, Canada	410

Source: Outokumpu

Outokumpu specializes in stainless steel, higher value-added products of copper, zinc metal as well as development and sale of technology. Outokumpu markets and sells its products and services worldwide with more than 90% of net sales generated outside of Finland. In 2002, the Group's net sales amounted to EUR 5.6 billion and it employs 21 100 people in more than 40 countries.

In 2002, Outokumpu operations were organized into three strategic entities or business areas: Stainless Steel, Copper Products and Metallurgy, consisting of zinc and copper metals production and technology sales.

The Group's business organization was changed in February 2003. Metallurgy, as a business area, ceased to exist. Outokumpu Harjavalta Metals transferred as a division to the newly named Copper business area (previously the Copper Products business area). Zinc and Technology will be reported as separate stand-alone divisions alongside the two business areas, Stainless Steel and Copper.

Technology

Main products and customers

Main products include plants and processes, manufacturing lines and special equipment as well as engineering and project services for the mining and metallurgical industries. Customers cover producers of copper, zinc, nickel, aluminium, steel and ferroalloys, industrial minerals as well as chemical and process industries.

Market position

- high market shares in many niche products
- competition is fragmented: engineering companies, equipment manufacturers
- technologies and processes are also used in Outokumpu's own production

Sites

Engineering services and production are located in Finland, Germany, the Netherlands, North and South America, Australia and Russia. Operations in 16 countries.

Chief Executive's statement

The year 2002 was eventful for Outokumpu. With growth and transformation as the goal, we continued firmly down the road set out by our strategy. Our core businesses, especially stainless steel, have been strengthened, and we have for the most part exited the mining business. But after a period of significant growth, the main goal now is to improve profitability and to strengthen the balance sheet. The rights offering carried out at the end of the year was a success and the divestment program is proceeding according to plan. We are also prepared to undertake further measures.

The acquisition of full ownership in AvestaPolarit was the largest acquisition in the history of Outokumpu and it enables us to consolidate our position in a growing and profitable business. In my opinion, it was a very logical step and in line with our strategy. Our move forward in the copper processing chain and our strength in zinc and technology also meet our strategic objectives. The focus on key growth areas that are at the core of our competence will clearly strengthen our position in the future.

Growth and transformation have been the foundation of our thinking for a couple of years now. Transformation along with development of our business operations is also apparent in our organizational structure, which has been simplified and streamlined and is now leaner and more efficient. It is essential that information flows smoothly between management and business operations and that discussion is both critical and constructive. We have also reduced the size of corporate management and combined support functions in a new Business Support Unit. The purpose of this unit

As we confront major change, we must also concentrate on internal transformation: applying our values in practice. Although there have been good examples of innovation throughout Outokumpu's history, we must ensure that creativity, enthusiasm and curiosity remain elements of our operations.

Major investments completed; focus now on improving profits and strengthening the balance sheet

is to harness competence in different functions for the good of the entire Group.

As we confront major change, we must also concentrate on internal transformation: applying our values in practice. Although there have been good examples of innovation throughout Outokumpu's history, we must ensure that creativity, enthusiasm and curiosity remain elements of our operations. We must also be a good partner to our customers, an attractive employer for future experts, and a profitable investment for our owners. Transformation requires a will to change and courage to face new challenges, and most importantly, to make profits every day.

To finance part of the acquisition of the AvestaPolarit minority interest, we organized an EUR 300 million rights offering in November–December. Almost 9 500 investors took part in this rights offering and we acquired nearly 600 new shareholders. The interest shown by investors indicates strong support for our strategy and encompasses confidence in the future of Outokumpu.

The Board of Directors has decided to propose a dividend of EUR 0.40 per share, equivalent to 44% of the profit for the year.

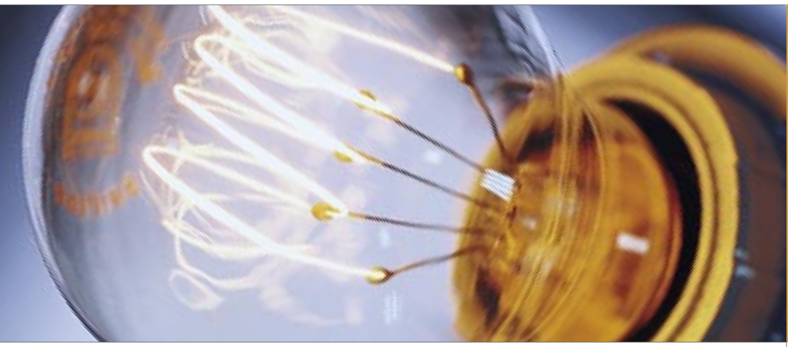
Acquisitions and investments have increased our debt, and continuing uncertainty in the world economy and a difficult market situation in no way help the situation. Although our financial performance in 2002 was an improvement from the previous year, strict financial discipline will now be required. We have to live within our means – thrift should be the watchword until gearing has been reduced back to our target level. We committed ourselves to this in conjunction with the rights offering. We can resume growth once this stage is behind us.

Our employees have been under a lot of pressure during the past year, in the midst of change. We have managed successfully thanks to a free flow of information and an atmosphere of trust. At this point I would like to thank each member of the Outokumpu team for a job well done.

The market has reacted positively to the growth and transformation that we have achieved. It is now time to fulfill our promises and to devote our energies to making profits.

Jyrki Juusela
Chief Executive

Management discussion on the financial results and strategy



The world economic growth was slower than expected in 2002 and the long-awaited recovery was delayed. The market for stainless steel improved in the first half of the year and conversion margins rose, but towards the end of the year conversion margins stabilized. The overcapacity in the copper products market led to increased pressure on conversion margins and this resulted in lower prices. The treatment and refining charges for copper and zinc concentrates declined to all-time lows.

The Group's net sales were up a good 4% on the previous year and amounted to EUR 5 558 million. The growth was mainly due to larger stainless steel deliveries and the acquisition of the heat transfer coil manufacturer Heatcraft in August 2002. Growth in net sales was slowed by the decline in prices of copper products and base metals, by the withdrawal from base metals mining and by the weakening of the US dollar against the euro.

The Group's operating profit rose to EUR 267 million mainly due to AvestaPolarit's improved profits and markedly reduced losses in Mining. Growth in operating profit was slowed by a fall in copper products' conversion margins as well as treatment and refining charges for zinc and copper concentrates. The profit for the financial year was EUR 159 million and the share issue adjusted earnings per share EUR 1.15. The return on capital employed was 7.0%.

Key drivers for the Group's profitability in 2003 are the development of the market situation for stainless steel and the successful commissioning of the new stainless steel capacity at Tornio. No major changes in the market situation are expected in the coming months. It is estimated that the commissioning of the new stainless steel capacity combined with higher deliveries will improve the Group's profits. The market for copper products, zinc and technology sales is likely to improve only in the second half of 2003. The Outokumpu Group's profit for 2003 will be better than in 2002, provided that the world political situation will not cause any further disturbances in the global economy and the demand for metals.

Capital structure weakened as expected

Cash flow from operating activities remained at the previous year's level and was EUR 334 million. Despite the improved profits, the increase in the working capital, especially in AvestaPolarit, weakened the cash flow. The Group's liquidity remained good throughout the year.

The Group's net interest-bearing debt rose to EUR 2 385 million. The Group's debt-to-equity ratio increased to 122.6% and equity-to-assets ratio weakened to 31.1% as a result of massive investments and the acquisition of the AvestaPolarit minority interest. Total capital expenditure was EUR 2 042 million.

In 2002, Outokumpu sold the Pyhäsalmi and Black Swan mines for a total consideration of EUR 122 million. Furthermore, Outokumpu sold a major part of its head office real estate for EUR 50 million in December 2002. In November–December, Outokumpu Oyj implemented a rights offering and the net proceeds, EUR 293 million, were used to decrease the Group's debt. One of the Group's main targets is to get the debt-to-equity ratio back to its 75% target level by the end of 2004.

Implementation of strategy has proceeded apace. Profits improved.

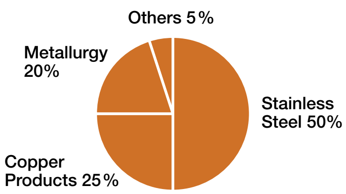
Group key figures

		2002	2001
Net sales	€ million	**5 558**	5 324
– change from previous year	%	**4.4**	44.2
Operating profit	€ million	**267**	183
– in relation to net sales	%	**4.8**	3.4
Profit before extraordinary items	€ million	**213**	147
Profit for the financial year	€ million	**159**	76
Capital employed	€ million	**4 331**	3 266
Return on capital employed	%	**7.0**	6.7
Cash flow from operating activities	€ million	**334**	346
Net interest-bearing debt	€ million	**2 385**	1 175
– in relation to net sales	%	**42.9**	22.1
Equity-to-assets ratio	%	**31.1**	41.6
Debt-to-equity ratio	%	**122.6**	56.2
Earnings per share (excl. extraordinary items)	€	**1.15**	0.55
Shareholders' equity per share	€	**11.14**	11.37
Dividend per share	€	**0.40** [1]	0.55
Share price on Dec. 31	€	**8.30**	10.72
Market capitalization on Dec. 31	€ million	**1 420**	1 461
Capital expenditure	€ million	**2 042**	914
Personnel on Dec. 31		**21 130**	19 428

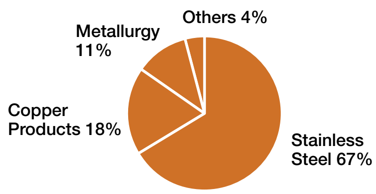
[1] Board's proposal to the Annual General Meeting.

The share-related key figures are share issue adjusted.

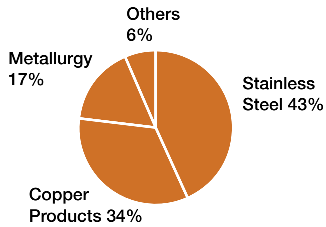
Net sales
5 558 € million



Operating capital
4 569 € million



Personnel 21 130



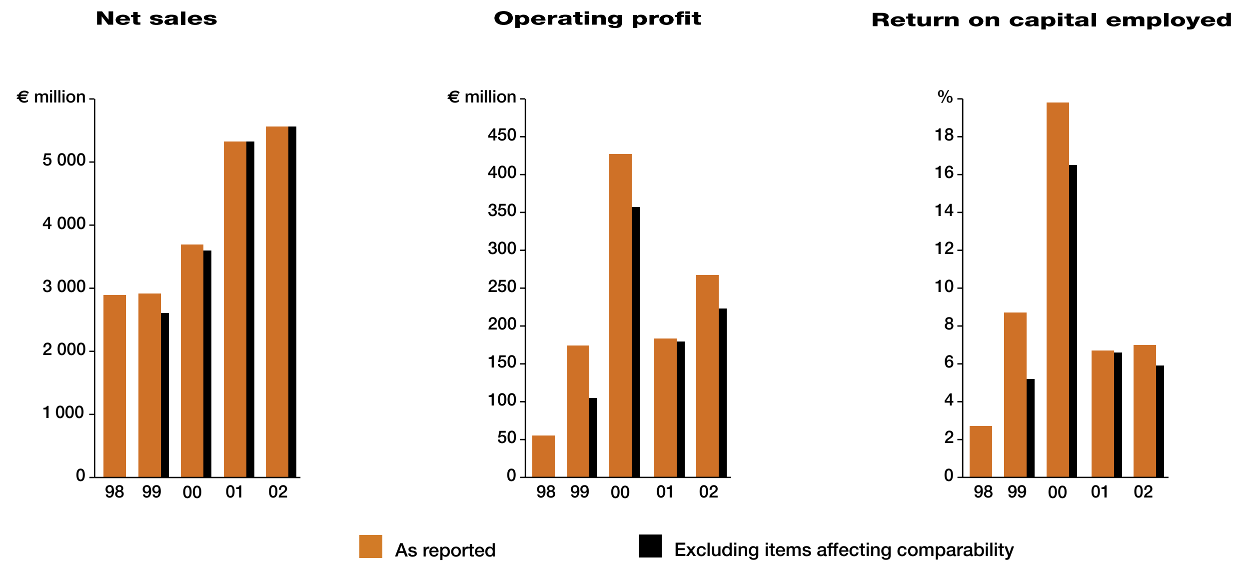
The Group's comparable operating profit improved

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

Financial development excluding items affecting comparability

	Net sales			Operating profit		
€ million	2000	2001	**2002**	2000	2001	**2002**
Stainless Steel						
Coil Products	–	2 053	**2 328**	–	77	**162**
Special Products	–	1 277	**1 311**	–	10	**13**
North America	–	269	**267**	–	(5)	**3**
Others	–	(748)	**(904)**	–	53	**34**
AvestaPolarit total	–	2 851	**3 002**	–	135	**212**
Amortization of positive goodwill				–	–	**(28)**
Stainless Steel total	1 177	2 851	**3 002**	246	135	**184**
Copper Products						
Americas	443	344	**340**	32	7	**16**
Europe	524	527	**526**	22	34	**9**
Automotive Heat Exchangers	292	267	**256**	16	20	**23**
Appliance Heat Exchangers & Asia	268	281	**351**	(3)	6	**(1)**
Others	5	(16)	**(1)**	(2)	0	**1**
Copper Products total	1 532	1 403	**1 472**	65	67	**48**
Metallurgy						
Zinc	385	453	**418**	46	35	**5**
Harjavalta Metals	398	428	**391**	2	15	**11**
Technology	242	328	**399**	10	5	**3**
Others	(3)	(2)	**(6)**	0	0	**(1)**
Metallurgy total	1 022	1 207	**1 202**	58	55	**18**
Other operations	579	472	**328**	(6)	(76)	**(33)**
Intra-group items	(714)	(609)	**(446)**	(6)	(2)	**6**
The Group total, excluding items affecting comparability	3 596	5 324	**5 558**	357	179	**223**
Market valuation provision in Stainless Steel inventories [1]				0	4	**0**
Market price adjustments to inventories in Copper Products and Metallurgy				(2)	(15)	**1**
AvestaPolarit's insurance compensation				–	–	**20**
Capital gain on AvestaPolarit Oyj Abp shares				–	–	**14**
Gain on the sale of real estate in Espoo				–	–	**13**
Gain on the sale of Pyhäsalmi mine				–	–	**6**
Refund of actuarial surplus						
Outokumpu Oyj				–	–	**3**
Other companies				–	–	**1**
Refund of pension surplus from Henki-Sampo, Outokumpu Oyj				–	–	**2**
Pension provision (the US)				–	(9)	**(6)**
Effect of the sale of Harjavalta nickel refinery	97	–	**–**	58	1	**(6)**
Write down of reactors at Kokkola				–	–	**(4)**
Gain on the sale of Sampo Oyj shares				–	22	**–**
Gain on Okmetic Oyj's listing/directed share issue				8	1	**–**
Refund of pension surplus (Sweden)				6	–	**–**
The Group total, as reported	3 693	5 324	**5 558**	427	183	**267**

[1] The accounting principle has been changed in the annual closing. The cost of inventories is now compared with the estimated net realizable value at the balance sheet date instead of previous practise of reporting calculated inventory valuation gains and losses. The comparison periods have been restated accordingly.



The Group's comparable operating profit was EUR 223 million. Due to massive investments the comparable return on capital employed declined to 5.9%. Exceptionally large ongoing investments that will only start yielding in the coming years added to the Group's capital employed.

Net sales of Stainless Steel increased to EUR 3 002 million due to larger delivery volumes and higher transaction prices. The comparable operating profit of Stainless Steel improved clearly on the previous year and amounted to EUR 184 million. Deliveries of stainless steel increased 3% and conversion margins rose 13%. Profitability of the Coil Products and North America divisions showed a distinct improvement. The weak result of Special Products was mainly attributable to marked losses of Degerfors Stainless, which produces long products, as well as low delivery volume of precision strip. In 2003 more capacity is coming on stream in the stainless steel market and the short-term outlook for cold rolled stainless steel is rather uncertain. Development of the market situation for stainless steel and the successful commissioning of the new stainless steel capacity at Tornio are the key drivers for the profitability of the entire Outokumpu Group in 2003.

Net sales of Copper Products increased mainly due to the acquisition of Heatcraft in August 2002. The comparable operating profit of Copper Products decreased to EUR 48 million because weaker product mix and general price pressure resulted in lower average conversion margins. The financial performance of the divisions within Copper Products was mixed. The Americas division improved its result, Europe's operating profit contracted to one-fourth and Appliance Heat Exchangers & Asia was in the red. The Automotive Heat Exchangers division has been generating solid profits from year to year. Short-term outlook for copper products is weak.

Net sales of the zinc business contracted due to lower price of zinc, even though the Odda zinc plant was consolidated to the Group for the entire year. Average zinc treatment charges received by Outokumpu decreased 16% and the comparable operating profit of the zinc business fell to EUR 5 million. It is estimated that zinc treatment charges will not recover from the current level in 2003.

Net sales of Harjavalta's copper production decreased. Copper treatment and refining charges received by Outokumpu decreased 3% and the comparable operating profit of the Harjavalta copper business was EUR 11 million. Treatment and refining charges may continue to decline in 2003 because of the tight market situation.

Technology's net sales increased markedly because the companies acquired in 2001 were consolidated to the Group for the entire 2002. Technology's customers postponed their investment decisions due to low base metals prices and general uncertainty concerning the world economy. As a result, Technology's operating profit came to modest EUR 3 million. Short-term, it is unlikely that the sales of technology would pick up in the prevailing market.

Within Other operations the comparable operating loss of Mining contracted substantially and amounted to EUR 19 million in 2002. The Group's targets for 2003 include the completion of its program to exit base metals mining.

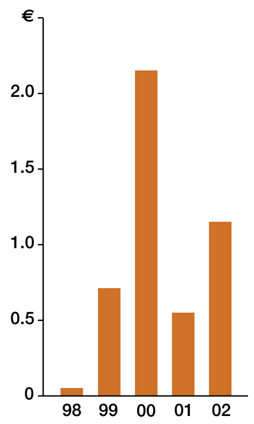
Implementation of strategy has proceeded apace

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

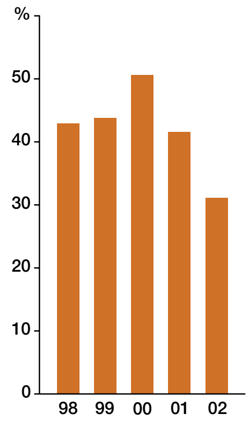
In January 2001, Outokumpu combined its stainless steel operations with Avesta Sheffield to form AvestaPolarit, and

Management discussion on the financial results and strategy

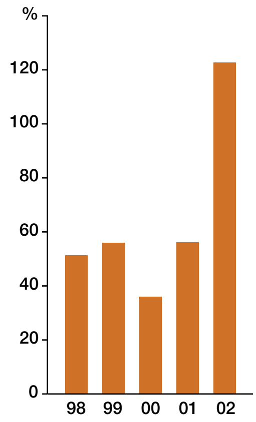
Earnings per share
(excl. extraordinary items)



Equity-to-assets ratio



Debt-to-equity ratio



in July 2002 launched a plan to acquire full ownership in AvestaPolarit. In addition to its massive investments in stainless steel, Outokumpu has made significant investments in copper fabrication and metals technology companies, and nearly doubled its zinc business in 2001 with the Norzink acquisition and the Kokkola expansion. The formation of Outokumpu Heatcraft marked Outokumpu's move into the manufacture of higher value-added copper products, such as heat transfer coils. Furthermore, at the beginning of 2003 Outokumpu decided to modernize the Odda zinc plant. Outokumpu has also divested most of its base metals mining operations.

Outokumpu has strengthened its position through recent acquisitions and disposals and will now focus on capturing value of the position that has been built. Over the next two years Outokumpu will concentrate on successful commissioning of the new capacity, integrating acquired businesses, profitability and cash flow. The Group's new profit making capacity and capability will be in full use in 2005.

Outokumpu will continue to carefully monitor its business portfolio in order to ensure that its businesses fit within the Group's strategy and that they meet the profitability and performance targets. Some half of the ongoing EUR 200 million divestment program has already been implemented. The main component pending is the divestment of the Tara zinc mine by the end of 2003, provided that the mine can be sold in the challenging market with acceptable terms. In addition, Outokumpu may also exit certain other businesses that do not fit within the Group's strategy or do not meet the performance targets. Outokumpu will also continue to consider acquisition and joint venture opportunities, which possess a good fit with its strategy and enhance the value of its business portfolio. Within individual businesses, Outokumpu will also examine the potential to create value through participating in industry consolidation.

Financial objectives

Outokumpu's financial objectives are to generate maximum economic value added on the capital invested by its shareholders and to maintain a sound capital structure. A sufficiently strong balance sheet will help Outokumpu withstand business risks and industry cycles. Based on the growth and transformation strategy the group-level financial objectives have been defined in terms of indicators presented in the following table.

Growth

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

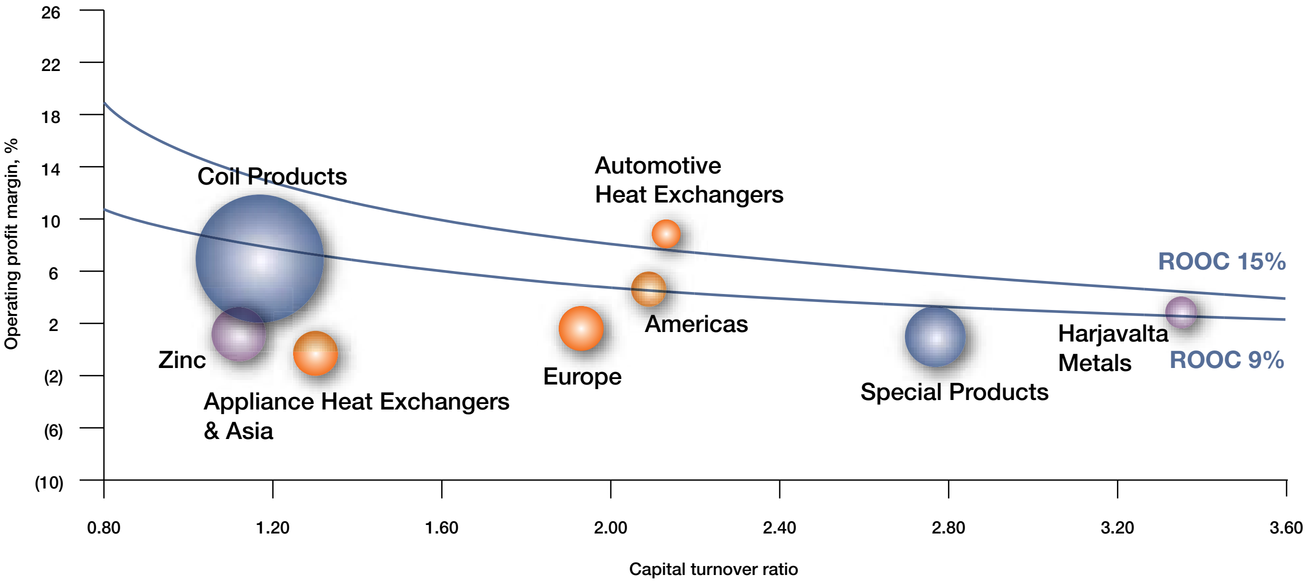
Transformation

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

Profitability and balance sheet structure

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

Operating capital and return on operating capital 2002



The return on operating capital (ROOC) presented on the above picture comprises two components: operating profit margin and capital turnover ratio. There are two curves for the ROOC. Each point of the upper curve gives 15% target yield to the operating capital and correspondingly the lower curve indicates the Group's weighted average cost of capital before taxes (WACC 9%). If a business unit does not cover the weighted average cost of capital it will produce negative economic value added. The higher the capital turnover ratio, the smaller change in the operating profit margin will impact the ROOC. The size of the circle is presented in relation to the operating capital tied into a business. Three business units are excluded from this picture: Stainless Steel's North America (capital turnover ratio 1.2 and operating profit margin 5.6), Technology (capital turnover ratio 9.6 and operating profit margin 0.7) and Mining (capital turnover ratio 0.7 and negative operating profit margin 18.3).

Profitability structure by business

Only the Automotive Heat Exchangers division reached the target yield of 15% in the difficult market situation. Other units are, however, well positioned when the market starts to recover. A large amount of capital is tied in Coil Products due to the ongoing expansion program at Tornio that will only start to yield in the coming years. The zinc business was adversely affected by the low price of zinc in 2002. Profitability of Harjavalta Metals remained close to previous year's level and capital turnover ratio has remained good due to outsourcing of the support functions.

Development of shareholder value

At the end of 2002, the market capitalization of Outokumpu Oyj was EUR 1 420 million. Market capitalization decreased EUR 41 million on the previous year.

The dividend policy established by the Board of Directors states that the pay-out ratio over a business cycle should be at least one-third of the company's profit for the period. In its annual dividend proposal the Board of Directors will, in addition to financial results, take into a consideration the company's investment and development needs. The proposed dividend for 2002 is EUR 0.40 per share, corresponding to 44% of the Group's profit for the financial year. The dividend yield is therefore 4.8%. Outokumpu's average dividend pay-out ratio over the past five years has been approximately 43%.

In November–December, Outokumpu implemented a rights offering to partially finance the acquisition of the AvestaPolarit minority interest. Net proceeds from the rights offering totaled EUR 293 million. Following the rights offering Outokumpu's share capital amounted to EUR 293.5 million, comprising 172 659 119 shares.

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

In 2002, Outokumpu's WACC after taxes was 6.4%. This figure was obtained using a target capital structure in which the weight of equity cost was 60% and the weight of debt 40%. The cost of equity was 8% and the after-tax cost of debt 4%, correspondingly.

In 2002, Outokumpu generated EUR 29 million of negative economic value-added with 6.4% WACC.

The margins generated by operations

	Zinc and copper smelting and refining	Stainless steel production	Fabrication of copper products
Sales revenues	Metal price derived from LME [1]	Base price + alloy surcharge = transaction price	Metal price derived from LME + conversion margin for end-product
Raw material costs	Metal price derived from LME – TC/RC paid for smelters	Price of raw materials	Metal price derived from LME
Margin	TC/RCs	Conversion margin	Conversion margin

[1] Price of metal quoted on the London Metal Exchange (LME).

Factors affecting Outokumpu's profitability

Key factors that influence Outokumpu's financial performance include treatment and refining charges and conversion margins of metals. In addition, the prevailing exchange rate between the US dollar and the euro may affect Outokumpu's results. All of these factors are affected by general economic conditions, the industry cycle and especially industrial investment activity.

In zinc and copper smelting and refining, operating profit is affected principally by the level of treatment and refining charges, unit costs and sales volumes of zinc and copper. Treatment and refining charges are negotiated between individual mine and smelter. The balance between supply and demand of concentrates between mines and smelters is the key factor affecting the level of treatment and refining charges. The zinc business and Harjavalta Metals are able to hedge against any changes in metal prices between the purchase of raw materials and the sale of the refined metal to the customer. However, there is a close relationship between the level of treatment and refining charges and the price of zinc and copper. Although the concentrate and metals markets are separate, both fluctuate in line with economic and business cycles.

In stainless steel production, operating profit is principally driven by conversion margins, unit costs and delivery volumes. The conversion margin for stainless steel is calculated by deducting the raw material costs from the transaction price. The transaction price is the selling price of stainless steel and is equal to the base price of stainless steel plus the alloy surcharge. The alloy surcharge includes the full cost of the alloys in the stainless steel: principally nickel, chromium and molybdenum. Typically, the base price charged to the customer is fixed and the risk relating to changes in the cost of the alloys is passed on to the customer through the alloy surcharge. For fixed price sales contracts, the nickel content in the price is hedged. Changes in market conditions affect the base price and are thus directly reflected in the conversion margin. The overall price and margin for stainless steel are linked to the economic cycle, and especially to the level of industrial investments in main customer segments. The change of the prices tends to exacerbate by de-stocking and re-stocking cycles.

In fabrication of copper products, operating profit is principally driven by conversion margins, unit costs and delivery volumes. The conversion margin for the copper products fabrication business is the difference between the unit price of copper metal and the unit price of the product sold to the customer. Outokumpu uses hedging measures against changes in the price of copper on a daily basis. Conversion margins for fabricated copper products are mainly driven by demand in customer industries and competition.

The table below presents the sensitivity of Outokumpu's operating profit towards changes in conversion margins, treatment and refining charges and the exchange rate between the US dollar and the euro in 2003.

10% sustained change	Effect on profit € million
Conversion margin of stainless steel	200
Conversion margin of fabricated copper products	65
Price of zinc	20
Zinc treatment charge	10
Copper treatment and refining charge	5
US$/€	60

The figures are calculated on the basis of average prices and margins in 2002 and projected 2003 production volumes. They do not take into account the impact of hedging.

Financial performance of Outokumpu is most sensitive to changes in the volatile conversion margin of stainless steel.

Metals' value chain

Currently, Outokumpu concentrates on two segments of the metals' value chain: smelting & refining and metal fabrication. In recent years Outokumpu has reduced the share of mining and concentrated on higher value-added products.

The conversion margins for copper products are relatively stable and seldom change by as much as 10% short-term.

The prices of stainless steel and fabricated copper products are specified by market area: euros in Europe, US dollars in the US and Asia. Price levels between Europe, the US and Asia may vary considerably. Zinc prices are specified in US dollars, as are the treatment charges for zinc and copper. Production costs are incurred mainly in euros, Swedish and Norwegian krona and British pound sterling.

At the end of the financial year, Outokumpu had 58% of its debt in euros and 32% in US dollars and the rest in other currencies. Short-term interest rates continued falling into remarkably low levels in both the US and the euro zone in 2002. The current trend in interest rates may change during 2003, but this would require continued and consistent signs of global economic recovery. One percentage point increase in the US dollar and euro short-term interest rates is estimated to raise the Group's net financial expenses by approximately EUR 12 million.

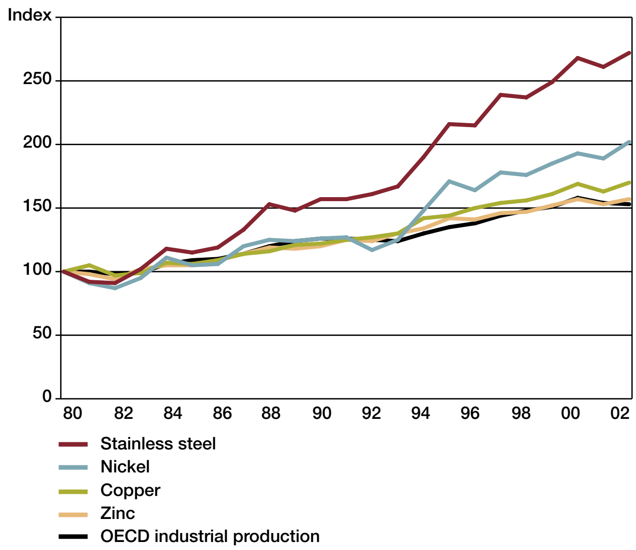
Hedging

In the Stainless Steel business area, the customer assumes the risk for the alloy price through the alloy surcharge. In accordance with Outokumpu's risk management policy, purchases and sales of metal by copper and zinc smelters and copper products mills have systematically been hedged and the margins have thereby been secured in advance in the short-term. If there is a permanent change in treatment and refining charges or conversion margins, the margins cannot be secured by hedging.

Outokumpu is a major consumer of energy. In zinc and ferrochrome production the cost of electricity accounts for over one-third of the variable costs. Outokumpu uses hedging measures against changes in the cost of electricity. The hedging period is usually at least three years. The hedging level is increased gradually, so that 80–100% of the electricity to be purchased has been hedged before the time of delivery.

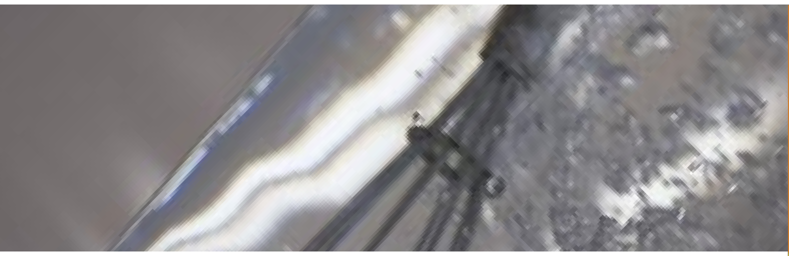
The Group's risk management policy is described in more detail in the note 18 to the consolidated financial statements on pages 71–72.

Growth of metals consumption



Source: CRU

Market review



Recovery of the metals market postponed

The economic background remained lackluster during 2002. In the first quarter it appeared that a healthy recovery was underway, but the pace of growth slowed markedly towards the summer and remained weak for the rest of the year. As a result, world GDP in 2002 is estimated to have risen a modest 1.5%. Growth in two of the world's major regions – Western Europe and Japan – was almost at a standstill in the final quarter.

The continuing economic weakness is attributable to a number of interlinked factors, including a further fall in equity markets, the depreciation of the US dollar, further pressure on corporate profitability and the financial scandals in the US. The uncertain mood has been exacerbated by the possibility of an invasion of Iraq and its potential impact on Gulf oil supplies. The resulting weakness in business confidence has seen corporate investment being further cut back and consumer confidence has been poor almost everywhere except North America and Britain. Weak demand in the industrialized countries has in turn depressed exports from developing countries, and has restricted the upturn especially in Asia. Only in China has growth been sustained at a high level.

In response to the economic slowdown the US Federal Reserve cut interest rates to their lowest level for more than 40 years. The European Central Bank also reduced rates at the end of the year. These cuts, coupled with another big fiscal stimulus in the US and more modest budget measures elsewhere, suggest that world economic activity ought to improve during 2003. The conditions in all the major regions are currently fragile, however, and a significant recovery therefore looks unlikely before mid-2003, and there remain considerable downside risks.

Weak demand in the key end-uses

Economic weakness has inevitably depressed the main end-uses for metals. In the construction sector, housing starts in the US rose strongly in 2002, underpinned by low interest rates, but commercial construction spending weakened markedly in the second half. Commercial construction also declined sharply in Japan, while German construction output fell for the third year running. Housing starts and overall construction spending rose modestly in most other European countries, but confidence and orders now seem to be weakening here as well. Prospects for construction activity therefore look worrying in all three major regions.

In the transportation sector, worldwide vehicle production increased about 2% in 2002, but conditions varied sharply between regions. Production rose firmly in the US and the market in developing Asia, especially in China, showed a big improvement. In contrast, sales in Europe fell sharply. Global prospects for 2003 are weak, partly reflecting low consumer confidence and partly because it appears that the success of the US incentive program may have been to the detriment of future sales. Prospects are even worse in the aircraft industry, where production has been cut savagely in response to the crisis in the aviation business.

Demand from the process industries and from the industrial machinery and equipment sectors fell strongly in 2002 as companies cut back investment in response to slack demand and weak profitability. Business surveys suggest that investment will rise modestly in 2003, though the outlook remains rather uncertain.

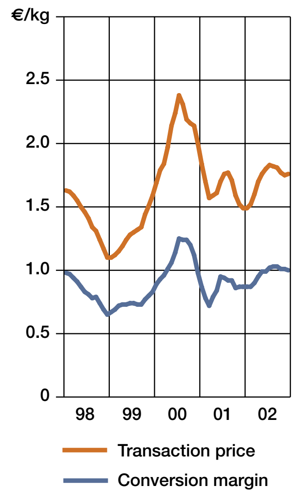
Nowhere have the economic problems of the last two years been felt more severely than in the electric, electronics and communications sector. The sales of connectors, for example, fell an estimated 19% in 2001, and then a further 10–15% in 2002. Although orders do now seem to have bottomed out, any improvement over the next few months is likely to be slow.

Annual metal market prices

		1998	1999	2000	2001	**2002**	Change, % 2002/2001
Stainless steel							
Market price	€/kg	1.41	1.30	2.07	1.65	**1.72**	4.2
Base price	€/kg	1.28	1.18	1.52	1.28	**1.41**	10.2
Conversion margin	€/kg	0.83	0.74	1.08	0.86	**0.97**	12.8
Nickel	US$/lb	2.09	2.73	3.92	2.70	**3.07**	13.7
	€/kg	4.15	5.65	9.35	6.64	**7.16**	7.8
Ferrochrome (Cr-content)	US$/lb	0.45	0.36	0.43	0.32	**0.31**	(3.1)
	€/kg	0.89	0.75	1.03	0.79	**0.73**	(7.6)
Copper	US$/lb	0.75	0.71	0.82	0.72	**0.71**	(1.4)
	€/kg	1.48	1.48	1.96	1.76	**1.65**	(6.3)
Zinc	US$/lb	0.46	0.49	0.51	0.40	**0.35**	(12.5)
	€/kg	0.92	1.01	1.22	0.99	**0.82**	(17.2)

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

Stainless steel price



Source: CRU

Metals prices fell to all-time lows despite booming Chinese demand

A weak background in end-use markets had an adverse effect on demand of the metals of the Western world in 2002. At a world level, however, growth was more encouraging due to a rise of more than 10% in Chinese demand. Global demand for copper increased over 4%, nickel some 6%, zinc 2% and cold rolled stainless steel almost 4%. China is now the world's biggest consumer of copper, zinc and cold rolled stainless steel, and demand prospects over the next few years remain exciting.

Nevertheless, despite the boom in Chinese demand, sentiment in the metals markets was acutely depressed throughout most of 2002. Worries about economic growth were part of the problem, but the mood was also a reflection of high and rising stock levels of certain metals. The metals industry proved slow to respond to widespread financial losses and markets were in heavy oversupply. Prices inevitably suffered, and the prices of copper, zinc and ferrochrome as well as copper and zinc treatment charges were all the lowest ever in real terms.

Prospects during the early months of 2003 will continue to be difficult, not only for metals, but also for fabrication and conversion margins, which are likely to remain under pressure. Nevertheless, it appears that the low-point in the metals price-cycle has now been passed, though this has more to do with slowing growth in supply than to improving demand. Stronger economic growth and a firm recovery in metals consumption will certainly be necessary if a sustained improvement in prices is to be achieved. Most analysts do not foresee this before mid-2003. However, when economic growth starts to recover, metals demand tends to rise very strongly as re-stocking resumes right along the consumption chain. Stocks are currently very low for some products, so that when the markets do finally turn around, the bounce back in prices could be significant.

Stainless a notable exception to the general trend; conversion margins rose firmly

Cold rolled stainless steel was clearly the star performer amongst the metals in 2002. Average conversion margins for cold rolled stainless steel in Europe (transaction price of grade 304 stainless steel minus the cost of raw materials) rose 13% compared to the 2001 average while average base prices rose 10%.

Most of the improvement occurred in the first half of the year, when prices and margins were on a firm rising trend. Although underlying consumption was growing only modestly, with the notable exception of China, demand was boosted by re-stocking ahead of increases in the alloy surcharge, particularly in Europe. Prices were also supported by a number of unexpected production losses at the major producers in Europe, and by a combination of closures and cutbacks in Asia and North America. However, having reached 1.45 EUR/kg by the summer, base prices for 2 mm grade 304 then stabilized and held at around this level for the rest of the year, despite some softening in demand in the last couple of months.

Although underlying consumption growth for stainless steel is estimated to be at least 5% per annum, the short-term outlook is rather uncertain. Any improvement in demand over the next few months is likely to be modest. At the same time production capacity is rising quickly as a number of major expansions around the world come on stream and the key factor will therefore be the behavior of the main stainless steel producers. Consolidation in the industry has increased dramatically in recent years. The biggest five producers accounted for 56% of world slab output in 2001 compared to only 30% in the mid-1990s. This development suggests that the industry will be more likely to adjust production during any downturn to prevent build-up of inventories.

The other stainless steel markets experienced mixed fortunes in 2002. Apparent consumption of hot rolled coil in Europe rose firmly, but overcapacity resulted in declining prices towards year-end. European consumption of hot rolled plate (quarto plate) also rose sharply and average prices improved modestly, though orders deteriorated and prices came under pressure in the last quarter. Short-term prospects look rather difficult. Recent orders have also been disappointing in precision strip, though the indications for early 2003 are more promising. In tubes, average base prices rose slightly in 2002 and prices remain reasonably firm: below-average stock levels at distributors suggest that demand should improve over the next few months. In contrast, the weakness of the capital goods market and commercial construction has resulted in the long products market remaining depressed, with prices under pressure.

Demand for copper products rose modestly, but conversion margins remain under pressure

World consumption of copper and copper alloy products, which fell about 5% in 2001, recovered modestly during 2002 and rose some 2%. Nevertheless, pricing pressure remains intense, and prospects for conversion margins look difficult during the first half of 2003.

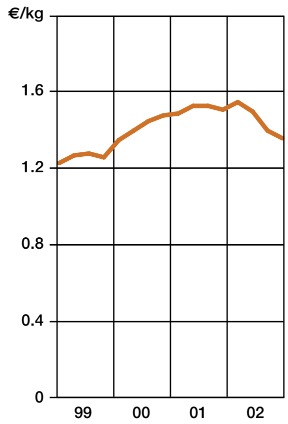
The demand picture has been particularly gloomy in Western Europe, where total consumption of copper and copper alloy products fell an estimated 2% in 2002 though performance varied sharply between different products. Demand in the telecom market was depressed, and no improvement is anticipated for at least another year. The market for submarine cable was particularly weak. Demand for coin blanks was also poor following the ending of the main euro-coinage program, and rolled products for architectural applications fell sharply in certain countries. Deliveries of sanitary tubes rose slightly, supported by rising housing starts throughout the most of the region, and the market for industrial tube was reasonable. The superconductor business and parts of the machined copper products business also picked up firmly in the final quarter.

The Automotive Heat Exchangers division performed very well in 2002. World production of heavy vehicles rose about 4% with US production rising sharply, and this underpinned an increase in deliveries of radiator strip. But demand weakened markedly in the second half, and average conversion margins were on a downward trend during the year. Prospects for 2003 in the major markets do not look good, mainly because of generally slow demand. However, it is hoped that the weakness of traditional markets can be offset by increased deliveries to some of the fast-growing developing countries.

Consumption of copper and copper alloy products in North America rose only marginally in 2002, a disappointing outcome considering the fall of almost 20% seen in the previous year. Even so, the Americas division achieved a firm improvement in sales despite the weakness of the overall market and average conversion margins were held close to the previous year's level. Sales of connectors, one of the unit's main targets for future growth, showed a sharp recovery, and there were solid improvements in other sectors of the market such as welding electrodes, stampings, fasteners and construction copper. Alloy wire deliveries also rose strongly, underpinned by new products, which enabled the unit to increase market share. In contrast, telecom-related sales slumped again as the sector reduced investment even further. Looking ahead, there are mixed indications: underlying demand for some products is improving, and re-stocking could provide a big boost to demand at some stage given that stocks along the consumption chain are now very low. But competition is very intense and pricing will remain under pressure over the next few months.

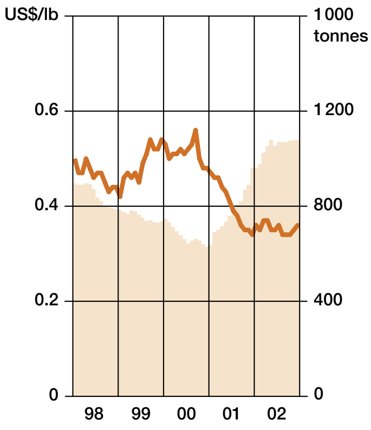
Market conditions facing the Appliance Heat Exchangers & Asia division also remain highly competitive in all major regions. Although underlying long-term growth in world demand is very healthy – around 5% per annum – world consumption of ACR (air-conditioning and refrigeration) tube rose only 2–3% in 2002. The North American market for tubes and coils was remarkably strong, driven by buoyant consumer spending and a high rate of house building, but this was offset by weak demand in Europe and Asia. The situation in the Chinese ACR tube market had become very difficult by end-year, with overcapacity exacerbating the impact of overly optimistic consumption expectations in early

Conversion margin of copper products



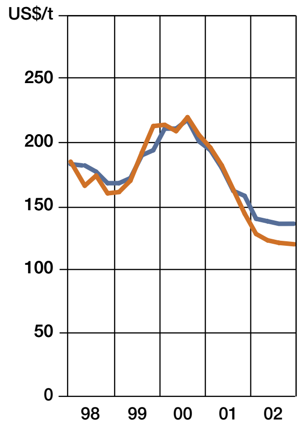
Average conversion margin for Outokumpu's copper products. Includes changes in product mix and exchange rates.

Zinc price and stocks



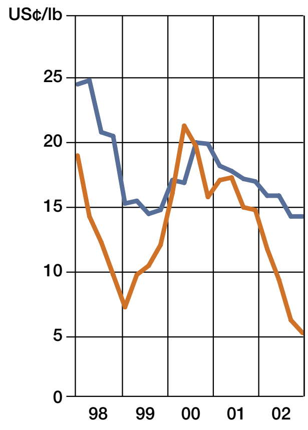
Source: LME

Zinc treatment charges



Source: CRU

Copper treatment and refining charges



Source: CRU

2002. Stocks of air conditioners rose substantially, and tube prices fell to unprecedented levels, sharply reducing the division's average conversion margin. Consumption of other copper products in the region, mainly for the electrical and electronics industries in South East Asia, continued to suffer from the global slowdown, though the electronics industry showed a modest recovery towards the end of the year.

Zinc smelters in trouble: treatment charges fell to a sub-economic level

The average zinc price for 2002 fell to only 35 c/lb (778 USD/tonne) and was by a considerable margin the lowest ever in inflation-adjusted terms.

Weak consumption, especially in Europe and Japan, was one important factor behind the slump. But the problem was exacerbated by continuing firm growth in Western world production, and by the fact that Chinese metal exports remained relatively high until the very end of the year. As a result the market was again heavily in surplus. Nevertheless, earlier mine cutbacks and closures are finally beginning to have an impact on concentrate availability, so that growth in slab production is likely to be severely constrained in 2003. Chinese refined production is already declining, and the country's exports of metal are therefore likely to fall further over the next few months. These trends are expected to move the zinc market back into deficit during 2003, though short-term prospects remain unexciting.

The tightening in concentrate supply has also depressed treatment charges. In 2002 typical average treatment charges on a contract basis fell 21% from the year-before level, and were more than one-third below the level of 2000. Charges are now at the lowest level ever in real terms. Zinc treatment charges received by Outokumpu fell 16% compared to the 2001 level. With concentrate stocks now very low, the general expectation is that treatment charges will remain under pressure during 2003. However, current charges are sub-economic for most custom smelters, and this will lead to much-needed rationalization in the industry. Some plants are being converted to process secondary feed instead of concentrate and some plants face the threat of closure. These developments will tend to limit the downside on treatment charges, and offer the prospect of better returns in the future.

Terms have also moved against smelters in the copper concentrates market. Treatment and refining charges (TC/RCs) received by Outokumpu fell 3% from their 2001 level. Average TC/RCs (including price participation) on typical contracts negotiated in 2002 slumped an average of 14%. Spot market terms declined dramatically and were an average 49% lower compared to 2001, and being at extraordinarily low levels during the final quarter. Again the key influence has been reduced concentrate production due to extensive mine closures and cutbacks in response to low prices. But market tightness has also been exacerbated by the rising import requirements of new smelters in developing Asia. Typical TC/RCs on new contracts are likely to remain at uncomfortably low levels during 2003.

Low investment activity continued to depress technology sales

Low metals prices and poor profitability continued to depress technology sales as companies responded to the downturn by cutting back investment. Activity in mineral processing technology was particularly weak, though in contrast the pyro and hydro metallurgical businesses were markedly stronger. The strongest markets were Australia, Africa and South America, whereas North America was very quiet.

The poor short-term outlook for the metals industry suggests that conditions for the technology business will remain difficult in the coming months. However, it is becoming increasingly clear that substantial new capacity is needed in both the mining and metallurgical sectors, and investment activity in the industry is expected to rise significantly over the next few years.

Stainless Steel

Focus is now on effective commissioning of the massive investments.

The Stainless Steel business area comprises Outokumpu's subsidiary AvestaPolarit – one of the world's largest and most cost-efficient stainless steel producers. The annual slab capacity will be increased from 1.75 to 2.75 million tonnes following the commissioning of the major investment program by the end of 2004. AvestaPolarit's main product is stainless steel coil, in which it had some 28% share in the European market and 8% share of the global market in 2002. AvestaPolarit also produces a broad range of value-added stainless steel products and operates one of the world's most cost-efficient ferrochrome smelters and its own chromite mine.

Acquisition of the AvestaPolarit minority interest – the largest acquisition in Outokumpu history

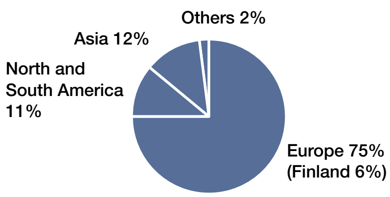
At the beginning of July 2002, Outokumpu announced that it was to acquire Corus Group's 23.2% interest in AvestaPolarit. Following the completion of the deal with Corus in August, Outokumpu launched a redemption offer for all the outstanding AvestaPolarit shares. At the close of the redemption offer, Outokumpu had reached a 99.8% holding in AvestaPolarit. The redemption procedure under the Finnish Companies Act is underway and Outokumpu obtained full ownership in AvestaPolarit on March 14, 2003. Simultaneously the AvestaPolarit share was de-listed from the Helsinki Exchanges as well. The total acquisition cost of the AvestaPolarit minority interest is some EUR 1.1 billion. Acquisition of the full ownership in AvestaPolarit strengthens Outokumpu's position in the profitable and fast-growing stainless steel business.

Outokumpu obtains full ownership in AvestaPolarit on March 14, 2003.

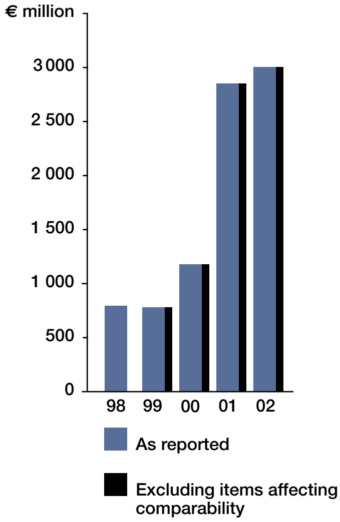
Tornio expansion program

	Capacity	
1 000 t	Current	2004
Melting shop (slabs)	650	1 650
Hot rolling	650	1 650
Cold rolling	550	1 200

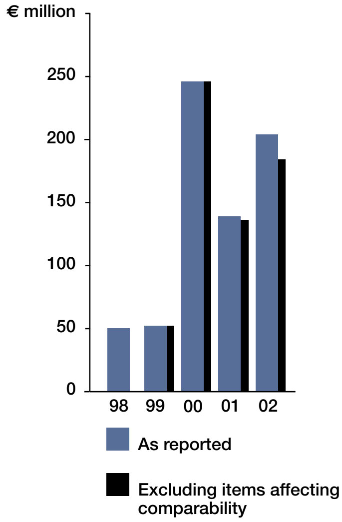
Net sales by market area



Net sales



Operating profit



Focus on commissioning of the investments and rationalization of material flows

AvestaPolarit's focus is now on maximizing the returns from the investments underway. A cornerstone of its strategy has been the doubling of production at the fully integrated Tornio plant with an approximately EUR 1 billion investment. Overall efficiency has been improved through increasing the level of specialization of the businesses within Coil Products. For example, production at the Degerfors melting shop will end in 2003 and the production will be transferred to Sheffield melting shop that will primarily concentrate on supply of feedstock for the production of long products and quarto plate. Furthermore, AvestaPolarit is seeking to develop its already extensive specialty stainless steel products offering in order to increase margins and market share.

Tornio expansion proceeding according to plan

The ongoing expansion program at Tornio that started in 1999 has been a driving force in the business restructuring plan of AvestaPolarit. The expansion program includes a new melting shop, an expansion of the existing hot rolling mill and the installation of a new high-capacity integrated line incorporating cold rolling, annealing and pickling in one continuous process (RAP). The commissioning of the expansion has proceeded well. Production at the new melting shop started in August 2002 and the first slab was cast in early September. The cold rolling mill started commissioning in February 2003 and commercial deliveries will begin by the end of March. The entire investment is due to be commissioned during 2004. The cost estimate for the expansion is some EUR 1 billion, of which EUR 751 million had been used at the end of 2002.

17.1.2002
Fire destroys tube plant and warehouse in the Netherlands

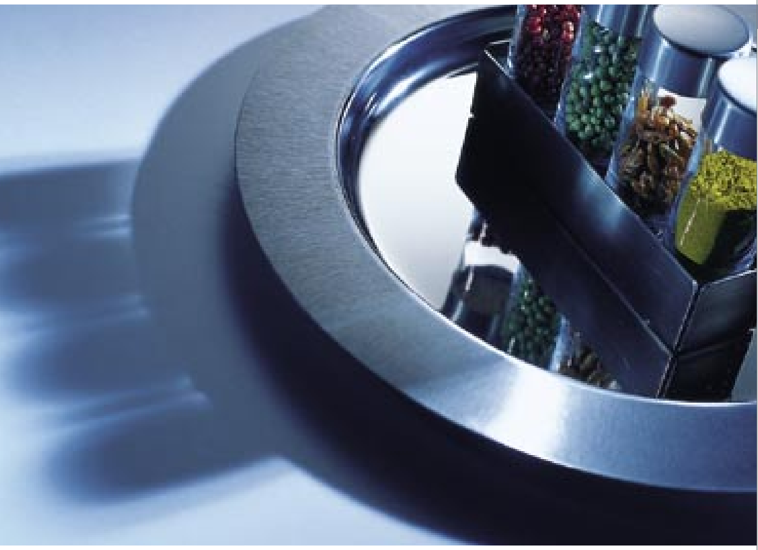
13.3.2002
AvestaPolarit to invest in long products in North America

26.4.2002
Tornio hot rolling mill to be expanded to 1.7 million tonnes

30.5.2002
Fire at the Tornio cold rolling mill

1.7.2002
Outokumpu to acquire full ownership in AvestaPolarit

8.8.2002
European Commission clears the AvestaPolarit deal between Outokumpu and Corus



AvestaPolarit's other major investment projects in progress include the move to underground mining at the Kemi chromite mine in Finland (total investment EUR 73 million), the installation of new billet casting equipment at the Sheffield melting shop in Britain (EUR 29 million) and the increase of long products capacity in the US (EUR 22 million). The project to increase cold rolling capacity at Avesta (EUR 36 million) in Sweden was completed during 2002. In October 2002, AvestaPolarit acquired Commerciale Acciai, which has been an exclusive distribution agent for the Tornio plant in the Italian market. The acquisition of the stainless steel quarto plate business of ThyssenKrupp Nirosta was completed in February 2003. The production of quarto plate will thus be transferred to Degerfors in Sweden.

Clear improvement in profitability

Stainless Steel's improved profitability in 2002 was primarily attributable to higher deliveries and conversion margins. The operating profit amounted to EUR 204 million after the amortization of positive goodwill arising from the acquisition of the AvestaPolarit minority interest. AvestaPolarit's operating profit was EUR 232 million. The full-year result was, however, adversely affected by production difficulties in the third quarter and a sluggish fourth quarter.

19.8.2002
Outokumpu launches a mandatory redemption offer for all shares and warrants in AvestaPolarit

29.8.2002
Virolainen and Kaitue to join Outokumpu Executive Committee

19.9.2002
AvestaPolarit to acquire the quarto plate business of ThyssenKrupp Nirosta

27.9.2002
Outokumpu's redemption offer a success, ownership in AvestaPolarit to 99%

10.10.2002
The acquisition of Commerciale Acciai completed

14.10.2002
Outokumpu's redemption claim under Chapter 14, Section 19 of the Finnish Companies Act on AvestaPolarit shares

18.11.2002
De-listing of AvestaPolarit from the Helsinki and Stockholm stock exchanges

The market prospects for cold rolled stainless steel look rather uncertain for the first half of 2003. Although underlying consumption for stainless steel is estimated to grow long-term at a rate of at least 5% per annum, any improvement in demand over the next few months is likely to be modest. The commissioning of the new capacity at Tornio is expected to boost the Group's profits. Outokumpu expects the total deliveries to be some 40% higher in 2003, however, taking into account the development of the market situation.

Research and development

Most of AvestaPolarit's research and development personnel work at Avesta and Tornio. The Avesta research center focuses on product and application development, while the research center at Tornio works primarily with process development and quality improvement projects. A smaller research and development team at Sheffield concentrates on more sophisticated surface treatment methods. In 2002, the most important R&D project of AvestaPolarit was the RAP 5 line at Tornio. Research and development expenditure totaled some EUR 14 million in 2002.

KEY FIGURES

€ million	2002	2001
Net Sales		
Coil Products	**2 328**	2 053
Special Products	**1 311**	1 277
North America	**267**	269
Others	**1 286**	1 198
Intra-group sales	**(2 190)**	(1 946)
Total	**3 002**	2 851
Operating profit		
Coil Products	**162**	77
Special Products	**28**	10
North America	**3**	(5)
Others	**39**	57
Total	**232**	139
Amortization of positive goodwill	**(28)**	–
Total	**204**	139
Net sales/Group net sales, %	**50**	48
Operating profit margin, %	**7**	5
Return on operating capital, %	**8**	10
Operating capital Dec. 31	**3 038**	1 857
Capital expenditure	**633**	405
Depreciation	**127**	120

Production

Tonnes [1]	2002	2001
Coil Products		
Steel slabs	**1 594 000**	1 435 000
– of which Long Product's share	**501 000**	447 000
Cold rolling mill production		
– Cold rolled	**807 000**	746 000
– White hot strip	**385 000**	324 000
Special Products		
Ferrochrome	**248 000**	236 000
Tubes and tube fittings	**70 000**	57 000
Quarto plate	**95 000**	61 000
Long products [2]	**180 000**	167 000
Precision strip	**21 000**	23 000
North America		
Quarto plate, bars and tubes	**74 000**	71 000

[1] AvestaSheffield included as of January 23, 2001.
[2] Other than slabs.

Production of the Kemi mine and ore reserves are presented on page 76.

Personnel

Dec. 31	2002	2001
Coil Products	**4 262**	4 009
Special Products	**3 414**	3 231
North America	**367**	360
Others	**1 104**	1 404
Total	**9 147**	9 004

22.11.2002
New environmental permit and a permit under the Water Act for the Kemi mine

5.12.2002
Structural changes planned in tubes and fittings business

6.2.2003
AvestaPolarit invests in new service center in Sheffield

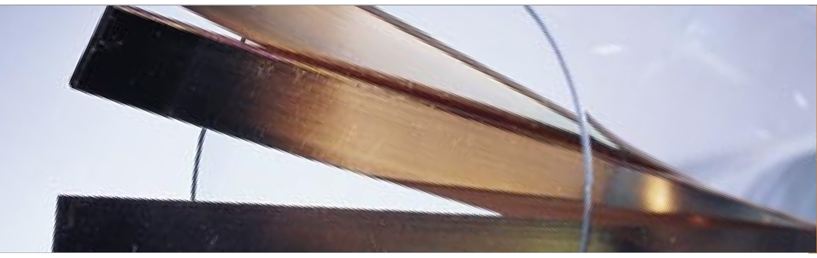
7.2.2003
Personnel negotiations at Jaro units completed

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

17.2.2003
Erkkilä to head Outokumpu's Stainless Steel business area

24.2.2003
The older Tornio melting shop to be revamped

Copper Products



Focus has been shifted to rapidly growing industries and to higher value-added products.

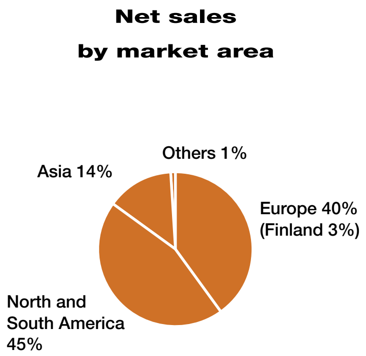
Outokumpu is one of the leading manufacturers of fabricated copper products with some 10% share of its served market. The Copper Products business area focuses on product applications that exploit the superior properties of copper: heat transfer, electrical conductivity and signal transmission. These properties are needed increasingly to enhance communication, heat transfer, energy service and construction.

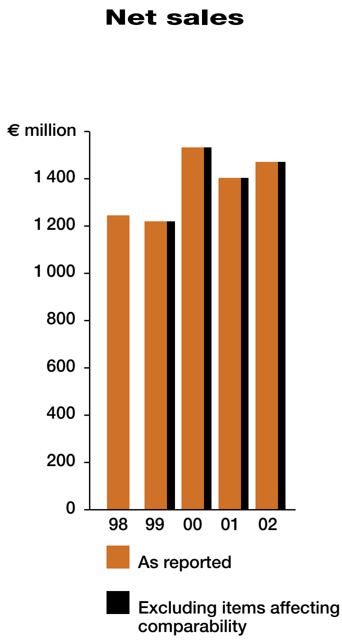
Competitive edge from technology and worldwide operations

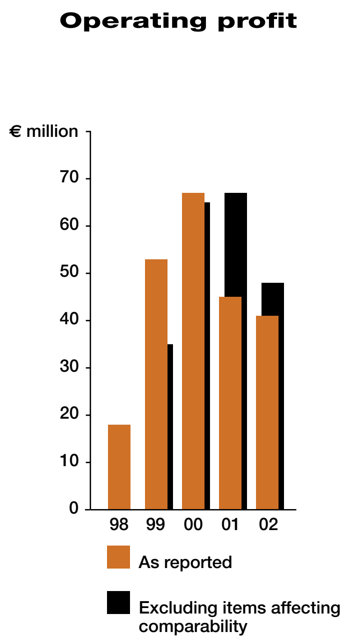
Outokumpu intends to increase the profitability of Copper Products through optimizing current capacity and by continuing to shift production towards products with higher value-added and higher margins. In addition, Outokumpu invests in product development and develops new products and applications in close co-operation with demanding customers in growth sectors. Outokumpu brings its diversified technological expertise and metallurgical know-how to the joint development process.

Copper Products sells and markets its products primarily to the electrical industry, the electronics and communications industries, the computer industry, automotive parts manufacturers, construction material suppliers as well as heat exchanger and electronic appliance manufacturers.

The superior properties of copper are needed increasingly to enhance communication, heat transfer, energy service and construction.







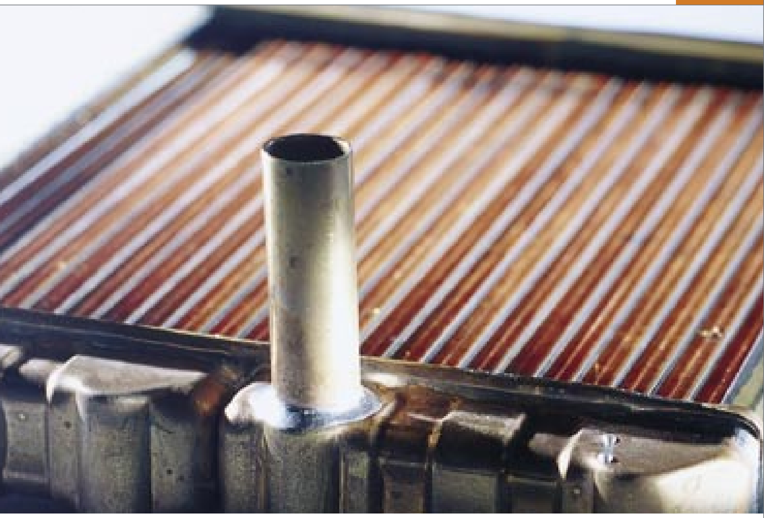
Outokumpu is the world's second largest manufacturer of fabricated copper products. Furthermore, Outokumpu is the only supplier that can offer clients with global operations locally manufactured products in all the main markets; the US, Europe and Asia.

Outokumpu's strong competitive advantage is also based on its technological expertise. In its production Outokumpu leverages various proprietary copper fabrication technologies, among others Cast & Roll, Upcast, Roll and Weld and Conform.

In 2002, Copper Products' operating profit was clearly below the target level due to lower conversion margins and weaker product mix. The performance of the divisions within Copper Products was mixed. Americas improved its profits, Europe's operating profit contracted to one-fourth and Appliance Heat Exchangers & Asia was in the red. The Automotive Heat Exchangers division has been generating solid profits from year to year. Overcapacity in the market and intensified competition have resulted in increased price pressure, and no improvement in demand is seen in the main customer industries over the next few months. A profitability improvement program has been launched in the Europe division and the target is to improve operating profit by EUR 20 million by the end of 2004.

Focus shifted to fast-growing industries and to higher value-added products

Outokumpu is moving towards higher value-added products where quality, technical expertise and application marketing command a premium. Between 1994 and 2000 the refined copper consumption growth accelerated to an average of some 5% per annum, driven mainly by high-tech applications. Currently, the main growth drivers for Outokumpu's copper products business are telecommunications, computer, electrical and heat transfer applications. Copper Products is concentrating on known applications of copper and is developing new ones in cooperation with leading companies in those fields. For example, Outokumpu utilizes proprietary technology in the manufacture of high-quality thin-walled tubes for the air-conditioning and refrigeration equipment manufactures for the US and European markets and increasingly for China and South-East Asia as well.



Close cooperation with the radiator manufacturer SHAAZ

At the end of 90's, the Russian radiator manufacturer SHAAZ became interested in the CuproBraze® technology developed by the International Copper Association and Outokumpu Copper Products. The CuproBraze® technology is a new production process for automotive radiators.

SHAAZ received prototypes for test purposes to its Shadrinsk plant from the Outokumpu's Västerås plant in 2002–2003. As a result of the cooperation SHAAZ started to produce radiators, charge-air coolers and oil coolers for heavy vehicles with CuproBraze® technology in February 2003. Outokumpu and SHAAZ have collaborated in many ways. Outokumpu has helped in creating contacts and negotiations, and the two parties have arranged seminars together for automotive industry representatives in Russia. SHAAZ has also introduced itself at Outokumpu's exhibition stands to create contacts for export. At the moment, Copper Products supplies SHAAZ with copper and brass strips.

SHAAZ chose the CuproBraze® technology because it wants to improve quality, technical properties of products and its competitiveness. Compared to the traditionally manufactured radiators the CuproBraze® products excel in durability, corrosion resistance and the air-side pressure drop is lower. The products are also smaller, lighter and easier to repair.

Investments into heat transfer business

In August 2002, Outokumpu took a step forward in the value chain of heat transfer applications by forming a joint venture company called Outokumpu Heatcraft with Lennox International. Outokumpu has a 55% interest in the joint venture that produces heat transfer coils. Prior to the joint venture, Outokumpu supplied ACR tubes to Lennox International. Outokumpu Heatcraft's heat transfer coils are used in various HVAC (heating, ventilation, air-conditioning and cooling) appliances and systems. It supplies complete customer-designed heat transfer coils for the commercial, industrial, transportation and replacement markets as well.

The Zaratamo mill in Spain has been expanded with a new ACR tube production line based on Outokumpu's Cast & Roll technology. The investment into the new line was some EUR 15 million and it expands the product range at Zaratamo as well as enhances productivity, quality and service standard. The expansion was completed in January 2003.

The EUR 34 million expansion at the Zhongshan ACR tube plant in China was completed in September 2002. The investment more than doubled the capacity of Zhongshan to 25 000 tonnes of high-quality, smooth and inner-grooved ACR tubes.

Currently, the main growth drivers for Copper Products are telecommunications, computer, electrical and heat transfer applications.

Research and development

Copper Product's research and development centers with pilot plants are located in Pori, Finland and Västerås, Sweden. Individual R&D programs are also carried out at the manufacturing facilities in close cooperation with customers. Research and development expenditure of Copper Products amounted to EUR 10 million in 2002. In connection with the formation of Outokumpu Heatcraft, a separate 50–50% technology joint venture was established. The technology joint venture develops new, innovative solutions for the HVAC industry.

KEY FIGURES

€ million	2002	2001
Net sales		
Americas	**340**	344
Europe	**526**	527
Automotive Heat Exchangers	**256**	267
Appliance Heat Exchangers & Asia	**351**	281
Other units	**49**	51
Intra-group sales	**(50)**	(67)
Total	**1 472**	1 403
Operating profit		
Americas	**11**	(10)
Europe	**6**	33
Automotive Heat Exchangers	**21**	20
Appliance Heat Exchangers & Asia	**1**	2
Other units	**2**	0
Total	**41**	45
Net sales/Group net sales, %	**25**	24
Operating profit margin, %	**3**	3
Return on operating capital, %	**5**	5
Operating capital Dec. 31	**838**	837
Capital expenditure	**143**	110
Depreciation	**59**	56

Deliveries

Tonnes	2002	2001
Americas	**98 000**	95 000
Europe	**145 000**	143 000
Automotive Heat Exchangers	**88 000**	88 000
Appliance Heat Exchangers & Asia	**90 000**	82 000
Deliveries within the business area	**(6 000)**	(6 000)
Total	**415 000**	402 000

Order backlog, Dec. 31	**60 000**	62 000

Personnel

Dec. 31	2002	2001
Americas	**1 028**	1 036
Europe	**1 882**	1 983
Automotive Heat Exchangers	**681**	684
Appliance Heat Exchangers & Asia	**3 367**	1 321
Other units	**170**	205
Total	**7 128**	5 229

6.3.2002
Eminent recognition from CERN for the manufacture of superconducting wire

22.4.2002
Outokumpu to strengthen its position in the heat transfer industry – joint venture with Lennox International

30.8.2002
Outokumpu Heatcraft heat transfer JV starts operations

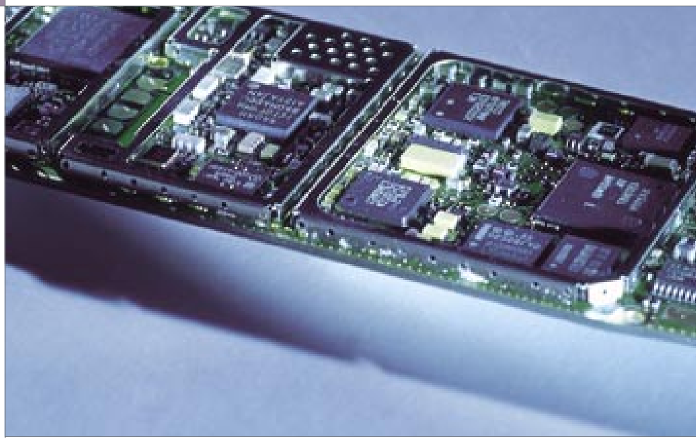
19.9.2002
ACR tube plant expansion in China completed

23.1.2003
A profitability improvement program in the Europe division starts

13.2.2003
Outokumpu expands alloy offering for connector strip in Europe

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

Metallurgy



Over the past two years Outokumpu has made substantial investments in its businesses within Metallurgy in the form of acquisitions and capacity expansion. Outokumpu's zinc plants rank among the most cost-efficient in the world and copper production is cost-efficient as well. Technology's product range has been significantly expanded. The objective for the coming years is to maximize the returns on the investments and to further increase efficiency of operations and capacity utilization rates.

The objective for the coming years is to maximize the returns on the investments and to further increase efficiency of operations and capacity utilization rates.

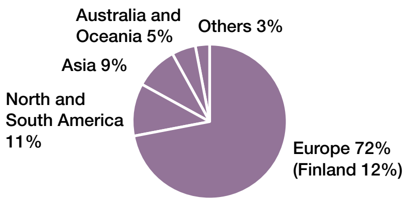
Highly cost-efficient zinc plants

The competitive advantage of Outokumpu's zinc business is based on cost-efficient production and technological expertise that enable processing of different kinds of raw materials. The zinc business also benefits from efficient use of energy, good quality of the products and long-term customer relationships.

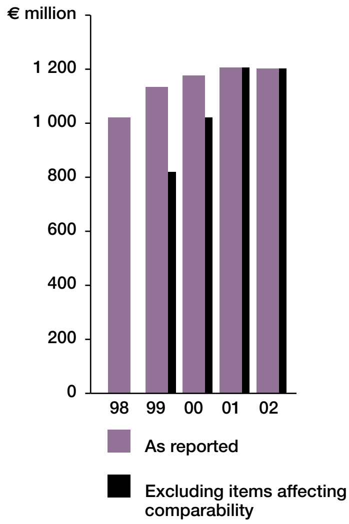
The combined production capacity of the Kokkola and Odda zinc plants is 410 000 tonnes. Based on this figure Outokumpu is the third largest zinc producer in Europe with a 15% market share. The global market share is some 5%. A voluntary summer stoppage took place at the Kokkola plant and thus Outokumpu's zinc production in 2002 remained at 380 000 tonnes. Outokumpu sells its zinc production primarily to European steel mills.

Cost-efficiency of the Odda plant will further improve as the older roasting plant will be replaced with the direct leaching process developed by Outokumpu. Modernization work at the plant started at the beginning of 2003 and the investment of some EUR 90 million will be completed in autumn 2004. The new technol-

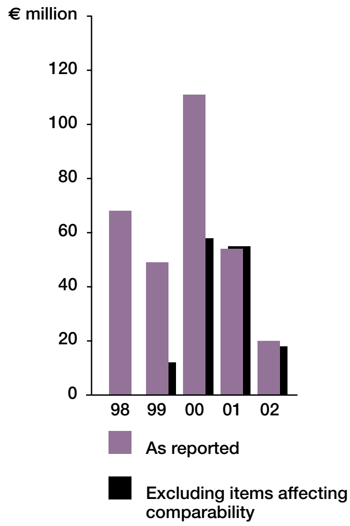
Net sales by market area



Net sales



Operating profit



ogy will enable the use of a wider range of zinc raw materials and will lay a foundation for the utilization of modern, cost-efficient technology also in a possible expansion of the production. In addition, the new technology will strengthen Odda's position as one of the world's most environmentally sound zinc plants.

Profitability of the zinc business has been good in historical terms. In 2002, both the price of zinc and treatment charges were at record-low levels, and despite the highly cost-efficient production the operating profit of Outokumpu's zinc business remained at EUR 3 million. It is expected that the situation will remain difficult in the zinc market during the first half of 2003, and thus zinc producers probably need to respond by cutting down production.

In the coming years, Outokumpu's target is to further improve cost-efficiency and productivity. The low cost-base of the Outokumpu zinc plants provides a firm basis for increased profitability once zinc treatment charges recover from their lows.

Harjavalta Metals – an important raw material supplier for the Group

Although Outokumpu's copper production volumes are small compared to its competitors – 170 000 tonnes of blister copper and 125 000 tonnes of copper cathode – Harjavalta Metals has an important role as a cost-efficient raw material supplier for the Group's copper products fabrication at Pori. Outokumpu's copper production ranks among the lowest-cost quartile of copper producers globally. The costs have decreased following the outsourcing of service functions.

In 2002, profitability of the copper production remained at a reasonable level, even though treatment and refining charges declined. The challenging situation continues in 2003.

The plans to expand copper production have been put on hold for a couple of years until the Group's balance sheet is back to its target level. In the meantime Harjavalta Metals will focus on continuously improving efficiency of its operations. Various development projects have already been launched, such as projects to identify and remove bottlenecks of production and operations.

Technology focuses on strengthening customer relations, service and profitability improvement

During the past few years, Outokumpu has complemented its technology offering through several acquisitions. Customers are offered comprehensive value-added solutions and services. Outokumpu can offer production plants as turn-key deliveries, manufacturing lines, special equipment and engineering and project services for the production and processing of copper, zinc, nickel, ferrous metals, industrial minerals, aluminium and sulfuric acid, as well as special equipment for chemical and process industry.

The most significant orders in 2002 were the delivery of a pre-heater for the HIsmelt project at Kwinana, Australia (EUR 26 million) and the Goro project for the construction of a sulphuric acid plant in New Caledonia. In October 2002, Outokumpu concluded an agreement for the construction of a turn-key project of a water treatment plant and distribution system to be delivered to Sri Lanka (EUR 75 million). In addition, Outokumpu signed a cooperation agreement with the world's largest copper producer Codelco in March 2002.

Technology's profitability remained weak in 2002. Investment activity of the metals industry has been sluggish due to the world economic downturn and customers have postponed project decisions.

Outokumpu will now concentrate on strengthening customer relationships, increasing service offering and improving profitability. The aim is to achieve a stronger position as a long-term strategic partner for customers – a partner that is able to take the overall responsibility of a project.

4.2.2002
Outokumpu planning a summer shut-down at Kokkola

9.2.2002
Environmental Impact Analysis report ready at Pori

14.3.2002
Outokumpu introduces a new hydrometallurgical technology for copper concentrates processing

22.3.2002
Codelco and Outokumpu agree on cooperation and development

24.6.2002
Flash smelting process received ASM Historical Landmark Award

R&D – an integral part of customer projects

Outokumpu Research is responsible for the R&D activities within Metallurgy and for the entire Group as well. Outokumpu Research works closely with Technology to develop new technologies and processes, often for customer's specific needs. Outokumpu Research takes care of all R&D activities of Harjavalta Metals. The direct leaching process of zinc is actively developed with the zinc plants.

In 2002, Outokumpu introduced a new HydroCopper™ technology for copper concentrates processing. With the technology capital and operating costs of copper production will be significantly reduced compared to traditional methods. The technology has been tested at Outokumpu's research center at Pori where a demonstration plant is currently being built. In addition, Outokumpu studied the exploitation of possible PGM concentrates of the APP joint venture. Metallurgy's research and development expenditure amounted to EUR 22 million in 2002.

KEY FIGURES

€ million	2002	2001
Net sales		
Zinc	**418**	453
Harjavalta Metals	**391**	428
Technology	**399**	328
Other units	**11**	10
Intra-group sales	**(17)**	(12)
Total	**1 202**	1 207
Operating profit		
Zinc	**3**	33
Harjavalta Metals	**14**	15
Technology	**4**	5
Other units	**(1)**	1
Total	**20**	54
Net sales/Group net sales, %	**20**	20
Operating profit margin, %	**2**	4
Return on operating capital, %	**4**	11
Operating capital Dec. 31	**513**	587
Capital expenditure	**46**	325
Depreciation	**60**	49

Production

Tonnes	2002	2001
Zinc		
Zinc [1)]	**380 000**	357 000
Harjavalta Metals		
Blister copper	**161 000**	169 000
Cathode copper	**115 000**	115 000
Gold (kg)	**4 700**	5 600
Silver (kg)	**29 900**	22 800

[1)] Norzink included as of April 1, 2001.

Order backlog

€ million	2002	2001
Technology, Dec. 31	370	344

Personnel

Dec. 31	2002	2001
Zinc	**1 117**	1 183
Harjavalta Metals	**436**	440
Technology	**1 737**	1 646
Outokumpu Research	**188**	176
Total	**3 478**	3 445

9.8.2002
Production stoppage at the Harjavalta copper smelter

30.8.2002
HydroCopper demonstration plant launch on schedule

11.10.2002
Technology awarded two turnkey projects in Sri Lanka and Western Australia

12.11.2002
Natunen to head Outokumpu's zinc business

15.1.2003
Outokumpu to modernize the Odda zinc plant

Other operations

Other operations include non-core units and businesses, such as mining (except the Kemi chromite mine), as well as industrial holdings. Also the Business Support Unit and Corporate Management belong to Other operations.

Mining

The Mining business unit operates three mines; the Tara zinc mine in Ireland and the Hitura nickel mine and the Orivesi gold mine both in Finland. The business unit also carries out some selected exploration work.

In line with its strategy Outokumpu is to exit base metals mining completely. In January 2002, Outokumpu sold the Pyhäsalmi zinc-copper-pyrite mine in Finland and subsequently the Group's copper concentrate production ended. In July 2002, the Black Swan nickel mine in Australia was sold. Production ended at the Norwegian nickel mine Nikkel og Olivin in October 2002 due to depletion of ore.

Production at the Tara zinc mine was resumed in September 2002, following a stoppage that lasted nearly one year. Prior to the restart, a technical improvement program was carried out in order to improve competitiveness of the mine and the ore reserves were increased through the purchase of the adjacent Bula ore body. The Tara mine is a part of the Group's divestment program.

Outokumpu's precious metals mining operations consist of a gold mine in Orivesi, Finland and a stake in the Arctic Platinum Partnership (APP). It is estimated that the ore reserves of the Orivesi gold mine will deplete in 2003.

16.1.2002
Outokumpu sold its stake in SIPA Resources International

11.2.2002
Resources of APP increased to more than 11 million ounces

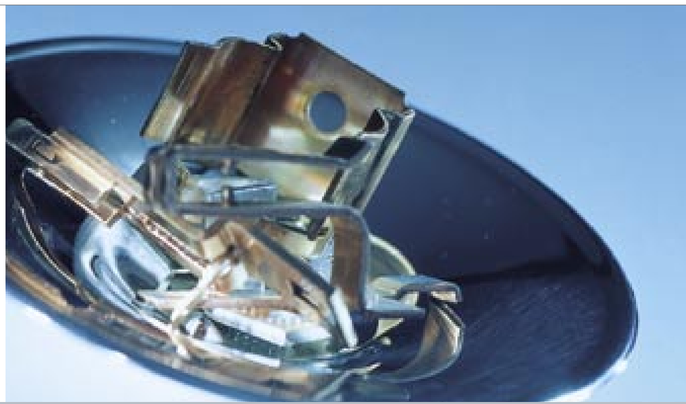
15.3.2002
Improvement program starts at Tara

19.3.2002
Sale of the Pyhäsalmi mine to Inmet concluded

22.5.2002
Outokumpu withdraws from the Neves Corvo deal

11.6.2002
Outokumpu streamlines Corporate Management – New Business Support Unit established

1.7.2002
Outokumpu to sell Australian mining assets



Business Support Unit

A new Business Support Unit (BSU) started operations in September 2002. Simultaneously, the tasks and duties of Corporate Management were redefined and the number of personnel was reduced.

The BSU brings together groupwide expertise and processes supporting businesses. The unit includes financial services, procurement, IT and business processes, sales, mergers & acquisitions and legal affairs, intellectual property, environment, health and safety (EHS), treasury and risk management, human resources, financial control and tax planning, corporate communications and investor relations. These processes are available to both Corporate Management and the business units. The purpose of the BSU is to develop groupwide business supporting processes for example through harmonizing and rationalizing measures.

KEY FIGURES

€ million	2002	2001
Net Sales		
Mining	**106**	211
Outokumpu Rossija	**87**	130
Others	**144**	163
Intra-group sales	**(9)**	(32)
Total	**328**	472

Personnel Dec. 31	2002	2001
Mining	**874**	1 294
Outokumpu Rossija	**35**	30
Business Support Unit	**370**	–
Other business and service units	**70**	334
Corporate Management	**28**	92
Total	**1 377**	1 750

Mine production figures are presented on page 76.

15.7.2002
Tara to acquire the Bula ore body

1.8.2002
Total resources of APP to 14.4 million ounces

15.8.2002
Sale of the Australian mining assets concluded

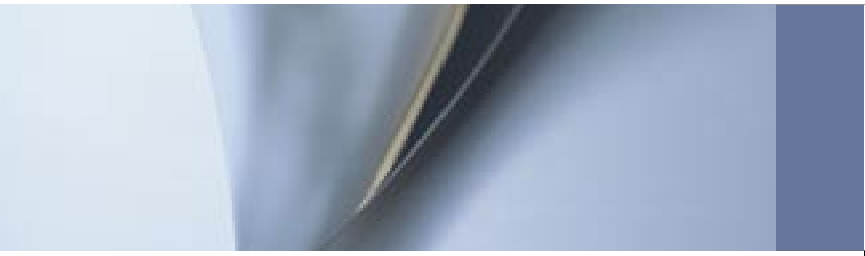
29.8.2002
Tara to resume full production in September

2.9.2002
Operations of the Business Support Unit start

11.10.2002
Irish Supreme Court ruling on Tara's tax claim

18.10.2002
Production ends at Nikkel og Olivin

Human resources



Outokumpu began to define its new basic values in the spring of 2001 with thousands of Outokumpu people from various countries and different businesses taking part in the Identity Project. The project identified the requirements set by the Group strategy for people's actions, the traditional strengths derived from the company's history and the expectations of individuals regarding their work. Fitting these aspects together revealed the cornerstones of Outokumpu's target-oriented corporate culture: superior knowledge, outstanding performance, individual achievement, creating success with customers and leading the way. These new values will be integrated into management systems and leadership processes and all decision making can be evaluated according to them.

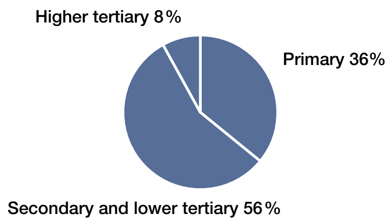
A target was set for communicating the new values to the entire organization by the end of 2002. This took place mainly in the form of internal projects within the business units and smaller working communities. The values have been communicated successfully and value discussion continues. Right kind of leadership is a key in getting the new values accepted as a part of day-to-day activities. Principles of good leadership were drawn up on the basis of the new values, and everyone with management responsibility is expected to commit him/herself to them. Quality of leadership as well as well-being at work will be studied regularly in the future.

The main responsibility for HR management lies within the business units

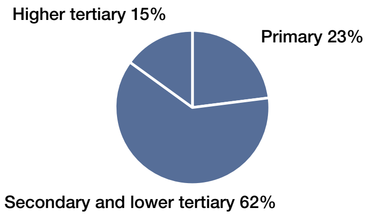
Outokumpu's business units are responsible for defining and implementing their own competitive strategy and human resource management plays a key role in this process. The business units are

Competent people make the success. Human resource management is an important part of the Outokumpu Group's management.

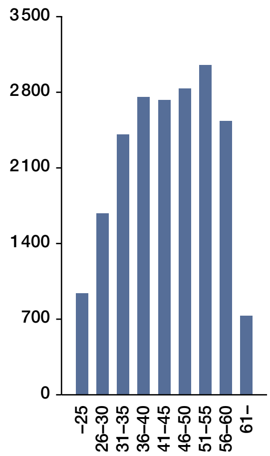
Educational background of permanent employees



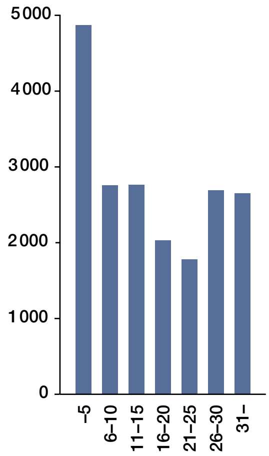
New permanent employees, 913



Personnel age profile (permanent employees)



Personnel by years of service (permanent employees)



expected to build and develop recruitment, performance assessment, remuneration and training practices based on their own specific needs and to deal with issues relating to employment contracts and well-being at work.

In 2002, numerous human resource management projects were carried out at the operating sites. Technology launched a substantial Action Learning training program that highlights the importance of customer relationships and developing new methods for working with customers. Simultaneously Technology also launched the Journey of Values project for the entire staff to interpret, communicate and practice the new values. The units in North America stepped up cooperation on HR issues and excelled particularly in developing a model for successor planning. The Kokkola zinc plant and the Tornio stainless steel plant continued with their extensive recruitment programs. Furthermore, all Finnish units of Metallurgy implemented the Talent Flow program, whereby a recruitment campaign was targeted at university graduates in technical fields. Some 20 persons were employed of a total of 500 applicants. The program responds to changes in the age structure of the personnel.

Talent and performance management throughout the Group

In 2002, corporate human resource management was reorganized into a single HR unit that works in close cooperation with those responsible for human resource issues in the business units and utilizes versatile human resource management expertise of the units.

Groupwide human resource management complements the human resource activities in the business units by focusing on two management processes.

The Talent Management process covers strengthening of the employer image, development of the university cooperation and promotion of proactive recruitment, coordination and consultation on personnel development issues, and the planning and implementation of development programs aimed at key personnel. The Performance Management process deals with developing incentive and personnel participation systems throughout the Group, identification and continuous evaluation of management potential, as well as monitoring and developing well-being at work of the entire staff.

Furthermore, corporate HR unit develops IT systems for the human resource management purposes. One of the most important projects is the adoption of the SAP system for HR issues in various units.

Future challenges for human resources

In a number of countries where Outokumpu operates, the change in the age structure of the personnel has a definite effect on the Group's businesses. The recruitment programs take this into account and such programs will be utilized more extensively in the future. Cooperation with universities

Human resources

As Outokumpu transforms into a more and more knowledge-driven company, human resource management becomes increasingly important.

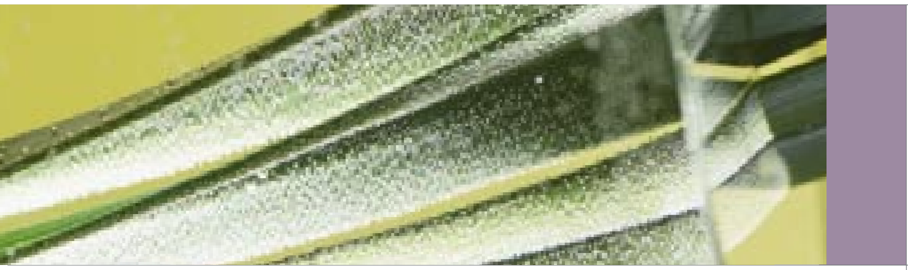
KEY FIGURES	2002	2001
Net sales/person, million €	**0.3**	0.3
Incentives of total remuneration costs, %	**4.5**	5.8
Training costs of total remuneration costs, %	**1.2**	1.1
Training days/person	**3.0**	3.1
Days lost due to strikes	**1 698**	134
Turnover, %	**6.6**	8.6

Figures for 2001 do not include the Stainless Steel business area.

and building a positive employer image in different target groups are also key issues. Aim is to increase Outokumpu's attractiveness as an employer among the future talents.

Over the last few years Outokumpu has made several acquisitions and disposals, where human resources perspective has been strongly present as well. In the future, the focus will be above all on integration between the units by means of human resource management. Groupwide human resource management measures are needed, the most important of which are the Management Review process for systematic identification of management resources and the O'People employee survey measuring job satisfaction and realization of the target-oriented corporate culture. In addition, a project will be launched to modernize and harmonize compensation practices. Management development programs have proved to be a good way of promoting interaction between units and learning from others. These will be fully utilized and special emphasis will be placed on strategy-orientation and use of various learning solutions.

Environment, health and safety



The new values guide the development of environment, health and safety issues.

The technological solutions developed, marketed and also used by Outokumpu combine energy-efficiency, conservation of natural resources and low investment and operating costs. Outokumpu's key environmental targets are to cut down water consumption, to reduce metal emissions and discharges as well as to improve energy-efficiency. Environmental impacts have continuously been reduced as a result of active environmental protection work.

The development of environmental management systems proceeding well

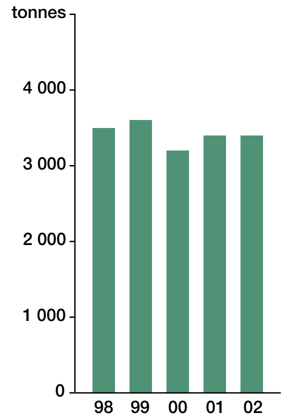
The Group's environmental and health and safety policies provide guidelines for more detailed policies, practical goals and measures implemented by the business units.

The main environmental impacts of Outokumpu's operations relate to emissions from the production of copper, zinc and stainless steel as well as to energy consumption. Manufacture of fabricated copper products and sales of technology have a relatively small impact on the environment.

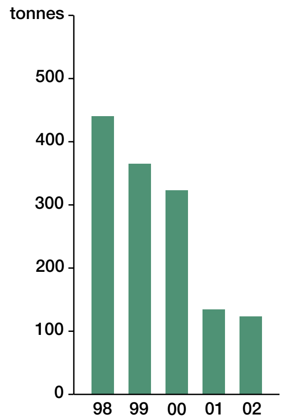
Identification of energy saving targets has continued in accordance with the voluntary agreements to conserve energy and reduction of several percentages has been achieved through these measures. Outokumpu's metallurgical process plants in Finland consume most of the energy used by the Group. Consumption of electric energy at the Finnish production plants in 2002 was 3.0 TWh, equivalent of some 4% of the country's total energy consumption.

Thanks to the environmental management systems in place, environmental impacts have decreased and operations are now more reliable with fewer disturbances. Altogether 22 production sites have a certified environmental system and systems are under construction at a further 20 sites. Outokumpu's target is that all pro-

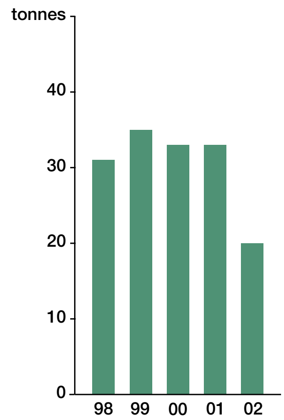
Sulfur dioxide emissions



Particle emissions to air

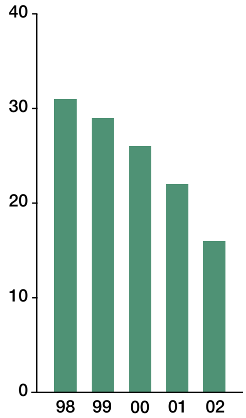


Metal discharges to water
(copper, nickel, zinc, chrome, lead, arsenic)

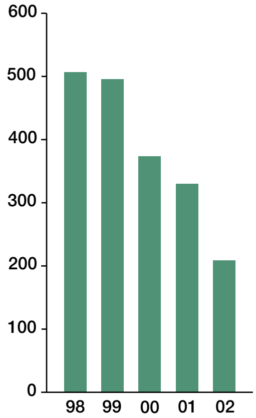


Figures do not include the Stainless Steel business area.

Accident rate
(accidents/million hours worked, employees and contractors)



Sick leave days
(per million hours worked, employees and contractors)



Figures do not include the Stainless Steel business area, except for the Finnish sites.

duction sites have certified environmental systems by the end of 2005.

Emissions and discharges down

During 2002, there were no signifigant non-compliances, though minor breaches of permit conditions were registered according to local practice at some sites. There were no environmental accidents or damages during the year.

Metal discharges to water were nearly halved particularly due to the completion of environmental investments at the Tornio, Harjavalta and Odda plants. Discharges from Harjavalta were reduced as much as 57% with the completion of the cooling water recycling system of the anode casting shop and the improved water treatment. At Pori work continued on improving the efficiency of recycling and treatment of process waters. Incidental oil discharges to water ceased and metal discharges were reduced 62%. Discharges at the Kokkola plant were reduced 39%. The neutralizing plant and the water treatment systems completed at the Tornio stainless steel plant reduced discharges 20%. The water treatment systems at the cold rolling mills of Avesta, Nyby and Kloster in Sweden were studied as part of the EU's LIFE project. At the Odda zinc plant the isolation of the site and the collection and recycling system for surface water were completed. Together with improved water treatment, metal discharges to water were reduced 18%.

Sulfur dioxide emissions (excl. Stainless Steel) remained at the previous year's level of 3 400 tonnes, most of which relates to the Harjavalta smelter. Carbon dioxide emissions from processing plants in Finland totaled 702 000 tonnes, of which the Tornio stainless steel plant accounted for 577 000 tonnes.

Permits

All Outokumpu units have valid environmental permits and no particular difficulties are anticipated when applying for the renewal of such permits or for new permits. Application of the waste disposal provisions of the Finnish waste legislation regarding mining operations, metal scrap used as raw material and slag sold as a product is still unclear. Finnish environmental authorities have interpreted that the slag resulting from ferrochrome production at Tornio and the scrap used as raw material in stainless steel production should be regarded as waste. AvestaPolarit has filed appeals of the decision to the Administrative Court. The interpretation of waste in environmental permits of mines has gone to the Supreme Administrative Court of Finland. The Supreme Administrative Court of Finland has asked for a preliminary ruling on the interpretation of the EU Waste Directive from the European Court of Justice in connection with the environmental permit decision concerning the Kemi mine.

Environmental investments and expenditure

The major environmental investments included the new neutralizing plant and water treatment system at the Tornio stainless steel plant (EUR 45 million), the isolation of the site and the collection and recycling system for surface water at the Odda zinc plant (EUR 7 million), the water treatment

program for the Harjavalta smelter (EUR 0.9 million) and the gas treatment plant and the water filtration system at Pori (EUR 0.8 million).

Less than EUR 50 000 was paid out for fish stocking and research costs specified in the environmental permits in 2002. Outokumpu did not incur any liability for damage or fines relating to environmental liabilities or damage.

Environmental liabilities and risks

In the US, the PGT groundwater case, which has been ongoing for more than 15 years, is still pending. The issue is explained in more detail in the note 20 to the consolidated financial statements.

The cost estimate for the decontamination of groundwater at the Zutphen copper products plant in the Netherlands is EUR 3 million and the figure will be spread over 15–20 years.

Forthcoming new regulations and their interpretation for example on waste storage, pollution control of water and air and carbon dioxide emissions are expected to increase environmental investments and expenditure somewhat over the next few years.

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

Health and safety

Safety performance at the operating sites was primarily positive. The goal was to halve the frequency of accidents compared with the average for the five previous years. The target was not entirely reached, although the direction was right. Both the frequency of accidents and especially sick leave days following accidents were reduced. The program will continue.

During 2002 there were two fatal accidents, one at the Buffalo copper products plant and the other at Tornio stainless steel plant. Furthermore, in late January 2003 there was another fatality at the Pori copper products plant. Investigations are still ongoing and everything will be done to prevent such accidents in the future.

A doctoral dissertation completed in 2002 showed that exposure to chromium in the stainless steel production chain does not have any health effects. The dissertation was preceded with over 20 years of research.

Stakeholder relations

Outokumpu cooperates with various authorities and organizations on the development of environmental and safety practices. Outokumpu experts participate in preparation of legislation as members of working groups and also in commenting on issues. Legislation in preparation in 2002 included, among others the Finnish Mining Act, regulations on water protection at both the EU and the Finnish level, prevention of climate change as well as regulations on soil and landfill sites.

Some of the Outokumpu sites, such as Pori, Kokkola and Tara, continued to collaborate with local educational institutions on vocational and environmental training. A number of sites arranged open days and other visits for local residents and student groups.

The Group's separate environment, health and safety report for 2002 "Outokumpu and the Environment" will be published in April. The report will also be available at the Group's web site.

Financial statements

Corporate review of the year

Outokumpu's financial result for 2002 improved on the previous year. Growth was due to the improved market situation and increased deliveries of stainless steel as well as to reduced losses in mining operations. The Group's net sales totaled EUR 5 558 million (2001: EUR 5 324 million). Operating profit improved to EUR 267 million (2001: EUR 183 million). Profit for the financial year increased to EUR 159 million (2001: EUR 76 million) and the share issue adjusted earnings per share increased to EUR 1.15 (2001: share issue adjusted EUR 0.55).

Cash flow from operating activities was EUR 334 million (2001: EUR 346 million). Total capital expenditure rose to EUR 2 042 million (2001: EUR 914 million). As a result, the capital structure fell short of the target level as expected. In the last quarter, an EUR 300 million rights offering was implemented to partly finance the acquisition of the AvestaPolarit minority interest.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.40 per share be distributed for 2002.

Demand for stainless steel remained steady

Slow growth in the global economy continued in 2002. The long-awaited economic recovery was delayed and in the prevailing uncertainty economic growth remained at about 1.5%. Growth in GDP in the US remained at about 2% and in Europe at about 1%. The situation in Germany was particularly weak. Of the key economic areas, growth continued strongly only in China. Japan's economic difficulties continued and growth there remained at around zero. The subdued growth in the world economy was reflected particularly in the industrial sector and industrial investments contracted considerably from the previous year. Growth in global industrial production remained still negative.

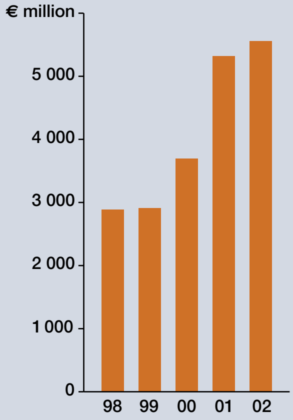
Low interest rates helped to maintain private sector consumption and industrial growth prerequisites. The Federal funds rate in the US was at its lowest for forty years. Due to monetary policy that supported low inflation targets, interest rate cuts in Europe were more modest than in the US. In Japan all possible measures to revive the economy through monetary policy have been exhausted. Many countries have increased public consumption and cut taxes to stimulate their economies. A number of business and consumer confidence indicators the US and Europe have gone down in recent months, suggesting that global economic growth will be further delayed. Political uncertainty and the fear of war in the Middle East are also threatening to weaken economic growth.

Demand for metal products remained moderate, despite the sluggish global economy. China, where double-digit growth in metals consumption continued, drove consumption. Growth in consumption remained modest in the Western industrialized countries.

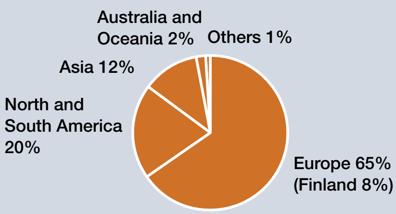
Despite the sluggish world economy, demand for stainless steel grew following the decline in 2001. The apparent consumption of cold rolled stainless steel was up nearly 4% on the previous year. The first half of the year saw rising demand, which was triggered partly by re-stocking following the rise in nickel prices and severe de-stocking in the second half of 2001. The market slowed down after the summer break, as it became apparent that the global economic recovery would be delayed and the rise in nickel prices eased up somewhat. Regionally, demand was best in Europe and China, despite the implementation of Chinese safeguard measures which caused considerable confusion in the Asian market in the second half of the year. It is estimated that consumption of stainless steel in China rose 30% on the previous year.

World stainless steel melted production reached almost 20 million tonnes, an increase of over 5% compared to 2001. The stainless steel market moved slightly to oversupply to-

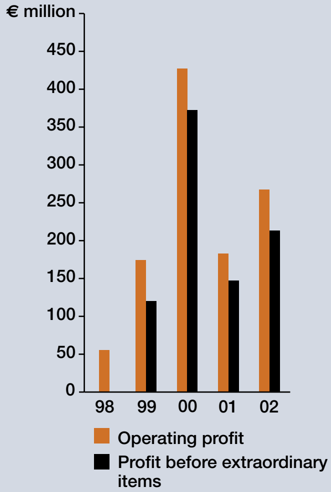
Net sales



Net sales by market area



Profit



wards the end of 2002 as demand softened. The consolidation of the stainless steel industry appeared to have had a stabilizing effect in 2002, as the supply demand balance has been maintained despite the general deterioration in the economy.

Stainless steel prices in Europe increased in the improved trading environment noted during the first half of the year and stabilized for the second half of the year. According to CRU, the average European base price for cold rolled stainless steel was 10% above the average for 2001.

The increase in stainless steel production improved the demand of nickel and ferrochrome in 2002. The limited availability of stainless steel scrap increased the need for primary nickel. Nickel production continued to grow at a fast rate, balancing the increase in demand. Nickel stocks remained unchanged and the price of nickel rose 14% on 2001. The price of ferrochrome continued to rise throughout the year, but the average price in 2002 decreased 3% compared to the previous year.

Global demand for fabricated copper products grew slightly on the previous year, but there were large regional variations. The pace in the construction and automotive industries remained brisk and buoyed up demand in the US. Consumption of copper products grew in China, but contracted in Europe. Competition intensified in almost all customer sectors towards the end of the year and product prices declined. Average prices (conversion margins) of copper products were down 4% from the previous year due to a weaker product mix and general price pressure. Orders for fabricated copper products grew 9% from the previous year, excluding the effect of the Heatcraft acquisition.

Zinc consumption grew almost 2%, but the price of zinc dropped 12% in clearly over-supplied market. Zinc consumption grew especially in China, but declined in Europe and Japan. Average zinc treatment charges received by Outokumpu declined 16%. In real terms, zinc treatment charges are at their lowest levels ever, due to deficit on the concentrate market and the low price of zinc. Consumption of copper grew 4%, but the price of the metal dropped 1% as stocks remained fairly high. Copper treatment and refining charges received by Outokumpu declined 3%.

Net sales up 4%

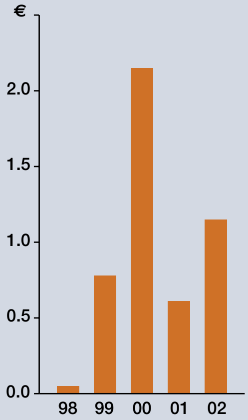
The Group's net sales rose a good 4% from the previous year and amounted to EUR 5 558 million. The growth was due to increased delivery volumes of stainless steel and the acquisition of the heat transfer coils manufacturer Heatcraft in August 2002. Growth in net sales was slowed by the decline in prices of copper products and base metals, by the withdrawal from base metal mining operations and by the average 6% weakening of the US dollar against the euro.

Net sales

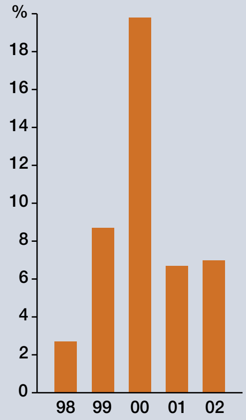
€ million	**2002**	2001	Change, %
Stainless Steel	**3 002**	2 851	5
Copper Products	**1 472**	1 403	5
Metallurgy	**1 202**	1 207	0
Other operations	**328**	472	(31)
Intra-group sales	**(446)**	(609)	27
The Group	**5 558**	5 324	4

Stainless Steel's net sales were slightly up compared to the previous year. This resulted mainly from increased stainless steel delivery volumes. Production ran smoothly during most of the year, with the exception of the summer period, when some problems were experienced at the melting shops in Tornio, Avesta and Degerfors. The production of stainless steel slab increased 11% compared to the previous year reflecting the commissioning of new capacity from Tornio but also improvements in production performance at the melting shops in Avesta and Sheffield. Cold rolling mill production was up 11%,

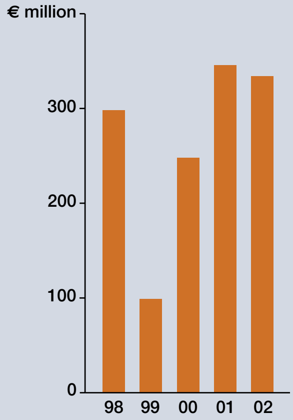
Earnings per share
(excl. extraordinary items)



Return on capital employed



Cash provided by operating activities



reflecting an improved market climate and the effect of the new investments at Avesta and Nyby.

Growth in Copper Products' net sales was mainly due to the Heatcraft acquisition. Deliveries of copper products were up 3%, but average conversion margins decreased 4% as a result of a weaker product mix and general price pressure. Production of fabricated copper products ran smoothly.

Net sales of Metallurgy remained at the previous year's level, although the price of zinc decreased considerably. Zinc production volumes increased as a result of the Norzink acquisition and the completion of the Kokkola expansion. Blister copper production at Harjavalta declined slightly from the previous year while cathode copper production remained steady. Technology sales grew as a result of acquisitions.

Net sales of Other operations declined substantially as a result of the sale of the Pyhäsalmi and Black Swan mines and the stoppage at Tara, which lasted until September. Mine production of zinc and nickel declined correspondingly.

Distribution of Group sales by market area changed slightly due to acquisitions. Europe's contribution fell to 65%, whereas Americas' share rose to 20% and Asia's to 12%.

More detailed information on geographical distribution is given in note 2 to the consolidated financial statements and breakdown of production figures on pages 23, 27, 31 and 76.

Clear improvement in profits

The Group's operating profit rose to EUR 267 million (2001: EUR 183 million) and the operating profit margin was 4.8% (2001: 3.4%). The profits were up due to AvestaPolarit's improved results, in particular, and to a substantial reduction in Mining's losses. Growth in operating profit was slowed by a drop in conversion margins for copper products and in treatment and refining charges for zinc and copper concentrates. Operating profit includes EUR 49 million of unusual items (2001: EUR 23 million).

The financial result for the last quarter improved from a seasonally weak third quarter. Operating profit in October–December came to EUR 15 million (III/2002: EUR 6 million and IV/2001: EUR 34 million). The weaker than expected fourth-quarter result was mainly due to low stainless steel delivery volumes in December, certain one-off items, and the fact that the market situation for non-ferrous metals remained weak.

Operating profit

€ million	2002	2001	Change
AvestaPolarit	**232**	139	93
Amortization of positive goodwill	**(28)**	–	(28)
Stainless Steel	**204**	139	65
Copper Products	**41**	45	(4)
Metallurgy	**20**	54	(34)
Other operations	**18**	(53)	71
Intra-group items	**(16)**	(2)	(14)
The Group	**267**	183	84

In Stainless Steel, the improved profitability is primarily attributable to higher deliveries and conversion margins. The full-year result was, however, adversely affected by production difficulties in the third quarter and a sluggish fourth quarter due to increasing uncertainties in the world economy towards the end of the year. Operating profit for 2002 includes an amortization of negative goodwill amounting to EUR 41 million

(2001: EUR 45 million). The operating profit of the Stainless Steel business area includes an EUR 28 million amortization of positive goodwill arising from the acquisition of the AvestaPolarit minority interest. The amortization of positive goodwill was increased at the annual closing so that the total amount corresponds to the amortization level for the entire year. The operating profit of AvestaPolarit includes an insurance compensation of EUR 20 million for the fire at the Helmond site and an EUR 32 million (2001: EUR 29 million) restructuring provision and a corresponding amortization of negative goodwill.

Copper Products' reported operating profit for the whole year declined from the previous year because of a decline in the conversion margins. The operating profit includes a pension provision of EUR 6 million (2001: EUR 9 million) entered as personnel expenses. The result is also affected by an EUR 1 million market price adjustment to inventories (2001: EUR 13 million).

The operating profit of Metallurgy declined from last year, particularly because of a substantial fall in the price of zinc and a decline in treatment charges. Low treatment and refining charges for copper and deterioration of Technology's profits eroded also the operating profit of Metallurgy. The operating profit for Metallurgy includes an EUR 4 million write-down of the reactors disposed of at Kokkola.

Other operations turned to a profit from the previous year thanks to reduced losses in Mining. Operating profit of Other operations includes an EUR 14 million capital gain on the transfer of AvestaPolarit shares distributed as dividend, a capital gain of EUR 13 million on the sale of real estate in Espoo, a capital gain of EUR 6 million on the sale of the Pyhäsalmi mine, an EUR 6 million final settlement on the sale of the Harjavalta nickel refinery, an EUR 4 million refund of acturial surplus from the pension foundations and an EUR 2 million refund of pension surplus from Henki-Sampo. Operating profit for 2001 included a capital gain of EUR 22 million from the sale of Sampo Oyj shares.

Despite the growth in the net interest-bearing debt, the Group's net financial expenses increased only slightly due to the low interest rates, the favorable interest rate differential between the US dollar and the euro, the capitalized interest at Tornio and an EUR 15 million foreign exchange gain relating to financing (2001: EUR 9 million). The Group's substantial hedging position against the weakening of the US dollar relative the euro extends beyond twelve months. The Group's profit before extraordinary items was EUR 213 million (2001: EUR 147 million).

The acquisition of the AvestaPolarit minority interest improved the Group's earnings per share. As a result of the acquisition only 0.2% of AvestaPolarit's total net profit for 2002 was deducted to the outstanding minority at year-end. This corresponds to the AvestaPolarit shareholders' equity belonging to the minority in the balance sheet. Outokumpu is entitled to a share of profit and dividend from the beginning of 2002 in accordance with its year-end holding of 99.8%.

The Group's return on capital employed was 7.0% and the return on shareholders' equity 8.0% (2001: 6.7% and 6.9%). Capital employed in business operations was higher because of exceptionally large ongoing investments that will only start yielding in the coming years. Profit for the financial year was EUR 159 million and share issue adjusted earnings per share EUR 1.15 (2001: EUR 76 million and EUR 0.55).

Capital structure weakened as expected

Cash flow from operating activities remained at the previous year's level and was EUR 334 million (2001: EUR 346 million). Despite the improved profits the increase in the working capital, especially in AvestaPolarit, weakened the cash flow.

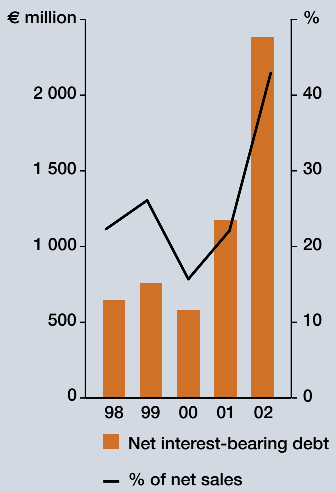
Due to record-high capital expenditure and increase in working capital, the Group's net interest-bearing debt increased on the previous year to stand at EUR 2 385 million at year-end (Dec. 31, 2001: EUR 1 175 million). The Group's equity-to-assets ratio weakened to 31.1% (Dec. 31, 2001: 41.6%) and debt-to-equity ratio increased to 122.6% (Dec. 31, 2001: 56.2%). The Group's aim is to have an equity-to-assets ratio of at least 40% and a debt-to-equity ratio of at most 75%.

Measures have been initiated to get the capital structure back to its target level by the end of 2004. These measures include the ongoing EUR 200 million divestment program covering base metal mining and other non-core assets, and the rights offering that was implemented in the last quarter. In addition to these, Outokumpu is considering divesting certain of its business activities that do not fit within the Group's strategy and do not meet performance targets. On the other hand, Outokumpu is continually assessing potential acquisition or joint venture targets that would fit within its strategy and improve the value of the Group's business portfolio as a whole. Furthermore, Outokumpu is examining the potential to create value through participating in the industry consolidation in the future.

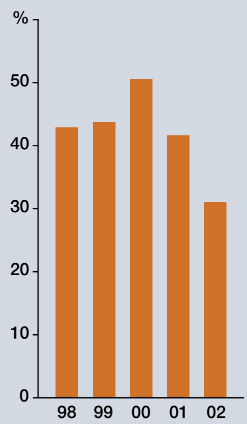
Key financial indicators on financial position

€ million	2002	2001
Net interest-bearing debt		
Long-term debt	**1 493**	837
Current debt	**1 338**	788
Total interest-bearing debt	**2 831**	1 625
Interest-bearing assets	**(446)**	(450)
Net interest-bearing debt	**2 385**	1 175
Net interest-bearing debt in relation to net sales, %	**42.9**	22.1
Shareholders' equity	**1 906**	1 550
Debt-to-equity ratio, %	**122.6**	56.2
Equity-to-assets ratio, %	**31.1**	41.6
Cash provided by operating activities	**334**	346
Net financial expenses	**46**	38
Net financial expenses in relation to net sales, %	**0.8**	0.7
Interest cover	**3.8**	3.6

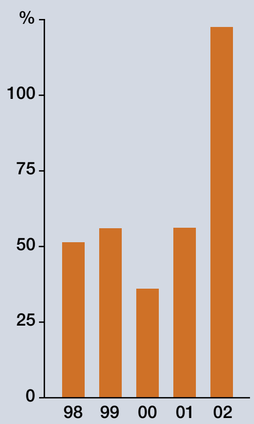
Net interest-bearing debt



Equity-to-assets ratio



Debt-to-equity ratio



The Group's liquidity remained good throughout the year. At year-end cash and marketable securities totaled EUR 226 million. In addition, the Parent Company had access to some EUR 627 million in committed credit facilities.

Acquisition of the AvestaPolarit minority interest financed through rights offering

Based on the authorization by the Extraordinary General Meeting of shareholders on November 14, 2002, a rights offering was implemented between November 28 and December 17, 2002 in order to partially finance the acquisition of the AvestaPolarit minority interest. Net proceeds from the rights offering were EUR 293 million. Following the rights offering an increase in share capital was registered on January 3, 2003 with share capital of EUR 293 520 502.30 comprising of 172 659 119 shares.

More detailed information on the rights issue is given on pages 81–82.

An exceptional year for investments

As a result of a vigorous implementation of the growth strategy, the Group's total capital expenditure rose to record levels. Total capital expenditure was EUR 2 042 million (2001: EUR 914 million). This figure includes the EUR 1 118 million used for the acquisition of the AvestaPolarit minority interest.

Capital expenditure in 2003 is estimated to decrease clearly from the previous year, although it is expected to remain relatively high on account of the Tornio investment program underway. According to current estimates, the capital expenditure in 2004 will further decrease on 2003, but will nevertheless exceed the depreciation according to plan.

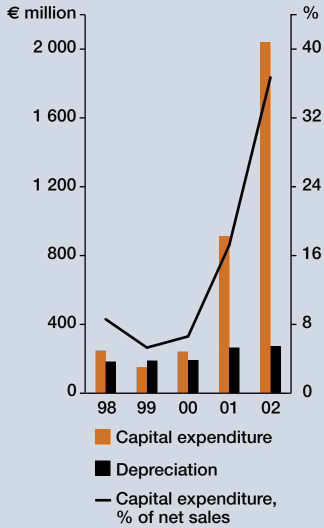
Capital expenditure

€ million	2002	2001
Stainless Steel	**633**	405
Acquisition of the AvestaPolarit minority interest	**1 118**	–
Copper Products	**143**	110
Metallurgy	**46**	325
Other operations	**102**	74
The Group	**2 042**	914

The biggest individual acquisition in the Group's history, the acquisition of the AvestaPolarit minority interest, was carried out during the third quarter of 2002. On June 30, 2002, Outokumpu entered into an agreement with Corus Group plc whereby Outokumpu purchased its entire holding of 80 882 090 shares in AvestaPolarit Oyj Abp. Furthermore, Outokumpu and Corus made a separate agreement on the early termination of the Shareholders' Agreement concerning AvestaPolarit. Following the clearance by the European Commission for the Corus deal, ownership of the AvestaPolarit shares purchased from Corus was transferred to Outokumpu on August 14, 2002.

On August 19, 2002 Outokumpu published its offer to redeem all the outstanding AvestaPolarit shares and warrants. The actual offer period began on August 26, 2002 and ended on September 26, 2002. Outokumpu decided to extend the offer period until October 11, 2002. Under the offer, Outokumpu redeemed a total of 35 974 136 shares from AvestaPolarit shareholders. Together with the shares purchased from the market, Outokumpu's holding in AvestaPolarit shares and votes rose to 99.8%. Outokumpu redeemed 1 460 000, i.e. 100%, of the

Capital expenditure and depreciation



warrants subject to the offer. Because Outokumpu owned more than nine tenths (9/10) of the shares and votes in AvestaPolarit, Outokumpu was, on the basis of Chapter 14, Section 19 of the Finnish Companies Act, entitled to redeem the shares held by other shareholders in AvestaPolarit at fair value. Outokumpu notified AvestaPolarit on October 14, 2002 that it would use its right under the Companies Act to redeem the remaining shareholders' shares. The redemption procedure is now underway. AvestaPolarit shares were de-listed from the Stockholm Stock Exchange in December 2002 and the shares will be delisted from the Helsinki Exchanges at the latest when Outokumpu has gained ownership of all of the shares in AvestaPolarit.

The commissioning of the expansion program at AvestaPolarit's Tornio works in Finland proceeded well despite being some 2 months behind the original timetable. The new melting shop produced its first melt at the end of August and the first slab was successfully cast in early September. The subsequent ramping up has progressed according to schedule. The cold rolling mill started commissioning in February 2003 and commercial deliveries will begin by the end of the first quarter of 2003. The investment to increase hot rolling capacity from 1 million tonnes to 1.7 million tonnes, is due to be commissioned in 2004. The melting shop and cold rolling mill are scheduled to reach full production capacity during 2004 and the hot rolling capacity should match the higher cold rolling capacity by the end of 2004. The revised cost estimate for the entire Tornio expansion is some EUR 1 billion, of which EUR 751 million had been used by year-end.

In 2002, AvestaPolarit's other major investment projects in progress have been the move to underground mining at the Kemi chromite mine in Finland (total investment EUR 73 million), the installation of new billet casting equipment at the Sheffield melting shop in Britain (EUR 29 million) and the increase of long products capacity in the US (EUR 22 million). The Kemi mine project is scheduled to start shaft hoisting in September 2003. The Sheffield billet caster investment has been completed and the new facility is now in a ramp-up phase. The project to increase cold rolling capacity at Avesta (EUR 36 million) was completed during 2002.

In October, AvestaPolarit purchased its Italian agent Commerciale Acciai S.p.A., which has been an exclusive distribution agent for the Tornio works in the Italian market. The purchase of the stainless steel quarto plate business of Thyssen-Krupp Nirosta GmbH announced in September was completed on February 7, 2003.

In August, Outokumpu finalized its agreement with the US company Lennox International Inc. (LII) to establish a joint venture. The joint venture, which is named Outokumpu Heatcraft and is owned 55% by Outokumpu and 45% by Lennox, is already in operation and comprises most of Lennox's worldwide heat transfer coil business. The total acquisition cost was EUR 58 million and Outokumpu has the option to purchase the remainder of the business from LII in three years' time. With the joint venture, Outokumpu is moving increasingly into the manufacture of copper products with a higher value-added. The project also includes establishing a 50–50 technology joint venture between Outokumpu and LII to develop innovative new applications for the heat transfer industry. Outokumpu Heatcraft's products are mainly heat transfer coils used in heating, ventilation, air-conditioning, and cooling equipment.

The expansion of the Zhongshan copper tube plant in China was inaugurated in September 2002. The investment (EUR 35 million) comprises a new production line for the manufacture of high-quality smooth and inner-grooved air-conditioning tube, together with the buildings. The expansion more than doubled the production capacity to 25 000 tonnes. A copper tube production line, based on Outokumpu Cast & Roll technology, was completed at the Zaratamo plant in northern Spain in January 2003. The investment (EUR 15 million) will improve productivity at Zaratamo, extend the product range and improve the quality of the products and the level of service.

In January 2003, Outokumpu decided to modernize the production process at the Odda zinc plant in Norway. The plant's older roaster will be replaced by Outokumpu's proprietary process technology for direct leaching of zinc concentrates. The total investment of some EUR 90 million will be spread over 2003–2004. Work at Odda started immediately and the project is due for completion in the fall of 2004. The construction phase is not expected to cause any significant loss of production. The Odda plant is already within the most cost-efficient quartile of zinc plants in the world. The modernization will increase concentrate feed capacity at Odda by about 10% and enable a wider range of zinc raw materials to be used.

In Ireland, Outokumpu suspended production at the Tara zinc mine in November 2001 due to the weak market and the low price of zinc coupled with the mine's poor productivity. A technical improvement program was commenced in March 2002 and the nearby Bula ore reserves were acquired for a total purchase price of EUR 37 million in August 2002. The technical improvement program, commissioning of the southwestern ore body, and the acquisition of the Bula ore reserves are expected to improve Tara's profitability and increase its value. Production was restarted at Tara in September 2002. The mine has, by and large, achieved the volume and efficiency targets.

Outokumpu sold the Pyhäsalmi mine in Finland to the Canadian Inmet Mining Corporation in January 2002 for EUR 70 million. The Black Swan mine in Australia was sold for EUR 52 million (including the released working capital) to a consortium formed by the Australian company, Mining Project Investors, and the American OM Group in July 2002. Furthermore, part of the real estate at Niittykumpu in Espoo, Finland was sold in December 2002 to the Varma-Sampo Mutual Pension Insurance Company for EUR 50 million.

Repurchase of the company's own shares

The Board of Directors of Outokumpu Oyj has a valid authorization from the Annual General Meeting on April 8, 2002 to repurchase and transfer of the company's own shares. According to a decision by the Board, repurchase could begin on April 16, 2002 at the earliest and end on April 7, 2003 at the latest. No shares have been repurchased on the basis of the authorization.

The repurchasing of the company's own shares is dealt with in more detail on pages 81 and 83.

R&D focusing on new products

Expenditure on research and development increased on the previous year to EUR 47 million, or 0.8% of net sales (2001: EUR 41 million and 0.8%). The Group made numerous innovations and a record number of patent applications, 68, were filed in 2002. Product development focused on increasing the value-added, new product applications as well as technology sales, efficient manufacturing, and the importance to produce high-quality. Shortening of lead times in the production chain was tackled with improved processes and methods. The most significant individual development projects were AvestaPolarit's integrated cold rolling line (Rolling, Annealing and Pickling, RAP) in Tornio and Technology's HydroCopper™, a new hydrometallurgical method to produce copper.

Exploration expenditure was halved to EUR 8 million (2001: EUR 16 million). Exploration for base metal ores outside operating mines was terminated. Arctic Platinum Partnership, a joint venture in which Outokumpu has a 49% stake, has continued to investigate platinum and palladium deposits and their possible exploitation in northern Finland. The total metal content of mineral resources has risen to over 14 million ounces (approx. 450 000 kg) of palladium, platinum and gold. A techno-economic feasibility study of the deposits is in progress and will continue until 2003. Outokumpu located several promising gold properties in Finland during 2002.

Favorable trend continues in for environmental impacts

Outokumpu's key environmental targets are to cut down water consumption, to reduce metal emissions and discharges as well as to improve energy-efficiency. Environmental impacts have continuously been reduced as a result of active environmental protection work. The Group's metal emissions and discharges contracted in 2002 especially due to environmental investments completed at Tornio, Harjavalta and Odda.

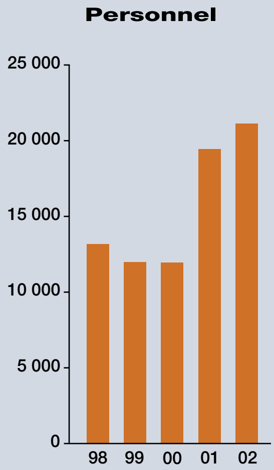
Outokumpu units have the necessary environmental permits in place. Outokumpu is not a party in any significant juridical or administrative proceeding concerning environmental issues, nor is it aware of any environmental risks that could have a material adverse effect on the Group's financial position.

Development of safety issues at the operating sites was primarily positive. The goal was to halve the frequency of accidents compared with the average for the five previous years. The goal was not entirely reached, although the direction was right and the program will continue. During the year there were two fatal accidents. Furthermore, in late January 2003 there was another fatality.

New values to guide leadership processes

In 2002, the most important achievement in human resources management was to crystallize the Group's new identity along the basic values. While developing the values, several things were taken into account: the requirements set by the Group strategy for people's actions, the traditional strengths derived from company's history and the expectations of individuals regarding their work and work environment. Fitting these aspects together revealed the cornerstones of Outokumpu's target-oriented corporate culture: superior knowledge, outstanding performance, individual achievement, creating success with customers and leading the way. The new values will be integrated into management systems and leadership processes. Quality of leadership, as well as well-being of the work community will be studied regularly in the future.

Reorganization of corporate human resources function clarified responsibilities and the role of human resources management as a whole. Expertise of the personnel was developed not only through groupwide management development programs but also with various local projects. Outokumpu's business units are responsible for defining and implementing their own competitive strategy and human resources management plays a key role in this process. The business units are expected to build and develop recruitment, performance assessment, remuneration and training systems based on their own specific needs and to deal with issues relating to employment contracts and well-being at work.



Over the last few years Outokumpu made several acquisitions and disposals. The focus has been on integration of the combining entities. The aim is to carry out a Management Review process, which systematically identifies and maps the management resources throughout the Group, and O'People employee survey, which will measure job satisfaction and the realization of the target-oriented corporate culture. In addition, a project will be launched to modernize and harmonize compensation practices.

Personnel

Dec. 31	2002	2001
Stainless Steel	**9 147**	9 004
Copper Products	**7 128**	5 229
Metallurgy	**3 478**	3 445
Other operations	**1 377**	1 750
The Group	**21 130**	19 428

At year-end, there were 21 130 people on the Group payroll in more than 40 countries. The number of personnel in Copper Products grew as a result of the Heatcraft acquisition. The program to exit base metals mining reduced the number of personnel in Other operations.

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

Business Support Unit established

A new Business Support Unit (BSU) started operations in the beginning of September 2002. The unit brings together groupwide expertise and processes supporting businesses. The BSU includes financial services, procurement, IT and business processes, sales, mergers & acquisitions and legal affairs, intellectual property, environment, health and safety (EHS), treasury and risk management, human resources management, financial control and tax planning, corporate communications and investor relations. These processes are available to both Corporate Management and individual business units. The BSU will ensure that the groupwide synergies and the benefits ensuing from combined purchasing power and special expertise will be put to use in the best possible way.

In conjunction with the establishment of the Business Support Unit, the tasks and responsibilities of Corporate Management were redefined and the number of personnel in Corporate Management was reduced.

Integration of Outokumpu and AvestaPolarit administrative functions

The integration of Outokumpu and AvestaPolarit group-level administrative functions has been proceeding according to plan. The integration process has focused on key areas whose operations will eventually be transferred either to Outokumpu or to AvestaPolarit's Espoo office. AvestaPolarit's Stockholm office will be closed affecting some 40 employees. A provision of EUR 2 million has been made in the accounts for the closing of the Stockholm office.

Competition law issues

In March 2001, the European Commission launched an investigation into the company's role in a suspected market sharing and price cartel between European producers of copper tube and tube fittings. The company has cooperated fully with the Commission, which is at present studying material supplied by the companies concerned. Copper tube sales in Europe represent about 4% of the Group's total net sales. As the process is still in progress, no provision for it has been made in the accounts.

Short-term prospects overshadowed by uncertainty

Any significant upturn in global economic growth looks unlikely during the early part of the year and this is also reflected in the metal markets. Most business and consumer confidence indicators have mainly been going down over the last few months. Expectations of any rapid upturn in the growth of global industrial production and industrial investment in the near future have weakened as well. Stimulating interest rate policy combined with fiscal policy in the US, coupled with more moderate measures in Europe, however, provide a sound basis for economic growth as political and economic uncertainty recedes. Whilst waiting for recovery in the US, demand in China will continue to grow.

The market prospects for cold rolled stainless steel look rather uncertain for the first half of 2003. Although underlying consumption for stainless steel is estimated to grow long-term at a rate of at least 5% per annum, any improvement in demand over the next few months is likely to be modest in the current economic climate. In 2003, the key issues affecting Stainless Steel's profitability, apart from market conditions, will be the ramp-up of the Tornio expansion, closure of Degerfors with successful commissioning of Sheffield melt shop billet caster and the continuation of the internal initiatives to enhance internal efficiency.

The market for fabricated copper products was difficult in 2002. Overcapacity and severe competition have increased the pressure on prices. Demand is not expected to improve in key customer industries in the next few months and conversion margins on key products are expected to remain under pressure. Copper Products target is to improve operating profit on 2002, even though the market situation in the beginning of the year is weak.

The market situation for zinc is expected to remain gloomy in the near future, although the price of zinc has shown a slight recovery at the start of the year. Most likely zinc producers will need to adjust their output to the scarcity of concentrate, the low treatment charges and the low price of zinc. This will probably speed up the long-needed structural changes in the industry. The price of copper has also risen at the beginning of the year, but the market for copper concentrates is expected to remain fairly difficult in the near future as production cuts continue. A recovery in technology sales looks unlikely in the near future. Metallurgy is aiming to improve its operating profit on 2002.

In 2003 the most important goal in Other operations is to complete the program to exit base metals mining.

Key drivers for the Group's profitability in 2003 are the development of the market situation for stainless steel and the successful commissioning of the new stainless steel capacity at Tornio. The market situation for stainless steel is not expected to improve significantly over the next few months. During the early part of the year the market situation is likely to remain difficult for copper products, zinc and technology sales and no improvement is forecast until the second half of 2003. Outokumpu's management believes that the profit for 2003 will be better than in 2002, provided that the world political situation will not cause disturbances in the global economy and the demand for metals.

Board of Directors' proposal for profit distribution

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

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.40 per share be paid from the profits of the financial year ended on December 31, 2002 and that any remaining distributable funds be allocated to retained earnings. The suggested dividend record date shall be April 8, 2003 and the dividend shall be paid on April 15, 2003. All new shares issued in 2002 and all treasury shares transferred on February 19, 2003 from the company to the persons belonging to the management's share remuneration scheme are entitled to full dividend from 2002.

According to the financial statements dated December 31, 2002, the Group's distributable funds total EUR 562 million and those of the Parent Company EUR 628 million. The proposed dividend corresponds to 44% of the Group's profit for the financial year.

Espoo, February 17, 2003

Gerhard Wendt

Matti Puhakka

Arto Honkaniemi

Jorma Huuhtanen

Ole Johansson

Liisa Joronen

Heimo Karinen

Osmo Lehti

Jyrki Juusela
CEO and President

Auditor's report

To the shareholders of Outokumpu Oyj

We have audited the accounting, the financial statements and the corporate governance of Outokumpu Oyj for the financial year 2002. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the CEO and President. Based on our audit we express an opinion on these financial statements and on the parent company's corporate governance.

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

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

Espoo, February 20, 2003

PricewaterhouseCoopers Oy
Authorized Public Accountants

Pekka Nikula
Authorized Public Accountant

Consolidated income statement

€ million		2002	2001
Net sales	[2–3]	5 558	5 324
Cost of sales	[4]	(4 800)	(4 734)
Gross margin		758	590
Selling and marketing expenses		(206)	(206)
Administrative expenses		(271)	(218)
Exploration, research and development expenses		(55)	(57)
Unusual items	[6]	49	23
Other operating income and expenses	[7]	(6)	14
Amortization of positive and negative goodwill on consolidation		(2)	37
Operating profit	[2–8, 11]	267	183
Equity earnings in associated companies	[12]	(7)	2
Financial income and expenses	[9]		
Net interest expenses		(75)	(56)
Exchange gains and losses		15	9
Other financial income and expenses		13	9
Total Financial income and expenses		(47)	(38)
Profit before extraordinary items		213	147
Extraordinary items		–	–
Profit before taxes		213	147
Income taxes	[10]	(53)	(19)
Minority interest in earnings		(1)	(52)
Profit for the financial year		159	76
Share issue adjusted earnings per share (excluding extraordinary items)		1.15	0.55
Share issue adjusted earnings per share		1.15	0.55
Share issue adjusted average number of shares		137 658 458	137 127 433

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

Consolidated statement of cash flows

€ million	2002	2001
Operating activities		
Profit for the financial year	159	76
Depreciation and amortization	266	229
Equity earnings in associated companies, loss (profit)	7	(1)
Deferred taxes	0	(45)
Other adjustments [1]	18	56
	450	315
Change in working capital		
(Increase) decrease in current non interest-bearing receivables	(45)	238
(Increase) decrease in inventories	(146)	109
Increase (decrease) in current and long-term non interest-bearing liabilities	91	(315)
	(100)	32
Other adjustments	(16)	(1)
Cash provided by operating activities	334	346
Investing activities		
Capital expenditure for purchase of fixed assets	(2 042)	(914)
Proceeds from sales of business operations and fixed assets [2]	76	7
(Increase) decrease in other long-term financial assets	(5)	40
Decrease (increase) in working capital related to fixed assets	2	(26)
Cash used in investing activities	(1 969)	(893)
Cash flow before financing activities	(1 635)	(547)
Financing activities		
Borrowings of long-term debt	894	662
Repayments of long-term debt	(121)	(319)
Increase in current debt	556	510
Dividends paid	(38)	(123)
Share offerings [3]	309	–
Other financial items	(31)	(8)
Cash used in financing activities	1 569	722
(Decrease) increase in cash and marketable securities	(66)	175
Adjustments [4]	7	6
(Decrease) increase in cash and marketable securities in the consolidated balance sheet	(59)	181

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

Consolidated balance sheet

€ million		2002	2001
ASSETS			
Fixed assets and other long-term investments	[11–12]		
Intangible assets	[16]	373	77
Property, plant and equipment		3 088	2 648
Long-term financial assets		262	235
Total fixed assets and other long-term investments		3 723	2 960
Current assets			
Inventories	[13]	1 235	1 099
Receivables	[10, 12, 14]	1 143	1 057
Marketable securities		31	55
Cash and bank		195	230
Total current assets		2 604	2 441
TOTAL ASSETS		6 327	5 401

€ million		2002	2001
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	[15]		
Share capital		293	212
Unregistered share capital		0	–
Premium fund		630	409
Other funds		15	12
Retained earnings		809	841
Profit for the financial year		159	76
		1 906	1 550
Minority interest		40	541
Negative goodwill on consolidation	[16]	–	301
Liabilities			
Long-term	[10, 17]		
Interest-bearing		1 493	837
Non interest-bearing		463	448
Current	[10, 17]		
Interest-bearing		1 338	788
Non interest-bearing		1 087	936
Total liabilities		4 381	3 009
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		6 327	5 401

Key financial figures

Key financial figures of the Group

		1998	1999	2000	2001	**2002**
SCOPE OF ACTIVITY						
Net sales	€ million	2 889	2 909	3 693	5 324	**5 558**
– change in net sales	%	(9.9)	0.7	27.0	44.2	**4.4**
– exports from and sales outside of Finland, of total net sales	%	91.4	92.2	90.7	91.8	**92.4**
Capital employed on Dec. 31	€ million	1 900	2 121	2 199	3 266	**4 331**
Operating capital on Dec. 31	€ million	2 051	2 286	2 331	3 507	**4 569**
Capital expenditure	€ million	249	153	242	914	**2 042**
– in relation to net sales	%	8.6	5.3	6.6	17.2	**36.7**
Depreciation and amortization [1]	€ million	185	189	192	266	**266**
Exploration costs	€ million	17	15	12	16	**8**
Research and development costs	€ million	39	37	35	41	**47**
– in relation to net sales	%	1.3	1.3	0.9	0.8	**0.8**
Personnel on Dec. 31		13 179	11 972	11 932	19 428	**21 130**
– average for the year		14 027	12 724	12 193	19 010	**20 196**
PROFITABILITY						
Operating profit	€ million	55	174	427	183	**267**
– in relation to net sales	%	1.9	6.0	11.6	3.4	**4.8**
Equity earnings in associated companies	€ million	(24)	(13)	2	2	**(7)**
Profit before extraordinary items	€ million	0	120	372	147	**213**
– in relation to net sales	%	0.0	4.1	10.1	2.8	**3.8**
Profit before taxes	€ million	0	120	391	147	**213**
– in relation to net sales	%	0.0	4.1	10.6	2.8	**3.8**
Profit for the financial year	€ million	6	97	315	76	**159**
– in relation to net sales	%	0.2	3.3	8.5	1.4	**2.9**
Return on shareholders' equity	%	0.5	7.3	19.8	6.9	**8.0**
Return on capital employed	%	2.7	8.7	19.8	6.7	**7.0**
Return on operating capital	%	2.4	8.0	18.5	6.3	**6.6**
FINANCING AND FINANCIAL POSITION						
Liabilities	€ million	1 668	1 787	1 605	3 009	**4 381**
Net interest-bearing debt	€ million	645	761	582	1 175	**2 385**
– in relation to net sales	%	22.3	26.1	15.7	22.1	**42.9**
Net financial expenses	€ million	31	41	57	38	**46**
– in relation to net sales	%	1.1	1.4	1.5	0.7	**0.8**
Net interest expenses	€ million	36	41	54	56	**75**
– in relation to net sales	%	1.2	1.4	1.4	1.1	**1.4**
Interest cover		1.0	4.0	7.9	3.6	**3.8**
Share capital [2]	€ million	209	212	212	212	**294**
Other shareholders' equity and minority interest	€ million	1 049	1 148	1 405	1 879	**1 652**
Equity-to-assets ratio	%	42.9	43.8	50.6	41.6	**31.1**
Debt-to-equity ratio	%	51.4	56.0	36.0	56.2	**122.6**
Cash provided by operating activities	€ million	298	99	248	346	**334**
Dividends	€ million	10.5	31.1	99.6	75.2	**68.6** [3]

[1] Figures exclude amortization of positive and negative goodwill on consolidation.
[2] The 2002 figure includes unregistered share capital.
[3] The Board of Directors' proposal to the Annual General Meeting.

Key financial figures by business area

		1998	1999	2000	2001	**2002**
STAINLESS STEEL						
Net sales	€ million	795	778	1 177	2 851	**3 002**
Share of the Group's net sales	%	23	21	27	48	**50**
Operating profit	€ million	50	52	246	139	**204**
Operating profit margin	%	6	7	21	5	**7**
Return on operating capital	%	6	7	30	10	**8**
Operating capital on Dec. 31	€ million	760	779	843	1 857	**3 038**
Capital expenditure	€ million	51	36	84	405	**633**
Depreciation	€ million	55	59	60	120	**127**
Personnel on Dec. 31		2 391	2 397	2 438	9 004	**9 147**
COPPER PRODUCTS						
Net sales	€ million	1 245	1 220	1 532	1 403	**1 472**
Share of the Group's net sales	%	35	33	34	24	**25**
Operating profit	€ million	18	53	67	45	**41**
Operating profit margin	%	1	4	4	3	**3**
Return on operating capital	%	3	8	8	5	**5**
Operating capital on Dec. 31	€ million	591	722	851	837	**838**
Capital expenditure	€ million	73	49	62	110	**143**
Depreciation	€ million	45	48	53	56	**59**
Personnel on Dec. 31		5 412	5 026	5 139	5 229	**7 128**
METALLURGY						
Net sales	€ million	1 022	1 135	1 176	1 207	**1 202**
Share of the Group's net sales	%	29	31	26	20	**20**
Operating profit	€ million	68	49	111	54	**20**
Operating profit margin	%	7	4	9	4	**2**
Return on operating capital	%	12	9	24	11	**4**
Operating capital on Dec. 31	€ million	551	528	390	587	**513**
Capital expenditure	€ million	80	28	38	325	**46**
Depreciation	€ million	49	51	42	49	**60**
Personnel on Dec. 31		3 386	2 765	2 571	3 445	**3 478**
OTHER OPERATIONS						
Net sales	€ million	434	522	579	472	**328**
Share of the Group's net sales	%	15	18	13	8	**5**
Operating profit	€ million	(86)	20	9	(53)	**18**
Operating profit margin	%	neg.	4	2	neg.	**5**
Return on operating capital	%	neg.	9	3	neg.	**8**
Operating capital on Dec. 31	€ million	171	287	281	223	**200**
Capital expenditure	€ million	45	40	58	74	**1 220**
Depreciation	€ million	39	34	39	42	**20**
Personnel on Dec. 31		2 161	1 784	1 784	1 750	**1 377**

Key financial figures

Financial development by quarter

€ million	I/01	II/01	III/01	IV/01	I/02	II/02	III/02	IV/02
Net sales								
Stainless Steel								
Coil Products	517	601	433	502	599	628	517	584
Special Products	291	396	290	300	325	375	299	312
North America	62	74	70	63	71	72	60	64
Other	(166)	(234)	(162)	(186)	(226)	(252)	(205)	(221)
Stainless Steel total	704	837	631	679	769	823	671	739
Copper Products								
Americas	100	89	80	75	90	93	81	76
Europe	153	138	117	119	142	144	120	120
Automotive Heat Exchangers	73	70	58	65	61	74	63	58
Appliance Heat Exchangers & Asia	79	90	62	50	73	92	85	101
Others	(12)	3	(5)	(1)	0	(4)	(1)	4
Copper Products total	393	390	312	308	366	399	348	359
Metallurgy								
Zinc	100	131	112	110	99	120	101	98
Harjavalta Metals	110	110	108	100	96	103	87	105
Technology	35	72	67	154	71	114	90	124
Others	(1)	0	0	(1)	(1)	(2)	(1)	(2)
Metallurgy total	244	313	287	363	265	335	277	325
Other operations	138	138	93	103	87	88	63	90
Intra-group sales	(176)	(161)	(143)	(129)	(111)	(114)	(99)	(122)
The Group	1 303	1 517	1 180	1 324	1 376	1 531	1 260	1 391
Operating profit								
Stainless Steel								
Coil Products	11	41	0	25	54	60	16	32
Special Products	6	16	2	(14)	9	26	1	(8)
North America	(1)	0	(1)	(3)	1	3	1	(2)
Others	16	23	3	15	11	14	8	6
AvestaPolarit total	32	80	4	23	75	103	26	28
Amortization of positive goodwill							(6)	(22)
Stainless Steel total	32	80	4	23	75	103	20	6
Copper Products								
Americas	0	(1)	0	(9)	7	5	1	(2)
Europe	15	7	1	10	2	6	(2)	0
Automotive Heat Exchangers	6	5	2	7	4	7	5	5
Appliance Heat Exchangers & Asia	0	6	(2)	(2)	5	4	(2)	(6)
Others	(1)	3	(1)	(1)	(1)	(0)	1	2
Copper Products total	20	20	0	5	17	22	3	(1)
Metallurgy								
Zinc	11	8	6	8	4	1	(4)	2
Harjavalta Metals	5	1	8	1	8	(1)	2	5
Technology	(7)	0	1	11	(8)	5	(1)	8
Others	0	0	0	1	0	0	(0)	(1)
Metallurgy total	9	9	15	21	4	5	(3)	14
Other operations	(3)	(10)	(26)	(14)	2	43	(19)	(8)
Intra-group items	(4)	1	2	(1)	(3)	(22)	5	4
The Group	54	100	(5)	34	95	151	6	15
Equity earnings in associated companies	1	1	0	0	0	(2)	(3)	(2)
Financial income and expenses	(15)	(11)	(3)	(9)	(11)	10	(21)	(25)
Profit (loss) before extraordinary items	40	90	(8)	25	84	159	(18)	(12)
Earnings per share (excl. extraordinary items), €	0.12	0.29	(0.04)	0.18	0.34	0.60	0.15	0.06

Euro exchange rates

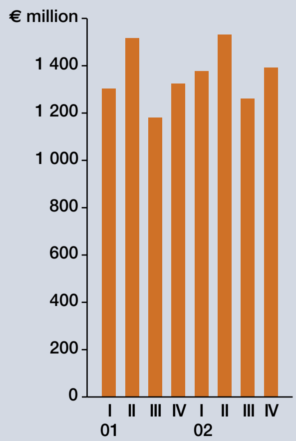
	1998	1999	2000	Closing rates 2001	Closing rates **2002**	Average rates 2001	Average rates **2002**
USD	1.167	1.005	0.931	0.881	**1.049**	0.896	**0.946**
GBP	0.705	0.622	0.624	0.609	**0.651**	0.622	**0.629**
SEK	9.487	8.563	8.831	9.301	**9.153**	9.255	**9.161**
NOK	8.872	8.077	8.234	7.952	**7.276**	8.048	**7.509**
AUD	1.900	1.542	1.677	1.728	**1.856**	1.732	**1.738**

The European Central Bank's euro exchange rates.

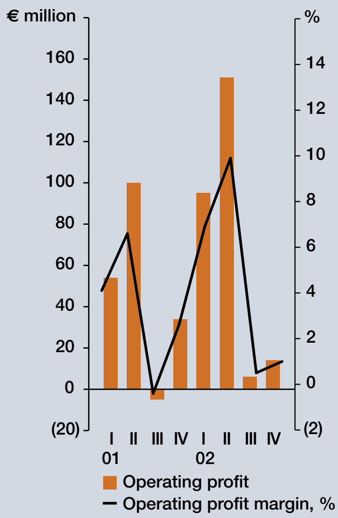
Fixed conversion rates to euro

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

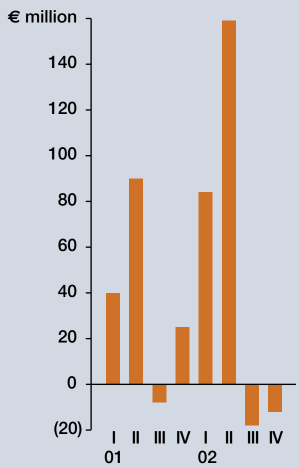
Net sales



Operating profit



Profit before extraordinary items



Notes to the consolidated financial statements

1. Principles applied in the financial statements

All Group companies apply uniform accounting standards based on the Finnish accounting legislation. The financial statements of Outokumpu Oyj and the Group are compiled in compliance with these standards.

Consolidated financial statements

The consolidated financial statements cover the Parent Company Outokumpu Oyj, and its subsidiaries, i.e. companies which Outokumpu Oyj directly or indirectly controls. Real estate companies and condominiums, which Group employees use for accommodation or recreation, are not consolidated. Their impact on the Group's earnings and shareholders' equity is insignificant.

The financial results of subsidiaries acquired or divested during the year are included in the consolidated income statements from their acquisition up to their divestiture date.

The figures for companies in which controlling interest is relinquished during the accounting period are included in the consolidated income statements until the date they lose subsidiary status.

To facilitate inclusion in the consolidated accounts, the statutory accounts of individual Group companies' records have, where necessary, been restated to comply with Outokumpu's uniform accounting standards. Inter-company transactions and balances have been eliminated in consolidation. In applying the purchase method in accounting for acquisitions, the cost of acquiring shares in subsidiaries is allocated to the fair values of the underlying assets and liabilities, and the remaining difference is carried as goodwill on consolidation and amortized over its useful life. Allocations to fixed assets are amortized according to the depreciation plan of the underlying asset.

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

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

Earnings in associated companies, in which Outokumpu holds 20–50% of the shares and voting rights, are included in the consolidated accounts applying the equity method. The Group's share in earnings in such companies, less amortization of the goodwill recorded on acquisition, is presented in the consolidated income statement, and dividends received from associated companies are eliminated.

In the consolidated balance sheet, the investment in associated companies and the Group's equity have been adjusted with the Group's share in associated companies' increased net worth after their acquisition, less accumulated amortization of goodwill. Where significant differences exist, the results and shareholders' equities of associated companies are restated to comply with Outokumpu' s uniform accounting standards.

Transition to the euro

Outokumpu adopted the euro as its accounting and new corporate base currency as of the beginning of 1999. All prior years' figures are converted to euros by using the fixed conversion rate.

Foreign currency items and derivative financial instruments

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

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

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

The income statements of foreign subsidiaries are translated at the average exchange rate for the accounting period and the balance sheets at the closing rate on the balance sheet date. The European Central Bank's exchange rates and fixed conversion rates for the euro used in the consolidation of subsidiaries' financial statements are presented on page 57.

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

Fixed assets and other long-term investments

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

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

Depreciation and amortization is based on historical cost and the estimated useful life of investments. Depreciation and amortization is calculated on a straight-line or declining-balance basis over the varying useful lives of assets depending on the nature of the subsidiary's operations. Estimated useful lives for various fixed asset classes are:
– Intangible rights 5–10 years;
– Goodwill and goodwill on consolidation 5–20 years;
– Other long-term expenses 5–10 years;
– Buildings and structures 25–40 years;
– Machinery and equipment 5–20 years, and;
– Other fixed assets 4–40 years.

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

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

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

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

Inventories

As of 1998 purchased metals and metal raw materials are valued according to the LIFO (last in, first out) principle at the lower of cost or market within the Metallurgy and Copper Products business areas. Since no cumulative effect on the change was determinable, the closing FIFO inventory on December 31, 1997 was used as the opening LIFO inventory on January 1, 1998. The figures for prior years have therefore not been restated. The LIFO valuation method applied within Metallurgy's copper and zinc production was redefined in the year 2000 so that the re-valuation of non-priced metal raw materials is done when priced. The comparison figures for 1998 and 1999 presented in the financial information have been restated to reflect this change.

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

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

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

Cash and marketable securities

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

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

Net sales

Net sales include revenue from goods sold less discounts and sales-related indirect taxes. Revenue on goods sold is recognized at the time of exchange, except for revenue on significant long-term construction contracts, which is recognized on the percentage of completion method.

Metal price hedging

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

Exploration and mining activities

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

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

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

Research and development costs

Research and development costs are expensed as incurred.

Unusual items

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

Other operating income and expenses

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

Extraordinary items

Extraordinary income and expenses include highly exceptional and significant transactions outside the scope of the Group's core business activities. Also material cumulative effects on income arising from changes in accounting principles are included in extraordinary items. The extraordinary items of group company financial statements include group contributions paid or received.

Contingent losses

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

Pension plans

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

Income taxes

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

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

Definitions of key financial indicators

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

2. Geographic information

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

€ million	Finland	Other Europe	North America	Asia	Australia	Other countries	Inter-area	Group total
Net sales								
2002	**1 992**	**3 585**	**870**	**217**	**143**	**76**	**(1 325)**	**5 558**
2001	2 013	3 725	787	177	111	47	(1 536)	5 324
Operating profit								
2002	**152**	**70**	**11**	**(1)**	**32**	**3**	**–**	**267**
2001	158	61	(33)	6	(10)	1	–	183
Total assets								
2002	**2 834**	**2 599**	**574**	**199**	**87**	**34**	**–**	**6 327**
2001	2 028	2 469	564	218	95	28	–	5 401

Net sales by country [2], € million	2002	%	2001	%
EUROPE				
Germany	**722**	**13.0**	707	13.3
Britain	**435**	**7.8**	423	8.0
Finland	**423**	**7.6**	437	8.2
Italy	**418**	**7.5**	410	7.7
Sweden	**297**	**5.3**	319	6.0
France	**210**	**3.8**	205	3.8
Spain	**188**	**3.4**	185	3.5
Belgium	**121**	**2.2**	146	2.7
The Netherlands	**120**	**2.2**	114	2.1
Denmark	**118**	**2.1**	118	2.2
Switzerland	**102**	**1.8**	89	1.7
Norway	**93**	**1.7**	102	1.9
Austria	**84**	**1.5**	75	1.4
Russia	**67**	**1.2**	84	1.6
Poland	**38**	**0.7**	40	0.8
Other Europe	**209**	**3.8**	186	3.5
	3 645	**65.6**	3 640	68.4
NORTH AND SOUTH AMERICA				
The United States	**882**	**15.9**	830	15.6
Chile	**73**	**1.3**	20	0.4
Canada	**71**	**1.3**	81	1.5
Brazil	**27**	**0.5**	16	0.3
Mexico	**18**	**0.3**	26	0.5
Columbia	**6**	**0.1**	0	0.0
Peru	**6**	**0.1**	6	0.1
Venezuela	**5**	**0.1**	1	0.0
Other America	**17**	**0.3**	11	0.2
	1 105	**19.9**	991	18.6
ASIA				
China	**179**	**3.2**	126	2.4
Taiwan	**72**	**1.3**	72	1.4
Turkey	**71**	**1.3**	28	0.5
Hong Kong	**52**	**0.9**	43	0.8
Rep. of Korea	**38**	**0.7**	29	0.5
Thailand	**34**	**0.6**	38	0.7
Malaysia	**30**	**0.5**	34	0.6
Japan	**21**	**0.4**	36	0.7
India	**19**	**0.3**	17	0.3
Indonesia	**16**	**0.3**	14	0.3
Sri Lanka	**16**	**0.3**	8	0.2
Singapore	**15**	**0.3**	7	0.1
Iran	**12**	**0.2**	12	0.2
Saudi Arabia	**11**	**0.2**	9	0.2
Philippines	**9**	**0.2**	2	0.0
Other Asia	**57**	**1.0**	72	1.4
	652	**11.7**	547	10.3
Australia	**82**	**1.5**	60	1.1
South Africa	**36**	**0.6**	60	1.1
Algeria	**8**	**0.1**	9	0.2
Other countries	**30**	**0.6**	17	0.3
Group total	**5 558**	**100.0**	5 324	100.0

[1] Net sales, operating profit and total assets are presented by the locations of the Group or associated companies.

[2] Net sales are presented by destination.

Personnel by country on Dec. 31	**2002**	2001
EUROPE		
Finland	**6 493**	6 701
Sweden	**4 055**	3 889
Britain	**1 788**	1 796
Ireland	**673**	714
The Netherlands	**622**	678
Germany	**559**	601
Spain	**474**	478
Norway	**410**	496
France	**349**	102
Italy	**207**	121
Austria	**134**	183
Czech Republic	**109**	23
Russia	**70**	68
Estonia	**67**	69
Belgium	**66**	76
Denmark	**28**	35
Poland	**24**	24
Other countries	**30**	30
	16 158	16 084
NORTH AND SOUTH AMERICA		
The United States	**3 588**	2 007
Chile	**219**	126
Canada	**138**	142
Other countries	**26**	48
	3 971	2 323
ASIA		
Thailand	**291**	251
China	**262**	269
Malaysia	**235**	247
Indonesia	**20**	20
Other countries	**45**	41
	853	828
Australia	**106**	159
Africa	**42**	34
Group total	**21 130**	19 428

3. Percentage of completion method

Net sales include EUR 159 million (2001: EUR 92 million) of income recognized on the percentage of completion method for long-term construction contracts in the Metallurgy business area.

4. Cost of sales

€ million	**2002**	2001
Raw materials and merchandise	**(2 683)**	(2 420)
Fuels and supplies	**(310)**	(314)
Wages and salaries	**(553)**	(527)
Other personnel expenses	**(169)**	(158)
Rents and leases	**(21)**	(16)
Energy expenses	**(224)**	(218)
Depreciation and amortization	**(241)**	(245)
Other cost of sales	**(785)**	(767)
Production for own use	**36**	42
Change in inventories	**150**	(111)
	(4 800)	(4 734)

€ million	2002	2001

5. Personnel expenses

Board of Directors' and Managing Directors' fees and salaries [1]	**17**	16
Other wages and salaries	**737**	694
Pension contributions	**86**	80
Other personnel expenses [2]	**153**	140
Personnel expenses in the income statement	**993**	930

[1] Includes bonuses of EUR 2 million (2001: EUR 3 million).
[2] Includes EUR 1 million (2001: EUR 0 million) of profit-sharing bonuses based on the Finnish Personnel Funds Act.

Average number of personnel	**20 196**	19 010
Personnel on Dec. 31	**21 130**	19 428

6. Unusual items

Gain on sale of real estate in Espoo	**13**	–
Refund of actuarial surplus, Outokumpu Oyj	**3**	–
Refund of actuarial surplus, other companies	**1**	–
Refund of pension surplus from Henki-Sampo, Outokumpu Oyj	**2**	–
Final settlement on the sale of the Harjavalta nickel refinery	**(6)**	–
Write down of reactors at Kokkola	**(4)**	–
Capital gain on AvestaPolarit Oyj Abp shares	**14**	–
AvestaPolarit's insurance compensation	**20**	–
Restructuring provisions of AvestaPolarit	**(32)**	(29)
Additional amortization of negative goodwill of AvestaPolarit	**32**	29
Gain on the sale of the Pyhäsalmi mine	**6**	–
Reversal of closure provision within Mining	**0**	–
Gain on the sale of Sampo Oyj shares	**–**	22
Gain on Okmetic Oyj's directed share issue	**–**	1
	49	23

7. Other operating income and expenses

Other operating income		
Gains on sales of fixed assets	**17**	4
Other income items	**27**	26
	44	30
Other operating expenses		
Losses on disposals of fixed assets and scrapping	**(18)**	(5)
Other expense items	**(32)**	(11)
	(50)	(16)
Other operating income and expenses, total	**(6)**	14

8. Provisions for restructuring measures

Provisions on Jan. 1	**33**	9
Translation differences	**(1)**	0
Provisions on Jan. 1 at closing rate	**32**	9
Restructuring costs charged against provisions	**(19)**	(12)
New provisions recorded	**15**	36
Provisions on Dec. 31	**28**	33

The new provisions in 2002 refer mainly to the restructuring of AvestaPolarit's activities.

9. Financial income and expenses

Dividends received	**4**	12
Interest income on long-term financial assets	**1**	2
Other interest income	**11**	14
Other financial income	**2**	2
Interest expenses	**(70)**	(73)
Other financial expenses	**(10)**	(4)
Exchange gains (losses)	**15**	9
	(47)	(38)

Interest capitalized on investment projects during the year was EUR 18 million (2001: EUR 34 million). Total interest capitalized on investment projects on Dec. 31, 2002 was EUR 72 million (Dec. 31, 2001: EUR 54 million).

The interest component of derivative financial instruments consists of EUR 0 million (2001: EUR 2 million) in other interest income, and of EUR 1 million in interest expenses (2001: EUR 5 million).

€ million	2002	2001
Exchange gains and losses in the income statement		
In net sales	**21**	(42)
In purchases and other expenses	**(18)**	11
In financial income and expenses	**15**	9

At the balance sheet date, EUR 38 million of net exchange gain on financial instruments were deferred (Dec. 31, 2001: net loss of EUR 19 million).

10. Income taxes

Current taxes		
Accrued taxes for the year		
Finnish Group companies	**(26)**	(66)
Group companies outside of Finland	**(27)**	3
Tax adjustments for prior years		
Finnish Group companies	**(2)**	0
Group companies outside of Finland	**2**	(1)
	(53)	(64)
Deferred taxes		
Deferred taxes in Group companies		
Finnish Group companies	**(2)**	45
Group companies outside of Finland	**21**	3
Deferred taxes on untaxed reserves		
Finnish Group companies	**(17)**	12
Group companies outside of Finland	**(6)**	0
Deferred taxes on consolidation		
Finnish Group companies	**3**	(12)
Group companies outside of Finland	**1**	(3)
	0	45
Total income taxes	**(53)**	(19)

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	**(62)**	(43)
Effect of different tax rates outside Finland	**7**	8
Non-deductible expenses and tax exempt income	**(2)**	(2)
Losses incurred at Group companies outside Finland for which no deferred tax benefit is recognized	**(15)**	(7)
Taxable items with no effect on the Group's result	**5**	17
Changes in carrying amounts of deferred tax assets on Jan. 1	**17**	6
Taxes from prior years	**0**	2
Expected change in tax rate	**0**	0
Other items	**(3)**	0
Income taxes in the consolidated income statement	**(53)**	(19)

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	**94**	65
Provisions for future expenses	**50**	59
Valuation of inventory	**7**	(8)
Internal profits in fixed assets	**4**	6
Other items	**5**	2
	160	124
Deferred tax liabilities		
Depreciation and amortization of fixed assets	**(292)**	(284)
Untaxed reserves	**(39)**	(17)
Valuation of inventories	**(8)**	0
Capitalized interest	**(19)**	(16)
Effect of consolidation	**(6)**	(1)
Allocated fair value	**(25)**	(21)
Other items	**(9)**	(26)
	(398)	(365)
Net deferred tax liability	**(238)**	(241)

€ million	2002	2001
Deferred taxes in the balance sheet:		
Long-term assets	**73**	41
Current assets	**8**	15
Long-term liabilities	**(315)**	(288)
Current liabilities	**(4)**	(9)
	(238)	(241)

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

Valuation allowances on deferred tax asset amount to EUR 141 million (2001: EUR 156 million).

After the proposed profit distribution, the tax surpluses in the Parent Company amount to EUR 4 million.

11. Fixed assets

€ million	Historical cost on Jan. 1, 2002	Translation difference	Additions	Dispositions	Netting of negative goodwill on consolidation	Accumulated depreciation Dec. 31, 2002	Carrying value on Dec. 31, 2002
Intangible assets							
Intangible rights	25	0	12	(1)	–	(15)	21
Goodwill	26	(3)	13	0	–	(10)	26
Goodwill on consolidation	0	(3)	569	(2)	(306)	39	297
Other long-term expenses	96	(5)	16	(17)	–	(61)	29
	147	(11)	610	(20)	(306)	(47)	373
Property, plant and equipment							
Land	65	(2)	45	(15)	–	–	93
Mine properties	207	0	0	(78)	–	(112)	17
Buildings	848	(10)	226	(58)	–	(421)	585
Machinery and equipment	3 681	(92)	532	(127)	–	(2 216)	1 778
Other fixed assets	92	(1)	25	(20)	–	(26)	70
Advances paid for fixed assets and construction in progress	432	(5)	187	(69)	–	–	545
	5 325	(110)	1 015	(367)	–	(2 775)	3 088
Long-term financial assets							
Investments in associated companies [1]	76	1	11	(11)	–	–	77
Other long-term equity investments	39	(2)	17	(23)	–	–	31
Long-term loans receivable	41	1	25	(10)	–	–	57
Deferred tax asset	40	(5)	62	(24)	–	–	73
Other financial assets	38	(3)	8	(19)	–	–	24
	234	(8)	123	(87)	–	–	262
Total fixed assets	5 706	(129)	1 748	(474)	(306)	(2 822)	3 723

Depreciation

€ million	Accumulated depreciation on Jan. 1, 2002	Translation difference	Accumulated depreciation of dispositions	Netting of negative goodwill on consolidation	Depreciation during period	Accumulated depreciation on Dec. 31, 2002
Intangible assets						
Intangible rights	(12)	0	0	–	(3)	(15)
Goodwill	(7)	1	0	–	(4)	(10)
Goodwill on consolidation	0	1	2	77	(41)	39
Other long-term expenses	(50)	4	(7)	–	(8)	(61)
	(69)	6	(5)	77	(56)	(47)
Property, plant and equipment						
Land	–	–	–	–	–	–
Mine properties	(150)	0	45	–	(7)	(112)
Buildings	(406)	(1)	9	–	(23)	(421)
Machinery and equipment	(2 084)	23	20	–	(175)	(2 216)
Other fixed assets	(37)	1	15	–	(5)	(26)
Advances paid for fixed assets and construction in progress	–	–	–	–	–	–
	(2 677)	23	89	–	(210)	(2 775)
Long-term financial assets	–	–	–	–	–	–
Total fixed assets	(2 746)	29	84	77	(266)	(2 822)

[1] Associated companies on December 31, 2002 are listed on page 75.

€ million	2002	2001
Depreciation and amortization by group of expenses		
Cost of sales	**241**	245
Selling and marketing expenses	**5**	5
Administrative expenses	**15**	13
Exploration, research and development expenses	**3**	3
Amortization of positive and negative goodwill on consolidation	**2**	(37)
	266	229

12. Associated companies

Investments in associated companies at cost		
Historical cost on Jan. 1	**54**	48
Translation difference	**0**	0
Additions	**11**	7
Disposals	**(3)**	(1)
Historical cost on Dec. 31	**62**	54
Equity adjustment to investments in associated companies		
Jan. 1	**22**	(12)
Change in translation difference	**1**	0
Dividends received	**0**	(1)
Dispositions and other changes	**(1)**	33
Equity earnings in associated companies	**(7)**	2
Dec. 31	**15**	22
Carrying value of investments in associated companies	**77**	76
Receivables from and liabilities to associated companies		
Long-term receivables		
Loans receivable	**0**	2
Subordinated loans receivable	**2**	–
Current receivables		
Loans receivable	**6**	6
Accounts receivable	**6**	3
Other receivables	**0**	–
Current liabilities		
Accounts payable	**2**	3

The Group's result includes interest income of EUR 0 million (2001: EUR 0 million) on loans receivable.

Significant associated companies		
Laminados Oviedo-Córdoba S.A.		
Net sales	**66**	94
Operating (loss) profit	**(1)**	7
(Loss) profit before extraordinary items	**(2)**	5
(Loss) profit for the financial year	**(2)**	2
Outokumpu's share of the (loss) profit 50%	**(1)**	1
Okmetic Oyj [1]		
Net sales	**45**	57
Operating loss	**(2)**	(1)
Loss before extraordinary items	**(4)**	(2)
Loss for the financial year	**(4)**	(2)
Outokumpu's share of the (loss) profit 32%, (2001: 27%)	**(2)**	0
Arctic Platinum Partnership		
Net sales	**0**	–
Operating loss	**(13)**	–
Loss before extraordinary items	**(13)**	–
Loss for the financial year	**(13)**	–
Outokumpu's share of the loss 49%	**(6)**	–

[1] Outokumpu's share of Okmetic Oyj's profit for the financial year is consolidated up to September 30, 2002 according to the information that Okmetic Oyj has published. The figures for 2001 include the whole year.

13. Inventories

	Balance sheet value		Replacement cost
€ million	**2002**	2001	**2002**
Raw materials	**262**	191	**262**
Fuels and supplies	**69**	66	**69**
Work in process	**495**	449	**497**
Finished goods and merchandise	**404**	390	**403**
Advances paid for inventories	**5**	3	**5**
	1 235	1 099	**1 236**

Inventory costs have been determined using the LIFO method for approximately 14% of the inventories, amounting to EUR 177 million. The replacement cost (without market value reserve) is EUR 1 million lower than the balance sheet value of the inventories based on LIFO method on December 31, 2002.

14. Receivables

Receivables in the balance sheet, € million	**2002**	2001
Accounts receivable	**882**	840
Loans receivable	**42**	11
Prepaid expenses and accrued income	**93**	105
Deferred tax asset	**8**	15
Other receivables	**118**	86
	1 143	1 057
Prepaid expenses and accrued income		
Value-added taxes receivable	**47**	44
Accrued exchange difference	**2**	2
Prepaid interest expenses and accrued interest income	**5**	4
Accrued income related to long-term contracts	**1**	3
Other items	**38**	52
	93	105

On Dec. 31, 2002 the Group companies had EUR 0 million current loans to the management of the Parent Company or subsidiaries (2001: EUR 0 million). Receivables include non-current receivables of EUR 3 million (2001: EUR 1 million).

15. Shareholders' equity

€ million	**2002**	2001
Share capital		
Share capital on Jan. 1	**212.0**	211.7
Share offering	**79.8**	–
Converted bonds	**1.5**	0.3
Share capital on Dec. 31	**293.3**	212.0
Unregistered share capital		
Unregistered share capital on Jan. 1	**–**	–
Share offering	**0.2**	–
Unregistered share capital on Dec. 31	**0.2**	–
Premium fund		
Premiun fund on Jan. 1	**408.7**	407.3
Share offering	**219.9**	–
Costs for the share offering	**(6.6)**	–
Gain on the sale of the subscription rights on treasury shares	**1.6**	–
Converted bonds	**6.4**	1.3
Other changes	**(0.1)**	0.1
Premium fund on Dec. 31	**629.9**	408.7
Other funds		
Reserve fund on Jan. 1	**12.5**	12.4
Transfers from retained earnings	**1.7**	–
Change in translation difference	**0.2**	–
Other changes	**0.3**	0.1
Reserve fund on Dec. 31	**14.7**	12.5

€ million	2002	2001
Retained earnings on Jan. 1	**840.8**	663.7
Prior year's profit	**76.0**	315.2
Dividends paid	**(75.2)**	(99.6)
Dividends to minority shareholders	**(13.0)**	(22.8)
Transfers to reserve fund	**(1.7)**	–
Acquisition of treasury shares	**–**	(13.6)
Change in translation difference	**(19.1)**	3.2
Other changes	**1.4**	(5.3)
Retained earnings on Dec. 31	**809.2**	840.8
Profit for the financial year	**158.9**	76.0
Total shareholders' equity on Dec. 31	**1 906.2**	1 550.0
Distributable funds		
Retained earnings	**809.2**	840.8
Profit for the financial year	**158.9**	76.0
Less untaxed reserves in shareholders' equity	**(388.7)**	(330.7)
Transfers to restricted equity	**(1.7)**	–
Undistributable equity	**(15.9)**	(9.3)
Distributable funds on Dec. 31	**561.8**	576.8
Untaxed reserves		
Accumulated depreciation difference	**518.9**	529.3
Other untaxed reserves	**20.5**	7.6
Untaxed reserves on Dec. 31	**539.4**	536.9
Deferred tax liability on untaxed reserves	**(150.7)**	(206.2)
Untaxed reserves in retained earnings on Dec. 31	**388.7**	330.7

16. Goodwill

Positive goodwill on consolidation on Jan. 1 [1)]	**191.7**	81.0
Change in translation difference	**(2.4)**	0.9
Additions [2)]	**577.8**	115.6
Dispositions	**(2.3)**	(5.8)
Positive goodwill on consolidation on Dec. 31	**764.8**	191.7
Accumulated depreciation on Jan. 1	**(76.1)**	(75.0)
Change in translation difference	**0.4**	(1.1)
Dispositions	**1.8**	9.4
Depreciation during period	**(41.2)**	(9.4)
Accumulated depreciation on Dec. 31	**(115.1)**	(76.1)
Negative goodwill on consolidation on Jan. 1 [3)]	**(498.1)**	(6.2)
Change in translation difference	**0.4**	(0.1)
Additions	**(9.2)**	(491.8)
Negative goodwill on consolidation on Dec. 31	**(506.9)**	(498.1)
Accumulated amortization on Jan. 1	**81.4**	6.2
Change in translation difference	**(0.5)**	0.1
Amortization during period	**41.7**	46.1
Additional amortization	**31.8**	29.0
Accumulated amortization on Dec. 31	**154.4**	81.4
Positive and negative goodwill on consolidation in the balance sheet on Dec. 31	**297.2**	(301.1)

1) Includes the positive goodwill on consolidation from the acquisitions of Norzink, IGC-AS and Lurgi Metallurgie. The goodwill is depreciated in 10 years, which reflects the estimated useful life of the goodwill.

2) Includes the positive goodwill on consolidation from the acquisition of the AvestaPolarit minority interest. The goodwill will be depreciated in 20 years reflecting the estimated useful life of the goodwill of an unusual and significant acquisition. It also includes the positive goodwill from the acquisition of Heatcraft, which will be depreciated in 10 years. The depreciation period of 10 years reflects the estimated useful life of the goodwill.

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

€ million	2002	2001
17. Liabilities		
Liabilities in the balance sheet		
Long-term liabilities		
Interest-bearing		
Bonds and debentures	**111**	2
Convertible bonds	**7**	15
Loans from financial institutions	**1 196**	674
Pension loans	**123**	132
Other long-term loans	**56**	14
	1 493	837
Non interest-bearing		
Accounts payable	**0**	0
Deferred tax liablitity	**315**	288
Other long-term liabilities	**148**	160
	463	448
Current liabilites		
Interest-bearing		
Bonds and debentures	**0**	3
Loans from financial institutions	**742**	192
Pension loans	**15**	9
Bills payable	**1**	1
Other current loans	**580**	583
	1 338	788
Non interest-bearing		
Advances received	**65**	73
Accounts payable	**494**	410
Accrued expenses and prepaid income	**385**	362
Deferred exchange gains	**39**	–
Deferred tax liablitity	**4**	8
Other current liabilities	**100**	83
	1 087	936
Total liabilities	**4 381**	3 009

Repayment schedule of long-term debt on Dec. 31, 2002

€ million		Repayments [1] 2003	2004	2005	2006	2007	2008–	Total
Bonds and debentures	EUR	1					87	88
	USD	2						2
	SEK					22		22
Convertible bonds	EUR		7					7
Loans from financial institutions	EUR	22	11	160	18	109	309	629
	GBP			108				108
	USD	20	284	55	29	43	70	501
Pension loans	EUR	15	15	16	16	15	45	122
	SEK						16	16
Other long-term loans	EUR	3	6	5	5	5	30	54
	SEK	1		1		1	3	6
		64	323	345	68	195	560	1 555

[1] The repayments in 2003 are included in current interest-bearing liabilities.

Average maturity for long-term debt was 4 years and 3 months and the average interest rate was 3.52%.

Bonds and debentures	Interest rate %	€ million 2002	2001
Other bonds			
1991–2008	6.93	**111**	2
Convertible bond			
1999–2004	3.75 [1]	**7**	15
		117	17

[1] The terms and conditions of the convertible bond are presented on pages 83-85.

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

Accrued expenses and prepaid income	2002	2001
Accrued employee related expenses	**133**	133
Income taxes payable	**29**	56
Accrued interest expenses and prepaid interest income	**47**	27
Other	**176**	146
	385	362

18. Management of financial risks

The Group's business operations involve several financial risks, such as market, credit and liquidity risks. According to the financial risk management policy the Group seeks to reduce negative effects caused by price fluctuations and other uncertainties in the financial markets. All this requires proper processes for risk identification, assessment, controls/mitigation and reporting. The policy provides principles for overall financial risk management in the Group. Specific areas, such as the use of derivative instruments, investing excess liquidity and risk limits, are covered by operational instructions.

Business units are responsible for identification of their financial risks. Generally, the identified market risks are hedged against corporate treasury, which executes most of the Group's financial contracts with banks and other financial institutions.

The controllers of the business units monitor the risk management practices in their units. Corporate risk management regularly reports the main exposures and risks to the Group Executive Committee.

MARKET RISKS

Exchange rate risk

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

The Group hedges most of its fair value risk. Cash flow risk relating to firm commitments is hedged to a large extent. Forecasted and probable cash flows are generally hedged up to 12 months, however, during 2002 some business units hedged part of their cash flow up to 18–24 months. AvestaPolarit's forecasted cash flows are hedged in certain businesses only.

The total non-euro denominated shareholders' equity of the Group's foreign subsidiaries and associated companies was EUR 1 733 million on December 31, 2002 (2001: EUR 1 458 million). Of this net investment exposure 3.2% was hedged (2001: 7.3%).

On December 31, 2002 the Group had the following outstanding foreign exchange derivative contract amounts (amounts do not represent the amounts exchanged by the parties; those amounts may include also positions, which have been closed off):

€ million	Dec. 31, 2002	Dec. 31, 2001
Forward contracts	**1 100**	1 230
Currency options purchased	**60**	110
Currency options written	**60**	110
Currency swaps	**60**	70

The interest rate differential between the euro and the US dollar, in particular, may have a significant effect on the Group's result. During 2002, the interest rate differential was beneficial for the Group.

Interest rate risk

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

The most important currencies contributing to interest rate risk are the US dollar, euro, British pound sterling and Swedish and Norwegian krona. Most financial instruments have interest period of less than one year. Part of the Group's EUR and SEK denominated long-term debt has fixed interest rate.

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

€ million	Dec. 31, 2002	Dec. 31, 2001
Interest rate swaps	**70**	30

Metal price risk

The profitability of mining operations is directly dependent on metals prices. Price levels can be secured with forward sale and option contracts on metals exchanges and OTC markets. There were no such cash flow hedges open on December 31, 2002.

The profitability of zinc smelters and refineries are partly dependent on zinc price due to the pricing mechanism applied between mines and smelters. On December 31, 2002 the Group had no cash flow hedges in place to reduce this risk. Risks arising from the time difference between purchase of zinc concentrate and sale of zinc metal are hedged to a large extent.

Copper production and fabrication units are affected by risks arising from the time difference between raw material purchase and product sale. These risks are hedged with derivative contracts to a large extent in the Group.

Most stainless steel sales contracts included alloy adjustment factor clause, aimed at reducing the exposure arising from time difference between raw material purchase and product sale. Fixed price sales of stainless steel are hedged with derivative contracts

The base inventory which is permanently tied up in the production is not hedged.

In addition to cash flow hedges the corporate treasury may enter into strategic derivative contracts. All gains and losses of these contracts are immediately entered into the income statement. No strategic contracts were made during 2002.

On December 31, 2002 the Group had metal derivative contracts in the following contract amounts (amounts do not represent the amounts exchanged by the parties; those amounts may include also positions, which have been closed off):

Tonnes	Dec. 31, 2002	Dec. 31, 2001
Copper forwards and futures	**121 200**	62 200
Nickel forwards and futures	**2 200**	5 600
Zinc forwards and futures	**197 300**	116 000
Zinc options purchased	**3 000**	6 000
Zinc options written	**3 000**	6 000
Gold forwards and futures (tr. oz.)	**63 400**	48 900
Silver forwards and futures (tr. oz.)	**529 300**	880 300
Aluminium forwards and futures	**1 300**	–

Securities price risk

The Group has a portfolio with some equity securities and occasionally the portfolio may also include fixed income securities. Most of these holdings are long-term and generally are not hedged with derivative contracts.

Energy price risk

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

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

On December 31, 2002 the Group had exchange traded electricity forwards and futures 0 TWh (2001: 0 TWh) and other financial agreements 3.7 TWh (2001: 3.5 TWh).The electricity consumption of the Nordic production facilities was 4.35 TWh (2001: 4.25 TWh).

CREDIT RISKS

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

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

LIQUIDITY RISKS

The Group's debt is generally raised centrally by corporate treasury. The Group seeks to mitigate liquidity and refinancing risks with a balanced maturity profile of loans as well as by keeping committed and uncommitted credit lines available. This objective also calls for efficient cash and liquidity management.

The main funding programs and standby credit facilities include the Finnish Commercial Paper Program totaling EUR 650 million, the Euro Commercial Paper Program totaling USD 250 million, the Revolving Credit Facility of USD 416 million in the name of Outokumpu Oyj and the EUR 300 million Revolving Credit Facility in the name of AvestaPolarit AB.

In addition, the Group arranged with Nordea Bank Finland Plc a bridge financing facility of EUR 1 billion for the acquisition of AvestaPolarit shares.

Fair value of financial instruments

The carrying values and fair values of the Group's financial instruments on December 31, 2002 are presented in the following table. Fair values are estimated based on market prices, dealer quotes, discounted cash flow analyses and, in respect of options, on evaluation models.

	2002		2001	
€ million	**Carrying value**	**Fair value**	Carrying value	Fair value
Investments and receivables				
Other long-term equity investments	**31**	**34**	39	39
Long-term loans receivable	**57**	**57**	40	37
Current loans receivable	**43**	**43**	11	11
Marketable securities	**31**	**31**	55	56
Cash and bank	**195**	**195**	230	230
Debt				
Long-term debt	**1 493**	**1 524**	837	838
Current debt	**1 338**	**1 339**	788	788
Financial derivatives [1)]				
Forward foreign exchange contracts	**27**	**27**	(13)	(15)
Currency options				
Purchased	**3**	**3**	1	1
Written	**0**	**0**	(2)	(2)
Currency swaps	**(4)**	**(5)**	(7)	(7)
Interest rate swaps	**(1)**	**(2)**	0	0
Metal derivatives [1)]				
Forward and futures copper contracts	**(2)**	**(2)**	(1)	(1)
Forward and futures nickel contracts	**0**	**0**	(1)	(1)
Forward and futures zinc contracts	**0**	**0**	0	0
Zinc options				
Purchased	**0**	**0**	–	–
Written	**0**	**0**	–	–
Forward and futures aluminium contracts	**0**	**0**	–	–
Forward and futures gold contracts	**(1)**	**(1)**	0	0
Forward and futures silver contracts	**0**	**0**	0	0
Electricity derivatives [1)]				
Traded electricity forwards and futures	**–**	**3**	–	–
Other financial contracts	**–**	**67**	–	(8)

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

19. Commitments and contingent liabilities

€ million	**2002**	2001
Pledges on Dec. 31		
Mortgages to secure own borrowings	**117**	105
Other pledges to secure own borrowings	**2**	–
	119	105
Guarantees on Dec. 31		
On behalf of associated companies		
For financing	**7**	8
On behalf of other parties		
For financing	**25**	3
For other commitments	**16**	16
	48	27

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

€ million	2002	2001
Minimum future lease payments on operating leases on Dec. 31		
In 2003	**28**	15
Thereafter	**105**	116
	133	131

PENSION LIABILITIES

The additional pensions of Outokumpu Oyj's pension foundations have been transferred to Sampo Life Insurance in 1999. The assets relating to the transfer included some 2 million shares in Outokumpu Oyj. The value of the shares will be defined by September 30, 2004. The net gain of the difference between the transfer of the shares and market value was EUR 1 million on Dec. 31, 2002 (2001: EUR 4 million).

20. Disputes and litigations

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

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

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

The wholly owned Irish subsidiary of the Outokumpu Group, Tara Mines Limited, has claimed Export Sales Relief (ESR) for the years 1978-88. The claim has been challenged by the Irish Tax Authorities. Final appeal by Tara Mines Ltd has been turned down by the Supreme Court in its decision dated October 10, 2002, which is the final ruling in this matter. All of Tara's due taxes have been paid and booked in full according to standard tax rates in the accounts and hence the decision by the Supreme Court has no adverse effect on the Group's financial position.

In March 2001, the European Commission initiated an investigation concerning alleged participation by the company in price and market-sharing cartel with respect to copper tubes and fittings in the European Union. The company has cooperated with the European Commission in connection with this investigation and presently the European Commission is reviewing the material it has obtained from various companies subjected to the investigation. As the investigation is ongoing, no provision has been entered into the accounts. Net sales of copper tubes manufactured by the company in Europe account for some 4% of the Group's total net sales in 2002.

In June 1998, the US International Trade Commission initiated an investigation relating to an alleged dumping of cold rolled stainless steel sheet and strip (including foil) in coil against Britain. A preliminary deposit rate of 13.45% was determined, which applied to shipments to the United States between December 17, 1998 and July 27, 1999. A final deposit rate of 14.84% was issued in July 1999, which has applied to shipments from Britain to the US from July 27, 1999. In October 2002, the International Trade Commission determined that all semi-finished stainless steel products are to be excluded from proceeding on the basis that imports of such products have not caused and do not threaten serious injury to steel producers in the US. The International Trade Commission recommended that import restrictions be imposed on certain stainless steel long products and rendered a divided vote with respect to stainless tubular flanges and fittings. As a consequence, imports of stainless slabs and billets will not be restricted in this case. Management believes that the actions taken by the US in this matter are not expected to have any material adverse effect on the Group's financial position.

In May 2002, the Chinese government announced an investigation into steel imports and instituted provisional tariffs on imports of steel. There were 14 categories of stainless steel under investigation. Certain of these categories were subject to provisional tariff quotas, and imports into the People's Republic of China above such quotas were subject to an additional tariff of 17 or 18%. The provisional tariffs expired on November 19, 2002. On November 20, 2002, definitive tariff quotas were imposed on stainless steel cold rolled sheets and coils. All other types of stainless steel are exempt from the definitive tariff quotas. Imports of stainless steel cold rolled sheets and coils into the People's Republic of China above the definitive tariff quotas will initially be subject to an additional tariff of 18.1%. The definitive tariff quota will increase and tariff will decrease progressively during their effective term. They are to end on May 23, 2005, unless the situation changes before that time to render them unnecessary. The European Commission is currently engaging in consultations with the Chinese government regarding the tariff quotas and additional tariffs. The company has requested that the Chinese authorities reconsider their decision to impose tariff quotas on stainless steel cold rolled sheets and coils. The company also plans to seek exemptions from the tariff quotas for several of its cold rolled stainless steel flat products.

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

21. Subsidiaries by business area on December 31, 2002

Stainless Steel

		Country	Nature of activity	Group holding, %
AvestaPolarit Oyj Abp	4), *)	Finland	■	100
AvestaPolarit Holding B.V.		The Netherlands	■	100
AvestaPolarit Holdings Ltd		Britain	■	100
AvestaPolarit Holding GmbH	1)	Germany	■	100
AvestaPolarit, Inc.		The United States	■	100
AvestaPolarit Chrome Oy		Finland	✖▲	100
AvestaPolarit Plate Service Centre Benelux B.V.		The Netherlands	▲	100
AvestaPolarit Processing B.V.		The Netherlands	▲	100
Avesta Sandvik Tube B.V.		The Netherlands	▲	83
Hertecant N.V.		Belgium	▲	100
PT AvestaPolarit Welding Products		Indonesia	▲	100
AvestaPolarit ABE Ltd.		Canada	▲	100
AvestaPolarit ABE, S.A. de C.V.		Mexico	▲	100
AB Örnsköldsviks Mekaniska Verkstad (ÖMV)		Sweden	▲	100
AvestaPolarit Stainless Tube AB		Sweden	▲	83
AvestaPolarit ABE AB		Sweden	▲	100
AvestaPolarit Plate Service Centre Nordic AB		Sweden	▲	100
AvestaPolarit Prefab AB		Sweden	▲	100
AvestaPolarit Press Plate AB		Sweden	▲	100
AvestaPolarit Welding AB		Sweden	▲	100
Billing Metal Trading AB		Sweden	▲	100
Calamo Nords AB		Sweden	▲	100
Husqvarna Elektrolytpolering AB		Sweden	▲	100
AvestaPolarit Plate Service Centre Germany		Germany	▲	100
AvestaPolarit Stainless Oy		Finland	▲	100
Finnbend Oy		Finland	▲	100
Finnpipe Oy		Finland	▲	83
JARO Fittings Oy Ab	3)	Finland	▲	100
JARO Oy Ab	1)	Finland	▲	83
AS Avesta Polarit Ratas Oü		Estonia	▲	92
AvestaPolarit Bar Company		The United States	▲	100
AvestaPolarit East, Inc.		The United States	▲	100
AvestaPolarit Pipe, Inc.		The United States	▲	100
AvestaPolarit Plate, Inc.		The United States	▲	100
AvestaPolarit Ltd		Britain	●▲	100
AvestaPolarit S.p.A.		Italy	●▲	100
AvestaPolarit A/S		Norway	●▲	100
AvestaPolarit AB (publ.)		Sweden	■▲◆	100
AvestaPolarit B.V.		The Netherlands	●	100
AvestaPolarit Pty Ltd		Australia	●	100
AvestaPolarit N.V.		Belgium	●	100
AvestaPolarit S.A.		Spain	●	100
AvestaPolarit (Pty) Ltd		South Africa	●	100
AvestaPolarit Asia Pacific Ltd		Hong Kong	●	100
AvestaPolarit Ireland Ltd		Ireland	●	100
Commerciale Acciai S.p.A.	2)	Italy	●	100
AvestaPolarit Ges.m.b.H		Austria	●	100
AvestaPolarit Japan K.K.		Japan	●	100
AvestaPolarit UAB		Lithuania	●	100
AvestaPolarit Sp z o.o.		Poland	●	100
AvestaPolarit ABE SARL		France	●	100
AvestaPolarit SA		France	●	100
E.L.F.E. SA		France	●	100
AvestaPolarit Nordic AB		Sweden	●	100
AvestaPolarit GmbH		Germany	●	100
AvestaPolarit (SEA) Pte Ltd		Singapore	●	100
AvestaPolarit Distribution Oy	1)	Finland	●	100
SH-Trade Oy		Finland	●	100
AvestaPolarit A/S		Denmark	●	100
AvestaPolarit s.r.o.		Czech Republic	●	100
AvestaPolarit Kft		Hungary	●	100
ZAO AvestaPolarit		Russia	●	100
AvestaPolarit Baltic Oü		Estonia	●	100
AvestaPolarit Coil, Inc.		The United States	●	100
AvestaPolarit Welding, Inc.		The United States	●	100
AvestaPolarit Finance B.V.		The Netherlands	◗	100
AvestaPolarit Gebouwen B.V.		The Netherlands	◗	100
AvestaPolarit Pension Trustees Ltd		Britain	◗	100
2843617 Canada Inc.		Canada	◗	100
AvestaPolarit Information Systems AB		Sweden	◗	100
Visent Invest AB		Sweden	◗	100
Visenta Försäkrings AB		Sweden	◗	100
AvestaPolarit Holding GmbH & Co. KG	1)	Germany	◗	100
Kandelinin Seuraajat Oy		Finland	◗	100

Copper Products

		Country	Nature of activity	Group holding, %
Outokumpu Copper Products Oy	*)	Finland	■	100
Outokumpu Copper B.V.		The Netherlands	■	100
Outokumpu Copper Limited		Britain	■	100
Outokumpu Copper, Inc.		The United States	■	100
Outokumpu Copper Holdings Inc.	3)	The United States	■	100
Outokumpu Copper Kenosha, Inc.		The United States	■	100
Outokumpu Heatcraft B.V.	2)	The Netherlands	■	55
Holton Machinery Limited		Britain	▲	100
Neumayer GmbH		Austria	▲	50
Nippert Ltd.	1)	Britain	▲	100
Outokumpu Advanced Superconductors Inc.		The United States	▲	100
Outokumpu American Brass, Inc.		The United States	▲	100
Outokumpu Castform Oy		Finland	▲	100
Outokumpu Copper Franklin, Inc.		The United States	▲	100
Outokumpu Copper Partner AB		Sweden	▲	100
Outokumpu Copper Strip AB		Sweden	▲	100
Outokumpu Copper Strip B.V.		The Netherlands	▲	100
Outokumpu Copper Products (Malaysia) Sdn. Bhd.		Malaysia	▲	100
Outokumpu Copper Tube (Zhongshan) Ltd.		China	▲	90
Outokumpu Copper Products AB		Sweden	▲	100
Outokumpu Copper Tubes, S.A.		Spain	▲	100
Outokumpu Heatcraft Czech s.r.o.	2)	Czech Republic	▲	55
Outokumpu Heatcraft de Mexico	2)	Mexico	▲	55
Outokumpu Heatcraft France SAS	2)	France	▲	55
Outokumpu Heatcraft Italia s.r.l.	2)	Italy	▲	55
Outokumpu Heatcraft USA LLC	3)	The United States	▲	55
Outokumpu Hitachi Copper Tube (Thailand) Ltd.		Thailand	▲	64
Outokumpu Livernois Engineering LLC	2)	The United States	▲	55
Outokumpu Poricopper Oy		Finland	▲	100
Outokumpu Wasacopper Oy		Finland	▲	90
Outokumpu WTT AB		Sweden	▲	100
The Nippert Company		The United States	▲	100
Valleycast LLC	1)	The United States	▲	100
Neumayer Corporation		The United States	●	50
Outokumpu Rawmet (UK) Limited		Britain	◗	100
Outokumpu Centro Servizi S.p.A.		Italy	◗▲	100
Thatcher Alloys Limited		Britain	◗▲	100

Metallurgy

		Country	Nature of activity	Group holding, %
Outokumpu Technology Oy	*)	Finland	■	100
Outokumpu Indepro S.A.		Chile	■	100
AISCO Systems Inc.		Canada	▲	100
KHD Aluminium Technology GmbH		Germany	▲	100
Lurgi Metallurgie GmbH		Germany	▲	100
Outokumpu Harjavalta Metals Oy		Finland	▲	100
Outokumpu Indepro Ingeniería Limitada		Chile	▲	100
Outokumpu Lurgi-Australia Pty. Ltd.		Australia	▲	100
Outokumpu Mintec Oy		Finland	▲	100
Outokumpu Norzink A/S		Norway	▲	100
Outokumpu Technology A/S		Norway	▲	100
Outokumpu Technology GmbH		Germany	▲	100
Outokumpu Technology Inc.		The United States	▲	100
Outokumpu Technology Ltd.		Britain	▲	100
Outokumpu Technology Pty Ltd.		Australia	▲	100
Outokumpu Turula Oy		Finland	▲	100
Outokumpu Wenmec AB		Sweden	▲	100
Outokumpu Zinc Oy		Finland	▲	100
Royal Pannevis B.V.		The Netherlands	▲	100
SepTor Tehnologies B.V.		The Netherlands	▲	100
Aisco Systems Inc. Chile y Compañia Limitada		Chile	●	100
Outokumpu Zinc Commercial B.V.		The Netherlands	●	100
Outokumpu Mexicana, S.A. de C.V.		Mexico	●	100
Outokumpu Technologia Brasil Ltda.	1)	Brazil	●	100
Outokumpu Technology (Pty) Ltd.		South Africa	●	100
Outokumpu Técnica Chile Ltda.		Chile	●	100
Outokumpu Técnica Perú S.A.C.		Peru	●	100
Pannevis Inc.		The United States	●	100
Outokumpu Research Oy	*)	Finland	◆	100
MPE Service Oy		Finland	◗	96
Outokumpu Zinc B.V.	*)	The Netherlands	◗	100
ZAO Mineral Processing Engineers		Russia	◗	60
Eberhard Hoesch & Söhne GmbH	1)	Germany	✳	100
International Project Services Ltd. Oy		Finland	✳	100
Kumpu Engineering, Inc.		The United States	✳	100

		Country	Nature of activity	Group holding, %

Other operations

Mining				
Outokumpu Nickel Resources B.V.	*)	The Netherlands	■	100
Outokumpu Mining Oy		Finland	✖	100
Tara Mines Limited		Ireland	✖	100
Nikkel og Olivin A/S	*)	Norway	✔	100
Norsulfid A/S	*)	Norway	✔	100
Viscaria AB	*)	Sweden	✔	100
Outokumpu Copper Resources B.V.		The Netherlands	●	100
OAO Kivijärvi		Russia	◆	85
OAO Kola-Mining		Russia	◆	96
Outokumpu Minera Española S.A.		Spain	◆	100
Outokumpu Mines, Inc.	*)	Canada	◆	100
Outokumpu Zinc Australia Pty. Ltd.	*)	Australia	◆	100
Outokumpu Nickel B.V.	*)	The Netherlands	◗	100
Outokumpu Exploration Ventures Pty. Ltd.		Australia	✳	100
Outokumpu Mining Australia Pty. Ltd.	*)	Australia	✳	100
Outokumpu Resources & Exploration Pty. Ltd.		Australia	✳	100
Polar Mining Oy		Finland	✳	100
Tara Prospecting Limited		Ireland	✳	100

Corporate services				
Granefors Bruk AB	*)	Sweden	■	100
Outokumpu Sales Oy	*)	Finland	●	100
Outokumpu Portugal Ltda.	**)	Portugal	●	100
Outokumpu Copper (U.S.A.), Inc.		The United States	●	100
Outokumpu Deutschland GmbH		Germany	●	100
Outokumpu Istanbul Dis Ticaret Limited Sirketi	*)	Turkey	●	98
Outokumpu Japan K.K.	*)	Japan	●	100
Outokumpu Poland Sp. z o.o.	*)	Poland	●	100
Finero B.V.	*)	The Netherlands	◗	100
Kopparlunden AB	*)	Sweden	◗	100
Orijärvi Oy	*)	Finland	◗	100
Outokumpu Alueverkko Oy	*)	Finland	◗	100
Outokumpu Rawmet, S.A.		Spain	◗	100
Outokumpu Rossija Oy	*)	Finland	◗	100
Pancarelian Ltd.	*)	Bermuda	◗	100
ZAO Outokumpu Moskva		Russia	◗	100
ZAO Outokumpu St. Petersburg		Russia	◗	100
OOO Outokumpu Norilsk		Russia	◗	100
Outokumpu Benelux B.V.	*)	The Netherlands	✳	100
Outokumpu Ecomills Oy	*)	Finland	✳	100
Outokumpu Engineering Enterprises, Inc.	*)	The United States	✳	100
Outokumpu Espana S.A.	*)	Spain	✳	100
Outokumpu France S.A.	*)	France	✳	100
Outokumpu Invest (U.K.) Ltd.	*)	Britain	✳	100
Outokumpu Italia S.A.	*)	Italy	✳	100
Outokumpu Metals Treasury	*)	Ireland	✳	100
Outokumpu Scandinavia AB	*)	Sweden	✳	100
Outokumpu (S.E.A.) Pte Ltd	*)	Singapore	✳	100
Outokumpu (UK) Limited	*)	Britain	✳	100

Industrial holdings				
Princeton Gamma-Tech, Inc.		The United States	▲	82
Princeton Gamma-Tech U.K. Ltd.		Britain	●	99

22. Associated companies and other shares and stock on December 31, 2002

Shares and stock in associated companies

Folldal Industrielektro A/S		Norway	▲	40
Laminados Oviedo-Córdoba S.A.		Spain	▲	50
Okmetic Oyj	*), 4)	Finland	▲	32
Thyssefaldene A/S		Norway	▲	40
Fagersta Stainless AB		Sweden	▲	50
Jan Sahlin Gjutteknik AB		Sweden	▲	20
Svältbackens Kraft AB		Sweden	▲	33
Okphil Inc.		Philippines	●	30
Outokumpu (Thailand) Co., Ltd.		Thailand	●	49
Heatcraft Advanced Technologies LLC	2)	The United States	◆	50
Arctic Platinum Partnership		Finland	◆	49
Placer Outokumpu Exploration Ltd.		Britain	◆	50
Oretec Resources Plc.		Ireland	◆	34
ZAO Arctic Nickel		Russia	◆	40
Kopparlunden Development AB		Sweden	◗	50
ABB Industriunderhåll AB		Sweden	◗	49
Djäknehytterotarnas Skifteslag		Sweden	◗	50
Ståltransporteri Avesta AB		Sweden	◗	49

Other shares and stock

The market value of the shares in publicly listed companies included in other shares and stock is EUR 3 million higher than the balance sheet value of EUR 31 million.

Foreign branches

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

23. Changes in the Group structure in 2002

Companies acquired and established

See notes 21 and 22.

Companies merged and dissolved

AvestaPolarit Service Center Bönen GmbH
Outokumpu Commercial A/S
Outokumpu Työterveyspalvelut Oy
Outokumpu Base Metals Oy
Outokumpu Engineering Contractors Oy
Outokumpu Wenmec Oy
Outokumpu Engineering Services Oy

Companies sold

Black Swan Nickel Pty Ltd
Pyhäsalmi Mine Oy

Effect of sales of business operations on the consolidated net sales, € million	**2002**	2001
Black Swan Nickel Pty Ltd	**47**	70
Pyhäsalmi Mine Oy	**–**	15

Legend

■ Management or holding
✖ Mine, operational
✔ Mine, production discontinued
▲ Production
● Marketing
◆ Exploration or research
◗ Service
✳ Dormant

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

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

24. Group mine production and ore reserves

Tonnes	2002	2001
Ore excavated (million tonnes)		
Black Swan [1)]	**0.2**	0.5
Hitura	**0.6**	0.5
Kemi	**1.2**	1.2
Nikkel og Olivin [2)]	**0.5**	0.7
Orivesi	**0.2**	0.2
Pyhäsalmi	**–**	1.1
Tara [3)]	**0.8**	2.0
Total	**3.5**	6.2
Chromite concentrates		
Kemi	**566 000**	575 100
Zinc in concentrates		
Pyhäsalmi	**–**	20 100
Tara [3)]	**49 100**	146 200
Total	**49 100**	166 300
Copper in concentrates		
Pyhäsalmi	**–**	11 600
Nickel in concentrates		
Black Swan	**8 600**	21 800
Hitura	**2 500**	2 000
Nikkel og Olivin [2)]	**1 700**	2 500
Total	**12 800**	26 300
Lead in concentrates		
Tara [3)]	**8 300**	27 400
Total	**8 300**	27 400
Gold in concentrates (kg)		
Orivesi	**1 300**	1 500
Pyhäsalmi	**–**	200
Total	**1 300**	1 700
Sulfur in concentrates		
Pyhäsalmi	**–**	583 300

1) Includes the production of Black Swan until end of June 2002.
2) Includes the production of Nikkel og Olivin until October 2002 when the mine was closed due to depletion of ore.
3) Tara put on care and maintenance on November 1, 2001. The production was resumed at the beginning of September 2002.

Ore reserves and mineral resources of the Kemi mine on Dec. 31, 2002

ORE RESERVES		MINERAL RESOURCES		
Proved	Probable	Measured	Indicated	Inferred
51 Mt	–	3.8 Mt	13 Mt	73 Mt
25% Cr_2O_3	–	28% Cr_2O_3	29% Cr_2O_3	29% Cr_2O_3

The information has been prepared in accordance with the "Australasian Code for Reporting of Mineral Resources and Ore Reserves, September 1999". A mineral resource is a concentration or occurence of material, the extent and grades of which have been assessed by geological methods. Ore reserves are the economically exploitable part of the mineral resources defined on the basis of feasibility studies.

The table presents the total tonnes of the deposits, including those that are not wholly owned by Outokumpu. 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 (%).

Cr_2O_3 = chromium oxide.

Parent Company financial statements

Income statement

€ million		2002	2001
Net sales		103	93
Cost of sales		(84)	(75)
Gross margin		19	18
Administrative expenses		(43)	(32)
Research and development expenses		(3)	(3)
Unusual items	[3]	51	22
Other operating income and expenses	[4]	444	4
Operating profit	[1–4]	468	9
Financial income and expenses	[5]	66	97
Profit before extraordinary items		534	106
Extraordinary items	[6]	29	36
Profit before appropriations and taxes		563	142
Appropriations			
Change in depreciation difference		5	0
Income taxes	[7]	(24)	(28)
Profit for the financial year		544	114

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

Figures in square brackets refer to notes to the Parent Company financial statements on pages 79–80.

Statement of cash flows

€ million	2002	2001
Operating activities		
Profit for the financial year	544	114
Adjustments:		
Depreciations according to plan	4	3
Unrealized exchange gains and losses	(66)	(13)
Other non-cash income and expenses	(27)	0
Merger gain	(434)	–
Other adjustments [1]	(55)	(16)
	(34)	88
Change in working capital		
Decrease in current non interest-bearing receivables	10	59
Decrease in current non interest-bearing liabilities	(26)	(40)
	(16)	19
Cash provided by operating activities	(50)	107
Investing activities		
Capital expenditures for purchase of fixed assets	(22)	(29)
Investments in group companies and other equity investments	(1 130)	(220)
Proceeds from sales of fixed assets	94	31
Increase in long-term financial assets	(39)	(52)
Cash used in investing activities	(1 097)	(270)
Cash flow before financing activities	(1 147)	(163)
Financing activities		
Borrowings of long-term debt	202	303
Repayments of long-term debt	(51)	(134)
Increase in current debt	997	111
Dividends paid	(24)	(100)
Share offerings [2]	301	–
Other financial items	(312)	29
Cash used in financing activities	1 113	209
(Decrease) increase in cash and marketable securities	(34)	46
Adjustments	–	0
(Decrease) increase in cash and marketable securities in the balance sheet	(34)	46

1) Includes write-downs and write-backs on shares as well as gains and losses on sale of fixed assets.
2) Includes also proceeds from the convertible bond.

Balance sheet

€ million		2002	2001
ASSETS			
Fixed assets and other long-term investments	[8]		
Intangible assets		10	7
Property and equipment		43	64
Long-term financial assets		3 085	1 707
Total fixed assets and other long-term investments		3 138	1 778
Current assets			
Receivables	[10]	725	344
Cash and bank		68	103
Total current assets		793	447
TOTAL ASSETS		3 931	2 225

€ million		2002	2001
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	[9]		
Share capital		293	212
Unregistered share capital		0	–
Premium fund		636	408
Treasury shares		14	14
Retained earnings		85	46
Profit for the financial year		544	114
		1 572	794
Untaxed reserves			
Accumulated depreciation difference		1	6
Liabilities			
Long-term	[10]		
Interest-bearing		666	580
Non interest-bearing		–	0
Current	[10]		
Interest-bearing		1 464	474
Non interest-bearing		228	371
Total liabilities		2 358	1 425
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3 931	2 225

Notes to the Parent Company financial statements

€ million	2002	2001
1. Personnel expenses		
Board of Directors' and CEO's and his deputy's fees and salaries [1]	**1**	1
Other salaries	**12**	10
Pension contributions	**2**	2
Other personnel expenses [2]	**2**	1
Personnel expenses in the income statement	**17**	14

[1] Includes paid bonuses EUR 0 million in 2002 (2001: EUR 0 million).

[2] No profit-sharing bonuses based on the Finnish Personnel Funds Act were paid in 2002 (2001: EUR – million).

	2002	2001
Average number of personnel	**265**	227
Personnel on Dec. 31	**275**	233

2. Depreciation and amortization

€ million	2002	2001
Depreciation and amortization by group of assets		
Intangible assets	**1**	0
Other long-term expenses	**0**	1
Buildings	**1**	1
Machinery and equipment	**1**	1
Other fixed assets	**1**	0
	4	3
Depreciation and amortization by group of expenses		
Cost of sales	**0**	0
Administrative expenses	**4**	3
	4	3

3. Unusual items

€ million	2002	2001
Capital gain on AvestaPolarit Oyj Abp shares	**33**	–
Gain on the sale of real estate in Espoo	**13**	–
Refund of actuarial surplus	**3**	–
Refund of pension surplus from Henki-Sampo	**2**	–
Gain on sale of Sampo Oyj shares	**–**	22
	51	22

4. Other operating income and expenses

€ million	2002	2001
Other operating income		
Rental income	**3**	3
Gains on sales of fixed assets	**6**	1
Gain on merger of Outokumpu Base Metals Oy	**435**	–
Other income items	**0**	1
	444	5
Other operating expenses		
Losses on disposal of fixed assets and sales of shares	**0**	(1)
Other expense items	**0**	0
	0	(1)
Other operating income and expenses, total	**444**	4

5. Financial income and expenses

€ million	2002	2001
Dividends received	**48**	81
Interest income on		
Long-term financial assets	**32**	42
Current assets	**15**	21
Other financial income	**3**	2
Interest expenses	**(55)**	(50)
Other financial expenses	**(3)**	(1)
Exchange gains (losses)	**26**	2
	66	97
Financial income from and expenses to subsidiaries		
Dividends received	**40**	73
Interest income on		
Long-term financial assets	**32**	42
Current assets	**11**	17
Other financial income	**3**	2
Interest expenses	**7**	(9)
	93	125

6. Extraordinary items

€ million	2002	2001
Group contributions	**29**	36

7. Income taxes

€ million	2002	2001
Income taxes		
Accrued taxes for the year	**(24)**	(28)
Tax adjustments for prior years	**0**	0
	(24)	(28)
Hypothetical deferred taxes in the balance sheet		
Deferred tax liabilities	**(6)**	0
Deferred tax assets	**1**	5
Net deferred tax asset	**(5)**	5

8. Fixed assets

€ million	Historical cost on Jan. 1, 2002	Additions	Dispositions	Accumulated depreciation on Jan. 1, 2002	Accumulated depreciation of dispositions	Depreciation during period	Accumulated depreciation on Dec. 31, 2002	Carrying value on Dec. 31, 2002
Intangible assets	10	4	–	(3)	–	(1)	(4)	10
Property and equipment								
Land	16	–	(8)	–	–	–	–	8
Buildings	43	0	(39)	(11)	10	(1)	(2)	2
Machinery and equipment	8	1	(1)	(5)	1	(1)	(5)	3
Other fixed assets	3	0	(1)	(1)	1	(1)	(1)	1
Construction in progress	11	18	–	–	–	–	–	29
	81	19	(49)	(17)	12	(3)	(8)	43
Long-term financial assets								
Shareholdings in subsidiaries	938	1 807	(471)	–	–	–	–	2 274
Treasury shares	14	–	–	–	–	–	–	14
Other long-term equity investments	9	3	0	–	–	–	–	12
Other loan receivables	746	39	–	–	–	–	–	785
	1 707	1 849	(471)	–	–	–	–	3 085
Total fixed assets	1 798	1 872	(520)	(20)	12	(4)	(12)	3 138

€ million	2002	2001
9. Shareholders' equity		
Share capital on Jan. 1	**212.0**	211.7
Share offering	**79.8**	–
Converted bonds	**1.5**	0.3
Share capital on Dec. 31	**293.3**	212.0
Unregistered share capital on Jan. 1	**–**	–
Share offering	**0.2**	–
Unregistered share capital on Dec. 31	**0.2**	–
Premium fund on Jan. 1	**408.5**	407.3
Share offering	**219.9**	–
Gain on the sale of subscription rights on treasury shares	**1.6**	–
Converted bonds	**6.4**	1.2
Premium fund on Dec. 31	**636.4**	408.5
Treasury shares	**13.6**	13.6
Retained earnings on Jan. 1	**45.9**	66.8
Prior year's profit	**113.8**	93.0
Dividends paid	**(75.2)**	(99.6)
Acquisition of treasury shares	**–**	(13.6)
Change in accounting principles	**–**	(0.7)
Retained earnings on Dec. 31	**84.5**	45.9
Profit for the financial year	**543.9**	113.8
Total shareholders' equity on Dec. 31	**1 571.9**	793.8
Distributable funds		
Retained earnings on Dec. 31	**84.5**	45.9
Profit for the financial year	**543.9**	113.8
Distributable funds on Dec. 31	**628.4**	159.7
10. Receivables and liabilities		
Receivables		
Accounts receivable	**19**	12
Loans receivable	**560**	247
Prepaid expenses and accrued income	**23**	23
Other receivables	**123**	62
	725	344
Long-term liabilities		
Interest-bearing		
Convertible bonds	**7**	15
Loans from financial institutions	**591**	491
Pension loans	**66**	74
Other long-term loans	**2**	0
	666	580
Non interest-bearing		
Other long-term liabilities	**–**	0
Current liabilities		
Interest-bearing		
Loans from financial institutions	**638**	80
Pension loans	**9**	8
Other current loans	**817**	386
	1 464	474
Non interest-bearing		
Accounts payable	**12**	11
Accrued expenses and prepaid income	**16**	37
Other current liabilities	**200**	323
	228	371
Total liabilities	**2 358**	1 425

€ million	2002	2001
Receivables from and liabilities to subsidiaries		
Long-term receivables		
Loans receivable	**777**	735
Current receivables		
Loans receivable	**555**	242
Accounts receivable	**18**	12
Prepaid expenses and accrued income	**8**	20
Other receivables	**90**	56
	671	330
Current liabilities		
Current loans	**366**	230
Accounts payable	**2**	1
Accrued expenses and prepaid income	**1**	5
Other current liabilities	**185**	316
	554	552
Receivables from associated companies		
Long-term		
Loans receivable	**2**	7
Current		
Prepaid expenses and accrued income	**0**	0
Prepaid expenses and accrued income		
Accrued exchange difference	**1**	7
Prepaid interest expenses and accrued interest income	**11**	11
Prepaid income taxes and income tax refunds receivable	**10**	0
Other	**1**	5
	23	23
Accrued expenses and prepaid income		
Accrued employee related expenses	**3**	2
Accrued exchange difference	**–**	19
Accrued interest expenses and prepaid interest income	**12**	7
Other	**1**	9
	16	37

11. Commitments and contingent liabilities

Pledges on Dec. 31		
Mortgages to secure own borrowings	**59**	59
Guarantees on Dec. 31		
On behalf of subsidiaries		
For financing	**127**	168
For other commitments	**95**	109
On behalf of other parties		
For financing	**0**	0
	222	277

Mortgages are given mostly to secure pension loans.

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

Minimum future lease payments on operating leases on Dec. 31		
In 2003	**5**	0
Thereafter	**53**	1
	58	1

Outokumpu Oyj's shares and shareholders

Shares and share capital

Outokumpu Oyj's fully paid and registered share capital on December 31, 2002 amounted to EUR 293 278 242.10 and consisted of 172 516 613 shares. On January 3, 2003, following the registration of the secondary subscriptions in the rights offering arranged between November 28 and December 17, 2002, the share capital increased to EUR 293 520 502.30 and consisted of 172 659 119 shares. The account equivalent value of a share is EUR 1.70. Each share entitles to one vote at general meetings of shareholders. The shares of the Company were entered in the Finnish Book-Entry Securities System on February 11, 1994.

Pursuant to the Articles of Association, the share capital of Outokumpu Oyj may not be less than EUR 150 000 000 nor more than EUR 600 000 000. The issued share capital may be increased or decreased within these limits without amending the Articles of Association.

Listing of shares

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

Treasury shares

The Company holds 1 406 000 treasury shares, which represent 0.8% of the Company's registered share capital and voting rights. The repurchases have been made between April 9 and November 27, 2001.

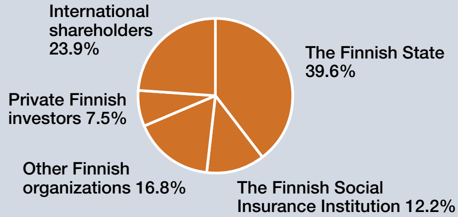
State ownership

The Finnish State holds 39.6% of the Company's shares and voting rights. In accordance with a decision taken by the Finnish Parliament in June 2001, the Finnish Government can reduce the State's shareholding to 10%. Reduction below this limit would require a new resolution by the Finnish Parliament.

Redemption obligation

Pursuant to the Company's Articles of Association, a shareholder whose shareholding or aggregate voting rights reaches or exceeds 33 1/3 or 50% shall upon request by other shareholders purchase their shares in the manner and at the price specified in the Articles of Association. The redemption obligation does not apply to a shareholder whose proportion of shares or voting rights had equaled or exceeded any of the said thresholds prior to the registration of this redemption obligation with the Finnish Trade Register on May 18, 1994 or as long as the proportion continues to exceed such a threshold.

Shareholders by group
January 10, 2003



Rights offering in 2002

On November 14, 2002, the Extraordinary General Meeting of shareholders authorized the Board of Directors to increase the Company's share capital through a rights offering based on the pre-emptive subscription right of shareholders. On the basis of this authorization, the share capital could be increased by a maximum of EUR 213 425 310.

On November 22, 2002, the Board of Directors decided pursuant to the above authorization, to increase the Company's share capital through a rights offering based on the pre-emptive subscription right of shareholders by a maximum of EUR 80 047 743.60 by issuing no more than 47 086 908 shares. The shares issued represented a maximum of 37.5% of the shares and voting rights in the Company prior to the rights offering.

The main terms and conditions of the rights offering were as follows:

– The subscription period was from November 28 through December 17, 2002;
– The subscription price was EUR 6.37 per share;
– A shareholder was entitled to subscribe for three new shares for every eight shares held on the record date of November 27, 2002;

Outokumpu Oyj's shares and shareholders

Principal shareholders on January 10, 2003

Shareholder	Shares	%
The Finnish State	68 440 597	39.6
The Finnish Social Insurance Institution	21 031 248	12.2
Varma-Sampo Mutual Pension Insurance Company	2 241 354	1.3
Pension Insurance Company Ilmarinen Ltd.	2 200 236	1.3
Outokumpu Oyj	1 406 000	0.8
Finnish State Pension Fund	893 750	0.5
LEL Pension Fund	846 736	0.5
FIM Forte Investment Fund	838 000	0.5
Fortum Pension Foundation	716 236	0.4
Tapiola Mutual Pension Insurance Company	649 236	0.4
Nominee accounts held at custodian banks [1)]	40 444 149	23.4
Other shareholders total	32 951 577	19.1
Total number of shares	172 659 119	100.0

[1)] Companies belonging to the Capital Group Companies, Inc. own 5.3% of Outokumpu shares (notified July 14, 2000), Fidelity International Limited owns 4.9% of the Company shares (notified September 20, 2002) and Franklin Resources Inc. owns 3.7% of the Company shares (notified January 3, 2003). In addition, Franklin Resources Inc. has 1.3% holding of the Company voting rights under account management agreements.

Shareholders by group on January 10, 2003

Shareholder group	Shares	%
Privately held companies	4 583 393	2.7
Publicly held companies	60 642	0.0
Financial and insurance institutions	10 310 365	6.0
The public sector and public organizations		
The Finnish State	68 440 597	39.6
The Finnish Social Insurance Institution	21 031 248	12.2
Occupational pension schemes	10 947 644	6.3
Other	184 438	0.1
Non-profit organizations	2 865 375	1.7
Households/private persons	12 975 568	7.5
International shareholders	41 254 981	23.9
Shares not transferred to book-entry securities system	4 868	0.0
Total	172 659 119	100.0

Distribution of shareholding on January 10, 2003

Number of shares	Number of shareholders	% of shareholders	Total shares	% of share capital	Average shareholding
1–100	1 579	12.4	86 385	0.1	55
101–500	4 759	37.3	1 250 547	0.7	263
501–1 000	2 405	18.9	1 721 452	1.0	716
1 001–10 000	3 710	29.1	10 293 062	6.0	2 774
10 001–100 000	237	1.9	6 194 638	3.6	26 138
100 001–1 000 000	58	0.4	17 344 583	10.0	299 045
over 1 000 000	5	0.0	95 319 435	55.2	19 063 887
	12 753	100.0	132 210 102	76.6	10 367
Nominee accounts held at custodian banks			40 444 149	23.4	
Shares not transferred to book-entry securities system			4 868	0.0	
Total			172 659 119	100.0	

– A shareholder who exercised all or part of his primary subscription rights was on the basis of the secondary subscription right able to subscribe for new shares not subscribed for in the primary subscription, and;
– The new shares entitle their holders to full dividends for 2002.

Outokumpu sold on the Helsinki Exchanges all of its subscription rights received in the rights offering with respect to its treasury shares.

Altogether 46 944 402 shares were subscribed for through the exercise of the primary subscription rights, which represented 99.7% of all the shares offered. In addition, 3 154 808 shares were subscribed for in the secondary subscription, which exceeded the 142 506 shares available by more than twenty times. Almost 9 500 investors participated in the primary subscription and nearly 3 300 in the secondary subscription.

The shares subscribed for in the secondary subscription were allocated to the subscribers in proportion to their respective shareholdings on the record date of the rights offering, however, so that each shareholder received no more than the maximum number of shares based on his subscription commitment.

The Company raised EUR 299 943 604 of new capital through the rights offering. The fully paid increase in share capital was entered in the Finnish Trade Register for the primary subscription on December 23, 2002 and for the secondary subscription on January 3, 2003.

Authorization to increase the share capital of the Company

On April 8, 2002, the Annual General Meeting authorized the Board of Directors to increase the share capital of the Company through an issue of new shares, stock options and convertible bonds. Based on this authorization, the share capital may be increased by a maximum of EUR 21 199 008.50. The authorization provides for a deviation from the shareholders' pre-emptive right to subscribe for new shares and is valid until April 8, 2003. The Company has not used this authorization.

Authorization to repurchase the Company's own shares

On April 8, 2002, the Annual General Meeting authorized the Board of Directors to decide to repurchase the Company's own shares. At the maximum 6 235 002 shares may be repurchased. The authorization is valid until April 8, 2003. The Company has not used this authorization.

Authorization to transfer the Company's own shares

On April 8, 2002, the Annual General Meeting authorized the Board of Directors to decide on the transfer of the Company's own shares. At the maximum 6 235 002 shares acquired by the Company can be transferred. The Board of Directors may decide to allow the transfer of shares in deviation from the shareholders' pre-emptive rights. The authorization is valid until April 8, 2003. The Company has not used this authorization.

1998 management option program

In March 1998, the Board of Directors decided pursuant to an authorization granted by the Annual General Meeting to offer option warrants, in deviation from the pre-emptive right of shareholders, for subscription of employees in management position in the Outokumpu Group. A total of 2 600 option warrants that are based on a reference index model were issued. The option warrants are exercisable from May 2, 2001 through March 31, 2004. In the beginning of the subscription period, 94 members of the management held option warrants. A total of 16 option warrants were returned to the Company and annulled on October 30, 2001.

On November 22, 2002, the Board of Directors decided, in accordance with the terms and conditions of the option warrants, on a change in the share subscription price and the number of shares to be subscribed for under the option program in the view of the rights offering, in a manner that safeguards equal treatment of holders of option warrants and shareholders. Accordingly, each option warrant entitles holders thereof to subscribe for 1 097.56 shares of the Company at a price of EUR 8.96 per share. Dividends paid annually will be deducted from the subscription price.

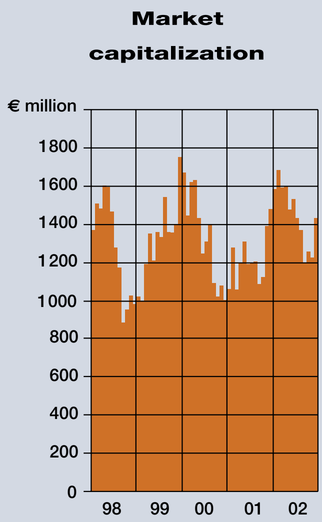
Following the amendment of the terms and conditions of the option program, the outstanding option warrants entitle the holders to subscribe for a maximum of 2 836 095 shares and the Company's share capital may be increased by a maximum of EUR 4 821 361.50, representing 1.6% of the Company's outstanding shares and voting rights. As of December 31, 2002 no shares had been subscribed with option warrants.

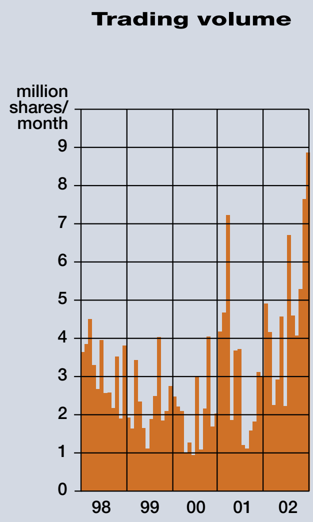
The option warrants have been traded on the Helsinki Exchanges since June 21, 2001.

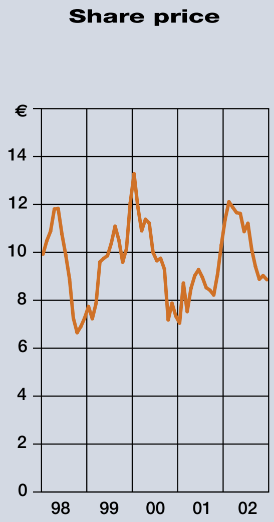
1999 convertible bonds to personnel

In February 1999, the Board of Directors decided, pursuant to an authorization granted by the Annual General Meeting, to issue convertible bonds, in deviation from the pre-emptive right of shareholders, to the personnel of the Outokumpu Group. The convertible bonds form a part of the incentive pro-

Outokumpu Oyj's shares and shareholders







Increase in share capital 1998–2003

	Number of shares	Share capital €
Share capital on Jan. 1, 1998	124 529 660	209 443 852.98
Bonus issue on Apr. 28, 1999	–	211 700 422.00
Share subscriptions under the 1999 convertible bond		
Apr. 9–Nov. 30, 2001	+170 390	211 990 085.00
Apr. 8–Nov. 29, 2002	+872 161	213 472 758.70
Rights offering Nov. 28–Dec. 17, 2002		
Primary subscriptions registered on Dec. 23, 2002	+46 944 402	293 278 242.10
Share capital on Dec. 31, 2002	172 516 613	293 278 242.10
Rights offering Nov. 28–Dec. 17, 2002		
Secondary subscriptions registered on Jan. 3, 2003	+142 506	293 520 502.30
Share capital on Jan. 3, 2003	172 659 119	293 520 502.30

gram for the personnel of the Outokumpu Group. The convertible bonds were issued on April 7, 1999. The loan period is five years and the annual interest rate is 3.75%. The conversion period commenced on April 9, 2001 and will end on April 5, 2004. The convertible bonds were primarily offered for subscription to those permanently employed by the Outokumpu Group in Finland and secondarily to the Personnel Fund of the Outokumpu Group in Finland. A total of 742 employees of the Outokumpu Group subscribed for the convertible bonds and the aggregate amount of the convertible bond was confirmed at EUR 18 180 000.

On November 22, 2002, the Board of Directors decided, in accordance with the terms and conditions of the convertible bonds, to increase the number of shares into which the convertible bonds can be converted in the light of the rights offering, in a manner that safeguards equal treatment of holders of convertible bonds and shareholders. Accordingly, each convertible bond of EUR 1 000 can be converted into 120.73 Company shares at a conversion price of EUR 8.28 per share.

As of December 31, 2002, a total of 1 042 551 Company shares had been subscribed for under the convertible bond program. Issued and outstanding convertible bonds amounted to EUR 6 743 000 on December 31, 2002. Following the amendment of the terms and conditions of the convertible bonds, holders are entitled to subscribe for a total maximum of 814 082 Company shares. As a result of the subscriptions, the Company's share capital may be increased by a maximum of EUR 1 383 940.10, representing 0.5% of the Company's shares and voting rights following the rights offering.

2000–2002 share remuneration schemes for management

In March 2000, the Annual General Meeting approved a share remuneration scheme as part of the incentive program for the Company's management and other key personnel. There are three separate remuneration periods, each with a term of three years. The periods commenced on January 1, 2000, January 1, 2001 and January 1, 2002. At the end of 2002, the scheme for 2000 included 149 persons, that for 2001 158 persons and that for 2002 169 persons. The Board of Directors has determined the persons entitled to participate in the scheme for each remuneration period.

Pursuant to the scheme, the remuneration is based on the relative performance of the Company's share price, subject to the condition that the average change in Outokumpu's share price equal or exceed the average trend in the reference index. Maximum remuneration will be paid when the average change in the Company's share price exceed the average trend in the reference index by a minimum of 15%. The reference index consists of a combination of the Dow Jones World Mining (40%) and the Dow Jones Europe Steel indices (60%). The remuneration under the remuneration schemes is to be paid 60% in cash and 40% in Outokumpu shares. Under the terms of the remuneration scheme, the shares received under the scheme must not be sold for at least one year from their receipt.

If the persons belonging to the share remuneration scheme were to receive the number of shares according to the maximum remuneration, their shareholding obtained via share remuneration would amount to 0.5% of the Company's shares and voting rights following the rights offering.

On February 17, 2003, the Company's Board of Directors approved the maximum remuneration for the first period. An estimated 280 390 treasury shares will be transferred to the participants on February 19, 2003.

Management shareholding

On January 10, 2003, members of the Board of Directors and the Group Executive Committee held a total of 46 886 Company shares, representing 0.03% of the Company's shares and voting rights.

In addition, members of the Group Executive Committee are entitled to subscribe for a total of 536 705 Company shares under the 1998 management option program and a total of 34 284 Company shares under the 1999 convertible bonds to personnel. If the members of the Group Executive Committee were to receive the maximum number of shares under the share remuneration scheme, their aggregate shareholding would increase by some 85 000 shares. If the subscription rights were exercised in full and if the share remuneration scheme yielded the maximum number of shares, the members of the Group Executive Committee would hold 0.3% of the Company shares and voting rights pursuant to the option warrants, 0.02% pursuant to the convertible bonds, and 0.05% pursuant to the share remuneration scheme.

Management shareholding is presented in greater detail on pages 90 and 92–95.

Price development and trading volume of shares and option warrants

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

Share-related key figures [1)]

		1998	1999	2000	2001	**2002**
Earnings per share (excluding extraordinary items)	€	0.05	0.71	2.15	0.55	**1.15**
Earnings per share	€	0.05	0.71	2.29	0.55	**1.15**
Cash flow per share	€	2.16	0.72	1.81	2.52	**2.42**
Shareholders' equity per share	€	9.11	9.85	11.70	11.37	**11.14**
Dividend per share	€	0.07	0.23	0.72	0.55	**0.40** [2)]
Dividend/earnings ratio	%	140.0	32.4	33.5	100.0	**43.5**
Dividend yield	%	1.0	1.8	9.9	5.1	**4.8**
Price/earnings ratio		142.4	17.9	3.4	19.4	**7.2**
Development of share price						
Average trading price	€	9.54	9.74	9.74	8.50	**10.28**
Lowest trading price	€	5.67	6.56	6.56	6.42	**8.14**
Highest trading price	€	12.94	13.57	14.29	10.81	**12.67**
Trading price at the end of period	€	7.12	12.71	7.28	10.72	**8.30**
Change during the period	%	(29.6)	78.5	(42.7)	47.2	**(22.6)**
Change in the HEX-index during the period	%	68.5	162.0	(10.6)	(32.4)	**(34.4)**
Market capitalization at the end of period	€ million	980	1 750	1 002	1 461	**1 420**
Development in trading volume [3)]						
Trading volume	1 000 shares	38 456	27 204	24 028	37 155	**58 198**
In relation to weighted average number of shares	%	27.9	19.8	17.4	27.1	**42.3**
Average number of shares		137 643 380	137 643 380	137 643 380	137 127 433 [5)]	**137 658 458** [4), 5)]
Number of shares at the end of period		137 643 380	137 643 380	137 643 380	136 277 653 [5)]	**171 110 613** [5)]
1998 option warrants [6)]						
Price development						
Average trading price	€				2 278	**3 087**
Lowest trading price	€				2 278	**957**
Highest trading price	€				2 278	**3 672**
Trading price at the end of period	€				2 278	**1 051**
Trading volume	pcs.				40	**1 288**
Number at the end of period					2 584	**2 584**

[1)] The share-related key figures have been adjusted to reflect the rights offering in 2002 based on the pre-emptive subscription right of shareholders.

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

[3)] Trading volume on the Helsinki Exchanges.

[4)] The average number of shares for 2002, diluted with the warrants held by the Group's top management and convertible bond for the personnel, was 139 293 142. The items have a dilutive negative effect of EUR 0.01 on earnings per share figures for 2002.

[5)] Excluding treasury shares.

[6)] 1998 option warrants have been traded on the Helsinki Exchanges as of June 21, 2001. See page 83 for details.

Definitions of financial key figures are presented on page 61.

Outokumpu Oyj's corporate governance

The Outokumpu Group's parent company Outokumpu Oyj is a public limited liability company incorporated and domiciled in Finland. In its corporate governance and management, Outokumpu Oyj complies with Finnish legislation, Company's Articles of Association and the corporate governance principles confirmed by the Board of Directors. In addition, Outokumpu complies with the jointly prepared guidelines of the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers which are recommended by the Helsinki Exchanges, as well as the OECD Principles on Corporate Governance. Furthermore, Outokumpu complies with the regulations and recommendations of the Helsinki Exchanges.

Legal and operational structure of the Group

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

Most of the operational business units are legally part of the Outokumpu Group and are wholly owned subsidiaries of the Parent Company or other subsidiary. The Boards of Directors of these subsidiaries comprise persons belonging to the senior management of the Group and the company concerned and, in some companies, also of personnel representatives.

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

The Outokumpu Group's operational activities are organized into strategic business entities or Business Areas. These business areas are Stainless Steel, Copper Products and Metallurgy. In addition, there are separate business and other units that operate under the Parent Company.

The business areas consist of operational Business Units and/or groups of business units, i.e. Divisions reporting to the Group Executive Committee member in charge of that specific business area. Activities supporting businesses have been centralized into a separate Business Support Unit reporting to the Group Executive Committee member responsible for corporate administration. All operational business units have been given specific financial and operational targets.

Corporate Management consists of the President and CEO, Group Executive Committee members and others in senior management and specialist positions responsible for the tasks and duties of Corporate Management.

The tasks of Corporate Management include:
- Developing and implementing the Group strategy;
- Directing and supervising the business of the operational business units;
- Ensuring and allocating resources;
- Establishing and maintaining uniform principles and policies concerning key corporate functions;
- Establishing and maintaining efficient, uniform reporting and control systems;
- Creating a linkage and network between business units;
- Assisting the CEO; and
- Deciding on operational matters of considerable importance at the Group level.

Tasks and duties of the governing bodies

Annual General Meeting

The Annual General Meeting normally convenes once a year. The Finnish Companies Act provides that certain important decisions, such as the approval of the financial statements, decisions on the amount of dividends, amendments to the Articles of Association and election of the Board of Directors and the auditors, are the exclusive domain of the General Meeting of shareholders.

Outokumpu Oyj's corporate governance

Board of Directors

The Board of Directors of Outokumpu Oyj acts within the powers and responsibilities provided under the Finnish Companies Act and other applicable legislation. The Board has general authority to decide and act in all matters not reserved by law or under the provisions of the Articles of Association to other corporate governing bodies. The Board's general task is to organize the administration of the Company and appropriate management of its operations. The Board is also responsible for appointing the top management and supervising them. The Board shall at all times act in the best interests of the Company.

The Board's general policy is to direct the Company's business in a manner that results in maximum return on capital employed.

The principal duties of the Board of Directors are:

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

The Board may appoint permanent committees consisting of Board members and establish their working procedures. The committees report to the Board. The Board may also appoint temporary committees consisting of Board members to carry out specific tasks and the Board also handles their reports. At the moment the Board of Directors has no permanent committees. The Board reviews its procedures and practices regularly.

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

The Company's Articles of Association provide that the Board consists of no less than five and no more than eight members. The Annual General Meeting of 2002 elected eight members to the current Board, one of whom was elected following a proposal by employees based on their shareholdings. The CEO and President is not a Board member.

The Board normally convenes 6–10 times a year. Mainly due to the acquisition of the AvestaPolarit minority interst and the implemented rights offering the Board convened altogether 20 times in 2002. In case of equal votes, the Chairman has the deciding vote.

President

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

The Board of Directors appoints the President, Deputy President and, based on the President's proposal, the other members of the Group Executive Committee.

Group Executive Committee

The Group Executive Committee's task is to assist the President in the management of the Company, to prepare issues for decisions by the Board and the President, to act as an adviser to the President as well as to share information between the President, members of the Group Executive Committee and the businesses.

In addition, the Group Executive Committee reviews all the key issues concerning the management of the Company, among others the Group strategies, investments, acquisitions, reporting, corporate image, investor relations, remuneration and basic principles on both risk management and human resources, as well as supervises the Group's operations.

The Group Executive Committee includes the Business Area Presidents responsible for the operation of each business area. Furthermore, the Executive Vice Presidents in charge of certain corporate or specialist functions are Committee members. Executive Vice Presidents at the Group Executive Committee supervise and steer the operations of their respective responsibility areas throughout the Group. The Group Executive Committee members represent the Company and are thus authorized to sign for the company alone. In 2002, the Group Executive Committee consisted of eight members.

The Group Executive Committee convenes once or twice a month and discusses topical Group issues every week.

The business areas and operational business units have also their own executive committees appointed by persons responsible for the businesses. The task of members in these committees is, in addition to their own duties, to assist and advise the persons responsible for the management of the business. The responsibility of the operational management of the business lies solely, however, with the person responsible for that business.

Auditors

Pursuant to the Articles of Association, the Company must have at least one and at most two auditors. The auditors must be Authorized Public Accountants or Authorized Public Accountancy Companies approved by the Central Chambers of Commerce in Finland. The Annual General Meeting of shareholders elects the auditors for a term that ends at the close of the Annual General Meeting following the election.

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

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

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

The fees, salaries and employee benefits paid to the members of the Board of Directors and the Group Executive Committee in 2002 are presented below.

€	Salaries and fees with employee benefits	Performance-related bonuses	Total
Members of the Board of Directors [1]	205 854	–	205 854
President	412 469	60 668	473 137
Other Group Executive Committee members	1 012 787	61 306	1 074 093

[1] Excluding President's salary and bonuses.

No fee other than that decided by the Annual General Meeting will be paid to Board members. The performance-related bonus paid to the President and members of the Group Executive Committee in addition to their salary and employee benefits is based on the return on capital employed of the Group. In 2002, the maximum bonus was 40% (50% in 2003) of the annual salary based on basic monthly earnings.

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

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

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

The pension benefits of the President and the members of the Group Executive Committee are based on the Finnish Employees' Pensions Act (TEL). However, the Board of Directors may decide to allow the President and Group Executive Committee members to retire at the age of 60–65. The Group Executive Committee members employed by AvestaPolarit Oyj Abp are entitled to retire at the age of 60. In certain circumstances the President of AvestaPolarit Oyj Abp is entitled to retire already before the age of 60.

Share ownership and options

The number of Outokumpu Oyj shares held by the members of the Board of Directors and the Group Executive Committee on January 10, 2003, and the number of new shares they are entitled to subscribe under option warrants or convertible bonds and the number of shares that they received from the first remuneration period of the share remuneration scheme as well as the shares that determines the maximum remuneration in the subsequent two periods of the scheme are shown in the following table.

	Members of the Board of Directors	Group Executive Committee members
Number of shares	10 330	36 556
1998 option program	–	536 705
1999 convertible bond to personnel	–	34 284
2000 share remuneration scheme [1]	–	30 570
2001 share remuneration scheme [2]	–	58 640
2002 share remuneration scheme [2]	–	65 460

[1] On February 17, 2003, the Board of Directors confirmed the remuneration of the scheme that expired at the end of 2002. The table presents the estimate of the remuneration to be paid in Outokumpu shares.
[2] Number of shares that determines the maximum remuneration.

The holding of shares and option warrants of each member of the Board of Directors and the Group Executive Committee are presented on pages 92–95. The terms and conditions of the management's option warrants and share remuneration scheme as well as of the convertible bonds issued to personnel are explained in more detail on pages 83–85.

Control systems

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

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

The structural division of the Group into separate operational business units clearly channels financial responsibility within the Group and facilitates operational control and management of the various Group entities. Nevertheless, the status of AvestaPolarit as a separate listed company in 2002 meant that it was controlled mainly through the work of the company's Board of Directors and not comprehensively controlled through the Group's operational steering and control systems. As a listed company AvestaPolarit applied its own corporate covernance principles. When AvestaPolarit will cease to exist as a listed company, also the Stainless Steel business area will be covered by the common control system of the Group.

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

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

Financial and metal price risks are administered centrally by the Group's finance function. Uniform risk management principles have been established for the Group, under which the operational business units together with the finance function define and identify their financial and metal price risks. Risks are transferred to the internal bank operated by the finance function, which covers external risks according to agreed principles. These risks are reported regularly to the Group Executive Committee. In 2002, AvestaPolarit did not yet belong under the Group's centralized risk management policy but it will by and large be covered by it during 2003.

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

In 2002, a function of internal auditing was established for the Group. At the beginning it will consist of consultative auditing on issues separately agreed between the Group Executive Committee and the business areas. The focus will be at business risks and communication between the management and the business units. Internal auditing does close co-operation with the Group's financial control and the auditors.

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

Insider rules

Outokumpu applies insider rules similar in content with those of the Helsinki Exchanges.

Based on their position, the permanent insiders of Outokumpu include the members of the Board of Directors, the President and CEO, the members of the Group Executive Committee, the auditors and their deputies as well as the responsible auditor. Also the Corporate Senior Vice Presidents responsible for financial control, corporate communications, investor relations and administration as well the secretaries and assistants to the Executive Committee members are permanent insiders.

The insider rules also include guidelines regarding temporarily suspension from trading of the company shares. Individuals who in the course of their duties, in connection with a certain project, as a member of a cooperation committee or other working group, receive information that when made public may be apt to affect materially the value of the listed company's listed securities, are defined as temporary insiders. Also the external contacts, among others individuals who have auditing, consulting or other special assignments with the Group or otherwise receive information as defined above, are named as temporary insiders.

The corporate secretary is responsible for coordinating and supervising of insider issues.

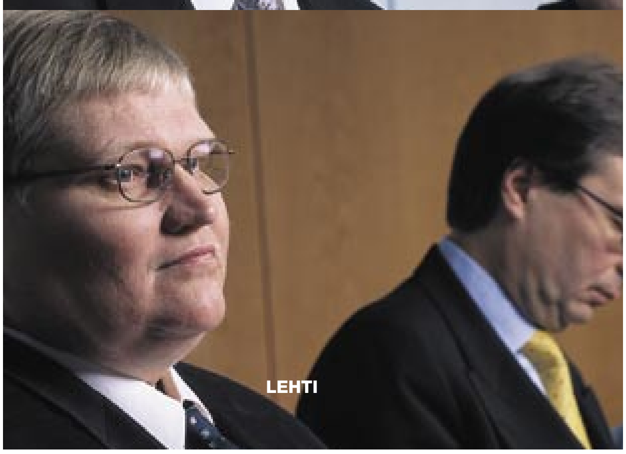
Board of Directors

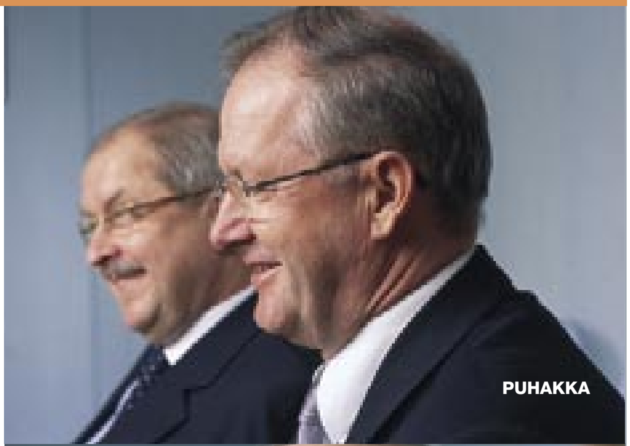
Chairman

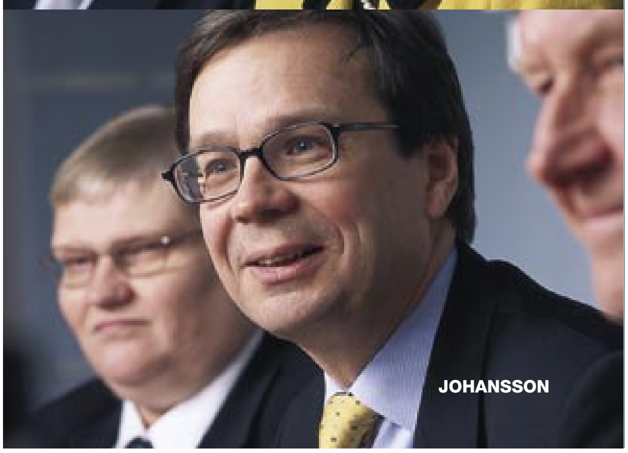
Gerhard Wendt, b. 1934, Ph.D.
Outokumpu Board Member and Chairman 1997–
Divisional General Manager 1972–88, President 1989–94: Kone Corporation
Chairman of the Board of Directors: Algol Oy, Helvar Merca Oy Ab
Board Member: Kone Corporation, Kyro Corporation, Vaisala Corporation
Owns no Outokumpu shares.

Vice Chairman

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







Members

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

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

Ole Johansson, b. 1951, B.Sc. (Econ.)
Outokumpu Board Member 2002–
President & CEO 2000– : Wärtsilä Corporation
Board Member: Confederation of Finnish Industry and Employers, Federation of Finnish Metal, Engineering and Electrotechnical Industries
Supervisory Board Member: Rautaruukki Group
Owns 1 789 Outokumpu shares.

Liisa Joronen, b. 1944, D.Ed., B.Sc. (Econ.)
Outokumpu Board Member 2000–
Chairman of the Board of Directors 1992–: SOL Palvelut Oy
Supervisory Board Member: Ilmarinen Mutual Pension Insurance Company
Owns 7 512 Outokumpu shares.

Heimo Karinen, b. 1939, M.Sc. (Eng.)
Outokumpu Board Member 1999–
Chairman and Chief Executive Officer: Kemira Oyj 1991–99
Board Member: Danisco A/S
Owns 1 029 Outokumpu shares.

Osmo Lehti, b. 1952, repairman
Outokumpu Board Member 2001–
Staff suggestions coordinator at Outokumpu Poricopper Oy 2003–, employed by the Outokumpu Group since 1983
Owns no Outokumpu shares.

Group Executive Committee

Jyrki Juusela, b. 1943, D.Tech.
CEO and President 1992–
Chairman of the Group Executive Committee 2000–
Responsibilities: Group management, IR & economic research, financial & business control
Board Member 1988–2002, Chairman of the Executive Board 1997–2000, employed by the Outokumpu Group since 1971
Vice Chairman of the Board of Directors: Sampo plc
Board Member: Inmet Mining Corporation, Confederation of Finnish Industry and Employers, Federation of Finnish Metal, Engineering and Electrotechnical Industries, Association of Finnish Steel and Metal Producers
Supervisory Board Member: Varma-Sampo Mutual Pension Insurance Company

Risto Virrankoski, b. 1946, B.Sc. (Econ.)
Deputy Chief Executive, Deputy President 2001–
Member of the Group Executive Committee 2000–, Vice Chairman of the Group Executive Committee 2001–
Responsibilities: business and strategy development, base metals mining, corporate communications
Board Member 1986–97, member of the Executive Board 1997–2000, employed by the Outokumpu Group since 1969
Board Member: VR Ltd (Finnish Railways)

Tapani Järvinen, b. 1946, Lic.Tech.
Executive Vice President – Metallurgy business area
Member of the Group Executive Committee 2000–
Responsibilities: Metallurgy, precious Metals Mines, Outokumpu Rossija, energy affairs, employed by the Outokumpu Group since 1985
Board Member: International Copper Association, Ltd., Eurométaux

Karri Kaitue, b. 1964, LL.Lic
Executive Vice President – AvestaPolarit
Member of the Group Executive Committee 2002–
Responsibilities: business and strategy development of AvestaPolarit, employed by the Outokumpu Group since 1990

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

Pekka Erkkilä was appointed to the Group Executive Committee on February 17, 2003. He will take over the responsibility for the Stainless Steel business area and be President of AvestaPolarit as of June 1, 2003. Erkkilä succeeds Ossi Virolainen who will retire on May 31, 2003.

Juho Mäkinen, b. 1945, D.Tech.
Executive Vice President – Technology
Member of the Group Executive Committee 2000–
Responsibilities: HR, EHS, technology affairs, quality issues
Board Member 1996–97, Member of the Group Executive Board 1997–2000, employed by the Outokumpu Group since 1975
Vice Chairman of the Board of Directors: Okmetic Oyj, Neorem Magnets Oy
Board Member: Espoo Chamber of Commerce

Kalevi Nikkilä, b. 1945, D.Tech.
Executive Vice President – Copper Products business area
Member of the Group Executive Committee 2000–
Responsibilities: Copper Products, Group commercial affairs, employed by the Outokumpu Group since 1991
Board Member: International Copper Association, Ltd., International Wrought Copper Council

Ossi Virolainen, b. 1944, B.Sc. (Econ.), L.L.M.
Executive Vice President – Stainless Steel business area, President and CEO of AvestaPolarit
Member of the Group Executive Committee 2000–2001, 2002–
Responsibilities: Stainless Steel
Board Member 1983–97, Vice Chairman of the Group Executive Board 1997–2000, Deputy Chief Executive, Deputy President 1992–2001, employed by the Outokumpu Group since 1967
Vice Chairman of the Board of Directors: Elisa Communications Corporation, European Confederation of Iron and Steel Industries

Shares and options of the Group Executive Committee members

Outokumpu Oyj shares held by the Group Executive Committee members, and new shares they can subscribe pursuant to the option warrants and the convertible bond, as well as the shares received from the first remuneration scheme and the number of shares that determines the maximum remuneration for the other two share remuneration schemes were as follows on January 10, 2003:

Other key managers at Corporate Management

Jaakko Ahotupa, Corporate Administration and Industrial Relations, Corporate Secretary
Petri Fernström, Business Support Unit
Pekka Hynynen, Corporate Business Development
Kari Lassila, Investor Relations, Corporate Development
Kauko Laukkanen, Internal Auditing
Eero Mustala, Corporate Communications
Raimo Rantanen, Corporate Research and Development
Vesa-Pekka Takala, Corporate Controller

Business unit management

Stainless Steel
Pekka Erkkilä, Coil Products
Antti Närhi, Special Products
Mike Rinker, North America

Copper Products
Warren Bartel, Americas
Ari Ingman, Europe
Staffan Anger, Automotive Heat Exchangers
Hannu Wahlroos, Appliance Heat Exchangers & Asia

Metallurgy
Harri Natunen, Zinc
Jukka Järvinen, Harjavalta Metals
Pekka Heikkonen, Technology
Kari Knuutila, Metallurgical research

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

	Shares	1998 option program	1999 convertible bond to personnel	2000 share remuneration scheme [1]	2001 share remuneration scheme [2]	2002 share remuneration scheme [2]
Jyrki Juusela	24 773	153 658	–	7 050	19 170	18 930
Risto Virrankoski	–	76 829	8 571	4 110	9 980	10 900
Tapani Järvinen	2 572	57 073	–	3 570	8 150	10 130
Karri Kaitue	–	–	–	1 920	–	–
Esa Lager	–	49 390	8 571	2 310	4 840	7 210
Juho Mäkinen	6 875	76 829	–	3 930	8 480	8 340
Kalevi Nikkilä	2 336	76 829	8 571	3 090	8 020	9 950
Ossi Virolainen	–	46 097	8 571	4 590	–	–

[1] On February 17, 2003, the Board of Directors confirmed the remuneration for the scheme that expired at the end of 2002. The table presents the estimate of the remuneration to be paid in Outokumpu shares.
[2] Number of shares that determines the maximum remuneration.

Investor and shareholder information

Annual General Meeting

The Annual General Meeting of Outokumpu Oyj will be held at Dipoli Congress Centre in Espoo, Finland at 1.00 pm on Thursday, April 3, 2003.

In order to attend the Annual General Meeting, shareholders must be registered in the shareholders' register maintained by the Finnish Central Securities Depository Ltd. (Suomen Arvopaperikeskus Oy) no later than March 24, 2003. Nominee registered shareholders should temporarily re-register the shares under their own name to allow them to attend the Meeting. Such re-registration must be made no later than March 24, 2003.

Shareholders who wish to attend the Annual General Meeting must notify the company no later than March 28, 2003 at 4.00 pm (Finnish time). Notification can be made by telephone +358 9 421 2813, by fax +358 9 421 2920 or by e-mail agm@outokumpu.com. Notification can also be made by a letter addressed to Outokumpu Oyj, Share Register, P.O. Box 140, 02201 Espoo, Finland. The letter must be received by the company on March 28, 2003 at the latest.

A shareholder may attend and vote at the Meeting in person or by proxy. However, in accordance with Finnish practice the company does not send proxy forms to its shareholders. Shareholders wishing to vote by proxy should submit their own proxy forms to the company no later than March 28, 2003.

Dividend

The Board of Directors proposes a dividend of EUR 0.40 for 2002.

Annual General Meeting and payment of dividends in 2003

Annual General Meeting	April 3
Ex-dividend date	April 4
Dividend record date	April 8
Payment of dividends	April 15

Financial reports in 2003

Financial statements bulletin	February 17
Annual report	Week starting March 24
First quarter interim report	April 24
Second quarter interim report	July 24
Third quarter interim report	October 23

The annual reports and interim reports as well as stock exchange and press releases are published in Finnish and in English. They are available at the Group's home page at www.outokumpu.com. At the home page you can also subscribe to e-mailing lists of press releases as well as to the mailing list of printed annual reports. Financial reports can also be obtained from Outokumpu Oyj/Corporate Communications, Riihitontuntie 7 B, P.O. Box 140, 02201 Espoo, Finland, tel. +358 9 421 2416, fax +358 9 421 2429 or e-mail corporate.comms@outokumpu.com

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

Outokumpu share basics

Listing	Helsinki Exchanges
Trading symbol	OUT1V
Trading lot	200 pcs.
Number of shares	172 659 119 (January 3, 2003)

Investor relations

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

Johanna Sintonen
Manager - Investor and Media Relations
Tel. +358 9 421 2438, fax +358 9 421 2429
E-mail: johanna.sintonen@outokumpu.com

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

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

Analysts covering Outokumpu

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

Company/analyst	Tel.	E-mail
Alfred Berg Fondkommission AB		
Markus Steinby	+46 8 5723 5979	markus.steinby@alfredberg.fi
BNP Paribas		
Steel, Metals & Mining team	+44 20 7595 3589	charles.kernot@bnpparibas.com
D. Carnegie AB		
Johan Sjöberg	+46 8 676 8800	johsjo@carnegie.se
Conventum Securities Limited		
Tuomas Hirvonen	+358 9 2312 3322	tuomas.hirvonen@conventum.fi
Credit Lyonnais Securities		
Ken Hughes	+44 20 7214 5581	ken.hughes@clse.com
Deutsche Bank AG		
Carl-Henrik Frejborg	+358 9 2525 2551	carl-henrik.frejborg@db.com
Dresdner Kleinwort Wasserstein		
Simon Toyne	+44 20 7475 2464	simon.toyne@drkw.com
Enskilda Securities AB		
Johan Lindh	+358 9 6162 8726	johan.lindh@enskilda.fi
Evli Bank Plc		
Pekka Spolander	+358 9 4766 9201	pekka.spolander@evli.com
Goldman Sachs International		
Edward Maravanyika	+44 20 7774 5198	edward.maravanyika@gs.com
Handelsbanken Capital Markets		
Gustav Lucander	+358 10 444 2409	gustav.lucander@handelsbanken.fi
HSBC Securities		
Julien Onillon	+33 1 5652 4321	julien.onillon@hsbcib.com
ING Financial Markets		
Luc Pez	+33 1 5639 3817	luc.pez@ing.fr
J.P. Morgan		
Albert Minassian	+44 20 7325 1288	albert.minassian@jpmorgan.com
Mandatum Stockbrokers Limited		
Ari Laakso	+358 10 236 4710	ari.laakso@mandatum.fi
Merrill Lynch		
Russell Skirrow	+44 20 7996 4723	russell_skirrow@ml.com
Nordea Securities Limited		
Annika Seppänen	+358 9 3694 9425	annika.seppanen@nordeasecurities.com
RBC Capital Markets		
Cliff Hale-Sanders	+1 416 842 7892	clifford.hale-sanders@rbccm.com

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

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