AvestaPolarit STAINLESS

PRESS RELEASE
Stockholm, 13 February 2002 at 16:30 hrs

AvestaPolarit Annual Accounts 2001

First financial year for the combined new Group

- Stainless steel markets weakened considerably in 2001. The trading environment was extremely difficult and average stainless steel transaction prices and conversion margins were 20% below last year's levels. Against this background, the financial result for 2001 can be considered satisfactory.
- Both net sales and operating profit for the financial year were significantly down compared to 2000, as a result of lower prices and reduced deliveries. Net sales for 2001 amounted to EUR 2 977 million (EUR 3 592 million), operating profit to EUR 141 million (EUR 479 million) and profit before extraordinary items to EUR 131 million (EUR 460 million).
- The integration process following the combination of Avesta Sheffield and Outokumpu Steel has proceeded well.
- The Board of Directors recommends to the Annual General meeting that a dividend of EUR 0.08 per share be paid out for 2001.

Fourth quarter still difficult

- Net sales for October to December increased by 8% from the third quarter and totalled EUR 679 million (EUR 875 million). Fourth quarter profitability improved from the third quarter, but was down compared to the corresponding period of the previous year as a result of lower prices and a decline in deliveries. The operating profit for October to December amounted to EUR 23 million (EUR 54 million).
- AvestaPolarit expects to see an improvement in its profitability for the first quarter of 2002 compared to the last quarter of 2001.

Key figures

		Pro forma		
EUR million	**Oct-Dec 2001**	Oct-Dec 2000	**Jan-Dec 2001**	Jan-Dec 2000
Net sales	**679**	875	**2 977**	3 592
Operating profit	**23**	54	**141**	479
Profit before extraordinary items	**21**	52	**131**	460
Profit for the financial period	**29**	30	**112**	342
Earnings per share, EUR	**0.08**	0.09	**0.32**	0.98
Return on capital employed, %	**4.5**	11.1	**7.0**	25.7
Net interest-bearing debt at period end	**482**	269	**482**	269
Debt-to-equity ratio (gearing), %	**39.7**	22.8	**39.7**	22.8

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

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AvestaPolarit STAINLESS

PRESS RELEASE
Stockholm, 13 February 2002 at 16:30 hrs

Summary of Directors' Report 2001

Difficult year in stainless steel market

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

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

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

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

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

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

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

Sharp drop in net sales

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

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

In relative terms, the biggest decline in net sales was recorded by the Coil Products business area, which reported a fall of 17%. With the exception of Long Products, all Special Products business units reported lower net sales for the year and, overall, the business area recorded a fall of 12%. In North America, net sales were down 12%.

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

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

Profitability hit by low prices and decreased deliveries

The operating profit for the 2001 financial year dropped sharply compared to the previous year and amounted to EUR 141 million (EUR 479 million). The fall in profitability resulted from a decline in deliveries, shrinking conversion margins and the effect of reductions in nickel prices, which created a negative price change in inventories of EUR 94 million. As a result of the upturn in nickel prices from mid-

October and a stock turnover of some three months, most business units still reported a negative price change in inventories in the fourth quarter. The full year result was also affected by some production difficulties during the third quarter.

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

Operating profit – pro forma EUR million	**Jan-Dec** **2001**	Jan-Dec 2000	Change %
Coil Products	**77**	341	-77
Special Products	**26**	104	-75
North America	**-6**	11	-155
Other operations	**-4**	50	-108
Amortisation of negative goodwill	**45**	0	
Intra-group items	**3**	-27	
Total for the Group	**141**	479	-71

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

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

Financial position strong

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

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

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

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

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

Tornio expansion to be completed by the end of 2002

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

Capital expenditure – pro forma EUR million	**Jan-Dec** **2001**	Jan-Dec 2000
Coil Products	**357**	123
Special Products	**27**	19
North America	**3**	3
Other operations	**21**	14
Total for the Group	**408**	159

Post-merger integration proceeded well

The integration process following the combination of Avesta Sheffield AB and Outokumpu Steel Oyj on 22 January 2001 has proceeded well and the work of numerous integration teams to exploit synergies from the merger is progressing according to plan. The projected annual synergies are considered well within reach and are expected to be realised in full by 2005, with the greater part by the end of 2003. It is now anticipated that synergies in excess of the originally announced EUR 100 million will be reached. Around EUR 18 million had been secured by the end of 2001.

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

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

Global sales and marketing network streamlined

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

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

Focus on integration and multicultural competence development

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

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

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

At the year-end, the Group employed 9 004 people in 35 countries. The increase of personnel in Coil Products results from employees taken on in preparation for the Tornio expansion.

Environmental issues highlighted

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

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

R&D engaged in both process and product development

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

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

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

Initiatives taken to enhance internal efficiency

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

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

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

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

Short-term outlook still uncertain

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

The stainless steel market is also affected by the uncertainties of the economic outlook. European stock levels are normal, which indicates that short-term demand should reflect underlying consumption. Apparent consumption is expected to improve in 2002. Stainless steel prices remained stable during the fourth quarter of 2001 and some price increases are expected during the first two quarters of 2002. Nickel prices strengthened during the fourth quarter but its price volatility continues, which increases the uncertainty as regards the development of stainless steel prices.

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

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

Board of Directors' proposal for profit distribution

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

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

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

Stockholm, 13 February 2002

AvestaPolarit Oyj Abp

Financial reporting
The Annual Report for 2001 will be published during the week commencing 25 March 2002. Interim report for the first quarter of 2002 will be published on 26 April, the second quarter on 25 July and the third quarter on 24 October 2002.

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CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

INCOME STATEMENT (summary)

EUR million	**Jan-Dec 2001[1]**	Jan-Dec 2000[2]	**Oct-Dec 2001**	Pro forma[3] Oct-Dec 2000	Pro forma[3] **Jan-Dec 2001**	Pro forma[3] Jan-Dec 2000[4]
Net sales	**2 851**	1 177	**679**	875	**2 977**	3 592
Cost and expenses	**-2 764**	-930	**-673**	-820	**-2 888**	-3 159
Unusual items	**-**	-	**-**	-	**-**	42
Amortisation of negative goodwill	**45**	-	**12**	-	**45**	-
Other operating income and expenses	**7**	-1	**5**	-1	**7**	4
Operating profit	**139**	246	**23**	54	**141**	479
Equity earnings in associated companies	**-0**	-	**-0**	2	**-0**	2
Financial income and expenses	**-10**	-5	**-2**	-4	**-10**	-21
Profit before extraordinary items	**129**	241	**21**	52	**131**	460
Extraordinary items	**-**	-102	**-**	-	**-**	-
Income taxes	**-16**	-38	**8**	-21	**-18**	-116
Minority interest in earnings	**-1**	-	**0**	-1	**-1**	-2
Profit for the financial period	**112**	101	**29**	30	**112**	342
Earnings per share, EUR	**0.33**	0.52	**0.08**	0.09	**0.32**	0.98

[1] Avesta Sheffield has been consolidated into AvestaPolarit as of 23 January 2001.
[2] Includes Outokumpu Steel only, inventory valuation based on FIFO.
[3] In the pro forma figures, Avesta Sheffield has been consolidated into AvestaPolarit for the whole period and the group contributions granted and received by Outokumpu Steel have been eliminated from the consolidated income statement and the respective tax effect (29%) added to current taxes.
[4] Avesta Sheffield's net sales for the period 1-22 January 2000 amounted to EUR 121 million and operating profit to EUR 13 million.

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BALANCE SHEET (summary)

EUR million	**31 Dec 2001**	31 Dec 2000 1)	Pro forma 2) 31 Dec 2000
Fixed assets and other long-term investments			
Intangible assets	**18**	4	7
Property, plant and equipment	**1 505**	590	1 268
Long-term financial assets 3)	**58**	15	62
	1 581	609	1 337
Current assets			
Inventories	**664**	239	771
Receivables 3)	**572**	166	637
Marketable securities	**49**	-	6
Cash and bank	**56**	76	111
	1 341	481	1 525
Total assets	**2 922**	1 090	2 862
Shareholders' equity	**1 206**	676	1 173
Minority interest	**8**	10	9
Negative goodwill	**401**	-	479
Long-term liabilities 4)			
Interest-bearing	**203**	65	232
Non interest-bearing	**285**	99	297
	488	164	529
Current liabilities			
Interest-bearing	**391**	64	165
Non interest-bearing	**428**	176	507
	819	240	672
Total shareholders' equity and liabilities	**2 922**	1 090	2 862

1) Includes Outokumpu Steel only.
2) In the pro forma figures, Avesta Sheffield has been consolidated into AvestaPolarit and the negative goodwill reported as the final amount at combination without amortisation.
3) Includes interest-bearing assets of EUR 7 million at 31 December 2001 and EUR 11 million at 31 December 2000 (pro forma).
4) Pro forma 2000 long-term liabilities have been adjusted in line with Group accounting principles and for more accurate comparison by reallocating pension obligations of EUR 42 million from interest-bearing to non interest-bearing liabilities.

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CASH FLOW STATEMENT (summary) EUR million	**Jan-Dec 2001**[1]	Jan-Dec 2000[2]	**Oct-Dec 2001**	Pro forma [3] Oct-Dec 2000	**Jan-Dec 2001**	Jan-Dec 2000
Income financing	**126**	258	**9**	91	**123**	521
Change in working capital	**97**	-40	**-5**	3	**91**	-157
Other adjustments to cash	**-**	0	**-**	3	**-**	-2
Cash provided by operating activities	**223**	218	**4**	97	**214**	362
Capital expenditure	**-405**	-80	**-151**	-78	**-408**	-159
Cash provided by other investing activities	**70**	4	**34**	-10	**40**	-17
Cash flow before financing activities	**-112**	142	**-113**	9	**-154**	186
Cash provided by financing activities	**143**	-142	**184**	-106	**145**	-177
Adjustments	**-2**	-	**-2**	0	**-3**	4
Change in cash and marketable securities	**29**	0	**69**	-97	**-12**	13

1) Avesta Sheffield has been consolidated into AvestaPolarit as of 23 January 2001.
2) Includes Outokumpu Steel only.
3) In the pro forma figures, Avesta Sheffield has been consolidated into AvestaPolarit for the whole period.

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KEY FIGURES

	Jan-Dec 2001 [1]	Jan-Dec 2000 [2]	**Oct-Dec 2001**	Pro forma [3] Oct-Dec 2000	**Jan-Dec 2001**	Jan-Dec 2000
Operating profit margin, %						
- excluding negative goodwill [4]	**3.3**	20.9	**1.6**	6.2	**3.2**	13.3
- including negative goodwill	**4.9**	20.9	**3.4**	6.2	**4.7**	13.3
Return on capital employed, %						
- excluding negative goodwill [4]	**6.6**	34.6	**2.2**	11.1	**4.8**	25.7
- including negative goodwill	**9.8**	34.6	**4.5**	11.1	**7.0**	25.7
Capital employed [5], EUR million	**2 097**	739	**2 097**	1 930	**2 097**	1 930
Net interest bearing debt [5], EUR million	**482**	53	**482**	269	**482**	269
Equity-to-assets ratio [5], %	**41.6**	62.0	**41.6**	41.3	**41.6**	41.3
Debt-to-equity ratio [5], %	**39.7**	7.8	**39.7**	22.8	**39.7**	22.8
Earnings per share (excl. extraordinary items), EUR						
- excluding negative goodwill [4]	**0.20**	0.88	**0.05**	0.09	**0.19**	0.98
- including negative goodwill	**0.33**	0.88	**0.08**	0.09	**0.32**	0.98
Earnings per share, EUR						
- excluding negative goodwill [4]	**0.20**	0.52	**0.05**	0.09	**0.19**	0.98
- including negative goodwill	**0.33**	0.52	**0.08**	0.09	**0.32**	0.98
Adjusted average number of shares outstanding, '000s	338 312	193 111	348 942	348 942	348 942	348 942
Shareholders' equity per share [5], EUR	**3.46**	3.50	**3.46**	3.36	**3.46**	3.36
Adjusted number of shares outstanding [5], '000s	348 942	193 111	348 942	348 942	348 942	348 942
Capital expenditure, EUR million	**405**	84	**151**	78	**408**	159
Depreciation, EUR million [6]	**120**	61	**29**	32	**123**	122
Average number of employees	**8 855**	2 500	**8 996**	8 896	**9 003**	8 907

1) Avesta Sheffield has been consolidated into AvestaPolarit as of 23 January 2001.
2) Includes Outokumpu Steel only.
3) In the pro forma figures, Avesta Sheffield has been consolidated into AvestaPolarit for the whole period.
4) Amortisation of negative goodwill deducted from profit.
5) At the end of the period.
6) Amortisation of negative goodwill not included.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Principles applied in the financial statements

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

Profit for the financial period, Jan-Dec 2001 EUR million	Actual	Pro forma
Profit for the financial period	112	112
Unrealised gains on hedges	0	-3
Profit for the financial period based on IAS	112	109

Shareholders' equity, 31 December 2001 EUR million	Actual	Pro forma
AvestaPolarit equity in the Annual Accounts	1 206	1 206
Unrealised gains on hedges	2	2
Equity based on IAS	1 208	1 208

AvestaPolarit applies the FIFO principle in the valuation of its inventories. The financial statements of AvestaPolarit are prepared by applying the acquisition method.

Changes in accounting principles
With effect from 1 January 2001, AvestaPolarit changed its accounting principles regarding pensions and post-retirement benefits as well as the treatment of metal, currency and electricity hedges. The cumulative effect of these changes amounted to EUR -2 million and this loss has been booked to the income statement during the first quarter of 2001. All changes to Avesta Sheffield's accounting principles were made prior to the combination and therefore only affect Avesta Sheffield's equity at combination and the respective calculation of negative goodwill. The capitalisation of computer software with an economic lifetime of more than three years has been accounted for in the acquired companies as of the date of the combination.

Acquisition analysis and negative goodwill
The acquisition value of Avesta Sheffield (EUR 486 million) was EUR 479 million less than the corresponding capital and reserves (EUR 965 million). The management has performed an impairment test and based on this test, no part of the consolidation difference can be attributable to identifiable assets or liabilities. Therefore, the consolidation difference is considered as negative goodwill. Negative goodwill represents the excess of the fair value of the net assets acquired over the cost of acquisition. The remaining weighted average useful life of the non-monetary assets acquired was estimated to be 10 years. Amortisation of negative goodwill has been accounted for since completion of the combination. Some of the key financial figures have been reported by both including the effects of negative goodwill and excluding them.

Pro forma combined figures for 2000
The pro forma combined financial statements for 2000 have been prepared by adjusting the financial information of Avesta Sheffield and Outokumpu Steel to comply with uniform accounting principles and classifications based on Finnish GAAP as applied by AvestaPolarit since the combination. These adjusted figures have been combined using normal consolidation principles. The pro forma combined balance sheet for 2000 has been prepared using the final amount of negative goodwill. No amortisation of negative goodwill has been accounted for in the pro forma figures.

Board of Directors' authority to increase share capital
The Board of Directors is currently not authorised to increase the share capital.

Note to the income statement

EUR million	**Jan-Dec 2001 1)**	Jan-Dec 2000 2)	**Oct-Dec 2001**	Pro forma 3) Oct-Dec 2000	**Jan-Dec 2001**	Jan-Dec 2000
Unusual items						
SPP refund in Sweden	**-**	-	**-**	-	**-**	42
Restructuring provisions	**-29**	-	**-29**	-	**-29**	-
Additional amortisation of negative goodwill	**29**	-	**29**	-	**29**	-
	-	-	**-**	-	**-**	42
Extraordinary items						
Group contributions	**-**	-113	**-**	-	**-**	-
Change in accounting principle (FIFO)	**-**	11	**-**	-	**-**	-
	-	-102	**-**	-	**-**	-
Income taxes						
Current taxes	**-47**	-44	**-10**	-16	**-49**	-80
Deferred taxes	**31**	6	**18**	-5	**31**	-36
	-16	-38	**8**	-21	**-18**	-116

Commitments

EUR million	**31 Dec 2001**	31 Dec 2000 2)	Pro forma 31 Dec 2000
Mortgages and pledges to secure borrowings of Group companies	**43**	6	19
Guarantees on behalf of other parties than Group companies	**84**	7	12
Minimum future lease payments on operating leases	**104**	8	42

1) Avesta Sheffield has been consolidated into AvestaPolarit as of 23 January 2001.
2) Includes Outokumpu Steel only.
3) In the pro forma figures, Avesta Sheffield has been consolidated into AvestaPolarit for the whole period.

Euro exchange rates Average rates	**Oct-Dec 2001**	Oct-Dec 2000	Change %	**Jan-Dec 2001**	Jan-Dec 2000	Change %
USD	**0.90**	0.87	3.4	**0.90**	0.92	-2.2
SEK	**9.48**	8.60	10.2	**9.26**	8.45	9.6
GBP	**0.62**	0.60	3.3	**0.62**	0.61	1.6
Closing rates						
USD				**0.88**	0.93	-5.4
SEK				**9.30**	8.83	5.3
GBP				**0.61**	0.62	-1.6

The exchange rates are quoted by the European Central Bank.

Financial indicators by quarter

EUR million	**Oct-Dec 2001**	July-Sep 2001	Apr-June 2001	Jan-Mar 2001	Oct-Dec 2000 (Pro forma 3))	Jul-Sep 2000 (Pro forma 3))	Apr-June 2000 (Pro forma 3))	Jan-Mar 2000 (Pro forma 3))
Net sales	**679**	631	837	830	875	809	981	927
Operating profit	**23**	4	80	34	54	94	152	179
Profit before extra-ordinary items	**21**	2	76	32	52	86	148	174
Earnings per share (excluding extra-ordinary items), EUR 4)	**0.08**	0.02	0.15	0.07	0.09	0.09	0.37	0.43
Earnings per share, EUR 4)	**0.08**	0.02	0.15	0.07	0.09	0.09	0.37	0.43

Key financial figures by business area

EUR million	**Jan-Dec 2001 1)**	Jan-Dec 2000 2)	**Oct-Dec 2001**	Oct-Dec 2000 (Pro forma 3))	**Jan-Dec 2001 (Pro forma 3))**	Jan-Dec 2000 (Pro forma 3))
Net sales 5)						
Coil Products	**2 143**	-	**525**	654	**2 227**	2 686
Special Products	**859**	-	**223**	250	**903**	1 030
North America	**269**	-	**63**	79	**285**	324
Other operations	**1 198**	-	**288**	356	**1 272**	1 459
Intra-group sales	**-1 618**	-	**-420**	-464	**-1 710**	-1 907
Total for the Group	**2 851**	1 117	**679**	875	**2 977**	3 592
Operating profit						
Coil Products 6)	**71**	-	**21**	38	**77**	341
Special Products 6)	**22**	-	**-9**	12	**26**	104
North America	**-5**	-	**-3**	1	**-6**	11
Other operations	**0**	-	**-6**	6	**-4**	50
Amortisation of negative goodwill	**45**	-	**12**	-	**45**	-
Intra-group items	**6**	-	**8**	-3	**3**	-27
Total for the Group	**139**	246	**23**	54	**141**	479

1) Avesta Sheffield has been consolidated into AvestaPolarit as of 23 January 2001.
2) Includes Outokumpu Steel only.
3) In the pro forma figures Avesta Sheffield has been consolidated into AvestaPolarit for the whole period.
4) Most of Outokumpu Steel's taxes and group contributions in 2000 were booked during the third and fourth quarters, which has influenced the earnings per share figures accordingly.
5) Pro forma 2000 net sales figures by business area have been modified using the latest information available.
6) Restructuring provisions made during the fourth quarter of 2001 have been netted with the corresponding additional amortisation of negative goodwill. Accordingly, the operating profit for each business area is presented with a net income effect of zero for these two items.

AvestaPolarit STAINLESS

PRESS RELEASE
Stockholm, 13 February 2002 at 16:30 hrs

Production of main products

1,000 tonnes	**Jan-Dec 2001**[1]	Jan-Dec 2000[2]	**Oct-Dec 2001**	Pro forma [3] Oct-Dec 2000	Pro forma [3] **Jan-Dec 2001**	Pro forma [3] Jan-Dec 2000
Coil Products						
Steel slab	**1 404.8**	636.3	**353.4**	296.0	**1 455.9**	1 536.4
Cold rolling mill production						
- cold rolled	**746.3**	421.7	**191.5**	215.3	**766.2**	827.9
- white hot strip	**323.8**	135.0	**99.2**	101.4	**336.5**	362.9
Special Products						
Ferrochrome	**236.0**	260.7	**63.0**	66.0	**236.0**	261.0
Tubes and tube fittings	**56.8**	32.1	**14.7**	17.3	**59.7**	75.3
Hot rolled plate	**60.9**	-	**20.0**	18.3	**65.0**	74.3
Long products	**197.1**	-	**69.3**	69.0	**209.3**	209.0
Precision strip	**23.1**	-	**4.7**	8.6	**24.7**	26.6
North America						
Hot rolled plate, bar and tubes	**71.1**	-	**17.4**	16.6	**74.9**	74.2

[1] Avesta Sheffield has been consolidated into AvestaPolarit as of 23 January 2001.
[2] Includes Outokumpu Steel only.
[3] In the pro forma figures Avesta Sheffield has been consolidated into AvestaPolarit for the whole period.

Open derivative instruments

EUR million	Carrying value **31 Dec 2001**	Fair value **31 Dec 2001**	Contract amounts **31 Dec 2001**	Contract amounts 31 Dec 2000[1]	Contract amounts Pro forma 31 Dec 2000
Financial derivatives					
- Forward foreign exchange contracts	**-1**	**1**	**201**	190	414
Metal derivatives					
- Forward nickel contracts [2]	**-1**	**-1**	**3 126**	612	1 842
Electricity derivatives					
- Forward electricity contracts [3]	**-**	**0**	**43 185**	-	-

[1] Includes Outokumpu Steel only.
[2] Contract amounts of nickel derivatives in tonnes.
[3] Contract amounts of electricity derivatives in MWh.

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

Metal market prices

Average prices		**Oct-Dec 2001**	Oct-Dec 2000	**Jan-Dec 2001**	Jan-Dec 2000	Change %
Stainless steel						
- transaction price	EUR/kg	**1.53**	2.10	**1.65**	2.07	-20.3
- base price	EUR/kg	**1.30**	1.53	**1.28**	1.52	-15.8
- conversion margin	EUR/kg	**0.87**	1.10	**0.86**	1.08	-20.4
Ferrochrome (Cr-content)	USD/lb	**0.29**	0.41	**0.32**	0.41	-22.0
	EUR/kg	**0.72**	1.04	**0.79**	0.98	-19.4
Nickel	USD/lb	**2.29**	3.38	**2.70**	3.92	-31.1
	EUR/kg	**5.64**	8.57	**6.64**	9.35	-29.0

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

Definitions of key figures

Capital employed = Total assets – non interest-bearing liabilities – interest-bearing assets

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

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

Interest-bearing assets: Cash and marketable securities + interest-bearing loan receivables

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

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

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

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

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

Note: Definitions for capital employed, return on capital employed and net interest-bearing debt have changed since the interim report for the third quarter of 2001.