

OUTOKUMPU'S SECOND QUARTER 2008 INTERIM REPORT – IMPROVED OPERATING PROFIT IN A SOFTENING MARKET

Second quarter highlights

- Operating profit totaled EUR 174 million
- Good net cash flow of EUR 103 million from operating activities.
- Weaker stainless steel markets as distribution sector postpone purchases due to the nickel price decline and demand from some end-use segments is softer.
- Small and gradual base price increases achieved during the beginning of the quarter, decline in base prices started in June.
- Production below full capacity due to weaker demand and maintenance breaks in Tornio, stainless deliveries totaled 391 000 tons.
- Investment decision of EUR 420 million to expand ferrochrome production at Tornio, Finland.

Group key figures

		II/08	I/08	II/07	2007
Sales	EUR million	1 549	1 689	2 092	6 913
Operating profit	EUR million	174	100	406	589
Non-recurring items in operating profit	EUR million	-	-	25	14
Profit before taxes	EUR million	166	80	652	798
Non-recurring items in financial income and expenses	EUR million	-	-12	252	252
Net profit for the period from continuing operations	EUR million	130	61	553	660
Net profit for the period	EUR million	56	63	565	641
Earnings per share from continuing operations	EUR	0.72	0.34	3.04	3.63
Earnings per share	EUR	0.31	0.35	3.11	3.52
Return on capital employed	%	17.2	10.0	35.5	13.9
Net cash generated from operating activities	EUR million	103	107	132	676
Capital expenditure, continuing operations	EUR million	56	41	75	190
Net interest-bearing debt at end of period	EUR million	939	737	1 119	788
Debt-to-equity ratio at end of period	%	29.1	23.3	30.8	23.6
Stainless steel deliveries	1 000 tons	391	449	399	1 419
Stainless steel base price ¹⁾	EUR/ton	1 307	1 243	1 518	1 304
Personnel at the end of period, continuing operations ²⁾		8 884	8 137	8 783	8 108

¹⁾ Stainless steel: CRU - German base price (2 mm cold rolled 304 sheet).

Please note: Between July - October 2007, European prices for some stainless grades were quoted on a transaction price basis, therefore base prices are the calculated value of transaction price minus alloy surcharge for this time period (CRU).

²⁾ End-June figures include summer trainees.

SHORT-TERM OUTLOOK

Underlying demand for stainless steel from most end-use segments is stable. As a result of the increasing uncertainty related to the global economic turmoil, some weakness is evident in consumer-driven segments such as white goods and construction. Demand from investment-driven segments continue generally healthy but some projects have been postponed because of the economic uncertainties.

Distributors are currently postponing their purchases because of the decline in the nickel price and the holiday period in Europe. Inventory levels for standard grades by distributors are at normal levels or somewhat higher. Outokumpu is now selling standard grades for deliveries in August and September.

The slowdown of demand during the holiday season and annual maintenance breaks at the Group's mills as well as the postponement of purchases by distributors will clearly reduce stainless delivery volumes for the third quarter compared to the second quarter.

The current market conditions suggest that there is price pressure up to EUR 100-150/ton for the average base price of the German 2mm cold rolled 304 stainless steel sheet in the third quarter compared to the second quarter.

Outokumpu's operating profit for the third quarter of 2008 is expected to be negative including some EUR 100 million of nickel-related inventory losses at current nickel prices. Underlying operational result is expected to be slightly positive depending on delivery volumes.

CEO Juha Rantanen:

"At the end of the second quarter stainless markets turned softer due to seasonality and declining nickel price. There are, however, good prospects for the distributor markets to improve during this fall: the inventories are normal, imports to Europe are moderate and nickel price has come down substantially from its historical highs. Additionally, most end-use segments are stable. Outokumpu's position in the market is good thanks to Tornio's cost competitiveness and the strength of our specialties business. Our strategy will bring further stability and better profitability in the years to come."

The attachments present Management analysis of the second quarter operating result and the Interim review by the Board of Directors for January-June 2008, the accounts and notes to the interim accounts. This interim report is unaudited.

For further information please contact:

Päivi Lindqvist, SVP – Communications and IR
tel. +358 9 421 2432, mobile +358 40 708 5351
paivi.lindqvist@outokumpu.com

Ingela Ulfves, VP – Investor Relations and Financial Communications
tel: + 358 9 421 2438, mobile +358 40 515 1531
ingela.ulfves@outokumpu.com

Esa Lager, CFO
tel: +358 9 421 2516
esa.lager@outokumpu.com

News conference and live web-cast today at 3.00 pm.

A combined news conference, conference call and live webcast concerning the second-quarter 2008 financial results will be held on July 24, 2008 at 3.00 pm Finnish time (8.00 am US EST, 1.00 pm UK time, 2.00 pm CET) at Hotel Kämp, conference room Akseli Gallen-Kallela, Pohjoisesplanadi 29, 00100 Helsinki, Finland.

To participate via a conference call, please dial in 5-10 minutes before the beginning of the event:
UK +44 20 7162 0025
US & Canada +1 334 323 6201
Password Outokumpu

The news conference can be viewed live via Internet at www.outokumpu.com.
Stock exchange release and presentation material will be available before the news conference at www.outokumpu.com -> Investors -> Downloads

An on-demand web-cast of the news conference will be available at www.outokumpu.com as of July 24, 2008 after 6.00 pm.

An instant replay service of the conference call will be available until Monday July 28, 2008 on the following numbers:

UK replay number +44 20 7031 4064, access code: 800067
US & Canada replay number +1 954 334 0342, access code: 800067

OUTOKUMPU OYJ
Corporate Management

Ingela Ulfves
Vice President - Investor Relations & Financial Communications
tel. + 358 9 421 2438, mobile +358 40 515 1531
e-mail: ingela.ulfves@outokumpu.com

MANAGEMENT ANALYSIS – SECOND QUARTER OPERATING RESULT

Group key figures

EUR million	I/07	II/07	III/07	IV/07	2007	I/08	II/08
Sales							
General Stainless	1 700	1 670	879	1 073	5 321	1 304	1 222
Specialty Stainless	1 003	1 028	687	738	3 456	786	778
Other operations	64	63	53	57	237	64	63
Intra-group sales	-638	-669	-391	-403	-2 101	-465	-514
The Group	2 129	2 092	1 227	1 465	6 913	1 689	1 549
Operating profit							
General Stainless	245	188	-224	11	220	81	125
Specialty Stainless	182	196	-51	9	337	42	44
Other operations	1	19	8	-6	21	-20	4
Intra-group items	-4	2	11	2	11	-3	1
The Group	424	406	-256	15	589	100	174

Stainless steel deliveries

1 000 tons	I/07	II/07	III/07	IV/07	2007	I/08	II/08
Cold rolled	220	186	117	180	703	228	192
White hot strip	94	94	49	78	314	120	94
Quarto plate	39	41	30	36	146	33	35
Tubular products	20	17	13	15	65	19	19
Long products	16	15	10	12	54	15	15
Semi-finished products	40	46	21	31	137	34	35
Total deliveries	430	399	238	352	1 419	449	391

Market prices and exchange rates (average)

		I/07	II/07	III/07	IV/07	2007	I/08	II/08
Market prices ¹⁾								
Stainless steel								
Base price	EUR/t	1 930	1 518	710	1 058	1 304	1 243	1 307
Alloy surcharge	EUR/t	2 277	2 913	2 967	1 939	2 524	1 702	1 888
Transaction price	EUR/t	4 207	4 432	3 677	2 997	3 828	2 945	3 195
Nickel								
	USD/t	41 440	48 055	30 205	29 219	37 230	28 957	25 682
	EUR/t	31 619	35 646	21 983	20 175	27 161	19 335	16 440
Ferrochrome (Cr-content)								
	USD/lb	0.77	0.82	1.00	1.05	0.91	1.21	1.92
	EUR/kg	1.30	1.34	1.60	1.60	1.46	1.78	2.71
Molybdenum								
	USD/lb	26.69	30.97	31.97	32.66	30.57	33.81	33.40
	EUR/kg	44.90	50.65	51.30	49.71	49.17	49.77	47.14
Recycled steel								
	USD/t	278	287	271	283	280	393	565
	EUR/t	212	213	197	195	204	262	361
Exchange rates								
EUR/USD		1.311	1.348	1.374	1.448	1.371	1.498	1.562
EUR/SEK		9.189	9.257	9.264	9.288	9.250	9.400	9.352
EUR/GBP		0.671	0.679	0.680	0.708	0.684	0.757	0.793

¹⁾ Sources of market prices:

Stainless steel: CRU - German base price, alloy surcharge and transaction price (2 mm cold rolled 304 sheet), estimates for deliveries during the period.

Please note: Between July - October 2007, European prices for some stainless grades were quoted on a transaction price basis, therefore base prices are the calculated value of transaction price minus alloy surcharge for this time period (CRU).

Nickel: London Metal Exchange (LME) cash quotation

Ferrochrome: Metal Bulletin - Ferrochrome lumpy chrome charge, basis 52% chrome

Molybdenum: Metal Bulletin - Molybdenum oxide - Europe

Recycled steel: Metal Bulletin - Steel scrap HMS 1&2 fob Rotterdam

Softening demand for stainless steel in Europe

Global growth in demand for stainless steel slowed towards the end of the second quarter and markets moved to oversupply. The quarter's apparent consumption of stainless steel is estimated to have remained almost flat in Europe and globally compared to I/2008. Market conditions were weaker in both Europe and Asia. In the US, demand for stainless continued to be at a low level.

Global production of stainless steel increased by some 2% compared to the first quarter despite strong production cuts in Asia, especially in China. As a result of the decline in the nickel price, buyers started postponing their stainless purchases in expectation of lower transaction prices. Uncertainty about the global economic situation also affected buyer behavior. Demand softened especially in consumer-driven segments, such as construction and white goods.

At the beginning of the second quarter, stainless prices were on a rising trend and the base price for 2mm cold rolled 304 stainless steel sheet in Germany increased to more than 1 300 EUR/ton. As a result of softening demand, base prices began to decline towards the end of the quarter. The base price was 1 275 EUR/ton at the end of June. The average base price in the second quarter was 1 307 EUR/ton (I/2008: 1 243 EUR/ton). Mainly as a result of the increase in the ferrochrome price, the average alloy surcharge for the second quarter increased to 1 888 EUR/ton (I/2008: 1 702 EUR/ton). The average transaction price in the period was 3 195 EUR/ton (I/2008: 2 945 EUR/ton). (CRU)

Among alloying materials, the price of nickel declined from around 31 000 USD/ton to less than 22 000 USD/ton and the average price of nickel was 25 682 USD/ton in II/2008 (I/2008: 28 957 USD/ton). Ferrochrome markets remained tight in the review period because of uncertainty related to South African supply. The quarterly contract price for ferrochrome for the second quarter was 1.92 USD/lb, up by 59% from I/2008. The quarterly contract price for the third quarter has been preliminary settled at 2.05 USD/lb. The average price of molybdenum was mainly unchanged at 33.40 USD/lb. The price of recycled steel increased to 565 USD/ton, 43% up on I/2008.

Operating profit improved with lower delivery volumes

Group sales in the second quarter totaled EUR 1 549 million, 8% down on I/2008. Production was below full capacity and stainless steel deliveries were down by 13% to 391 000 (I/2008: 449 000 tons). Main reasons for the lower level of deliveries were weakening demand towards the end of the quarter and maintenance breaks at Tornio Works in April.

Operating profit improved to EUR 174 million (I/2008: EUR 100 million) and included net raw material-related inventory gains of some EUR 20 million (I/2008: loss of some EUR 60 million). The main reasons for the profit improvement were inventory losses turning into gains, a higher ferrochrome price, higher base prices and an improved product mix compared to the first quarter. Lower deliveries had a negative impact on operating profit.

Return on capital employed was 17.2% (I/2008: 10.0%). Earnings per share totaled EUR 0.31 (I/2008: EUR 0.35) and earnings per share from continuing operations totaled EUR 0.72 (I/2008: EUR 0.34).

Sales by General Stainless in the second quarter totaled EUR 1 222 million (I/2008: EUR 1 304 million) and deliveries totaled 359 000 tons, down by 10% on I/2008. Operating profit rose by 54% to EUR 125 million (I/2008: EUR 81 million) of which Tornio Works posted EUR 114 million (I/2008: 67 million). The higher ferrochrome price had a clearly positive impact on Tornio Works' operating profit.

Sales by Specialty Stainless totaled EUR 778 million (I/2008: EUR 786 million) and deliveries were down by 5% to 153 000 tons (I/2008: 161 000 tons). Operating profit was stable at EUR 44 million (I/2008: EUR 42 million).

Operating profit by Other operations was EUR 4 million (I/2008: EUR 20 million loss).

Investment projects

Outokumpu will expand the Group's ferrochrome production capacity in Tornio, Finland by an investment totaling some EUR 420 million. This investment will double the plant's annual capacity to 530 000 tons and the additional capacity is scheduled to be available during the first quarter of 2011. The expansion of ferrochrome capacity will make Outokumpu comfortably self-sufficient in its primary chromium needs. The investment will support Outokumpu's strategy realization, maintain cost leadership, secure the sourcing of raw materials and capitalize on the Group's own chromium mine in Kemi.

Outokumpu is investing some EUR 10 million in Long Products' finishing facilities in Sheffield in the UK. The new equipment is scheduled to be operational in mid 2009. The investment creates an integrated manufacturing route for small bar and rebar complementing the existing melt shop and the wire rod mill, both in Sheffield.

Due to delays in land purchasing, the start-up of the service center in Poland has been rescheduled from planned end of 2008 until the end of 2009.

The coil service center being built in India is to be expanded from the original plan to become a combined coil and plate service-center, first of its kind in India. This service center is expected to be operational in the first quarter of 2010.

Additional capital expenditure for all service center investments (France, Germany, Poland, India and China) of EUR 60 million has been approved as a result of changes in scope and increasing costs (mainly related to construction and equipment purchase). As a result, capital expenditure for service center network expansion, excluding the acquisition of the Italian distributor SoGePar, will total approximately EUR 220 million.

The feasibility study on building a cold rolling mill in India has been finalized. Outokumpu has decided not to proceed with the investment at this point. Other options for strengthening Outokumpu's presence in the growing Indian market are currently being explored.

Acquisitions and divestments

In April, Outokumpu signed an agreement to acquire the SoGePar Group, an Italian distributor of stainless steel from the Borromeo family, its current owners. Outokumpu will pay EUR 215 million in cash and take on company debt totaling some EUR 120 million. Details on the transaction were filed with the EU Commission on June 19, 2008 and the acquisition is expected to be closed by the end of July 2008. The total consideration is subject to final review once the closing balance sheet, expected by the end of the third quarter, has been approved.

SoGePar operates stainless steel service centers in Castelleone in Italy and in Rotherham in the UK. SoGePar also has stock operations in Italy, the UK, Belgium, Finland, France and Ireland, as well as a commercial office in Germany and a representative office in Turkey. Sales by the SoGePar Group in 2007 totaled EUR 560 million, with an operating profit of EUR 44 million and deliveries totaling 134 000 tons.

In June, Outokumpu signed an agreement to acquire the operations of Avesta Klippcenter AB in Avesta, Sweden. Transfer of ownership in connection with this transaction took place on July 1, 2008.

Discontinued operations

In April, Outokumpu signed an agreement whereby the Group's remaining copper tube assets were sold to Cupori Group Oy. This transaction was closed on June 3, 2008 and Outokumpu received EUR 56 million as consideration for the sale. A capital loss of EUR 66 million was booked on this transaction in the second quarter. Both these figures are subject to final review once the closing balance sheet, expected by the end of the third quarter of 2008, has been approved.

The transaction has no effect on either Group sales or operating profit as the business in question has been reported as a discontinued operation in Outokumpu's accounts. In the income statement, the capital loss on the transaction is included in "Net profit from discontinued operations".

Assets divested comprise the copper plumbing installation and industrial tube manufacturing companies in Pori (Finland), Zaratamo (Spain), Västerås (Sweden) and Liège (Belgium), as well as copper tube sales companies in France, Germany and Italy. In 2007, these businesses generated sales totaling EUR 510 million, a net loss of EUR 5 million and employed 730 personnel.

The remaining part of the Group's Copper Tube and Brass business consists of brass rod business. The brass rod plant is located in Drünen in The Netherlands and the unit also has a 50% stake in a brass rod company in Gusum, Sweden. Outokumpu Brass employs some 170 personnel. It is Outokumpu's intention to also divest its brass rod business.

Events after the period

In July, Outokumpu signed a deal with Vattenfall relating to electricity deliveries in Finland and Sweden totaling some fifteen terawatt hours (TWh) over a ten-year period. In addition to these extensive deliveries of electrical power, Vattenfall and Outokumpu also agreed on electricity portfolio management services to be provided by Vattenfall, as well as on co-operation to achieve improved efficiency in the use of energy.

Outokumpu is currently expanding its stainless steel operations in Finland and Sweden and this has generated a need for additional electricity supply. This deal with Vattenfall covers an important share of the Group's electricity needs until the possible Fennovoima nuclear project will start delivering.

INTERIM REVIEW BY THE BOARD OF DIRECTORS JANUARY – JUNE 2008
(Unaudited)

Demand for stainless steel at a good level

Demand for stainless steel was at a good level during the first half of 2008. However, after a solid first quarter, demand for stainless steel weakened during the second quarter as the global economic growth slowed down in all regions, except China, where the national economy grew by some 9%. The price of nickel price started to decline, and distributors began postponing their orders. Compared to the very strong first half of 2007, demand for stainless steel was significantly lower in the second quarter. Compared to 2007, apparent consumption of stainless steel decreased in Europe by 8% and globally by 2%. The average German base price for 2mm 304 cold rolled sheet was 1 275 EUR/ton in I-II/2008, 37% lower than in I-II/2007. The transaction price for stainless steel averaged 3 070 EUR/ton in I-II/2008 and was 29% lower than in I-II/2007. (CRU)

Good operating profit

Group sales in the first half of 2008 declined by 23% to EUR 3 238 million (I-II/2007: EUR 4 221 million) due to lower transaction prices. Stainless steel deliveries were higher at 840 000 tons (I-II/2007: 829 000 tons).

Operating profit for the first half of 2008 totaled EUR 274 million (I-II/2007: EUR 830 million), significantly lower than in the corresponding period of 2007. Primary reasons for the decline in operating profit were the significantly higher base prices in 2007 and nickel-related inventory gains of some EUR 100 million in I-II/2007 compared to losses of some EUR 40 million in I-II/2008. Profit before taxes totaled EUR 247 million (I-II/2007: EUR 1 068 million).

Net financial income and expenses in the first six months of 2008 were EUR 16 million negative excluding non-recurring items (I-II/2007: EUR 20 million negative excluding non-recurring gains). In I-II/2008, an impairment loss of EUR 12 million was booked in other financial expenses due to the decline in the share price of Belvedere Resources Ltd, classified as available-for-sale financial asset. Financial income in 2007 included a EUR 142 million non-recurring gain from the sale of the remaining 12% holding in Outotec Oyj and a EUR 110 million non-recurring gain from the Talvivaara transaction. Net profit for the period from continuing operations totaled EUR 191 million (I-II/2007: EUR 864 million). Earnings per share totaled EUR 0.66 (I-II/2007: EUR 4.80) and earnings per share from continuing operations totaled EUR 1.06 (I-II/2007: EUR 4.75). The return on capital employed for I-II/2008 was 13.2% (I-II/2007: 36.4%).

Net cash generated from operating activities totaled EUR 209 million (I-II/2007: EUR 217 million). Net interest-bearing debt totaled EUR 939 million at the end of June (June 30, 2007: EUR 1 119 million). Outokumpu's gearing at the end of June was 29.1% (June 30, 2007: 30.8%).

Investment projects

Capital expenditure for the first half of 2008 totaled EUR 97 million (I-II/2007: EUR 101 million). The new investment projects approved for 2008-2011 are detailed below.

In January, a decision was made to invest EUR 370 million over three years to broaden the product range of Tornio Works. Outokumpu will start producing high-quality ultra-clean ferritic stainless steel grades, as well as bright-annealed austenitic and ferritic stainless products. This investment, together with the on-going replacement of the No. 2 annealing and pickling line, will increase Tornio Works' total installed capacity for finished products by 100 000 tons to some 1.3 million tons by the end of 2010.

The investment also includes a service center (from 2010-) located near Stuttgart in Southern Germany which will have an annual processing capacity of 60 000 tons especially for bright-annealed austenitic and ferritic products.

In February, Outokumpu decided to expand and relocate its stock and processing capability in central France by investing some EUR 14 million over a two-years period. Combined annual coil and plate processing capacity in standard and special stainless steel grades will be 40 000 tons and is scheduled to be in place by the end of 2009.

In February, Outokumpu OSTP and the Saudi Arabian tube manufacturer Armetal, a company of Al-Hejailan Group, agreed to form Outokumpu Armetal Stainless Pipe Co., Ltd., a 51/49 stainless steel tubular joint venture, in Riyadh.

In June, Outokumpu's Board of Directors approved plans to expand the Group's ferrochrome production capacity in Tornio, Finland. This EUR 420 million investment will double the plant's annual capacity to 530 000 tons and the additional capacity is scheduled to be available during the first quarter of 2011. The expansion of ferrochrome capacity will make Outokumpu comfortably self-sufficient in its primary chromium needs. The investment will support Outokumpu's strategy realization, maintain cost leadership, secure the sourcing of raw materials and capitalize on the Group's own chromium mine in Kemi.

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Risks and uncertainties

Outokumpu's operations are conducted in accordance with the Board-approved risk management policy which defines the objectives, approaches and areas of responsibility in risk management. Outokumpu categorizes risks as strategic/business, operational or financial. Risks and uncertainties may, if materialized, substantially impact on earnings and cash flows in the current year. Key risks are being assessed regularly.

Important strategic and business risks include overcapacity in stainless steel production, product substitution and the cyclical nature of stainless steel demand. New stainless steel production capacity is being built in China and this may lead to overcapacity in cold rolled stainless production. To mitigate risks related to the cyclical nature of the stainless steel business and the risk of product substitution, Outokumpu is aiming to increase sales to end-users and to widen the Group's product offering. The strategy is supported by the Group's new organization, which ensures that customers are served in an optimal way.

Operational risks arise as a consequence of inadequate or failed internal processes, employee actions, systems or other events such as natural catastrophes, and misconduct or crime.

Property damage and business interruption caused by fire at some major site is a key risk concern for the Group. Outokumpu has systematic fire and security audit programs in place and part of the hazard risk is covered by insurances.

Outokumpu has a number of investment and change projects underway and failures or delays in these projects may negatively impact strategy implementation and achievement of financial targets. Outokumpu manages these risks by having dedicated resources for overall project support and for monitoring the whole project portfolio. During the second quarter, project management and support personnel have been strengthened in order to meet the challenges and risks with the ongoing projects.

Financial risks include exposure to market prices, the ability to maintain adequate liquidity and exposure to the risk of default. The most important financial market risks for Outokumpu include variations in the price of nickel, variations in the exchange rate between the Swedish krona and the euro, and the value of the US dollar. Outokumpu also has significant exposure to equity and loan security prices. Part of the Group's market risk is mitigated through the use of financial derivative

contracts. Liquidity and refinancing risk are taken into account in capital management decisions. It is Outokumpu's aim to mitigate significant part of credit risk with insurances and other arrangements.

Outokumpu has continued to monitor the turbulence in global financial markets. Management's assessment is that the current market situation is not likely to impose significant restrictions on implementation of the Group's current decisions and plans. The increases in credit margins have not had any major impact on Outokumpu's funding costs.

In the second quarter, Outokumpu completed an assessment of the principles and processes related to nickel price risk management. Based on this analysis, some changes will be implemented during this year, one of the key objectives being reduced variations in the Group's operating profit.

Environment, health and safety

In the European Union, the carbon dioxide allowances allocated to Outokumpu's installations in Sweden and Finland for the Kyoto-period 2008-2012, are estimated as being sufficient for the Group's planned production. Actions have been taken to apply for allowances to also cover the expansion of ferrochrome production in Tornio.

Emissions to air and discharges to water in the review period remained mostly within permitted limits and the breaches that occurred were temporary, were identified quickly and caused only minimal environmental impact. 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.

Because of the Group's new investment projects, several applications for environmental permits have been submitted mostly in Finland and Sweden.

Environmental and energy-saving targets for the Group's Corporate Responsibility theme year are: for energy saving: a 2% reduction in energy consumed per ton of processed steel; and for materials efficiency, a 10% reduction in land fill waste per ton of processed steel. A review of progress is expected to take place in August. Some units have already reported excellent progress in relation to the established targets.

Occupational safety is a major focus area within the Group. In I-II/2008, the lost-time injury rate (i.e. lost-time accidents per million working hours) was 10 (I-II/2007: 10). The rate for the whole year of 2008 is still behind the target, which is less than 8 in 2008. In 2009, the target is less than five.

Personnel

Outokumpu's continuing operations employed an average of 8 362 people during January-June 2008 (I-II/2007: 8 285) and there were 8 884 employees at the end of June (June 30, 2007: 8 783). These figures include some 800 summer trainees employed in the Group's units.

Class actions regarding the sold fabricated copper products business

The fabricated copper products business sold in 2005, comprised among others Outokumpu Copper (USA), Inc. This company has been served with several complaints in cases filed in federal district courts and state courts in the US by various plaintiffs. The complaints allege claims and damages under US antitrust laws and purport to be class actions on behalf of all direct and indirect purchasers of copper plumbing tubes and ACR tubes in the US. Except for one individual ACR Tube claim, all these class actions and claims have been now ended and the latest dismissals in Outokumpu's favor remain final. Outokumpu believes that the allegations in the remaining case are groundless and will defend itself in any such proceeding. In connection with the transaction to sell the fabricated copper products

business to Nordic Capital, Outokumpu has agreed to indemnify and hold harmless Nordic Capital with respect to these class actions.

Customs investigation of exports to Russia by Outokumpu Tornio Works

In March 2007, Finnish Customs authorities initiated a criminal investigation into the Group's Tornio Works' export practices to Russia. The preliminary investigation is connected with another preliminary investigation concerning a forwarding agency based in South-eastern Finland. It is suspected that defective and/or forged invoices have been prepared at the forwarding agency as regards export of stainless steel to Russia. The preliminary investigation is focusing on possible complicity by Outokumpu Stainless Oy in the preparation of defective and/or forged invoices by the forwarding agency in question. The investigation is expected to last until the autumn 2008. Directly after the Finnish Customs authorities started their investigations, Outokumpu initiated its own investigation into the trade practices connected with stainless steel exports from Tornio to Russia. In June 2007, after carrying out its investigation, the leading Finnish law firm Roschier Attorneys Ltd., concluded that it had not found evidence that any employees of Tornio Works or the Company had committed any of the crimes alleged by the Finnish Customs.

Organizational changes and appointments

Outokumpu has re-aligned its organization using an integrated model, which is designed to serve the Group's customers in an optimal way. The new organizational structure became fully operational on April 1, 2008.

Jamie Allan was appointed Executive Vice President – Supply Chain Management and a member of Outokumpu's Group Executive Committee with effect of January 1, 2008.

Annual General Meeting

The Annual General Meeting (AGM) on March 27, 2008 approved a dividend of EUR 1.20 per share for 2007. Dividends totaling EUR 216 million were paid on April 8, 2008.

The AGM also authorized the Board of Directors to decide to repurchase the Company's own shares as follows the maximum number of shares to be repurchased is 18 000 000, currently representing 9.93% of the Company's total number of registered shares. Based on earlier authorizations, the Company currently holds 1 218 603 of its own shares. The AGM authorized the Board of Directors to decide to issue shares and grant special rights entitling to shares. The maximum number of new shares to be issued through the share issue and/or by granting special rights entitling to shares is 18 000 000, and, in addition, the maximum number of treasury shares to be transferred is 18 000 000. The authorization includes the right to resolve upon a directed share issue. These authorizations are valid until the next Annual General Meeting, however no longer than May 31, 2009. To date the authorizations have not been used.

The AGM decided on the number of the Board members, including the Chairman and Vice Chairman, to be eight. Evert Henkes, Ole Johansson, Victoire de Margerie, Anna Nilsson-Ehle, Leo Oksanen and Leena Saarinen were re-elected as members to the Board of Directors, and Jarmo Kilpelä and Anssi Soila were elected as new members. The Annual General Meeting elected Ole Johansson as Chairman and Anssi Soila as Vice Chairman of the Board. The AGM also resolved to form a Shareholders' Nomination Committee to prepare proposals on the composition and remuneration of the Board of Directors for presentation to the next AGM.

KPMG Oy Ab, Authorized Public Accountants, was re-elected as the Company's auditor for the term ending at the close of the next AGM.

At its first meeting, the Board of Directors of Outokumpu appointed two permanent committees consisting of Board members. Leena Saarinen (Chairman), Jarmo Kilpelä, Victoire de Margerie and Anssi Soila were elected as members of the Board Audit Committee. Ole Johansson (Chairman), Evert Henkes and Anna Nilsson-Ehle were elected as members of the Board Nomination and Compensation Committee.

Shares and shareholders

According to the Nordic Central Securities Depository, Outokumpu's shareholders by group at the end of June 2008 were the Finnish State (31.1%), foreign investors (45.1%), Finnish public sector institutions (13.0%), Finnish private households (6.1%), Finnish financial and insurance institutions (1.8%), Finnish corporations (1.5%) and Finnish non-profit organizations (1.4%). The list of largest shareholders is updated daily on Outokumpu's internet pages www.outokumpu.com.

At the end of June, Outokumpu's closing share price was EUR 22.25. The average share price during I-II/2008 was EUR 25.86 (I-II/2007: EUR 27.14). At the end of June, the market capitalization of Outokumpu Oyj shares totaled EUR 4 010 million (June 30, 2007: EUR 4 531 million). During the first half of 2008, 260.6 (I-II/2007: 253.8) million Outokumpu shares were traded on the Nasdaq OMX Nordic Exchange Helsinki. At the end of June, Outokumpu's fully paid share capital totaled EUR 308.4 million and consisted of 181 440 810 shares. The average number of shares outstanding during I-II/2008 was 180 141 997.

Events after the review period

In July, Outokumpu signed a deal with Vattenfall relating to electricity deliveries in Finland and Sweden totaling some fifteen terawatt hours (TWh) over a ten-year period. In addition to these extensive deliveries of electrical power, Vattenfall and Outokumpu also agreed on electricity portfolio management services to be provided by Vattenfall, as well as on co-operation to achieve improved efficiency in the use of energy.

Outokumpu is currently expanding its stainless steel operations in Finland and Sweden and this has generated a need for additional electricity supply. This deal with Vattenfall covers an important share of the Group's electricity needs until the possible Fennovoima nuclear project will start delivering.

Short term outlook

Underlying demand for stainless steel from most end-use segments is stable. As a result of the increasing uncertainty related to the global economic turmoil, some weakness is evident in consumer-driven segments such as white goods and construction. Demand from investment-driven segments continue generally healthy but some projects have been postponed because of the economic uncertainties.

Distributors are currently postponing their purchases because of the decline in the nickel price and the holiday period in Europe. Inventory levels for standard grades by distributors are at normal levels or somewhat higher. Outokumpu is now selling standard grades for deliveries in August and September.

The slowdown of demand during the holiday season and annual maintenance breaks at the Group's mills as well as the postponement of purchases by distributors will clearly reduce stainless delivery volumes for the third quarter compared to the second quarter.

The current market conditions suggest that there is price pressure up to EUR 100-150/ton for the average base price of the German 2mm cold rolled 304 stainless steel sheet in the third quarter compared to the second quarter.

Outokumpu's operating profit for the third quarter of 2008 is expected to be negative including some EUR 100 million of nickel-related inventory losses at current nickel prices. Underlying operational result is expected to be slightly positive depending on delivery volumes.

In Espoo, July 24, 2008

Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Condensed income statement

EUR million	Jan-June 2008	Jan-June 2007	April-June 2008	April-June 2007	Jan-Dec 2007
Continuing operations:					
Sales	3 238	4 221	1 549	2 092	6 913
Other operating income	2	49	1	40	82
Costs and expenses	-2 956	-3 431	-1 373	-1 717	-6 364
Other operating expenses	-11	-9	-4	-9	-43
Operating profit	274	830	174	406	589
Share of results in associated companies	1	7	1	4	4
Financial income and expenses					
Interest income	10	12	5	7	25
Interest expenses	-34	-43	-18	-22	-82
Market price gains and losses	-2	2	5	4	0
Other financial income	11	263	1	254	268
Other financial expenses	-14	-3	-1	-1	-5
Profit before taxes	247	1 068	166	652	798
Income taxes	-56	-205	-36	-100	-138
Net profit for the period from continuing operations	191	864	130	553	660
Discontinued operations:					
Net profit for the period from discontinued operations	-72	9	-74	12	-18
Net profit for the period	119	872	56	565	641
Attributable to:					
Equity holders of the Company	119	868	56	563	638
Minority interest	-	4	-	2	4
Earnings per share for profit attributable to the equity holders of the Company:					
Earnings per share, EUR	0.66	4.80	0.31	3.11	3.52
Diluted earnings per share, EUR	0.66	4.77	0.31	3.09	3.50
Earnings per share from continuing operations attributable to the equity holders of the Company:					
Earnings per share, EUR	1.06	4.75	0.72	3.04	3.63
Earnings per share from discontinued operations attributable to the equity holders of the Company:					
Earnings per share, EUR	-0.40	0.05	-0.41	0.07	-0.10

Condensed balance sheet

EUR million	June 30 2008	June 30 2007	Dec 31 2007
ASSETS			
Non-current assets			
Intangible assets	469	485	475
Property, plant and equipment	1 971	2 010	1 980
Non-current financial assets			
Interest-bearing	454	457	453
Non interest-bearing	80	82	77
	<u>2 974</u>	<u>3 033</u>	<u>2 986</u>
Current assets			
Inventories	1 605	2 298	1 630
Current financial assets			
Interest-bearing	63	62	50
Non interest-bearing	1 146	1 431	975
Cash and cash equivalents	77	82	86
	<u>2 892</u>	<u>3 873</u>	<u>2 740</u>
Assets held for sale	30	239	184
Total assets	<u>5 895</u>	<u>7 146</u>	<u>5 910</u>
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the Company	3 227	3 634	3 337
Minority interest	-	0	-
	<u>3 227</u>	<u>3 634</u>	<u>3 337</u>
Non-current liabilities			
Interest-bearing	988	1 222	1 046
Non interest-bearing	338	350	337
	<u>1 327</u>	<u>1 572</u>	<u>1 382</u>
Current liabilities			
Interest-bearing	565	668	464
Non interest-bearing	767	1 203	675
	<u>1 332</u>	<u>1 871</u>	<u>1 139</u>
Liabilities related to assets held for sale	9	68	52
Total equity and liabilities	<u>5 895</u>	<u>7 146</u>	<u>5 910</u>

Consolidated statement of changes in equity

	Attributable to the equity holders of the Company								Minority interest	Total equity
	Share capital	Un-registered share capital	Share premium fund	Other reserves	Fair value reserves	Treasury shares	Cumulative translation differences	Retained earnings		
EUR million										
Equity on December 31, 2006	308	0	701	11	144	-2	-35	1 927	17	3 071
Cash flow hedges	-	-	-	-	1	-	-	-	-	1
Fair value changes on available-for-sale financial assets	-	-	-	-	12	-	-	-	-	12
Available-for-sale financial assets recognized through P&L	-	-	-	-	-99	-	-	-	-	-99
Net investment hedges	-	-	-	-	-	-	2	-	-	2
Change in translation differences	-	-	-	-	-	-	-8	-	0	-8
Items recognised directly in equity	-	-	-	-	-85	-	-6	-	0	-91
Net profit for the period	-	-	-	-	-	-	-	868	4	872
Total recognised income and expenses	-	-	-	-	-85	-	-6	868	4	781
Transfers within equity	0	-0	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-199	-	-199
Shares subscribed with options	0	-	0	-	-	-	-	-	-	0
Management stock option program: value of received services	-	-	-	-	-	-	-	2	-	2
Acquisition of minority in OSTP	-	-	-	-	-	-	-	-	-21	-21
Equity on June 30, 2007	308	-	701	11	59	-2	-41	2 598	0	3 634
Equity on December 31, 2007	308	-	701	16	57	-27	-82	2 364	-	3 337
Cash flow hedges	-	-	-	-	-0	-	-	-	-	-0
Fair value changes on available-for-sale financial assets	-	-	-	-	9	-	-	-	-	9
Available-for-sale financial assets recognized through P&L	-	-	-	-	5	-	-	-	-	5
Net investment hedges	-	-	-	-	-	-	0	-	-	0
Change in translation differences	-	-	-	-	-0	-	-29	-	-	-30
Items recognised directly in equity	-	-	-	-	13	-	-29	-	-	-16
Net profit for the period	-	-	-	-	-	-	-	119	-	119
Total recognised income and expenses	-	-	-	-	13	-	-29	119	-	103
Dividends	-	-	-	-	-	-	-	-216	-	-216
Shares subscribed with options	0	-	0	-	-	-	-	-	-	0
Management stock option program: value of received services	-	-	-	-	-	-	-	2	-	2
Equity on June 30, 2008	308	-	702	16	70	-27	-111	2 269	-	3 227

Condensed statement of cash flows

EUR million	Jan-June 2008	Jan-June 2007	Jan-Dec 2007
Net profit for the period	119	872	641
Adjustments			
Depreciation and amortization	100	101	204
Impairments	17	2	1
Loss on the sale of copper tube business	66	-	-
Gain on the sale of Outotec shares	-	-142	-142
Gain on the Talvivaara transaction	-	-110	-110
Other adjustments	80	220	199
Change in working capital	-94	-565	181
Dividends received	11	11	13
Interests received	3	5	10
Interests paid	-38	-44	-83
Income taxes paid	-54	-134	-239
Net cash from operating activities	209	217	676
Purchases of assets	-106	-60	-163
Purchase of Talvivaara shares	-	-32	-32
Acquisition of the minority in OSTP	-	-22	-22
Proceeds from the sale of copper tube business	49	-	-
Proceeds from the sale of subsidiaries	-	1	1
Proceeds from the sale of other assets	3	2	15
Net cash from other investing activities	-0	2	4
Net cash from investing activities	-54	-109	-197
Cash flow before financing activities	155	108	479
Purchase of treasury shares	-	-	-25
Borrowings of long-term debt	-	150	151
Repayment of long-term debt	-145	-267	-388
Change in current debt	200	48	-180
Dividends paid	-216	-199	-199
Proceeds from the sale of Outotec shares	-	158	158
Proceeds from the sale of other financial assets	0	-	6
Other financing cash flow	-2	0	1
Net cash from financing activities	-163	-110	-477
Net change in cash and cash equivalents	-7	-2	2
Cash and cash equivalents at the beginning of the period	86	85	85
Foreign exchange rate effect	-1	-0	-1
Net change in cash and cash equivalents	-7	-2	2
Cash and cash equivalents at the end of the period	77	82	86

Key figures

EUR million	Jan-June 2008	Jan-June 2007	Jan-Dec 2007
Operating profit margin, %	8.4	19.7	8.5
Return on capital employed, %	13.2	36.4	13.9
Return on equity, %	7.2	52.0	20.0
Return on equity from continuing operations, %	11.6	51.5	20.6
Capital employed at end of period	4 166	4 753	4 125
Net interest-bearing debt at end of period	939	1 119	788
Equity-to-assets ratio at end of period, %	54.8	50.9	56.5
Debt-to-equity ratio at end of period, %	29.1	30.8	23.6
Earnings per share, EUR	0.66	4.80	3.52
Earnings per share from continuing operations, EUR	1.06	4.75	3.63
Earnings per share from discontinued operations, EUR	-0.40	0.05	-0.10
Average number of shares outstanding, in thousands ¹⁾	180 142	181 055	180 922
Fully diluted earnings per share, EUR	0.66	4.77	3.50
Fully diluted average number of shares, in thousands ¹⁾	181 167	182 117	181 920
Equity per share at end of period, EUR	17.91	20.07	18.53
Number of shares outstanding at end of period, in thousands ¹⁾	180 222	181 082	180 103
Capital expenditure, continuing operations	97	101	190
Depreciation, continuing operations	100	101	204
Average personnel for the period, continuing operations	8 362	8 285	8 270

¹⁾ The number of own shares repurchased is excluded.

NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

This interim financial report is prepared in accordance with IAS 34 (Interim Financial Reporting). Mainly the same accounting policies and methods of computation have been followed in the interim financial statements as in the annual financial statements for 2007. Inventories are stated at the lower of cost or net realizable value.

Outokumpu changed its calculation method for the cost of inventories from first-in, first-out (FIFO) method to weighted average method in 2008. Also, Outokumpu adopted amended standard IAS 23 Borrowing Costs in 2008. These changes have not had any material impact on the interim financial statements.

Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Accounting estimates are employed in the financial statements to determine reported amounts, including the realizability of certain assets, the useful lives of tangible and intangible assets, income taxes, provisions, pension obligations, impairment of goodwill and other items. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates.

Shares and share capital

The total number of Outokumpu Oyj shares was 181 440 810 and the share capital amounted to EUR 308.4 million on June 30, 2008. Outokumpu Oyj held 1 218 603 treasury shares on June 30, 2008. This corresponded to 0.7% of the share capital and the total voting rights of the Company on June 30, 2008.

The Annual General Meeting held in 2003 passed a resolution on a stock option program for management (2003 option program). The stock options have been allocated as part of the Group's incentive programs to key personnel of Outokumpu. Trading with Outokumpu Oyj's stock options 2003A has commenced on the Main List of the Nasdaq OMX Nordic Exchange Helsinki as of September 1, 2006. On June 30, 2008 a total of 107 425 Outokumpu Oyj shares had been subscribed for on the basis of 2003A stock option program. An aggregate maximum of 551 877 Outokumpu Oyj shares can be subscribed for with the remaining 2003A stock options. In accordance with the terms and conditions of the option program, the dividend adjusted share price for a stock option was EUR 7.25 on June 30, 2008. The share subscription period for the 2003A stock options is September 1, 2006 - March 1, 2009. Trading with Outokumpu Oyj's stock options 2003B has commenced on the Main List of the Nasdaq OMX Nordic Exchange Helsinki as of September 3, 2007. On June 30, 2008 a total of 82 830 Outokumpu Oyj shares had been subscribed for on the basis of 2003B stock option program. An aggregate maximum of 945 990 Outokumpu Oyj shares can be subscribed for with the remaining 2003B stock options. In accordance with the terms and conditions of the option program, the dividend adjusted share price for a stock option was EUR 10.31 on June 30, 2008. The share subscription period for the 2003B stock options is September 3, 2007 - March 1, 2010. The current amount that Outokumpu Oyj shares could be subscribed for with the 2003C stock options is 102 500 shares. The subscription period for shares with stock option 2003C is from September 1, 2008 to March 1, 2011. As a result of the share subscriptions with the 2003 stock options, Outokumpu Oyj's share capital may be increased by a maximum of EUR 2 720 624 and the number of shares by a maximum of 1 600 367 shares. This corresponds to 0.9% of the Company's shares and voting rights. Outokumpu's Board of Directors confirmed on February 2, 2006 a share-based incentive program for years 2006-2010 as part of the key employee incentive and commitment system of the Company. If persons covered by the program were to receive the number of shares in accordance with the maximum reward, currently a total of 861 825 shares, their shareholding obtained via the program would amount to 0.5% of the Company's shares and voting rights. The detailed information of the 2003 option program and of the share-based incentive program for 2006-2010 can be found in the annual report 2007.

Acquisitions

In June Outokumpu signed an agreement to acquire the operations of Avesta Klippcenter AB in Avesta, Sweden. Avesta Klippcenter's main business is to process stainless steel material from Outokumpu's mills in Sweden for remelting in Avesta's melt shop. Through the acquisition Outokumpu's raw material handling capacity will increase, and it will secure competitive supply for the Avesta stainless steel melt shop. The total consideration is some EUR 8 million. The purchase price allocation is preliminary and is subject to finalization of the fair valuation of the acquired assets. The company's annual sales are some EUR 4.5 million and it has 17 employees. The

closing date for the acquisition was July 1, 2008 and the company will be consolidated in Specialty Stainless division from the closing date onwards.

Non-current assets held for sale and discontinued operations

In April, Outokumpu signed an agreement whereby it sold its remaining copper tube assets to Cupori Group Oy. The assets were classified as discontinued operations. The transaction was closed on June 3, 2008. Outokumpu received EUR 56 million as consideration of the sale. A capital loss of EUR 66 million has been booked on the transaction. Both of these figures are subject to final review when the closing balance sheet, expected by the end of the third quarter, has been approved.

The Assets sold comprise the copper plumbing installation and industrial tube manufacturing companies in Pori in Finland, Zaratamo in Spain, Västerås in Sweden and Liège in Belgium, as well as the copper tube sales companies in France, Germany and Italy. In 2007, these businesses generated sales of EUR 510 million with a net loss of EUR 5 million with a number of personnel of 730.

The remaining part of Copper Tube and Brass business consists of brass rod business, which produces brass rods for applications in the construction, electrical and automotive industries. The brass rod plant is located in Drünen in the Netherlands and the unit also has a 50% stake in a brass rod company in Gusum, Sweden. Outokumpu Brass employs some 170 employees. The assets and liabilities of Outokumpu Brass are presented as held for sale. Outokumpu intends to divest also the brass rod business.

Specification of non-current assets held for sale and discontinued operations
Income statement

EUR million	Jan-June 2008	Jan-June 2007	Jan-Dec 2007
Sales	241	332	599
Expenses	-240	-318	-607
Operating profit	1	13	-8
Net financial items	-2	-3	-6
Profit before taxes	-1	10	-15
Taxes	-1	-1	-1
Profit after taxes	-2	9	-15
Impairment loss recognized on the fair valuation of the Tube and Brass division's assets and liabilities	-5	-1	-3
Loss on the sale of copper tube business	-66	-	-
Taxes	-	-	-
After-tax result from the disposal and impairment loss	-72	9	-18
Minority interest	-	-	-
Net profit for the period from discontinued operations	-72	9	-18

Balance sheet

EUR million	June 30 2008	June 30 2007	Dec 31 2007
Assets			
Intangible and tangible assets	2	6	6
Other non-current assets	3	3	4
Inventories	14	117	91
Other current non interest-bearing assets	11	113	83
	30	239	184
Liabilities			
Provisions	1	2	4
Other non-current non interest-bearing liabilities	1	5	5
Trade payables	7	47	32
Other current non interest-bearing liabilities	0	15	11
	9	68	52

Cash flows

EUR million	Jan-June 2008	Jan-June 2007	Jan-Dec 2007
Operating cash flows	-9	3	18
Investing cash flows	-12	-1	-3
Financing cash flows	16	-5	-19
	-5	-4	-4

Major non-recurring items in operating profit

EUR million	Jan-June 2008	Jan-June 2007	Jan-Dec 2007
Gain on the sale of Hitura mine in Finland	-	25	25
Thin Strip restructuring in the UK	-	-	-11
	-	25	14

Major non-recurring items in financial income and expenses

EUR million	Jan-June 2008	Jan-June 2007	Jan-Dec 2007
Impairment of Belvedere shares	-12	-	-
Gain on the sale of Outotec shares	-	142	142
Gain on the Talvivaara transaction	-	110	110
	-12	252	252

Income taxes

EUR million	Jan-June 2008	Jan-June 2007	Jan-Dec 2007
Current taxes	-51	-188	-107
Deferred taxes	-5	-17	-31
	-56	-205	-138

Property, plant and equipment

EUR million	Jan 1, 2008 - June 30, 2008	Jan 1, 2007 - June 30, 2007	Jan 1, 2007 - Dec 31, 2007
Historical cost at the beginning of the period	3 984	4 009	4 009
Translation differences	-28	-26	-76
Additions	97	47	137
Disposal of subsidiaries	-	-20	-20
Disposals	-15	-2	-67
Reclassifications	-2	0	0
Historical cost at the end of the period	4 036	4 007	3 984
Accumulated depreciation at the beginning of the period	-2 004	-1 939	-1 939
Translation differences	19	14	47
Disposal of subsidiaries	-	19	19
Disposals	12	2	56
Reclassifications	0	0	-0
Depreciation	-93	-94	-190
Impairments	-	-	3
Accumulated depreciation at the end of the period	-2 065	-1 998	-2 004
Carrying value at the end of the period	1 971	2 010	1 980
Carrying value at the beginning of the period	1 980	2 069	2 069

Commitments

EUR million	June 30 2008	June 30 2007	Dec 31 2007
Mortgages and pledges			
Mortgages on land	121	132	122
Other pledges	0	0	0
Guarantees			
On behalf of subsidiaries for commercial commitments	52	88	41
On behalf of associated companies for financing	5	5	5
Other commitments	61	56	64
Minimum future lease payments on operating leases	60	63	56

Group's major off-balance sheet investment commitments totaled EUR 70 million on June 30, 2008 (Dec 31, 2007: EUR 37 million).

Related party transactions
Transactions and balances with associated companies

EUR million	June 30 2008	June 30 2007	Dec 31 2007
Sales	0	0	0
Purchases	-5	-5	-9
Financial income and expenses	0	0	2
Loans and other receivables	9	9	9
Trade and other payables	1	1	0

Fair values and nominal amounts of derivative instruments

	June 30 2008 Positive fair value	June 30 2008 Negative fair value	June 30 2008 Net fair value	Dec 31 2007 Net fair value	June 30 2008 Nominal amounts	Dec 31 2007 Nominal amounts
EUR million						
Currency and interest rate derivatives						
Currency forwards	19	17	2	8	2 924	1 992
Interest rate swaps	10	-	10	10	282	282
Currency swaps	1	-	1	-	50	-
Currency options, bought	0	-	0	-	347	-
Currency options, sold	-	2	-2	-	199	-
					Number of shares, million	Number of shares, million
Stock options						
Belvedere Resources Ltd.	1	0	1	3	3.7	3.7
					Tons	Tons
Metal derivatives						
Forward and futures copper contracts	3	3	-0	-2	13 800	11 775
Forward and futures nickel contracts	1	4	-3	0	3 816	3 114
Forward and futures zinc contracts	0	0	-0	-0	375	1 100
Forward molybdenum contracts	-	-	-	-0	-	5
Nickel options, bought	6	-	6	0	6 930	24
Nickel options, sold	-	1	-1	-	1 950	-
Emission allowance derivatives	-	0	-0	0	180 000	80 000
					TWh	TWh
Electricity derivatives	34	15	19	16	1.5	2.3
	75	42	33	35		

Segment information
General Stainless

EUR million	I/07	II/07	III/07	IV/07	2007	I/08	II/08
Sales	1 700	1 670	879	1 073	5 321	1 304	1 222
of which Tornio Works	1 206	1 038	516	708	3 468	905	833
Operating profit	245	188	-224	11	220	81	125
of which Tornio Works	227	143	-195	3	178	67	114
Operating capital at the end of period	3 047	3 007	2 789	2 607	2 607	2 722	2 671
Average personnel for the period	3 506	3 794	3 807	3 549	3 682	3 578	4 000
Deliveries of main products (1 000 tons)							
Cold rolled	187	151	94	155	587	196	162
White hot strip	81	82	41	66	270	102	85
Semi-finished products	117	118	64	85	383	100	113
Total deliveries of the division	386	350	198	305	1 240	398	359

Specialty Stainless

EUR million	I/07	II/07	III/07	IV/07	2007	I/08	II/08
Sales	1 003	1 028	687	738	3 456	786	778
Operating profit	182	196	-51	9	337	42	44
Operating capital at the end of period	1 668	1 871	1 657	1 513	1 513	1 430	1 449
Average personnel for the period	4 146	4 188	4 185	4 107	4 135	4 115	4 096
Deliveries of main products (1 000 tons)							
Cold rolled	51	52	33	38	174	46	44
White hot strip	43	38	23	31	135	45	40
Quarto plate	41	43	30	38	151	35	37
Tubular products	20	17	12	15	63	19	18
Long products	16	15	11	11	52	14	14
Total deliveries of the division	170	164	109	133	574	161	153

Other operations

EUR million	I/07	II/07	III/07	IV/07	2007	I/08	II/08
Sales	64	63	53	57	237	64	63
Operating profit	1	19	8	-6	21	-20	4
Operating capital at the end of period	-125	101	184	236	236	-20	283
Average personnel for the period	477	459	424	431	453	447	487

Income statement by quarter

EUR million	I/07	II/07	III/07	IV/07	2007	I/08	II/08
Continuing operations:							
Sales							
General Stainless	1 700	1 670	879	1 073	5 321	1 304	1 222
of which intersegment sales	421	430	230	234	1 315	284	337
Specialty Stainless	1 003	1 028	687	738	3 456	786	778
of which intersegment sales	169	193	119	124	605	124	120
Other operations	64	63	53	57	237	64	63
of which intersegment sales	48	45	43	45	181	57	57
Intra-group sales	-638	-669	-391	-403	-2 101	-465	-514
Total sales	2 129	2 092	1 227	1 465	6 913	1 689	1 549
Operating profit							
General Stainless	245	188	-224	11	220	81	125
Specialty Stainless	182	196	-51	9	337	42	44
Other operations	1	19	8	-6	21	-20	4
Intra-group items	-4	2	11	2	11	-3	1
Total operating profit	424	406	-256	15	589	100	174
Share of results in associated companies	2	4	-2	-1	4	0	1
Financial income and expenses	-10	242	-19	-7	206	-20	-8
Profit before taxes	416	652	-277	7	798	80	166
Income taxes	-105	-100	67	-0	-138	-19	-36
Net profit for the period from continuing operations	311	553	-210	7	660	61	130
Net profit for the period from discontinued operations	-4	12	-4	-23	-18	2	-74
Net profit for the period	307	565	-214	-16	641	63	56
Attributable to:							
Equity holders of the Company	305	563	-214	-16	638	63	56
Minority interest	2	2	-0	-0	4	-	-

Major non-recurring items in operating profit

EUR million	I/07	II/07	III/07	IV/07	2007	I/08	II/08
Specialty Stainless							
Thin Strip restructuring in the UK	-	-	-11	-	-11	-	-
Other operations							
Gain on sale of Hitura mine in Finland	-	25	-	-	25	-	-
	-	25	-11	-	14	-	-

Major non-recurring items in financial income and expenses

EUR million	I/07	II/07	III/07	IV/07	2007	I/08	II/08
Impairment of Belvedere shares	-	-	-	-	-	-12	-
Gain on the sale of Outotec shares	-	142	-	-	142	-	-
Gain on the Talvivaara transaction	-	110	-	-	110	-	-
	-	252	-	-	252	-12	-

Key figures by quarter

EUR million	I/07	II/07	III/07	IV/07	I/08	II/08
Operating profit margin, %	19.9	19.4	-20.9	1.0	5.9	11.2
Return on capital employed, %	38.8	35.5	-22.3	1.4	10.0	17.2
Return on equity, %	39.3	66.2	-24.3	-2.0	7.7	7.0
Return on equity, continuing operations, %	39.8	64.8	-23.9	0.8	7.5	16.3
Capital employed at end of period	4 377	4 753	4 421	4 125	3 899	4 166
Net interest-bearing debt at end of period	1 189	1 119	1 016	788	737	939
Equity-to-assets ratio at end of period, %	47.2	50.9	54.6	56.5	53.2	54.8
Debt-to-equity ratio at end of period, %	37.3	30.8	29.8	23.6	23.3	29.1
Earnings per share, EUR	1.69	3.11	-1.19	-0.09	0.35	0.31
Earnings per share from continuing operations, EUR	1.71	3.04	-1.17	0.04	0.34	0.72
Earnings per share from discontinued operations, EUR	-0.02	0.07	-0.02	-0.13	0.01	-0.41
Average number of shares outstanding, in thousands ¹⁾	181 067	181 082	181 084	180 680	180 112	180 172
Equity per share at end of period, EUR	17.51	20.07	18.81	18.53	17.56	17.91
Number of shares outstanding at end of period, in thousands ¹⁾	181 082	181 082	181 084	180 103	180 127	180 222
Capital expenditure, continuing operations	25	75	47	43	41	56
Depreciation, continuing operations	51	50	51	52	50	50
Average personnel for the period, continuing operations	8 129	8 441	8 416	8 086	8 140	8 583

¹⁾ The number of own shares repurchased is excluded.

Definitions of key financial figures

Capital employed	=	Total equity + net interest-bearing debt
Operating capital	=	Capital employed + net tax liability
Return on equity	=	$\frac{\text{Net profit for the financial year}}{\text{Total equity (average for the period)}} \times 100$
Return on capital employed (ROCE)	=	$\frac{\text{Operating profit}}{\text{Capital employed (average for the period)}} \times 100$
Net interest-bearing debt	=	Total interest-bearing debt – total interest-bearing assets
Equity-to-assets ratio	=	$\frac{\text{Total equity}}{\text{Total assets – advances received}} \times 100$
Debt-to-equity ratio	=	$\frac{\text{Net interest-bearing debt} \times 100}{\text{Total equity}}$
Earnings per share	=	$\frac{\text{Net profit for the financial year attributable to the equity holders}}{\text{Adjusted average number of shares during the period}}$
Equity per share	=	$\frac{\text{Equity attributable to the equity holders}}{\text{Adjusted number of shares at the end of the period}}$