WEAK MARKET CONDITIONS TURNED THIRD QUARTER NEGATIVE – DECISIVE CHANGE PROGRAM INITIATED

Outokumpu's sales for the seasonally weak July-September period amounted to EUR 1 191 million (II/2005: EUR 1 589 million, III/2004: EUR 1 143 million). Continued de-stocking, the roll-out of new capacity and weak growth in demand as well as high raw material prices resulted in decreased base prices for stainless steel. As announced earlier, the third quarter result turned negative and the Group's operating loss was EUR 21 million (Operating profit II/2005: EUR 157 million and III/2004: EUR 77 million). Net loss for the period from continuing operations totaled EUR 31 million (Net profit II/2005: EUR 105 million and III/2004: EUR 58 million). Earnings per share from continuing operations was EUR 0.17 negative and from discontinued operations EUR 0.03 negative.

THE THIRD QUARTER IN BRIEF

- Outokumpu has now completed the review of its stainless steel cold rolling operations in Sheffield and today (see separate stock exchange release) the Board of Directors has concluded that it is the intention of Outokumpu to cease the operations of its Coil Products Sheffield business unit in Britain. It has some 570 employees. The annual capacity of Coil Products Sheffield is 300 000 tonnes representing more than 6 percent of the Western European cold rolled capacity. In addition to this, the operational capacity of the Sheffield melt shop will be adjusted from 500 000 tonnes to 300 000 tonnes. In the new operational structure Outokumpu's melting capacity will be 2.5 million tonnes, hot rolling capacity to match melting capacity and cold rolling mill capacity 1.6 million tonnes annually.

- The stainless steel markets remained weak in the third quarter. The holiday period in Europe, Outokumpu's main market, resulted in low order intake and a short order backlog. High alloy surcharges also continued to curtail growth in demand, which slowed especially in Europe and Asia.

- The Group posted an operating loss of EUR 21 million. Oversupply in the market as well as high raw material prices have driven base prices for stainless steel to a very low level, mainly affecting Outokumpu's standard grade volume products. Outokumpu cut back production by some 150 000 tonnes during the third quarter including the effect of maintenance stoppages. General Stainless made an operating loss of EUR 49 million while Specialty Stainless posted an operating profit of EUR 8 million. Technology's operating profit totaled EUR 6 million.

- In September Outokumpu divested its remaining 16.1% holding in Boliden. Proceeds from the sale totaled some EUR 180 million and resulted in a capital gain of EUR 10 million.

- Net cash generated from continuing activities totaled EUR 197 million. Working capital decreased by EUR 176 million during the third quarter. Net interest-bearing debt fell by EUR 78 million and stood at EUR 1 744 million at the end of September. Gearing declined to 77.9%.

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- In September, the financial targets for the ongoing commercial and production excellence programs were confirmed. Outokumpu also announced decisive actions to counter the weak market situation and to improve profitability and cash flow. This improvement program has three components: fixed cost reduction, reduced capital expenditure and tight working capital management. As a temporary measure, with immediate effect, new orders from Coil Products Sheffield were transferred to Tornio in order to achieve full benefit from the plant's expanded and cost-efficient capacity.

- There are some positive signals in the stainless steel market. The base price erosion in Europe seems to have stopped, partly attributable to the significantly reduced inventories as well as declining alloy surcharges. This suggests that de-stocking could come to an end during the first half of 2006. However, the demand outlook for the fourth quarter 2005 remains uncertain.

- Outokumpu's deliveries of finished products for the full year 2005 are estimated to be slightly lower than in the previous year, despite the fact that the order intake has picked up towards the end of the third quarter. After cessation of the production at Coil Products Sheffield, Tornio will be fully loaded as of the fourth quarter 2005. Outokumpu´s underlying profitability in the fourth quarter is estimated to be around break-even on operating profit level. Nevertheless, due to non-recurring write-downs and provisions as well as inventory losses, the fourth quarter operating profit will be heavily negative.

CEO Juha Rantanen comments:

"Long-term stainless demand is healthy but new capacity in China puts pressure on markets also in Europe. Thus we have initiated a bold change program to enable us to reach our financial goals even in a challenging market. The process we have initiated in Sheffield leading to a ceasing of the cold rolling mill is aiming at improving our manufacturing structure by enabling full capacity utilization in Tornio. This in combination with the already initiated performance improvement actions will significantly improve our profitability and cash flow in the years to come."

MANAGEMENT ANALYSIS OF THE THIRD-QUARTER OPERATING RESULT

Group key figures

EUR million	I/04	II/04	III/04	IV/04	2004	I/05	II/05	**III/05**
Sales								
General Stainless	1 080	1 178	1 014	1 213	4 485	1 342	1 223	**878**
Specialty Stainless	570	638	531	670	2 409	718	750	**517**
Technology	81	104	91	146	423	65	158	**144**
Other operations	55	50	56	57	218	55	64	**58**
Intra-group sales	(590)	(687)	(549)	(586)	(2 413)	(724)	(606)	**(406)**
The Group	1 196	1 283	1 143	1 500	5 122	1 456	1 589	**1 191**
Operating profit								
General Stainless 1)	88	81	46	80	295	73	99	**(49)**
Specialty Stainless 1)	41	38	33	42	154	51	59	**8**
Technology	9	(1)	2	20	30	(8)	4	**6**
Other operations 1)	(4)	(10)	(4)	(14)	(33)	6	(7)	**8**
Intra-group items	(6)	13	0	0	7	(4)	2	**6**
The Group	128	121	77	128	453	118	157	**(21)**

Stainless steel deliveries

1 000 tonnes	I/04	II/04	III/04	IV/04	2004	I/05	II/05	**III/05**
Cold rolled	239	221	213	217	890	233	226	**195**
White hot strip	103	99	74	157	432	135	126	**61**
Other	138	124	87	116	464	117	106	**77**
Total deliveries	479	444	374	490	1 786	485	459	**333**

Market prices and exchange rates

		I/04	II/04	III/04	IV/04	2004	I/05	II/05	**III/05**
Market prices 2)									
Stainless steel									
Transaction price	EUR/t	2 122	2 280	2 257	2 350	2 252	2 207	2 173	**2 125**
Base price	EUR/t	1 397	1 433	1 442	1 425	1 424	1 332	1 217	**1 113**
Nickel	USD/t	14 737	12 503	13 998	14 080	13 852	15 348	16 411	**14 567**
	EUR/t	11 792	10 379	11 455	10 850	11 136	11 704	13 031	**11 941**
Ferrochrome (Cr-content)	USD/lb	0.61	0.69	0.73	0.73	0.69	0.78	0.78	**0.73**
	EUR/kg	1.08	1.26	1.32	1.24	1.22	1.31	1.37	**1.32**
Molybdenum	USD/lb	8.20	14.61	16.91	25.85	16.39	32.02	35.62	**31.74**
	EUR/kg	14.46	26.49	30.50	43.92	29.05	53.84	62.35	**57.37**
Iron scrap	USD/t	231	211	238	265	236	240	209	**236**
	EUR/t	185	176	195	204	190	183	166	**194**
Exchange rates									
EUR/USD		1.250	1.200	1.220	1.298	1.244	1.311	1.259	**1.220**
EUR/SEK		9.184	9.150	9.150	9.013	9.124	9.074	9.208	**9.366**
EUR/GBP		0.680	0.667	0.672	0.695	0.679	0.694	0.679	**0.683**

1) The treatment of internal raw material pricing has been changed and the division of the operating profit between General Stainless, Specialty Stainless and Other operations has been restated for the first and second quarter of 2005.
2) Sources of market prices:
Stainless steel: CRU - German transaction and base prices (2 mm cold rolled 304 sheet), estimates for deliveries during the period.
Nickel: London Metal Exchange (LME) cash quotation.
Ferrochrome: Metal Bulletin - Ferrochrome lumpy chrome charge, basis 52% chrome.
Molybdenum: Metal Bulletin - Molybdenum oxide - Europe.
Iron Scrap: Metal Bulletin - Iron scrap HMS1 fob Rotterdam.

Markets – third quarter weak, challenging in the short-term and robust in the longer-term

World economic growth continued at a rate of about 3.5% during the third quarter, with the US and China as the main driving force. In Europe, growth remained modest. Although the rise in the oil price has increased uncertainty, global economic growth is estimated to stay relatively stable in the near future.

During the seasonally low third quarter global demand for cold rolled stainless steel decreased by some 4% compared to the second quarter but was 5% higher than in the third quarter of 2004 mainly driven by China. Markets were oversupplied due to the continuing de-stocking phase and the roll-out of new hot rolling capacity in China. Growth in demand slowed especially in Europe and Asia but held up better in the US. According to Eurofer, the European third quarter cold rolled shipments were nearly 16% lower than in the previous year. The European base price for CR 304 sheet fell by 100 EUR/tonne in the third quarter and stood at 1 070 EUR/tonne at the end of September. However, it now seems that base price erosion has stopped. US prices remained higher than prices in Europe and Asia. Producers responded to the weakening markets by cutting production. In the third quarter total announced cutbacks globally were some 900 000 tonnes.

Prices of alloying materials for stainless steel declined in the third quarter, as demand from stainless steel producers was weaker. The price of nickel averaged 14 567 USD/tonne in the third quarter, 11% lower than in the second quarter and has fallen from more than 15 000 USD/tonne in early September to just over 12 000 USD/tonne in mid-October. The ferrochrome market moved into oversupply. The contract price for the quarter was at 0.73 USD/lb, 6% below the second quarter. In the near future, the ferrochrome market is expected to remain oversupplied and the contract price for the fourth quarter was settled at 0.68 USD/lb. The market for molybdenum was slightly oversupplied in the period and the price fell by 11% compared to the second quarter, though remaining at a historically very high level. The price of iron scrap rose by 13% in the third quarter, but fell back during October to the level it was in the second quarter. The alloy surcharge for stainless steel rose to a record high in July and August, but fell in September and will decline further in October and November.

In certain European markets, the stainless steel inventories seem to have fallen sharply during the third quarter, presumably because of production cutbacks. According to CRU estimates, de-stocking will be over by the second quarter 2006, allowing deliveries to recover to trend levels.

Longer-term stainless steel demand is expected to remain robust, supported by good growth prospects among Outokumpu's key customer segments. However, the key issue is the growth in global capacity, mainly in China, and this makes exporting from Europe to Asia more and more difficult.

Weak result in depressed market conditions

During the third quarter Outokumpu cut back production by some 150 000 tonnes including the effect of maintenance stoppages. Group sales totaled EUR 1 191 million, a decrease of 25% from the second quarter but an increase of 4% compared with the corresponding period in 2004. Stainless steel deliveries were 27% lower than in the previous quarter and 11% lower than in July-September 2004. Oversupply and low stainless steel base prices mainly affected Outokumpu's standard grade volume products. Lower deliveries of stainless steel and lower base prices turned the third quarter negative. Group operating loss in the quarter totaled EUR 21 million compared to operating profits of EUR 157 million in the second quarter and EUR 77 million during July-September 2004. The results achieved by General Stainless in particular, but also by Specialty Stainless, deteriorated considerably. The operating loss in General Stainless totaled EUR 49 million, while Specialty Stainless posted an operating profit of EUR 8 million. The operating profit in Technology improved to EUR 6 million.

Outokumpu Stainless Tubular Products has been transferred from General Stainless to Specialty Stainless from the beginning of October. In financial reporting the change will be implemented in the fourth quarter and comparative figures will be restated accordingly.

Decisive actions to improve performance and profitability

Ceasing of the loss making operation of Coil Products Sheffield, announced today, will confirm the ability of the Tornio Works, the most cost-efficient and largest single-site stainless operation globally, to be operated with full load as of the fourth quarter 2005 and to deliver the full benefits of its low cost base. Consequently, the improvement of Group's future operating profit level is estimated to be some EUR 50 million annually from the second half of 2006 onwards, compared to continuing business as usual within the current structure, and with the prevailing price and loading levels.

A program to improve profitability and cash flow was initiated already in September. This program has three components: fixed cost reduction, reduced capital expenditure and tight working capital management. The targeted 10% reduction in fixed costs at each unit will result in an improvement of some EUR 100 million in Group-level operating profit on an annual basis. The plan is for reduced fixed-cost running rates to be in place during the second half of 2006, with full effect achieved in 2007.

The longer-term operational excellence programs launched in April this year are progressing well and financial targets for the programs have been confirmed. Total combined benefits from the commercial and production excellence programs are expected to amount to EUR 40 million in 2007, EUR 80 million in 2008 and to thereafter total EUR 160 million on an annual basis.

General Stainless posts operating loss due to weak demand and low prices

General Stainless

EUR million	I/04	II/04	III/04	IV/04	2004	I/05	II/05	**III/05**
Sales	1 080	1 178	1 014	1 213	4 485	1 342	1 223	**878**
of which Tornio Works	522	578	471	613	2 183	699	657	**476**
Operating profit	88	81	46	80	295	73	99	**(49)**
of which Tornio Works	70	67	47	57	241	59	74	**(36)**
Operating capital at the end of period	2 734	2 854	2 928	2 988	2 988	3 029	3 026	**2 955**
Deliveries of main products (1 000 tonnes)								
Cold rolled	215	195	195	191	796	205	180	**161**
White hot strip	77	72	54	116	320	97	82	**37**
Other	238	251	173	198	860	251	206	**118**
Total deliveries of the division	529	518	422	506	1 976	553	468	**316**

Sales by General Stainless in the third quarter were 28% lower than in the April-June period. Deliveries were down by 32% compared to the second quarter and 25% lower than during June-September 2004. Together with lower base prices this weakend the third quarter result and the operating loss totaled EUR 49 million, a sharp decline of EUR 148 million from the second quarter. To compensate for weak levels of demand, production at the melt shops, including the Avesta melt shop within Specialty Stainless, was cut back by some 150 000 tonnes during the period. Tornio Works' operating loss amounted to EUR 36 million and it was also burdened by higher costs incurred during annual maintenance stoppages. Weakened demand also meant reduced production volumes in Outokumpu Stainless Tubular Products.

Ceasing of the loss making operation of Coil Products Sheffield (CPS), announced today, will confirm the ability of the Tornio Works, the most cost-efficient and largest single-site stainless operation globally, to be operated with full load as of the fourth quarter 2005 and to deliver the full benefits of its low cost base. Coil Products Sheffield is a medium-scale, high-cost operation with complicated logistics that cannot compete with the clearly more cost-efficient integrated operations. Its annual capacity is 300 000 tonnes of cold rolled products and it employs some 570 people. In addition to ceasing the operation of CPS, the operational capacity of the Sheffield melt shop, already part of the September initiative, will be adjusted from 500 000 tonnes to 300 000 tonnes to provide feedstock only for the long products and plate operations in Britain, Sweden and the US.

In the near future, the market for stainless steel standard products looks challenging. Global capacity is rising dramatically in China, and this is already weakening the scope for European exports into China.

Specialty Stainless' profit pushed down by low deliveries

Specialty Stainless

EUR million	I/04	II/04	III/04	IV/04	2 004	I/05	II/05	**III/05**
Sales	570	638	531	670	2 409	718	750	**517**
Operating profit	41	38	33	42	154	51	59	**8**
Operating capital at the end of period	1 038	1 107	1 094	1 143	1 143	1 137	1 232	**1 174**
Deliveries of main products (1 000 tonnes)								
Cold rolled	51	50	33	45	178	46	57	**45**
White hot strip	65	61	42	62	231	65	50	**34**
Other	133	138	121	126	517	132	132	**73**
Total deliveries of the division	249	249	195	233	926	243	239	**152**

Sales in the third quarter by Specialty Stainless were 31% lower than in the April-June period. Deliveries were 36% down on the second quarter and 22% lower than in July-September 2004. While low demand for stainless steel undermined performance in Specialty Stainless, the resulting effects were less than in the case of General Stainless' standard grade volume products. Even though deliveries and price levels of special products, such as special grade and project-related products were satisfactory, Specialty Stainless units were also affected by weak demand for the more standard products. Pressure on base prices mostly affected the more standard products, but profitability was stabilized by the special product part of the volume bringing the operating profit to EUR 8 million.

As a consequence of ceasing the operation of Coil Products Sheffield, the operational hot rolling capacity in Avesta, which has been hot rolling slabs from Sheffield melt shop (SMACC) for CPS, will be adjusted to 450 000 tonnes to reflect the new operational structure. This will result in a review of shift levels in the Avesta hot rolling mill, and in this respect, union negotiations will start in due course.

Demand for special products is estimated to continue to be reasonable. Decline in the prices of the alloying materials is expected to improve project sales, although customers are still postponing their decision-making.

Technology's profitability good – order backlog strong and expected to strengthen

Technology

EUR million	I/04	II/04	III/04	IV/04	2004	I/05	II/05	**III/05**
Sales	81	104	91	146	423	65	158	**144**
Operating profit	9	(1)	2	20	30	(8)	4	**6**
Operating capital at the end of period	27	45	29	39	39	40	32	**60**
Order backlog at the end of period	390	336	423	458	458	490	520	**524**

Sales by Outokumpu Technology totaled EUR 144 million in the third quarter. Operating profit improved from the second quarter to EUR 6 million. During January-September 2005, sales have increased by 33 % compared with the previous year.

Technology's order backlog was strong at EUR 524 million which is 14% higher than at the end of 2004. Order intake in the third quarter was good at EUR 141 million. The cumulative order intake stands at EUR 419 million. Some of the most significant new orders booked are destined for China's growing copper production markets. Outokumpu Technology announced a contract with the Yanggu Xiangguang Copper Company for a greenfield copper-production plant to be built in Shangdong province. The value of this contract exceeds EUR 50 million and Outokumpu Technology's scope of supply includes licenses, basic engineering and proprietary equipment for both flash smelting and flash converting, delivery of an anode casting shop, all tankhouse machinery with Outokumpu stainless permanent cathodes, as well as engineering and key equipment for a sulphuric acid plant.

The investment boom in the iron and steel industry continues and Outokumpu Technology's position as the industry's leading supplier of technology was once again confirmed by the announcement of the contract with Tata Iron and Steel Co. (TISCO, India) to deliver an iron ore sintering plant, the fourth sinter plant contract in India. The good market situation in minerals processing also continued in the third quarter and several orders for grinding technology were received. These included OneSteel's Project Magnet in Australia for processing magnetite iron ore, the Lihir gold mine project in Papua New Guinea and the Anglo Platinum´s and Xstrata Alloy´s Motolo project in South Africa for processing palladium and platinum.

The market situation continues to be good. Investment activity within the metals and mining industry is expected to remain robust and Outokumpu Technology's order backlog is expected to remain strong throughout the year. Investment activity is strong in all customer markets. Based on the strong order backlog operating profit, is expected to improve from last year, excluding the non-recurring gains in 2004.

Other operations

Other operations

EUR million	I/04	II/04	III/04	IV/04	2004	I/05	II/05	**III/05**
Sales	55	50	56	57	218	55	64	**58**
Operating profit	(4)	(10)	(4)	(14)	(33)	6	(7)	**8**
Operating capital at the end of period	89	83	113	58	58	34	44	**37**

Other operations consists of activities outside the Group's primary businesses as well as industrial holdings. Business development costs and Corporate Management expenses not allocated to the businesses are also reported under Other operations.

Operating profit for the first quarter included a EUR 25 million capital gain on the sale of a 10.4% stake in Boliden. In the third quarter the operating profit included a EUR 10 million capital gain on the sale of the remaining 16.1% holding in Boliden.

The attachments present the interim review by the Board of Directors as well as the accounts.

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News conference and live web cast today at 3.00 pm

A combined news conference, conference call and live webcast concerning the third-quarter interim report will be held today on October 25, 2005 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: +44 20 7162 0125 (UK) or +1 866 779 1135 (US & Canada). The password is Outokumpu.

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

An on-demand webcast of the news conference will be available at www.outokumpu.com as of October 25, 2005 at approximately 5.00 pm. An instant reply service of the conference call will be available until Friday, October 28, 2005 in the following numbers: +44 20 7031 4064 (UK) or +1 888 365 0240 (US & Canada). The access code is 679899.

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INTERIM REVIEW BY THE BOARD OF DIRECTORS

Weak market conditions reduced profitability

The Group´s sales in January-September 2005 was 17% higher than in January-September 2004 and amounted to EUR 4 236 million (I-III/2004: EUR 3 622 million). Delivery volumes of stainless steel were marginally lower than in the corresponding period in 2004. The European transaction prices of standard grade volume stainless steel products fell slightly compared to the previous year despite an increase in prices for alloying materials. Prices of stainless steel special products were higher than in January-September 2004. Sales by Outokumpu Technology was 33% higher than in previous year.

The Group´s operating profit totaled EUR 253 million (I-III/2004: EUR 325 million). The primary reasons for the deterioration in profit were lower base prices and lower deliveries during the third quarter of 2005. Non-recurring items in the nine-month period totaled EUR 35 million (I-III/2004: EUR 17 million) and comprise capital gains from the sale of Boliden shares. The non-recurring gain recorded in 2004 related to the sale of Outokumpu Technology's filter business. The share of results in associated companies was EUR 0 million (I-III/2004: EUR 55 million). In 2004 Boliden was still being accounted for as an associated company. Net interest expenses in January-September 2005 totaled EUR 49 million (I-III/2004: EUR 49 million) and market price gains and losses reported under financial income and expenses were positive at EUR 7 million (I-III/2004: EUR 3 million negative). Net profit for the nine-month period from continuing operations totaled EUR 163 million (I-III/2004: EUR 264 million) and net loss from discontinued operations totaled EUR 346 million. Earnings per share from continuing operations amounted to EUR 0.89 and from discontinued operations EUR 1.91 negative. Return on capital employed was 7.6% (I-III/2004: 9.6%).

The Group´s net cash generated from operating activities in January-September 2005 totaled EUR 253 million (I-III/2004: EUR 302 million negative). The contribution by continuing operations totaled EUR 318 million. The Group´s working capital increased by EUR 85 million during January-September. Net interest-bearing debt fell to EUR 1 744 million (Dec. 31, 2004: EUR 2 435 million). Divestiture of the Group's fabricated copper products business reduced indebtedness. In June, Outokumpu signed a five-year revolving credit facility of EUR 1 billion. This is a committed credit facility, which replaces the comparable EUR 875 million facility of May 2003.

In January-September 2005, capital expenditure amounted to EUR 117 million (I-III/2004: EUR 300 million). The expansion project at the stainless steel cold rolling mill in Kloster, Sweden, is proceeding on schedule. Group capital expenditure in 2005 is expected to be below EUR 250 million.

At the end of September, the Group's equity-to-assets ratio stood at 38.7% (Dec. 31, 2004: 35.8%) and the gearing ratio was 77.9% (Dec. 31, 2004: 97.2%).

Boliden holding sold

In March, Outokumpu sold 30 million Boliden shares and Outokumpu's stake in the company was reduced to 16.1%. Proceeds from the divestment totaled EUR 115 million and resulted in a capital gain of EUR 25 million. The remaining holding was sold in September 2005. Proceeds totaled EUR 180 million and resulted in a capital gain of EUR 10 million.

Discontinued operations

The sale of the Group's fabricated copper products business to Nordic Capital was finalized on June 7, 2005. After final adjustments, total consideration was EUR 612 million and loss resulting from the disposal totaled EUR 245 million. Sales in 2004 by the sold businesses amounted to EUR 1 664 million and the number of personnel employed at the end of the year was 6 400.

The Tube and Brass business that was excluded from this transaction comprises European sanitary and industrial tubes, including air-conditioning and refrigeration tubes in Europe, and brass rod.

The EUR 346 million loss resulting from discontinued operations comprises the result recorded by the fabricated copper products business in the first quarter, the EUR 245 million loss from sale of assets to Nordic Capital, the impairment loss of EUR 83 million recognized in the Tube and Brass business and the result recorded by this business in January-September 2005. The assets and liabilities of the Tube and Brass business have been presented as held for sale. Tube and Brass posted an operating loss of EUR 7 million in January-September 2005 and the operating capital at the end of September 2005 was EUR 121 million.

As earlier announced, Outokumpu Copper (USA), Inc. has been served with a complaint in a case filed in federal district court in Memphis, Tennessee, the US by plaintiff American Copper & Brass, Inc. The complaint alleges claims and damages under the US antitrust laws and purports to be a class action on behalf of all direct purchasers of copper plumbing tubes in the US from 1988 to March 31, 2001. Outokumpu believes that the allegations in this 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 this class action.

Stainless Welding business sold

In July, Outokumpu signed an agreement to sell Avesta Welding, the Stainless Welding business, and its distribution channels to Böhler-Uddeholm of Austria. Sales recorded in 2004 by this business, which employs some 160 people, totaled EUR 38 million. Closing of the transaction is subject to customary regulatory clearances. The deal has no significant impact on the Outokumpu result.

Transformation to improve performance and profitability

In September 2005, Outokumpu announced that to counter the current market situation it would fill in Tornio capacity by transferring new orders from Coil Products Sheffield (CPS). Today, the Board has concluded that it is the intention of Outokumpu to cease the 300 000 tonnes per year operation of its Coil Products Sheffield business unit in Britain, and in addition to this, the operational capacity of the Sheffield melt shop (SMACC) will be adjusted from 500 000 tonnes to 300 000 tonnes. The intention is subject to consultation that will immediately commence with the Sheffield workforce and the appropriate trade unions. This will confirm the ability of the Tornio Works, the most cost-efficient and largest single-site stainless operation globally, to be operated with full load as of the fourth quarter 2005 and to deliver the full benefits of its low-cost base. The loss-making CPS is a medium-scale, high-cost operation with complicated logistics that cannot compete with the clearly more cost-efficient integrated operations.

CPS has some 570 employees. The SMACC workforce is likely to be reduced by some 100 employees. In this respect, the consultation process with the appropriate unions is underway. As Avesta has been hot rolling SMACC slabs for CPS, the operational hot rolling capacity in Avesta will be adjusted to 450 000 tonnes and this will result in a review of shift levels in the Avesta hot rolling mill, and union negotiations in this respect will start in due course.

The ceasing of the operation of CPS is estimated to result in non-recurring write-downs of some EUR 100 million and provisions of some EUR 50 million, which will be recorded in the fourth quarter accounts in 2005. The effect on the Group's gearing will not be significant due to released working capital. The improvement of the Group's future operating profit level is estimated to be some EUR 50 million annually from the second half of 2006 onwards, compared to continuing business as usual within the current structure, and with the prevailing price and loading levels.

In the new operational structure Outokumpu's melting capacity will be 2.5 million tonnes, hot rolling mill capacity to match melting capacity and cold rolling mill capacity 1.6 million tonnes annually.

Outokumpu's vision – to be the undisputed number one in stainless with success based on operational excellence – was announced in January this year. Operational excellence comprises the commercial and production excellence programs launched in April 2005 when the Group's new business organization came into effect. The commercial excellence program, which covers all business units and sales companies in Outokumpu will help shift the Group increasingly towards customer orientation and a one-company operating model. Production excellence is a highly practical program to improve Outokumpu´s production operations. In this program, the objectives are to improve health, safety and environmental performance, raw material and equipment efficiency, benchmarking and the use of best practices. Total combined benefits from the commercial and production excellence programs are expected to amount to EUR 40 million in 2007, EUR 80 million in 2008, to thereafter total EUR 160 million on an annual basis.

Group-wide cost reduction initiatives were commenced in September. Profitability and cash flow improvement program underway has three components: fixed cost reduction, reduced capital expenditure and tight working capital management.

The fixed cost reduction will be implemented in all of the Group's stainless business units as well as Corporate Management and Group functions. The targeted 10% reduction of fixed costs in each unit will result in an improvement of some EUR 100 million in Group-level operating profit on an annual basis. Units have until the end of October 2005 to prepare their plans and implementation will commence immediately once employee negotiations have been completed. This program is addressing all cost elements, including personnel costs. The exact implications for personnel will be defined during local employee and union negotiations. Possible non-recurring costs related to the implementation of the cost reduction plans will be provided for when plans are put into action. The target is to have the reduced fixed-cost running rates to be in place during the second half of 2006, with full effect achieved in 2007.

Capital expenditure by the Group in 2006 will be cut to an absolute minimum and will include only maintenance investments and other investments to which a commitment has already been made. The estimated total will be EUR 175 million. Capital expenditure in 2007 will be kept at the same level, i.e. some EUR 40 million lower than the depreciation level of EUR 210 million after the cessation of the operation of CPS.

Tight working capital management will continue in order to reduce inventory levels. At the end of September, some EUR 200 to 300 million of additional finance was tied up because of high raw material prices.

Environment, health and safety

The EU emissions trading system started in January 2005. In February, carbon dioxide allowances and associated permits were granted to the Tornio site in Finland and steel making and casting plants at Avesta and Degerfors in Sweden. National registers for allowances have been set up in Finland and in Sweden. The allowances allocated are sufficient for Outokumpu's planned production in 2005-2007 and preparations for applying allowances in 2006 for the 2008-2012 Kyoto period have been started. The Sheffield melt shop utilized the opt-out possibility for the 2005-2007 period provided by the British Climate Change Levy system. As a consequence, procedures for the setting and monitoring of energy saving targets in accordance with the National Climate Change Levy-system have been modified.
At most Group sites, emissions and discharges were well below permission levels. Some minor breaches of permitted levels did however occur at Avesta, Sheffield and Tornio.

The Group-wide “safety theme” year has continued with a variety of activities at different locations. A safety target for the Group of no more than five accidents per million man-hours before 2009 has been set. The accident rate in the Outokumpu Group during January-September was 21 per million man-hours (I-III/2004: 18). In the stainless steel business the accident rate was 18 per million man-hours (I-III/2004: 20). No major accidents were reported during in January-September 2005.

Current market challenging – some positive signals in the market

Long-term market fundaments for stainless steel are expected to remain robust – demand is expected to grow faster than for other metals. In the short-term, however, the market situation is weakened by de-stocking and the roll-out of new capacity especially in China.

There are some positive signals in the market. The base price erosion in Europe seems to have stopped, which is partly attributable to the significantly reduced inventories, as well as declining alloy surcharges. This suggests that de-stocking could come to an end during the first half of 2006. However, the demand outlook for the fourth quarter 2005 remains uncertain.

Outokumpu’s deliveries of finished products for the full year 2005 are estimated to be slightly lower than in the previous year, despite the fact that the order intake has picked up towards the end of the third quarter. After cessation of the production at Coil Products Sheffield, Tornio will be fully loaded as of the fourth quarter. Outokumpu´s underlying profitability in the fourth quarter is estimated to be around break-even on operating profit level. Nevertheless, due to non-recurring write-downs and provisions, as well as inventory losses the fourth quarter operating profit will be heavily negative.

Espoo October 25, 2005

Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Condensed income statement

EUR million	**Jan-Sept 2005**	Jan-Sept 2004	Jan-Dec 2004
Continuing operations:			
Sales	**4 236**	3 622	5 122
Other operating income	**52**	53	73
Costs and expenses	**(4 030)**	(3 343)	(4 733)
Other operating expenses	**(5)**	(7)	(9)
Operating profit	**253**	325	453
Share of results in associated companies	**0**	55	78
Financial income and expenses			
Net interest expenses	**(49)**	(49)	(66)
Market price gains and losses	**7**	(3)	(29)
Other financial income and expenses	**2**	2	4
Profit before taxes	**213**	329	440
Income taxes	**(51)**	(65)	(61)
Net profit for the period from continuing operations	**163**	264	379
Discontinued operations:			
Net (loss), profit for the period from discontinued operations	**(346)**	16	7
Net (loss), profit for the period	**(183)**	280	386
Attributable to:			
Equity holders of the Company	**(185)**	277	382
Minority interest	**2**	3	4
Earnings per share for profit attributable to the equity holders of the Company:			
Earnings per share, EUR	**(1.02)**	1.54	2.12
Earnings per share, EUR - diluted	**(1.02)**	1.53	2.12
Earnings per share from continuing operations attributable to the equity holders of the Company:			
Earnings per share, EUR	**0.89**	1.45	2.08
Earnings per share from discontinued operations attributable to the equity holders of the Company:			
Earnings per share, EUR	**(1.91)**	0.09	0.04

All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

Condensed balance sheet

EUR million	**Sept 30 2005**	Sept 30 2004	Dec 31 2004
ASSETS			
Non-current assets			
Intangible assets	**589**	606	620
Property, plant and equipment	**2 217**	2 732	2 743
Non-current financial assets			
Interest-bearing	**249**	651	409
Non interest-bearing	**42**	58	55
	3 097	4 047	3 827
Current assets			
Inventories	**1 414**	1 739	1 579
Current financial assets			
Interest-bearing	**46**	62	70
Non interest-bearing	**832**	1 266	1 390
Cash and cash equivalents	**257**	137	211
	2 549	3 204	3 250
Receivables related to assets held for sale	**201**	-	-
Total assets	**5 846**	7 251	7 077
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the Company	**2 221**	2 364	2 468
Minority interest	**16**	40	38
	2 237	2 404	2 506
Non-current liabilities			
Interest-bearing	**1 779**	1 987	1 975
Non interest-bearing	**387**	491	442
	2 166	2 478	2 417
Current liabilities			
Interest-bearing	**637**	1 378	1 150
Non interest-bearing	**725**	992	1 003
	1 362	2 370	2 153
Liabilities related to assets held for sale	**80**	-	-
Total equity and liabilities	**5 846**	7 251	7 077

Consolidated statement of changes in equity

EUR million	Share capital	Unregistered share capital	Share premium fund	Other reserves	Fair value reserves	Treasury shares	Cumulative translation differences	Retained earnings	Minority interest	Total equity
	Attributable to equity holders of the Company									
Equity on December 31, 2003	**304**	**0**	**681**	**14**	**-**	**(12)**	**(61)**	**1 122**	**35**	**2 083**
Cash flow hedges	-	-	-	-	(2)	-	-	-	-	(2)
Fair value gains on available-for-sale financial assets	-	-	-	-	16	-	-	-	-	16
Net investment hedges	-	-	-	-	-	-	(2)	-	-	(2)
Change in translation differences	-	-	-	-	-	-	4	-	0	4
Items recognised directly in equity	-	-	-	-	15	-	2	-	0	17
Net profit for the financial year	-	-	-	-	-	-	-	382	4	386
Total recognised income and expenses	-	-	-	-	15	-	2	382	4	403
Dividends paid	-	-	-	-	-	-	-	(36)	-	(36)
Transfers from unregistered share capital	0	(0)	-	-	-	-	-	-	-	0
Shares subscribed with options	4	-	15	-	-	-	-	-	-	19
Converted bonds	1	-	3	-	-	-	-	-	-	4
Outokumpu Oyj shares owned by associated companies	-	-	-	-	-	-	-	26	-	26
Management stock option program: value of received services	-	-	-	-	-	-	-	1	-	1
Transfer of treasury shares	-	-	0	-	-	6	-	-	-	6
Other changes	-	-	1	(1)	-	-	-	1	(1)	0
Equity on December 31, 2004	**308**	**-**	**700**	**13**	**15**	**(5)**	**(59)**	**1 496**	**38**	**2 506**
Cash flow hedges	-	-	-	-	5	-	-	-	-	5
Fair value gains on available-for-sale financial assets	-	-	-	-	0	-	-	-	-	0
Net investment hedges	-	-	-	-	-	-	0	-	-	0
Change in translation differences	-	-	-	-	-	-	19	-	1	20
Items recognised directly in equity	-	-	-	-	5	-	19	-	1	25
Net profit for the period	-	-	-	-	-	-	-	(185)	1	(184)
Total recognised income and expenses	-	-	-	-	0	-	19	(185)	1	(165)
Dividends paid	-	-	-	-	-	-	-	(91)	-	(91)
Management stock option program: value of received services	-	-	-	-	-	-	-	2	-	2
Transfer of treasury shares	-	-	1	-	-	3	-	-	-	4
Effect of the sale of the fabricated copper products business	-	-	-	-	-	-	-	-	(24)	(24)
Other changes	-	-	-	(1)	-	-	-	-	-	(1)
Equity on September 30, 2005	**308**	**-**	**701**	**11**	**20**	**(2)**	**(39)**	**1 222**	**16**	**2 237**

Condensed statement of cash flows

EUR million	**Jan-Sept 2005**	Jan-Sept 2004	Jan-Dec 2004
Net profit for the period	**(183)**	280	386
Adjustments	**521**	94	196
Change in working capital	**(85)**	(676)	(710)
Net cash generated from operating activities	**253**	(302)	(128)
Purchases of assets	**(184)**	(337)	(473)
Proceeds from asset disposal	**882**	18	327
Change in other investing activities	**(76)**	(21)	(6)
Cash flow before financing activities	**875**	(642)	(279)
Net cash generated from financing activities	**(833)**	544	235
Adjustments	**4**	5	26
Change in cash and cash equivalents	**46**	(93)	(19)

Key figures

EUR million	**Jan-Sept 2005**	Jan-Sept 2004	Jan-Dec 2004
Operating profit margin, %	**6.0**	9.0	8.8
Return on capital employed, %	**7.6**	9.6	10.0
Return on equity, %	**(10.3)**	16.7	16.8
Return on equity from continuing operations, %	**9.1**	15.7	16.5
Capital employed at end of period	**3 981**	4 919	4 941
Net interest-bearing debt at end of period	**1 744**	2 515	2 435
Equity-to-assets ratio at end of period, %	**38.7**	33.6	35.8
Debt-to-equity ratio at end of period, %	**77.9**	104.6	97.2
Earnings per share, EUR	**(1.02)**	1.54	2.12
Earnings per share from continuing operations, EUR	**0.89**	1.45	2.08
Earnings per share from discontinued operations, EUR	**(1.91)**	0.09	0.04
Average number of shares outstanding, in thousands [1)]	**181 027**	179 823	180 057
Fully diluted earnings per share, EUR	**(1.02)**	1.53	2.12
Fully diluted average number of shares, in thousands [1)]	**181 149**	180 775	180 172
Equity per share at end of period, EUR	**12.27**	13.08	13.65
Number of shares outstanding at end of period, in thousands [1)]	**181 032**	180 752	180 752
Capital expenditure, continuing operations	**117**	300	414
Depreciation, continuing operations	**161**	141	191
Average personnel for the period, continuing operations	**11 685**	11 879	11 787

1) The number of own shares repurchased is excluded.

NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

This report is prepared in accordance with IAS 34 (Interim Financial Reporting). Outokumpu has applied the following new International Financial Reporting Standards (IFRS) as of January 1, 2005: IFRS 2 (Share-based Payment) and IFRS 5 (Discontinued Operations). IFRS 5 has been applied to Outokumpu Copper and it is specified in a separate note: Discontinued operations and assets held for sale. Based on the revised IAS 1 standard, Outokumpu has presented from second quarter 2005 onwards market price gains and losses above operating profit instead of financial income and expenses. Furthermore, application of International Financial Reporting Interpretation Committee's (IFRIC) interpretation IFRIC 3 (Emission Rights) has been reversed in June 2005.

Share-based payment

IFRS 2 has been applied for the 2003 option program and comparative figures have been restated. The terms and conditions of the option program are described in detail in the annual report 2004 and below under the note Shares and share capital. The options are valued at fair value on the grant date by using the Black-Scholes-Merton option pricing model. The total estimated value of the program is EUR 7.2 million. This value is recognized as an expense in the income statement during the vesting periods.

Grant date is the date at which the entity and another party agree to a share-based payment arrangement, being when the entity and the counter party have a shared understanding of the terms and conditions of the arrangement. Grant dates for the option program are as follows: 2003A June 12, 2003, 2003B February 10, 2004 and 2003C March 22, 2005.

Vesting period is the period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied. The vesting periods of the option program are: for 2003A June 12, 2003 to August 31, 2006, for 2003B February 10, 2004 to August 31, 2007 and for 2003C March 22, 2005 to August 31, 2008. Applying the IFRS 2 has reduced operating profit by EUR 0.4 million in 2003, EUR 1.7 million in 2004 and EUR 1.5 million during January-September 2005.

Reclassification of market price gains and losses

Based on the revised IAS 1 standard, Outokumpu has presented from the second quarter 2005 onwards gains and losses on derivative instruments above operating profit, and in financial income and expenses only when the derivative instrument is assigned to financial assets or liabilities. Exchange gains and losses from accounts receivable and payable have also been reclassified from financial income and expenses above operating profit. The comparative figures have been restated accordingly. The reclassification had no effect on the Group´s net profits for the financial periods.

Emission allowances

As of January 1, 2005 Outokumpu applied IFRIC Interpretation 3 in accounting for carbon dioxide (CO2) emission allowances. In June 2005, the International Accounting Standards Board (IASB) decided to withdraw IFRIC 3 with immediate effect. Following the decision Outokumpu has changed the accounting treatment for emission allowances. Accounting for CO2 allowances is based on current IFRS standards where purchased CO2 allowances are accounted for as intangible assets at cost, whereas CO2 emission allowances received free of charge are accounted for at nominal value, i.e. at zero. A provision to cover the obligation to return emission allowances is recognized provided that emission allowances received free of charge will not cover the actual emissions. Consequently the possible effect in operating profit will reflect the difference between what has been emitted and the received emission allowances. The effect of IFRIC 3 on the reported first quarter operating profit was negative EUR 0.2 million. This amount has been reversed in June 2005. At the end of September, emission allowances are not reflected in Outokumpu's financial statements because no allowances have been purchased or sold and because it is estimated that actual emissions will not exceed the amount of received allowances in 2005.

Shares and share capital

The total number of Outokumpu Oyj shares was 181 250 555 and the share capital amounted to EUR 308.1 million on September 30, 2005. Outokumpu Oyj held 218 603 treasury shares on September 30, 2005 with a total account equivalent value of EUR 0.4 million. This corresponded to 0.1% of the share capital and the total voting rights of the Company on September 30, 2005.

The Annual General Meeting held in 2003 passed a resolution on a stock option program for management. Under the terms and conditions of the stock option program, a total of 5 100 000 stock options may be issued, entitling holders thereof to subscribe for 5 100 000 new shares in the Company in the period 2006 to 2011.

In February 2004, the Board of Directors confirmed that a total of 742 988 stock options 2003A be distributed to 116 persons in management positions of Outokumpu. The maximum number of 2003A stock options was 1 700 000. Members of the Group Executive Committee received 62% and other key persons 45.25% of the maximum number of 2003A stock options. The number of 2003A stock options distributed was decided on the basis of the earnings criteria established in June 2003, and which were the Group’s earnings per share and share price performance outperforming the share price trend of peer companies. The additional earnings criterion for Group Executive Committee members was the Group’s gearing. Currently altogether 686 454 Outokumpu Oyj shares can be subscribed for with the 2003A stock options between September 1, 2006 and March 1, 2009. In accordance with the terms and conditions of the option program, the subscription price for a stock option was EUR 10.70 per share, with annual dividends being deducted.

On February 16, 2005, the Board of Directors confirmed that a total of 1 148 820 stock options 2003B be distributed to 130 persons in management positions in Outokumpu. The maximum number of 2003B stock options was 1 700 000. Members of the Group Executive Committee received 55.2% and other key persons 75% of the maximum number of 2003B stock options. The number of 2003B stock options distributed was decided on the basis of the earnings criteria established in February 2004, and which were the Group’s earnings per share and share price performance outperforming the share price trend of peer companies. The additional earnings criterion for Group Executive Committee members was the Group’s gearing. Currently altogether 1 111 320 Outokumpu Oyj shares can be subscribed for with the 2003B stock options between September 1, 2007 and March 1, 2010. In accordance with the terms and conditions of the option program, the subscription price for a stock option was EUR 13.56 per share, with annual dividends being deducted.

In March 2005, the Board of Directors established the earnings criteria on the basis of which stock options 2003C will be distributed to 158 key persons of the Outokumpu Group in spring 2006. The earnings criteria comprise the development of the Group's total shareholders return (TSR) compared to a peer group, operating profit (EBIT), and additionally gearing for Group Executive Committee members. A total maximum of 1 700 000 Outokumpu Oyj shares can be subscribed for with the 2003 stock options between September 1, 2008 and March 1, 2011. The current maximum number of 2003C stock options to be distributed is 1 180 000 shares. Subscription price for a 2003C stock option will be the trading volume weighted average of the Outokumpu share on the Helsinki stock exchange between December 1, 2005 and February 28, 2006.

As a result of the share subscriptions with the 2003 stock options, and if the 2003C stock options are fully exercised, Outokumpu Oyj's share capital may be increased by a maximum of EUR 5 062 216 and the number of shares by a maximum of 2 977 774 shares. The shares that can be subscribed with the 2003 stock options correspond to 1.7% of the Company's shares and voting rights.

Authorizations of the Board of Directors

During the first quarter, the Board of Directors utilized once its authorization to transfer the Company's own shares granted by the Annual General Meeting in 2004. On February 14, 2005, Outokumpu Oyj transferred a total of 279 930 of treasury shares to the persons participating in the share remuneration scheme for the management.

The Board of Directors has a valid authorizations granted by the Annual General Meeting of April 5, 2005 to increase the Company's share capital by issuing new shares, stock options or convertible bonds. The share capital may be increased on one or several occasions by no more than EUR 30 800 000 in total. Accordingly, an aggregate maximum of 18 117 647 shares, having the account equivalent value of EUR 1.70 each, may be issued. The Board of Directors is authorized to decide who will have the right to subscribe for the new shares, stock options or convertible bonds. The Board of Directors may deviate from the shareholders' pre-emptive subscription right, provided that such deviation is justified by an important financial reason for the Company, such as strengthening the Company's capital structure or financing corporate acquisitions or restructurings. The Board of Directors decides the subscription price and the other terms and conditions of the issue of shares, stock options or convertible bonds. The Board of Directors may decide that the subscription price for new shares be paid by means of contribution in kind, set-off or otherwise subject to specific terms and conditions determined by the Board of Directors. The authorization is valid until the Annual General Meeting in 2006, however not longer than one year from the decision of the General Meeting. By October 25, 2005 the Board of Directors had not used this authorization.

The Board of Directors has a valid authorizations granted by the Annual General Meeting of April 5, 2005 to repurchase the Company's own shares. Shares may be repurchased for improving of the Company's capital structure or to be used as consideration when acquiring assets for the Company's business or as consideration in possible corporate acquisitions, in the manner and to the extent decided by the Board of Directors. Repurchased shares may also be used as a part of incentive and bonus schemes directed to the personnel of the Company. The maximum number of shares to be repurchased is 9 000 000. The number of own shares in the Company's possession may not exceed 5 % of the total amount of the Company's shares. Shares may be repurchased pursuant to a decision of the Board of Directors through purchases in public trading at the Helsinki stock exchange at the prevailing market price. The purchase price shall be paid to the sellers within the time limit provided in the rules of the Helsinki stock exchange and the Finnish Central Securities Depository Ltd. The shares shall be repurchased with distributable funds and accordingly repurchasing will reduce distributable equity of the Company. As the number of shares to be repurchased is limited as explained above and as the Company has only one class of shares, repurchases of own shares are not likely to have a significant impact on the relative holdings or voting rights between shareholders of the Company. Since shares will be repurchased in public trading at the Helsinki stock exchange without knowledge of the sellers' identity, it is not possible to determine whether and to what extent the repurchase could affect the proportionate holdings of persons that are closely connected to the Company in the meaning of chapter 1, section 4, subsection 1 of the Finnish Companies Act. The Board of Directors is authorized to decide on other matters and measures related to the repurchasing of own shares. The authorization is valid until the Annual General Meeting in 2006, however not longer than one year from the decision of the General Meeting. By October 25, 2005 the Board of Directors had not used this authorization.

The Board of Directors has a valid authorizations granted by the Annual General Meeting of April 5, 2005 to transfer the Company's own shares. The maximum number of shares to be transferred is 9 300 000. Shares may be transferred on one or several occasions. The Board of Directors shall be authorized to decide on the recipients of the shares and the procedure and terms to be applied. The Board of Directors may decide to transfer shares in deviation of the pre-emptive right of the shareholders to the Company's shares. Shares can be transferred as consideration when acquiring assets for the Company's business or as consideration in possible corporate acquisitions, in the manner and to the extent decided by the Board of Directors. The Board of Directors may decide to sell shares through public trading at the Helsinki stock exchange in order to obtain funds for the Company for investments and possible corporate acquisitions. Shares can also be transferred as a part of incentive and bonus schemes directed to the personnel of the Company, including the Chief Executive Officer and his/her deputy. Except as separately authorized, the Board of Directors may not deviate from the shareholders' pre-emptive right to shares in favor of persons that are closely connected to the Company in the meaning of chapter 1, section 4, subsection 1 of the Finnish Companies Act. The transfer price may not be less than the fair market value of the shares at the time of the transfer set in public trading at the Helsinki stock exchange. The consideration can be paid by means of contribution in kind, set-off or otherwise subject to specific terms and conditions determined by the Board of Directors. The Board of Directors is authorized to decide on other matters and measures related to the transfer of own shares. The authorization is valid until the Annual General Meeting in 2006, however not longer than one year from the decision of the General Meeting. By October 25, 2005 the Board of Directors had not used this authorization.

Discontinued operations and assets held for sale

On April 5, 2005 Outokumpu and Nordic Capital signed a sales and purchase agreement according to which Outokumpu sold its fabricated copper products business to Nordic Capital. The sale was finalized on June 7, 2005. The scope of the transaction comprised the following divisions and businesses of the Outokumpu Copper business area: Americas, Europe, Automotive Heat Exchangers, Appliance Heat Exchanger & Asia, including 100% of Outokumpu Heatcraft, and the Forming equipment businesses. The 2004 sales of the sold businesses were EUR 1 689 million and the number of personnel was 6 400 at the end of the year. The Tube and Brass business that is excluded from the transaction comprises the European sanitary and industrial tubes, including air-conditioning and refrigeration tubes in Europe, as well as brass rod. Outokumpu's intention is to divest the business at a later date.

The total consideration for the transaction, EUR 612 million, comprised a cash component of EUR 512 million and a USD-denominated long-term subordinated vendor note of EUR 100 million. Outokumpu recognized a capital loss of EUR 245 million from the disposal. Furthermore, an EUR 83 million impairment loss on the remaining Tube and Brass business has been recognized based on the management's valuation of the business. As a result of the Finnish participation exemption tax rules, the losses are not tax deductible. The whole Outokumpu Copper segment was classified as discontinued operations on March 31, 2005. Loss from discontinued operations, EUR 346 million, comprise the net result of the sold fabricated copper products business for the first quarter, the EUR 245 million loss from the sale to Nordic Capital and the impairment loss of EUR 83 million recognized on the Tube and Brass business as well as its result for January-September 2005. The loss from discontinued operations has been recorded in the income statement on single line after the profit from continuing operations. The assets and liabilities of Tube and Brass are reported as held for sale.

Specification of discontinued operations and assets held for sale

Income statement

EUR million	**Jan-Sept 2005**	Jan-Sept 2004	Jan-Dec 2004
Sales	**795**	1 561	2 050
Expenses	**(799)**	(1 508)	(1 978)
Operating profit	**(4)**	53	72
Net financial items	**(8)**	(22)	(35)
Profit before taxes	**(12)**	31	37
Taxes	**(5)**	(12)	(26)
(Loss), profit after taxes	**(17)**	19	11
Impairment loss recognized on the fair valuation of the Tube and Brass division's assets and liabilities	**(83)**	-	-
Loss on the sale of the fabricated copper products business	**(245)**	-	-
Taxes	**-**	-	-
After-tax loss recognized on the measurement of assets and liabilities of the disposal group	**(328)**	-	-
Minority interest	**(1)**	(3)	(3)
Net (loss), profit for the period from discontinued operations	**(346)**	16	7

Cash flows

EUR million	**Jan-Sept 2005**
Operating cash flows	**(66)**
Investing cash flows	**(67)**
Financing cash flows	**114**
Total cash flows	**(19)**

Balance sheet

EUR million	**Sept 30 2005**
Assets	
Tangible assets	**8**
Inventories	**90**
Other current assets	**103**
	201
Liabilities	
Provisions	**25**
Other non-current liabilities	**3**
Trade payables	**37**
Other current liabilities	**15**
	80

Major non-recurring items in operating profit

EUR million	**Jan-Sept 2005**	Jan-Sept 2004	Jan-Dec 2004
Gain/loss on the sale of the Boliden shares	**35**	-	(19)
Release of the Finnish TEL disability pension liability	**-**	-	22
Gain on the sale of the filter business	**-**	17	16
	35	17	19

Income taxes

EUR million	**Jan-Sept 2005**	Jan-Sept 2004	Jan-Dec 2004
Current taxes	**(32)**	(41)	(50)
Deferred taxes	**(19)**	(24)	(11)
	(51)	(65)	(61)

Commitments

EUR million	**Sept 30 2005**	Sept 30 2004	Dec 31 2004
Mortgages and pledges			
To secure borrowings of Group companies	**89**	138	112
Guarantees			
On behalf of associated companies	**4**	4	4
On behalf of other parties	**68**	40	38
	72	44	42
Minimum future lease payments on operating leases	**120**	149	146

Open derivative instruments

EUR million	Sept 30 2005	Dec 31 2004	Sept 30 2005	Dec 31 2004
	Net fair values		Contract amounts	
Currency and interest rate derivatives				
Currency forwards	(4)	26	1 377	1 247
Currency options				
Purchased	-	0	-	7
Written	-	0	-	8
Currency swaps	-	(1)	-	21
Interest rate swaps	(1)	(2)	300	172
			Tonnes	Tonnes
Metal derivatives				
Copper forward and futures contracts	(1)	3	39 550	50 150
Copper options				
Purchased	-	0	-	20 522
Nickel forward and futures contracts	0	1	3 720	1 758
Zinc forward and futures contracts	(0)	0	9 550	39 000
Aluminium forward and futures contracts	0	0	700	2 550
			TWh	TWh
Electricity derivatives				
Traded electricity forwards and futures	1	0	0.1	0.1
Other financial contracts	7	0	4.6	5.0

Income statement by quarter

EUR million	I/04	II/04	III/04	IV/04	2004	I/05	II/05	**III/05**
Continuing operations:								
Sales	1 196	1 283	1 143	1 500	5 122	1 456	1 589	**1 191**
Operating profit	128	121	77	128	453	118	157	**(21)**
Share of results in associated companies	16	8	31	24	78	(1)	2	**(1)**
Financial income and expenses	(13)	(4)	(33)	(41)	(92)	(8)	(15)	**(17)**
Profit before taxes	130	124	75	111	440	108	144	**(39)**
Income taxes	(31)	(17)	(17)	4	(61)	(20)	(39)	**8**
Net profit for the period from continuing operations	99	107	58	115	379	89	105	**(31)**
Net profit, (loss) for the period from discontinued operations	33	(12)	(5)	(9)	7	(333)	(8)	**(5)**
Net profit, (loss) for the period	132	96	53	106	386	(244)	97	**(36)**
Attributable to:								
Equity holders of the Company	130	95	52	105	382	(245)	96	**(36)**
Minority interest	2	1	0	0	4	1	1	**0**

Major non-recurring items in operating profit

EUR million	I/04	II/04	III/04	IV/04	2004	I/05	II/05	**III/05**
General Stainless								
Release of the Finnish TEL disability pension liability	-	-	-	13	13	-	-	-
Technology								
Release of the Finnish TEL disability pension liability	-	-	-	5	5	-	-	-
Gain on the sale of the filter business	18	(1)	-	(1)	16	-	-	-
Other operations								
Release of the Finnish TEL disability pension liability	-	-	-	4	4	-	-	-
Gain/loss on the sale of the Boliden shares	-	-	-	(19)	(19)	25	-	**10**
	18	(1)	-	2	19	25	-	**10**

Key figures by quarter

EUR million	I/04	II/04	III/04	IV/04	I/05	II/05	**III/05**
Operating profit margin, %	10.7	9.4	6.8	8.5	8.1	9.9	**(1.8)**
Return on capital employed, %	11.8	10.3	6.3	10.4	10.6	15.6	**(2.1)**
Return on equity, %	24.1	16.5	8.9	17.2	(41.0)	(26.1)	**(32.6)**
Return on equity, continuing operations, %	18.1	18.6	9.7	18.7	14.9	18.6	**(5.5)**
Capital employed at end of period	4 543	4 839	4 919	4 941	3 953	4 084	**3 981**
Net interest-bearing debt at end of period	2 261	2 496	2 515	2 435	1 695	1 822	**1 744**
Equity-to-assets ratio at end of period, %	33.1	32.7	33.6	35.8	35.5	37.2	**38.7**
Debt-to-equity ratio at end of period, %	99.0	106.5	104.6	97.2	75.0	80.6	**77.9**
Earnings per share, EUR	0.73	0.52	0.29	0.58	(1.35)	0.53	**(0.20)**
Earnings per share from continuing operations, EUR	0.54	0.59	0.32	0.63	0.49	0.57	**(0.17)**
Earnings per share from discontinued operations, EUR	0.19	(0.07)	(0.03)	(0.05)	(1.84)	(0.04)	**(0.03)**
Average number of shares outstanding, in thousands 1)	178 081	180 742	180 752	180 752	180 901	181 032	**181 032**
Equity per share at end of period, EUR	12.43	12.75	13.08	13.65	12.39	12.41	**12.27**
Number of shares outstanding at end of period, in thousands 1)	178 914	180 752	180 752	180 752	181 032	181 032	**181 032**
Capital expenditure, continuing operations	133	76	91	114	37	41	**39**
Depreciation, continuing operations	44	48	48	50	53	54	**54**
Average personnel for the period, continuing operations	11 681	11 997	11 960	11 513	11 475	11 833	**11 746**

1) The number of own shares repurchased is excluded.