OUTOKUMPU ANNUAL ACCOUNTS BULLETIN 2005 – MAJOR TRANSFORMATION IN DIFFICULT MARKET CONDITIONS

Outokumpu's sales in 2005 increased by 8% to EUR 5 552 million. Operating profit amounted to EUR 83 million and operating profit excluding non-recurring items totaled EUR 212 million. Net loss from continuing operations totaled EUR 3 million and net loss from discontinued operations was EUR 360 million resulting in EUR 2.01 negative earnings per share. Net cash generated from operating activities improved to EUR 459 million. The Group's gearing was on target at 74.5%. The Board is proposing a dividend of EUR 0.45 per share.

Group key figures		**Oct-Dec 2005**	July-Sept 2005	**Jan-Dec 2005**	Jan-Dec 2004
Sales	EUR million	**1 317**	1 191	**5 552**	5 122
Operating profit	EUR million	**(179)**	(20)	**83**	436
Non-recurring items in operating profit	EUR million	**(164)**	10	**(129)**	19
Profit/(loss) before taxes	EUR million	**(191)**	(39)	**22**	440
Net profit/(loss) for the period from continuing operations	EUR million	**(165)**	(31)	**(3)**	379
Net profit/(loss) for the period from discontinued operations	EUR million	**(14)**	(5)	**(360)**	7
Net profit/(loss) for the period	EUR million	**(180)**	(36)	**(363)**	386
Earnings per share	EUR	**(0.99)**	(0.20)	**(2.01)**	2.12
Earnings per share from continuing operations	EUR	**(0.91)**	(0.17)	**(0.02)**	2.08
Earnings per share from discontinued operations	EUR	**(0.08)**	(0.03)	**(1.99)**	0.04
Dividend per share	EUR	**-**	-	**0.45** 1)	0.50
Capital expenditure, continuing operations	EUR million	**57**	39	**174**	414
Capital employed at end of period	EUR million	**3 599**	3 981	**3 599**	4 941
Return on capital employed	%	**(18.8)**	(2.0)	**1.9**	9.6
Net cash generated from operating activities	EUR million	**206**	132	**459**	(128)
Net interest-bearing debt at end of period	EUR million	**1 537**	1 744	**1 537**	2 435
Equity-to-assets ratio at end of period	%	**38.2**	38.7	**38.2**	35.8
Debt-to-equity ratio at end of period	%	**74.5**	77.9	**74.5**	97.2
Stainless steel deliveries	1 000 tonnes	**370**	333	**1 647**	1 786
Average personnel for the period, continuing operations		**11 013**	11 746	**11 517**	11 787

1) Board's proposal to the Annual General Meeting.

Outokumpu Oyj
Corporate Management

Riihitontuntie 7 B, P.O. Box 140, FI-02201 Espoo, Finland
Tel. +358 9 4211, Fax +358 9 421 3888, www.outokumpu.com
Domicile Espoo, Finland, Business ID 0215254-2, VAT FI02152542

YEAR 2005 IN BRIEF

- The Group's vision of becoming the undisputed number one in stainless steel, with success based on operational excellence was reinforced by divestiture of the fabricated copper products business in 2005. Following the sale, Outokumpu is an international stainless steel and technology company.

- Year 2005 was difficult in the stainless steel market, especially in standard grade volume products, marked by de-stocking and extremely high raw material prices. Global demand declined marginally, but development varied in different regions. According to CRU estimates, apparent consumption of flat products in Western Europe and the US fell by 5%, while in China it rose by 12%. Prolonged de-stocking pushed the industry into oversupply. Producers responded to weakening markets by cutting production in the second half of the year. Base prices drifted downwards throughout 2005. The German base price for CR 304 sheet fell from 1 425 EUR/tonne in December 2004 to 1 030 EUR/tonne at the end of 2005. Demand for special grade and project-related products was stronger than for standard products.

- During the autumn, Outokumpu initiated several measures to secure achieving the profitability targets and to adjust to the new competitive market environment. The fixed cost reduction program covers all stainless steel business units and group functions. Targeted savings are some EUR 100 million on an annual basis and the reduced fixed cost running rate will be in place during the second half of 2006, with full effect in 2007. A decision was also made to close down operations at Coil Products Sheffield (CPS) at the end of April 2006 and to adjust capacity at the Sheffield melt shop and Avesta hot rolling mill accordingly. As a consequence the estimated additional profit improvement from the second half of 2006 onwards is some EUR 50 million annually. The above actions will reduce Outokumpu's workforce by 1 500 employees.

- The closure of CPS and transfer of orders to Tornio confirms the ability of the world's largest stainless steel integrate to operate at full load and deliver the benefits of its low cost base. Together with the cost reduction program and benefits derived from the Operational Excellence programs, this will improve profitability and the Group's ability to reach the financial goals.

- Outokumpu's sales rose by 8% to EUR 5 552 million. High transaction prices and improved product mix increased the stainless steel sales even though delivery volumes fell by 8% to 1 647 000 tonnes. Sales by Outokumpu Technology increased by 39%.

- Operating profit totaled EUR 83 million and operating profit excluding non-recurring items was EUR 212 million. Lowest ever base prices, lower delivery volumes and inventory losses resulting from timing difference between the alloy surcharge and inventory turnover adversely affected profitability during the second half of 2005. Non-recurring items comprise write-downs and non-recurring costs of EUR 130 million related to the closure of CPS and EUR 34 million related to actions taken in the fixed cost reduction program. Non-recurring gain from the sale of Boliden shares amounted to EUR 35 million.

- High metal prices and robust investment activity in the metals and mining industries resulted in 2005 being a very good year for Outokumpu Technology. Technology succeeded in mastering the market momentum by receiving orders for several large projects. Sales increased to EUR 590 million and operating profit was a record at EUR 25 million. The strong EUR 596 million order backlog at the end of 2005 provides confidence that the good profitability development will continue in 2006.

- In the fourth quarter, the Group’s operating profit deteriorated to a loss of EUR 179 million, including non-recurring expenditure of EUR 164 million. Underlying profitability excluding non-recurring items and inventory losses was slightly positive.

- Following the sale of the fabricated copper products business in April, the operations of Outokumpu Copper were classified as discontinued operations and reported separately from the Group´s continuing operations. The total consideration received from the sale to Nordic Capital was EUR 612 million. The EUR 360 million loss from discontinued operations consists primarily of the EUR 252 million loss from the sale and the impairment loss of EUR 86 million recognized in the Outokumpu Copper Tube and Brass business, which was excluded from the scope of the transaction. A turnaround plan has been initiated and Outokumpu’s intention is to divest the tube and brass business.

- Net cash generated from operating activities totaled EUR 459 million. EUR 202 million was released from working capital. Capital expenditure declined to EUR 174 million. The Tornio expansion was completed and new capacity has been technically available from the second half of 2005. The Group's short-term profitability improvement program also includes tight capital expenditure discipline, and capital expenditure limit was set at an annual EUR 175 million for 2006-2007. In 2006, however, capital expenditure is expected to be higher due to delayed phasing and rollovers from 2005, but will not exceed the annual depreciation level of EUR 210 million. At the year-end, the Group’s net interest-bearing debt stood at EUR 1 537 million and gearing was 74.5%, achieving the target level of below 75%.

SHORT-TERM OUTLOOK

Global economic growth is expected to remain solid in 2006. Although global demand for stainless steel fell marginally in 2005 as a result of de-stocking and extremely high and volatile raw material prices, underlying demand has remained healthy and in the long-term annual growth in consumption is expected to continue at a rate of 5-7%. Towards the end of 2005 orders started to pick up and market sentiment for early 2006 is cautiously optimistic.

For the first quarter of 2006 deliveries of 304 cold rolled flat products in Europe, Outokumpu has gradually achieved base price increases totaling 100 EUR/tonne or more. The increases vary country by country. The order backlog has strengthened and further price increases are being pressed for April and beyond.

In 2006 the target is to fully utilize Tornio’s capacity for finished products and benefit from its low cost base. In the short-term, Outokumpu’s profitability is expected to improve compared to the second half of 2005. However, with the still very low base prices prevailing at the start of 2006, operating profit is expected to fall substantially short of the high levels seen in the first half of 2005.

CEO **Juha Rantanen**:

“Last year we experienced a very tough situation in stainless markets, especially within standard grades. The main reason was heavy de-stocking by our customers, which reduced demand and put pressure on prices. I am pleased to see that our specialty businesses had a relatively better performance, thanks to the more stable nature of these markets.

Longer-term, I remain confident that stainless steel markets will keep growing at a good rate. To ensure that we are able to achieve our financial goals even in a challenging market environment, we launched several actions to reduce our cost base and improve our performance. This year will be marked by implementation of all our cost related actions and the benefits will be fully visible in 2007.”

MANAGEMENT ANALYSIS OF THE FOURTH-QUARTER OPERATING RESULT

Group key figures

EUR million	I/04	II/04	III/04	IV/04	2004	I/05	II/05	III/05	**IV/05**	**2005**
Sales										
General Stainless	1 018	1 106	961	1 152	4 237	1 286	1 158	813	**816**	**4 073**
Specialty Stainless	640	720	601	741	2 702	785	819	584	**552**	**2 739**
Technology	81	104	91	146	423	65	158	144	**223**	**590**
Other operations	55	50	56	57	218	55	64	58	**60**	**238**
Intra-group sales	(599)	(698)	(566)	(596)	(2 458)	(736)	(610)	(408)	**(335)**	**(2 088)**
The Group	1 196	1 283	1 143	1 500	5 122	1 456	1 589	1 191	**1 317**	**5 552**
Operating profit										
General Stainless	78	74	44	72	269	71	93	(55)	**(170)**	**(62)**
Specialty Stainless	51	46	36	48	181	55	65	14	**(23)**	**110**
Technology	9	(1)	2	20	30	(8)	4	6	**23**	**25**
Other operations [1]	(3)	(8)	(12)	(27)	(50)	10	(3)	9	**(7)**	**8**
Intra-group items	(7)	12	(2)	1	5	(6)	3	5	**(1)**	**1**
The Group [1]	129	123	69	115	436	121	161	(20)	**(179)**	**83**

Stainless steel deliveries

1 000 tonnes	I/04	II/04	III/04	IV/04	2004	I/05	II/05	III/05	**IV/05**	**2005**
Cold rolled	239	221	213	217	890	233	226	195	**212**	**867**
White hot strip	103	99	74	157	432	135	126	61	**68**	**391**
Other	138	123	87	116	464	117	106	77	**89**	**390**
Total deliveries	479	444	374	490	1 786	485	459	333	**370**	**1 647**

Market prices and exchange rates

		I/04	II/04	III/04	IV/04	2004	I/05	II/05	III/05	**IV/05**	**2005**
Market prices [2]											
Stainless steel											
Base price	EUR/t	1 397	1 433	1 442	1 425	1 424	1 332	1 217	1 113	**1 035**	**1 174**
Alloy surcharge	EUR/t	725	847	815	925	828	875	956	1 012	**923**	**942**
Transaction price	EUR/t	2 122	2 280	2 257	2 350	2 252	2 207	2 173	2 125	**1 958**	**2 116**
Nickel	USD/t	14 737	12 503	13 998	14 080	13 852	15 348	16 411	14 567	**12 649**	**14 744**
	EUR/t	11 792	10 379	11 455	10 850	11 136	11 704	13 031	11 941	**10 644**	**11 851**
Ferrochrome (Cr-content)	USD/lb	0.61	0.69	0.73	0.73	0.69	0.78	0.78	0.73	**0.68**	**0.74**
	EUR/kg	1.08	1.26	1.32	1.24	1.22	1.31	1.37	1.32	**1.26**	**1.32**
Molybdenum	USD/lb	8.20	14.61	16.91	25.85	16.39	32.02	35.62	31.74	**30.66**	**32.51**
	EUR/kg	14.46	26.49	30.50	43.92	29.05	53.84	62.35	57.37	**56.89**	**57.61**
Steel scrap	USD/t	231	211	238	265	236	240	209	236	**212**	**224**
	EUR/t	185	176	195	204	190	183	166	194	**179**	**180**
Exchange rates											
EUR/USD		1.250	1.200	1.220	1.298	1.244	1.311	1.259	1.220	**1.188**	**1.244**
EUR/SEK		9.184	9.150	9.150	9.013	9.124	9.074	9.208	9.366	**9.473**	**9.282**
EUR/GBP		0.680	0.667	0.672	0.695	0.679	0.694	0.679	0.683	**0.680**	**0.684**

1) Market price gains and losses on derivatives related to discontinued operations have been reclassified from operating profit to net financial expenses. Figures for all presented periods have been restated.
2) 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.
Nickel: London Metal Exchange (LME) cash quotation.
Ferrochrome: Metal Bulletin - Ferrochrome lumpy chrome charge, basis 52% chrome.
Molybdenum: Metal Bulletin - Molybdenum oxide - Europe.
Steel Scrap: Metal Bulletin - Steel scrap HMS1 fob Rotterdam.

Some positive signs in the market

Global economic growth continued at a rate of about 3% during the fourth quarter, but growth in Europe remained modest. During the fourth quarter, European demand for stainless steel started to pick up as the sizeable production cuts implemented in the latter half of 2005 helped eliminate excess supply and inventories began to return to normal levels. Prices did however continue to drift downwards during the quarter. The German base price for CR 304 sheet fell by a further 40 EUR/tonne and stood at 1 030 EUR/tonne in December. Base price erosion has however now stopped and price increases for the first quarter 2006 deliveries have been achieved. During the fourth quarter, US prices remained higher than prices in Europe and Asia.

Prices of alloying materials for stainless steel continued to decline due to weak demand from stainless steel producers. The price of nickel averaged 12 649 USD/tonne in the fourth quarter, 13% lower than in the third quarter. At the beginning of 2006, nickel prices started to rise again and stood at 15 200 EUR/tonne at the end of January. The ferrochrome market was oversupplied and the contract price for the quarter was 0.68 USD/lb, 7% below the level in the third quarter. The ferrochrome market is expected to remain oversupplied and the contract price for the first quarter of 2006 was settled at 0.63 USD/lb. Slight oversupply in molybdenum continued and the price fell by 2% compared to the third quarter, though still remaining at a level which is historically very high. The price of steel scrap fell by 10% in the fourth quarter. The alloy surcharge for stainless steel fell month-on-month during the quarter from its record high in August. The alloy surcharge declined further in January before rising slightly in February.

Operating profit negative due to non-recurring items and inventory losses – underlying profitability slightly positive

The Group's sales in the fourth quarter totaled EUR 1 317 million, 11% higher than in the third quarter and deliveries of stainless steel increased by 11% as well. The increase in sales was mainly attributable to Technology, while sales by General Stainless were at third-quarter level and sales by Specialty Stainless were down slightly. The Group recorded an operating loss of EUR 179 million in the fourth quarter. Excluding inventory losses and EUR 164 million of non-recurring expenditure, the operating profit was slightly positive. Non-recurring items comprise EUR 130 million of write-downs and costs related to the closure of Coil Products Sheffield (CPS), and EUR 34 million for actions taken in the fixed cost reduction program. Technology posted a very good operating profit.

General Stainless – increased deliveries offset by lower base prices

General Stainless

EUR million	I/04	II/04	III/04	IV/04	2004	I/05	II/05	III/05	**IV/05**	**2005**
Sales	1 018	1 106	961	1 152	4 237	1 286	1 158	813	**816**	**4 073**
of which Tornio Works	522	578	471	613	2 183	699	657	476	**467**	**2 299**
Operating profit	78	74	44	72	269	71	93	(55)	**(170)**	**(62)**
of which Tornio Works	70	67	47	57	241	59	74	(36)	**(48)**	**49**
Operating capital at the end of period	2 624	2 737	2 811	2 882	2 882	2 920	2 901	2 820	**2 484**	**2 484**
Deliveries of main products (1 000 tonnes)										
Cold rolled	220	201	200	196	818	210	183	162	**179**	**734**
White hot strip	81	77	57	119	335	102	89	41	**53**	**284**
Other	220	234	160	184	799	238	192	105	**97**	**631**
Total deliveries of the division	522	513	417	499	1 951	550	463	307	**329**	**1 649**

General Stainless' sales were at third-quarter level even though deliveries increased by 7%. The operating loss totaled EUR 170 million, which included EUR 127 million of write-downs and costs related to the closure of CPS activities and costs of EUR 11 million related to the fixed cost reduction program. The effect of the increase in deliveries was offset by lower base prices. Also inventory losses resulting from the timing difference between the alloy surcharge and inventory turnover had an adverse effect on the fourth quarter result.

Tornio Works posted an operating loss of EUR 48 million, including EUR 8 million of non-recurring costs. Delivery volumes of finished products returned to higher levels during the quarter, but the melt shops and hot rolling mill suffered from a lack of orders and the benefits from Tornio Works' low cost base were not therefore fully achieved. Inventory losses during the quarter affected mostly Tornio Works.

To expand the product offering, a decision to start the production of ferritic stainless steel in Tornio was made in November. With an investment of EUR 13 million in batch annealing furnaces, the targeted annual production of ferritics is 60 000 tonnes. Deliveries will begin in the first quarter of 2007.

At CPS, the consultation process with trade unions on the closure of the cold rolling operations in Sheffield was concluded on December 23, 2005 and production (annual capacity 300 000 tonnes) will cease by the end of April 2006. The closure of CPS and adjustments to operational production capacity at the Sheffield melt shop will reduce workforce by 670 employees.

The order backlog has strengthened and base price increases have been achieved for deliveries in the first quarter of 2006. Further price increases are being pressed for April and beyond. The target is to fully utilize Tornio's capacity for finished products and benefit from its low cost base. General Stainless' operating profit is expected to improve from the level seen in the latter part of 2005, excluding non-recurring items.

Specialty Stainless - satisfactory performance for special grades and project sales

Specialty Stainless

EUR million	I/04	II/04	III/04	IV/04	2004	I/05	II/05	III/05	**IV/05**	**2005**
Sales	640	720	601	741	2 702	785	819	584	**552**	**2 739**
Operating profit	51	46	36	48	181	55	65	14	**(23)**	**110**
Operating capital at the end of period	1 148	1 224	1 213	1 250	1 250	1 248	1 358	1 310	**1 161**	**1 161**
Deliveries of main products (1 000 tonnes)										
Cold rolled	48	47	31	42	169	44	54	43	**47**	**188**
White hot strip	58	53	37	57	204	57	43	30	**30**	**160**
Other	153	157	136	142	588	148	148	89	**71**	**455**
Total deliveries of the division	258	257	205	241	961	249	245	162	**148**	**803**

Specialty Stainless' sales were down by 5% in the period and deliveries were 9% lower. The operating loss was EUR 23 million, which included EUR 21 million of non-recurring costs related to operational capacity adjustments in Avesta and the fixed cost reduction program. Delivery volumes and price levels for special products, such as special grade and project-related products were satisfactory. The hot rolled plate business in particular continues to perform well supported by strong growth in its key customer segments. Specialty Stainless units were, however, also affected by weak demand for more standard products and by inventory losses. The decline in base prices mostly affected more standard products, but profitability was stabilized by sales of special products.

Specialty Stainless' products are widely used in industries, in which investment activity has been firm throughout 2005 and is expected to continue to be so also in 2006, i.e. oil, gas, desalination, building and construction as well as pulp and paper. In the short-term Specialty Stainless' operating profit is expected to improve from the latter part of 2005, excluding non-recurring items.

Technology posted record sales and operating profit

Technology

EUR million	I/04	II/04	III/04	IV/04	2004	I/05	II/05	III/05	**IV/05**	**2005**
Sales	81	104	91	146	423	65	158	144	**223**	**590**
Operating profit	9	(1)	2	20	30	(8)	4	6	**23**	**25**
Operating capital at the end of period	27	45	29	39	39	40	32	60	**4**	**4**
Order backlog at the end of period	390	336	423	458	458	490	520	525	**596**	**596**

The fourth quarter was a successful one for Technology. Completion of several projects and good progress in others boosted both sales and operating profit. Compared to the third quarter, sales were up by 55% and the operating profit margin rose to 10%. Advance payments significantly reduced operating capital and free cash flow was good at EUR 60 million.

Technology's order backlog strengthened further and stood at EUR 596 million at the end of 2005, 30% higher than it was one year earlier. Order intake in the fourth quarter was EUR 260 million with the most important project signed being the world's biggest pellet indurating furnace for Samarco Mineracao S.A in Brazil. The EUR 170 million contract covers the entire engineering, supply, construction and start-up of the pellet indurating furnace. Two ferrochrome process projects in South Africa for International Ferro Metals´ and for Xstrata ferrochrome plants were also booked. The value of these two projects exceeds EUR 40 million. One of the biggest orders received in the minerals processing area was the grinding technology contract with First Quantum Minerals for a large SAG mill for the Frontier Project in Peoples Republic of Congo. The value of the contract exceeds EUR 10 million. A contract valued at more than EUR 20 million to deliver copper smelting and refining technology to the Jiangxi Copper Company's Guixi copper plant expansion in China was also signed.

In November, strategic objectives of improved profitability and growth for Outokumpu Technology were announced. The target is to increase annual sales to EUR 700 million by 2008 with the current business concept and to generate profit before taxes of EUR 50 million. Outokumpu Technology has outlined its vision of being the leading technology partner in the minerals and metals processing industries.

Metal prices have continued to strengthen and investment activity within the metals and mining industry is expected to remain robust. Investment activity is strong in both ferrous and non-ferrous markets. Outokumpu Technology's strong order backlog, which is forecast to remain at a high level, provides confidence that the good profitability development will continue in 2006 and that strategic objectives can be met.

Other operations

Other operations

EUR million	I/04	II/04	III/04	IV/04	2004	I/05	II/05	III/05	**IV/05**	**2005**
Sales	55	50	56	57	218	55	64	58	**60**	**238**
Operating profit [1)]	(3)	(8)	(12)	(27)	(50)	10	(3)	9	**(7)**	**8**
Operating capital at the end of period	89	83	113	58	58	34	44	37	**140**	**140**

1) Market price gains and losses on derivatives related to discontinued operations have been reclassified from operating profit to net financial expenses. Figures for all presented periods have been restated.

Other operations consists of activities outside the Group's primary businesses as well as industrial holdings. Business development costs and group functions' expenses not allocated to the businesses are also reported under Other operations. Other operations' fourth quarter result includes EUR 3 million of non-recurring costs related to the fixed cost reduction program and a EUR 3 million write-down of an IT-system related to the closure of CPS.

The attachments present a summary of the Review by the Board of Directors for 2005 as well as extracts from the financial statements.

This report is unaudited.

For further information, please contact:

Kari Lassila, SVP – IR and Communications, tel. +358 9 421 2555,
kari.lassila@outokumpu.com

Vesa-Pekka Takala, SVP – Corporate Controller, tel. +358 9 421 4134,
vesa-pekka.takala@outokumpu.com

Eero Mustala, SVP – Corporate Communications, tel. +358 9 421 2435,
eero.mustala@outokumpu.com

News conference and live webcast today at 3.00 pm

A combined news conference, conference call and live webcast concerning the 2005 financial results will be held on **February 2, 2006 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 Mirror Room, Pohjoisesplanadi 29, 00100 Helsinki, Finland.

To participate via a conference call, please dial in 5-10 minutes before the beginning of the event:

UK	+44 207 162 0125
US & Canada	+1 334 323 6203
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 webcast of the news conference will be available at www.outokumpu.com as of February 2, 2006 at 5.00 pm.

An instant reply service of the conference call will be available until Monday, February 6, 2006 on the following numbers:

UK replay number	+44 20 7031 4064, access code: 691364
US & Canada replay number	+ 1 954 334 0342, access code: 691364

OUTOKUMPU OYJ
Corporate Management

Ingela Ulfves
Vice President - Investor Relations
tel. + 358 9 421 2438, mobile +358 40 515 1531, fax +358 9 421 2125
e-mail: ingela.ulfves@outokumpu.com
www.outokumpu.com

SUMMARY OF THE REVIEW BY THE BOARD OF DIRECTORS FOR 2005

Major transformation but reduced profits in difficult market conditions

Outokumpu went through a major transformation in 2005. Sale of the Group's fabricated copper products business to Nordic Capital was finalized in June 2005. Outokumpu Copper Tube and Brass was excluded from the transaction and a turnaround plan to improve its profitability has been initiated. It is Outokumpu's intention to divest the tube and brass business.

Following the sale of the fabricated copper products business, Outokumpu is a leading stainless steel and technology company. In April, the Group's stainless steel business was organized into the General Stainless and Specialty Stainless divisions. In the new structure Outokumpu Technology is managed at arms-length as a stand-alone business through the board work of Outokumpu Technology.

Tornio expansion was completed and the new capacity has been technically available from the second half of 2005. The market environment, however, changed dramatically during the second half of the year when prolonged de-stocking in the stainless steel markets resulted in oversupply. To achieve the Group's profitability and financial strength targets and to adjust to the new competitive market environment, several measures were initiated during the fall of 2005. In September a fixed cost reduction program was initiated in all stainless steel business units and group functions. In October, Outokumpu announced the plan to cease operations at Coil Products Sheffield (CPS) in Britain, having the annual capacity of 300 000 tonnes and CPS' orders were transferred to Tornio, thus enabling the world´s largest stainless steel integrate to operate at full load and deliver the benefits of its low cost base. The Sheffield melt shop's annual operational capacity was also adjusted from 500 000 tonnes to 300 000 tonnes. As the Avesta Works in Sweden has been hot rolling slabs from the Sheffield melt shop for CPS, the annual operational hot rolling capacity in Avesta was adjusted to 450 000 tonnes to reflect the new operational structure. The above actions will reduce workforce by a total of 1 500 employees.

Outokumpu's financial result for 2005 was a significant deterioration from the previous year. Prolonged de-stocking especially in Europe, Outokumpu's main market, had an adverse effect on Group's delivery volumes, and these were 8% lower than in 2004. Group's sales rose by 8% to EUR 5 552 million as a result of high transaction prices, improved product mix and Technology's 39% increase in sales. Operating profit fell to EUR 83 million. In addition to lower deliveries, the main reasons for the significant drop in profits were lowest ever base prices during the latter part of the year and EUR 164 million of non-recurring costs and write-downs related to the closure of CPS and actions taken to reduce fixed costs. Non-recurring gain from the sale of the Boliden holding amounted to EUR 35 million. Outokumpu Technology posted a record operating profit of EUR 25 million.

The Group's net loss for 2005 from continuing operations totaled EUR 3 million and the net loss from discontinued operations was EUR 360 million. Earnings per share was negative at EUR 2.01.Net cash generated from operating activities improved significantly and was EUR 459 million. EUR 202 million was released from working capital. Gearing was 74.5% and reached the targeted level of below 75%.

The Board of Directors is proposing to the Annual General Meeting that a dividend of EUR 0.45 per share be paid for 2005.

Weak global demand for stainless steel

Despite the solid economic background global consumption of cold rolled and hot rolled stainless steel flat products declined marginally during 2005. According to CRU estimates apparent consumption fell by 5% in both Western Europe and the US, and the only region to show significant growth was China, where apparent consumption grew by 12% from the previous year. European markets were heavily oversupplied in 2005 due to the prolonged de-stocking and declining export possibilities to Asia. Producers responded to the weakening markets by cutting production in the second half of the year.

The weak demand for stainless steel had its biggest negative effect on the standard grade volume products supplied by General Stainless whereas demand for Specialty Stainless' special grade and project-related products performed better.

Base prices declined throughout 2005. The European base price for CR 304 sheet fell from 1 425 EUR/tonne at the end of 2004 to 1 030 EUR/tonne at the end of 2005, and the average price in 2005 was 1 174 EUR/tonne, 18% lower than in 2004. Base prices have, however, turned upwards in early 2006.

The price of nickel was extremely high in 2005 and markets were very volatile. The average price of nickel in 2005 was 14 744 USD/tonne, up by 6% from 2004 and the highest ever annual average price. Nickel prices peaked at above 17 000 USD/tonne in May-June. In the second half of the year nickel markets moved into oversupply as demand from the stainless steel sector declined significantly and prices fell to around 13 000 USD/tonne in the fourth quarter. In the beginning of 2006 nickel prices turned upwards again and stood at 15 200 USD/tonne at the end of January.

Ferrochrome markets softened during 2005. Undersupplied in the first half of the year markets moved into oversupply in the second half of 2005 as a result of the significant cutbacks in stainless steel production, and prices for ferrochrome drifted downwards. The average price for the year was 0.74 USD/lb, 7% higher than in 2004. The ferrochrome market is expected to remain oversupplied and the contract price for the first quarter of 2006 was settled at 0.63 USD/lb. The price of molybdenum was exceptionally high in 2005. The average annual price of 32.51 USD/lb was the highest annual price ever and twice what it was in 2004. The average price for steel scrap was 224 USD/tonne, 5% less than in 2004.

Stainless steel deliveries down by 8%

Sales

EUR million	**2005**	2004	Change, %
General Stainless	**4 073**	4 237	(4)
Specialty Stainless	**2 739**	2 702	1
Technology	**590**	423	39
Other operations	**238**	218	9
Intra-group sales	**(2 088)**	(2 458)	(15)
The Group	**5 552**	5 122	8

Stainless steel deliveries

1 000 tonnes	**2005**	2004	Change, %
Cold rolled	**867**	890	(3)
White hot strip	**391**	432	(9)
Other	**390**	464	(16)
Total deliveries	**1 647**	1 786	(8)

The Group's sales rose by 8% compared with 2004 and amounted to EUR 5 552 million. Deliveries of stainless steel were down by 8%. The main reasons were prolonged de-stocking in Europe, Outokumpu's main market, high and volatile raw material prices and increasing capacity in China, which undermined export possibilities to Asia. The reduction in demand in Europe had its greatest adverse effect on General Stainless' sales, which fell by 4%, whereas Specialty Stainless' sales increased by 1%. Outokumpu Technology's sales rose by 39% as a result of increased deliveries to the minerals and metals industries, in which firm investment activity continued throughout 2005.

The share of the Group's sales to Europe declined from 69% to 64%. The share of Asia and Americas rose to 17% and 13%, respectively. Sales to Asia increased due to the good demand of white hot strip during the first half of 2005.

A substantial reduction in profits

Operating profit EUR million	**2005**	2004	Change
General Stainless	**(62)**	269	(331)
Specialty Stainless	**110**	181	(71)
Technology	**25**	30	(5)
Other operations	**8**	(50)	58
Intra-group items	**1**	5	(4)
The Group	**83**	436	(353)

The Group's operating profit declined to EUR 83 million (2004: EUR 436 million). Operating profit includes a negative net impact of EUR 129 million from non-recurring items (2004: EUR 19 million positive). The non-recurring items comprise a EUR 35 million capital gain on the sale of Boliden shares, EUR 130 million of write-downs and costs related to the closure of CPS and EUR 34 million of costs related to actions taken in the fixed cost reduction program.

Low base prices for stainless steel mainly affected Outokumpu's standard grade volume products. During the second half of 2005, production was market constraint and the benefits from Tornio Works' expansion's efficiency and low cost base were not fully achieved. General Stainless posted an operating loss of EUR 62 million while Specialty Stainless posted an operating profit of EUR 110 million. Negative non-recurring items in General Stainless' operating profit totaled EUR 138 million and in Specialty Stainless' EUR 21 million. Technology's operating profit rose to a record high of EUR 25 million as a result of increased deliveries to customer industries. Technology's operating profit for 2004 included a EUR 16 million non-recurring gain from the sale of the filter business.

Net financial expenses decreased to EUR 61 million (2004: EUR 75 million). Net interest expenses were EUR 62 million (2004: EUR 66 million). Profit before taxes was EUR 22 million (2004: EUR 440 million) and taxes amounted to EUR 24 million (2004: EUR 61 million). The loss for the period from continuing operations was EUR 3 million (2004: profit EUR 379 million) and the loss from discontinued operations EUR 360 million (2004: profit EUR 7 million). The Group's earnings per share was EUR 2.01 negative (2004: EUR 2.12 positive). Earnings per share from continuing operations was EUR 0.02 negative and from discontinued operations EUR 1.99 negative. Return on capital employed declined to 1.9% (2004: 9.6%).

Capital structure strengthened

Key financial indicators on financial position EUR million	**2005**	2004
Net interest-bearing debt		
Long-term debt	**1 624**	1 975
Current debt	**556**	1 150
Total interest-bearing debt	**2 180**	3 125
Interest-bearing assets	**(511)**	(690)
Net assets held for sale	**(132)**	-
Net interest-bearing debt	**1 537**	2 435
Net interest-bearing debt in relation to sales, %	**27.7**	47.5
Shareholders' equity	**2 047**	2 468
Debt-to-equity ratio, %	**74.5**	97.2
Equity-to-assets ratio, %	**38.2**	35.8
Net cash generated from operating activities	**459**	(128)
Net financial expenses	**61**	75
Net financial expenses in relation to sales, %	**1.1**	1.5
Interest cover	**1.4**	7.6

The Group´s net cash generated from operating activities improved significantly in 2005 and amounted to EUR 459 million. The contribution by continuing operations totaled EUR 544 million. EUR 202 million was released from working capital. Net interest-bearing debt fell to EUR 1 537 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 from May 2003.

Outokumpu sold its remaining stake in Boliden in two lots, in March and in September. Proceeds from the disposal totaled EUR 295 million and resulted in a capital gain of EUR 35 million.

In October, Outokumpu sold its stainless welding business, Avesta Welding to Böhler-Uddeholm of Austria. Sales by the business in 2004 was EUR 38 million and it employs some 160 people. The gain on the sale was EUR 3 million.

At the end of 2005, the Group's equity-to-assets ratio stood at 38.2%. Gearing declined to 74.5% as a result of sale of assets and a good cash flow from operating activities and was at the targeted level of below 75%.

Capital expenditure under tight control

Capital expenditure

EUR million	**2005**	2004
General Stainless	**94**	222
Specialty Stainless	**58**	53
Technology	**10**	9
Other operations	**13**	130
The Group	**174**	414

The Group's short-term profitability improvement program also includes tight capital expenditure discipline. The capital expenditure continued to decline markedly from previous years and totaled EUR 174 million. Towards the end of 2005, cash outflows on capital expenditure were delayed and some capital expenditure planned for 2005 was postponed until 2006. The Group's capital expenditure limit for 2006-2007 has been set at an annual EUR 175 million. In 2006, however, delayed phasing and rollovers from 2005 will mean that capital expenditure is expected to be higher, but will not exceed the annual depreciation level of EUR 210 million.

The expansion project at the Tornio Works was completed and new capacity has been technically available from the second half of 2005. Tornio's annual capacities are: some 1.65 million tonnes for melting and 1.2 million tonnes for the cold rolling mill. Open pit mining at the Kemi mine ceased in December and all production comes now from the underground mine.

The EUR 53 million investment at the Kloster Thin Strip in Sweden is proceeding according to plan. Site works and civil engineering works have been completed and equipment is currently being installed. The new production capacity is scheduled to be on stream by the end of 2006, and will expand the mill's annual production capacity from 25 000 tonnes to 45 000 tonnes. It will also enable the production of thinner (0.12 mm) and wider (1 050 mm) products. The investment comprises a new cold rolling mill, a bright annealing line and a slitting line.

To widen the Group's product offering, a decision to start production of ferritic stainless steel in Tornio was made in November. Ferritic stainless steel normally includes some 12-17% chromium, with the remainder being iron. The price of the ferritics, not containing any nickel, has traditionally been less volatile than that of austenitic stainless steel, the main product produced by General Stainless. Tornio has a cost competitive advantage in the ferritics production by utilizing liquid ferrochrome from its own smelter in the process, which reduces the melting costs. EUR 13 million is being invested in batch annealing furnaces and annual production capacity target for ferritics is 60 000 tonnes. Deliveries will begin in the first quarter of 2007.

Discontinued operations

On April 5, 2005 Outokumpu and Nordic Capital signed a sales and purchase agreement according to which Outokumpu sold the fabricated copper products business to Nordic Capital. The sale was finalized on June 7, 2005 and the total consideration received was EUR 612 million. The scope of the transaction comprised the following divisions and businesses of the former Outokumpu Copper business area: Americas, Europe, Automotive Heat Exchangers, Appliance Heat Exchangers & Asia, including 100% of Outokumpu Heatcraft, and the Forming equipment businesses.

Sales in 2004 by the divested businesses totaled EUR 1 684 million and the number of personnel employed totaled 6 400 at the end of 2004. Personnel continued with Nordic Capital under their existing employment terms and conditions. It was also agreed by the parties that the divested businesses may continue to use the name Outokumpu Copper Products Oy during a transition period of up to 12 months after the closing.

Outokumpu Copper Tube and Brass business was excluded from the transaction and comprises European sanitary and industrial tubes, including air-conditioning and refrigeration tubes in Europe, as well as brass rod.

Outokumpu recorded a capital loss of EUR 252 million from the sale to Nordic Capital. An impairment loss of EUR 86 million has also been recognized based on management's valuation of the remaining tube and brass business. As a result of Finnish participation exemption tax rules, these losses are not tax deductible. The whole former Outokumpu Copper business area has been classified as a discontinued operation. The EUR 360 million loss from discontinued operations consists of the result of fabricated copper products business in the first quarter of 2005, the loss on the sale to Nordic Capital, the impairment loss recognized for the Outokumpu Copper Tube and Brass as well as the tube and brass business' result for 2005. The loss from discontinued operations is presented in the income statement as a separate item after the profit from continuing operations.

The assets sold to Nordic Capital were de-consolidated at the end of March 2005 and the assets and liabilities of Outokumpu Copper Tube and Brass are presented as held for sale. Outokumpu Copper Tube and Brass posted an operating loss of EUR 20 million in 2005 and operating capital at the end of December 2005 totaled EUR 132 million. A turnaround plan has been initiated and Outokumpu has stated its intention to divest the business.

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.

Decisive actions to improve profitability and cash flow

During the autumn, decisive actions were initiated to counter the difficult market conditions caused by the continued de-stocking and roll-out of new production capacity especially in China. Oversupply in the market drove stainless steel base prices down and kept them at a very low level. After completing the review of its stainless steel cold rolling operation in Sheffield, Outokumpu announced in October the intention to cease the operations of CPS. CPS's new orders were transferred to Tornio, the world's largest single-site stainless operation and a clear cost leader. To obtain the full benefits of Tornio Works' cost efficiency, the plant has to be run as close to capacity as possible.

CPS is a medium-scale, high-cost operation with complicated logistics and cannot compete with the clearly more cost-efficient integrated operations in current and foreseeable market conditions. In addition to ceasing the CPS operation (annual capacity 300 000 tonnes), the annual operational capacity of the Sheffield melt shop is being adjusted from 500 000 tonnes to 300 000 tonnes to provide feedstock only for the Group's long products and plate operations in Britain, Sweden and the US. These actions will reduce the workforce in Britain by 670 employees. At the end of December, the consultation process between the management and local trade unions was concluded and the operations at CPS will be closed down at the end of April 2006.

As the Avesta Works in Sweden has been hot rolling slabs from the Sheffield melt shop for CPS, the annual operational hot rolling capacity in Avesta was adjusted to 450 000 tonnes to reflect the new operational structure. This resulted in a review of shift manning levels at Avesta hot rolling mill and union negotiations in this respect have been concluded.

The closure of CPS resulted in non-recurring write-downs of EUR 84 million and costs of EUR 46 million. The resulting annual improvement in the Group's operating profit is expected to be some EUR 50 million from the second half of 2006 onwards.

In the new operational structure, Outokumpu's annual melting capacity will be 2.5 million tonnes with hot rolling capacity matching melting capacity, annual cold rolling mill capacity will be 1.6 million tonnes and annual long products and plate capacity 0.3 million tonnes.

In September, Outokumpu also started a decisive program to improve profitability and cash flow. This program has three components: fixed cost reduction, reduced capital expenditure and tight working capital management.

Fixed cost reductions are being implemented in all the Group's stainless business units and group functions. The target of a 10% reduction in fixed costs will result in some EUR 100 million improvement in the group-level operating profit on an annual basis. Units prepared their plans and implementation began following the completion of employee negotiations at the year-end. The program will reduce the workforce by some 800 employees. Reduced fixed cost running rates will be in place during the second half of 2006, and deliver full effect in 2007.

Targets and achievements in commercial and production excellence programs

Outokumpu's vision – to be the undisputed number one in stainless with success based on operational excellence – was announced in January 2005. Operational excellence comprises the commercial and production excellence programs launched in April 2005.

The commercial excellence program covers all Outokumpu's stainless business units and sales companies. The program will help move the Group increasingly towards customer orientation and a one-company operating model. Through key account management practices, sales force training and by improving internal effectiveness in areas such as pricing management, the program seeks to significantly improve both the value Outokumpu can offer its customers and the Group's own business performance. In order to fully leverage all improvement opportunities, the commercial excellence program will have close links to the production excellence program.

Production excellence is a very practical program for improving Outokumpu´s production activities. Objectives of the program are to decrease variation in production and improve health, safety and environmental performance, raw material and equipment efficiency, as well as to benchmark and employ best practices. The program started from the Group's three melt shops and the first improvement teams have already kicked off. The next step is to expand the program to include cold rolling operations. After three years, the program will be launched throughout the Group. The first pilot projects in Tornio and Avesta have been audited which reinforced the confidence in the program. In short time the teams involved have already achieved significant results and have confirmed that there is remarkable improvement potential to be attained.

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 EUR 160 million on an annual basis thereafter.

Risk identification and assessment workshops carried out

Two extensive risk identification and assessment workshops were carried out during 2005 – one with Group Executive Committee concentrating on the steel business and another with the management of Outokumpu Technology where the emphasis was on technology business. Key risks and related management actions for business units were also identified and assessed during the strategic planning process. In workshops, participants identified risks that could prevent the achievement of particular business targets or risks within predefined key areas of business activity.

Outokumpu has classified risks that affect its operations into three categories: risks relating to strategy and business, operational risks and financial risks. Risks are assessed based on their estimated impact and likelihood of occurrence. Key risks are further described and addressed through more detailed analysis. This analysis also involves definitions of risk mitigating actions as well as roles and responsibilities.

Environment, health and safety

Outokumpu's stainless steel plants in Finland, Sweden and Britain belong to the Greenhouse Gas emission trading system that started in the European Union in 2005. In February, carbon dioxide allowances and associated permits for the first three-year period were granted to the Tornio site in Finland and the steel making and casting plants at Avesta and Degerfors in Sweden. The allocated allowances are sufficient for Outokumpu's planned production in 2005-2007 and preparations for applying for allowances for the 2008-2012 Kyoto period have began. For the 2005-2007 period, the Sheffield melt shop in Britain utilized the opt-out possibility provided by the British Climate Change Levy system.

Emissions remained mostly within permitted limits during 2005. The modernization of the older melt shop in Tornio has markedly decreased the specific emission of dust. Also, the emissions of nitrogen oxides have decreased in Avesta, Nyby and Sheffield due to implementation of the latest burner technology in annealing furnaces and introduction of a new technology for handling pickling fumes.

All Outokumpu units have valid environmental permits in place or are in the process of applying. 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.

The Supreme Administrative Court of Finland issued its decision in December 2005 concerning waste interpretation at Tornio Works. According to this decision, slag formed in the ferrochrome production as well as steel scrap used as raw material in the Tornio melt shop are not classified as waste. The ferrochrome slag is used as a replacement for natural rock material for example in the construction of roads and buildings.

In 2005 occupational safety was the group-wide theme. The aim was to increase safety awareness and encourage people to report "near miss" cases in particular. 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 Group´s continuing operations in 2005 was 18 per million man-hours (2004: 19). In November, one fatal accident occurred at the Outokumpu Stainless Tubular Products tube mill in Nyby, Sweden.

Research and development

Expenditure on research and development during 2005 amounted to EUR 33 million or 0.6% of net sales (2004: EUR 31 million and 0.6%). In addition to new products, R&D focuses on innovative manufacturing processes that reduce costs, result in lower emissions, shorten lead times and improve quality.

In the joint Next Generation Vehicle project, Outokumpu and other European stainless steel producers are developing new solutions together with the main automotive producers. Stainless steel grades that are lighter in weight, such as the innovative HyTens® material, have very good potential in automotive applications. In 2006, research and development resources will be directed to a greater extent into the architecture, building and construction sectors, where stainless steel products have enormous potential.

Outokumpu's strategic intention is to increase market share in special grades. Development of duplexes, especially LDX 2101®. and corresponding applications has progressed well. The largest orders have been delivered to desalination plants, de-washers, various storage tanks and flexible tubes. The RAP™2E product has been launched and has been well received by customers.

The Tornio ramp-up of the unique Steckel-Tandem hot rolling process has progressed well. The RAP-line has shown its capabilities, and the possibilities of utilizing its flexible characteristics as part of the new ferritics route are being examined.

Development of processes for slag utilization was a high priority in 2005. Slag can be treated to be an optimum raw material for roads, construction beds etc. instead of using virgin materials. Process route for Hydroflux, neutralized and processed pickling sludge, has been developed to save fluorspar in the steel melting process.

In June 2005, Outokumpu Technology launched its largest-ever flotation cell, the TankCell® 300, for enhanced metal recovery and operating efficiency in mineral processing operations. Commercialization of the HydroCopper™ process continued. An important milestone in commercializing the Kennecott-Outokumpu Flash Converting technology was the contract with Yanggu Xiangguang Copper in China. Extensive tests on Circofer® technology for an iron-ore direct-smelt reduction process were carried out. Technology's both innovative solution and novel technology were combined to develop a cost effective way of producing metallic radio-frequency identification (RFID) antennas to the rapidly growing and emerging RFID technology based item identification markets. As a result, the Finnish paper company UPM, Outokumpu Technology and Finnish Industry Investment formed a joint venture company, Intune Circuits Oy, to produce high-quality RFID antennas.

Personnel

Personnel

Dec. 31	**2005**	2004	Change
General Stainless	**4 123**	4 462	(339)
Specialty Stainless	**4 334**	4 493	(159)
Technology	**1 791**	1 806	(15)
Other operations	**516**	753	(237)
The Group	**10 764**	11 514	(750)

Outokumpu's human resource management was strengthened and reorganized during 2005 to support the Group's new business structure and strategic targets.

A new participation model consisting of the Outokumpu Personnel Forum and the Group Working Committee elected by the Forum has proved out to be a very effective channel of two way communication. The Group Working Committee held a total of 11 meetings in 2005. Personnel participation played a significant role in the transformation of the Group. The contribution by personnel representatives was of great importance in the planning and implementation of operational adjustments and fixed cost reduction measures.

The total personnel reduction from the fixed cost reduction program will be some 800 employees. Of this, 60% will be lay-offs and the remainder will consist of retirements, resignations and the terminations of fixed term contracts. The total reduction of personnel in Finland will be 320, in Sweden 350 and in other countries 130. The closure of CPS and the adjustment of operational production capacity at the Sheffield melt shop will result in 670 employees being made redundant in Britain by the end of April 2006. Appropriate employee severance, outplacement and career support arrangements have been agreed with the local unions to mitigate the effects of the job losses.

A new performance and development dialogue has been created in 2005 to develop a common management approach linked to rewards.

At the end of the year, the Group's continuing operations employed 10 764 people in some 30 countries. The total number of personnel employed fell by 750 mainly due to restructurings carried out during 2005.

Changes in organization

Mr. Juha Rantanen was appointed CEO of the Outokumpu Group, effective January 1, 2005. The new organization for direct running of the stainless steel business came into effect on April 1, 2005. The Group Executive Committee members are: Juha Rantanen (CEO), Karri Kaitue (Deputy CEO), Pekka Erkkilä (EVP - General Stainless & Production Operations), Olof Faxander (EVP - Specialty Stainless), Andrea Gatti (EVP - Commercial Operations), Esa Lager (CFO) and Timo Vuorio (EVP - Human Resources, as of May 1, 2005). Mr. Olof Faxander will leave Outokumpu on February 28, 2006.

The stainless steel business has been organized into two divisions according to product types. The General Stainless division comprises three business units: Tornio Works, Coil Products Sheffield (until closure at the end of April 2006) and Sheffield Primary Products. The Specialty Stainless division consists of six business units: Avesta Works, Thin Strip, Hot Rolled Plate, Long Products, Sheffield Special Strip and Outokumpu Stainless Tubular Products.

In the new structure Outokumpu Technology is managed at arms length as a stand-alone business through the board work of Outokumpu Technology. Outokumpu Copper Tube and Brass is also managed separately and will be reported as a discontinued operation until divestment. These businesses report to the Deputy CEO.

Board of Directors

In the Annual General Meeting on April 5, 2005, Mr. Evert Henkes, Mr. Arto Honkaniemi, Mr. Jorma Huuhtanen, Mr. Ole Johansson, Mr. Heimo Karinen, Ms. Leena Saarinen and Ms. Soili Suonoja were re-elected as members of the Board of Directors, and Mr. Jukka Härmälä, Mr. Juha Lohiniva and Ms. Anna Nilsson-Ehle were elected as new members. Mr. Heimo Karinen was elected as Chairman of the Board of Directors and Mr. Ole Johansson as Vice Chairman. Mr. Karinen was nominated the chairman of the Board Nomination and Compensation Committee and Mr. Ole Johansson of the Audit Committee.

Shareholders' Nomination Committee

Outokumpu's Annual General Meeting of April 5, 2005 decided to establish a Shareholders' Nomination Committee to prepare proposals concerning the composition of the Board of Directors and director remuneration for the following Annual General Meeting. The members represent Outokumpu's four largest registered shareholders on December 1, 2005: Mr. Markku Tapio (Chairman), representing the Finnish State, Mr. Pertti Parmanne, representing the Finnish Social Insurance Institution, Mr. Kari Puro, representing Ilmarinen Mutual Pension Insurance Company and Mr. Kalevi Hemilä, representing Etera Mutual Pension Insurance Company. Mr. Heimo Karinen, the Chairman of Outokumpu's Board served as an expert member. The Shareholders' Nomination Committee submitted its proposals to the Board of Directors on January 27, 2006.

Short-term outlook

Global economic growth is expected to remain solid in 2006. Although global demand for stainless steel fell marginally in 2005 as a result of de-stocking and extremely high and volatile raw material prices, underlying demand has remained healthy and in the long-term annual growth in consumption is expected to continue at a rate of 5-7%. Towards the end of 2005 orders started to pick up and market sentiment for early 2006 is cautiously optimistic.

For the first quarter of 2006 deliveries of 304 cold rolled flat products in Europe, Outokumpu has gradually achieved base price increases totaling 100 EUR/tonne or more. The increases vary country by country. The order backlog has strengthened and further price increases are being pressed for April and beyond.

In 2006 the target is to fully utilize Tornio's capacity for finished products and benefit from its low cost base. In the short-term, Outokumpu's profitability is expected to improve compared to the second half of 2005. However, with the still very low base prices prevailing at the start of 2006, operating profit is expected to fall substantially short of the high levels seen in the first half of 2005.

Board of Directors' proposal for profit distribution

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

The Board of Directors is proposing to the Annual General Meeting to be held on March 30, 2006 that a dividend of EUR 0.45 per share be paid from the Group's distributable funds on December 31, 2005 and that any remaining distributable funds be allocated to retained earnings. The suggested dividend record date is April 4, 2006 and the dividend will be paid on April 11, 2006.

According to the financial statements at December 31, 2005, the Group's distributable funds total EUR 665 million and those of the parent company total EUR 318 million.

Espoo, February 2, 2006

Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Condensed income statement

EUR million	**Jan-Dec 2005**	Jan-Dec 2004
Continuing operations:		
Sales	**5 552**	5 122
Other operating income	**84**	80
Costs and expenses	**(5 460)**	(4 737)
Other operating expenses	**(94)**	(28)
Operating profit [1)]	**83**	436
Share of results in associated companies	**0**	78
Financial income and expenses		
Net interest expenses	**(62)**	(66)
Market price gains and losses	**(0)**	(12)
Other financial income and expenses	**1**	4
Profit before taxes	**22**	440
Income taxes	**(24)**	(61)
Net profit/ (loss) for the period from continuing operations	**(3)**	379
Discontinued operations:		
Net profit/ (loss) for the period from discontinued operations	**(360)**	7
Net profit/ (loss) for the period	**(363)**	386
Attributable to:		
Equity holders of the Company	**(364)**	382
Minority interest	**1**	4
Earnings per share for profit attributable to the equity holders of the Company:		
Earnings per share, EUR	**(2.01)**	2.12
Diluted earnings per share, EUR	**(2.01)**	2.12
Earnings per share from continuing operations attributable to the equity holders of the Company:		
Earnings per share, EUR	**(0.02)**	2.08
Earnings per share from discontinued operations attributable to the equity holders of the Company:		
Earnings per share, EUR	**(1.99)**	0.04

1) Market price gains and losses on derivatives related to discontinued operations have been reclassified from operating profit to net financial expenses. Figures for all presented periods have been restated.

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	**Dec 31 2005**	Dec 31 2004
ASSETS		
Non-current assets		
Intangible assets	**578**	620
Property, plant and equipment	**2 125**	2 743
Non-current financial assets		
Interest-bearing	**262**	409
Non interest-bearing	**45**	55
	3 009	3 827
Current assets		
Inventories	**1 186**	1 579
Current financial assets		
Interest-bearing	**37**	70
Non interest-bearing	**841**	1 390
Cash and cash equivalents	**212**	211
	2 277	3 250
Receivables related to assets held for sale	**221**	-
Total assets	**5 507**	7 077
EQUITY AND LIABILITIES		
Equity		
Equity attributable to the equity holders of the Company	**2 047**	2 468
Minority interest	**15**	38
	2 062	2 506
Non-current liabilities		
Interest-bearing	**1 624**	1 975
Non interest-bearing	**319**	442
	1 943	2 417
Current liabilities		
Interest-bearing	**556**	1 150
Non interest-bearing	**857**	1 003
	1 413	2 153
Liabilities related to assets held for sale	**89**	-
Total equity and liabilities	**5 507**	7 077

Consolidated statement of changes in equity

	Attributable to equity holders of the Company									
EUR million	Share capital	Unregis-tered share capital	Share premium fund	Other reserves	Fair value reserves	Treasury shares	Cumu-lative trans-lation diffe-rences	Retained earnings	Minority interest	Total equity
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	-	-	-	-	6	-	-	-	-	6
Fair value gains on available-for-sale financial assets	-	-	-	-	3	-	-	-	-	3
Net investment hedges	-	-	-	-	-	-	1	-	-	1
Change in translation differences	-	-	-	-	-	-	19	-	0	19
Items recognised directly in equity	-	-	-	-	9	-	20	-	0	29
Net loss for the period	-	-	-	-	-	-	-	(364)	1	(363)
Total recognised income and expenses	-	-	-	-	9	-	20	(364)	1	(334)
Dividends paid	-	-	-	-	-	-	-	(91)	-	(91)
Management stock option program: value of received services	-	-	-	-	-	-	-	3	-	3
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 December 31, 2005	**308**	-	**701**	**11**	**23**	**(2)**	**(38)**	**1 044**	**15**	**2 062**

Condensed statement of cash flows

EUR million	**Jan-Dec 2005**	Jan-Dec 2004
Net profit (loss) for the period	**(363)**	386
Adjustments		
Depreciation and amortization	**232**	251
Impairments	**168**	-
Loss from sale of the fabricated copper products business	**249**	-
Other adjustments	**95**	94
Decrease (increase) in working capital	**202**	(710)
Dividends received	**7**	3
Interest received	**21**	23
Interest paid	**(93)**	(112)
Income tax paid	**(58)**	(63)
Net cash from operating activities	**459**	(128)
Purchases of assets	**(245)**	(478)
Proceeds from the sale of subsidiaries	**489**	18
Proceeds from the sale of shares in associated companies	**290**	127
Proceeds from sale of other assets	**13**	14
Change in other investing activities	**18**	166
Net cash from investing activities	**565**	(152)
Cash flow before financing activities	**1 024**	(280)
Borrowings of long-term debt	**136**	379
Repayments of long-term debt	**(454)**	(144)
Increase (decrease) in current debt	**(600)**	25
Dividends paid	**(91)**	(36)
Change in other financing activities	**(22)**	11
Net cash from financing activities	**(1 032)**	235
Adjustments	**2**	30
Net change in cash and cash equivalents	**(6)**	(16)
Cash and cash equivalents at the beginning of the financial year	**211**	231
Foreign exchange rate effect on cash and cash equivalents	**7**	(4)
Net change in cash and cash equivalents	**(6)**	(16)
Cash and cash equivalents at the end of the financial year	**212**	211

Key figures

EUR million	**Jan-Dec 2005**	Jan-Dec 2004
Operating profit margin, %	**1.5**	8.5
Return on capital employed, %	**1.9**	9.6
Return on equity, %	**(15.9)**	16.8
Return on equity from continuing operations, %	**(0.1)**	16.5
Capital employed at end of period	**3 599**	4 941
Net interest-bearing debt at end of period	**1 537**	2 435
Equity-to-assets ratio at end of period, %	**38.2**	35.8
Debt-to-equity ratio at end of period, %	**74.5**	97.2
Earnings per share, EUR	**(2.01)**	2.12
Earnings per share from continuing operations, EUR	**(0.02)**	2.08
Earnings per share from discontinued operations, EUR	**(1.99)**	0.04
Average number of shares outstanding, in thousands 1)	**181 031**	180 057
Fully diluted earnings per share, EUR	**(2.01)**	2.12
Fully diluted average number of shares, in thousands 1)	**181 140**	180 172
Equity per share at end of period, EUR	**11.31**	13.65
Number of shares outstanding at end of period, in thousands 1)	**181 032**	180 752
Capital expenditure, continuing operations	**174**	414
Depreciation, continuing operations	**216**	191
Average personnel for the period, continuing operations	**11 517**	11 787

1) The number of own shares repurchased is excluded.

NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

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 the 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 6 million. This value is recognized as an expense in the income statement during the vesting periods.

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 December, emission allowances are not reflected in Outokumpu's balance sheet because no allowances have been purchased and actual emissions in 2005 were lower than the amount of received allowances for 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 December 31, 2005. Outokumpu Oyj held 218 603 treasury shares on December 31, 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 December 31, 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 684 191 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 1 107 570 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 1 160 000 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 5 017 994 and the number of shares by a maximum of 2 951 761 shares. The shares that can be subscribed with the 2003 stock options correspond to 1.6% of the Company's shares and voting rights.

Authorizations of the Board of Directors

In 2005, 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 February 2, 2006 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 February 2, 2006 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 February 2, 2006 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 businesses of the former Outokumpu Copper business area: Americas, Europe, Automotive Heat Exchangers, Appliance Heat Exchanger & Asia, including 100% of Outokumpu Heatcraft, and the Forming equipment businesses. Sales in 2004 by the divested businesses totaled EUR 1 684 million and the number of personnel was 6 400 at the year end. Outokumpu Copper Tube and Brass business was excluded from the transaction and comprises European sanitary and industrial tubes, including air-conditioning and refrigeration tubes in Europe, as well as brass rod.

The total consideration received 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 recorded a capital loss of EUR 252 million from the disposal. An EUR 86 million impairment loss on the remaining tube and brass business has also 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 former Outokumpu Copper business area has been classified as a discontinued operation. The EUR 360 million loss from discontinued operations consists of the net result of the fabricated copper products business in the first quarter of 2005, the EUR 252 million loss on the sale to Nordic Capital and the impairment loss of EUR 86 million recognized for the tube and brass business as well as its result for 2005. The loss from discontinued operations is recorded in the income statement on a single line after the profit from continuing operations. The assets and liabilities of Outokumpu Copper Tube and Brass are presented as held for sale. A turnaround plan to improve profitability has been initiated and Outokumpu has stated its intention to divest the tube and brass business.

Specification of discontinued operations and assets held for sale

Income statement

EUR million	**Jan-Dec 2005**	Jan-Dec 2004
Sales	**921**	2 050
Expenses	**(927)**	(1 978)
Operating profit	**(6)**	72
Net financial items	**(10)**	(35)
Profit/ (loss) before taxes	**(16)**	37
Taxes	**(4)**	(26)
Profit/ (loss) after taxes	**(20)**	11
Impairment loss recognized on the fair valuation of the Tube and Brass division's assets and liabilities	**(86)**	-
Loss on the sale of the fabricated copper products business	**(252)**	-
Taxes	**-**	-
After-tax loss recognized on the measurement of assets and liabilities of the disposal group	**(338)**	-
Minority interest	**(1)**	(3)
Net profit/ (loss) for the period from discontinued operations	**(360)**	7

Cash flows

EUR million	**Jan-Dec 2005**
Operating cash flows	**(88)**
Investing cash flows	**(70)**
Financing cash flows	**142**
Total cash flows	**(17)**

Balance sheet

EUR million	**Dec 31 2005**
Assets	
Intangible and tangible assets	**9**
Other non-current assets	**4**
Inventories	**113**
Other current non-interest bearing assets	**95**
	221
Liabilities	
Provisions	**21**
Other non-current non-interest bearing liabilities	**3**
Trade payables	**49**
Other current non-interest bearing liabilities	**17**
	89

Major non-recurring items in operating profit

EUR million	**Jan-Dec 2005**	Jan-Dec 2004
Gain/(loss) on the sale of the Boliden shares	**35**	(19)
Fixed cost reduction program	**(34)**	-
Coil Products Sheffield closure	**(130)**	-
Release of the Finnish TEL disability pension liability	**-**	22
Gain on the sale of the filter business	**-**	16
	(129)	19

Income taxes

EUR million	**Jan-Dec 2005**	Jan-Dec 2004
Current taxes	**(67)**	(50)
Deferred taxes	**43**	(11)
	(24)	(61)

Commitments

EUR million	**Dec 31 2005**	Dec 31 2004
Mortgages and pledges		
Mortgages on land	**94**	110
Other pledges	**8**	2
Guarantees		
On behalf of subsidiaries		
For commercial commitments	**77**	81
On behalf of associated companies		
For financing	**4**	4
Other commitments	**65**	-
Minimum future lease payments on operating leases	**207**	146

Open derivative instruments

EUR million	Dec 31 2005	Dec 31 2004	Dec 31 2005	Dec 31 2004
	Net fair values		Contract amounts	
Currency and interest rate derivatives				
Currency forwards	(1)	26	1 796	1 247
Currency options				
Purchased	-	0	-	7
Written	-	0	-	8
Currency swaps	-	(1)	-	21
Interest rate swaps	3	(2)	432	172
			Tonnes	Tonnes
Metal derivatives				
Copper forward and futures contracts	(1)	3	33 775	50 150
Copper options				
Purchased	-	0	-	20 522
Nickel forward and futures contracts	1	1	1 608	1 758
Zinc forward and futures contracts	0	0	1 300	39 000
Aluminium forward and futures contracts	-	0	-	2 550
			TWh	TWh
Electricity derivatives				
Traded electricity forwards and futures	1	0	0.1	0.1
Other financial contracts	13	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	**IV/05**	**2005**
Continuing operations:										
Sales	1 196	1 283	1 143	1 500	5 122	1 456	1 589	1 191	**1 317**	**5 552**
Operating profit	129	123	69	115	436	121	161	(20)	**(179)**	**83**
Share of results in associated companies	16	8	31	24	78	(1)	2	(1)	**0**	**0**
Financial income and expenses	(14)	(7)	(25)	(28)	(75)	(12)	(19)	(18)	**(13)**	**(61)**
Profit/(loss) before taxes	130	124	75	111	440	108	144	(39)	**(191)**	**22**
Income taxes	(31)	(17)	(17)	4	(61)	(20)	(39)	8	**26**	**(24)**
Net profit/(loss) for the period from continuing operations	99	107	58	115	379	89	105	(31)	**(165)**	**(3)**
Net profit/(loss) for the period from discontinued operations	33	(12)	(5)	(9)	7	(333)	(8)	(5)	**(14)**	**(360)**
Net profit/(loss) for the period	132	96	53	106	386	(244)	97	(36)	**(180)**	**(363)**
Attributable to:										
Equity holders of the Company	130	95	52	105	382	(245)	96	(36)	**(179)**	**(364)**
Minority interest	2	1	0	0	4	1	1	0	**(1)**	**1**

Major non-recurring items in operating profit

EUR million	I/04	II/04	III/04	IV/04	2004	I/05	II/05	III/05	**IV/05**	**2005**
General Stainless										
Release of the Finnish TEL disability pension liability	-	-	-	13	13	-	-	-	-	-
Coil Products Sheffield closure	-	-	-	-	-	-	-	-	**(127)**	**(127)**
Fixed cost reduction program	-	-	-	-	-	-	-	-	**(11)**	**(11)**
Specialty Stainless										
Fixed cost reduction program	-	-	-	-	-	-	-	-	**(21)**	**(21)**
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	-	-	-	-	-
Fixed cost reduction program	-	-	-	-	-	-	-	-	**(3)**	**(3)**
Coil Products Sheffield closure	-	-	-	-	-	-	-	-	**(3)**	**(3)**
Gain/loss on the sale of the Boliden shares	-	-	-	(19)	(19)	25	-	10	**-**	**35**
	18	(1)	-	2	19	25	-	10	**(164)**	**(129)**

Key figures by quarter

EUR million	I/04	II/04	III/04	IV/04	I/05	II/05	III/05	**IV/05**
Operating profit margin, %	10.7	9.6	6.1	7.7	8.3	10.1	(1.7)	**(13.6)**
Return on capital employed, %	11.9	10.5	5.7	9.3	10.9	16.0	(2.0)	**(18.8)**
Return on equity, %	24.1	16.5	8.9	17.2	(41.0)	17.2	(6.4)	**(33.5)**
Return on equity, continuing operations, %	18.1	18.6	9.7	18.7	14.9	18.6	(5.5)	**(30.8)**
Capital employed at end of period	4 543	4 839	4 919	4 941	3 953	4 084	3 981	**3 599**
Net interest-bearing debt at end of period	2 261	2 496	2 515	2 435	1 695	1 822	1 744	**1 537**
Equity-to-assets ratio at end of period, %	33.1	32.7	33.6	35.8	35.5	37.2	38.7	**38.2**
Debt-to-equity ratio at end of period, %	99.0	106.5	104.6	97.2	75.0	80.6	77.9	**74.5**
Earnings per share, EUR	0.73	0.52	0.29	0.58	(1.35)	0.53	(0.20)	**(0.99)**
Earnings per share from continuing operations, EUR	0.54	0.59	0.32	0.63	0.49	0.57	(0.17)	**(0.91)**
Earnings per share from discontinued operations, EUR	0.19	(0.07)	(0.03)	(0.05)	(1.84)	(0.04)	(0.03)	**(0.08)**
Average number of shares outstanding, in thousands [1)]	178 081	180 742	180 752	180 752	180 901	181 032	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	**11.31**
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	**181 032**
Capital expenditure, continuing operations	133	76	91	114	37	41	39	**57**
Depreciation, continuing operations	44	48	48	50	53	54	54	**55**
Average personnel for the period, continuing operations	11 681	11 997	11 960	11 513	11 475	11 833	11 746	**11 013**

1) The number of own shares repurchased is excluded.