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OUTOKUMPU'S SECOND QUARTER 2006 INTERIM REPORT – STRONG DEMAND AND HIGHER BASE PRICES IMPROVED PROFITS

Outokumpu's sales for April-June 2006 amounted to EUR 1 564 million (I/2006: EUR 1 548 million). Operating profit improved substantially to EUR 159 million (I/2006: EUR 71 million). Net profit for the period was EUR 133 million (I/2006: EUR 56 million) and earnings per share EUR 0.73. Net cash generated from the Group's operating activities totaled EUR 33 million.

Group key figures		April-June 2006	Jan-March 2006	April-June 2005	Jan-Dec 2005
Sales	EUR million	1 564	1 548	1 589	5 552
Operating profit	EUR million	159	71	161	83
Non-recurring items in operating profit	EUR million	-	-	-	(129)
Profit before taxes	EUR million	152	66	144	22
Net profit/(loss) for the period from continuing operations	EUR million	116	46	105	(3)
Net profit/(loss) for the period	EUR million	133	56	97	(363)
Earnings per share from continuing operations	EUR	0.64	0.26	0.57	(0.02)
Earnings per share	EUR	0.73	0.31	0.53	(2.01)
Net cash generated from operating activities	EUR million	33	37	51	459
Net interest-bearing debt at end of period	EUR million	1 509	1 483	1 822	1 537
Debt-to-equity ratio at end of period	%	69.5	73.0	80.6	74.5
Return on capital employed	%	17.7	8.0	16.0	1.9
Capital expenditure, continuing operations	EUR million	34	35	41	174
Stainless steel deliveries	1 000 tonnes	467	510	459	1 647
Average personnel for the period, continuing operations		10 675	10 554	11 833	11 517

THE SECOND QUARTER IN BRIEF

- Strong demand in the stainless steel market continued, especially in Europe. Base prices have risen mainly due to good end-user demand, whereas the effect of re-stocking appears to have been smaller. Customer inventories still seem to be at normal or below normal levels. According to CRU, prices were highest in the German market, where the base price for cold rolled 304 sheet rose by 255 EUR/tonne from March and stood at 1 435 EUR/tonne at the end of June.
- The nickel market has continued to be tight and volatile. The price of nickel, the main alloying element in stainless steel, increased during the second quarter and peaked in mid-July reaching its all time high of over 29 000 USD/tonne. High raw material prices had a negative effect on the Group's cash flow through increasing working capital.
- Order backlogs of all Outokumpu units are record high. All mills are running at full current capacity. Several production records were achieved at Tornio Works.
- The closure of Coil Products Sheffield (CPS) was completed at the end of April. Also the other performance improvement initiatives are progressing well.

Outokumpu Oyj
Corporate Management

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- The Group's sales totaled EUR 1 564 million and were on the previous quarter's level. Operating profit improved substantially to EUR 159 million. Return on capital employed was 17.7%.
- Stainless steel deliveries decreased by 8% from the high level in the previous quarter. Soaring base prices were the main contributor to the significant profit improvement.
- Sales by Outokumpu Technology in the second quarter totaled EUR 177 million, an increase of 23% compared to the previous quarter. Operating profit improved further and totaled EUR 12 million (I/2006: EUR 4 million). Sales by Outokumpu Technology in the first six months of 2006 were 48% higher than during the same period in 2005 and totaled EUR 321 million. Operating profit improved significantly and totaled EUR 16 million (I-II/2005: EUR 3 million negative).
- In June, the Board of Directors of Outokumpu Oyj decided to start evaluating the possibility of listing Outokumpu Technology on the Helsinki Stock Exchange. The timing of the possible listing is subject to market conditions, however, in the autumn 2006 at the earliest.

SHORT-TERM OUTLOOK

Demand for stainless steel continues to be strong at least up to the year-end. The Group's order backlog is firm and Outokumpu is currently selling for deliveries in November and beyond. Robust demand and supply constraints provide an impetus for further base price increases. For example in Germany, Outokumpu's base price for cold rolled 304 sheet for September is some 100 EUR/tonne higher than it was in June. Further gradual base price increases have been achieved in Europe for October and November deliveries, and base prices for November, depending on the region, are some 150-200 EUR/tonne higher than in September. Transaction prices are also boosted by the record high nickel price, which may cause uncertainty in the market.

All of Outokumpu's mills are running at full load. However, the annual maintenance breaks in August-September will affect production volumes during the third quarter. Nevertheless, due to higher base prices Outokumpu's operating profit for the third quarter is expected to be close to that achieved in the second quarter. In addition to operational performance the main risk related to profit development during the rest of the year is linked to the high volatility of nickel price.

CEO Juha Rantanen:

"The second quarter performance was very encouraging. Stainless steel demand is strong and prices are improving. Operationally our teams did well with sales and production running at full capacity. Also the improvement initiatives are on track and the fixed cost reduction program and the closure of Coil Products Sheffield start to deliver the planned benefits during the second half of this year."

MANAGEMENT ANALYSIS OF THE SECOND-QUARTER OPERATING RESULT

Group key figures

EUR million	I/05	II/05	III/05	IV/05	2005	I/06	II/06
Sales							
General Stainless	1 286	1 158	813	816	4 073	1 013	1 066
Specialty Stainless	785	819	584	552	2 739	650	638
Technology ¹⁾	65	151	133	207	556	144	177
Other operations ¹⁾	55	71	70	76	272	87	93
Intra-group sales	(736)	(610)	(408)	(335)	(2 088)	(346)	(409)
The Group	1 456	1 589	1 191	1 317	5 552	1 548	1 564

Operating profit

General Stainless	71	93	(55)	(170)	(62)	43	91
Specialty Stainless	55	65	14	(23)	110	22	65
Technology ¹⁾	(7)	4	5	23	25	4	12
Other operations ¹⁾	9	(3)	10	(8)	8	2	(8)
Intra-group items	(6)	3	5	(1)	1	(0)	(1)
The Group	121	161	(20)	(179)	83	71	159

Stainless steel deliveries

1 000 tonnes	I/05	II/05	III/05	IV/05	2005	I/06	II/06
Cold rolled	233	226	195	212	867	286	239
White hot strip	135	126	61	68	391	104	103
Other	117	106	77	89	390	121	125
Total deliveries	485	459	333	370	1 647	510	467

Market prices and exchange rates

		I/05	II/05	III/05	IV/05	2005	I/06	II/06
Market prices ²⁾								
Stainless steel								
Base price	EUR/t	1 332	1 217	1 113	1 035	1 174	1 127	1 342
Alloy surcharge	EUR/t	875	956	1 012	923	942	844	1 020
Transaction price	EUR/t	2 207	2 173	2 125	1 958	2 116	1 971	2 362
Nickel								
	USD/t	15 348	16 411	14 567	12 649	14 744	14 810	19 925
	EUR/t	11 704	13 031	11 941	10 644	11 851	12 318	15 836
Ferrochrome (Cr-content)								
	USD/lb	0.78	0.78	0.73	0.68	0.74	0.63	0.70
	EUR/kg	1.31	1.37	1.32	1.26	1.32	1.16	1.23
Molybdenum								
	USD/lb	32.02	35.62	31.74	30.66	32.51	23.38	25.01
	EUR/kg	53.84	62.35	57.37	56.89	57.61	42.86	43.82
Steel scrap								
	USD/t	221	193	208	193	204	200	238
	EUR/t	169	153	170	162	164	167	189
Exchange rates								
EUR/USD		1.311	1.259	1.220	1.188	1.244	1.202	1.258
EUR/SEK		9.074	9.208	9.366	9.473	9.282	9.352	9.298
EUR/GBP		0.694	0.679	0.683	0.680	0.684	0.686	0.688

¹⁾ Outokumpu Metals Off-Take Oy has been transferred from Technology to Other operations and figures from II/05 onwards 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 HMS 1&2 fob Rotterdam

Strong demand continued in the stainless steel market

Favorable global economic growth continued during the second quarter. The strong improvement in global stainless steel markets continued. Global apparent consumption of stainless steel flat products was some 2% higher than in the previous quarter. European supply of stainless steel was production constrained, markets tightened and base prices increased strongly. According to CRU, the base price of 304 cold rolled stainless steel sheet in Germany rose by a total of 255 EUR/tonne during the period. The average German base price was 1 342 EUR/tonne, up by 19% from the previous quarter.

Demand for all main alloying materials in stainless steel increased by some 3% from the previous quarter and prices for these materials were both high and volatile. The price of nickel was a record high with the average price being 19 925 USD/tonne, an increase of 35% from the previous quarter. Nickel prices have continued to skyrocket and peaked above 29 000 USD/tonne in mid-July. The ferrochrome market moved to a clear undersupply in the second quarter. The average price of ferrochrome in the period was 0.70 USD/lb, up by 11% from the previous quarter. Strong demand from stainless steel producers, a restricted ferrochrome supply and increase in energy prices are supporting the rise in the ferrochrome price and the contract price for the third quarter of 2006 was agreed at 0.75 USD/lb. The price of molybdenum rose by 7% from the previous quarter. Availability of stainless steel scrap has been tight and the price of scrap increased by 19% during the second quarter. The alloy surcharge of stainless steel has increased month-on-month from February to August, boosting the transaction prices.

Improvement actions and excellence programs proceeding well

The closure of Coil Products Sheffield (CPS) was completed at the end of April. The annual profit improvement resulting from the closure will be some EUR 50 million from the second half of 2006 onwards.

The fixed cost reduction program progressed according to plan, the annual savings target is EUR 100 million. The reduced fixed cost running rate will start to materialize during the second half of 2006 with full effect in 2007. Targeted savings are divided 50/50 between personnel and non-personnel related costs.

In the commercial excellence program a common pricing tool is being developed and training of key account managers is underway. A total of twelve plants are currently involved in the production excellence program: five plants are in the preparation phase, five plants are in the pilot phase and two plants are in the expansion phase. More plants will join the program in the autumn. The combined benefits from these long-term operational enhancement programs will be achieved in future years and are expected to total EUR 40 million in 2007, EUR 80 million in 2008 and EUR 160 million on an annual basis thereafter.

Substantial improvement in operating profit

The Group's sales in the review period totaled EUR 1 564 million, 1% higher than in the previous quarter. Order intake for all stainless steel business units was strong and all mills ran at full capacity. Stainless steel deliveries were 467 000 tonnes, 8% lower than in the first quarter. Higher deliveries in the first quarter of 2006 were partly due to postponement of some December 2005 deliveries to January 2006 and partly due to the sale of CPS's inventories during the first quarter before the closure. Despite lower level of deliveries, the solid rise in stainless steel base prices contributed to the substantially improved operating profit of EUR 159 million. Raw material costs were somewhat higher because more virgin material was used in the melt shops due to reduced availability of stainless steel scrap. In view of the high and volatile raw material prices, Outokumpu's target is to keep inventory volumes at current low levels. The majority of raw material requirements are secured by long-term supply contracts.

General Stainless – increased profits

General Stainless

EUR million	I/05	II/05	III/05	IV/05	2005	I/06	II/06
Sales	1 286	1 158	813	816	4 073	1 013	1 066
of which Tornio Works	699	657	476	467	2 299	652	740
Operating profit	71	93	(55)	(170)	(62)	43	91
of which Tornio Works	59	74	(36)	(48)	49	37	70
Operating capital at the end of period	2 920	2 901	2 820	2 484	2 484	2 397	2 404
Deliveries of main products (1 000 tonnes)							
Cold rolled	210	183	162	179	734	246	206
White hot strip	102	89	41	53	284	74	85
Other	238	192	105	97	631	128	144
Total deliveries of the division	550	463	307	329	1 649	448	434

Sales by General Stainless totaled EUR 1 066 million, an increase of 5% compared to the previous quarter with deliveries slightly lower than in the previous quarter. Operating profit increased substantially to EUR 91 million. The strong base price increase during the review period was the primary contributor to the profit improvement.

Tornio Works posted a good operating profit of EUR 70 million. A new record for deliveries of finished products was achieved in May. Manufacturing performance was good and Tornio Works is running at its full current finished products capacity. Several production records were achieved during the second quarter.

The closure of Coil Products Sheffield was completed at the end of April. All activities at the site are now related to decommissioning. Costs related to the decommissioning process are covered by the closure provision recorded in December 2005.

Specialty Stainless – strong profits from special products

Specialty Stainless

EUR million	I/05	II/05	III/05	IV/05	2005	I/06	II/06
Sales	785	819	584	552	2 739	650	638
Operating profit	55	65	14	(23)	110	22	65
Operating capital at the end of period	1 248	1 358	1 310	1 161	1 161	1 173	1 240
Deliveries of main products (1 000 tonnes)							
Cold rolled	44	54	43	47	188	56	54
White hot strip	57	43	30	30	160	49	41
Other	148	148	89	71	455	76	79
Total deliveries of the division	249	245	162	148	803	182	173

Sales by Specialty Stainless in the review period were slightly lower than in the previous quarter and totaled EUR 638 million. Deliveries were 5% lower than in the first quarter. Operating profit increased from the previous quarter and totaled EUR 65 million. The main contributors to this significant improvement were higher prices and a better product mix.

The Kloster Thin Strip cold rolling mill investment in Sweden is proceeding according to plan. The EUR 53 million investment will expand the mill's overall annual production capacity from 25 000 tonnes to 45 000 tonnes and will also allow the production of thinner and wider products. The new capacity is scheduled to be on stream by the end of 2006.

Specialty Stainless' products are used in industries such as oil and gas, desalination, building and construction as well as pulp and paper, where investment activity has been solid and is expected to continue strong. Specialty Stainless has succeeded in increasing the share of sales of special grades and products.

Outokumpu Technology – solid profit performance continued

Technology ¹⁾

EUR million	I/05	II/05	III/05	IV/05	2005	I/06	II/06
Sales	65	151	133	207	556	144	177
Operating profit	(7)	4	5	23	25	4	12
Operating capital at the end of period	41	31	58	(7)	(7)	3	5
Order backlog at the end of period	490	520	525	596	596	634	694

¹⁾ Outokumpu Metals Off-Take Oy has been transferred from Technology to Other operations and figures from II/05 onwards have been restated.

Outokumpu Technology's sales increased by 23% compared to the previous quarter and operating profit was solid at EUR 12 million. Sales by Outokumpu Technology in the first six months of 2006 increased by 48% compared to the corresponding period of the previous year and totaled EUR 321 million. Operating profit improved markedly and totaled EUR 16 million (I-II/2005: EUR 3 million negative).

In 2005 and during the first half of 2006 Outokumpu Technology benefited from the favorable market situation and received several large projects. In the second quarter the order intake totaled EUR 240 million. Outokumpu Technology's order backlog strengthened further and was record high at EUR 694 million at the end of June.

Major orders received included a flotation circuit for the Boddington gold mine expansion in Western Australia (EUR 11 million), modernization of Boliden Harjavalta's copper refinery in Pori, Finland, two new alumina calcination plants after successful commissioning of five earlier deliveries for Alunorte in Brazil (EUR 15 million), modernization of Aluminij d.d Mostar carbon anode plant in Bosnia Herzegovina (EUR 28 million), a rodding shop for Vedanta Alumina Company in India (EUR 10 million) and a bauxite residue neutralization plant for Queensland Alumina in Australia (EUR 20 million). In May, an engineering agreement, the first phase of the project for the world's largest sulfuric acid plant complex for the Saudi Arabian Mining Company (Ma'aden) in Kingdom of Saudi Arabia, was signed, with a plan to negotiate a contract for the project implementation and construction in the second phase of the project. Outokumpu Technology was chosen as the lead technology supplier for a greenfield copper processing plant being built by Cobre Las Cruces in Spain (EUR 45 million).

Demand for metals has continued strong during the second quarter. The mining and metals industry has invested actively in both ferrous and non-ferrous metals production plants, and there are no signs of a slow-down in the activity in the short-term. Outokumpu Technology's outlook is favorable for 2006 indicating that the profitability will improve clearly from the previous year. The current solid order backlog extends well beyond 2006.

Other operations

Other operations ¹⁾

EUR million	I/05	II/05	III/05	IV/05	2005	I/06	II/06
Sales	55	71	70	76	272	87	93
Operating profit	9	(3)	10	(8)	8	2	(8)
Operating capital at the end of period	34	43	37	139	139	134	240

¹⁾ Outokumpu Metals Off-Take Oy has been transferred from Technology to Other operations and figures from II/05 onwards have been restated.

Other operations consists of activities outside the Group's primary businesses as well as industrial holdings. Business development costs and expenses associated with Group functions that are not allocated to the businesses are also reported under Other operations. The result posted by Other operations in the second quarter included EUR 4 million gain on the sale of Okmetec Oyj shares. Net market price losses totaled EUR 3 million (I/2006: net market price gains EUR 8 million). Outokumpu Metals Off-Take Oy involved in copper metal trading has been transferred from Outokumpu Technology to Other operations and historical figures have been restated.

The attachments present the interim review by the Board of Directors, the accounts and notes to the interim accounts.

This interim report is unaudited.

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News conference and live webcast today at 3.00 pm

A combined news conference, conference call and live webcast concerning the second-quarter interim report will be held on July 25, 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 20 7162 0025
US & Canada +1 334 323 6201
Password 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 July 25, 2006 at around 6.00 pm.

An instant replay service for the conference call will be available until Friday, July 28, 2006 on the following numbers:

UK replay number +44 20 7031 4064, access code: 709 871
US & Canada replay number +1 954 334 0342, access code: 709 871

OUTOKUMPU OYJ
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INTERIM REVIEW BY THE BOARD OF DIRECTORS

Stainless steel demand improved during the first half of 2006

During the first half of 2006, global apparent consumption of stainless steel increased by 2% compared to the previous year. Demand for stainless steel was strong during the first half of 2006 and both base prices and transaction prices rose month-on-month. According to CRU, the average German base price for 304 2mm cold rolled sheet was 1 234 EUR/tonne, 3% lower than in the first half of 2005. At the end of June 2006, the base price was 1 435 EUR/tonne compared to 1 030 EUR/tonne at the end of 2005. Raw material prices increased strongly during the first half of 2006. Although the average nickel price in the first half of 2006 was 17 368 USD/tonne, 9% higher than in 2005, prices skyrocketed during the second quarter, reaching 22 275 USD/tonne at the end of June and peaked in mid-July exceeding 29 000 USD/tonne.

Solid financial result

The Group's sales for the first half of 2006 totaled EUR 3 112 million (I-II/2005: EUR 3 044 million), an increase of 2%. Stainless steel deliveries increased by 4%. Outokumpu Technology's first half of 2006 was very strong with sales totaling EUR 321 million, an increase of 48% compared to the same period in 2005.

Operating profit was EUR 230 million (I-II/2005: EUR 281 million). In the first half of 2005, operating profit included a non-recurring gain of EUR 25 million from the sale of Boliden shares. While stainless steel base prices during January-June 2006 represented a considerable increase on prices in the second half of 2005, the average prices were still slightly below the prices in the first half of 2005. Outokumpu Technology posted an operating profit of EUR 16 million compared to an operating loss of EUR 3 million in the corresponding period last year.

Net financial expenses totaled EUR 14 million (I-II/2005: EUR 31 million) and included net market price gains of EUR 12 million (I-II/2005: EUR 2 million). Net profit for the period from continuing operations totaled EUR 162 million (I-II/2005: EUR 193 million) and net profit from discontinued operations totaled EUR 27 million (I-II/2005: EUR 341 million negative). Earnings per share from continuing operations was EUR 0.90 and from discontinued operations EUR 0.15. Return on capital employed was 12.6% (I-II/2005: 12.5%).

The Group's performance improvement initiatives are proceeding well. In the commercial excellence program a common pricing tool is being developed and training of key account managers is underway. A total of twelve production units are currently involved in the production excellence program and additional plants will join this program in the autumn. The closure of Coil Products Sheffield was completed at the end of April. The Group's fixed cost reduction program is progressing according to plan.

Capital expenditure and cash flow

Capital expenditure for January-June totaled EUR 69 million (I-II/2005: EUR 78 million). The Group's capital expenditure limit for the 2006-2007 period has been set at an annual level of EUR 175 million. In 2006, however, delayed phasing and rollovers from 2005 mean that capital expenditure is expected to be higher, but will not exceed the annual depreciation level of EUR 210 million.

Net cash generated from operating activities totaled EUR 70 million (I-II/2005: EUR 121 million). Dividends of EUR 81 million were paid in April 2006. EUR 213 million was tied up in working capital mainly as a result of high raw material prices. Due to the high and volatile raw material prices Outokumpu attempts to keep inventory volumes low.

Net interest-bearing debt totaled EUR 1 509 (Dec. 31, 2005: EUR 1 537 million) and gearing improved to 69.5% (Dec. 31, 2005: 74.5%).

Outokumpu evaluates listing of Outokumpu Technology

In June, the Board of Directors of Outokumpu Oyj decided to start evaluating the possibility of listing Outokumpu Technology on the Helsinki Stock Exchange. The primary structural alternative under consideration is the sale of shares via an Initial Public Offering to Finnish and international institutional investors and to the public in Finland. The timing of the possible listing is subject to market conditions, however, in the autumn 2006 at the earliest.

Outokumpu Technology, currently a wholly owned subsidiary of Outokumpu Oyj, is a global leader in designing, developing and supplying tailored plants, processes and equipment for the minerals and metals processing industries worldwide. Outokumpu Technology has 1 800 employees and generated sales of EUR 556 million in 2005.

The Board and management of Outokumpu believe that the listing of Outokumpu Technology as an independent company on the Helsinki Stock Exchange, with its own focus, will improve the strategic focus and prospects for continued business development for both companies, also considering the limited synergies between the two companies. As two listed companies, both Outokumpu's and Outokumpu Technology's valuations will be more transparent in the market.

Discontinued operations

Outokumpu is implementing a vigorous improvement program in Outokumpu Copper Tube and Brass. In the first half of 2006, the copper tube and brass business posted an operating profit of EUR 33 million, which included the gain from the sale of Outokumpu Copper MKM Ltd and inventory gains. Operating capital at the end of June totaled EUR 181 million.

The fabricated copper products business that was sold in 2005 comprised among others Outokumpu Copper (USA), Inc. In 2005, the company was served with a complaint in a case filed in a federal district court in Memphis, Tennessee, US by the plaintiff American Copper & Brass, Inc. The complaint alleges claims and damages under 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.

Environment, health and safety

The Tornio site and the steel making and casting plants at Avesta and Degerfors are participating in the EU Emissions Trading System (ETS). Actual 2005 carbon dioxide emissions have been reported to the local authorities. New allowances for 2006 were distributed in February and the allowances received are sufficient for production in 2006. Preparations to apply for allowances in the 2008-2012 Kyoto-period are underway.

At the majority of the Group's stainless steel sites the emissions and discharges were within permitted limits.

The Group's Corporate Responsibility report "Outokumpu and the environment 2005" was published in May.

Developments in reducing the number of occupational accidents has been positive and the lost time injury frequency rate (i.e. lost time accidents per million working hours) in the Group's continuing operations improved to 14 (I-II/2005:16). The target for the Group is less than 14 in 2006 and less than five in 2009. No major accidents were reported during January-June 2006.

Personnel

During January-June 2006 the Group's continuing operations employed an average of 10 615 people (I-II/2005:11 654) and at the end of June had 11 006 employees (Dec. 31, 2005: 10 764). The number of employees at the end of June includes some 800 temporary summer trainees. The total reduction in the number of personnel employed resulting from the fixed cost reduction program will be achieved by the end of 2006.

Annual General Meeting 2006

The Annual General Meeting (AGM) of March 30, 2006 approved a dividend of EUR 0.45 per share for 2005. Dividends totaling EUR 81 million were paid on April 11, 2006.

The AGM authorized the Board of Directors for one year to increase the Company's share capital with a total maximum of EUR 30 800 000 by issuing new shares or convertible bonds. Accordingly, an aggregate maximum of 18 117 647 shares, having the account equivalent value of EUR 1.70 each, may be issued. The AGM authorized the Board of Directors for one year to repurchase and transfer the Company's own shares. The maximum number of shares to be repurchased and transferred is 18 000 000. The number of own shares in the Company's possession may not exceed 10 % of the total amount of the Company's shares. By July 25, 2006, the authorizations had not been exercised.

The AGM decided on the number of the Board members, including the Chairman and Vice Chairman, to be eight (previously ten). For the term expiring at the close of the following AGM, Mr. Evert Henkes, Mr. Jukka Härmälä, Mr. Ole Johansson, Mr. Juha Lohiniva, Ms. Anna Nilsson-Ehle, Ms. Leena Saarinen and Ms. Soili Suonoja were re-elected as members of the Board of Directors, and Mr. Taisto Turunen was elected as a new member. Mr. Jukka Härmälä was elected Chairman of the Board of Directors and Mr. Ole Johansson Vice Chairman. The AGM also resolved to form a shareholders' nomination committee to prepare proposals on the composition and remuneration of the Board of Directors for presentation to the next AGM.

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

At its first meeting, the Board of Directors appointed two permanent committees consisting of board members. Mr. Ole Johansson (Chairman), Ms. Leena Saarinen and Mr. Taisto Turunen were elected as members of the Board Audit Committee. Mr. Jukka Härmälä (Chairman), Mr. Evert Henkes and Ms. Anna Nilsson-Ehle were elected as members of the Board Nomination and Compensation Committee.

Short-term outlook

Demand for stainless steel continues to be strong at least up to the year-end. The Group's order backlog is firm and Outokumpu is currently selling for deliveries in November and beyond. Robust demand and supply constraints provide an impetus for further base price increases. For example in Germany, Outokumpu's base price for cold rolled 304 sheet for September is some 100 EUR/tonne higher than it was in June. Further gradual base price increases have been achieved in Europe for October and November deliveries, and base prices for November, depending on the region, are some 150-200 EUR/tonne higher than in September. Transaction prices are also boosted by the record high nickel price, which may cause uncertainty in the market.

All of Outokumpu's mills are running at full load. However, the annual maintenance breaks in August-September will affect production volumes during the third quarter. Nevertheless, due to higher base prices Outokumpu's operating profit for the third quarter is expected to be close to that achieved in the second quarter. In addition to operational performance the main risk related to profit development during the rest of the year is linked to the high volatility of nickel price.

Espoo, July 25, 2006

Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Condensed income statement

EUR million	Jan-June 2006	Jan-June 2005	Jan-Dec 2005
Continuing operations:			
Sales	3 112	3 044	5 552
Other operating income	23	37	84
Costs and expenses	(2 900)	(2 799)	(5 460)
Other operating expenses	(5)	(1)	(94)
Operating profit	230	281	83
Share of results in associated companies	2	1	0
Financial income and expenses			
Net interest expenses	(29)	(34)	(62)
Market price gains and losses	12	2	(0)
Other financial income and expenses	3	2	1
Profit before taxes	217	252	22
Income taxes	(55)	(59)	(24)
Net profit/(loss) for the period from continuing operations	162	193	(3)
Discontinued operations:			
Net profit/(loss) for the period from discontinued operations	27	(341)	(360)
Net profit/(loss) for the period	189	(147)	(363)
Attributable to:			
Equity holders of the Company	189	(149)	(364)
Minority interest	0	1	1
Earnings per share for profit attributable to the equity holders of the Company:			
Earnings per share, EUR	1.04	(0.82)	(2.01)
Diluted earnings per share, EUR	1.04	(0.82)	(2.01)
Earnings per share from continuing operations attributable to the equity holders of the Company:			
Earnings per share, EUR	0.90	1.06	(0.02)
Earnings per share from discontinued operations attributable to the equity holders of the Company:			
Earnings per share, EUR	0.15	(1.88)	(1.99)

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	June 30 2006	June 30 2005	Dec 31 2005
ASSETS			
Non-current assets			
Intangible assets	568	590	578
Property, plant and equipment	2 093	2 227	2 125
Non-current financial assets			
Interest-bearing	274	243	262
Non interest-bearing	67	48	45
	3 002	3 109	3 009
Current assets			
Inventories	1 220	1 466	1 186
Current financial assets			
Interest-bearing	58	236	37
Non interest-bearing	1 064	1 027	841
Cash and cash equivalents	176	102	212
	2 517	2 831	2 277
Receivables related to assets held for sale	266	228	221
Total assets	5 785	6 167	5 507
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the Company	2 156	2 246	2 047
Minority interest	15	16	15
	2 171	2 262	2 062
Non-current liabilities			
Interest-bearing	1 530	1 721	1 624
Non interest-bearing	366	397	319
	1 897	2 117	1 943
Current liabilities			
Interest-bearing	667	822	556
Non interest-bearing	965	878	857
	1 632	1 700	1 413
Liabilities related to assets held for sale	85	88	89
Total equity and liabilities	5 785	6 167	5 507

Consolidated statement of changes in equity

	Attributable to equity holders of the Company							Minority interest	Total equity
	Share capital	Share premium fund	Other reserves	Fair value reserves	Treasury shares	Cumulative translation differences	Retained earnings		
EUR million									
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
Cash flow hedges	-	-	-	4	-	-	-	-	4
Fair value gains on available-for-sale financial assets	-	-	-	6	-	-	-	-	6
Net investment hedges	-	-	-	-	-	0	-	-	0
Change in translation differences	-	-	-	-	-	(9)	-	0	(9)
Items recognised directly in equity	-	-	-	9	-	(9)	-	0	0
Net profit for the period	-	-	-	-	-	-	189	0	189
Total recognised income and expenses	-	-	-	9	-	(9)	189	0	189
Dividends paid	-	-	-	-	-	-	(81)	-	(81)
Management stock option program:									
value of received services	-	-	-	-	-	-	1	-	1
Equity on June 30, 2006	308	701	11	33	(2)	(47)	1 152	15	2 171

Condensed statement of cash flows

EUR million	Jan-June 2006	Jan-June 2005	Jan-Dec 2005
Net profit/(loss) for the period	189	(147)	(363)
Adjustments			
Depreciation and amortization	106	107	232
Impairments	4	(83)	168
Loss on the sale of the fabricated copper products business	-	246	252
Other adjustments	71	230	92
(Increase)/decrease in working capital	(213)	(188)	202
Dividends received	6	6	7
Interest received	7	20	21
Interest paid	(47)	(59)	(93)
Income tax paid	(52)	(11)	(58)
Net cash from operating activities	70	121	459
Purchases of assets	(80)	(78)	(245)
Proceeds from the sale of subsidiaries	20	487	489
Proceeds from the sale of shares in associated companies	9	109	290
Proceeds from sale of other assets	6	0	13
Change in other investing activities	(1)	(1)	18
Net cash from investing activities	(46)	517	565
Cash flow before financing activities	24	638	1 024
Borrowings of long-term debt	46	90	136
Repayments of long-term debt	(90)	(331)	(454)
Increase/(decrease) in current debt	75	(239)	(600)
Dividends paid	(81)	(91)	(91)
Change in other financing activities	(4)	(165)	(22)
Net cash from financing activities	(54)	(735)	(1 032)
Adjustments	0	(12)	2
Net change in cash and cash equivalents	(30)	(109)	(6)
Cash and cash equivalents at the beginning of the financial year	212	211	211
Foreign exchange rate effect on cash and cash equivalents	(7)	3	7
Net change in cash and cash equivalents	(30)	(109)	(6)
Cash and cash equivalents at the end of the financial year	176	102	212

Key figures

EUR million	Jan-June 2006	Jan-June 2005	Jan-Dec 2005
Operating profit margin, %	7.4	9.2	1.5
Return on capital employed, %	12.6	12.5	1.9
Return on equity, %	18.0	(12.4)	(15.9)
Return on equity from continuing operations, %	15.4	16.2	(0.1)
Capital employed at end of period	3 680	4 084	3 599
Net interest-bearing debt at end of period	1 509	1 822	1 537
Equity-to-assets ratio at end of period, %	38.4	37.2	38.2
Debt-to-equity ratio at end of period, %	69.5	80.6	74.5
Earnings per share, EUR	1.04	(0.82)	(2.01)
Earnings per share from continuing operations, EUR	0.90	1.06	(0.02)
Earnings per share from discontinued operations, EUR	0.15	(1.88)	(1.99)
Average number of shares outstanding, in thousands ¹⁾	181 032	181 002	181 031
Fully diluted earnings per share, EUR	1.04	(0.82)	(2.01)
Fully diluted average number of shares, in thousands ¹⁾	181 683	181 045	181 140
Equity per share at end of period, EUR	11.91	12.41	11.31
Number of shares outstanding at end of period, in thousands ¹⁾	181 032	181 032	181 032
Capital expenditure, continuing operations	69	78	174
Depreciation, continuing operations	106	107	216
Average personnel for the period, continuing operations	10 615	11 654	11 517

¹⁾ The number of own shares repurchased is excluded.

NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

This interim financial report is prepared in accordance with IAS 34 (Interim Financial Reporting).

Use of estimates

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

Amended and new International Financial Reporting Standards (IFRS) as of January 1, 2006

Outokumpu has adopted the following amended and new standards as of January 1, 2006:

IAS 39 Financial Instruments: Recognition and Measurement: Amendments after March 31, 2004:

- Cash flow hedges of forecast intra group transactions, issued on April 14, 2005, effective date January 1, 2006.
- Fair value option, issued on June 16, 2005, effective date January 1, 2006.
- Financial guarantee contracts, issued on August 18, 2005, effective date January 1, 2006.

The adoption of these amendments has not had material effect on the Group's financial statements.

IFRS 6 Exploration for and Evaluation of Mineral Resources, issued on December 9, 2004, effective date January 1, 2006. This standard is not applicable for Outokumpu.

Amendment to IAS 19 Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures, issued on December 16, 2004, effective date January 1, 2006. The amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses, adoption of this amendment will only impact the format and extent of disclosures presented in the accounts.

IFRIC 4 Interpretation: Determining whether an Arrangement contains a Lease, issued on December 2, 2004, effective date January 1, 2006. The adoption of this interpretation has not had material effect on the Group's financial statements.

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 June 30, 2006. Outokumpu Oyj held 218 603 treasury shares on June 30, 2006 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 June 30, 2006.

The current amounts that Outokumpu Oyj shares could be subscribed for with the option 2003 program for management are as follows: 2003A 659 302 shares, 2003B 1 032 570 shares and 2003C 87 500 shares. As a result of the share subscriptions with the 2003 stock options, Outokumpu Oyj's share capital may be increased by a maximum of EUR 3 024 932 and the number of shares by a maximum of 1 779 372 shares. This corresponds to 1.0% of the Company's shares and voting rights.

Outokumpu's Board of Directors confirmed on February 2, 2006 a share-based incentive program for years 2006-2010 as part of the key employee incentive and commitment system of the Company. If persons to be covered by the first earning period 2006-2008 of the program were to receive the number of shares in accordance with the maximum reward, currently a total of 397 400 shares, their shareholding obtained via the program would amount to 0.2% of the Company's shares and voting rights.

The detailed information of the 2003 option program and of the share-based incentive program for 2006-2010 is presented in the annual report 2005 of Outokumpu Oyj.

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.

On February 27, 2006 Outokumpu and The Meade Corporation of the UK signed and closed a sales and purchase agreement whereby Outokumpu sold its brass rod mill, Outokumpu Copper MKM Ltd, located in Aldridge in the UK, to The Meade Corporation. The total consideration of the transaction was some EUR 20 million. The production capacity of Outokumpu Copper MKM Ltd is some 40 000 tonnes of brass rod and its sales in 2005 amounted to some EUR 70 million. It employs 320 people.

The assets and liabilities of Outokumpu Copper Tube and Brass are presented as held for sale. Outokumpu is implementing a vigorous improvement project in its existing copper tube and brass business and it is Outokumpu's intention to divest the tube and brass business.

Specification of discontinued operations and assets held for sale
Income statement

EUR million	Jan-June 2006	Jan-June 2005	Jan-Dec 2005
Sales	357	662	921
Expenses	(321)	(661)	(927)
Operating profit	36	1	(6)
Net financial items	(3)	(7)	(10)
Profit/(loss) before taxes	33	(6)	(16)
Taxes	(3)	(5)	(4)
Profit/(loss) after taxes	29	(11)	(20)
Impairment loss recognized on the fair valuation of the Tube and Brass division's assets and liabilities	(2)	(83)	(86)
Loss on the sale of the fabricated copper products business	-	(246)	(252)
Taxes	-	-	-
After-tax loss recognized on the measurement of assets and liabilities of the disposal group	27	(329)	(338)
Minority interest	-	(1)	(1)
Net profit/(loss) for the period from discontinued operations	27	(341)	(360)

Balance sheet

EUR million	June 30 2006	June 30 2005	Dec 31 2005
Assets			
Intangible and tangible assets	6	12	9
Other non-current assets	4	4	4
Inventories	127	111	113
Other current non-interest bearing assets	129	101	95
	266	228	221
Liabilities			
Provisions	6	4	7
Other non-current non-interest bearing liabilities	6	24	17
Trade payables	57	41	49
Other current non-interest bearing liabilities	16	19	17
	85	88	89

Cash flows

EUR million	Jan-June 2006	Jan-June 2005	Jan-Dec 2005
Operating cash flows	(38)	(76)	(88)
Investing cash flows	(4)	(15)	(70)
Financing cash flows	40	77	142
Total cash flows	(2)	(14)	(17)

Major non-recurring items in operating profit

EUR million	Jan-June 2006	Jan-June 2005	Jan-Dec 2005
Gain on the sale of the Boliden shares	-	25	35
Fixed cost reduction program	-	-	(34)
Coil Products Sheffield closure	-	-	(130)
	-	25	(129)

Income taxes

EUR million	Jan-June 2006	Jan-June 2005	Jan-Dec 2005
Current taxes	(31)	(36)	(67)
Deferred taxes	(24)	(23)	43
	(55)	(59)	(24)

Commitments

EUR million	June 30 2006	June 30 2005	Dec 31 2005
Mortgages and pledges			
Mortgages on land	129	81	94
Other pledges	4	7	8
Guarantees			
On behalf of subsidiaries			
For commercial commitments	128	107	77
On behalf of associated companies			
For financing	4	4	4
Other commitments	62	68	65
Minimum future lease payments on operating leases	118	121	120

Open derivative instruments

EUR million	June 30	Dec 31	June 30	Dec 31
	2006	2005	2006	2005
	Net fair values		Contract amounts	
Currency and interest rate derivatives				
Currency forwards	(7)	(1)	2 309	1 796
Interest rate swaps	10	3	282	432
			Tonnes	Tonnes
Metal derivatives				
Copper forward and futures contracts	2	(1)	7 275	33 775
Nickel forward and futures contracts	3	1	2 196	1 608
Zinc forward and futures contracts	0	0	3 325	1 300
			TWh	TWh
Electricity derivatives				
Traded electricity forwards and futures	1	1	0.0	0.1
Other financial contracts	27	13	4.5	4.6

Income statement by quarter

EUR million	I/05	II/05	III/05	IV/05	2005	I/06	II/06
Continuing operations:							
Sales	1 456	1 589	1 191	1 317	5 552	1 548	1 564
Operating profit	121	161	(20)	(179)	83	71	159
Share of results in associated companies	(1)	2	(1)	0	0	(0)	2
Financial income and expenses	(12)	(19)	(18)	(13)	(61)	(5)	(9)
Profit/(loss) before taxes	108	144	(39)	(191)	22	66	152
Income taxes	(20)	(39)	8	26	(24)	(20)	(35)
Net profit/(loss) for the period from continuing operations	89	105	(31)	(165)	(3)	46	116
Net profit/(loss) for the period from discontinued operations	(333)	(8)	(5)	(14)	(360)	10	17
Net profit/(loss) for the period	(244)	97	(36)	(180)	(363)	56	133
Attributable to:							
Equity holders of the Company	(245)	96	(36)	(179)	(364)	56	133
Minority interest	1	1	0	(1)	1	(0)	0

Major non-recurring items in operating profit

EUR million	I/05	II/05	III/05	IV/05	2005	I/06	II/06
General Stainless							
Coil Products Sheffield closure	-	-	-	(127)	(127)	-	-
Fixed cost reduction program	-	-	-	(11)	(11)	-	-
Specialty Stainless							
Fixed cost reduction program	-	-	-	(21)	(21)	-	-
Technology							
-	-	-	-	-	-	-	-
Other operations							
Fixed cost reduction program	-	-	-	(3)	(3)	-	-
Coil Products Sheffield closure	-	-	-	(3)	(3)	-	-
Gain on the sale of the Boliden shares	25	-	10	-	35	-	-
	25	-	10	(164)	(129)	-	-

Key figures by quarter

EUR million	I/05	II/05	III/05	IV/05	I/06	II/06
Operating profit margin, %	8.3	10.1	(1.7)	(13.6)	4.6	10.2
Return on capital employed, %	10.9	16.0	(2.0)	(18.8)	8.0	17.7
Return on equity, %	(41.0)	17.2	(6.4)	(33.5)	11.0	25.3
Return on equity, continuing operations, %	14.9	18.6	(5.5)	(30.8)	9.0	22.1
Capital employed at end of period	3 953	4 084	3 981	3 599	3 513	3 680
Net interest-bearing debt at end of period	1 695	1 822	1 744	1 537	1 483	1 509
Equity-to-assets ratio at end of period, %	35.5	37.2	38.7	38.2	37.4	38.4
Debt-to-equity ratio at end of period, %	75.0	80.6	77.9	74.5	73.0	69.5
Earnings per share, EUR	(1.35)	0.53	(0.20)	(0.99)	0.31	0.73
Earnings per share from continuing operations, EUR	0.49	0.57	(0.17)	(0.91)	0.26	0.64
Earnings per share from discontinued operations, EUR	(1.84)	(0.04)	(0.03)	(0.08)	0.06	0.09
Average number of shares outstanding, in thousands ¹⁾	180 901	181 032	181 032	181 032	181 032	181 032
Equity per share at end of period, EUR	12.39	12.41	12.27	11.31	11.14	11.91
Number of shares outstanding at end of period, in thousands ¹⁾	181 032	181 032	181 032	181 032	181 032	181 032
Capital expenditure, continuing operations	37	41	39	57	35	34
Depreciation, continuing operations	53	54	54	55	53	53
Average personnel for the period, continuing operations	11 475	11 833	11 746	11 013	10 554	10 675

¹⁾ The number of own shares repurchased is excluded.