OUTOKUMPU'S THIRD QUARTER 2008 INTERIM REPORT – STRONG CASH FLOW IN UNCERTAIN AND WEAKENING MARKETS

Third quarter highlights

- Satisfactory underlying operational result of some EUR 60 million positive.
- Strong net cash flow of EUR 242 million from operating activities.
- Weaker stainless steel markets due to seasonality, postponed purchases by distributors and weaker end-use demand.
- Intention to close Thin Strip business in Sheffield announced.
- Investment program under review, decisions on potential changes by the end of 2008.

Group key figures

		III/08	II/08	III/07	2007
Sales	EUR million	**1 270**	1 549	1 227	6 913
Operating profit	EUR million	**-66**	174	-256	589
Non-recurring items in operating profit	EUR million	**-66**	-	-11	14
Profit before taxes	EUR million	**-82**	166	-277	798
Non-recurring items in financial income and expenses	EUR million	**-**	-	-	252
Net profit for the period from continuing operations	EUR million	**-73**	130	-210	660
Net profit for the period	EUR million	**-74**	56	-214	641
Earnings per share from continuing operations	EUR	**-0.41**	0.72	-1.17	3.63
Earnings per share	EUR	**-0.41**	0.31	-1.19	3.52
Return on capital employed	%	**-6.3**	17.2	-22.3	13.9
Net cash generated from operating activities	EUR million	**242**	103	161	676
Capital expenditure, continuing operations	EUR million	**317**	56	47	190
Net interest-bearing debt at end of period	EUR million	**1 096**	939	1 016	788
Debt-to-equity ratio at end of period	%	**35.0**	29.1	29.8	23.6
Stainless steel deliveries	1 000 tons	**323**	391	238	1 419
Stainless steel base price [1)]	EUR/ton	**1 143**	1 307	710	1 304
Personnel at the end of period, continuing operations [2)]		**8 711**	8 884	8 049	8 108

[1)] Stainless steel: CRU - German base price (2 mm cold rolled 304 sheet).
Please note: Between July - October 2007, European prices for some stainless grades were quoted on a transaction price basis, therefore base prices are the calculated value of transaction price minus alloy surcharge for this time period (CRU).

[2)] End-June figures include summer trainees.

SHORT-TERM OUTLOOK

As a result of the global economic crisis, uncertainty related also to the stainless steel market has clearly increased and visibility is currently very short. Demand from consumer driven end-use segments, such as white goods and construction has weakened further. Demand from many investment-driven segments is currently healthy but there is more uncertainty about future demand as the financial turmoil has weakened the investment climate and the availability of project financing is uncertain.

The falling nickel price has resulted in distributors further postponing their purchases in expectation of lower transaction prices for stainless steel. In Europe, inventory levels for standard grades held by distributors continue to be at a normal level. Outokumpu is now selling standard grades for deliveries in November.

Stainless steel base prices seem to have stabilized and prices are roughly at the same level in Europe and Asia. Outokumpu does not currently expect further price erosion from current levels. CRU is forecasting the October base price for German 2mm cold rolled 304 stainless steel sheet at 1 080 EUR/t.

Delivery volumes for the fourth quarter are expected to be at about the same level or slightly above volumes in the third quarter.

Outokumpu's underlying operational result in the fourth quarter of 2008 is expected to be slightly positive. At current nickel prices, further nickel-related inventory losses of some EUR 50-100 million including the impact of hedging are expected in the fourth quarter, which would turn Outokumpu's operating profit negative. The low nickel price is, however, expected to release substantial amounts of working capital and result in continuing strong cash flow from operations in the fourth quarter.

CEO Juha Rantanen:

"In these highly uncertain times, strength comes from having good cash flow and a strong balance sheet. Supply chain management will remain a high priority for us also going forward. Nickel, our most important raw material, has now reached its lowest price level in five years and this will improve our cash flow through lower working capital. Lower raw material costs will make stainless steel an even more attractive and competitive material. In the short-term, however, the decline in the nickel price is negative for our profits. We are highly committed to our strategy of selling more to end-use and project customers as well as promoting special and non-nickel containing grades. At the same time, we need to evaluate whether some of the related investments need to be postponed or redesigned due to global economic uncertainty."

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

For further information please contact:

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

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

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

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

A combined news conference, conference call and live webcast concerning the third-quarter 2008 financial results will be held on October 23, 2008 at 3.00 pm Finnish time (8.00 am US EST, 1.00 pm UK time, 2.00 pm CET) at Hotel Kämp, conference room 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 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 October 23, 2008 at around 6.00 pm Finnish time.

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

UK replay number +44 207 031 4064, access code: 812738
US & Canada replay number +1 954 334 0342, access code: 812738

OUTOKUMPU OYJ
Corporate Management

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

MANAGEMENT ANALYSIS – THIRD QUARTER OPERATING RESULT

Group key figures

EUR million	I/07	II/07	III/07	IV/07	2007	I/08	II/08	**III/08**
Sales								
General Stainless	1 700	1 670	879	1 073	5 321	1 304	1 222	**933**
Specialty Stainless	1 003	1 028	687	738	3 456	786	778	**630**
Other operations	64	63	53	57	237	64	63	**69**
Intra-group sales	-638	-669	-391	-403	-2 101	-465	-514	**-362**
The Group	2 129	2 092	1 227	1 465	6 913	1 689	1 549	**1 270**
Operating profit								
General Stainless	245	188	-224	11	220	81	125	**-35**
Specialty Stainless	182	196	-51	9	337	42	44	**-63**
Other operations	1	19	8	-6	21	-20	4	**29**
Intra-group items	-4	2	11	2	11	-3	1	**3**
The Group	424	406	-256	15	589	100	174	**-66**

Stainless steel deliveries

1 000 tons	I/07	II/07	III/07	IV/07	2007	I/08	II/08	**III/08**
Cold rolled	220	186	117	180	703	228	192	**177**
White hot strip	94	94	49	78	314	120	94	**64**
Quarto plate	39	41	30	36	146	33	35	**27**
Tubular products	20	17	13	15	65	19	19	**16**
Long products	16	15	10	12	54	15	15	**15**
Semi-finished products	40	46	21	31	137	34	35	**25**
Total deliveries	430	399	238	352	1 419	449	391	**323**

Market prices and exchange rates

		I/07	II/07	III/07	IV/07	2007	I/08	II/08	**III/08**
Market prices [1)]									
Stainless steel									
Base price	EUR/t	1 930	1 518	710	1 058	1 304	1 243	1 307	**1 143**
Alloy surcharge	EUR/t	2 277	2 913	2 967	1 939	2 524	1 702	1 888	**1 582**
Transaction price	EUR/t	4 207	4 432	3 677	2 997	3 828	2 945	3 195	**2 725**
Nickel	USD/t	41 440	48 055	30 205	29 219	37 230	28 957	25 682	**18 961**
	EUR/t	31 619	35 646	21 983	20 175	27 161	19 335	16 440	**12 599**
Ferrochrome (Cr-content)	USD/lb	0.77	0.82	1.00	1.05	0.91	1.21	1.92	**2.05**
	EUR/kg	1.30	1.34	1.60	1.60	1.46	1.78	2.71	**3.00**
Molybdenum	USD/lb	26.69	30.97	31.97	32.66	30.57	33.81	33.40	**33.75**
	EUR/kg	44.90	50.65	51.30	49.71	49.17	49.77	47.14	**49.45**
Recycled steel	USD/t	278	287	271	283	280	393	565	**465**
	EUR/t	212	213	197	195	204	262	361	**309**
Exchange rates									
EUR/USD		1.311	1.348	1.374	1.448	1.371	1.498	1.562	**1.505**
EUR/SEK		9.189	9.257	9.264	9.288	9.250	9.400	9.352	**9.474**
EUR/GBP		0.671	0.679	0.680	0.708	0.684	0.757	0.793	**0.795**

[1)] Sources of market prices:
Stainless steel: CRU - German base price, alloy surcharge and transaction price (2 mm cold rolled 304 sheet), estimates for deliveries during the period.
Please note: Between July - October 2007, European prices for some stainless grades were quoted on a transaction price basis, therefore base prices are the calculated value of transaction price minus alloy surcharge for this time period (CRU).
Nickel: London Metal Exchange (LME) cash quotation
Ferrochrome: Metal Bulletin - Ferrochrome lumpy chrome charge, basis 52% chrome
Molybdenum: Metal Bulletin - Molybdenum oxide - Europe
Recycled steel: Metal Bulletin - Steel scrap HMS 1&2 fob Rotterdam

Global financial turmoil further weakened demand for stainless steel

Global growth in demand for stainless steel continued to weaken during the third quarter and markets remained oversupplied. The whole business environment was affected by significantly weakening financial markets. The apparent consumption of stainless steel in the third quarter is estimated to have remained fairly stable globally but to have declined by 17% in Europe compared to II/2008. Global melting production was cut by 10% due to the poor business environment, and in Europe production was 18% down from the previous quarter. In addition to demand weakness, the slowdown was also a result of normal seasonality and the distribution sector postponing its purchases due to the falling nickel price. Demand softened further, especially in consumer-driven segments such as construction and white goods. In investment-driven segments, lower levels of project activity were evident due to the uncertain market situation.

The average base price for 2mm cold rolled 304 stainless steel sheet in Germany in the third quarter declined to 1 143 EUR/ton (II/2008: 1 307 EUR/ton). As a result of the falling nickel price, the average alloy surcharge for the third quarter declined to 1 582 EUR/ton (II/2008: 1 888 EUR/ton). The average transaction price in the period was 2 737 EUR/ton (II/2008: 3 195 EUR/ton). (CRU)

Among alloying materials, the price of nickel declined by 26% from around 22 500 USD/ton to below 16 000 USD/ton and the average price of nickel was 18 961 USD/ton in III/2008 (II/2008: 25 682 USD/ton). Since the end of September, nickel has declined further and is currently about 10 000 USD/t. Ferrochrome markets turned to oversupply during the review period due to weakening demand for stainless steel. The quarterly contract price for ferrochrome for the third quarter was 2.05 USD/lb (II/2008: 1.92 USD/lb). The quarterly contract price for the fourth quarter has been preliminary settled at 1.85 USD/lb. The average price of molybdenum increased slightly to 33.75 USD/lb. The price of recycled steel fell to 465 USD/ton, 18% down on II/2008.

Satisfactory underlying operational result in weakening stainless steel markets

Group sales in the third quarter totaled EUR 1 270 million, 18% down on II/2008. Stainless steel deliveries were down by 17% to 323 000 (II/2008: 391 000 tons). After the summer, there was only modest recovery in demand for stainless as a result of the global financial crisis. This and the normal seasonality were the main reasons for lower deliveries. Also, distributors had no incentive to return to the market as the nickel price continued to fall. Annual maintenance breaks at all Outokumpu units affected total production in the review quarter.

Underlying operational result was some EUR 60 million positive. Operating loss in the third quarter was EUR 66 million (II/2008: EUR 174 million profit) and included nickel-related inventory losses of some EUR 60 million (II/2008: raw material-related gains of some EUR 20 million). The inventory losses are lower than expected due to unrealized gains of some EUR 20 million from nickel hedging. Provisions and write-downs of EUR 66 million related to the intention to close the thin strip business in Sheffield are included in the third quarter operating loss.

Return on capital employed was negative (II/2008: 17.2%). Earnings per share was EUR 0.41 negative (II/2008: EUR 0.31 positive).

Net cash generated from operating activities improved to EUR 242 million (III/2007: EUR 103 million) due to the declining nickel price.

Sales by General Stainless in the third quarter totaled EUR 933 million (II/2008: EUR 1 222 million), deliveries were down by 21% and totaled 285 000 tons (II/2008: 359 000 tons). Operating loss was EUR 35 million (II/2008: EUR 125 million profit) of which Tornio Works posted a EUR 22 million loss

(II/2008: EUR 114 million profit). The majority of nickel-related inventory losses were related to General Stainless.

Sales by Specialty Stainless totaled EUR 630 million (II/2008: EUR 778 million), deliveries were down by 21% to 121 000 tons (II/2008: 153 000 tons). Specialty Stainless posted an operating loss of EUR 63 million (II/2008: EUR 44 million profit) due to provisions and write-downs of EUR 66 million related to the intention to close the thin strip business in Sheffield.

Operating profit in Other operations totaled EUR 29 million (II/2008: EUR 4 million) including unrealized gains of some EUR 20 million from raw material-related derivatives.

Investment program under review

Outokumpu decided to move to the next phase of its strategic development in September 2007. The focus in this new strategic phase is on building a more stable and profitable business model. The key components are:

- balancing the product mix to include more value added special products and ferritic (non-nickel) grades
- increasing the share of end-user and project sales and stabilizing sales to key distributors
- growth outside Europe
- maintaining cost leadership in standard grades

Since September 2007, Outokumpu has launched an investment program totaling more than EUR 2 billion to implement this strategy. The majority of the payments related to the investments are planned to be made in 2009-2010. As a result of the prevailing turmoil in financial markets, there is currently uncertainty about both global economic growth and investment activity in the coming years, which means there is also uncertainty about stainless steel demand in the short-term. Both the equipment and construction markets have been overheated in the recent years, and current price levels imply unanticipated cost inflation for some investment projects. Outokumpu expects that equipment and construction prices will decline in the future. For all these reasons, the Group has decided to review its investment program during the autumn of this year. Some of the investments that have already been decided on may be postponed to achieve optimal timing with respect to both costs and the demand environment.

The review concerns the following investments: EUR 1.1 billion to broaden the product range (high-purity ferritic and bright-annealing in Tornio, Finland, special grades in Avesta, Sweden and quarto plate in Degerfors, Sweden). Additionally, the SoGePar acquisition is anticipated to yield further synergy benefits thus enabling Outokumpu to optimize the planned EUR 155 million service center investments in Europe.

Outokumpu's strategy of increasing its sales of value-added special products and ferritics as well as end-user and project sales remains intact. The company has strong confidence in the long-term growth of duplex (low nickel) and ferritic grades and is committed to developing these markets. Outokumpu will now analyze the extent to which the sales of these grades can be increased within the limits of current capacity through changes in product mix and better utilization of assets.

Outokumpu is not considering postponement of the investment that will double ferrochrome production capacity in Tornio, due to its attractive return and short payback for the investment.

Decisions on the potential postponements and/or redesigns of investments will be made by the end of 2008.

Intention to close the Thin Strip business in Sheffield

In September, Outokumpu announced its intention to close its thin strip business at Meadowhall in Sheffield in the UK. Due to overcapacity in the stainless precision strip market this business has been loss-making for several years. Closure of the Sheffield Thin Strip business is expected to take place in the first quarter of 2009. The proposal is part of Outokumpu's actions on performance improvement to ensure global competitiveness.

The proposed closure would result in some 230 job losses at the Meadowhall site. The closure of operations is expected to result in a reduction of EUR 16 million in annual fixed costs from the second quarter of 2009 onwards. Write-downs and provisions of EUR 66 million, of which EUR 28 million will be cash, have been recorded in the third quarter of 2008.

The Meadowhall plant produces specialized, very thin forms of stainless steel strip products. In 2007, its stainless steel deliveries totaled 12 000 tons. The intention is to transfer most of this business to the Outokumpu Kloster unit in Långshyttan, Sweden, which will enable the Group to utilize synergies and deliver the full benefits of Kloster's production capacity. Outokumpu will continue to have a strong presence in Sheffield with its stainless steel melt shop, long products production and a service center as well as sales operations. These operations employ a total of 650 people.

Tornio Works' annealing and pickling line project is nearing completion

The EUR 90 million investment project, announced on February 1, 2007, to replace the No. 2 annealing and pickling line in Tornio is nearing completion. The old line was decommissioned in September and the first production runs on the new line will take place before the year-end. Full capacity will be available by the end of 2009. The shutdown and ramp-up will not have a significant impact on the total capacity of the cold rolling plant in 2008 or 2009. The new annealing and pickling line will have an annual capacity of 300 000 tons and will be capable of producing both austenitic and ferritic products with a minimum set-up time.

Acquisitions and divestments

In April, Outokumpu signed an agreement to acquire the SoGePar Group, an Italian distributor of stainless steel from its owners, the Borromeo family. After receiving regulatory clearance, the transaction was completed at the end of July. The closing balance sheet was approved in October, and the final consideration in cash was EUR 224 million and is expected to be EUR 87 million as debt. The total consideration is lower than initially announced due to changes in working capital and net debt. SoGePar has been consolidated into Outokumpu's accounts with effect from August 1, 2008.

Events after the period

The Finnish Financial Supervision Authority has on October 17, 2008 granted an exception to the State of Finland and Solidium Oy not to make a public tender offer for Outokumpu's shares and share-based securities. The exemption is related to the State's intention to transfer all of its shares in Outokumpu to Solidium Oy, in which it is the sole shareholder. The exemption will take effect following the appeal period and handling of potential appeals. The State of Finland holds 31.1% of Outokumpu's shares and voting power.

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

Weakening demand for stainless steel began in the summer

Demand for stainless steel was at a good level during the first half of 2008, but demand started to weaken in June as global economic growth slowed in all regions. The nickel price started to decline in May, which resulted in distributors postponing their orders, and after the summer the global financial market collapsed leading to further weakening stainless steel demand. Compared to I-III/2007, apparent consumption of stainless steel in I-III/2008 increased by 1% in Europe and by 5% globally. In 2007, demand for stainless was very good during the first six months but the market clearly weakened when nickel price collapsed from record high levels following the summer. The average German base price for 2mm 304 cold rolled sheet in I-III/2008 was 1 231 EUR/ton, 11% lower than in I-III/2007. The transaction price for stainless steel averaged 2 955 EUR/ton in I-III/2008 and was 28% lower than in I-III/2007 because of the much higher nickel price in 2007. (CRU)

Satisfactory underlying operational result

Compared to the corresponding period in 2007, Group sales in the first nine months of 2008 declined by 17% to EUR 4 508 million (I-III/2007: EUR 5 448 million) due to lower transaction prices. Stainless steel deliveries increased by 9% to 1 163 000 tons (I-III/2007: 1 067 000 tons).

Operating profit for I-III/2008 totaled EUR 208 million (I-III/2007: EUR 574 million), significantly lower than in the corresponding period in 2007. The primary reason for the decline in operating profit was the significantly higher base prices in 2007. In I-III/2008, some EUR 66 million of provisions and write-downs related to the intention to close the thins strip business in Sheffield are included in the operating profit. In I-III/2007, operating profit included some net non-recurring gains of EUR 14 million (EUR 11 million of costs related to restructuring at Thin Strip in the UK and EUR 25 million gains on the sale of the Hitura mine in Finland). Nickel-related inventory losses of some EUR 140 million are included in operating profit in I-III/2008, in I-III/2007 this figure was EUR 80 million negative. Profit before taxes totaled EUR 165 million (I-III/2007: EUR 791 million).

Net financial income and expenses in the first nine months of 2008 totaled EUR 42 million negative (I-III/2007: EUR 39 million negative excluding non-recurring items). In I/2008, an impairment loss of EUR 12 million was booked in other financial expenses due to the decline in the share price of Belvedere Resources Ltd, classified as an available-for-sale financial asset. Financial income in 2007 included a EUR 142 million non-recurring gain from the sale of the remaining 12% holding in Outotec Oyj and a EUR 110 million non-recurring gain from the Talvivaara transaction. Net profit for the period totaled EUR 45 million (I-III/2007: EUR 658 million) and net profit from continuing operations totaled EUR 118 million (I-III/2007: EUR 653 million). Net profit includes a capital loss of EUR 66 million from the sale of the remaining copper tube assets (Discontinued operations) to Cupori Group in June 2008. Earnings per share totaled EUR 0.25 (I-III/2007: EUR 3.61) and earnings per share from continuing operations totaled EUR 0.65 (I-III/2007: EUR 3.59). Return on capital employed in I-III/2008 was 6.6% (I-III/2007: 17.4%).

Net cash generated from operating activities in I-III/2008 totaled EUR 451 million (I-III/2007: EUR 377 million) through the release of working capital as a result of the declining nickel price.

Net interest-bearing debt totaled EUR 1 096 million at the end of September (September 30, 2007: EUR 1 016 million). Outokumpu's gearing at the end of September was 35.0% (September 30, 2007: 29.8%). Most of Outokumpu's debt maturities extend to the 2009-2013 period. The Group has committed undrawn credit facilities totaling some EUR 1.1 billion. Additionally, cash and cash equivalents totaled EUR 107 million at the end of September 2008.

Investment projects

Capital expenditure for the first nine months of 2008 totaled EUR 415 million (I-III/2007: EUR 147 million) including the acquisition of SoGePar. New investment projects approved for 2008-2011 are detailed below.

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

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

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

In February, Outokumpu OSTP and the Saudi Arabian tube manufacturer Armetal, a company in the Al-Hejailan Group, agreed to form Outokumpu Armetal Stainless Pipe Co., Ltd., a 51/49 stainless steel tubular joint venture located in Riyadh. The joint venture began operation on October 1, 2008.

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

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

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

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

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

The feasibility study on building a cold rolling mill in India was finalized. In July, Outokumpu decided not to proceed with the investment. Other options for strengthening Outokumpu's presence in the growing Indian market are currently being explored.

The EUR 90 million investment project, announced on February 1, 2007, to replace the No. 2 annealing and pickling line in Tornio is nearing completion. The old line was decommissioned in September and the first production runs in the new line will take place before the year-end. Full capacity will be available by the end of 2009. The shutdown and ramp-up of production will not have a significant impact on the total capacity of the cold rolling plant in 2008 or 2009. The new annealing and pickling line will have an annual capacity of 300 000 tons and will be capable of producing both austenitic and ferritic products with a minimum set-up time.

Outokumpu has decided to review the investment program that was launched after the Group announced the next phase of its strategy development in September 2007. The total investment program currently under review is some EUR 1.2 billion. Decisions on potential postponement and/or redesigns of investments will be made by the end of 2008.

Energy supply

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

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

Acquisitions and divestments

In April, Outokumpu signed an agreement to acquire the SoGePar Group, an Italian distributor of stainless steel from its owners, the Borromeo family. After having received regulatory clearances the transaction was completed at the end of July. The closing balance sheet was approved in October 2008, and the final consideration in cash was EUR 224 million and is expected to be EUR 87 million as debt. The total consideration is lower than initially announced due to changes in working capital and net debt. SoGePar has been consolidated into Outokumpu's accounts with effect from August 1, 2008.

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

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

Intention to close the Thin Strip business in Sheffield

In September, Outokumpu announced its intention to close its thin strip business at Meadowhall in Sheffield in the UK. This business has been loss-making for several years due to overcapacity in the stainless precision strip market. The closure of the Sheffield Thin Strip business is expected to take place in the first quarter of 2009.

The proposed closure will result in some 230 job losses at the Meadowhall site. The closure of operations is expected to result in a EUR 16 million reduction in annual fixed costs from the second quarter of 2009 onwards. Write-downs and provisions of EUR 66 million, of which EUR 28 million will be cash, have been recorded in the third quarter of 2008.

Discontinued operations

In April, Outokumpu signed an agreement whereby the Group's remaining copper tube assets were sold to Cupori Group Oy. This transaction was closed on June 3, 2008 and Outokumpu received EUR 56 million as consideration for the sale. A capital loss of EUR 66 million was booked on the transaction. Both these figures are subject to final review, once the closing balance sheet, expected by the end of the fourth quarter of 2008, has been approved. Assets divested comprise the copper plumbing installation and industrial tube manufacturing companies in Pori (Finland), Zaratamo (Spain), Västerås (Sweden) and Liège (Belgium), as well as the copper tube sales companies in France, Germany and Italy. In 2007, these businesses generated sales totaling EUR 510 million, recorded a net loss of EUR 5 million and employed 730 people.

Risks and uncertainties

Outokumpu's operations are conducted in accordance with the Board-approved risk management policy, which defines the objectives, approaches and areas of responsibility in risk management. Outokumpu categorizes risks as strategic/business, operational or financial. Risks and uncertainties may, if they materialize, have a substantial impact on earnings and cash flows. Key risks are assessed on a regular basis.

Important strategic and business risks include overcapacity in stainless steel production, product substitution, the cyclical nature of stainless steel demand and Eurocentricity in operations and sales. New stainless steel production capacity is being built in China and this has lead to overcapacity in cold rolled stainless production. To mitigate risks related to the cyclical nature of the stainless steel business and the risk of product substitution, Outokumpu is aiming to increase sales to end-users and widen the Group's product offering. This strategy is supported by the Group's new organization, which ensures that customers are served in an optimal way. Eurocentricity in operations and sales is considered a risk for Outokumpu's growth and success. To mitigate any possible impacts, Outokumpu is aiming to also grow also outside Europe.

Operational risks arise as a consequence of inadequate or failed internal processes, employee actions, systems or other events such as natural catastrophes, and misconduct or crime. Property damage and possible business interruptions caused by fire at some major site is a key risk concern for the Group. Outokumpu has systematic fire and security audit programs in place and part of the hazard risk is covered by insurance. During the third quarter, actions such as the approval and launching of the site security project were taken to improve physical security at Group sites.

Outokumpu has a number of investment and change projects under way and failures or delays in these projects could negatively impact strategy implementation and the achievement of financial targets. Outokumpu manages these risks by having dedicated resources for overall project support and for monitoring the Group's whole project portfolio. During the fourth quarter, ongoing projects are being assessed and corrective actions will be taken if needed.

Financial risks include exposure to market prices, the ability to maintain adequate liquidity and exposure to the risk of default. The most important financial market risks for Outokumpu include variations in the price of nickel, variations in the exchange rate between the Swedish krona and the euro, and the value of the US dollar. Outokumpu also has exposure to equity and loan security prices. Part of the Group's market risk is mitigated through the use of financial hedging. Liquidity and refinancing risk are taken into account in capital management decisions. It is Outokumpu's aim that a significant part of the credit risk be mitigated through insurance and other arrangements. In addition to commercial receivables, Outokumpu is exposed to credit risk related to loan receivables, which may be negatively impacted if turmoil in the financial markets continues.

Outokumpu is closely monitoring the turbulence in global financial markets. Management's assessment is that the current turmoil may impose some limitations on implementation of the Group's current decisions and plans. Increases in credit margins have not yet had any major impact on Outokumpu's funding costs, but if the financial crises continue, some impact on funding costs is likely during 2009.

In the third quarter, some changes in nickel price risk management were implemented. The new policies allow, for example partial hedging of un-priced nickel in the supply chain to reduce earnings volatility. Increased hedging of the nickel price risk helped to mitigate part of the nickel related losses in the third quarter.

Environment, health and safety

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

Emissions to air and discharges to water in the review period remained mostly within permitted limits and the breaches that occurred were temporary, were identified quickly and caused only minimal environmental impact. Outokumpu is not a party in any significant juridical or administrative proceeding concerning environmental issues, nor is it aware of any environmental risks that could have a material adverse effect on the Group's financial position.

Because of the Group's new investment projects, several applications for environmental permits have been submitted, most of them in Finland and Sweden. Terneuzen Mill and the Sheffield meltshop were externally audited and granted EN ISO 14001 certification. Avesta Works and New Castle are applying for new permits due to capacity increases.

Environmental and energy-saving targets for the Group's Corporate Responsibility theme year are: in energy saving a target of 2% reduction in energy consumed per ton of processed steel, in materials efficiency a target of a 10% reduction in land-fill waste per ton of processed steel. A review of progress after six months show very good results.

Occupational safety is a major focus area within the Group. In I-III/2008, the lost-time injury rate (i.e. lost-time accidents per million working hours) was 9 (I-III/2007: 11). The target rate for the whole of 2008 is less than eight. In 2009, the target will be less than five.

To achieve further improvements in safety, a Comprehensive Safety Management Evaluation was carried out in the autumn of 2008. The results will be available in November.

Personnel

Outokumpu's continuing operations employed an average of 8 529 people during January-September 2008 (I-III/2007: 8 310) and there were 8 711 employees at the end of September (September 30, 2007: 8 049). As a result of the SoGePar acquisition the number of employees increased by some 320.

These figures include some 800 summer trainees employed in the Group's units during the June-August period.

Claim regarding the sold fabricated copper products business

The fabricated copper products business sold in 2005, comprised among others Outokumpu Copper (USA), Inc. This company has been served with one individual damage claim for ACR Tubes under US antitrust laws. Outokumpu believes that the allegations in this case are groundless and will defend itself in any 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 claim.

Customs investigation of exports to Russia by Outokumpu Tornio Works

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

Organizational changes and appointments

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

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

Ms Pii Kotilainen has been appointed Executive Vice President – Human Resources and member of the Group Executive Committee as of March 1, 2009. She joins Outokumpu on January 1, 2009 and reports to CEO Juha Rantanen. Ms Kotilainen succeeds Timo Vuorio who will retire at the end of April 2009.

Annual General Meeting

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

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

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

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

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

Shares and shareholders

According to the Nordic Central Securities Depository, Outokumpu's shareholders by group at the end of September 2008 were the Finnish State (31.1%), foreign investors (40.2%), Finnish public sector institutions (13.7%), Finnish private households (7.3%), Finnish financial and insurance institutions (3.2%), Finnish corporations (2.0%) and Finnish non-profit organizations (1.7%). The list of largest shareholders is updated daily on Outokumpu's internet pages www.outokumpu.com.

At the end of September, Outokumpu's closing share price was EUR 11.06. The average share price during I-III/2008 was EUR 22.65 (I-III/2007: EUR 25.47). At the end of September, the market capitalization of Outokumpu Oyj shares totaled EUR 1 993 million (September 30, 2007: EUR 4 562 million). During the first nine months of 2008, 382.7 million (I-III/2007: 381.3 million) Outokumpu shares were traded on the Nasdaq OMX Helsinki Ltd. At the end of September, Outokumpu´s fully paid share capital totaled EUR 308.5 million and consisted of 181 446 883 shares. The average number of shares outstanding during I-III/2008 was 180 169 202.

Events after the period

The Finnish Financial Supervision Authority has on October 17, 2008 granted an excemption to the State of Finland and Solidium Oy not to make a public tender offer for Outokumpu's shares and share-based securities. The exemption is related to the State's intention to transfer all of its shares in Outokumpu to Solidium Oy, in which it is the sole shareholder. The exemption will take effect following the appeal period and handling of potential appeals. The State of Finland holds 56 440 597 shares of Outokumpu corresponding to 31.1% of shares and votes.

SHORT-TERM OUTLOOK

As a result of the global economic crisis, uncertainty related also to the stainless steel market has clearly increased and visibility is currently very short. Demand from consumer driven end-use segments, such as white goods and construction has weakened further. Demand from many investment-driven segments is currently healthy but there is more uncertainty about future demand as the financial turmoil has weakened the investment climate and the availability of project financing is uncertain.

The falling nickel price has resulted in distributors further postponing their purchases in expectation of lower transaction prices for stainless steel. In Europe, inventory levels for standard grades held by distributors continue to be at a normal level. Outokumpu is now selling standard grades for deliveries in November.

Stainless steel base prices seem to have stabilized and prices are roughly at the same level in Europe and Asia. Outokumpu does not currently expect further price erosion from current levels. CRU is forecasting the October base price for German 2mm cold rolled 304 stainless steel sheet at 1 080 EUR/t.

Delivery volumes for the fourth quarter are expected to be at about the same level or slightly above volumes in the third quarter.

Outokumpu’s underlying operational result in the fourth quarter of 2008 is expected to be slightly positive. At current nickel prices, further nickel-related inventory losses of some EUR 50-100 million including the impact of hedging are expected in the fourth quarter, which would turn Outokumpu’s operating profit negative. The low nickel price is, however, expected to release substantial amounts of working capital and result in continuing strong cash flow from operations in the fourth quarter.

In Espoo, October 23, 2008

Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Condensed income statement

EUR million	**Jan-Sept 2008**	Jan-Sept 2007	**July-Sept 2008**	July-Sept 2007	Jan-Dec 2007
Continuing operations:					
Sales	**4 508**	5 448	**1 270**	1 227	6 913
Other operating income	**20**	65	**25**	16	82
Costs and expenses	**-4 285**	-4 917	**-1 329**	-1 486	-6 364
Other operating expenses	**-35**	-22	**-31**	-14	-43
Operating profit	**208**	574	**-66**	-256	589
Share of results in associated companies	**-1**	5	**-2**	-2	4
Financial income and expenses					
Interest income	**15**	18	**5**	6	25
Interest expenses	**-53**	-63	**-20**	-20	-82
Market price gains and losses	**-1**	-2	**1**	-4	0
Other financial income	**11**	263	**0**	0	268
Other financial expenses	**-14**	-4	**0**	-1	-5
Profit before taxes	**165**	791	**-82**	-277	798
Income taxes	**-47**	-138	**9**	67	-138
Net profit for the period from continuing operations	**118**	653	**-73**	-210	660
Discontinued operations:					
Net profit for the period from discontinued operations	**-73**	5	**-1**	-4	-18
Net profit for the period	**45**	658	**-74**	-214	641
Attributable to:					
Equity holders of the Company	**45**	654	**-74**	-214	638
Minority interest	**-**	4	**-**	-0	4
Earnings per share for profit attributable to the equity holders of the Company:					
Earnings per share, EUR	**0.25**	3.61	**-0.41**	-1.19	3.52
Diluted earnings per share, EUR	**0.25**	3.59	**-0.41**	-1.19	3.50
Earnings per share from continuing operations attributable to the equity holders of the Company:					
Earnings per share, EUR	**0.65**	3.59	**-0.41**	-1.17	3.63
Earnings per share from discontinued operations attributable to the equity holders of the Company:					
Earnings per share, EUR	**-0.41**	0.03	**-0.01**	-0.02	-0.10

Condensed balance sheet

EUR million	**Sept 30 2008**	Sept 30 2007	Dec 31 2007
ASSETS			
Non-current assets			
Intangible assets	**567**	481	475
Property, plant and equipment	**2 023**	2 006	1 980
Non-current financial assets			
Interest-bearing	**427**	446	453
Non interest-bearing	**89**	79	77
	3 106	3 013	2 986
Current assets			
Inventories	**1 602**	1 925	1 630
Current financial assets			
Interest-bearing	**109**	67	50
Non interest-bearing	**1 037**	942	975
Cash and cash equivalents	**107**	69	86
	2 855	3 003	2 740
Assets held for sale	**27**	224	184
Total assets	**5 988**	6 240	5 910
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the Company	**3 132**	3 405	3 337
Minority interest	**-**	0	-
	3 132	3 405	3 337
Non-current liabilities			
Interest-bearing	**1 137**	1 140	1 046
Non interest-bearing	**348**	333	337
	1 484	1 472	1 382
Current liabilities			
Interest-bearing	**622**	617	464
Non interest-bearing	**742**	680	675
	1 364	1 297	1 139
Liabilities related to assets held for sale	**8**	65	52
Total equity and liabilities	**5 988**	6 240	5 910

Consolidated statement of changes in equity

EUR million	Attributable to the equity holders of the Company									
	Share capital	Unregistered Share capital	Share premium fund	Other reserves	Fair value reserves	Treasury shares	Cumulative translation differences	Retained earnings	Minority interest	Total equity
Equity on December 31, 2006	**308**	**0**	**701**	**11**	**144**	**-2**	**-35**	**1 927**	**17**	**3 071**
Cash flow hedges	-	-	-	-	2	-	-	-	-	2
Fair value changes on available-for-sale financial assets	-	-	-	-	9	-	-	-	-	9
Available-for-sale financial assets recognized through P&L	-	-	-	-	-99	-	-	-	-	-99
Net investment hedges	-	-	-	-	-	-	2	-	-	2
Change in translation differences	-	-	-	-	-	-	-20	-	0	-20
Items recognised directly in equity	-	-	-	-	-88	-	-18	-	0	-106
Net profit for the period	-	-	-	-	-	-	-	654	4	658
Total recognised income and expenses	-	-	-	-	-88	-	-18	654	4	552
Transfers within equity	0	-0	-	4	-	-	-	-4	-	-
Dividends	-	-	-	-	-	-	-	-199	-	-199
Share-based payments	-	-	-	-	-	-	-	2	-	2
Share options exercised	0	-	0	-	-	-	-	-	-	0
Acquisition of minority in OSTP	-	-	-	-	-	-	-	-	-21	-21
Equity on September 30, 2007	**308**	**-**	**701**	**15**	**56**	**-2**	**-53**	**2 380**	**0**	**3 405**
Equity on December 31, 2007	**308**	**-**	**701**	**16**	**57**	**-27**	**-82**	**2 364**	**-**	**3 337**
Cash flow hedges	-	-	-	-	-15	-	-	-	-	-15
Fair value changes on available-for-sale financial assets	-	-	-	-	-5	-	-	-	-	-5
Available-for-sale financial assets recognized through P&L	-	-	-	-	5	-	-	-	-	5
Net investment hedges	-	-	-	-	-	-	3	-	-	3
Change in translation differences	-	-	-	-	-2	-	-24	-	-	-26
Items recognised directly in equity	-	-	-	-	-17	-	-21	-	-	-38
Net profit for the period	-	-	-	-	-	-	-	45	-	45
Total recognised income and expenses	-	-	-	-	-17	-	-21	45	-	7
Dividends	-	-	-	-	-	-	-	-216	-	-216
Share-based payments	-	-	-	-	-	-	-	3	-	3
Share options exercised	0	-	0	-	-	-	-	-	-	0
Equity on September 30, 2008	**308**	**-**	**702**	**16**	**40**	**-27**	**-103**	**2 196**	**-**	**3 132**

Condensed statement of cash flows

EUR million	**Jan-Sept 2008**	Jan-Sept 2007	Jan-Dec 2007
Net profit for the period	**45**	658	641
Adjustments			
Depreciation and amortization	**152**	152	204
Impairments	**24**	3	1
Loss on the sale of copper tube business	**66**	-	-
Gain on the sale of Outotec shares	**-**	-142	-142
Gain on the Talvivaara transaction	**-**	-110	-110
Other adjustments	**154**	318	199
Change in working capital	**97**	-266	181
Dividends received	**12**	13	13
Interests received	**5**	7	10
Interests paid	**-53**	-67	-83
Income taxes paid	**-50**	-189	-239
Net cash from operating activities	**451**	377	676
Purchases of assets	**-200**	-106	-163
Purchase of SoGePar shares	**-193**	-	-
Purchases of other subsidiaries	**-4**	-	-
Purchase of Talvivaara shares	**-**	-32	-32
Acquisition of the minority in OSTP	**-**	-22	-22
Proceeds from the sale of copper tube business	**49**	-	-
Proceeds from the sale of subsidiaries	**-**	1	1
Proceeds from the sale of other assets	**9**	9	15
Net cash from other investing activities	**0**	3	4
Net cash from investing activities	**-340**	-146	-197
Cash flow before financing activities	**112**	231	479
Purchase of treasury shares	**-**	-	-25
Borrowings of long-term debt	**164**	151	151
Repayment of long-term debt	**-198**	-301	-388
Change in current debt	**162**	-54	-180
Dividends paid	**-216**	-199	-199
Proceeds from the sale of Outotec shares	**-**	158	158
Proceeds from the sale of other financial assets	**0**	-	6
Other financing cash flow	**-2**	-0	1
Net cash from financing activities	**-89**	-246	-477
Net change in cash and cash equivalents	**22**	-15	2
Cash and cash equivalents at the beginning of the period	**86**	85	85
Foreign exchange rate effect	**-1**	-1	-1
Net change in cash and cash equivalents	**22**	-15	2
Cash and cash equivalents at the end of the period	**107**	69	86

Key figures

EUR million	**Jan-Sept 2008**	Jan-Sept 2007	Jan-Dec 2007
Operating profit margin, %	**4.6**	10.5	8.5
Return on capital employed, %	**6.6**	17.4	13.9
Return on equity, %	**1.8**	27.1	20.0
Return on equity from continuing operations, %	**4.9**	26.9	20.6
Capital employed at end of period	**4 228**	4 421	4 125
Net interest-bearing debt at end of period	**1 096**	1 016	788
Equity-to-assets ratio at end of period, %	**52.3**	54.6	56.5
Debt-to-equity ratio at end of period, %	**35.0**	29.8	23.6
Earnings per share, EUR	**0.25**	3.61	3.52
Earnings per share from continuing operations, EUR	**0.65**	3.59	3.63
Earnings per share from discontinued operations, EUR	**-0.41**	0.03	-0.10
Average number of shares outstanding, in thousands [1)]	**180 169**	181 078	180 922
Fully diluted earnings per share, EUR	**0.25**	3.59	3.50
Fully diluted average number of shares, in thousands [1)]	**181 109**	182 100	181 920
Equity per share at end of period, EUR	**17.38**	18.81	18.53
Number of shares outstanding at end of period, in thousands [1)]	**180 228**	181 084	180 103
Capital expenditure, continuing operations	**415**	147	190
Depreciation, continuing operations	**152**	152	204
Average personnel for the period, continuing operations	**8 529**	8 310	8 270

[1)] The number of own shares repurchased is excluded.

NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

This interim financial report is prepared in accordance with IAS 34 (Interim Financial Reporting). Mainly the same accounting policies and methods of computation have been followed in the interim financial statements as in the annual financial statements for 2007.

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

Use of estimates

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

Shares and share capital

The total number of Outokumpu Oyj shares was 181 446 883 and the share capital amounted to EUR 308.5 million on September 30, 2008. Outokumpu Oyj held 1 218 603 treasury shares on September 30, 2008. This corresponded to 0.7% of the share capital and the total voting rights of the Company on September 30, 2008.

Outokumpu has a stock option program for management (2003 option program). The stock options have been allocated as part of the Group's incentive programs to key personnel of Outokumpu. The option program has three parts 2003A, 2003B and 2003C. On September 30, 2008 a total of 108 498 Outokumpu Oyj shares had been subscribed for on the basis of 2003A stock option program and a total of 82 830 Outokumpu Oyj shares had been subscribed for on the basis of 2003B stock option program. An aggregate maximum of 550 804 Outokumpu Oyj shares can be subscribed for with the remaining 2003A stock options and 945 990 with the remaining 2003B stock options. In accordance with the terms and conditions of the option program, the dividend adjusted share price for a stock option 2003A was EUR 7.25 and for stock option 2003B EUR 10.31 on September 30, 2008. Trading with Outokumpu Oyj's stock options 2003C commenced on the Main List of the Nasdaq OMX Helsinki as of September 1, 2008. On September 30, 2008 a total of 5 000 Outokumpu Oyj shares had been subscribed for on the basis of 2003C stock option program. An aggregate maximum of 95 500 Outokumpu Oyj shares can be subscribed for with the remaining 2003C stock options. In accordance with the terms and conditions of the option program, the dividend adjusted share price for a stock option was EUR 10.94 on September 30, 2008. The share subscription period for the 2003C stock options is September 1, 2008 to March 1, 2011. As a result of the share subscriptions with the 2003 stock options, Outokumpu Oyj's share capital may be increased by a maximum of EUR 2 706 900 and the number of shares by a maximum of 1 592 294 shares. This corresponds to 0.9% of the Company's shares and voting rights.

Outokumpu has also a share-based incentive program for years 2006-2010 as part of the key employee incentive and commitment system of the Company. If persons covered by the program were to receive the number of shares in accordance with the maximum reward, currently a total of 857 960 shares, their shareholding obtained via the program would amount to 0.5% of the Company's shares and voting rights.

The detailed information of the 2003 option program and of the share-based incentive program for 2006-2010 can be found in the annual report 2007.

Acquisitions

SoGePar

In July, Outokumpu acquired all the shares in SoGePar Group for a preliminary purchase price of EUR 217 million in cash. The final purchase price of EUR 224 million was approved on October 22, 2008. The adjustment of EUR 7 million to the purchase price, as a result of changes in working capital and net debt, has not yet been booked in Outokumpu's third quarter figures. Outokumpu also took on debt in the company during the third quarter with a preliminary amount of EUR 87 million. With these preliminary figures, SoGePar has been consolidated into Outokumpu's accounts with effect from August 1, 2008.

SoGePar is an Italian distributor of stainless steel. It operates stainless steel service centers in Castelleone in Italy and in Rotherham in the UK. SoGePar also has stock operations in Italy, the UK, Belgium, Finland, France and Ireland, as well as a commercial office in Germany and a representative office in Turkey.

The purchase price allocation is provisional and is subject to the finalization of the fair valuation of the acquired assets. The purchase price has been allocated to the assets, liabilities and contingent liabilities at their fair value. The purchase price has been allocated to customer relationships, which are amortized during their estimated lifetime of four years. The goodwill recognised on the acquisition is attributable mainly to the skills and market knowledge of the acquired business's work force and the synergies are expected to be achieved from integrating the company into the Group's existing sales and marketing organisation. Also synergy benefits are expected when utilising Outokumpu's own production facilities to supply material to the acquired units.

Between August 1 and September 30, 2008, SoGePar sales was EUR 55 million and result for the period was EUR 7 million negative.

Preliminary purchase price allocation [1)]

EUR million	
Purchase price	217
Acquisition related costs	3
Fair value of acquired assets and liabilities	-160
Goodwill	60
Acquired cash and cash equivalents	-27
Cash impact of the acquisition	193

Acquired assets, liabilities and contingent liabilities

EUR million	Sellers book values	Fair values
Non-current assets		
Intangible assets	0	47
Property, plant and equipment	40	40
Non-current financial assets	0	0
Current assets		
Inventories	168	168
Current financial assets		
Interest-bearing	6	6
Non interest-bearing	156	156
Cash and cash equivalents	27	27
Non-current liabilities		
Interest-bearing	-24	-24
Non interest-bearing	-4	-18
Current liabilities		
Interest-bearing	-96	-96
Non interest-bearing	-147	-147
Total	128	160

[1)] The final purchase price of EUR 224 million was agreed on October 22, 2008. The goodwill on acquisition is expected to increase to some EUR 67 million.

Avesta Klippcenter

In July, Outokumpu acquired the operations of Avesta Klippcenter AB in Avesta, Sweden. Avesta Klippcenter's main business is to process stainless steel material from Outokumpu's mills in Sweden for remelting in Avesta's melt shop. Through the acquisition Outokumpu's raw material handling capacity will increase, and it will secure competitive supply for the Avesta stainless steel melt shop. The total consideration is some EUR 8 million. The purchase price allocation is preliminary and is subject to finalization of the fair valuation of the acquired assets. The preliminary assumption is that the excess value will be allocated partly to intangible assets and partly to property, plant and equipment. The company has been consolidated into Outokumpu’s accounts with effect from July 1, 2008.

Between July 1 and September 30, 2008, Avesta Klippcenter sales was EUR 1 million and result for the period was EUR 0.3 million.

If both the above mentioned acquisitions had occurred on January 1, 2008, management estimates that Outokumpu Group consolidated sales for the period would have been EUR 4 745 million and consolidated profit EUR 52 million. This estimate is based on the actual transactions of the acquired companies with Outokumpu and third parties.

Non-current assets held for sale and discontinued operations

In April, Outokumpu signed a sale and purchase agreement with Cupori Group whereby Outokumpu sold its remaining copper tube assets to Cupori. The transaction was closed on June 3, 2008. Outokumpu received EUR 56 million as consideration of the sale. A capital loss of EUR 66 million was booked on the transaction in the second quarter. Both of these figures are subject to final review when the closing balance sheet has been approved, which is expected to take place by the end of the fourth quarter 2008.

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

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

Disputes and litigations

In April 2007, Outokumpu was served a Statement of Objection in which it was alleged that former Outokumpu subsidiary has been participating in cartel activities at the turn of the century. The investigations have been concluded and Outokumpu was fully released from all allegations with respect to this case.

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

Income statement

EUR million	**Jan-Sept 2008**	Jan-Sept 2007	Jan-Dec 2007
Sales	**254**	461	599
Expenses	**-252**	-449	-607
Operating profit	**1**	13	-8
Net financial items	**-3**	-5	-6
Profit before taxes	**-1**	7	-15
Taxes	**-1**	-1	-1
Profit after taxes	**-2**	6	-15
Impairment loss recognized on the fair valuation of the Outokumpu Copper Tube and Brass division's assets and liabilities	**-6**	-1	-3
Loss on the sale of copper tube business	**-66**	-	-
Taxes	**-**	-	-
After-tax result from the disposal and impairment loss	**-73**	5	-18
Minority interest	**-**	-	-
Net profit for the period from discontinued operations	**-73**	5	-18

Balance sheet

EUR million	**Sept 30 2008**	Sept 30 2007	Dec 31 2007
Assets			
Intangible and tangible assets	**2**	6	6
Other non-current assets	**3**	3	4
Inventories	**13**	112	91
Other current non interest-bearing assets	**9**	103	83
	27	224	184
Liabilities			
Provisions	**1**	2	4
Other non-current non interest-bearing liabilities	**1**	4	5
Trade payables	**5**	44	32
Other current non interest-bearing liabilities	**0**	15	11
	8	65	52

Cash flows

EUR million	**Jan-Sept 2008**	Jan-Sept 2007	Jan-Dec 2007
Operating cash flows	**8**	10	18
Investing cash flows	**-14**	-2	-3
Financing cash flows	**17**	-6	-19
Total cash flows	**-5**	2	-4

Major non-recurring items in operating profit

EUR million	**Jan-Sept 2008**	Jan-Sept 2007	Jan-Dec 2007
Thin Strip restructuring in Britain	**-66**	-11	-11
Gain on the sale of Hitura mine in Finland	**-**	25	25
	-66	14	14

Major non-recurring items in financial income and expenses

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

Income taxes

EUR million	**Jan-Sept 2008**	Jan-Sept 2007	Jan-Dec 2007
Current taxes	**-42**	-124	-107
Deferred taxes	**-4**	-14	-31
	-47	-138	-138

Property, plant and equipment

EUR million	**Jan 1, 2008 - Sept 30, 2008**	Jan 1, 2007 - Sept 30, 2007	Jan 1, 2007 - Dec 31, 2007
Historical cost at the beginning of the period	**3 984**	4 009	4 009
Translation differences	**-53**	-35	-76
Additions	**189**	93	137
Acquisition of subsidiaries	**44**	-	-
Disposal of subsidiaries	**-**	-20	-20
Disposals	**-92**	-3	-67
Reclassifications	**-2**	0	0
Historical cost at the end of the period	**4 070**	4 044	3 984
Accumulated depreciation at the beginning of the period	**-2 004**	-1 939	-1 939
Translation differences	**32**	21	47
Disposal of subsidiaries	**-**	19	19
Disposals	**65**	3	56
Reclassifications	**0**	0	-0
Depreciation	**-141**	-141	-190
Impairments	**-**	-	3
Accumulated depreciation at the end of the period	**-2 047**	-2 037	-2 004
Carrying value at the end of the period	**2 023**	2 006	1 980
Carrying value at the beginning of the period	1 980	2 069	2 069

Commitments

EUR million	**Sept 30 2008**	Sept 30 2007	Dec 31 2007
Mortgages and pledges			
Mortgages on land	**121**	132	122
Other pledges	**0**	0	0
Guarantees			
On behalf of subsidiaries for commercial commitments	**52**	84	41
On behalf of associated companies for financing	**5**	5	5
Other commitments	**59**	55	64
Minimum future lease payments on operating leases	**57**	59	56

Group's major off-balance sheet investment commitments totaled EUR 228 million on Sept 30, 2008 (Dec 31, 2007: EUR 37 million). In July 3, 2008 Outokumpu signed a deal with Vattenfall on electricity deliveries amounting to around fifteen terawatt hours (TWh) during a ten-year period in Finland and Sweden.

Related party transactions

Transactions and balances with associated companies

EUR million	**Sept 30 2008**	Sept 30 2007	Dec 31 2007
Sales	**0**	0	0
Purchases	**-8**	-8	-9
Financial income and expenses	**2**	2	2
Loans and other receivables	**9**	9	9
Trade and other payables	**0**	0	0

Fair values and nominal amounts of derivative instruments

EUR million	Sept 30 2008 Positive fair value	Sept 30 2008 Negative fair value	Sept 30 2008 Net fair value	Dec 31 2007 Net fair value	Sept 30 2008 Nominal amounts	Dec 31 2007 Nominal amounts
Currency and interest rate derivatives						
Currency forwards	**39**	**32**	**7**	8	**2 481**	1 992
Interest rate swaps	**7**	**-**	**7**	10	**281**	282
Currency swaps	**2**	**-**	**2**	-	**49**	-
					Number of shares, million	Number of shares, million
Stock options						
Belvedere Resources Ltd.	**1**	**-**	**1**	3	**3.7**	3.7
					Tons	Tons
Metal derivatives						
Forward and futures copper contracts	**1**	**1**	**0**	-2	**5 800**	11 775
Forward and futures nickel contracts	**6**	**7**	**-1**	0	**5 144**	3 114
Forward and futures zinc contracts	**0**	**0**	**-0**	-0	**1 225**	1 100
Forward molybdenum contracts	**-**	**-**	**-**	-0	**-**	5
Nickel options, bought	**27**	**-**	**27**	0	**12 096**	24
Nickel options, sold	**-**	**0**	**-0**	-	**7 116**	-
Emission allowance derivatives	**1**	**-**	**1**	0	**180 000**	80 000
					TWh	TWh
Electricity derivatives	**20**	**12**	**8**	16	**1.6**	2.3
	104	**53**	**51**	35		

Segment information

General Stainless

EUR million	I/07	II/07	III/07	IV/07	2007	I/08	II/08	**III/08**
Sales	1 700	1 670	879	1 073	5 321	1 304	1 222	**933**
of which Tornio Works	1 206	1 038	516	708	3 468	905	833	**567**
Operating profit	245	188	-224	11	220	81	125	**-35**
of which Tornio Works	227	143	-195	3	178	67	114	**-22**
Operating capital at the end of period	3 047	3 007	2 789	2 607	2 607	2 722	2 671	**2 820**
Average personnel for the period	3 506	3 794	3 807	3 549	3 682	3 578	4 000	**4 163**
Deliveries of main products (1 000 tons)								
Cold rolled	187	151	94	155	587	196	162	**151**
White hot strip	81	82	41	66	270	102	85	**58**
Semi-finished products	117	118	64	85	383	100	113	**76**
Total deliveries of the division	386	350	198	305	1 240	398	359	**285**

Specialty Stainless

EUR million	I/07	II/07	III/07	IV/07	2007	I/08	II/08	**III/08**
Sales	1 003	1 028	687	738	3 456	786	778	**630**
Operating profit	182	196	-51	9	337	42	44	**-63**
Operating capital at the end of period	1 668	1 871	1 657	1 513	1 513	1 430	1 449	**1 378**
Average personnel for the period	4 146	4 188	4 185	4 107	4 135	4 115	4 096	**4 192**
Deliveries of main products (1 000 tons)								
Cold rolled	51	52	33	38	174	46	44	**35**
White hot strip	43	38	23	31	135	45	40	**31**
Quarto plate	41	43	30	38	151	35	37	**28**
Tubular products	20	17	12	15	63	19	18	**14**
Long products	16	15	11	11	52	14	14	**14**
Total deliveries of the division	170	164	109	133	574	161	153	**121**

Other operations

EUR million	I/07	II/07	III/07	IV/07	2007	I/08	II/08	**III/08**
Sales	64	63	53	57	237	64	63	**69**
Operating profit	1	19	8	-6	21	-20	4	**29**
Operating capital at the end of period	-125	101	184	236	236	-20	283	**266**
Average personnel for the period	477	459	424	431	453	447	487	**507**

Income statement by quarter

EUR million	I/07	II/07	III/07	IV/07	2007	I/08	II/08	**III/08**
Continuing operations:								
Sales								
General Stainless	1 700	1 670	879	1 073	5 321	1 304	1 222	**933**
of which intersegment sales	421	430	230	234	1 315	284	337	**216**
Specialty Stainless	1 003	1 028	687	738	3 456	786	778	**630**
of which intersegment sales	169	193	119	124	605	124	120	**85**
Other operations	64	63	53	57	237	64	63	**69**
of which intersegment sales	48	45	43	45	181	57	57	**61**
Intra-group sales	-638	-669	-391	-403	-2 101	-465	-514	**-362**
Total sales	2 129	2 092	1 227	1 465	6 913	1 689	1 549	**1 270**
Operating profit								
General Stainless	245	188	-224	11	220	81	125	**-35**
Specialty Stainless	182	196	-51	9	337	42	44	**-63**
Other operations	1	19	8	-6	21	-20	4	**29**
Intra-group items	-4	2	11	2	11	-3	1	**3**
Total operating profit	424	406	-256	15	589	100	174	**-66**
Share of results in associated companies	2	4	-2	-1	4	0	1	**-2**
Financial income and expenses	-10	242	-19	-7	206	-20	-8	**-14**
Profit before taxes	416	652	-277	7	798	80	166	**-82**
Income taxes	-105	-100	67	-0	-138	-19	-36	**9**
Net profit for the period from continuing operations	311	553	-210	7	660	61	130	**-73**
Net profit for the period from discontinued operations	-4	12	-4	-23	-18	2	-74	**-1**
Net profit for the period	307	565	-214	-16	641	63	56	**-74**
Attributable to:								
Equity holders of the Company	305	563	-214	-16	638	63	56	**-74**
Minority interest	2	2	-0	-0	4	-	-	**-**

Major non-recurring items in operating profit

EUR million	I/07	II/07	III/07	IV/07	2007	I/08	II/08	**III/08**
Specialty Stainless								
Thin Strip restructuring in Britain	-	-	-11	-	-11	-	-	**-66**
Other operations								
Gain on sale of Hitura mine in Finland	-	25	-	-	25	-	-	**-**
	-	25	-11	-	14	-	-	**-66**

Major non-recurring items in financial income and expenses

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

Key figures by quarter

EUR million	I/07	II/07	III/07	IV/07	I/08	II/08	**III/08**
Operating profit margin, %	19.9	19.4	-20.9	1.0	5.9	11.2	**-5.2**
Return on capital employed, %	38.8	35.5	-22.3	1.4	10.0	17.2	**-6.3**
Return on equity, %	39.3	66.2	-24.3	-2.0	7.7	7.0	**-9.3**
Return on equity, continuing operations, %	39.8	64.8	-23.9	0.8	7.5	16.3	**-9.2**
Capital employed at end of period	4 377	4 753	4 421	4 125	3 899	4 166	**4 228**
Net interest-bearing debt at end of period	1 189	1 119	1 016	788	737	939	**1 096**
Equity-to-assets ratio at end of period, %	47.2	50.9	54.6	56.5	53.2	54.8	**52.3**
Debt-to-equity ratio at end of period, %	37.3	30.8	29.8	23.6	23.3	29.1	**35.0**
Earnings per share, EUR	1.69	3.11	-1.19	-0.09	0.35	0.31	**-0.41**
Earnings per share from continuing operations, EUR	1.71	3.04	-1.17	0.04	0.34	0.72	**-0.41**
Earnings per share from discontinued operations, EUR	-0.02	0.07	-0.02	-0.13	0.01	-0.41	**-0.01**
Average number of shares outstanding, in thousands [1)]	181 067	181 082	181 084	180 680	180 112	180 172	**180 223**
Equity per share at end of period, EUR	17.51	20.07	18.81	18.53	17.56	17.91	**17.38**
Number of shares outstanding at end of period, in thousands [1)]	181 082	181 082	181 084	180 103	180 127	180 222	**180 228**
Capital expenditure, continuing operations	25	75	47	43	41	56	**317**
Depreciation, continuing operations	51	50	51	52	50	50	**52**
Average personnel for the period, continuing operations	8 129	8 441	8 416	8 086	8 140	8 583	**8 862**

1) The number of own shares repurchased is excluded.

Definitions of key financial figures

Capital employed = Total equity + net interest-bearing debt

Operating capital = Capital employed + net tax liability

Return on equity = $\frac{\text{Net profit for the financial year}}{\text{Total equity (average for the period)}} \times 100$

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

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

Equity-to-assets ratio = $\frac{\text{Total equity}}{\text{Total assets – advances received}} \times 100$

Debt-to-equity ratio = $\frac{\text{Net interest-bearing debt x 100}}{\text{Total equity}}$

Earnings per share = $\frac{\text{Net profit for the financial year attributable to the equity holders}}{\text{Adjusted average number of shares during the period}}$

Equity per share = $\frac{\text{Equity attributable to the equity holders}}{\text{Adjusted number of shares at the end of the period}}$