OUTOKUMPU OYJ – HEAVY RESTRUCTURING ACTIONS TAKEN, STAINLESS MARKET WEAKER

Second-quarter 2011 highlights

- Underlying operational result some EUR -5 million (I/2011: EUR -12 million).
- Raw material-related inventory losses of some EUR 26 million (I/2011: gains of some EUR 45 million) and non-recurring items of EUR -138 million (I/2011: none).
- Operating loss EUR -169 million (I/2011: profit of EUR 33 million)
- Capital gains of EUR 242 million reported under net financial items, a positive impact of EUR 162 million on cash flow.
- Net profit positive at EUR 50 million (I/2011: EUR 16 million)
- Operational cash flow EUR -66 million (I/2011: EUR -10 million).
- Customers destocking due to declining nickel price, deliveries at 348 000 tonnes (I/2011: 380 000 tonnes).
- Implementation of the short-term agenda initiated.

Group key figures

		II/11	I/11	II/10	2010
Sales	EUR million	**1 281**	1 371	1 125	4 229
Operating profit	EUR million	**-169**	33	72	-83
EBITDA	EUR million	**-4**	93	129	172
Non-recurring items in operating profit	EUR million	**-138**	-	-	-17
Profit before taxes	EUR million	**21**	17	64	-143
Non-recurring items in financial income and expenses	EUR million	**229**	-	-	9
Net profit for the period	EUR million	**50**	16	44	-124
Earnings per share	EUR	**0.28**	0.09	0.24	-0.68
Return on capital employed	%	**-16.1**	3.1	7.3	-2.1
Net cash generated from operating activities	EUR million	**-66**	-10	-317	-497
Capital expenditure	EUR million	**50**	42	45	161
Net interest-bearing debt at end of period	EUR million	**1 885**	1 873	1 696	1 837
Debt-to-equity ratio at end of period	%	**82.0**	80.4	68.1	77.3
Stainless steel deliveries	1 000 tonnes	**348**	380	339	1 315
Stainless steel base price [1)]	EUR/tonne	**1 223**	1 215	1 317	1 252
Personnel at the end of period [2)]		**9 474**	8 452	9 082	8 431

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

[2)] Personnel reported as head count. Up to 31 December 2010 reported as full-time equivalent, comparative figures restated.

Outokumpu Oyj
Corporate Management

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SHORT-TERM OUTLOOK

Demand for standard grades of stainless steel slowed in Europe as summer approached and the nickel price began to decline. This led to destocking among customers. While normal seasonality resulting from the holiday season in Europe has affected the distributors' buying behaviour underlying demand continues to be relatively stable globally. Lead times for standard grades continue to be normal at 6–8 weeks.

As a result of the slowdown in demand during the European holiday season and annual maintenance breaks at Group mills, Outokumpu expects that its stainless steel delivery volumes in the third quarter will be slightly lower than in the second quarter. Outokumpu's average base prices for stainless steel in the third quarter are expected to be somewhat lower than average prices in the second quarter.

Lower delivery volumes and lower average base prices are expected to lead to negative underlying operational result in the third quarter. Additionally, declined metal prices are expected to result in raw material-related inventory losses (at current metal prices). Outokumpu therefore estimates the Group's third-quarter operating profit to be clearly negative.

CEO Mika Seitovirta:

"During my first months much of our attention has been on the Group's short-term agenda, and this has provided us with quick sources of cash and helped attack the most critical factors burdening Outokumpu's profitability. In the stainless business, improving sales, generating cash and reducing costs are part of a never-ending race. Current market circumstances mean that the pressure to move even faster with this work and related actions is higher."

The attachments present the Management analysis for the second quarter operating result and the Interim review by the Board of Directors for January–June 2011, the accounts and notes to the interim accounts. This report is unaudited.

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News conference and live webcast today at 1.00 pm

A combined news conference, conference call and live webcast concerning the second-quarter 2011 financial results will be held on 20 July 2011 at 1.00 pm EET (6.00 am US EST, 11.00 am UK time, 12.00 pm CET) at Hotel Kämp, conference room Akseli Gallen-Kallela (2nd floor), Kluuvikatu 2, 00100 Helsinki.

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

UK	+44 203 043 2436
US & Canada	+1 866 458 4087
Sweden	+46 8 505 598 53
Password	Outokumpu

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

An on-demand webcast of the news conference will be available as of 20 July 2011 at around 3.00 pm EET at www.outokumpu.com/Investors/Webcasts. Link to the webcast

MANAGEMENT ANALYSIS – SECOND QUARTER OPERATING RESULT

Group key figures

EUR million	I/10	II/10	I-II/10	III/10	IV/10	2010	I/11	**II/11**	**I-II/11**
Sales									
General Stainless *)	771	983	1 754	878	951	3 582	1 172	**1 072**	**2 244**
of which Tornio Works	481	653	1 133	565	635	2 334	766	**643**	**1 409**
Specialty Stainless *)	362	456	818	394	468	1 679	558	**564**	**1 122**
Other operations	102	100	202	99	99	401	105	**110**	**215**
Intra-group sales *)	-306	-415	-721	-357	-355	-1 433	-463	**-465**	**-927**
The Group	929	1 125	2 053	1 014	1 162	4 229	1 371	**1 281**	**2 653**
Operating profit									
General Stainless *)	-5	74	69	-56	-11	1	38	**-82**	**-44**
of which Tornio Works	-7	63	57	-36	8	29	40	**-14**	**26**
Specialty Stainless *)	-18	23	4	-11	-57	-63	-2	**-71**	**-74**
Other operations	2	-14	-12	10	-13	-15	-2	**-20**	**-21**
Intra-group items *)	0	-10	-11	8	-4	-7	-1	**4**	**3**
The Group	-21	72	51	-49	-85	-83	33	**-169**	**-136**

*) Kloster operations, in 2010 under Specialty Stainless, are now reported under General Stainless. Comparative figures restated.

Stainless steel deliveries

1 000 tonnes	I/10	II/10	I-II/10	III/10	IV/10	2010	I/11	**II/11**	**I-II/11**
Cold rolled	171	182	353	167	178	698	201	**179**	**380**
White hot strip	82	75	157	69	86	312	85	**76**	**161**
Quarto plate	21	21	42	20	21	83	28	**29**	**57**
Tubular products	13	14	27	12	12	51	13	**13**	**26**
Long products	13	15	28	15	14	58	18	**14**	**33**
Semi-finished products	33	32	66	24	24	114	34	**37**	**71**
Total deliveries	333	339	672	307	336	1 315	380	**348**	**728**

Market prices and exchange rates

		I/10	II/10	III/10	IV/10	2010	I/11	**II/11**
Market prices *)								
Stainless steel								
Base price	EUR/t	1 235	1 317	1 245	1 213	1 252	1 215	**1 223**
Alloy surcharge	EUR/t	1 094	1 701	1 621	1 696	1 528	1 900	**1 839**
Transaction price	EUR/t	2 329	3 018	2 866	2 909	2 780	3 115	**3 063**
Nickel	USD/t	19 959	22 476	21 191	23 609	21 809	26 903	**24 298**
	EUR/t	14 433	17 686	16 415	17 382	16 451	19 666	**16 884**
Ferrochrome (Cr-content)	USD/lb	1.01	1.36	1.30	1.30	1.24	1.25	**1.35**
	EUR/kg	1.61	2.36	2.22	2.11	2.07	2.01	**2.07**
Molybdenum	USD/lb	16.19	16.45	15.15	15.86	15.91	17.43	**16.70**
	EUR/kg	25.81	28.53	25.86	25.74	26.46	28.08	**25.58**
Recycled steel	USD/t	323	346	346	375	348	447	**432**
	EUR/t	234	272	268	276	262	327	**300**
Exchange rates								
EUR/USD		1.383	1.271	1.291	1.358	1.326	1.368	**1.439**
EUR/SEK		9.946	9.631	9.380	9.214	9.537	8.864	**9.015**
EUR/GBP		0.888	0.852	0.833	0.859	0.858	0.854	**0.883**

*) 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; during the period; Nickel: London Metal Exchange (LME) cash quotation; Ferrochrome: Metal Bulletin - Quarterly contract price, Ferrochrome lumpy chrome charge, basis 52% chrome; Molybdenum: Metal Bulletin - Molybdenum oxide - Europe; Recycled steel: Metal Bulletin - Steel scrap HMS 1&2 fob Rotterdam

Slowdown in stainless demand driven by declined nickel price and seasonality

Markets for stainless steel began to soften in early May as the nickel price began to decline and this resulted in some destocking among distributors in Europe. This trend was strengthened by normal seasonality as the holiday season approached. Compared to the first quarter, apparent consumption of flat products in the second quarter is estimated to have decreased by 2% globally and by 3% in Europe. In China, apparent consumption was down by 6%. Compared to the first quarter, second-quarter production of stainless steel is estimated to have been down by 2% globally, 4% lower in Europe and flat in China.

According to CRU, the average base price for 2mm cold rolled 304 stainless steel sheet in Germany increased only marginally to 1 223 EUR/tonne in the second quarter (I/2011: 1 215 EUR/tonne). Primarily as a result of the decline in the nickel price and depreciation of the US dollar against the euro, the alloy surcharge decreased to 1 839 EUR/tonne (I/2011: 1 900 EUR/tonne) in the review period. The average transaction price during the second quarter was 3 063 EUR/tonne (I/2011: 3 115 EUR/tonne). Compared to the first quarter, the difference between Chinese and European transaction prices diminished somewhat. (CRU)

The nickel price was volatile and fluctuated in the range 21 000–28 000 USD/tonne in the second quarter. The average nickel price in the second quarter was 24 298 USD/tonne (I/2011: 26 903 USD/tonne), down by 10% compared to the first quarter. The nickel price declined from the peak levels seen in April and was at 23 000 USD/tonne at the end of June. The price then increased somewhat and stood at approximately 24 000 USD/tonne in mid-July.

The ferrochrome market was somewhat oversupplied in the second quarter and consumption decreased by 3% due to softening demand for stainless steel. The quarterly contract price for ferrochrome in the second quarter was 1.35 USD/lb (I/2011: 1.25 USD/lb) and has preliminarily been settled at 1.20 USD/lb for the third quarter. The price of molybdenum was down by 4% compared to the first quarter of 2011 and averaged 16.70 USD/lb in the second quarter (I/2011: 17.43 USD/lb). The price of recycled steel was 3% lower than in the preceding quarter and averaged 432 USD/tonne (I/2011: 447 USD/tonne) in the second quarter.

Underlying operational result close to breakeven, heavy restructuring actions taken

Group sales in the second quarter were down by 7% and totalled EUR 1 281 million (I/2011: EUR 1 371 million). Deliveries of stainless steel decreased by 8% to 348 000 tonnes (I/2011: 380 000 tonnes) as demand from distributors softened towards the summer. Capacity utilisation in Group operations was slightly below 80% during the second quarter.

The underlying operational result in the second quarter improved marginally to EUR -5 million (I/2011: EUR -12 million). Operating loss in the second quarter was EUR -169 million (I/2011: profit of EUR 33 million). This figure includes some EUR 26 million of raw material-related inventory losses (I/2011: gains of EUR 45 million) and some EUR -138 million of non-recurring items (I/2011: none). The non-recurring items are impairments of EUR 65 million related to OSTP, Outokumpu's tubular business, EUR 60 million connected with the Kloster thin strip unit in Sweden and provisions of EUR 13 million relating from the functional efficiency improvement. Outokumpu's average base prices for all flat products realised in the second quarter improved somewhat from the previous quarter, by 50 EUR/tonne, but were below the base prices reported by CRU for German 304 sheet.

In the main, raw material-related inventory losses comprised write-downs of inventories, with only a marginal effect from timing differences between the alloy surcharge and raw material purchase prices. If material tied up in inventories is expected to be sold at a lower price than its value on the balance sheet, a write-down to net realisable value is made at the end of the period, to the extent to which the estimated selling prices of such deliveries are not expected to cover total inventory value.

Net financial income and expenses totalled EUR 191 million (I/2011: EUR -14 million) including financial income of EUR 242 million as capital gains from the divestment and fair valuation of financial assets, shareholding in Tibnor AB and Talvivaara. Expenses include impairment totalling EUR 13 million on the loan receivable from Luvata.

As a result of the significant capital gains, the net profit was positive at EUR 50 million (I/2011: EUR 16 million) and earnings per share totalled EUR 0.28 (I/2011: EUR 0.09). Return on capital employed in the second quarter was -16.1% (I/2011: 3.1%).

Net cash from operating activities in the second quarter totalled EUR -66 million (I/2011: EUR -10 million). EUR 89 million of cash was tied up in working capital (I/2011: EUR 93 million) mainly as a result of lower accounts payables. The divestment of financial assets, Tibnor and Talvivaara shares, had a positive impact of EUR 162 million on cash flow from financing activities.

Outokumpu’s gearing at the end of the second quarter increased to 82.0% (31 March 2011: 80.4%), remaining above the Group’s target maximum of 75%. While the divestment of Talvivaara shares had a positive effect on Group gearing, adverse impacts resulted from impairments connected with OSTP and the Kloster thin strip unit and the impairment from the Luvata loan receivable. Raw material-related inventory losses and increased working capital also had a negative impact on gearing. Dividends totalling EUR 45 million for 2010 were paid in the second quarter. Net interest-bearing debt increased to EUR 1 885 million (31 March 2011: EUR 1 873 million).

Capital expenditure in the second quarter totalled EUR 50 million (I/2011: EUR 42 million) with majority of the cash outflow connected with the Group’s ferrochrome expansion project at Tornio Works.

Sales by General Stainless in the second quarter totalled EUR 1 072 million (I/2011: EUR 1 172 million), and deliveries decreased to 328 000 tonnes (I/2011: 354 000 tonnes). Operating loss totalled EUR -82 million (I/2011: profit of EUR 38 million) and included main part of the Group’s net realisable value-related inventory write-downs, an impairment of EUR 60 million in the Kloster thin strip unit in Sweden, EUR 8 million of the provisions from functional efficiency improvements and some positive impact from internal metal hedging activity. The operating loss posted by Tornio Works in the second quarter totalled EUR -14 million (I/2011: profit of EUR 40 million) and the operating loss posted by Kloster thin strip unit totalled EUR -67 million (I/2011: EUR -5 million).

Sales by Specialty Stainless in the second quarter totalled EUR 564 million (I/2011: EUR 558 million) and deliveries totalled 129 000 tonnes (I/2011: 133 000 tonnes). Operating loss totalled EUR -71 million (I/2011: EUR -2 million) and comprised impairments of EUR 65 million from the OSTP tubular business and EUR 1 million provisions from functional efficiency improvements. The operating loss posted by OSTP in the second quarter totalled EUR -68 million (I/2011: EUR -7 million).

Other operations posted an operating loss of EUR -20 million (I/2011: EUR -2 million) in the second quarter primarily because of negative internal metal hedging result. A provision of EUR 3 million from the functional efficiency improvements was made in the second quarter.

Implementation of Outokumpu’s short-term agenda started

In April, Outokumpu launched a short-term agenda focusing on improving the Group’s cash flow, improving balance sheet flexibility and addressing the most critical factors burdening profitability.

Functional efficiency improvement

In April, Outokumpu initiated statutory negotiations to improve profitability, gain more efficiency as well as remove overlapping activities in the Group's sales, supply chain and supporting functions in Europe. As a result, a total of 350 jobs will be reduced in sales, supply chain and supporting functions in Europe by the end of 2011. Job reduction in Finland and in Sweden will total some 170, the remainder will be in other countries in Europe. Annual cost-savings are expected to total EUR 27 million from 2012. Related non-recurring provisions of EUR 13 million, slightly lower than earlier estimates, were booked in the second quarter.

Disposal of financial assets

In May, Outokumpu sold its 15% holding in Tibnor AB, a leading Nordic distributor of steel and metals, to SSAB. The total consideration for the sale amounted to EUR 44 million in cash and Outokumpu booked a tax-free capital gain of some EUR 36 million as financial income in the second quarter.

In June, Outokumpu sold all of its shares, representing 4.3% of total shares, in Talvivaara Mining Company Plc, a public listed company, to Solidium Oy. The total consideration for this transaction was EUR 60 million in cash and a capital gain of EUR 28 million was recorded by Outokumpu as financial income in the second quarter. In addition, Outokumpu sold one fifth of its 20 % holding in the unlisted Talvivaara Sotkamo Ltd to Talvivaara Mining Company Plc for a total consideration of EUR 60 million. Outokumpu also granted an option to Talvivaara Mining Company Plc to purchase the Group's remaining 16% stake in Talvivaara Sotkamo Ltd by the end of the first quarter of 2012. Should this option be exercised in full, the total consideration will amount to EUR 240 million. Consequently, divesting the whole of Outokumpu's 20% holding in Talvivaara Sotkamo Ltd would result in a total transaction price of EUR 300 million.

Outokumpu's 20% holding in Talvivaara Sotkamo Ltd was classified in Outokumpu's accounts under associated companies. Following the change of ownership, Outokumpu will no longer have significant influence in Talvivaara Sotkamo Ltd and the remaining 16% holding has been classified as a financial asset valued at fair value through profit and loss in Outokumpu's financial statements.

As a result of the sale of shares in Talvivaara Sotkamo Ltd and the fair-value accounting of the remaining shareholdings, Outokumpu recorded a capital gain of EUR 178 million as financial income in the second quarter of 2011.

Outokumpu also intends to dispose of both the Group's remaining brass operations in Sweden and The Netherlands and its 50% holding in Fagersta Stainless AB, a company producing wire and wire rod.

Turnaround plan of Kloster thin strip unit in Sweden

In June, a plan for returning Outokumpu's thin and precision strip mill in Kloster to sustainable profitability was prepared. This business unit has been loss-making for several years. The business plan includes simplification and optimisation of the product mix, re-segmentation of the customer base and providing internal material feeds mainly from the Group's Tornio Works in Finland. Within the next 12 months, Outokumpu will evaluate whether the turnaround plan is delivering sufficient results and make related decisions on possible partnerships, divestment or closure of the business.

Joint venture to launch a turnaround for Outokumpu's tubular business

On 1 July, Outokumpu and Andrea Gatti signed a letter of intent regarding a joint venture arrangement for OSTP, Outokumpu's tubular business unit. Subject to the signing of the final agreement, a company controlled by Mr Gatti will acquire 36% of the shares in OSTP. Additionally, Mr Gatti will have an option to raise ownership to 51% in a three years' time period. If Mr Gatti does not acquire the majority of OSTP, Outokumpu will have the option to redeem the purchased shares at their original value. It is also agreed that Outokumpu will remain OSTP's main raw material supplier. A final agreement on the joint venture is expected to be signed by the end of the third quarter 2011.

Further details of the OSTP turnaround plan will be provided by the joint venture partners and will include significant streamlining of the production structure, optimisation of the company's product portfolio and general cost reductions. OSTP will be separated from Outokumpu and managed through the OSTP Board with a chairman appointed by Outokumpu.

This initial sale of shares in OSTP will not have any material financial impact on Outokumpu. As Outokumpu will continue to be the majority shareholder, it will initially be responsible for financing the business. Any future sale of shares in the business would be executed at a price which reflects its then-prevailing financial performance. OSTP has been a loss-making operation for the last three years. In 2010, the operating loss was close to EUR 40 million.

Outokumpu signed a EUR 750 million revolving credit facility

In June, Outokumpu signed a three-year EUR 750 million revolving credit facility, with the option to extend it by one year in June 2012 and 2013. This committed credit facility replaces the comparable three-year facility signed in June 2009 and will be used for general corporate purposes. The loan agreement includes a financial covenant based on gearing at a level of 115%. The loan syndicate consists of nine banks.

Maintenance functions at Tornio Works

In June, a study focusing on the possible outsourcing of sections of the maintenance functions at Tornio Works was concluded. Based on the result, only marginal outsourcing may take place and Outokumpu will therefore continue to develop maintenance functions as an internal Group resource. The target - an improvement in cost efficiency exceeding 10% - corresponds to total savings of approximately EUR 30 million in 2012–2014.

INTERIM REVIEW BY THE BOARD OF DIRECTORS – JANUARY–JUNE 2011

Improving demand in the beginning of the year turned to destocking as summer approached

Stainless steel markets began to recover in the beginning of 2011 but demand started to soften towards the summer period. Compared to the first half of 2010, apparent consumption of flat products is estimated to have been up by 3% globally and flat in Europe while production of stainless steel in the first half is estimated to have increased by 5% globally and been flat in Europe. The average base price for 2mm cold rolled 304 stainless steel sheet in Germany declined to 1 219 EUR/tonne in the first half of 2011 (I-II/2010: 1 276 EUR/tonne) and the average transaction price during the review period was 3 089 EUR/tonne (I-II/2010: 2 673 EUR/tonne). (CRU)

Prices of all alloying elements were higher during the first six months of 2011 than in the corresponding period in 2010. The nickel price averaged 25 600 USD/tonne in the first half (I-II/2010: 21 217 USD/tonne). The quarterly contract price for ferrochrome in the first half of 2011 averaged 1.30 USD/lb (I-II/2010: 1.19 USD/lb), the average price of molybdenum was 17.06 USD/lb (I-II/2010: 16.32 USD/lb) and the price of recycled steel was 439 USD/tonne (I-II/2010: 335 USD/tonne).

Underlying operational loss unchanged

Compared to the first half of 2010, Group sales during the first six months of 2011 increased by 29% to EUR 2 653 million (I-II/2010: EUR 2 053 million) as a result of higher delivery volumes and higher transaction prices. Deliveries of stainless steel in the first half of 2011 were up by 8% and totalled 728 000 tonnes (I-II/2010: 672 000 tonnes), and capacity utilisation in the Group operations was approximately 80%.

Outokumpu posted an operating loss of EUR -136 million (I-II/2010: profit of EUR 51 million) in the first six months of 2011. As this figure includes some EUR 19 million of raw material-related inventory gains (I-II/2010: gains of some EUR 65 million) and some EUR -138 million of non-recurring items (I-II/2010: none), the underlying operational result was EUR -17 million (I-II/2010: EUR -14 million) with positive impact of higher delivery volumes being offset by weaker base price development. Non-recurring items in the first half of 2011 consisted of impairment of EUR 65 million related to Outokumpu's tubular products business OSTP, EUR 60 million related to the Kloster thin strip unit and EUR 13 million of restructuring provisions connected with the Group's functional efficiency improvements.

Net financial income and expenses totalled EUR 176 million (I-II/2010: EUR -10 million). Financial income of EUR 242 million as capital gains from the divestment and fair valuation of financial assets, shareholding in Tibnor AB and Talvivaara, was booked in the second quarter of 2011. Financial expenses include an impairment of EUR 13 million on a loan receivable from Luvata. Profit before taxes totalled EUR 38 million (I-II/2010: EUR 31 million).

Net profit for the period totalled EUR 66 million (I-II/2010: EUR 23 million) and earnings per share EUR 0.37 (I-II/2010: EUR 0.13). Return on capital employed in the first six months of 2011 was -6.5% (I-II/2010: 2.6%).

Net cash generated from operating activities in the first half of 2011 improved significantly but was still negative at EUR -76 million (I-II/2010: EUR -404 million) with the primary causes being the negative result and an increase in working capital. The divestment of financial assets, shareholding in Tibnor and Talvivaara, resulted in a positive impact of EUR 162 million on cash-flow from financing activities in the second quarter.

Net interest-bearing debt increased by EUR 188 million to EUR 1 885 million by the end of the second quarter (30 June 2010: EUR 1 696 million) and gearing increased to 82.0% (30 June 2010: 68.1%), which is above the Group's target maximum of 75%. In the last 12 months some EUR 208 million has been tied up in working capital as a result of higher metal prices and higher inventory levels and this has had a negative effect on gearing. While the divestment of Talvivaara shares in June 2011 had a positive impact on gearing, from impairments connected with OSTP and the Kloster thin strip unit and the impairment from the Luvata loan receivable. Dividends totalling EUR 45 million for 2010 were paid in the second quarter.

Implementation of Outokumpu's short-term agenda started

In April, Outokumpu launched a short-term agenda focusing on improving the Group's cash flow, improving balance sheet flexibility and addressing the most critical factors burdening profitability.

Functional efficiency improvement

In April, Outokumpu initiated statutory negotiations to improve profitability, gain more efficiency as well as remove overlapping activities in the Group's sales, supply chain and supporting functions in Europe. As a result, a total of 350 jobs will be reduced in sales, supply chain and supporting functions in Europe by the end of 2011. Annual cost-savings are expected to total EUR 27 million from 2012. Related non-recurring provisions of EUR 13 million were booked in the second quarter.

Disposal of financial assets

In May, Outokumpu sold its 15% holding in Tibnor AB to SSAB. The total consideration for the sale amounted to EUR 44 million in cash and Outokumpu booked a tax-free capital gain of some EUR 36 million as financial income in the second quarter.

In June, Outokumpu sold all of its shares, representing 4.3% of total shares, in Talvivaara Mining Company Plc, a public listed company, to Solidium Oy at a total consideration of EUR 60 million in cash. Outokumpu recorded a capital gain of EUR 28 million as financial income in the second quarter. In addition, Outokumpu sold one fifth of its 20 % holding in the unlisted Talvivaara Sotkamo Ltd to Talvivaara Mining Company Plc for a total consideration of EUR 60 million. Outokumpu also granted an option to Talvivaara Mining Company Plc to purchase the Group's remaining 16% in Talvivaara Sotkamo Ltd by the end of the first quarter of 2012. Should this option be exercised in full, the total consideration will amount to EUR 240 million.

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As a result of the sale of shares in Talvivaara Sotkamo Ltd and the fair-value accounting of the remaining shareholdings, Outokumpu recorded a capital gain of EUR 178 million as financial income in the second quarter of 2011.

Outokumpu also intends to dispose of both the Group's remaining brass operations in Sweden and The Netherlands and its 50% holding in Fagersta Stainless AB, a company producing wire and wire rod.

Turnaround of Kloster thin strip unit in Sweden

In June, a turnaround plan was prepared on how to return the loss-making thin and precision strip mill Kloster to sustainable profitability. Within the next 12 months, Outokumpu will evaluate whether the turnaround plan is delivering sufficient results and make related decisions on possible partnerships, divestment or closure of the business.

Joint venture to launch a turnaround for Outokumpu's tubular business

On 1 July, Outokumpu and Andrea Gatti signed a letter of intent regarding a joint venture arrangement for OSTP, Outokumpu's tubular product unit. Subject to the signing of the final agreement at the end of the third quarter 2011, a company controlled by Mr Gatti will acquire 36% of the shares in OSTP. Mr Gatti will have an option to raise ownership to 51% in a three years' time period. If Mr Gatti will not acquire the majority of OSTP, Outokumpu will have an option to redeem the purchased shares. It is also agreed that Outokumpu will remain OSTP's main raw material supplier. Further details of the OSTP turnaround plan will be provided by the joint venture partners and OSTP will be separated from Outokumpu and managed through the OSTP Board with a chairman appointed by Outokumpu.

This initial sale of shares will not have any material financial impact on Outokumpu. As Outokumpu will continue to be the majority shareholder, it will initially be responsible for financing the business. OSTP has been a loss-making operation for the last three years and its operating loss in 2010 totalled close to EUR 40 million.

Outokumpu signed a EUR 750 million revolving credit facility

In June, Outokumpu signed a three-year EUR 750 million revolving credit facility, with an option to extend it by one year in June 2012 and 2013. This committed credit facility replaces the comparable three-year facility signed in June 2009 and will be used for general corporate purposes. The loan agreement includes a financial covenant based on gearing at a level of 115%.

Maintenance functions at Tornio Works

In June, a study focusing on the possible outsourcing of sections of the maintenance functions at Tornio Works was concluded. Based on the result, only marginal outsourcing may take place and Outokumpu will therefore continue to develop maintenance functions as an internal Group resource. The target - an improvement in cost efficiency exceeding 10% - corresponds to total savings of approximately EUR 30 million in 2012–2014.

Capital expenditure and investment projects

Capital expenditure totalled EUR 92 million (I-II/2010: EUR 73 million) in the first half of 2011. Including maintenance investments, capital expenditure for the Group is expected to total EUR 250–300 million in 2011.

The EUR 440 million investment to double the Group's ferrochrome production capacity at Tornio Works in Finland proceeded as planned. Detailed design planning continued, further progress in the construction work was made and several equipment supply contracts were signed during the first half of 2011. The first long-term customer sales agreements were also finalised. Total capital expenditure on this investment project in 2011 is expected to be of the order of EUR 150 million.

The EUR 104 million investment project to increase quarto plate production capability and capacity in Degerfors in Sweden is proceeding according to plan.

A new acid regeneration plant in Avesta in Sweden was inaugurated in June. This EUR 28 million investment project was launched in 2009. The very energy efficient plant is recycling acids used in the annealing and pickling line thus significantly reducing the use of new acids in the production process.

People and the environment

Outokumpu's personnel headcount totalled 9 474 (30 June 2010: 9 082) at the end of June 2011 and averaged 8 724 (I-II/2010: 8 373) during the first half of 2011. Full-time employees of the Group totalled 9 138 (30 June 2010: 8 778) at the end of the second quarter and averaged 8 386 (I-II/2010: 8 054) during the first six months of the year. The increase in the number of personnel was primarily the result of employing of summer trainees. In reporting the number of company personnel, Outokumpu has changed from full-time equivalent to headcount reporting in 2011, but both figures are being provided throughout the current year.

The lost-time injury rate (i.e. lost-time accidents per million working hours) in the second quarter improved to 4.4 (I/2011: 5.4) and was 5.1 (I-II/2010: 5.0) for the first six months of 2011. This did not meet the Group's 2011 target of less than 3.5. No severe accidents occurred in during the first six months of the year.

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

Emissions trading activities have been conducted in accordance with obligations, agreed procedures and the Group's financial risk policy. Emissions under the EU Emission Trading Scheme during the first six months of 2011 totalled approximately 427 000 tonnes (I-II/2010: 389 000 tonnes). No external trading of emission allowances was conducted during the first half of 2011. Outokumpu's carbon dioxide allowances in Finland, Sweden and the UK were sufficient for the Group's planned production in the review period.

Outokumpu Oyj qualified for the OMX GES Sustainability Finland index, which consists of 40 leading companies listed on the NASDAQ OMX Helsinki exchange.

In May, the International Stainless Steel Forum (ISSF) granted the first ISSF Sustainability Award to Outokumpu. This recognition is based on Outokumpu's determined actions and major achievements in reducing waste sent to landfill and increasing material efficiency at the Group's production facilities in Sheffield in the UK. Outokumpu established a sustainable recovery and re-use route for different forms of stainless steel waste. Slag is being re-used in asphalt production and waste refractory material is being employed as a substitute for limestone in the stainless steel production process. Since 2007 more than 80% of all the slag produced at Sheffield has been recovered and re-used as road stone in asphalt. During 2010 half of the refractory waste generated at the site was re-used as a lime substitute.

Oekom Research AG mentioned Outokumpu a pioneer in achieving in energy efficiency in the metals sector.

Risks and uncertainties

Outokumpu operates in accordance with the risk management policy approved by the Board of Directors. This policy defines the objectives, approaches and areas of responsibility in risk management activities. As well as supporting Group strategy, risk management aims to identify, evaluate and mitigate risks from the perspective of shareholders, customers, suppliers, personnel, creditors and other stakeholders. Key risks are assessed and updated on a regular basis.

Key strategic and business risks faced by Outokumpu include structural overcapacity and weak markets for stainless steel, competition in stainless steel markets, Euro-centricity in the Group's operations, the ability to implement the Group's chosen strategy and risks associated with increased input costs. Consequences arising from the main realised business risks during the review period were related to asset impairments (the Group's tubular products business and the Kloster thin strip unit) and to stainless steel markets, on which the decrease in nickel price had a temporary negative impact.

Operational risks include inadequate or failed internal processes, employee actions, systems, or other events such as natural catastrophes, misconduct or crime. Key operational risks for the Group are a major fire or accident, risks related to corporate security, environmental risks, and risks associated with investment projects and company personnel.

Key financial risks for Outokumpu include: volatility in the price of nickel, molybdenum and fuels; currency risks associated with the euro, the Swedish krona and the US dollar; limitations on financial flexibility; other credit risks; and liquidity and financing risk. During the second quarter, the amendment of the loan receivable from Luvata resulted in an asset impairment loss. The Group also made significant gains from financial asset sales (Tibnor AB and Talvivaara shares).

As the Group's sourcing of fuels is only partly based on fixed-price contracts, sustained higher prices will have a negative impact on profitability in 2011. To mitigate the impact of rising fuel prices, Outokumpu made financial hedges on propane. Group liquidity was supported by the asset sales and the refinancing of the syndicated credit facility.

Civil actions regarding the divested fabricated copper products business

In connection with the EU investigation into an industrial copper tubes cartel that was completed in May 2009, Outokumpu has since 2004 addressed several civil complaints raised against the company and its former fabricated copper products business.

The last pending civil complaint in the United States, filed by Carrier Corporation in 2006 against Outokumpu Oyj and Outokumpu Copper Franklin, Inc. in the federal district court in Memphis, Tennessee, seeks an unstated amount of damages. The complaint alleges a worldwide price fixing and market allocation cartel with respect to copper tubing for air conditioning and heat exchangers and related applications (ACR Tube) for at least the period from 1989 to 2001. In July 2007, the complaint raised by Carrier Corporation was dismissed. Carrier subsequently filed an appeal, which is still pending in the Court of Appeals.

In 2010, certain companies in the Carrier Group brought a civil action in the UK courts against Outokumpu Oyj (and two other defendant groups). The claimants allege that they suffered losses across Europe as a result of the cartel and are seeking recovery from the three main defendant groups either jointly or jointly and severally. The claimants' initial claim for alleged losses is some GBP 20 million excluding interest. Outokumpu will be challenging the jurisdiction of the UK courts to hear this claim. In any event, Outokumpu believes that the allegations regarding damages caused by the cartel are groundless and, if pursued, Outokumpu will defend itself in any proceedings.

No provisions have been booked in connection with these claims.

Customs investigation of exports to Russia by Tornio Works

In March 2007, Finnish Customs authorities initiated a criminal investigation into the Group's Tornio Works' export practices to Russia. It was suspected that a forwarding agency based in south-eastern Finland had prepared defective and/or forged invoices regarding the export of stainless steel to Russia. The preliminary investigation focused on possible complicity by Outokumpu Tornio Works in the preparation of defective and/or forged invoices by the forwarding agent. In June 2009, the Finnish Customs completed its preliminary investigation and forwarded the matter for consideration of possible charges to the prosecution authorities. The process of considering possible charges was completed in November 2010 and the public prosecutor concluded that the Customs authorities' suspicions regarding possible accounting offences and forgery were groundless.

The case was nevertheless taken to court in March 2011 as charges were pressed against Outokumpu and five of its employees for alleged money laundering in connection with export practices to Russia by Tornio Works during 2004–2006. On behalf of the state, the prosecutor also presented a claim for forfeiture of the funds subject to money laundering. In a judgement delivered in June 2011, the Court dismissed all claims and the Finnish State was ordered to pay a total of EUR 1.2 million in compensation. The time available for the state's prosecutors to file a possible appeal extends through 26 August 2011.

Organisational changes and appointments

In February, Outokumpu's Board of Directors appointed Mr Mika Seitovirta as the Group's new Chief Executive Officer. He joined Outokumpu in March and assumed the position of CEO on 1 April 2011. Mr Juha Rantanen, Outokumpu's former CEO, left the CEO position on 31 March 2011 but will be supporting Mr Seitovirta in his new duties until August 2011.

In June, it was agreed that Mr Bo Annvik, EVP – Specialty Stainless, will leave his position and the Group Executive Committee by the end of June 2011. His employment by Outokumpu will end on 31 December 2011. Jamie Allan, Executive Vice President – Supply Chain Management and member of the Group Executive Committee, has temporarily assumed Mr Annvik's duties. Mr Allan's normal duties are being handled by the Group's supply chain organisation.

In July, Mr Jarmo Tonteri was appointed EVP – Specialty Stainless and member of the Group Executive Committee as of 1 August 2011. He will report to CEO Mika Seitovirta. Mr. Tonteri will be responsible for Outokumpu's business units Special Coil, Special Plate and Long Products as well as the thin and precision strip mill Kloster and Group R&D. He will be based in Stockholm.

Annual General Meeting 2011

The 2011 Annual General Meeting (AGM) approved a dividend of EUR 0.25 per share for 2010. Dividends totalling EUR 45 million were paid on 5 April 2011.

The AGM authorised the Board of Directors to decide to repurchase the Group's own shares. The maximum number of shares to be repurchased is 18 000 000. The AGM also authorised the Board of Directors to decide to issue shares and to grant special rights entitling to shares. The maximum number of new shares to be issued and to be transferred is 18 000 000. The authorisation includes the right to resolve upon directed share issues. These authorisations are valid for 12 months or until the next AGM, however no longer than 31 May 2012. To date the authorisations have not been used.

The AGM decided that the number of Board members, including the Chairman and Vice Chairman, should be seven. Evert Henkes, Ole Johansson, Anna Nilsson-Ehle, Jussi Pesonen and Olli Vaartimo were re-elected as members of the Board of Directors, and Elisabeth Nilsson and Siv Schalin were elected as new members. The AGM re-elected Ole Johansson as Chairman and elected Olli Vaartimo as Vice Chairman of the Board. The AGM also resolved to form a Nomination Board to prepare proposals on the composition and remuneration of the Board of Directors for presentation to the next AGM.

At its first meeting, the Board of Directors of Outokumpu appointed two permanent committees consisting of Board members: the Board Audit Committee and the Board Remuneration Committee.

Shares and shareholders

Information regarding shares and shareholders is updated daily on Outokumpu's Internet pages: www.outokumpu.com/Investors.

Largest shareholders

%	30 June 2011
Finnish corporations	35.4
Foreign investors	17.8
Finnish public sector institutions	19.7
Finnish private households	17.2
Finnish financial insurance institutions	7.1
Finnish non-profit organisations	2.8
Shareholders with over 5% shareholding	
Solidium Oy (owned by the Finnish State)	30.84
Finnish Social Insurance Institution	8.01

Share information

		Jan–June 2011	Jan–June 2010
Fully paid share capital at the end of the period	EUR million	311.1	311.0
Number of shares at the end of the period		183 018 749	182 956 249
Average number of shares outstanding [1]		181 962 646	181 577 943
Diluted average number of shares [1], [2]		181 962 646	181 595 741
Number of shares outstanding at the end of the period [1]		181 977 861	181 915 361
Number of treasury shares held at the end of the period		1 040 888	1 040 888
Share price at the end of the period	EUR	9.14	12.43
Average share price	EUR	11.68	14.11
Highest price during the period	EUR	14.57	17.88
Lowest price during the period	EUR	8.33	12.03
Market capitalisation at the end of period	EUR million	1 673	2 274
Share turnover	million shares	151.0	186.0
Value of shares traded	EUR million	1 764.1	2 624.3

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

[2] Outokumpu's stock option programme ended on 1 March 2011.

SHORT-TERM OUTLOOK

Demand for standard grades of stainless steel slowed in Europe as summer approached and the nickel price began to decline. This led to destocking among customers. While normal seasonality resulting from the holiday season in Europe has affected the distributors' buying behaviour underlying demand continues to be relatively stable globally. Lead times for standard grades continue to be normal at 6–8 weeks.

As a result of the slowdown in demand during the European holiday season and annual maintenance breaks at Group mills, Outokumpu expects that its stainless steel delivery volumes in the third quarter will be slightly lower than in the second quarter. Outokumpu's average base prices for stainless steel in the third quarter are expected to be somewhat lower than average prices in the second quarter.

Lower delivery volumes and lower average base prices are expected to lead to negative underlying operational result in the third quarter. Additionally, declined metal prices are expected to result in raw material-related inventory losses (at current metal prices). Outokumpu therefore estimates the Group's third-quarter operating profit to be clearly negative.

In Espoo, 19 July 2011

Board of Directors

CONDENSED FINANCIAL STATEMENTS (unaudited)

Condensed statement of comprehensive income

Condensed income statement

EUR million	**April–June 2011**	Jan–March 2011	April–June 2010	**Jan–June 2011**	Jan–June 2010	Jan–Dec 2010
Sales	**1 281**	1 371	1 125	**2 653**	2 053	4 229
Cost of sales	**-1 255**	-1 264	-986	**-2 520**	-1 878	-4 051
Gross margin	**26**	107	138	**133**	176	178
Other operating income	**4**	4	9	**6**	14	45
Costs and expenses	**-84**	-78	-72	**-163**	-136	-279
Other operating expenses	**-115**	-0	-2	**-113**	-3	-28
Operating profit	**-169**	33	72	**-136**	51	-83
Share of results in associated companies	**-1**	-1	-2	**-2**	-9	-10
Financial income and expenses						
Interest income	**2**	4	5	**6**	8	16
Interest expenses	**-19**	-18	-11	**-37**	-20	-53
Market price gains and losses	**-14**	2	7	**-12**	13	4
Other financial income	**242**	6	0	**248**	2	13
Other financial expenses	**-20**	-9	-7	**-29**	-13	-29
Profit before taxes	**21**	17	64	**38**	31	-143
Income taxes	**29**	-1	-20	**29**	-8	19
Net profit for the period	**50**	16	44	**66**	23	-124
Attributable to:						
Equity holders of the Company	**50**	16	44	**67**	23	-123
Non-controlling interests	**-0**	-0	0	**-0**	-0	-0
Earnings per share for result attributable to the equity holders of the Company:						
Earnings per share, EUR	**0.28**	0.09	0.24	**0.37**	0.13	-0.68
Diluted earnings per share, EUR	**0.28**	0.09	0.24	**0.37**	0.13	-0.68

Consolidated statement of other comprehensive income

EUR million	**April–June 2011**	Jan–March 2011	April–June 2010	**Jan–June 2011**	Jan–June 2010	Jan–Dec 2010
Net profit for the period	**50**	16	44	**66**	23	-124
Other comprehensive income:						
Exchange differences on translating foreign operations	**2**	-16	24	**-15**	38	26
Available-for-sale financial assets						
Fair value changes during the period	**-16**	-0	-0	**-17**	11	49
Reclassification adjustments from other comprehensive income to profit	**-65**	-0	-	**-65**	-	-10
Income tax relating to available-for-sale financial assets	**10**	-1	1	**10**	-0	-8
Cash flow hedges						
Fair value changes during the period	**-12**	1	10	**-11**	28	59
Reclassification adjustments from other comprehensive income to profit	**0**	-1	2	**-0**	2	2
Income tax relating to cash flow hedges	**3**	-0	-3	**3**	-8	-16
Share of other comprehensive income of associated companies	**-2**	-1	-6	**-2**	-2	-3
Other comprehensive income for the period, net of tax	**-80**	-18	29	**-98**	69	99
Total comprehensive income for the period	**-30**	-2	73	**-32**	92	-24
Attributable to:						
Equity holders of the Company	**-30**	-2	73	**-32**	92	-24
Non-controlling interests	**0**	-0	0	**-0**	-0	1

Condensed statement of financial position

EUR million	**30 June 2011**	31 March 2011	30 June 2010	31 Dec 2010
ASSETS				
Non-current assets				
Intangible assets	**565**	581	562	589
Property, plant and equipment	**1 925**	2 038	2 117	2 054
Loan receivables and other interest-bearing assets	**230**	462	434	473
Other receivables	**56**	55	56	55
Deferred tax assets	**56**	42	39	30
Total non-current assets	**2 831**	3 178	3 208	3 202
Current assets				
Inventories	**1 553**	1 554	1 548	1 448
Loan receivables and other interest-bearing assets	**263**	49	49	49
Trade and other receivables	**930**	922	790	785
Cash and cash equivalents	**125**	139	123	150
Total current assets	**2 871**	2 664	2 511	2 431
TOTAL ASSETS	**5 702**	5 842	5 719	5 633
EQUITY AND LIABILITIES				
Equity attributable to the equity holders of the Company				
Equity attributable to the equity holders of the Company	**2 297**	2 327	2 489	2 374
Non-controlling interests	**2**	2	1	2
Total equity	**2 299**	2 329	2 490	2 376
Non-current liabilities				
Interest-bearing liabilities	**1 335**	1 564	1 581	1 529
Deferred tax liabilities	**71**	94	99	90
Pension obligations	**66**	67	71	66
Provisions	**20**	20	20	21
Trade and other payables	**10**	2	1	3
Total non-current liabilities	**1 502**	1 748	1 771	1 709
Current liabilities				
Interest-bearing liabilities	**1 169**	958	723	980
Provisions	**26**	17	20	19
Trade and other payables	**707**	790	714	550
Total current liabilities	**1 902**	1 766	1 457	1 549
TOTAL EQUITY AND LIABILITIES	**5 702**	5 842	5 719	5 633

Statement of changes in equity

EUR million	Share capital	Share premium fund	Other reserves	Fair value reserves	Treasury shares	Cumulative translation differences	Retained earnings	Non-controlling interests	Total equity
	Attributable to the owners of the parent								
Equity on 31 Dec 2009	**309**	**706**	**15**	**22**	**-25**	**-110**	**1 534**	**0**	**2 451**
Total comprehensive income for the period	-	-	-	33	-	36	23	-0	92
Dividends	-	-	-	-	-	-	-64	-	-64
Share-based payments	-	-	-	-	-	-	1	-	1
Share options exercised	2	8	-	-	-	-	-	-	9
Other change	-	-	-	-	-	-	-	1	1
Equity on 30 June 2010	**311**	**713**	**15**	**55**	**-25**	**-74**	**1 494**	**1**	**2 490**
Equity on 31 Dec 2010	**311**	**713**	**7**	**100**	**-25**	**-89**	**1 356**	**2**	**2 376**
Total comprehensive income for the period	-	-	-	-84	-	-15	67	0	-32
Dividends	-	-	-	-	-	-	-45	-	-45
Share-based payments	-	-	-	-	-	-	1	-	1
Share options exercised	0	0	-	-	-	-	-	-	0
Equity on 30 June 2011	**311**	**714**	**7**	**17**	**-25**	**-104**	**1 378**	**2**	**2 299**

Condensed statement of cash flows

EUR million	**April–June 2011**	Jan–March 2011	April–June 2010	**Jan–June 2011**	Jan–June 2010	Jan–Dec 2010
Net profit for the period	**50**	16	44	**66**	23	-124
Adjustments						
Depreciation, amortisation, and impairments	**178**	62	57	**240**	113	255
Other non-cash adjustments	**-179**	18	3	**-161**	-64	-112
Change in working capital	**-89**	-93	-406	**-182**	-450	-476
Dividends received	**0**	5	0	**5**	2	2
Interests received	**1**	1	1	**1**	1	2
Interests paid	**-28**	-14	-12	**-43**	-22	-42
Income taxes paid	**2**	-5	-3	**-2**	-6	-2
Net cash from operating activities	**-66**	-10	-317	**-76**	-404	-497
Purchases of assets	**-42**	-46	-35	**-88**	-79	-173
Proceeds from the sale of assets	**4**	2	5	**6**	9	24
Net cash from other investing activities	**0**	0	0	**0**	1	1
Net cash from investing activities	**-38**	-44	-30	**-82**	-68	-147
Cash flow before financing activities	**-104**	-53	-348	**-158**	-472	-645
Share options exercised	**0**	0	0	**0**	9	10
Borrowings of long-term debt	**19**	68	598	**87**	654	695
Repayment of long-term debt	**-127**	-12	-49	**-139**	-100	-188
Change in current debt	**84**	-12	-117	**72**	-14	209
Dividends paid	**-45**	-	-64	**-45**	-64	-64
Proceeds from the sale of Talvivaara and Tibnor shares	**162**	-	-	**162**	-	-
Other financing cash flow	**0**	0	-0	**0**	-6	15
Net cash from financing activities	**93**	45	369	**138**	480	677
Net change in cash and cash equivalents	**-11**	-9	21	**-20**	7	32
Cash and cash equivalents at the beginning of the period	**139**	150	100	**150**	112	112
Foreign exchange rate effect	**-3**	-2	1	**-5**	4	6
Net change in cash and cash equivalents	**-11**	-9	21	**-20**	7	32
Cash and cash equivalents at the end of the period	**125**	139	123	**125**	123	150

NOTES TO THE INTERIM FINANCIAL STATEMENTS (unaudited)

This interim report is prepared in accordance with IAS 34 (Interim Financial Reporting). The same accounting policies and methods of computation have been followed in this interim report as in the financial statements for 2010.

All presented figures in this interim report have been rounded and consequently the sum of individual figures can deviate from the presented sum figure. Key figures have been calculated using exact figures.

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, 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 realisability 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.

Changes in segment information

As of March, Outokumpu's Specialty Stainless has had a new organisation. New Special Coil and Special Plate business units replaced the former Special Coil & Plate and Thin Strip units. The Special Coil business unit includes the Group's Flat Products production unit at Avesta in Sweden and the former Thin Strip unit at Nyby in Sweden. The Special Plate business unit consists of the quarto plate production units at Degerfors in Sweden and New Castle in the US, the Nordic Plate Service Centre at Degerfors and the Special Plate unit at Willich in Germany. Special Coil and Special Plate units are reported in Specialty Stainless and the Kloster plant in Sweden is included in General Stainless. All comparative segment figures have been restated accordingly.

Valuation of investments in energy producing units

Outokumpu has valued its investments in energy producing companies at fair value in 2011 according to IAS 39. Previously the investments have been valued at cost. The fair valuation is based on the discounted cash flow resulting from the difference between the market price of electricity and the price Outokumpu pays for the electricity. The fair value of these assets at 30 June 2011 was EUR 16 million (book value of EUR 10 million). From the difference between the fair value and book value EUR 8 million was recognised in other comprehensive income and EUR 2 million was recognised as impairment in income statement.

Share based payment and stock option programmes

Outokumpu's stock option programme for management ended on 1 March 2011. A total of 1 768 194 Outokumpu Oyj shares were subscribed on the basis of the option programme during the 2006–2011 period.

Outokumpu's share-based incentive programme for years 2006–2010 was ended on 31 December 2010. The set targets for its last earnings period were not met and thus no reward was paid to the participants.

Outokumpu's share-based incentive programme for years 2009–2013 is on-going. If persons covered by the share-based incentive programme were to receive the number of shares in accordance with the maximum reward, currently a total of 1 118 250 shares, their shareholding obtained via the programme would amount to 0.6% of the Company's shares and voting rights.

Detailed information on the option programme and of the share-based incentive programmes can be found in the annual report of Outokumpu from http://www.outokumpu.com/annualreport2010.

Events after the balance sheet date

At 1 July 2011 Outokumpu and Andrea Gatti signed a letter of intent on a joint venture arrangement for Outokumpu's tubular unit (OSTP). Subject to the signing of the final agreement a company controlled by Mr. Gatti will become a minority owner in OSTP and will have an option to become a majority owner of the business in the coming years. Outokumpu will have an option to redeem the shares at original value if Mr. Gatti will not acquire the majority of OSTP. It is also agreed that Outokumpu will remain OSTP's main raw material supplier. A final agreement on the joint venture is expected to be signed by the end of the third quarter, 2011.

This initial sale of shares will not result in any material financial impacts for the Outokumpu Group. As Outokumpu will continue to be the majority shareholder, it will initially be responsible for financing of the business and OSTP will continue to be consolidated in Outokumpu's financial accounts.

OSTP produces welded stainless steel process pipes and tubes as well as threaded and butt weld fittings. It has a total production capacity of about 100 000 tons with 11 production sites in Sweden, Finland, USA, Saudi Arabia, Estonia and Canada. OSTP employs some 970 people.

Property, plant and equipment

EUR million	**1 Jan–30 June 2011**	1 Jan–30 June 2010	1 Jan–31 Dec 2010
Carrying value at the beginning of the period	**2 054**	2 099	2 099
Translation differences	**-19**	58	80
Additions	**92**	67	144
Disposals	**-1**	-4	-7
Reclassifications	**-1**	-3	-39
Depreciation and impairments	**-200**	-100	-222
Carrying value at the end of the period	**1 925**	2 117	2 054

Commitments

EUR million	**30 June 2011**	30 June 2010	31 Dec 2010
Mortgages and pledges			
Mortgages on land	**255**	229	209
Other pledges	**12**	21	12
Guarantees			
On behalf of subsidiaries for commercial commitments	**37**	35	37
On behalf of associated companies for financing	**1**	1	1
Other commitments	**42**	48	45
Minimum future lease payments on operating leases	**76**	57	79

Group's off-balance sheet investment commitments totalled EUR 220 million on 30 June 2011 (30 June 201 EUR 63 million, 31 December 2010: EUR 125 million) .

Related party transactions

At 30 June 2011, material related party transactions were loan receivables from associated companies totalling EUR 7 million (30 June 2010: EUR 12 million, 31 Dec 2010: EUR 7 million) and purchases during January–June 2011 EUR 3 million (January–June 2010: EUR 2 million, January–December 2010: EUR 3 million).

At 1 June 2011 Outokumpu sold its entire holding of Talvivaara Mining Company Plc, representing 4.3% of total shares, to Solidium Oy. The total consideration of the transaction was EUR 60 million and as a result of the transaction Outokumpu recordeded a capital gain of EUR 28 million as financial income in its second quarter 2011 accounts. The holding in the Talvivaara Mining Company Plc had been classified as available-for-sale financial assets in Outokumpu's accounts.

Fair values and nominal amounts of derivative instruments

EUR million	30 June 2011 Net fair value	31 Dec 2010 Net fair value	30 June 2011 Nominal amounts	31 Dec 2010 Nominal amounts
Currency and interest rate derivatives				
Currency forwards	**18**	18	**2 103**	2 032
Currency options, bought	**1**	-	**79**	-
Currency options, sold	**-1**	-	**45**	-
Interest rate swaps	**-1**	-2	**314**	107
Cross-currency swaps	**-30**	-37	**225**	228
Interest rate options, bought	**1**	1	**187**	89
Interest rate options, sold	**-1**	-2	**87**	89
			Tonnes	Tonnes
Metal derivatives				
Nickel options, bought	**2**	1	**3 900**	3 120
Nickel options, sold	**-2**	-3	**3 900**	3 120
Forward and futures nickel contracts	**1**	-1	**3 300**	852
Forward and futures molybdenum contracts	**-**	-0	**-**	100
Forward and futures copper contracts	**-0**	-1	**2 175**	2 325
Forward and futures zinc contracts	**0**	0	**1 375**	1 425
Emission allowance derivatives	**0**	0	**403 000**	353 000
Fuel derivatives	**-1**	-	**15 000**	-
			TWh	TWh
Electricity derivatives	**-0**	2	**0.9**	1.0
Granted share options	**-15**	-		
	-28	-23		

Segment information

EUR million	I/10	II/10	I-II/10	III/10	IV/10	2010	I/11	**II/11**	**I-II/11**
Sales									
General Stainless *)	771	983	1 754	878	951	3 582	1 172	**1 072**	**2 244**
of which intersegment sales *)	136	212	347	188	161	697	241	**246**	**488**
Specialty Stainless *)	362	456	818	394	468	1 679	558	**564**	**1 122**
of which intersegment sales *)	105	132	238	102	132	471	149	**146**	**295**
Other operations	102	100	202	99	99	401	105	**110**	**215**
of which intersegment sales	65	70	136	67	62	265	72	**73**	**145**
Intra-group sales *)	-306	-415	-721	-357	-355	-1 433	-463	**-465**	**-927**
Total sales	929	1 125	2 053	1 014	1 162	4 229	1 371	**1 281**	**2 653**
Operating profit									
General Stainless *)	-5	74	69	-56	-11	1	38	**-82**	**-44**
Specialty Stainless *)	-18	23	4	-11	-57	-63	-2	**-71**	**-74**
Other operations	2	-14	-12	10	-13	-15	-2	**-20**	**-21**
Intra-group items *)	-0	-10	-11	8	-4	-7	-1	**4**	**3**
Total operating profit	-21	72	51	-49	-85	-83	33	**-169**	**-136**
Non-recurring items in operating profit									
General Stainless									
Kloster impairment	-	-	-	-	-	-	-	**-60**	**-60**
Redundancy provisions	-	-	-	-	-	-	-	**-8**	**-8**
Specialty Stainless									
OSTP impairment	-	-	-	-	-	-	-	**-65**	**-65**
Redundancy provisions	-	-	-	-	-	-	-	**-1**	**-1**
Write-down of expansion project in Avesta	-	-	-	-	-17	-17	-	**-**	**-**
Other operations									
Redundancy provisions	-	-	-	-	-	-	-	**-3**	**-3**
	-	-	-	-	-17	-17	-	**-138**	**-138**
Non-recurring items in financial income and expenses									
Gain on the sale and fair valuation of Talvivaara shares	-	-	-	-	-	-	-	**206**	**206**
Gain on the sale of Tibnor shares	-	-	-	-	-	-	-	**36**	**36**
Impairment of Luvata loan receivable	-	-	-	-	-	-	-	**-13**	**-13**
Gain on the sale of Okmetic shares	-	-	-	-	9	9	-	**-**	**-**
	-	-	-	-	9	9	-	**229**	**229**
Operating capital at the end of the period									
General Stainless *)	2 583	2 824	2 824	2 924	2 863	2 863	2 932	**2 847**	**2 847**
Specialty Stainless *)	1 009	1 139	1 139	1 141	1 176	1 176	1 149	**1 121**	**1 121**

Deliveries of main products

1 000 tonnes	I/10	II/10	I-II/10	III/10	IV/10	2010	I/11	**II/11**	**I-II/11**
General Stainless									
Cold rolled *)	156	165	321	155	158	634	186	**162**	**348**
White hot strip	81	72	153	63	75	291	79	**74**	**153**
Semi-finished products	70	76	145	67	56	268	88	**93**	**181**
Total deliveries of the division *)	307	313	619	284	289	1 193	354	**328**	**682**
Specialty Stainless									
Cold rolled *)	28	29	57	20	29	106	29	**31**	**60**
White hot strip	37	40	77	32	39	148	45	**43**	**88**
Quarto plate	21	22	44	21	22	87	30	**29**	**59**
Tubular products	12	12	23	10	10	43	12	**11**	**23**
Long products	13	14	27	14	14	55	18	**14**	**31**
Total deliveries of the division *)	111	117	228	98	114	440	133	**129**	**262**

*) Kloster operations, in 2010 under Specialty Stainless, are now reported under General Stainless. Comparative figures restated.

Key figures

EUR million	I/10	II/10	I-II/10	III/10	IV/10	2010	I/11	**II/11**	**I-II/11**
Operating profit margin, %	-2.3	6.4	2.5	-4.8	-7.3	-2.0	2.4	**-13.2**	**-5.1**
EBITDA	35	129	163	12	-4	172	93	**-4**	**89**
Return on capital employed, %	-2.3	7.3	2.6	-4.6	-8.0	-2.1	3.1	**-16.1**	**-6.5**
Return on equity, %	-3.4	7.2	1.9	-9.1	-15.1	-5.1	2.8	**8.7**	**5.7**
Long-term debt	1 059	1 541	1 541	1 558	1 488	1 488	1 527	**1 300**	**1 300**
Current debt	716	684	684	841	930	930	928	**1 122**	**1 122**
Other interest-bearing payables	7	6	6	11	16	16	20	**11**	**11**
Derivative financial instruments	70	48	48	23	23	23	-2	**28**	**28**
Investments in associated companies	-154	-149	-149	-144	-148	-148	-146	**-49**	**-49**
Available-for-sale financial assets	-127	-128	-128	-151	-154	-154	-152	**-33**	**-33**
Other interest-bearing receivables	-170	-183	-183	-165	-169	-169	-163	**-368**	**-368**
Cash and cash equivalents	-100	-123	-123	-142	-150	-150	-139	**-125**	**-125**
Net interest-bearing debt at end of period	1 302	1 696	1 696	1 831	1 837	1 837	1 873	**1 885**	**1 885**
Capital employed at end of period	3 719	4 187	4 187	4 275	4 213	4 213	4 202	**4 184**	**4 184**
Equity-to-assets ratio at end of period, %	47.3	43.6	43.6	42.8	42.2	42.2	39.9	**40.4**	**40.4**
Debt-to-equity ratio at end of period, %	53.9	68.1	68.1	74.9	77.3	77.3	80.4	**82.0**	**82.0**
Earnings per share, EUR	-0.11	0.24	0.13	-0.31	-0.50	-0.68	0.09	**0.28**	**0.37**
Equity per share at end of period, EUR	13.28	13.68	13.68	13.43	13.05	13.05	12.79	**12.62**	**12.62**
Capital expenditure	28	45	73	40	48	161	42	**50**	**92**
Depreciation and amortisation	56	57	113	61	61	235	60	**59**	**120**
Average personnel for the period *)	8 077	8 669	8 373	8 740	8 414	8 475	8 437	**9 011**	**8 724**

*) Personnel reported as head count. Up to 31 December 2010 reported as full-time equivalent, comparative figures restated.

Definitions of key financial figures

EBITDA = Operating profit before depreciation, amortisation and impairments

Capital employed = Total equity + net interest-bearing debt

Operating capital = Capital employed + net tax liability

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

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 = $\frac{\text{Net interest-bearing debt}}{\text{Total equity}} \times 100$

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

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