OUTOKUMPU ANNUAL ACCOUNTS BULLETIN 2007 – GOOD RESULTS IN A TURBULENT YEAR

Year 2007 highlights

- Good operating profit of EUR 589 million in very volatile stainless steel markets in 2007, underlying operational result of some EUR 800 million improved significantly (2006: EUR 650 million). Return on capital employed at 13.9% (target: >13%).
- Excellent operating cash flow of EUR 676 million, gearing improved to 23.6% (target: < 75%)
- Excellence programs ahead of schedule delivering higher than targeted cumulative benefits of some EUR 70 million (target: EUR 40 million) by year-end 2007.
- Next phase in the strategic development related to customer and product mix transition initiated with major investment decisions of some EUR 900 million in 2007; expansion of special grades and products capacity and large investments in the service center network.
- The Board of Directors' proposal for a dividend of EUR 1.20 per share (2006: EUR 1.10).

Fourth quarter 2007 highlights

- Operating profit EUR 15 million including nickel-related inventory losses of some EUR 100 million, underlying operational result some EUR 115 million (III/07: EUR 35 million).
- End-user demand for stainless steel continued good, recovery in distributor demand began in October.
- Recovery in demand for standard products improved deliveries by 48% to 352 000 tons from III/07.
- Base prices stabilized and gradual price increases achieved.
- EUR 447 million released from working capital, operating cash flow EUR 299 million.
- In January 2008, a decision to invest EUR 370 million mainly to increase ultra-clean ferritics and bright-annealed capacity at Tornio Works.

Group key figures

		IV/07	III/07	IV/06	**2007**	2006
Sales	EUR million	**1 465**	1 227	1 907	**6 913**	6 154
Operating profit	EUR million	**15**	-256	378	**589**	824
Non-recurring items in operating profit	EUR million	**-**	-11	1	**14**	1
Profit before taxes	EUR million	**7**	-277	369	**798**	784
Non-recurring items in financial income	EUR million	**-**	-	-	**252**	-
Net profit for the period from continuing operations	EUR million	**7**	-210	286	**660**	606
Net profit for the period	EUR million	**-16**	-214	603	**641**	963
Earnings per share from continuing operations	EUR	**0.04**	-1.17	1.58	**3.63**	3.34
Earnings per share	EUR	**-0.09**	-1.19	3.33	**3.52**	5.31
Return on capital employed	%	**1.4**	-22.3	36.5	**13.9**	20.7
Net cash generated from operating activities	EUR million	**299**	161	-82	**676**	-35
Capital expenditure, continuing operations	EUR million	**43**	47	74	**190**	187
Net interest-bearing debt at end of period	EUR million	**788**	1 016	1 300	**788**	1 300
Debt-to-equity ratio at end of period	%	**23.6**	29.8	42.3	**23.6**	42.3
Stainless steel deliveries	1 000 tons	**352**	238	445	**1 419**	1 815
Stainless steel base price [1)]	EUR/ton	**1 058**	710	1 840	**1 304**	1 470
Personnel at the end of period, continuing operations		**8 108**	8 049	8 159	**8 108**	8 159

[1)] Stainless steel: CRU - German base 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).

SHORT-TERM OUTLOOK

Underlying demand for stainless steel is healthy. End-user demand and demand for special grades also continues healthy. The current global economic turmoil has however created some uncertainty that might have an impact on overall stainless steel fundamentals.

Distributor inventories for standard products have declined and are at or below long-term average levels. Outokumpu´s order intake for standard products has improved and lead times have normalized. Due to the pick-up in demand for standard products, Outokumpu's delivery volumes are expected to be close to capacity. The gradual recovery in base prices is expected to continue during the first quarter. Towards the end of the quarter, base price for cold rolled 304 2mm sheet is expected to be 100-125 EUR/t higher than the December price of 1 125 EUR/t reported by CRU.

Following the decline in nickel price in the fourth quarter, the January alloy surcharge is lower than in December but will rise slightly in February. As a result, nickel-related inventory losses continue to impair results in the first quarter due to the lower alloy surcharge. At current nickel price level, the losses due to the timing differences between the alloy surcharge and inventory turnover are estimated to be in the range of EUR 50-70 million.

Outokumpu's operating profit for the first quarter 2008 is estimated to be better than in the previous quarter, assuming no major further negative impact from nickel price volatility. Outokumpu's underlying operational result in the first quarter, excluding nickel-related inventory losses and non-recurring items, is expected to be somewhat better than in the fourth quarter 2007.

CEO **Juha Rantanen:**

" I am really pleased to see that we achieved good financial results in spite of the very turbulent markets. We achieved our financial target of return on capital employed above 13% and strengthened our balance sheet considerably. However, last year also demonstrated that our current business model is exposed to external volatility with earnings varying a lot between first and second part of the year. Thus, the strategy we announced in September 2007 is very crucial for our future. It is all about building a more stable and predictable business model with a more balanced customer and product portfolio. Major investment decisions were already taken last fall to realize the strategy. The most recent decision, investing into ferritics and bright annealed capability at Tornio Works is another important step in line with our strategy as it will further balance our product portfolio and increase the end user business."

The attachments present the Management analysis of the fourth quarter operating result 2007 and a summary of the Review by the Board of Directors for January-December 2007 as well as extracts from the financial statements. This report is audited.

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@outokoumpu.com

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

News conference and live webcast today at 2.30 pm

A combined news conference, conference call and live webcast concerning the annual accounts 2007 will be held on January 31, 2008 at 2.30 pm Finnish time (7.30 am US EST, 12.30 pm UK time, 1.30 pm CET) at Hotel Kämp, conference room Akseli Gallen-Kallela, Pohjoisesplanadi 29, 00100 Helsinki, Finland.

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

UK	+44 20 7162 0125
US & Canada	+1 334 323 6203
Password	Outokumpu

The news conference can be viewed live via Internet at www.outokumpu.com.

Stock exchange release and presentation material will be available before the news conference at www.outokumpu.com -> Investors -> Downloads.

An on-demand webcast of the news conference will be available at www.outokumpu.com as of January 31, 2008 at around 6.00 pm.

An instant replay service of the conference call will be available until Tuesday February 5, 2008 on the following numbers:

UK replay number	+44 20 7031 4064, access code: 781461
US & Canada replay number	+1 954 334 0342, access code: 781461

OUTOKUMPU OYJ
Corporate Management

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

MANAGEMENT ANALYSIS – FOURTH QUARTER 2007 OPERATING RESULT

Group key figures

EUR million	I/06	II/06	III/06	IV/06	2006	I/07	II/07	III/07	**IV/07**	**2007**
Sales										
General Stainless	1 013	1 066	1 130	1 561	4 770	1 700	1 670	879	**1 073**	**5 321**
Specialty Stainless	650	638	614	821	2 723	1 003	1 028	687	**738**	**3 456**
Other operations	87	93	97	85	361	64	63	53	**57**	**237**
Intra-group sales	-342	-405	-394	-560	-1 700	-638	-669	-391	**-403**	**-2 101**
The Group	1 408	1 392	1 447	1 907	6 154	2 129	2 092	1 227	**1 465**	**6 913**
Operating profit										
General Stainless	43	91	166	236	536	245	188	-224	**11**	**220**
Specialty Stainless	22	65	81	171	338	182	196	-51	**9**	**337**
Other operations	2	-8	-13	-16	-35	1	19	8	**-6**	**21**
Intra-group items	-0	1	-3	-13	-15	-4	2	11	**2**	**11**
The Group	67	149	231	378	824	424	406	-256	**15**	**589**

Stainless steel deliveries

1 000 tons	I/06	II/06	III/06	IV/06	2006	I/07	II/07	III/07	**IV/07**	**2007**
Cold rolled	286	239	200	211	936	220	186	117	**180**	**703**
White hot strip	104	103	80	103	390	94	94	49	**78**	**314**
Quarto plate	44	44	35	39	162	39	41	30	**36**	**146**
Tubular products	20	20	16	18	74	20	17	13	**15**	**65**
Long products	14	15	14	16	59	16	15	10	**12**	**54**
Semi-finished products	43	47	47	58	195	40	46	21	**31**	**137**
Total deliveries	510	467	393	445	1 815	430	399	238	**352**	**1 419**

Market prices and exchange rates

		I/06	II/06	III/06	IV/06	2006	I/07	II/07	III/07	**IV/07**	**2007**
Market prices 1)											
Stainless steel											
Base price	EUR/t	1 127	1 342	1 572	1 840	1 470	1 930	1 518	710	**1 058**	**1 304**
Alloy surcharge	EUR/t	844	1 020	1 437	2 064	1 341	2 277	2 913	2 967	**1 939**	**2 524**
Transaction price	EUR/t	1 971	2 362	3 009	3 904	2 811	4 207	4 432	3 677	**2 997**	**3 828**
Nickel	USD/t	14 810	19 925	29 154	33 129	24 254	41 440	48 055	30 205	**29 219**	**37 230**
	EUR/t	12 318	15 836	22 878	25 707	19 317	31 619	35 646	21 983	**20 175**	**27 161**
Ferrochrome (Cr-content)	USD/lb	0.63	0.70	0.75	0.78	0.72	0.77	0.82	1.00	**1.05**	**0.91**
	EUR/kg	1.16	1.23	1.30	1.33	1.26	1.30	1.34	1.60	**1.60**	**1.46**
Molybdenum	USD/lb	23.38	25.01	26.47	25.56	25.10	26.69	30.97	31.97	**32.66**	**30.57**
	EUR/kg	42.86	43.82	45.79	43.73	44.08	44.90	50.65	51.30	**49.71**	**49.17**
Recycled steel	USD/t	200	238	243	239	230	278	287	271	**283**	**280**
	EUR/t	167	189	191	185	183	212	213	197	**195**	**204**
Exchange rates											
EUR/USD		1.202	1.258	1.274	1.289	1.256	1.311	1.348	1.374	**1.448**	**1.371**
EUR/SEK		9.352	9.298	9.230	9.135	9.254	9.189	9.257	9.264	**9.288**	**9.250**
EUR/GBP		0.686	0.688	0.680	0.673	0.682	0.671	0.679	0.680	**0.708**	**0.684**

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

Drop in nickel price led to substantially lower alloy surcharge in the fourth quarter

In the fourth quarter, apparent consumption of stainless steel flat products was 3% higher globally and 10% higher in Europe than in the third quarter. After collapsing in the summer from its all-time-high of 54 200 USD/ton to around 25 000 USD/ton, nickel prices stabilized around 30 000 USD/ton and distributor demand in Europe for stainless steel standard products started to recover. Following the dramatic de-stocking in the summer, order intake for standard products returned to more normal levels after the third quarter. Both end-user demand and demand for special grades and project deliveries remained at healthy levels.

As a result of very thin European market activity during the de-stocking phase, a total price for standard products instead of a base price plus alloy surcharge was applied and no base prices were reported by CRU between July and October. Stainless steel base prices were applied and reported from November onwards again. According to CRU, the base price for 2mm cold rolled 304 stainless steel sheet in Germany was 1 050 EUR/ton in November and rose to 1 125 EUR/ton in December. Using a calculated value for the base price (transaction price minus alloy surcharge) for October, the average base price for the fourth quarter was 1 058 EUR/ton. According to CRU, as a result of the sharp correction in the nickel price, the alloy surcharge dropped by 35% to an average of 1 939 EUR/ton in the fourth quarter. The average transaction price in the fourth quarter was 2 997 EUR/ton, down by 18% from the previous quarter. Price differences between Chinese and European stainless steel are currently small which has reduced Chinese imports to the European market.

Among the alloying elements, the price of nickel averaged 29 219 USD/ton in the fourth quarter, down by 3% on III/2007. Demand for ferrochrome was up by 6% compared to the previous quarter partly as a result of increased production of ferritic stainless steel. The average price was 1.05 USD/lb, up by 5% from III/07. The contract price for I/08 was agreed at 1.21 USD/lb. Supply of molybdenum was fairly balanced in the period and the average price increased by 2% to 32.66 USD/lb. The price of recycled steel increased to 283 USD/ton, up by 4% from the previous quarter.

Recovery in the demand for stainless steel resulted in increased deliveries and improved profitability in the fourth quarter

Group sales in the fourth quarter totaled EUR 1 465 million, 19% up on III/2007. Deliveries improved by 48% to 352 000 tons. The gradual recovery in demand for stainless steel standard products after the de-stocking phase and the seasonally low third quarter were the main reasons behind the improvement in delivery volumes.

Operating profit for the period totaled EUR 15 million. This figure includes some EUR 100 million nickel-related inventory losses split fairly evenly between General and Specialty Stainless. Excluding nickel-related inventory losses in the operating profit, Outokumpu's underlying operational result for the fourth quarter improved to some EUR 115 million (III/07: some EUR 35 million). The profitability improvement is mainly attributable to increased deliveries. Return on capital employed was 1.4% (III/07: -22.3%).

Nickel-related inventory losses are a result of timing differences between the alloy surcharge and inventory turnover. As the alloy surcharge in the fourth quarter reflected a lower nickel price than the original nickel purchase price, this has resulted in nickel price losses.

In the fourth quarter, EUR 447 million was released from working capital primarily due to the decline in nickel prices and to the decrease in inventory volumes. As a result, net cash generated from operating activities improved to EUR 299 million (III/07: EUR 161 million). Earnings per share totaled EUR -0.09, with earnings per share from continuing operations EUR 0.04 and from discontinued operations EUR -0.13.

Sales by General Stainless totaled EUR 1 073 million, up by 22% from III/07, and deliveries increased to 305 000 tons, 54% higher than in III/2007. Operating profit totaled EUR 11 million (III/2007: EUR 224 million loss), of which Tornio Works posted EUR 3 million (III/2007: EUR 195 million loss). The main factors contributing to the better result were improved delivery volumes and lower nickel-related inventory losses.

Sales by Specialty Stainless totaled EUR 738 million, up by 7% compared to the previous quarter. Deliveries increased by 22% to 133 000 tons. Specialty Stainless' operating profit totaled EUR 9 million (III/2007: EUR 51 million loss). The main reasons for the improved profitability were higher delivery volumes and lower nickel-related inventory losses.

Operational Excellence programs expanded

Both Production and Commercial Excellence programs are proceeding well and are ahead of schedule and have delivered cumulative benefits of some EUR 70 million (EUR 25 million in 2006 and EUR 45 million in 2007) from the start of the program in 2005 until the end of 2007, clearly above the estimated EUR 40 million. The profitability improvement target for 2008 compared to 2005 is EUR 80 million.

The excellence initiatives were expanded into Supply Chain Excellence, where supply chain management will initially focus on procurement. This expansion means that the set total benefits of all the excellence programs were increased from a figure of EUR 160 million from 2009 onwards to EUR 200 million in 2009 and EUR 300 million from 2010 onwards.

Further investment decisions supporting the strategy

In October, new investment decisions were made worth a total of some EUR 240 million over the next five years. In line with the new strategy phase, announced in September 2007, Outokumpu is investing in both value-added special products capacity and stock and processing capacity in order to increase the share of direct, end-user and project sales and to broaden the product range.

EUR 220 million will be invested in the Group's hot rolled plate (quarto plate) capacity in Sweden and in the US increasing it by a total of some 100 000 tons. In Degerfors in Sweden, capacity will be expanded by some 80 000 tons to 190 000 tons through an investment totaling EUR 180 million. In New Castle in the US, an investment of EUR 40 million will increase current capacity by some 20 000 tons to 70 000 tons. The majority of the cash out-flows resulting from this five year investment schedule will take place in 2008 and 2009.

To improve and expand Outokumpu's service offering to end-user and project customers in Germany, EUR 20 million will be invested in stock and processing capability at the service center in Willich in north-west Germany. Annual stock and processing capacity at Willich will be increased by 50 000 tons to some 110 000 tons by 2009.

Events after the review period

Today, the Board of Directors made a decision to invest EUR 370 million over three years to broaden the product range of Tornio Works. In order to increase the share of direct end-user and project sales and to expand the value-added special stainless steel products capacity, Outokumpu will start producing high-quality ultra-clean ferritic stainless steel grades, as well as bright-annealed austenitic and ferritic stainless products. The investment, together with the on-going replacement of the no. 2 annealing and pickling line, will increase the total finished products installed capacity of Tornio Works from the current 1.2 million tons to some 1.3 million tons by the end of 2010.

The investment also includes a service center especially for bright-annealed austenitic and ferritic products near Stuttgart in Southern Germany. The annual processing capacity for the service center will be some 60 000 tons and will be in place by the end of 2010.

Outokumpu to align its organization to support the next phase in its strategic development

To facilitate the new phase in strategy development, Outokumpu is aligning its organization into an integrated model that emphasizes the one-company approach towards customers. This new organization is designed to serve customers in an optimal way and sales are being organized into customer segment groups served by dedicated teams.

In the integrated organization, business units are responsible for both product strategy and overall profitability. The cross-organizational Group Sales and Marketing function is responsible for the delivery of commercial targets, and Supply Chain Management is responsible for end-to-end delivery performance.

Change in the alloy surcharge calculation method for deliveries started in January 2008

The alloy surcharge reflects the cost of raw materials for stainless steel and is added to the so-called base price resulting in transaction price, which is payable by the customer.

As of January 2008, Outokumpu is applying a new method for calculating the alloy surcharge. The alloy surcharge is based on the 30-day average raw material prices calculated backwards from the 20th day of the previous month. In this new method, only the reference period has changed, and all other parameters remain as before. The old alloy surcharge calculation method was based on average raw material prices in two and three months prior to delivery.

Outokumpu has changed the calculation method for the alloy surcharge in its stainless steel pricing in order to bring more stability in the stainless steel market and to ultimately reduce the raw material price volatility.

The new alloy surcharge calculation period is shorter than the Group’s production cycle. If nickel prices are very volatile, this may result in substantial nickel-related inventory gains or losses.

Repurchase of Outokumpu shares in November

Based on the authorization given by the Annual General Meeting on March 28, 2007, Outokumpu repurchased one million of its own shares between November 1 and 6, 2007 for a total amount of EUR 24.9 million. The shares represent some 0.6% of the company’s share capital and voting rights. After the share buy back, Outokumpu holds 1 218 603 treasury shares (0.7% of the company’s share capital and votes). Shares repurchased are to be used mainly in the company’s share based incentive schemes.

Only minor financial impact from the Salaried Employees strike at Tornio Works in October

From October 22-26, operations at Tornio Works were affected by a strike by the Union of Salaried Employees in Finland, which suspended most stainless steel production at the plant. As the duration of the strike was short, direct effects on the Group’s results were marginal.

SUMMARY OF THE REVIEW BY THE BOARD OF DIRECTORS FOR 2007

Good financial performance and major investment decisions supporting strategic development

The new phase of strategic development in Outokumpu's vision of becoming the undisputed number one in stainless steel - delivering a more stable and profitable business model - was initiated. The main targets are to increase the share of sales to end-users and project customers, to increase the share of value-added special grades and also address the most attractive growth opportunities, while at the same time maintaining cost leadership in standard grade volume production. Major investment decisions relating to special grades capacity and the Group's stock and processing network were therefore made.

Cost cutting initiatives were completed as planned and good progress was achieved in the Operational Excellence programs.

Group sales for 2007 rose by 12% to EUR 6 913 million. Stainless steel deliveries fell by 22% to 1 419 000 tons. Operating profit totaled EUR 589 million (2006: EUR 824 million). Underlying operational result for 2007 was however some EUR 800 million (2006: EUR 650 million). Operating profit includes some EUR 230 million of nickel-related inventory losses (2006: EUR 175 million gains). Nickel is the main alloying material used in production of stainless steel.

In 2007, mainly as a result of a sharp decline in the nickel price, some EUR 181 million was released from working capital and the Group's working capital at the end of 2007 was EUR 1 885 million. Net cash generated from operating activities was EUR 676 million (2006: EUR 35 million negative).

Return on capital employed was 13.9% and gearing improved to 23.6%, achieving the Group´s targets of more than 13% return on capital employed and gearing below 75%. Earnings per share totaled EUR 3.52, and earnings per share from continuing operations EUR 3.63. Outokumpu's Board of Directors has approved a revision of the Group's dividend policy to stress the importance of payout stability. The Board of Directors is proposing to the Annual General Meeting a dividend of EUR 1.20 per share to be paid for 2007 (2006: EUR 1.10). The dividend corresponds to a payout ratio of 33.9% in 2007.

Turbulence in stainless steel markets with historical price peak and trough

Global apparent consumption of stainless steel flat products in 2007 was only 1.2% higher than in 2006 despite good underlying demand. According to CRU, China was the fastest growing area with growth of 5.6%. In Europe consumption of stainless steel fell by 2%.

The first half of 2007 was characterized by strong demand for stainless steel and record-high transaction prices. The price of nickel rose strongly in January-May, reached a record high of 54 200 EUR/t in May but collapsed in the summer to 25 000 before stabilizing around 30 000 EUR/t. This collapse weakened stainless steel order intake as buyers postponed their purchases in expectation of lower transaction prices. A strong de-stocking phase in the distributor sector started, as markets turned oversupplied. As a result, stainless steel producers cut back production strongly to balance the oversupplied markets during the second and third quarter of 2007. Underlying demand for stainless steel remained healthy. After the nickel price stabilized in the autumn and distributors' inventories had fallen to more normal levels, buyers returned to the markets, order intake for standard products began to recover and base prices increased gradually in the fourth quarter of 2007.

According to CRU, the German base price for cold rolled 304 2mm stainless steel sheet in 2007 was 2 020 EUR/t in January and 1 125 EUR/t in December. Due to the very thin market activity in July-October, no base prices were reported by CRU in this period. Using a calculated value for the base price (transaction price minus alloy surcharge) in July-October, the average base price for 2007 was 1 304 EUR/ton. As a result of the record high nickel price during 2007, the alloy surcharge almost doubled from 2006 and the average was 2 524 EUR/t in 2007. The average transaction price for stainless steel in 2007 was 3 828 EUR/ton, 36% higher than in 2006.

Market volatility continued for main alloying materials used in the production of stainless steel: nickel, ferrochrome and molybdenum. Nickel markets were extremely volatile in 2007. The price of nickel rose continuously from the beginning of the year peaking at 54 200 USD/t in mid-May. Since then, the price of nickel dropped sharply until reaching a level of 25 000 USD/t in mid-August, and remained at levels around 25 000-33 000 USD/t ending the year at 25 805 USD/t. The average nickel price for 2007 was 37 230 USD/t, up 54% on 2006. Ferrochrome markets tightened in the course of 2007. Demand for ferrochrome increased by 14% in 2007, led especially by China where, according to CRU, stainless steel production increased by 42%. The average contract price in 2007 was 0.91 USD/lb, 26% higher than in the previous year. The contract price was on a rising trend and ended the year at 1.05 USD/lb. Markets for molybdenum remained tight in 2007. The price of molybdenum in 2007 was 30.57 USD/lb, up 22% from the previous year. The average price of recycled steel was 280 USD/t in 2007, up by 22% from 2006.

High transaction prices increased sales

Sales

EUR million	**2007**	2006	Change, %
General Stainless	**5 321**	4 770	12
Specialty Stainless	**3 456**	2 723	27
Other operations	**237**	361	-34
Intra-group sales	**-2 101**	-1 700	24
The Group	**6 913**	6 154	12

Stainless steel deliveries

1 000 tons	**2007**	2006	Change, %
Cold rolled	**703**	936	-25
White hot strip	**314**	390	-19
Quarto plate	**146**	162	-10
Tubular products	**65**	74	-12
Long products	**54**	59	-8
Semi-finished products	**137**	195	-30
Total deliveries	**1 419**	1 815	-22

Group sales for 2007 increased to EUR 6 913 million, up by 12% on the previous year. Sales increased mainly as a result of strong stainless steel demand and very high transaction prices during the first half of the year. Stainless steel deliveries by the Group declined by 22% to 1 419 000 tons mainly due to the weak demand for standard products in the second half of the year. Sales by General Stainless increased by 12% and sales by Specialty Stainless were up by 27% from 2006.

The European share of Group sales decreased slightly to 73% in 2007 (2006: 76%). The shares taken by Asia and the Americas were 12% (2006: 11%) and 12% (2006: 10%), respectively.

Operating profit at a good level

EUR million	**2007**	2006	Change
Operating profit			
General Stainless	**220**	536	-316
Specialty Stainless	**337**	338	-1
Other operations	**21**	-35	56
Intra-group items	**11**	-15	26
Operating profit	**589**	824	-235
Share of results in associated companies	**4**	8	-4
Financial income and expenses	**206**	-48	254
Profit before taxes	**798**	784	14
Income taxes	**-138**	-178	40
Net profit, continuing operations	**660**	606	54
Net profit, discontinued operations	**-18**	357	-375
Net profit for the financial year	**641**	963	-322
Return on capital employed, %	**13.9**	20.7	-6.8
Earnings per share from continuing operations, EUR	**3.63**	3.34	0.29
Earnings per share, EUR	**3.52**	5.31	-1.79

Operating profit totaled EUR 589 million in 2007. Operating profit was down from the record-high level achieved in 2006, as the sudden mid-year collapse in the nickel price froze demand and turned the healthy level of deliveries in the first half of 2007 to very low volumes in the second half. Also, significant nickel-related inventory gains that occurred in the first half of 2007 turned into inventory losses during the second half of the year. In total for 2007, nickel related inventory losses amounted to EUR 230 million (2006: EUR 175 million gains). The underlying operational result was some EUR 800 million (2006: EUR 650 million). Operating profit for 2007 included EUR 14 million of net positive non-recurring items due to an EUR 25 million gain from the sale of the Hitura mine and EUR 11 million net non-recurring costs related to the restructuring of the Group’s Thin Strip operations in the UK.

Return on capital employed was 13.9% (2006: 20.7%), exceeding the Group´s target of 13%.

Net financial income totaled EUR 206 million. Financial income in 2007 included EUR 268 million of non-recurring gains. These comprise a EUR 142 million tax-free non-recurring gain from the sale of the remaining 12% holding in Outotec Oyj and a EUR 110 million tax-free non-recurring gain from the Talvivaara transaction. Net interest expenses fell slightly to EUR 58 million (2006: EUR 62 million). Taxes totaled EUR 138 million. The effective tax rate was low at 17%, mainly due to the tax-free non-recurring gains mentioned above.

Net profit for the period from continuing operations totaled EUR 660 million and net loss from discontinued operations totaled EUR 18 million. Group earnings per share totaled EUR 3.52, with earnings per share from continuing operations EUR 3.63 and from discontinued operations EUR 0.10 negative.

Capital structure strengthened

Key financial indicators on financial position

EUR million	**2007**	2006
Net interest-bearing debt		
Long-term debt	**1 046**	1 293
Current debt	**464**	685
Total interest-bearing debt	**1 510**	1 977
Interest-bearing assets	**-589**	-515
Net assets held for sale	**-132**	-162
Net interest-bearing debt	**788**	1 300
Shareholders' equity	**3 337**	3 054
Debt-to-equity ratio, %	**23.6**	42.3
Equity-to-assets ratio, %	**56.5**	47.9
Net cash generated from operating activities	**676**	-35
Net interest expenses	**58**	62

Outokumpu’s financial position strengthened further during 2007. Net interest-bearing debt fell by EUR 512 million to EUR 788 million. At the end of 2007, the Group´s equity-to-assets ratio stood at 56.5%. Gearing improved to 23.6%, significantly better than the Group´s target of below 75%.

The Group´s net cash generated from operating activities totaled EUR 676 million (2006: EUR 35 million negative). EUR 181 million was released from working capital in 2007 primarily as a result of lower inventory volumes and lower nickel prices in the second half of the year. At the end of the second quarter after the peak of the nickel price, working capital was in excess of EUR 2.5 billion and reduced to EUR 1 885 million at the end of 2007.

Capital expenditure

Capital expenditure

EUR million	**2007**	2006
General Stainless	**57**	83
Specialty Stainless	**69**	95
Other operations	**64**	9
The Group	**190**	187
Depreciation	**204**	221

Capital expenditure totaled EUR 190 million, somewhat below the annual depreciation level. The largest investments were the expansion at Kloster in Sweden, replacement of an annealing and pickling line at Tornio Works in Finland, purchase of the 11.6% minority share in OSTP, and participation in Talvivaara IPO.

After the EUR 55 million expansion at Kloster, Sweden, production was ramped up in the beginning of 2007. This investment increased the mill's annual capacity in special products from 25 000 tons to 45 000 tons and enabled the production of thinner (0.12 mm) and wider (1 050 mm) products.

At Tornio Works, the EUR 13 million investment in batch annealing furnaces enabling annual production of 60 000 tons of ferritic stainless steel was completed. The first deliveries took place during II/2007.

Replacement of one of the five annealing and pickling lines at Tornio Works provides additional production capacity totaling 75 000 tons of cold rolled products. It also improves Outokumpu’s ability to produce brighter ferritic steel grades and enhances Group flexibility in meeting customer needs. The total investment at Tornio will be EUR 90 million, spread over 2007-2009.

At Thin Strip Nyby in Sweden, EUR 27 million is being invested in equipment for surface grinding and automatic storage and retrieval. This investment will increase the proportion of special grade sales at the expense of standard grade products and will result in annual special grades capacity in cold rolled stainless steel products being scaled up from 34 000 to 64 000 tons by the end of 2008.

Major investment decisions support Group strategy

In September 2007, Outokumpu launched the next phase in the Group's strategy development towards being the undisputed number one in stainless. In this phase, the focus is on developing and securing a more stable and profitable business model to balance the effects of volatility in the market for stainless steel standard products. Growth prospects related to both the size and geographical coverage of the Group will also be addressed. This entails increasing the proportion of direct end-user and project sales from its current level of 35% to at least 50% over the next five years. It also includes expansion of capacity in value-added special products from one third to half, while maintaining cost leadership in standard grade volume production.

Increasing Outokumpu's capacity in value-added special products will include a broadening of the range of grades manufactured and an increase in the production of low-nickel duplex grades. Growth targets also include a scaling up of production capacity in ferritic grades to help reduce the earnings cyclicality driven by volatile nickel prices.

In September, as a major step in increasing the Group's capacity in value-added special products, Outokumpu decided on an investment of EUR 550 million, over the next three years, to expand capacity in special grades at Avesta Works in Sweden. This investment will increase finished products capacity at Avesta from its current 250 000 tons to some 650 000 tons by mainly duplex grades, with the additional capacity operational in 2010.

In October, an investment decision was made to expand Outokumpu's capacity in hot rolled plate (quarto plate) at Degerfors, Sweden by 80 000 tons and at New Castle (IN) in the US by 20 000 tons. Following the EUR 220 million investments, total quarto plate capacity will increase from its current level of 160 000 tons to 260 000 tons in 2010.

The transformation towards increased end-user and project sales requires investment into the Group's service capabilities. To this end, Outokumpu's service center network is being upgraded and expanded.

In March, a new service center for plate and tubular products was opened on the Group's site at Sheffield in the UK. The plate service centers in Jyväskylä in Finland and in Eskilstuna in Sweden were revamped and expanded during 2007.

The Group's service center in Italy is to be restructured and expanded. This EUR 70 million investment will increase capacity at this service center from its current level of 40 000 tons to some 110 000 tons from 2010 onwards.

To serve the growing markets in Eastern Europe better, a new stainless steel service center is being established near Katowice in the south of Poland. This EUR 20 million investment in a combined coil and plate facility is scheduled to be operational during the first half of 2009.

To establish presence in growing Asian markets, a new service center with the annual capacity to stock and process some 50 000 tons of stainless steel coil, will be built in the western part of India. The investment totals EUR 30 million and the service center is scheduled to be operational in the first half of 2009. A new service center will also be built near Shanghai in China. This investment of EUR 20 million will result in capacity to stock and process some 30 000 tons of mainly special grades from 2010 onwards.

The Group's service center in Willich, Germany, will be upgraded. An investment of EUR 18 million will increase its current capacity from some 60 000 tons to 110 000 tons in 2009.

To expand the Group's geographical coverage, in addition to the above mentioned service centers, Outokumpu is currently conducting a feasibility study on the building of a 250 000 ton stainless steel cold rolling mill in India. Finalization of the study is expected in II/2008. The possibility of utilizing some equipment from the Group's cold rolling mill in Sheffield, closed in 2006, is being evaluated.

The total estimated EUR 1.3 billion cash outflow of strategy related investments decided in 2007 (including the Tornio investment announced on January 31, 2008), is estimated to materialize as follows: EUR 300 million in 2008, EUR 650 million in 2009, EUR 260 million in 2010, EUR 80 million in 2011 and EUR 20 million in 2012. In addition, the Group's annual maintenance capital expenditure frame for 2008-2010 is estimated to be EUR 150 million.

Acquisitions and divestments

In March, OSTP (Outokumpu Stainless Tubular Products) sold its flange business in order to focus on pipes, tubes, butt-welded and threaded fittings. The purchaser was a subsidiary of Shree Ganesh Forgings Ltd, an Indian company. This divestment had no significant impact on Group results.

In April, Outokumpu sold its remaining 12% shareholding in Outotec Oyj to institutional investors. The net proceeds from the sale totaled EUR 158 million and a tax-free non-recurring gain of EUR 142 million was recognized in the Group's financial income.

In May, Outokumpu acquired Swedish Sandvik's 11.6% minority shareholding in OSTP for EUR 22 million. Full ownership in OSTP enables Outokumpu to further develop the business in line with its strategy of increasing the proportion of special products with higher added value.

Outokumpu divested the Talvivaara exploration project in 2004 as part of its Exit Mining program, and held an option to subscribe for shares with a 20% discount in a possible initial public offering (IPO), representing up to 5% ownership in the company. The IPO of Talvivaara Mining Company Ltd. was carried out and the company's shares were listed on the London Stock Exchange on May 30, 2007. Outokumpu subscribed for 10.9 million shares for a total consideration of EUR 32 million, representing a holding of 4.9%. Outokumpu also exercised its option, part of the divestment agreement, to acquire a 20% stake in the Talvivaara nickel mining project company (Talvivaara Project Ltd.) owned by Talvivaara Mining Company Ltd., for a total consideration of one euro. The fair valuation of Outokumpu's 20% stake resulted in a tax-free non-recurring gain of EUR 110 million, which was recognized in financial income.

In June, Outokumpu sold the Hitura nickel mine in Finland to Belvedere Resources Ltd. of Canada. Hitura produces some 2 200 tons of nickel in concentrate annually and employs 90 people. Outokumpu recognized a non-recurring gain of EUR 25 million from this transaction. The Hitura mine was the last remaining asset in Outokumpu's Exit Mining program.

In June, Outokumpu announced its participation in a new Finnish power company Fennovoima Oy, a consortium consisting of Outokumpu, Boliden, Rauman Energia, Katternö and E.ON. Fennovoima's aim is to construct a new 1 500 – 2 500MW nuclear power plant to meet Finland's increasing need for electricity. Operation of the plant is planned to start by year 2018. By participating in Fennovoima, Outokumpu's aim is to secure a significant portion of its electricity needs in years to come.

Discontinued operations

Outokumpu´s discontinued operations includes the Outokumpu copper tube and brass business in Europe. Outokumpu´s intention is to divest this business. In 2007, sales by the tube and brass businesses totaled EUR 599 million with an operating loss of EUR 8 million. Operating capital at the end of December 2007 totaled EUR 130 million. Net profit from discontinued operations totaled EUR 18 million negative (2006: EUR 357 million profit). In 2006, net profit from discontinued operations also comprised operating result of Outokumpu Technology (later Outotec Oyj) for the I-III/2006 period and the gain on the sale of shares in the company.

Operational Excellence and profitability improvement initiatives progressed well

Both Production and Commercial Excellence programs have been proceeding well and are ahead of schedule and have delivered cumulative benefits of some EUR 70 million (EUR 25 million in 2006 and EUR 45 million in 2007) from the start of the program in 2005 until the end of 2007, clearly above the estimated EUR 40 million. The profitability improvement target for 2008 compared to 2005 is EUR 80 million.

Encouraged by the success of the on-going Production and Commercial Excellence programs the excellence initiatives were expanded into supply chain management. The first phase of the Supply Chain Excellence program concentrates on procurement. Due to the expansion, the total original EUR 160 million benefit target of the Operational Excellence programs for the year 2009 was raised to EUR 200 million and the target from 2010 onwards to EUR 300 million.

In the Group´s cost cutting initiatives, initiated in 2005 and completed in 2006, full effect of the EUR 150 million lower comparable fixed cost running rate was achieved in 2007.

Stainless steel price calculation method revised

Outokumpu changed its calculation method for the alloy surcharge in stainless steel pricing starting from stainless steel deliveries for January 2008. Outokumpu´s alloy surcharge is now based on the 30-day average price of raw materials calculated backwards from the previous month´s 20th day. The former alloy surcharge was based on the average raw material prices two and three months prior to delivery.

Outokumpu has changed the calculation method in order to bring more stability in the stainless steel market and to ultimately reduce the raw material price volatility. The new alloy surcharge calculation period is shorter than Outokumpu's production cycle. In case of a very volatile nickel price, this may result in substantial nickel related inventory gains or losses.

Class actions 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 several complaints in cases filed in federal district courts and state courts in the US by various plaintiffs. The complaints allege claims and damages under US antitrust laws and purport to be class actions on behalf of all direct and indirect purchasers of copper plumbing tubes and ACR tubes in the US. Outokumpu believes that the allegations in these cases are groundless and will defend itself in any such proceeding. In connection with the transaction to sell the fabricated copper products business to Nordic Capital, Outokumpu has agreed to indemnify and hold harmless Nordic Capital with respect to these class actions.

Customs investigation of exports to Russia by Outokumpu Tornio Works

In March, 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 summer of 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, after carrying out its investigation, the 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.

Risk management

Outokumpu operates in accordance with the Board-approved risk management policy, which defines the objectives, approaches and areas of responsibility of risk management. Risk management supports the Group's strategy and it also helps to define a balanced risk profile from the perspective of shareholders as well as other stakeholders. Outokumpu categorizes risks to being strategic/business, operational or financial.

The most important strategic and business risks include overcapacity of stainless steel production, product substitution and cyclical nature of stainless steel demand. There is lots of investment activity in the sector in China and this may lead to overcapacity of cold rolled stainless production. In order to mitigate risk related to the cyclical nature of the business and risk of product substitution, Outokumpu aims to increase sales to end-users and to widen its product offering.

Operational risks arise as a consequence of inadequate or failed internal processes, employees' actions, systems or other events, such as natural catastrophes and misconduct or crime. Property damage and business interruption caused by fire at some major site is a key risk concern for the Group. Outokumpu has a systematic fire audit program in place and part of hazard risk is covered with insurances. In last year Outokumpu strengthened the internal organization for corporate security and started focused security audits at sites.

Financial risks include exposure to market prices, capability to maintain adequate liquidity and exposure to default risk. The most important market risks for Outokumpu include variation in nickel price, Swedish krona exchange rate against euro and the value of the US dollar. Outokumpu has also significant exposures to equity and loan security prices. Part of Group's market risks is mitigated with use of financial derivative contracts. Liquidity and refinancing risk is taken into account in capital management decisions. It is Outokumpu's aim to mitigate significant part of credit risk with insurances and other arrangements.

Environment, health and safety

In the European Union, preparations for emission trading in the Kyoto-period 2008-2012 are ongoing. By the end of the year the allocation was clear for Tornio Works in Finland and Sheffield melt shop in the UK. In Sweden, the final decision was still pending, but according to the information received, the total amount allocated to the installations in the UK, Sweden and Finland are estimated to be enough for the Group's planned production. The scope of emission trading was extended to heat treatment installations in Sweden.

Carbon dioxide emissions for the Group were about 1 000 000 tons in 2007 at almost the same level as in 2006. Due to changes in product mix and raw material base, production cuts, performance improvements and better energy efficiency, all sites had surplus of allowances. In 2007, the Group sold

364 000 tons of carbon dioxide allowances. The permission for allowances for the period 2008 – 2012 was applied for.

In 2007, at Outokumpu sites, emissions to air and discharges to water in 2007 mostly remained 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.

At the beginning of 2007, the steel melting shop in Tornio began monitoring dust particle emissions using a continuous emission measurement system. These continuous measurements provide emission data on a daily basis, helping to detect and repair potential filter leakages more quickly. A new dust filter was also installed at the Tornio cold rolling unit in August 2007.

In 2007, the lost-time injury rate (i.e. lost-time accidents per million working hours) improved clearly to 11 (2006: 17) and was below the Group´s annual target of 2007 (less than 12). No severe accidents were reported during the review period.

In September, the results of the annual review carried out for the Dow Jones Sustainability Indexes (DJSI) by the Sustainable Asset Management Group (SAM) were published. Outokumpu retained its position in the Pan-European Dow Jones STOXX Sustainability Index (DJSI STOXX) and was also accepted into the Dow Jones Sustainability World Index (DJSI World). In January 2008, Outokumpu was given the title of "SAM Sector Mover" for having shown the greatest relative improvement in its sustainability performance and for its outstanding achievements in the area of sustainability.

In the Carbon Disclosure Project (CDP), published in September, Outokumpu was for the first time included in the Climate Disclosure Leadership Index (CDLI). Among all carbon intensive companies, Outokumpu was ranked number eight and was the best of the Nordic Metals and Mining companies.

Outokumpu's corporate responsibility report – Outokumpu and the environment 2007 – is based on the Global Reporting Initiative (GRI). The report will be published together with the annual report.

Research and development

Group expenditure on research and development in 2007 totaled EUR 18 million or 0.3% of sales (2006: EUR 17 million and 0.3%). Outokumpu has research centers in Tornio, Finland and in Avesta, Sweden. Some process and technology development work is also carried out in production units, and there are close links between R&D operations and the Production Excellence program. The R&D function employs almost 200 professionals. Outokumpu conducts research also in collaboration with its customers, research institutes and universities.

The main focus area in 2007 was development new low-nickel and nickel-free stainless steels, which reduce dependence on the volatile nickel price in steel price. Much effort has been put on development of duplex grades, which offer a good combination of high strength and good corrosion resistance. Outokumpu has been able to substantially increase volumes of these products, and customers have also shown growing interest in Outokumpu's LDX 2101®. Production technology for this grade has been improved and new applications are continuously being developed.

Studies on optimum process parameters and product properties for several ferritic grades at production scale continued. The capability to sell and produce different type of Cr-Mn-Ni grades (200-series) is now available.

In addition to new products, R&D operations focus on innovative manufacturing processes that reduce costs, result in lower emissions, shorten lead times and improve quality as well as on new applications for stainless steel. The main subject of environmental research in 2007 was slag utilization. When treated in an optimal manner, slag from steel melt shops is a suitable material for roads and construction beds where it replaces virgin material.

Personnel

Personnel

Dec. 31	**2007**	2006	Change
General Stainless	**3 571**	3 498	73
Specialty Stainless	**4 099**	4 200	-101
Other operations	**439**	462	-23
The Group	**8 108**	8 159	-51

In 2007, the Group's continuing operations employed an average of 8 270 people (2006: 8 505) in some 30 countries. At the end of 2007, the number of personnel employed by the Group was 8 108. Net reduction in the number of personnel in 2007 was 51 (2006: 804). Personnel expenses totaled EUR 499 million (2006: EUR 506 million).

The most visible personnel training and development projects were an extensive training program on Production Excellence and a Strategic Leadership Program. Also, the implementation of Outokumpu's leadership principles, introduced in 2006, continued throughout the Group. The recruitment program for graduates, Stainless Pro, was started in 2007.

Development Dialogues took place with all clerical staff, and the objective is for all Group employees to fall within the sphere of dialogues in 2008. Harmonized performance appraisal and reward models have been in use from the beginning of 2007.

The Outokumpu Personnel Forum held its 16th meeting in Avesta in Sweden. The Group Working Committee, a forum for continuous dialogue between personnel and management, met 7 times during 2007.

The personnel survey O'People was carried out again in 2007, and it mapped out the opinions of employees concerning their working environment and its working practices as well the company strategy and leadership. The results are a basis for further development and change in the working environment and corporate culture throughout the Group.

As entering into the second phase in the Group's strategy development, the organization is being aligned into an integrated model. As a result, a wide-scale internal recruitment was launched at the end of 2007.

Strike by the Union of Salaried Employees in Finland

In October 22-26, the operations at Tornio Works were affected by a strike by the Union for Salaried Employees in Finland suspending most of the stainless steel production operations in Tornio. Due to the short duration of the strike, direct effects to the Group's results were marginal.

Organizational change and appointments in Corporate Management

To facilitate the second phase in its strategy development Outokumpu aligns its organization into an integrated model that emphasizes the one-company approach towards customers. The new organization model, starting from January 1, 2008, is designed to serve customers in an optimal way, and sales will be organized into customer segment groups served by dedicated teams.

In the integrated model, business units are responsible for product strategy and overall profitability. The cross-organizational Group Sales and Marketing function is responsible for delivery of commercial targets, and the Supply Chain Management for end-to-end delivery performance. The new organizational structure will be fully effective as of April 1, 2008.

Bo Annvik was appointed Executive Vice President – Specialty Stainless and a member of Outokumpu’s Group Executive Committee as of June 1, 2007. Mr. Annvik’s current responsibilities include Special Coil and Plate, Thin Strip, OSTP.

Jamie Allan was appointed Executive Vice President – Supply Chain Management and a member of Outokumpu´s Group Executive Committee as of January 1, 2008. Mr. Allan´s responsibility includes supply chain management operations, Production Excellence program and procurement.

Päivi Lindqvist was appointed Outokumpu’s Senior Vice President - Communications and IR as of October 1, 2007. Ms. Lindqvist reports to CEO Juha Rantanen.

Shares and shareholders

According to the Nordic Central Securities Depository, Outokumpu´s largest shareholders by group at the end of 2007 were the Finnish State (31.1%), foreign investors (39.2%), Finnish public sector institutions (15.2%), Finnish private households (7.9%), Finnish financial and insurance institutions (2.9%), Finnish corporations (2.1%) and Finnish non-profit organizations (1.7%).

Shareholders that have more than 5% of shares and votes of Outokumpu Oyj are the Finnish State (31.1%) and the Finnish Social Insurance Institution (8.6%).

At the beginning of the year, Outokumpu´s closing share price was EUR 29.97. At the year-end, the closing share price was EUR 21.21 (2006: EUR 29.66), down 28%. The average share price during 2007 was EUR 24.94 (2006: EUR 19.77). At the year-end, the market capitalization of Outokumpu Oyj shares totaled EUR 3 845 million (2006: EUR 5 376 million). Share turnover in 2007 was 62% higher than in 2006, with 516.4 (2006: 319.3) million shares being traded on OMX Nordic Exchange Helsinki. The total value of share turnover more than doubled to EUR 12 882 million in 2007 (2006: EUR 6 312 million).

At the year-end, Outokumpu´s fully paid share capital totaled EUR 308 247 053.20 and consisted of 181 321 796 shares. The average number of shares outstanding during 2007 was 180 922 336. On January 31, 2008, shares owned by Board members totaled 8 976 and members of the Executive Committee held 41 343 shares and had share options that entitle to subscribe a maximum of 186 140 shares. In addition, based on the share incentive programs the members of the Executive Committee can obtain a maximum of 198 100 shares.

Annual General Meeting 2007

The Annual General Meeting (AGM), held on March 28, 2007, approved a dividend of EUR 1.10 per share for 2006 and dividends totaling EUR 199 million were paid on April 11, 2007.

The AGM authorized the Board of Directors to repurchase a maximum of 18 000 000 of the Company’s own shares. Based on the authorization given by the AGM of March 28, 2007 to repurchase of its own shares, Outokumpu repurchased 1 000 000 of its own shares between November 1 and 6, 2008 for EUR 24.9 million. These shares represent some 0.6% of the company´s share capital and voting rights. After these share repurchases Outokumpu holds 1 218 603 treasury shares, which correspond to 0.7% of Group´s shares and votes. The shares repurchased are mainly to be used in the Outokumpu’s share-based incentive schemes.

The AGM also authorized the Board of Directors to decide to issue shares and grant share entitlements for a maximum of 18 000 000 shares and, in addition, the maximum number of treasury shares to be transferred is 18 000 000. To date, this authorization has not been exercised.

Evert Henkes, Jukka Härmälä, Ole Johansson, Anna Nilsson-Ehle, Leena Saarinen and Taisto Turunen were re-elected as members of the Board of Directors, and Victoire de Margerie and Leo Oksanen were elected as new members. Mr. Härmälä was re-elected as Chairman of the Board of Directors and Mr. Johansson was re-elected as Vice Chairman. The Board of Directors also appointed two permanent committees consisting of Board members. Ole Johansson (Chairman), Leena Saarinen and Taisto Turunen were elected as members of the Board Audit Committee and Jukka Härmälä, Evert Henkes and Anna Nilsson-Ehle were elected as members of the Board Nomination and Compensation Committee.

KPMG Oy Ab, Authorized Public Accountants, was elected as the company’s auditor.

Shareholder´s Nomination Committee

Outokumpu's Annual General Meeting of March 28, 2007 decided to establish a Shareholders' Nomination Committee to prepare proposals on the composition of the Board of Directors along with director remuneration for the following Annual General Meeting. The members represent Outokumpu’s four largest shareholders, registered in the Finnish book-entry securities system as of November 1, 2007, which accepted the assignment. The Shareholders´ Nomination Committee of Outokumpu consists of the following four shareholders: The Finnish State (Jarmo Väisänen, Senior Financial Counsellor, Prime Minister’s Office), The Finnish Social Insurance Institution (Jorma Huuhtanen, Director General), Ilmarinen Mutual Pension Insurance Company (Jussi Laitinen, Chief Investment Officer) and Varma Mutual Pension Insurance Company (Matti Vuoria, President & CEO). Jarmo Väisänen acts as Chairman of the Committee. The Chairman of Outokumpu's Board of Directors Jukka Härmälä serves as an expert member. The Shareholders' Nomination Committee is required to submit its proposals to the Board of Directors of the company by February 1, 2008.

Events after the review period

Today, the Board of Directors made a decision to invest EUR 370 million over three years to broaden the product range of Tornio Works. In order to increase the share of direct end-user and project sales and to expand the value-added special stainless steel products capacity, Outokumpu will start producing high-quality ultra-clean ferritic stainless steel grades, as well as bright-annealed austenitic and ferritic stainless products. The investment, together with the on-going replacement of the no. 2 annealing and pickling line, will increase the total finished products installed capacity of Tornio Works from the current 1.2 million tons to some 1.3 million tons by the end of 2010.

The investment also includes a service center for especially the bright-annealed austenitic and ferritic products near Stuttgart in Southern Germany. The annual processing capacity for the service center will be some 60 000 tons and will be in place by the end of 2010.

Short-term outlook

Underlying demand for stainless steel is healthy. End-user demand and demand for special grades also continues healthy. The current global economic turmoil has however created some uncertainty that might have an impact on overall stainless steel fundamentals.

Distributor inventories for standard products have declined and are at or below long-term average levels. Outokumpu´s order intake for standard products has improved and lead times have normalized. Due to the pick-up in demand for standard products, Outokumpu’s delivery volumes are expected to be close to capacity. The gradual recovery in base prices is expected to continue during the first quarter.

Towards the end of the quarter, base price for cold rolled 304 2mm sheet is expected to be 100-125 EUR/t higher than the December price of 1 125 EUR/t reported by CRU.

Following the decline in nickel price in the fourth quarter, the January alloy surcharge is lower than in December but will rise slightly in February. As a result, nickel-related inventory losses continue to impair results in the first quarter due to the lower alloy surcharge. At current nickel price level, the losses due to the timing differences between the alloy surcharge and inventory turnover are estimated to be in the range of EUR 50-70 million.

Outokumpu’s operating profit for the first quarter 2008 is estimated to be better than in the previous quarter, assuming no major further negative impact from nickel price volatility. Outokumpu’s underlying operational result in the first quarter, excluding nickel-related inventory losses and non-recurring items, is expected to be somewhat better than in the fourth quarter 2007.

Board of Directors proposal for profit distribution and revision of dividend policy

Today, Outokumpu’s Board of Directors has approved a revision of the Group’s dividend policy to stress the importance of payout stability. The approved dividend policy reads as follows: “Payout ratio over a business cycle should be at least one-third of the Group’s profit for the period *with the aim to have stable annual payments to shareholders*. In its annual dividend proposal, the Board of Directors will, in addition to financial results, take into consideration the Group’s investment and development needs.”

The Board of Directors is proposing to the Annual General Meeting to be held on March 27, 2008 a dividend of EUR 1.20 per share to be paid from the parent company’s distributable funds on December 31, 2007 and that any remaining distributable funds be allocated to retained earnings. The suggested dividend record date is April 1, 2008 and the dividend will be paid on April 8, 2008. The payout ratio is 33.9%.

According to the financial statements at December 31, 2007, distributable funds of the parent company totaled EUR 807 million. No material changes have taken place in the company´s financial position after the balance sheet date and the proposed dividend does not compromise the company´s financial standing.

In Espoo, January 31, 2008

Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS

Condensed income statement

EUR million	**Jan-Dec 2007**	Jan-Dec 2006	**Oct-Dec 2007**	Oct-Dec 2006
Continuing operations:				
Sales	**6 913**	6 154	**1 465**	1 907
Other operating income	**82**	44	**18**	5
Costs and expenses	**-6 364**	-5 364	**-1 447**	-1 528
Other operating expenses	**-43**	-11	**-21**	-6
Operating profit	**589**	824	**15**	378
Share of results in associated companies	**4**	8	**-1**	4
Financial income and expenses				
Interest income	**25**	26	**6**	10
Interest expenses	**-82**	-88	**-19**	-21
Market price gains and losses	**0**	12	**2**	-1
Other financial income	**268**	8	**4**	0
Other financial expenses	**-5**	-5	**-1**	-1
Profit before taxes	**798**	784	**7**	369
Income taxes	**-138**	-178	**-0**	-83
Net profit for the period from continuing operations	**660**	606	**7**	286
Discontinued operations:				
Net profit for the period from discontinued operations	**-18**	357	**-23**	317
Net profit for the period	**641**	963	**-16**	603
Attributable to:				
Equity holders of the Company	**638**	962	**-16**	603
Minority interest	**4**	2	**-0**	1
Earnings per share for profit attributable to the equity holders of the Company:				
Earnings per share, EUR	**3.52**	5.31	**-0.09**	3.33
Diluted earnings per share, EUR	**3.50**	5.29	**-0.09**	3.31
Earnings per share from continuing operations attributable to the equity holders of the Company:				
Earnings per share, EUR	**3.63**	3.34	**0.04**	1.58
Earnings per share from discontinued operations attributable to the equity holders of the Company:				
Earnings per share, EUR	**-0.10**	1.97	**-0.13**	1.75

Condensed balance sheet

EUR million	**Dec 31 2007**	Dec 31 2006
ASSETS		
Non-current assets		
Intangible assets	**475**	493
Property, plant and equipment	**1 980**	2 069
Non-current financial assets		
Interest-bearing	**453**	375
Non interest-bearing	**77**	77
	2 986	3 014
Current assets		
Inventories	**1 630**	1 710
Current financial assets		
Interest-bearing	**50**	55
Non interest-bearing	**975**	1 314
Cash and cash equivalents	**86**	85
	2 740	3 164
Assets held for sale	**184**	235
Total assets	**5 910**	6 414
EQUITY AND LIABILITIES		
Equity		
Equity attributable to the equity holders of the Company	**3 337**	3 054
Minority interest	**0**	17
	3 337	3 071
Non-current liabilities		
Interest-bearing	**1 046**	1 293
Non interest-bearing	**337**	337
	1 382	1 630
Current liabilities		
Interest-bearing	**464**	685
Non interest-bearing	**675**	955
	1 139	1 640
Liabilities related to assets held for sale	**52**	73
Total equity and liabilities	**5 910**	6 414

Consolidated statement of changes in equity

EUR million	Share capital	Unregistered share capital	Share premium fund	Other reserves	Fair value reserves	Treasury shares	Cumulative translation differences	Retained earnings	Minority interest	Total equity
	Attributable to the equity holders of the Company									
Equity on January 1, 2006	**308**	**-**	**701**	**11**	**23**	**-2**	**-38**	**1 044**	**15**	**2 062**
Cash flow hedges	-	-	-	-	-3	-	-	-	-	-3
Fair value changes on available-for-sale financial assets	-	-	-	-	124	-	-	-	-	124
Net investment hedges	-	-	-	-	-	-	-2	-	-	-2
Change in translation differences	-	-	-	-	-	-	6	-	0	6
Items recognised directly in equity	-	-	-	-	121	-	4	-	0	125
Net profit for the period	-	-	-	-	-	-	-	962	2	963
Total recognised income and expenses	-	-	-	-	121	-	4	962	2	1 088
Unregistered share capital	-	0	-	-	-	-	-	-	-	0
Dividend distribution	-	-	-	-	-	-	-	-81	-	-81
Management stock option program: value of received services	-	-	-	-	-	-	-	2	-	2
Equity on December 31, 2006	**308**	**0**	**701**	**11**	**144**	**-2**	**-35**	**1 927**	**17**	**3 071**
Cash flow hedges	-	-	-	-	3	-	-	-	-	3
Fair value changes on available-for-sale financial assets	-	-	-	-	13	-	-	-	-	13
Available-for-sale financial assets recognized through P&L	-	-	-	-	-100	-	-	-	-	-100
Net investment hedges	-	-	-	-	-	-	3	-	-	3
Change in translation differences	-	-	-	-	-2	-	-51	-	0	-53
Items recognised directly in equity	-	-	-	-	-86	-	-48	-	0	-134
Net profit for the period	-	-	-	-	-	-	-	638	4	642
Total recognised income and expenses	-	-	-	-	-86	-	-48	638	4	508
Transfers from unregistered share capital	0	-0	-	-	-	-	-	-	-	-
Transfers from retained earnings	-	-	-	5	-	-	-	-5	-	-
Dividend distribution	-	-	-	-	-	-	-	-199	-	-199
Purchases of treasury shares	-	-	-	-	-	-25	-	-	-	-25
Shares subscribed with options	0	-	0	-	-	-	-	-	-	0
Management stock option program: value of received services	-	-	-	-	-	-	-	3	-	3
Purchase of minority in OSTP	-	-	-	-	-	-	-	-	-21	-21
Equity on December 31, 2007	**308**	**-**	**701**	**16**	**57**	**-27**	**-82**	**2 364**	**-**	**3 337**

Condensed statement of cash flows

EUR million	**Jan-Dec 2007**	Jan-Dec 2006
Net profit for the period	**641**	963
Adjustments		
Depreciation and amortization	**204**	229
Impairments	**1**	12
Gain on the sale of Outotec shares	**-142**	-328
Gain on the Talvivaara transaction	**-110**	-
Other adjustments	**199**	215
Increase in working capital	**181**	-975
Dividends received	**13**	7
Interests received	**10**	17
Interests paid	**-83**	-89
Income taxes paid	**-239**	-87
Net cash from operating activities	**676**	-35
Purchases of assets	**-163**	-183
Purchase of Talvivaara shares	**-32**	-
Purchase of the minority in OSTP	**-22**	-
Proceeds from the sale of subsidiaries	**1**	338
Proceeds from the sale of shares in associated companies	**-**	9
Proceeds from the sale of other assets	**15**	20
Net cash from other investing activities	**4**	14
Net cash from investing activities	**-197**	198
Cash flow before financing activities	**479**	163
Purchase of treasury shares	**-25**	-
Borrowings of long-term debt	**151**	174
Repayment of long-term debt	**-388**	-380
Change in current debt	**-180**	3
Dividends paid	**-199**	-81
Proceeds from the sale of Outotec shares	**158**	-
Proceeds from the sale of other financial assets	**6**	-
Other financing cash flow	**1**	-2
Net cash from financing activities	**-477**	-286
Net change in cash and cash equivalents	**2**	-123
Cash and cash equivalents at the beginning of the period	**85**	212
Foreign exchange rate effect	**-1**	-5
Net change in cash and cash equivalents	**2**	-123
Cash and cash equivalents at the end of the period	**86**	85

Key figures

EUR million	**Jan-Dec 2007**	Jan-Dec 2006
Operating profit margin, %	**8.5**	13.4
Return on capital employed, %	**13.9**	20.7
Return on equity, %	**20.0**	37.5
Return on equity from continuing operations, %	**20.6**	23.6
Capital employed at end of period	**4 125**	4 371
Net interest-bearing debt at end of period	**788**	1 300
Equity-to-assets ratio at end of period, %	**56.5**	47.9
Debt-to-equity ratio at end of period, %	**23.6**	42.3
Earnings per share, EUR	**3.52**	5.31
Earnings per share from continuing operations, EUR	**3.63**	3.34
Earnings per share from discontinued operations, EUR	**-0.10**	1.97
Average number of shares outstanding, in thousands [1)]	**180 922**	181 033
Fully diluted earnings per share, EUR	**3.50**	5.29
Fully diluted average number of shares, in thousands [1)]	**181 920**	181 758
Equity per share at end of period, EUR	**18.53**	16.87
Number of shares outstanding at end of period, in thousands [1)]	**180 103**	181 032
Capital expenditure, continuing operations	**190**	187
Depreciation, continuing operations	**204**	221
Average personnel for the period, continuing operations	**8 270**	8 505

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

NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

This annual accounts bulletin is prepared in accordance with IAS 34 (Interim Financial Reporting). The same accounting policies and methods have been followed in the interim financial statements as in the annual financial statements for 2006. The following amended and new International Financial Reporting Standards and new interpretations have been adopted as of January 1, 2007:

IFRS 7 Financial Instruments: Disclosures
IAS 1 Presentation of Financial Statements – Capital management

The adoption of amended and new standards had impact only on the format and extent of disclosure information and comparative information for 2006 has been amended accordingly.

IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8 Scope of IFRS 2
IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 10 Interim Financial Reporting and Impairment

The adoption of new interpretations had no material impact on the Group's consolidated accounts.

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 181 321 796 and the share capital amounted to EUR 308.2 million on December 31, 2007. Outokumpu Oyj held 1 218 603 treasury shares on December 31, 2007. This corresponded to 0.7% of the share capital and the total voting rights of the Company on December 31, 2007.

The Annual General Meeting held in 2003 passed a resolution on 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. Trading with Outokumpu Oyj's stock options 2003A has commenced on the Main List of the Helsinki Stock Exchange as of September 1, 2006. On December 31, 2007 a total of 56 862 Outokumpu Oyj shares had been subscribed for on the basis of 2003A stock option program. An aggregate maximum of 602 440 Outokumpu Oyj shares can be subscribed for with the remaining 2003A stock options. In accordance with the terms and conditions of the option program, the dividend adjusted share price for a stock option was EUR 8.45 on December 31, 2007. The share subscription period for the 2003A stock options is September 1, 2006 - March 1, 2009.

Trading with Outokumpu Oyj's stock options 2003B has commenced on the Main List of the Helsinki Stock Exchange as of September 3, 2007. On December 31, 2007 a total of 14 379 Outokumpu Oyj shares had been subscribed for on the basis of 2003B stock option program. An aggregate maximum of 1 014 441 Outokumpu Oyj shares can be subscribed for 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 was EUR 11.51 on December 31, 2007. The share subscription period for the 2003B stock options is September 3, 2007 - March 1, 2010. The current amounts that Outokumpu Oyj shares could be subscribed for with the 2003C stock options are 102 500 shares. The subscription period for shares with stock option 2003C is from 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 2 922 948 and the number of shares by a maximum of 1 719 381 shares. This corresponds to 1.0% of the Company's shares and voting rights.

Outokumpu's Board of Directors confirmed on February 2, 2006 a share-based incentive program for years 2006-2010 as part of the key employee incentive and commitment system of the Company. If persons to be covered by the first earning period 2006-2008 and the second earning period 2007-2009 of the program were to receive the number of shares in accordance with the maximum reward, currently a total of 598 865 shares, their shareholding obtained via the program would amount to 0.3% 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 of Outokumpu.

Non-current assets held for sale and discontinued operations

Outokumpu Copper Tube and Brass

The assets and liabilities of Outokumpu Copper Tube and Brass are presented as held for sale. Outokumpu Copper Tube and Brass business comprises European sanitary and industrial tubes, including air-conditioning and refrigeration tubes in Europe, as well as brass rod. Outokumpu is implementing a vigorous improvement project in this business and it is Outokumpu's intention to divest the tube and brass business.

Outotec

Outokumpu Oyj sold 88% of Outotec (former Outokumpu Technology) by a sale of shares through an Initial Public Offering (IPO) in September 2006. In April, Outokumpu sold its remaining 12% shareholding in Outotec Oyj to institutional investors. The net proceeds from the sale totaled EUR 158 million and a tax-free non-recurring gain of EUR 142 million was recognized in financial income.

In the following tables Outokumpu Tube and Brass is referred as TB and Outotec as OT.

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

Income statement

EUR million	**Jan-Dec 2007 TB**	Jan-Dec 2006 Total	OT	TB
Sales	**599**	1 178	501	678
Expenses	**-607**	-1 124	-470	-654
Operating profit	**-8**	54	31	23
Net financial items	**-6**	-2	5	-7
Profit before taxes	**-15**	53	36	17
Taxes	**-1**	-17	-14	-3
Profit after taxes	**-15**	35	22	14
Gain on the sale of Outotec	**-**	328	328	-
Impairment loss recognized on the fair valuation of the Tube and Brass division's assets and liabilities	**-3**	-6	-	-6
Taxes	**-**	-	-	-
After-tax result from the disposal and impairment loss	**-18**	322	328	-6
Minority interest	**-**	0	0	-
Net profit for the period from discontinued operations	**-18**	357	349	8

Balance sheet

EUR million	**Dec 31 2007**	Dec 31 2006
Assets		
Intangible and tangible assets	**6**	6
Other non-current assets	**4**	4
Inventories	**91**	122
Other current non interest-bearing assets	**83**	104
	184	235
Liabilities		
Provisions	**4**	3
Other non-current non interest-bearing liabilities	**5**	6
Trade payables	**32**	46
Other current non interest-bearing liabilities	**11**	18
	52	73

Cash flows

EUR million	**Jan-Dec 2007**	Jan-Dec 2006
Operating cash flows	**18**	-13
Investing cash flows	**-3**	-145
Financing cash flows	**-19**	80
Total cash flows	**-4**	-77

Acquisitions and disposals

Acquisitions

In May, Outokumpu acquired from Swedish Sandvik its 11.6% minority shareholding in OSTP for EUR 22 million. Goodwill of EUR 1 million was recognized from the acquisition. Full ownership in OSTP enables Outokumpu to develop the business further in line with its strategy to increase the share of the more value-added special products.

Outokumpu divested the Talvivaara exploration project in 2004 and held an option to subscribe shares with a 20% discount in a possible Initial Public Offering (IPO), representing up to 5% ownership in the company. The IPO of Talvivaara Mining Company Ltd. was carried out and the listing of the shares started on the London Stock Exchange on May 30, 2007. Outokumpu participated in the IPO by subscribing 10.9 million shares, resulting in a 4.9% ownership in the company on a fully diluted basis, with a total consideration of EUR 32 million. Outokumpu also exercised its option, part of the divestment agreement, to acquire a 20% stake in the Talvivaara nickel mining project company (Talvivaara Project Ltd.) owned by Talvivaara Mining Company Ltd., for a total consideration of one euro.

Talvivaara Project Ltd. is consolidated in the Group’s income statement as an associated company reflecting Outokumpu's 20% holding. The fair valuation of Outokumpu's 20% stake resulted in a tax-free non-recurring gain of EUR 110 million, which has been recognized in financial income. The shareholding in the listed Talvivaara Mining Company Ltd. has been classified as an available-for-sale financial asset with changes in fair value recognized directly in equity.

In the purchase price allocation the majority of the excess value was allocated to the nickel ore reserves according to the fair value and it will be amortized using the units-of-production method based on the depletion of ore reserves in Talvivaara. A goodwill amounting to EUR 9 million was recognized. Goodwill is not amortized, but tested annually for impairment. The Talvivaara mine is estimated to start production of nickel and other metals at the end of 2008. Its target is to gradually ramp up its nickel output to some 33 000 tons annually.

Disposals

In March, OSTP (Outokumpu Stainless Tubular Products) sold its flange business in order to focus on pipes, tubes, butt-welded and threaded fittings. The purchaser is a subsidiary of Shree Ganesh Forgings Ltd, an Indian company. The sale had no significant impact on Group’s results.

In February, Outokumpu agreed to sell the Hitura nickel mine in Finland to Belvedere Resources Ltd. of Canada. The Hitura mine was the last remaining asset in Outokumpu's Exit Mining program. Hitura produces some 2 200 tons of nickel in concentrate annually and employs 90 people. The transaction was completed in June and the total consideration of EUR 25 million, is in Belvedere shares and warrants entitling to subscribe for additional Belvedere shares, resulting in a maximum 19.2% ownership in Belvedere, on a fully-diluted basis. Outokumpu recognized a non-recurring gain of EUR 25 million on the transaction, which has been included in the operating profit. The shareholding in Belvedere is classified as an available-for-sale financial asset with changes in fair value recognized directly in equity and the warrants as derivative instruments with changes in fair value recognized in financial income and expenses.

Net assets of these disposed businesses were EUR 6 million. Net gain on the disposals was EUR 23 million and net cash flow was EUR 1 million.

Major non-recurring items in operating profit

EUR million	**Jan-Dec 2007**	Jan-Dec 2006
Gain on the sale of Hitura mine in Finland	**25**	-
Thin Strip restructuring in the UK	**-11**	-
Gain on the sale of real estate in the UK	**-**	9
OSTP Fagersta closure	**-**	-8
	14	1

Major non-recurring items in financial income

EUR million	**Jan-Dec 2007**	Jan-Dec 2006
Gain on the sale of Outotec shares	**142**	-
Gain on the Talvivaara transaction	**110**	-
	252	-

Income taxes

EUR million	**Jan-Dec 2007**	Jan-Dec 2006
Current taxes	**-107**	-156
Deferred taxes	**-31**	-22
	-138	-178

Property, plant and equipment

EUR million	**Jan 1, 2007 - Dec 31, 2007**	Jan 1, 2006 - Dec 31, 2006
Historical cost at the beginning of the period	**4 009**	4 188
Translation differences	**-76**	37
Additions	**137**	179
Disposal of subsidiaries	**-20**	-0
Disposals	**-67**	-299
Reclassifications	**0**	-8
Discontinued operations	**-**	-88
Historical cost at the end of the period	**3 984**	4 009
Accumulated depreciation at the beginning of the period	**-1 939**	-2 063
Translation differences	**47**	-21
Disposal of subsidiaries	**19**	0
Disposals	**56**	296
Reclassifications	**-0**	8
Depreciation	**-190**	-204
Impairments	**3**	-3
Discontinued operations	**-**	48
Accumulated depreciation at the end of the period	**-2 004**	-1 939
Carrying value at the end of the period	**1 980**	**2 069**
Carrying value at the beginning of the period	2 069	2 125

Commitments

EUR million	**Dec 31 2007**	Dec 31 2006
Mortgages and pledges		
Mortgages on land	**122**	126
Other pledges	**0**	0
Guarantees		
On behalf of subsidiaries		
For commercial commitments	**41**	97
On behalf of associated companies		
For financing	**5**	5
Other commitments	**64**	59
Minimum future lease payments on operating leases	**56**	93

Group's major off-balance sheet investment commitments totaled EUR 37 million on Dec 31, 2007 (Dec 31, 2006: EUR 15 million).

Fair values and nominal amounts of derivative instruments

EUR million	**Dec 31 2007 Positive fair value**	**Dec 31 2007 Negative fair value**	**Dec 31 2007 Net fair value**	Dec 31 2006 Net fair value	**Dec 2007 Nominal amounts**	Dec 2006 Nominal amounts
Currency and interest rate derivatives						
Currency forwards	**19**	**12**	**8**	-9	**1 992**	2 139
Interest rate swaps	**10**	**-**	**10**	10	**282**	283
					Number of shares, million	Number of shares, million
Stock options						
Belvedere Resources Ltd.	**3**	**-**	**3**	-	**3.7**	-
					Tons	Tons
Metal derivatives						
Forward and futures copper contracts	**0**	**3**	**-2**	-1	**11 775**	6 000
Forward and futures nickel contracts	**4**	**4**	**0**	9	**3 114**	3 636
Forward and futures zinc contracts	**0**	**0**	**-0**	0	**1 100**	2 150
Forward and futures molybdenum contracts	**-**	**0**	**-0**	-	**5**	-
Nickel options	**0**	**-**	**0**	-	**24**	-
Emission allowance derivatives	**0**	**-**	**0**	-	**80 000**	-
					TWh	TWh
Electricity derivatives	**26**	**10**	**16**	8	**2.3**	4.1
	63	**28**	**35**	16		

Segment information

General Stainless

EUR million	I/06	II/06	III/06	IV/06	2006	I/07	II/07	III/07	**IV/07**	**2007**
Sales	1 013	1 066	1 130	1 561	4 770	1 700	1 670	879	**1 073**	**5 321**
of which Tornio Works	652	740	781	1 142	3 316	1 206	1 038	516	**708**	**3 468**
Operating profit	43	91	166	236	536	245	188	-224	**11**	**220**
of which Tornio Works	37	70	120	213	440	227	143	-195	**3**	**178**
Operating capital at the end of period	2 397	2 404	2 602	2 847	2 847	3 047	3 007	2 789	**2 607**	**2 607**
Average personnel for the period	3 926	3 940	3 857	3 529	3 735	3 506	3 794	3 807	**3 549**	**3 682**
Deliveries of main products (1 000 tons)										
Cold rolled	246	206	172	180	805	187	151	94	**155**	**587**
White hot strip	74	85	62	84	305	81	82	41	**66**	**270**
Semi-finished products	128	144	126	154	551	117	118	64	**85**	**383**
Total deliveries of the division	448	434	360	419	1 661	386	350	198	**305**	**1 240**

Specialty Stainless

EUR million	I/06	II/06	III/06	IV/06	2006	I/07	II/07	III/07	**IV/07**	**2007**
Sales	650	638	614	821	2 723	1 003	1 028	687	**738**	**3 456**
Operating profit	22	65	81	171	338	182	196	-51	**9**	**337**
Operating capital at the end of period	1 173	1 240	1 350	1 594	1 594	1 668	1 871	1 657	**1 513**	**1 513**
Average personnel for the period	4 317	4 377	4 329	4 201	4 289	4 146	4 188	4 185	**4 107**	**4 135**
Deliveries of main products (1 000 tons)										
Cold rolled	56	54	39	47	196	51	52	33	**38**	**174**
White hot strip	49	41	33	42	166	43	38	23	**31**	**135**
Quarto plate	44	44	36	39	162	41	43	30	**38**	**151**
Tubular products	20	20	16	18	74	20	17	12	**15**	**63**
Long products	14	15	14	16	59	16	15	11	**11**	**52**
Total deliveries of the division	182	173	139	162	656	170	164	109	**133**	**574**

Other operations

EUR million	I/06	II/06	III/06	IV/06	2006	I/07	II/07	III/07	**IV/07**	**2007**
Sales	87	93	97	85	361	64	63	53	**57**	**237**
Operating profit	2	-8	-13	-16	-35	1	19	8	**-6**	**21**
Operating capital at the end of period	133	239	188	138	138	-125	101	184	**236**	**236**
Average personnel for the period	504	505	479	457	481	477	459	424	**431**	**453**

Income statement by quarter

EUR million	I/06	II/06	III/06	IV/06	2006	I/07	II/07	III/07	IV/07	2007
Continuing operations:										
Sales										
General Stainless	1 013	1 066	1 130	1 561	4 770	1 700	1 670	879	**1 073**	**5 321**
of which intersegment sales	205	277	273	389	1 144	421	430	230	**234**	**1 315**
Specialty Stainless	650	638	614	821	2 723	1 003	1 028	687	**738**	**3 456**
of which intersegment sales	94	92	82	129	397	169	193	119	**124**	**605**
Other operations	87	93	97	85	361	64	63	53	**57**	**237**
of which intersegment sales	44	36	38	41	159	48	45	43	**45**	**181**
Intra-group sales	-342	-405	-394	-560	-1 700	-638	-669	-391	**-403**	**-2 101**
Total sales	1 408	1 392	1 447	1 907	6 154	2 129	2 092	1 227	**1 465**	**6 913**
Operating profit										
General Stainless	43	91	166	236	536	245	188	-224	**11**	**220**
Specialty Stainless	22	65	81	171	338	182	196	-51	**9**	**337**
Other operations	2	-8	-13	-16	-35	1	19	8	**-6**	**21**
Intra-group items	-0	1	-3	-13	-15	-4	2	11	**2**	**11**
Total operating profit	67	149	231	378	824	424	406	-256	**15**	**589**
Share of results in associated companies	0	2	1	4	8	2	4	-2	**-1**	**4**
Financial income and expenses	-7	-10	-18	-13	-48	-10	242	-19	**-7**	**206**
Profit before taxes	60	141	214	369	784	416	652	-277	**7**	**798**
Income taxes	-18	-29	-48	-83	-178	-105	-100	67	**-0**	**-138**
Net profit for the period from continuing operations	41	112	166	286	606	311	553	-210	**7**	**660**
Net profit for the period from discontinued operations	15	20	6	317	357	-4	12	-4	**-23**	**-18**
Net profit for the period	56	133	172	603	963	307	565	-214	**-16**	**641**
Attributable to:										
Equity holders of the Company	56	132	171	603	962	305	563	-214	**-16**	**638**
Minority interest	-0	0	1	1	2	2	2	-0	**-0**	**4**

Major non-recurring items in operating profit

EUR million	I/06	II/06	III/06	IV/06	2006	I/07	II/07	III/07	IV/07	2007
General Stainless										
Gain on sale of real estate in the UK	-	-	-	9	9	-	-	-	**-**	**-**
Specialty Stainless										
Thin Strip restructuring in the UK	-	-	-	-	-	-	-	-11	**-**	**-11**
OSTP Fagersta closure	-	-	-	-8	-8	-	-	-	**-**	**-**
Other operations										
Gain on sale of Hitura mine in Finland	-	-	-	-	-	-	25	-	**-**	**25**
	-	-	-	1	1	-	25	-11	**-**	**14**

Major non-recurring items in financial income

EUR million	I/06	II/06	III/06	IV/06	2006	I/07	II/07	III/07	IV/07	2007
Gain on the sale of Outotec shares	-	-	-	-	-	-	142	-	**-**	**142**
Gain on the Talvivaara transaction	-	-	-	-	-	-	110	-	**-**	**110**
	-	-	-	-	-	-	252	-	**-**	**252**

Key figures by quarter

EUR million	I/06	II/06	III/06	IV/06	I/07	II/07	III/07	**IV/07**
Operating profit margin, %	4.7	10.7	16.0	19.8	19.9	19.4	-20.9	**1.0**
Return on capital employed, %	7.5	16.5	24.3	36.5	38.8	35.5	-22.3	**1.4**
Return on equity, %	11.0	25.2	30.4	89.0	39.3	66.2	-24.3	**-2.0**
Return on equity, continuing operations, %	8.1	21.4	29.4	42.3	39.8	64.8	-23.9	**0.8**
Capital employed at end of period	3 513	3 679	3 910	4 371	4 377	4 753	4 421	**4 125**
Net interest-bearing debt at end of period	1 483	1 509	1 560	1 300	1 189	1 119	1 016	**788**
Equity-to-assets ratio at end of period, %	37.4	38.4	37.7	47.9	47.2	50.9	54.6	**56.5**
Debt-to-equity ratio at end of period, %	73.0	69.5	66.4	42.3	37.3	30.8	29.8	**23.6**
Earnings per share, EUR	0.31	0.73	0.94	3.33	1.69	3.11	-1.19	**-0.09**
Earnings per share from continuing operations, EUR	0.23	0.62	0.91	1.58	1.71	3.04	-1.17	**0.04**
Earnings per share from discontinued operations, EUR	0.08	0.11	0.03	1.75	-0.02	0.07	-0.02	**-0.13**
Average number of shares outstanding, in thousands [1)]	181 032	181 032	181 032	181 037	181 067	181 082	181 084	**180 680**
Equity per share at end of period, EUR	11.14	11.91	12.89	16.87	17.51	20.07	18.81	**18.53**
Number of shares outstanding at end of period, in thousands [1)]	181 032	181 032	181 032	181 032	181 082	181 082	181 084	**180 103**
Capital expenditure, continuing operations	33	34	45	74	25	75	47	**43**
Depreciation, continuing operations	50	50	68	52	51	50	51	**52**
Average personnel for the period, continuing operations	8 746	8 822	8 665	8 187	8 129	8 441	8 416	**8 086**

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

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