The information contained in this Offering Circular is preliminary. The final price per Offer Share, the total number of Offer Shares and the number of Offer Shares offered in the Retail Offering and the Institutional Offering will be set out in a stock exchange release to be issued by the Company on or about October 9, 2006. Under no circumstances shall this Offering Circular constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

OFFERING CIRCULAR | **STRICTLY CONFIDENTIAL**

Outokumpu Technology

33,600,001 Offer Shares
Offer Price range EUR 12.00 to EUR 15.50 per Share

Up to 33,600,001 offer shares, counter-book value EUR 0.40 each, of Outokumpu Technology Oyj (the "Offer Shares"), a public limited liability company incorporated in the Republic of Finland (the "Company"), are being offered for sale by Outokumpu Oyj, the sole shareholder of the Company (the "Selling Shareholder" or "Outokumpu"). The offering comprises preliminarily an offering of (i) 30,240,001 Offer Shares to institutional investors in the Republic of Finland and internationally (the "Institutional Offering"), and (ii) 3,360,000 Offer Shares to retail investors in the Republic of Finland (the "Retail Offering" and, together with the Institutional Offering, the "Offering"). Offers and sales of Offer Shares made outside of the United States are being made in reliance on Regulation S under the Securities Act of 1933, as amended (the "U.S. Securities Act"), and offers and sales of Offer Shares in the United States will be made only to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) in reliance on Rule 144A under the U.S. Securities Act. The Selling Shareholder has announced that it will grant the Managers (as defined herein) an option exercisable at any time within 30 days after the commencement of the trading of the Shares (as defined below) on the Helsinki Stock Exchange Ltd. (the "Helsinki Stock Exchange") to purchase up to an aggregate of 3,360,000 additional shares of the Company solely to cover over-allotments, if any (the "Over-Allotment Option"). See "*Plan of Distribution.*" The number of Offer Shares and the price range shown above are indicative only and the total number of Offer Shares, the number of Offer Shares offered in the Institutional Offering and the Retail Offering and the price per Offer Share may be more or less than the respective amounts shown above. The final price per Offer Share, the total number of Offer Shares and the number of Offer Shares offered in the Retail Offering and the Institutional Offering will be set out in a stock exchange release to be issued by the Company on or about October 9, 2006.

The Offer Shares offered in the Offering will rank *pari passu* with all other outstanding shares of the Company (including the Offer Shares, the "Shares") and will entitle the holders thereof to any future dividends. Each of the Shares is entitled to one vote at the general meetings of the Company's shareholders.

Prior to the Offering, there has been no public market for the Shares. Application has been made for the Shares to be listed on the Helsinki Stock Exchange. Trading of the Shares on the pre-list of the Helsinki Stock Exchange is expected to commence on or about October 10, 2006 and on the official list on or about October 13, 2006.

See "*Risk Factors*" beginning on page 11 for a discussion of certain matters that should be considered prior to investing in the Offer Shares.

THE OFFER SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. ACCORDINGLY, THE OFFER SHARES ARE BEING OFFERED AND SOLD ONLY (A) TO QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON RULE 144A UNDER THE U.S. SECURITIES ACT AND (B) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT. FOR CERTAIN RESTRICTIONS ON RESALE OF THE OFFER SHARES, SEE "*TRANSFER RESTRICTIONS.*"

The Offer Shares are offered severally by the Managers, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that the Offer Shares sold in the Institutional Offering will be ready for delivery through the facilities of the Finnish Book-Entry Securities System, Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") or Clearstream Banking société anonyme ("Clearstream") on or about October 13, 2006, against payment in immediately available funds.

Nordea

Global Coordinator

Nordea

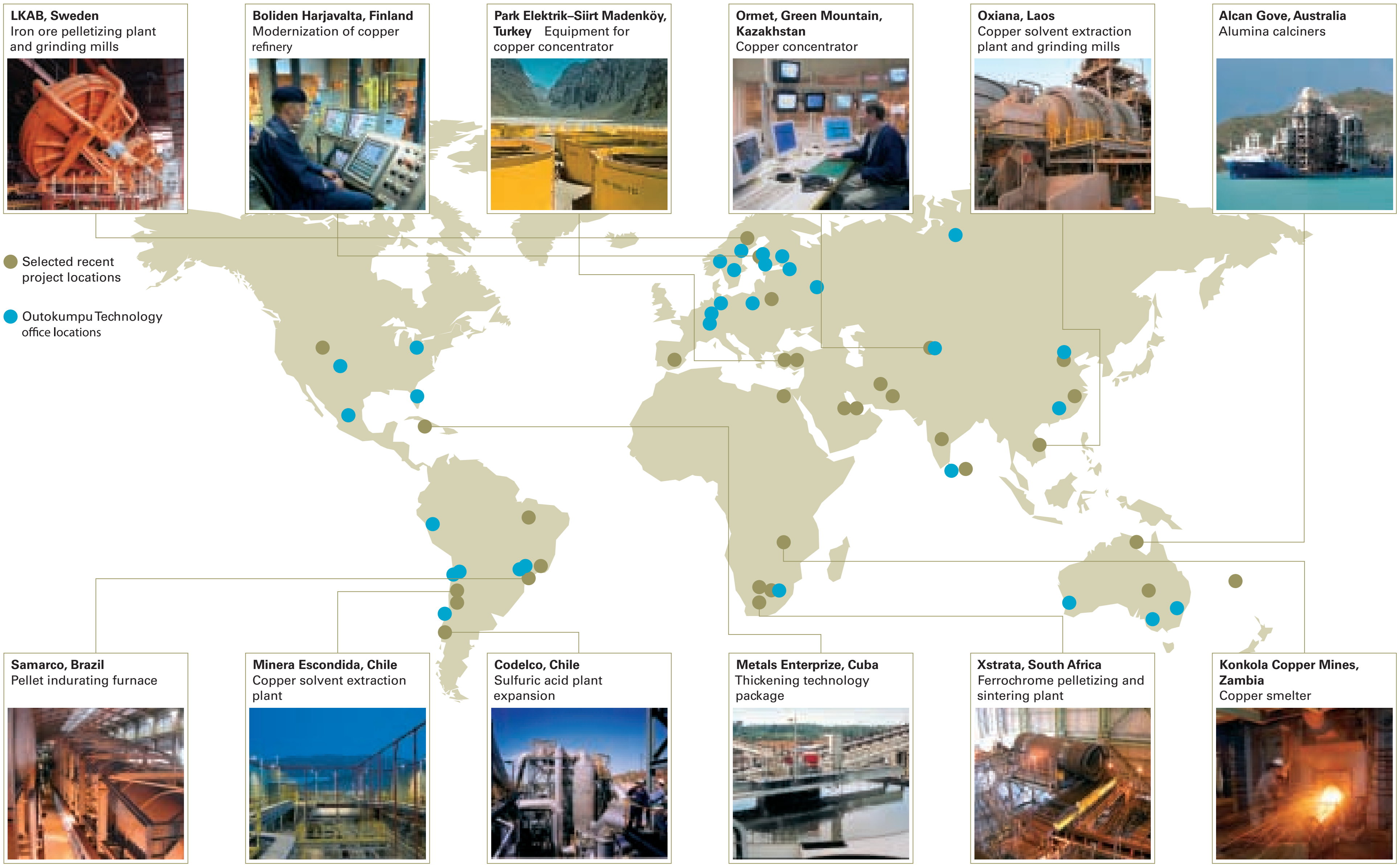
Joint Lead Manager and Bookrunner of the Institutional Offering
Lead Manager and Sole Bookrunner of the Retail Offering

Lehman Brothers

Joint Lead Manager and Bookrunner of the Institutional Offering

The date of this Offering Circular is September 25, 2006

Example projects representing Outokumpu Technology's offering



CERTAIN INFORMATION WITH REGARD TO THE OFFERING

In this Offering Circular, the "Company," "Outokumpu Technology" and the "Outokumpu Technology Group" refer to Outokumpu Technology Oyj or Outokumpu Technology Oyj and its subsidiaries on a combined basis, as the context may require, and "Outokumpu" and the "Outokumpu Group" refer to Outokumpu Oyj or Outokumpu Oyj and its subsidiaries on a combined basis, as the context may require.

No person has been authorized to give any information or to make any representation in connection with the Offering not contained in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorized by the Company, the Selling Shareholder or the managers of the Offering, Nordea Bank Finland plc ("Nordea") or Lehman Brothers International (Europe) ("Lehman Brothers") (together, the "Managers"). Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof or that there has been no change in the affairs of Outokumpu Technology since such date. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Company, the Selling Shareholder or any Manager as to the future. The Company shall, as deemed necessary, update information set forth in this Offering Circular pursuant to Chapter 2, Section 3b of the Finnish Securities Market Act (495/1989), as amended (the "Finnish Securities Market Act").

Except for certain additional information included for the benefit of non-Finnish shareholders, this Offering Circular is, in all essential respects, a translation of an offering document prepared under Finnish regulations in Finnish. The Finnish language offering document has been approved by the Finnish Financial Supervision Authority. However, the Finnish Financial Supervision Authority assumes no responsibility for the correctness of the information contained therein or herein.

In making an investment decision, investors must rely on their own examination of the Company and the terms of this Offering, including the merits and risks involved.

The distribution of this Offering Circular and the offer or sale of the Offer Shares in certain jurisdictions is restricted by law. No action has been or will be taken by the Company, the Selling Shareholder or the Managers to permit a public offering in any jurisdiction other than in Finland. Persons into whose possession this Offering Circular may come are required by the Company, the Selling Shareholder and the Managers to inform themselves about and to observe such restrictions. None of the Company, the Selling Shareholder nor the Managers accepts any legal responsibility for any violations of such restrictions, whether or not a prospective purchaser of the Shares is aware of such restrictions. This Offering Circular may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorized or is unlawful. Further information with regard to restrictions on offers and sales of the Offer Shares and the distribution of this Offering Circular is set forth under "*Transfer Restrictions*" and "*Plan of Distribution—Selling Restrictions*." This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy any of the Offer Shares in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction.

Any dispute arising out of this Offering shall be settled exclusively by Finnish courts in accordance with Finnish law.

STABILIZATION

In connection with the Offering, Nordea or its agents may (but will be under no obligation to), during a period of 30 days after the commencement of the trading of the Shares on the Helsinki Stock Exchange, that is, from or about October 10, 2006 to or about November 8, 2006, effect transactions which stabilize or maintain the market prices of the Shares which might not otherwise prevail in the open market (stabilization). These activities may raise the market price of the Shares above independent market levels or prevent or retard a decline in the market price of the Shares. Such transactions may be effected on the Helsinki Stock Exchange or otherwise. There can be no assurance that such stabilization will be undertaken, and, if undertaken, such stabilization may be discontinued at any time and, in any event, will be discontinued 30 days after the commencement of the trading of the Shares on the Helsinki Stock Exchange. Nordea may purchase a maximum of 5,040,000 Shares in such transactions at a maximum price equaling the final price for Offer Shares. After the termination of the stabilizing period, Nordea shall publish information on stabilization as required by law or applicable regulation. See "*Plan of Distribution.*"

Stabilization follows the Commission Regulation (EC) No 2273/2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programs and stabilization of financial instruments.

NOTICE TO INVESTORS IN THE UNITED STATES

The securities offered hereby have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy or completeness of this document. Any representation to the contrary is a criminal offense in the United States.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and, unless so registered, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Offer Shares are being offered and sold (a) in the United States, only to "qualified institutional buyers," commonly referred to as "QIBs" (as defined in Rule 144A under the U.S. Securities Act), in transactions exempt from the registration requirements of the U.S. Securities Act, and (b) outside the United States to foreign purchasers, that is, purchasers who are not U.S. persons. The term "foreign purchasers" includes dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners, other than an estate or trust, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the U.S. Securities Act. The terms "offshore transaction," "U.S. person" and "United States" have the meanings given to them in Regulation S. Prospective investors are hereby notified that the Managers may be relying on the exemption from the registration requirements of the U.S. Securities Act provided by Regulation S or Rule 144A. For certain restrictions on resale of the Shares, see "*Transfer Restrictions*."

In the United States, this Offering Circular is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider subscribing for the particular securities described herein. The information contained in this Offering Circular has been provided by the Company and other sources identified herein. Distribution of this Offering Circular to any person other than the offeree specified by the Managers or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized, and any disclosure of its contents, without prior written consent of the Company, is prohibited. Any reproduction or distribution of this Offering Circular in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Offer Shares.

* * * * *

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE MARKETING OF THE OFFER SHARES. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

UNITED KINGDOM RESTRICTIONS

This Offering Circular is being distributed to and is directed only at persons who (i) are outside the United Kingdom or (ii) are persons falling within Article 19(5) ("investment professionals") of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons together being referred to as "relevant persons"). This Offering Circular or any of its contents must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons. For the avoidance of doubt, the Offer Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Offer Shares will be engaged in only with, relevant persons. All sales of the Offer Shares will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA") with respect to anything done in relation to the Offering and the Offer Shares in, from, or otherwise involving the United Kingdom. No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Offer Shares in circumstances in which Section 21(1) of the FSMA applies to Outokumpu Technology.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

An offering circular prepared pursuant to applicable legislation governing the public offering of securities in Finland will be published in Finland (the "Finnish Offering Circular"). Any offer of Offer Shares to the public that may be deemed to be made pursuant to this Offering Circular in any member state of the European Economic Area (the "EEA") that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any member state, the "Prospectus Directive") is only addressed to qualified investors in that member state within the meaning of the Prospectus Directive.

This Offering Circular has been prepared on the basis that all offers of the Offer Shares other than the offer contemplated in the Finnish Offering Circular in Finland, once the Finnish Offering Circular has been approved by the competent authority in Finland and published in accordance with the Prospectus Directive as implemented in Finland, will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the EEA, from the requirement to produce a prospectus for offers of the Offer Shares. Accordingly any person making or intending to make any offer within the EEA of the Offer Shares which is the subject of the placement contemplated in this Offering Circular should only do so in circumstances in which no obligation arises for the Company, the Selling Shareholder or any of the Managers to produce a prospectus for such offer. Neither the Company, the Selling Shareholder nor the Managers have authorized, nor do they authorize, the making of any offer of the Offer Shares through any financial intermediary, other than offers made by the Managers which constitute the final placement of the Offer Shares contemplated in this Offering Circular.

Each person in a member state of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State") other than, in the case of paragraph (a), persons receiving offers contemplated in the Finnish Offering Circular in Finland who receives any communication in respect of, or who acquires any Offer Shares under, the offers contemplated in this Offering Circular will be deemed to have represented, warranted and agreed to and with each Manager, the Selling Shareholder and the Company that (a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and (b) in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Offer Shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the respective Manager has been given to the offer or resale; or (ii) where the Offer Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Offer Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of the representation above, the expression an "offer of the Offer Shares to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

NOTICE TO INVESTORS IN SWITZERLAND

Any Shares offered hereby are being offered in Switzerland on the basis of a private placement. The Offering Circular does not constitute a prospectus within the meaning of Art 652A of the Swiss Federal Code of Obligations.

STATEMENT REGARDING INFORMATION CONTAINED IN THE OFFERING CIRCULAR

The Company accepts responsibility for the completeness and accuracy of the information contained in this Offering Circular. To the best knowledge of the members of the Board of Directors of the Company, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is in accordance with the facts and contains no omission likely to affect its import. The Selling Shareholder accepts responsibility for the information contained in this Offering Circular with respect to its shareholding in the Company. To the best knowledge of the Selling Shareholder, having taken all reasonable care to ensure that such is the case, the information as regards its shareholding in the Company contained in this Offering Circular is in accordance with the facts and contains no omission likely to affect its import. Other than as set forth above, no representation or warranty, express or implied, is made by the Company and the Selling Shareholder as to the accuracy or completeness of information contained in this

Offering Circular. No representation or warranty, express or implied, is made by any Manager as to the accuracy or completeness of information contained in this Offering Circular.

SPECIAL CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Circular, including but not limited to certain statements set forth under the captions "*Summary*," "*Risk factors*," "*Dividends and Dividend Policy*," "*Business of Outokumpu Technology*" and "*Operating and Financial Review and Prospects*" are based on the beliefs of the management of Outokumpu Technology as well as assumptions made by and information currently available to the management of Outokumpu Technology, and such statements may constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Outokumpu Technology, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others: general economic and business conditions, competitive environment of Outokumpu Technology, the Company's ability to employ competent personnel, and other risks described in the section entitled "*Risk Factors*." The forward-looking statements are not guarantees of the future operational or financial performance of Outokumpu Technology. In addition to factors that may be described elsewhere in the Offering Circular, the factors discussed under "*Risk Factors*" could cause Outokumpu Technology's actual results of operations or its financial condition to differ materially from those expressed in any forward-looking statement. Should one or more of these risks or uncertainties materialize, or should any underlying assumptions prove to be incorrect, Outokumpu Technology's actual results of operations or its financial condition could differ materially from those described herein as anticipated, believed, estimated or expected. The Company does not intend and does not assume any obligation to update any forward-looking statements contained herein unless required by applicable legislation. For additional information that could affect the results, performance or achievements of Outokumpu Technology, see "*Risk Factors*."

FINANCIAL AND CERTAIN OTHER INFORMATION

The combined financial statements of Outokumpu Technology are prepared in accordance with the International Financial Reporting Standards ("IFRS"), in compliance with the regulations as adopted by the European Commission. IFRS differs in certain significant respects from the generally accepted accounting principles in the United States ("U.S. GAAP"). For a discussion of certain significant differences between IFRS as currently in effect and U.S. GAAP, see "*Annex A: Summary of Certain Significant Differences between IFRS and U.S. GAAP*."

This Offering Circular contains audited combined financial information for the Company for the years ended and as at December 31, 2003, 2004 and 2005, and unaudited combined financial information for the six months ended and as at June 30, 2005 and 2006, as if the Company had operated on a stand-alone basis for the periods presented. The combined financial information has been derived from the historical financial statements of the Outokumpu Group and is based on the historical acquisition cost of assets and liabilities and on the results of operations and cash flows, as if the Company and its subsidiaries had been a stand-alone independent group for the periods presented. The combined consolidated financial statements of Outokumpu Technology for the years ended and as at December 31, 2003, 2004 and 2005 and for the six months ended and as at June 30, 2005 and 2006 reflect the time when Outokumpu Technology was managed as one business as part of Outokumpu Group. The combined financial information may not be indicative of the actual results of the Outokumpu Technology Group that would have occurred for the periods indicated had the Company and its subsidiaries operated as a stand-alone group separated from Outokumpu Group, nor is it necessarily indicative of the future results of operations and financial condition of Outokumpu Technology Group. Outokumpu Technology was organized as a legal consolidated group, when the Outokumpu Technology companies, which were under the common control of the Outokumpu Group, were transferred to the ownership of the Company on or prior to June 30, 2006.

The audited combined financial information for the years ended and as at December 31, 2003, 2004 and 2005 and unaudited combined financial information for the six months ended and as at June 30, 2005 and 2006 comprise the Outokumpu Technology companies set forth in note 33 of the audited combined financial statements and these companies have been under common control of Outokumpu Group for the periods presented. From these companies, Outokumpu Shanghai Co. Ltd., OOO Outokumpu Norilsk, Outokumpu Holding GmbH, Kumpu GmbH, Outokumpu Deutschland GmbH, Outokumpu Technology GmbH, Petrobau Ingenieur Bulgaria EOOD, Outokumpu Technology AB, ZAO Outokumpu Moskva, Outokumpu Poland Sp. z.o.o. and Outokumpu Research Oy were transferred to the ownership of Outokumpu Technology from Outokumpu Group during the period from January 1, 2003 to June 30, 2006 and they are part of the future operation of the Company, as presented in this Offering Circular. The Company's former subsidiary, Outokumpu Metals Off-Take Oy has been excluded due to it having been sold by the Company to Outokumpu before June 30, 2006, and, therefore, not being a part of the future operations of the Company, as presented in this Offering Circular. Outokumpu Technology acquired Boliden Contech AB (currently, Outokumpu Technology AB) on December 31, 2003 and it has been included in the combined financial statements from the date of the acquisition. The filter business sold to Larox Oyj in January 2004 has been presented as a discontinued operation, see "*Operating and Financial Review and Prospects—Discontinued Operations*." The accounting principles of the combined financial statements have been included in the notes to the combined financial statements beginning on page F-27 of this Offering Circular.

For comparability, the effect of transfers of the Outokumpu Technology companies to and from the Outokumpu Group has been taken into account in interest-bearing receivables and liabilities and in interest income and expenses as if the actual transfers would have been implemented as of January 1, 2003. The retained earnings of Outokumpu Technology companies, which have been transferred to and from Outokumpu Group, have been combined in the financial statements of Outokumpu Technology as of January 1, 2003 so that the difference between the equity and the actual acquisition cost has been reported in the combined equity. The interest expenses calculated for the combined financial information were based on market terms. Up until June 30, 2006, the Company has not had a centralized treasury and financing department, but has relied on Outokumpu to provide this service. It is possible that the Company would not independently have been able to obtain financing with equally favorable terms and conditions as it has obtained financing as a member of the Outokumpu Group.

Outokumpu Technology has previously been part of Outokumpu Group's tax planning. To combine profits and losses in tax jurisdictions of Finland, Sweden and Germany, Outokumpu Technology companies have both taken group contributions from and given group contributions to other Outokumpu Group companies. The group contributions received from or given to Outokumpu Group companies have been reversed in each year in the combined financial statements. The effect of these adjustments has been taken into account in the opening balance sheet as of January 1, 2003 and in each financial year by adjusting equity, interest-bearing receivables and liabilities, taxes and interest income and expense. The income taxes of Outokumpu Technology have been presented as if the Company had been operating on a stand-alone basis for the periods indicated. The deferred income taxes of Outokumpu Technology have been stated using the balance sheet liability method, as measured with the enacted rates, to reflect the net tax effect of all temporary differences between the financial reporting and tax bases of assets and liabilities.

It has been the Outokumpu Group's policy to charge the cost related to centralized services to the subsidiaries in the Outokumpu Group using the matching principle. Outokumpu Technology has purchased centralized services for procurement, information technology, financial accounting, taxes, human resources, legal affairs, financing, treasury, risk management and financial communications from Outokumpu. In addition, the Outokumpu Group has invoiced the part of the general group administration costs related to Outokumpu Technology from the Company. However, the combined financial statements of Outokumpu Technology do not include costs related to operating Outokumpu Technology as an independent listed company, such as costs related to board meetings, general meetings of shareholders, corporate communications, financial consolidation, including investor relations and related expenses. Outokumpu Technology's management estimates that the additional annual costs for operating the Company on an independent stand-alone basis, in addition to the costs charged to the income statement, would have totalled approximately EUR 1 million.

In this Offering Circular, references to "euro" or "EUR" are to the currency of the member states of the European Union ("EU") participating in the European Economic and Monetary Union, references to the "U.S. dollar" or "USD" are to the currency of the United States, references to "Australian dollar" are to the currency of Australia and references to "Brazilian real" are to the currency of Brazil.

Any estimates with respect to market statistics relating to Outokumpu Technology are based upon the reasonable estimation of Outokumpu Technology's management. Unless otherwise indicated in this Offering Circular, information related to the mining and metals technology industry as well as to the mining and metals industries as set forth herein are based on information made available by independent market information providers CRU Group, Bloomberg LP, Brook Hunt & Associates, Ltd., The London Metal Exchange Limited ("LME") and the International Iron and Steel Institute ("IISI"). Where certain other market estimates contained in this Offering Circular have been derived from third-party sources, the name of the source is given herein. Outokumpu Technology disclaims any responsibility for the accuracy or completeness of these third-party market estimates. As far as Outokumpu Technology is aware and to the extent it can ascertain from information published by these sources, there are no omissions that would render such information in this Offering Circular misleading or inaccurate.

Financial and other information set forth in a number of tables in this Offering Circular has been rounded. Accordingly, in certain instances, the sum of the numbers in a column or row may not conform exactly to the total figure given for that particular column or row. In addition, certain percentages, including period to period percentage changes, reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would have been derived if the relevant calculations were based upon rounded figures.

ENFORCEMENT OF LIABILITIES AND SERVICE OF PROCESS

The Company is organized under the laws of Finland, with its domicile in Espoo, Finland. All of the directors and executive officers of the Company are non-residents of the United States. All or a substantial portion of the assets of such non-resident persons and of the Company are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or the Company or to enforce against them in U.S. courts judgments obtained in such courts.

The Company has been advised by White & Case LLP that there is doubt as to the enforceability in Finland, in original actions instituted in U.S. courts, of civil liabilities predicated solely upon the federal securities laws of the United States. In addition, the Company has been advised by White & Case LLP that the United States and Finland do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil matters. Therefore, final judgments for the payment of money rendered by a U.S. court in the United States based on civil liability, whether or not predicated solely upon the federal securities laws of the United States, would not automatically be enforceable in Finland.

The principal executive offices of the Company are located at Riihitontuntie 7C, FI-02200 Espoo, Finland and its telephone number is +358 205 29 211.

NO INCORPORATION OF WEBSITE INFORMATION

The Finnish Offering Circular will be published on Outokumpu Technology's website at www.outokumputechnology.com and on Nordea's website at www.nordea.fi/sijoita. However, the contents of Outokumpu Technology's website, Nordea's website or any other website do not form a part of this Offering Circular, and prospective investors should not rely on such information in making their decision to invest in the Offer Shares.

AVAILABLE INFORMATION

The Company intends to publish its annual reports, including audited consolidated financial statements commencing from the financial year ending December 31, 2006, and interim reports, including unaudited interim consolidated financial statements, commencing from the quarter ending September 30, 2006. The interim report for the quarter ending September 30, 2006 is scheduled to be published on October 23, 2006.

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SUMMARY

The following summary does not purport to be a comprehensive description and it should be read as an introduction to the more detailed information presented in this Offering Circular. Any decision to invest in the Offer Shares should be based on consideration of the Offering Circular as a whole by the investor instead of the summary below. Where a claim relating to the information contained in the Offering Circular is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Economic Area, have to bear the costs of translating the Offering Circular before the legal proceedings are initiated.

Outokumpu Technology

Outokumpu Technology is a leading global provider of process solutions, technologies and services principally for the mining and metals industries. Outokumpu Technology utilizes its extensive experience and advanced process know-how by providing plants, equipment and services based mainly on its proprietary technologies. Outokumpu Technology operates through three divisions: Minerals Processing, Base Metals and Metals Processing. Outokumpu Technology's management estimates that all of Outokumpu Technology's business divisions are currently market leaders in their key technologies in terms of number of deliveries.

Outokumpu Technology provides solutions for the whole production chain of processing minerals to metals. Outokumpu Technology's solutions are used in the production of ferrous metals and ferroalloys, alumina and aluminum, copper, nickel, zinc, precious metals, niobium, synthetic rutile, certain industrial minerals and sulfuric acid. Its solutions range from single equipment deliveries to manufacturing lines and entire turnkey process plants. In addition, Outokumpu Technology offers specialized technology and know-how for the chemical and other process industries. By optimizing customers' investment costs and life-time operational costs and by applying the best technologies in terms of energy efficient and environmental protection, Outokumpu Technology aims to assist its customers in overcoming the operational and competitive challenges that they encounter. In addition to the above, Outokumpu Technology offers after-sales services typically including delivery of spare parts, limited maintenance services, customers' process plant audits and customers' operator training.

Outokumpu Technology is focusing its own operations in the areas where it has a clear competitive advantage over its competitors, for example, in developing special proprietary technologies for the mining and metals industries and in tailoring these technologies to fit with its customers' specific needs through designing and testing the relevant process. In order to be able to efficiently utilize business opportunities occurring at irregular intervals in different parts of the world, the Company has decided not to have any substantial own manufacturing or detail engineering resources but rather to use outside resources often available locally where the projects are implemented.

During the past few years, the position of Outokumpu Technology as a leading technology provider for mining and metals industries has been further strengthened through acquisitions. In 2001, Outokumpu acquired Lurgi Metallurgie GmbH, the global metallurgical technology business formerly owned by Lurgi AG. Through the addition of Lurgi Metallurgie's expertise, experience and technology base to Outokumpu Technology, the Company has been able to expand its proprietary technologies portfolio with technologies relating to processing of alumina, iron ore, sulfidic minerals and sulfuric acid. Additionally through the expertise and experience of Lurgi Metallurgie, the Company has been able to expand its offerings to customers to include comprehensive technology packages, including large turnkey plant deliveries. In addition, the acquisitions of KHD Aluminium Technology GmbH, a supplier of anode technology for aluminum smelters, and the grinding mill business of Nordberg Mills in 2001 further strengthened Outokumpu Technology's position as a leading technology supplier in its field.

The following table sets forth the sales, operating profit/loss and order intake for the periods indicated as well as order backlog and number of employees of the Company at period-end:

	For the year ended and as at December 31,			For the six months ended and as at June 30,	
	2003	2004	2005	2005	2006
	(audited)[1] (EUR in millions, except personnel data)			(unaudited)	
Sales	365.9	425.6	556.2	216.7	320.9
Operating profit/(loss)	7.9	10.8	24.3	(3.4)	14.1
Order intake during the period	458.1[2]	542.0	678.5	278.0	425.9
Order backlog, period-end	355.5[2]	450.2	596.0	519.5	693.8
Number of employees, period-end	2,008	1,831	1,802	1,883	1,889

(1) Audited except for order intake during the period and order backlog and number of employees at period-end.

(2) Share of the sold filter business was EUR 37.7 million of order intake during the period and EUR 5.7 million of order backlog.

Key Strengths

Outokumpu Technology's management believes the Company's position as a leading global provider of process solutions, technologies and services principally for the mining and metals industries is based upon the following key strengths:

- Strong market position and long-term customer relationships;
- Proprietary technology base and extensive research and development resources;
- Global presence;
- Proven track record in project execution;
- Environmentally friendly and energy efficient technologies; and
- Experienced and committed employees and management.

Business Strategy

Outokumpu Technology's goal is to continue to strengthen its position as a leading global provider of process solutions, technologies and services principally for the mining and metals industries. In line with this, Outokumpu Technology will continue to implement its business strategy, the cornerstones of which are to:

• *Seek Sustainable Growth*

Outokumpu Technology's management believes that the Company can continue to experience sustainable growth by pursuing a number of measures. These are expected to include:

- Developing and introducing new technological solutions;
- Applying the Company's existing technologies to new customer industries;
- Expanding the scope of operations in selected geographic markets;
- Increasing after-sales business; and
- Undertaking acquisitions.

• *Maintain and Improve Profitability*

Although Outokumpu Technology has in recent years considerably improved its profitability, the Company's management believes that there continues to be further scope for improvement in this area. The management of Outokumpu Technology also believes that the Company can decrease its susceptibility to business cycles. The Company aims to achieve these goals by:

- Improving efficiency of operations;
- Optimizing cost structure and the flexibility of fixed costs; and
- Increasing the share of the value-added component in its offerings.

Business of Outokumpu Technology

Outokumpu Technology's operations are organized into three divisions: Minerals Processing, Base Metals and Metals Processing. In 2005, the Minerals Processing division generated 31.7 percent, the Base Metals division 27.4 percent and the Metals Processing division 35.3 percent of Outokumpu Technology's sales. Certain smaller businesses are reported under Other Businesses, which represented approximately six percent of the sales in 2005.

Minerals Processing

The Minerals Processing division provides processes and process equipment based on proprietary technology in the areas of grinding, flotation, physical separation, thickening as well as analyzer and automation technologies. The division offers also total concentrator solutions that integrate various equipment and processes and are based on several decades of research and development at Outokumpu's concentrator plants and research center. In addition to process technology, the offering of the Minerals Processing division also covers application and process knowledge and metallurgical know-how for larger projects, and services, including delivery of spare parts, site maintenance and inspection services as well as other expert services.

Base Metals

The Base Metals division provides metallurgical processing technology for copper, nickel, zinc, precious metals and ferroalloys. The Base Metals division transfers its technologies globally to its customers working in close partnership with them and identifying the most profitable solutions to its customers' businesses. The Base Metals division develops new technologies in cooperation with its key customers, and the division's profound process knowledge has lead to a number of benchmark technology introductions in the field of base metals processing.

Metals Processing

The Metals Processing division provides technologies and plants for the metallurgical processing of iron ore, for production of bauxite to alumina, for production of aluminum, for processing ilmenite to synthetic rutile as well as for roasting of different non-ferrous concentrates and for production of sulfuric acid. With its proprietary technologies and the long experience of Outokumpu Technology and former Lurgi Metallurgie GmbH in plant building, the Metals Processing division is in a position to offer its customers an extensive range of solutions from technology packages to lump-sum turnkey plant deliveries, both for new plants and for the modernizations and expansions of customers' existing plants as well as related studies and audits and debottlenecking.

Risk Factors

An investment in the Offer Shares involves a number of risks, some of which are inherent in Outokumpu Technology's business and could be of substantial nature. The risks described in this Offering Circular are not the only ones potentially facing Outokumpu Technology. Outokumpu Technology also faces many of the risks inherent to the mining and metals industries, and additional risks not currently known or not currently deemed material may also impair the business, financial condition and results of operations of Outokumpu Technology. The market price of the Shares could decline due to realization of these risks, and investors could lose part or all of their investment. Risks relating to the business of Outokumpu Technology include the cyclical nature of mining and metals industries, competitive environment and changes in customer requirements as well as risks related to projects. The Company's risks relating to separation from Outokumpu include, among others, limited independent operating history, control risks, successful launch of Outokumpu Technology's new company name and related brands and the ability to operate effectively as an independent company. Risks relating to the Offering include the risk related to the ownership of Outokumpu, future issues or sales of substantial amounts of the Shares and the absence of a public market. These risks are described in more detail in "*Risk Factors*."

Background and Reasons for the Offering

Outokumpu Technology is currently a wholly-owned subsidiary of Outokumpu, an international stainless steel and technology company. Outokumpu Technology has been managed as an independent business within the Outokumpu Group and the Company has developed its organization, legal structure, identity and operational model with the aim of effective operation as an independent company.

Outokumpu's management believes that the listing of Outokumpu Technology as an independent company on the Helsinki Stock Exchange, concentrating on process solutions, technologies and services principally for the mining and metals industries, will improve the strategic focus and prospects for both companies, also considering the limited synergies between the two companies. The listing of Outokumpu Technology will give investors a higher degree of choice regarding their asset exposure and provide improved transparency. The public quotation of the Shares will also enable the use of the Shares as a means of payment in connection with possible acquisitions and creates a new potential source of financing to be used in implementing the growth strategy of the Company.

Summary of the Offering

Company	Outokumpu Technology Oyj, a company incorporated in the Republic of Finland.
Selling Shareholder	Outokumpu Oyj, a company incorporated in the Republic of Finland, which immediately prior to the Offering holds 100 percent of the Shares of the Company.
Offering	A total of 33,600,001 Offer Shares are being offered for sale by the Selling Shareholder in connection with the Offering, of which preliminarily 30,240,001 Offer Shares are being offered in the Institutional Offering and preliminarily 3,360,000 Offer Shares in the Retail Offering.
Institutional Offering	A total of 30,240,001 Offer Shares are being offered by the Selling Shareholder to institutional investors within and outside the Republic of Finland. The Institutional Offering consists of (i) an offering of Offer Shares outside the United States to institutional investors in reliance on Regulation S under the U.S. Securities Act and (ii) an offering of Offer Shares in the United States to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act.
Retail Offering	A total of 3,360,000 Offer Shares are being offered by the Selling Shareholder to retail investors in the Republic of Finland. The minimum number of Offer Shares offered in the Retail Offering shall be 3,360,000, or, if the total number of purchased Offer Shares is less, such total number of purchased Offer Shares.
Allocation Preference	Persons, who are members of the Board of Directors or the Management Committee of the Company as from the commencement of the trading of the Shares on the Helsinki Stock Exchange, may be given preference in the allocation of the Offer Shares in the Retail Offering. The Selling Shareholder intends to accept the offers to purchase by such members of the Board of Directors and the Management Committee in full up to the maximum purchase of 10,000 Offer Shares per person pursuant to the terms and conditions of the Retail Offering. The share of the Offer Shares so allocated may not exceed 0.45 percent of the total number of Offer Shares.
Over-Allotment Option	The Selling Shareholder has announced that it will grant the Managers an option exercisable at any time within 30 days after the commencement of the trading of the Shares on the Helsinki Stock Exchange to purchase up to an aggregate of 3,360,000 additional shares of the Company solely to cover over-allotments, if any. See "*Plan of Distribution*."
Offer Price Range	The anticipated offer price is between EUR 12.00 and EUR 15.50 per Offer Share. The final offer price will be determined by negotiation among the Selling Shareholder and the Managers (the "Offer Price").

	The number of Offer Shares and the price range shown above are indicative only and the total number of Offer Shares, the number of Offer Shares offered in the Retail Offering and the Institutional Offering and the Offer Price may be more or less than the respective amounts shown herein. The final price per Offer Share, the total number of Offer Shares and the number of Offer Shares offered in the Retail Offering and the Institutional Offering will be set out in a stock exchange release to be issued by the Company on or about October 9, 2006.
Offering Period	For the Institutional Offering, the offering period commences on September 26, 2006 and ends on no later than October 9, 2006 at 2:00 p.m. Helsinki time. For the Retail Offering, the offering period commences on September 27, 2006 and ends no later than October 6, 2006 at 5:00 p.m. Helsinki time. In the event the Offering is oversubscribed, the Selling Shareholder is entitled to discontinue the offering period for the Institutional Offering and the offering period for the Retail Offering at the earliest on October 4, 2006 at 5:00 p.m., independently of each other.
Shares Outstanding	Immediately prior to the Offering, there were 42,000,000 Shares issued and outstanding. The Offering will not have an impact on the number of Shares issued and outstanding.
Over- and Undersubscription	The Selling Shareholder will decide on the procedures in the event the Offering is either over- or undersubscribed. Offers to purchase may be accepted in whole or in part or refused.
Lock-up	Except for Offer Shares sold in the Offering (including any additional Shares sold pursuant to the Over-Allotment Option), both the Company and the Selling Shareholder have informed that they will not, without the prior written consent (which consent shall not be unreasonably delayed or withheld) of Nordea on its own behalf and on behalf of Lehman Brothers (having first consulted with Lehman Brothers), during the period from the date of the Purchase Agreement (as defined herein) and ending 180 days after the date of the pricing announcement relating to the Offering, as applicable, (i) issue, offer, pledge, sell, lend, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise. See "*Plan of Distribution*."
Listing and Trading	An application has been made for the Shares to be listed on the Helsinki Stock Exchange. Trading of the Shares on the pre-list of the Helsinki Stock Exchange is expected to commence on or about October 10, 2006 and on the official list on or about October 13, 2006. The sale of the Offer Shares is planned to be executed through stock exchange trades on the Helsinki Stock Exchange on the first business day following the pricing.
Dividends	The Offer Shares will rank *pari passu* with all outstanding Shares and will be entitled to any future dividends. See "*Description of the Shares and Share Capital*."

Taxation	See "*Taxation*" for a discussion of certain tax considerations relevant to offerees considering the purchase of the Offer Shares.
Use of Proceeds	The Company will not receive any portion of the proceeds from the sale of the Offer Shares by the Selling Shareholder in the Offering.
Transfer Restrictions	Transfers of the Offer Shares will be subject to certain restrictions. See "*Transfer Restrictions*."
Payment and Settlement	It is expected that delivery of the Offer Shares through the facilities of the Finnish Book-Entry Securities System, Euroclear or Clearstream will be confirmed for the Retail Offering on or about October 10, 2006 and delivery will be confirmed and payment for the Offer Shares will be made for the Institutional Offering on or about October 13, 2006.
Announcement of the Result of the Offering	The Company will announce the result of the Offering with a stock exchange release on or about October 9, 2006.
Identification Number	ISIN: FI0009014575
Helsinki Stock Exchange Symbol	OTE1V
Global Coordinator	Nordea
Joint Lead Managers and Bookrunners of the Institutional Offering	Nordea and Lehman Brothers
Lead Manager and Sole Bookrunner of the Retail Offering	Nordea

Summary Combined Financial Information of the Company

The following summary combined financial information for the Company should be read in conjunction with, and is qualified in its entirety by reference to, the audited combined financial statements of the Company for the years ended and as at December 31, 2003, 2004 and 2005, the unaudited interim combined financial statements of the Company for the six months ended and as at June 30, 2005 and 2006 and other relevant information included elsewhere in this Offering Circular. The audited combined financial statements of the Company for the years ended and as at December 31, 2003, 2004 and 2005 and the unaudited interim combined financial statements of the Company for the six months ended and as at June 30, 2005 and 2006 have been prepared in accordance with IFRS as adopted by the European Union and as described in more detail in the accounting principles included in the notes to the combined financial statements beginning on page F-27 of this Offering Circular. The audited combined financial statements of the Company have been audited by KPMG Oy Ab, authorized public accountants, and their reports are included elsewhere in this Offering Circular.

This Offering Circular contains audited combined financial information for the Company for the years ended and as at December 31, 2003, 2004 and 2005, and unaudited combined financial information for the six months ended and as at June 30, 2005 and 2006, as if the Company had operated on a stand-alone basis for the periods presented. The combined financial information has been derived from the historical financial statements of the Outokumpu Group and is based on the historical acquisition cost of assets and liabilities and on the results of operations and cash flows, as if the Company and its subsidiaries had been a stand-alone independent group for the periods presented. The combined consolidated financial statements of Outokumpu Technology for the years ended and as at December 31, 2003, 2004 and 2005 and for the six months ended and as at June 30, 2005 and 2006 reflect the time when Outokumpu Technology was managed as one business as part of Outokumpu Group. The combined financial information may not be indicative of the actual results of the Outokumpu Technology Group that would have occurred for the periods indicated had the Company and its subsidiaries operated as a stand-alone group separated from Outokumpu Group, nor is it necessarily indicative of the future results of operations and financial condition of Outokumpu Technology Group. Outokumpu Technology was organized as a legal consolidated group, when the Outokumpu Technology companies, which were under the common control of the Outokumpu Group, were transferred to the ownership of the Company on or prior to June 30, 2006.

The audited combined financial information for the years ended and as at December 31, 2003, 2004 and 2005 and unaudited combined financial information for the six months ended and as at June 30, 2005 and 2006 comprise the Outokumpu Technology companies set forth in note 33 of the audited combined financial statements and these companies have been under common control of Outokumpu Group for the periods presented. From these companies, Outokumpu Shanghai Co. Ltd., OOO Outokumpu Norilsk, Outokumpu Holding GmbH, Kumpu GmbH, Outokumpu Deutschland GmbH, Outokumpu Technology GmbH, Petrobau Ingenieur Bulgaria EOOD, Outokumpu Technology AB, ZAO Outokumpu Moskva, Outokumpu Poland Sp. z.o.o. and Outokumpu Research Oy were transferred to the ownership of Outokumpu Technology from Outokumpu Group during the period from January 1, 2003 to June 30, 2006 and they are part of the future operation of the Company, as presented in this Offering Circular. The Company's former subsidiary, Outokumpu Metals Off-Take Oy, has been excluded due to it having been sold by the Company to Outokumpu before June 30, 2006, and, therefore, not being a part of the future operations of the Company, as presented in this Offering Circular. Outokumpu Technology acquired Boliden Contech AB (currently, Outokumpu Technology AB) on December 31, 2003 and it has been included in the combined financial statements from the date of the acquisition. The filter business sold to Larox Oyj in January 2004 has been presented as a discontinued operation, see "*Operating and Financial Review and Prospects—Discontinued Operations*." The accounting principles of the combined financial statements have been included in the notes to the combined financial statements beginning on page F-27 of this Offering Circular.

For comparability, the effect of transfers of the Outokumpu Technology companies to and from the Outokumpu Group has been taken into account in interest-bearing receivables and liabilities and in interest income and expenses as if the actual transfers would have been implemented as of January 1, 2003. The retained earnings of Outokumpu Technology companies, which have been transferred to and from Outokumpu Group, have been combined in the financial statements of Outokumpu Technology as of January 1, 2003 so that the difference between the equity and the actual acquisition cost has been reported in the combined equity. The interest expenses calculated for the combined financial information were based on market terms. Up until June 30, 2006, the Company has not had a centralized treasury and financing department, but has relied on Outokumpu to provide this service. It is possible that the Company would not independently have been able to obtain financing with equally favorable terms and conditions as it has obtained financing as a member of the Outokumpu Group.

Outokumpu Technology has previously been part of Outokumpu Group's tax planning. To combine profits and losses in tax jurisdictions of Finland, Sweden and Germany, Outokumpu Technology companies have both taken group contributions from and given group contributions to other Outokumpu Group companies. The group contributions received from or given to Outokumpu Group companies have been reversed in each year in the combined financial statements. The effect of these adjustments has been taken into account in the opening balance sheet as of January 1, 2003 and in each financial year by adjusting equity, interest-bearing receivables and liabilities, taxes and interest income and expense. The income taxes of Outokumpu Technology have been presented as if the Company had been operating on a stand-alone basis for the periods indicated. The deferred income taxes of Outokumpu Technology have been stated using the balance sheet liability method, as measured with the enacted rates, to reflect the net tax effect of all temporary differences between the financial reporting and tax bases of assets and liabilities.

It has been the Outokumpu Group's policy to charge the cost related to centralized services to the subsidiaries in the Outokumpu Group using the matching principle. Outokumpu Technology has purchased centralized services for procurement, information technology, financial accounting, taxes, human resources, legal affairs, financing, treasury, risk management and financial communications from Outokumpu. In addition, the Outokumpu Group has invoiced the part of the general group administration costs related to Outokumpu Technology from the Company. However, the combined financial statements of Outokumpu Technology do not include costs related to operating Outokumpu Technology as an independent listed company, such as costs related to board meetings, general meetings of shareholders, corporate communications, financial consolidation, including investor relations and related expenses. Outokumpu Technology's management estimates that the additional annual costs for operating the Company on an independent stand-alone basis, in addition to the costs charged to the income statement, would have totalled approximately EUR 1 million.

	For the year ended and as at December 31,			For the six months ended and as at June 30,	
	2003	**2004**	**2005**	**2005**	**2006**
		(audited)		**(unaudited)**	
			(EUR in millions)		
INCOME STATEMENT DATA					
Sales	365.9	425.6	556.2	216.7	320.9
Cost of sales	(280.3)	(327.8)	(451.5)	(177.6)	(258.9)
Gross margin	85.6	97.8	104.7	39.1	62.1
Other operating income	3.9	3.9	2.2	0.5	1.4
Selling and marketing expenses	(40.7)	(46.7)	(39.2)	(20.3)	(23.1)
Administrative expenses	(26.9)	(30.2)	(28.0)	(14.2)	(15.8)
Research and development expenses	(11.7)	(13.5)	(13.9)	(6.9)	(8.5)
Other operating expenses	(2.3)	(0.6)	(0.8)	(1.4)	(1.6)
Share of result of associated companies	—	—	(0.6)	(0.1)	(0.4)
Operating profit/(loss)	7.9	10.8	24.3	(3.4)	14.1
Total financial income and expenses	(3.9)	1.1	1.3	1.5	1.5
Profit/(loss) before taxes and discontinued operations	4.0	11.9	25.6	(1.9)	15.6
Income taxes	0.4	(2.4)	(9.2)	(1.5)	(7.0)
Net profit/(loss) for the period from continuing operations	4.4	9.5	16.4	(3.4)	8.7
Net profit for the period from discontinued operations	0.4	12.2	—	—	—
Net profit/(loss) for the period	4.8	21.7	16.4	(3.4)	8.7
CASH FLOW DATA					
Net cash from operating activities	24.9	8.1	80.2	20.2	0.6
Net cash from investing activities	(25.5)	22.4	(10.1)	(6.8)	(3.4)
Net cash from financing activities	6.8	(7.8)	(1.6)	0.4	(0.1)
BALANCE SHEET DATA					
Total non-current assets	127.1	116.4	121.5	120.2	119.5
Total current assets	177.3	182.2	287.7	205.3	288.5
Total assets	304.4	298.7	409.2	325.5	408.0
Equity attributable to the equity holders of the Company	69.5	90.8	110.6	90.1	116.1
Minority interest	0.0	0.0	0.1	0.0	0.0
Total equity	69.5	90.9	110.7	90.1	116.1
Total non-current liabilities	39.6	30.9	37.9	34.1	40.3
Total current liabilities	195.3	176.9	260.6	201.3	251.6
Total equity and liabilities	304.4	298.7	409.2	325.5	408.0

	For the year ended and as at December 31,			For the six months ended and as at June 30,	
	2003	2004	2005	2005	2006
	(audited)			(unaudited)	
	(EUR in millions, except for financial ratios, personnel data and per share data)				
KEY RATIOS					
Gross margin, % of sales	23.4	23.0	18.8	18.0	19.3
Operating margin, % of sales	2.1	2.5	4.4	(1.6)	4.4
Net interest-bearing debt[(1)]	(13.4)	(41.4)	(116.1)	(55.7)	(108.5)
Gearing, %[(2)]	(19.3)	(45.5)	(104.9)	(61.8)	(93.4)
Equity-to-assets ratio, %[(3)]	28.9	38.1	36.1	37.0	40.9
Capital employed[(4)]	56.1	49.5	(5.5)	34.4	7.6
Return on capital employed (ROCE), %[(5)]	14.2	20.5	110.3	(16.0)	2,610.5
Return on investment (ROI), %[(6)]	11.5	14.5	24.3	(3.6)	29.7
Return on equity, %[(7)]	6.6	11.8	16.3	(14.8)	15.3
Capital expenditure	26.6	11.7	12.1	5.7	3.8
Order backlog, period-end[(8)]	355.5	450.2	596.0	519.5	693.8
Order intake during the period[(8)(9)]	458.1	542.0	678.5	278.0	425.9
Number of employees, period-end[(8)]	2,008	1,831	1,802	1,883	1,889
Net profit/(loss) from continuing operations for the period, % of sales	1.2	2.2	2.9	(1.6)	2.7
Net profit/(loss) for the period, % of sales	1.3	5.1	2.9	(1.6)	2.7
SHARE RELATED DATA[(10)]					
Earnings per share for profit attributable to the equity holders of the company:					
Earnings per share from continuing operations, EUR[(11)]	0.10	0.23	0.39	(0.08)	0.21
Earnings per share from discontinued operations, EUR[(11)]	0.01	0.29	—	—	—
Total earnings per share, EUR[(11)]	0.11	0.52	0.39	(0.08)	0.21
Equity per share, EUR[(12)]	1.65	2.16	2.63	2.14	2.76
SEGMENT DATA					
Minerals Processing					
Sales	125.0	150.0	184.8	65.5	93.8
Operating profit/(loss)	3.5	8.3	8.3	1.4	(5.6)
Base Metals					
Sales	117.1	139.2	160.0	56.2	95.5
Operating profit/(loss)	5.2	4.4	11.6	(2.2)	12.7
Metals Processing					
Sales	123.3	134.8	205.9	91.0	130.4
Operating profit/(loss)	4.7	(1.6)	7.1	(2.0)	10.2
Other Businesses					
Sales	24.7	34.7	32.2	15.8	14.7
Operating profit/(loss)	(2.8)	2.4	0.2	0.5	(0.3)

(1) Net interest-bearing debt = Interest-bearing debt + accrued interest expenses − loan receivables − available-for-sale investments − accrued interest income − cash and cash equivalents

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

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

(4) Capital employed = Total equity + net interest-bearing debt

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

(6) Return on investment (ROI) = $\frac{\text{Operating profit} + \text{financial income}}{\text{Total assets} - \text{non-interest-bearing debt (average for the period)}} \times 100$

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

(8) Unaudited.

(9) Order intake during the period means the cumulative value of orders fulfilling the contractual obligations for coming into force received during the reporting period.

(10) In an extraordinary general meeting of the shareholders of the Company held on August 4, 2006, a resolution was adopted to split the number of the Company's Shares from 8,400,000 Shares to 42,000,000 Shares and such resolution was registered with the Finnish Trade Register on August 10, 2006. Earnings per share and equity per share data has been calculated using 42,000,000 Shares.

(11) Earnings per share = $\frac{\text{Net profit/(loss) for the period attributable to the equity holders}}{\text{Average number of shares for the period, as adjusted for stock split}}$

(12) Equity per share = $\frac{\text{Equity attributable to the equity holders}}{\text{Number of shares at the end of the period, as adjusted for stock split}}$

RISK FACTORS

An investment in the Offer Shares involves a number of risks, some of which are inherent in Outokumpu Technology's business and could be of substantial nature. Prospective investors should carefully consider the information included in this Offering Circular before investing in the Offer Shares. The risks described in this Offering Circular are not the only ones potentially facing Outokumpu Technology. Outokumpu Technology also faces many of the risks inherent to the mining and metals industries, and additional risks not currently known or not currently deemed material may also impair the business, financial condition and results of operations of Outokumpu Technology. The market price of the Shares could decline due to realization of these risks, and investors could lose part or all of their investment.

Risks Relating to the Business of Outokumpu Technology

Cyclical Nature of Mining and Metals Industries

The market for technology providers for the mining and metals industries is mainly driven by the overall activity in the mining and metals industries, which in turn is affected by the global consumption of metals, supply and demand balance of metals, the capacity structure of the industries as well as by metal prices. The cyclicality of Outokumpu Technology's sales is therefore driven primarily by the global changes in supply and/or consumption in the mining and metals industries. Other factors, including the replacement needs of existing production capacity, new competing technologies, competitive pressures and other economic factors affecting the mining and metals industries could also have an effect on the Company's business operations. A decline in demand for the Company's technologies and services, whether as a result of general economic conditions, volatility in metal prices or otherwise, may have a material adverse effect on Outokumpu Technology's business, financial condition and results of operations. Outokumpu Technology's management believes that, in the long-term, the effects of business cycles may be somewhat reduced by the geographical diversity of the Company's operations and the several different minerals and metals on which its business is focused.

Competitive Environment and Changes in Customer Requirements

The business environment Outokumpu Technology operates in is highly competitive and it could become even more competitive as a result of new market entrants. If Outokumpu Technology's competitors introduce new technologies or pricing policies, or if new standards or practices emerge, the Company's existing technologies and services may become uncompetitive or obsolete. In addition, the market for Outokumpu Technology's technology and services could be adversely affected by increased use of plastics and other substituting materials instead of the metal produced with the Company's technologies. The future success of Outokumpu Technology will depend on its ability to enhance its existing technologies and services, address the increasingly sophisticated and diverse needs of its customers, stay in the frontline of technological advances and conduct its business on a cost-effective and timely basis. Outokumpu Technology's failure to anticipate or quickly respond to technological developments or its customers' requirements could have a material adverse effect on the Company's business, financial condition and results of operations. For more information on the competitors of Outokumpu Technology, see "*Business of Outokumpu Technology—Competition*."

Project Risks

Uncertainty of Commencement of Projects

Many of Outokumpu Technology's contracts are awarded following a competitive bidding process. Outokumpu Technology may expend significant resources, both in management time and in financial resources, on bidding for projects that it is not subsequently awarded. In addition, Outokumpu Technology has a number of projects for which there are signed contracts in place but the effectiveness of which is subject to various conditions relating to, among other things, advance payments or regulatory permits, and the fulfillment of such conditions may be outside the control of Outokumpu Technology and/or its customers. It is possible, for example, that the Company's customer does not pay a required advance payment due to a lack of financial resources or the customer may be delaying the payment for other reasons. The customer may also not have the required environmental permits in place, which may suspend the commencement of a project. The ability of Outokumpu Technology or its customers to fulfill such conditions and to convert signed agreements into completed projects cannot be guaranteed and, therefore, the Company's order backlog only includes projects for which all such conditions have been fulfilled. Due to this, Outokumpu Technology may incur liabilities and costs in relation to delayed or cancelled projects.

Pricing of Contracts

Under the terms of a fixed price contract, Outokumpu Technology is obliged to construct (for a fixed price) a facility or supply equipment operating according to the agreed specifications. Under a partially fixed price contract, the parties agree upfront the elements of the project for which the costs are fixed and those for which costs will be reimbursed by the customer. Outokumpu Technology aims to carefully estimate the costs associated with each of its projects. It also makes allowances for contingencies that may rise in connection with a given project. However, cost overruns can occur as a result of the inherent risks of construction of a facility or supply of equipment. Such cost overruns can be significant and, particularly in case of fixed price contracts, may result in substantial losses to Outokumpu Technology.

Suspension, Termination and Alteration of Contracts and Default Risks

Outokumpu Technology's projects and other business operations are subject to default risks arising from or as a result of, for example, non-payment of customers, suspension of contracts or termination of projects when Outokumpu Technology has already committed to costs in relation thereto, calling of on-demand commercial bank guarantees or similar instruments provided in connection with projects, and non-performance of suppliers. In addition, default or counterparty risk arises in conjunction with cash investments and hedging instruments entered into in connection with projects. Certain of Outokumpu Technology's customer contracts may, subject to certain conditions being met, be suspended or terminated at the discretion of the customer at any time upon the giving of notice. Although under such circumstances Outokumpu Technology is typically compensated for its direct costs and expenses, customers may not be liable to compensate for any loss of profit caused by such suspension or termination. Further, in certain contracts there are no explicit restrictions on the customer's ability to assign the contract to third parties. Customer contracts may also permit the customer to vary the agreed scope of work subject to a change-order mechanism. Outokumpu Technology endeavors to observe the variations in the change-order mechanism in its contracts, however, Outokumpu Technology may, from time to time, be required to renegotiate the terms or scope of such contracts, which may result in the imposition of terms less favorable than the previous terms. Suspensions or premature termination of customer contracts, imposition of unfavorable terms in renegotiated contracts, obligations realized as a result of performance guarantees, joint and several liability obligations and liability transfer prohibitions could have a material adverse effect on Outokumpu Technology's business, financial condition and results of operations.

Dependence on Suppliers

During the course of its customer projects, Outokumpu Technology is dependent on the availability of certain key materials, components and finished products as well as the services of outside contractors, business partners and employees. Moreover, Outokumpu Technology is dependent upon the ability of its suppliers to provide such materials, components, finished products and services that meet the specifications, quality standards, delivery schedules and estimated costs set forth by Outokumpu Technology as well as regulatory requirements. In some cases there are only a limited number of suitable subsuppliers available for certain products or services, which increases Outokumpu Technology dependence on parties, which it has no control over. Outokumpu Technology also needs to procure the key materials, components, finished products and services with competitive prices from its suppliers. Difficulties that Outokumpu Technology may encounter with its suppliers could adversely affect production schedules and the Company's reputation, which could have a material adverse effect on Outokumpu Technology business, financial condition and results of operations.

Ability to Complete Large and Complex Customer Projects

The projects and services underlying Outokumpu Technology's contracts are often large, complex and of high value. Outokumpu Technology's revenue may, at times, depend on a limited number of large projects. During the year ended December 31, 2005, Outokumpu Technology's ten largest customer projects accounted for nearly 40 percent of the total sales of the Company compared to 34 percent and 35 percent in 2004 and 2003, respectively. The success of Outokumpu Technology to complete its projects is largely dependent on its ability to assign an appropriate number of qualified personnel to each project. It is also customary that Outokumpu Technology gives its customers performance guarantees related to projects or delivered solutions and services. Under certain contracts, Outokumpu Technology may be held liable for certain events relating to the implementation of such contracts even when the occurrence of these events is beyond the control of Outokumpu Technology. A significant failure to carry out or complete a major customer project by Outokumpu Technology could have a material adverse effect on Outokumpu Technology business, financial condition and results of operations.

Predictability of Earnings Based on Order Backlog

Outokumpu Technology reports its order backlog in connection with its annual reports and interim reports. During the six months ended June 30, 2006, Outokumpu Technology's order intake amounted to EUR 425.9 million, and the Company's order backlog was EUR 693.8 million as at June 30, 2006. The order backlog, that includes only projects for which the conditions determining the effectiveness of the order have been fulfilled, usually extends over several financial years, and its composition and potential impact on profitability may vary over time depending on the nature and pricing of projects included in the order backlog. The order backlog may not necessarily be fully indicative of Outokumpu Technology's future sales or earnings. Suspensions and delays are not uncommon with respect to contracts in Outokumpu Technology's backlog, and contracts are occasionally cancelled. In case Outokumpu Technology experiences significant suspensions, delays or cancellations of contracts in its order backlog, this could have a material adverse effect on Outokumpu Technology business, financial condition and results of operations.

Professional Liability for Engineering Defects

In case of an accident or injury resulting from equipment or structures related to the engineering services provided by Outokumpu Technology or failure in such equipment or structures, a claim for an engineering design defect made against the owner or operator of the equipment could also result in a claim against Outokumpu Technology. In certain jurisdictions where Outokumpu Technology operates, environmental and workers' compensation liability may be assigned to Outokumpu Technology as a matter of law. Customers, subcontractors and potential consortium partners may not have adequate financial resources to meet their indemnity obligations, if any, towards Outokumpu Technology. Despite thorough advance risk management processes, losses may derive from risks possibly not addressed in Outokumpu Technology's indemnity agreements or insurance policies, or it may not be possible for Outokumpu Technology to obtain adequate insurance against certain risks on commercially reasonable terms.

Engineering services provided by Outokumpu Technology are also subject to the hazards inherent in providing construction services, including, for example, fire, explosion or various natural phenomena. These hazards can cause personal injury and loss of life, business interruptions, property damage, failure in the equipment, pollution and environmental damage. Failure to effectively cover Outokumpu Technology against industry risks caused by any of these reasons could expose Outokumpu Technology to substantial costs and that could potentially lead to material losses, which could have a material adverse effect on Outokumpu Technology's business, financial condition and results of operations. See "*Operating and Financial Review and Prospects—Recent Developments*."

Risks Relating to Business Development

The planning and implementation of Outokumpu Technology's business operations seeks to take into account market opportunities, opportunities to develop or acquire new technologies, solutions or services to its existing customer uses or served industries and the opportunities to apply existing technologies in new customer uses or industries. The long-term development of Outokumpu Technology's business is affected by business development risks that are related to correctness of market intelligence or unanticipated changes in market situations, research and development activities and commercialization of technologies. The development and commercialization of new technologies may take a long time and also involve risks related to Outokumpu Technology's brand and market position. Investments made during the development phase of new technologies may also need to be written off in connection with larger technology development projects, to the extent such investments have been capitalized, in the event the intended technical and/or financial objectives of such projects are not reached. This may have material adverse effect on Outokumpu Technology's financial performance. Additionally, business development risks include risks related to the customer industries, such as the supply and availability of metals, minerals and energy. The continuing development of the Company's personnel is critical for Outokumpu Technology's business development. While Outokumpu Technology's management believes that the Company's business development procedures are appropriate for the current circumstances, there can be no assurance that such procedures are successful. Any failure in Outokumpu Technology's business development could have a material adverse effect on the Company's business, financial condition and results of operations.

Dependence on Management and Key Employees

Outokumpu Technology's ability to continue to maintain and grow its business and to provide high-quality technologies and services will depend, to a large extent, upon its ability to retain, develop, train and motivate the Company's management and other experts as well as to hire qualified and experienced new personnel. Competition for qualified personnel is intense at all locations in which Outokumpu Technology operates in and may become increasingly intense in the future. The loss of services of any member of its management or other key employees or the inability of Outokumpu Technology to attract and retain suitably qualified personnel could have a material adverse effect on Outokumpu Technology's business, financial condition and results of operations.

Industry Consolidation

Outokumpu Technology's customer base is undergoing consolidation. Consolidation within the Company's customer industries could affect the Company's relationships with its customers. If one of Outokumpu Technology's competitors' customers acquires any of the Company's customers, Outokumpu Technology may lose a part of its business. Additionally, as Outokumpu Technology's customers become larger in connection with the industry consolidation, they could exert pricing pressure on all suppliers, including Outokumpu Technology.

In addition, some of Outokumpu Technology's competitors have been consolidating. Should the Company's competitors consolidate further, they may increase their market share, gain economies of scale that enhance their ability to compete with Outokumpu Technology and/or acquire additional technologies and products that could displace Outokumpu Technology's technologies and services. There can be no assurance that further consolidation within Outokumpu Technology's competitors and/or customer industries will not have a material adverse effect on Outokumpu Technology's business, financial condition and results of operations.

Seasonality and Fluctuations in Earnings

Certain of Outokumpu Technology's technologies and services are subject to seasonality, which is reflected in Outokumpu Technology's revenue stream. The seasonality is mainly due to the Company's customers, especially those of the Minerals Processing division, expecting project completion and equipment deliveries by the end of a year. Typically, Outokumpu Technology's sales and profitability are higher during the third and fourth quarters compared to the first and the second quarters of a financial year. However, there can be no assurance that this pattern of seasonality will continue in the future, including the third and fourth quarters of the year 2006.

According to Outokumpu Technology's revenue recognition principles, certain portion of sales and especially profits are recognized in the end of the project only after certain procedures have taken place. These procedures typically include plant test runs and customer's acceptance of the project. Outokumpu Technology cannot usually control the timing of these procedures and, depending on the timing, the completions of projects may cause significant fluctuations in quarterly or annual results of the Company.

Protection of Intellectual Property

Outokumpu Technology's success is largely based on the solutions and services it has developed or acquired and continues to develop or acquire, and in relation to which the Company holds, in whole or in part, intellectual property rights. In addition, Outokumpu Technology is to some extent dependent on certain other companies inasmuch as it uses technologies licensed by these companies and thereby is subject to risks relating to, among others, the validity of such licensing arrangements. Outokumpu Technology relies principally on patents (including patent applications), nondisclosure agreements and other contractual arrangements and, to a lesser extent, trademark laws, to protect its intellectual property rights. Although there are currently no significant outstanding infringement claims against Outokumpu Technology or by Outokumpu Technology against third parties and the Company is not aware of any significant threatened infringement claims or similar proceedings, and despite of the Company's advanced intellectual property rights administration process, a successful infringement claim or other similar proceeding against Outokumpu Technology or the ability of Outokumpu Technology to protect its proprietary information and enforce its intellectual property rights through infringement proceedings could have a material adverse effect on Outokumpu Technology's business, financial condition and results of operations.

Sufficiency of Insurance Coverage

Outokumpu Technology plans to continue to insure its operations in accordance with industry practice and to insure the risks it considers appropriate for the Company's needs and business circumstances. However, insurance coverage will not be available for every risk faced by Outokumpu Technology.

Although Outokumpu Technology believes that it carries adequate insurances with respect to its operations and that its insurance coverage is in accordance with industry practice, in certain circumstances the Company's insurance may not cover or adequately cover the consequences of all events related to its operations. In addition, Outokumpu Technology's insurance policies may be subject to deductibles or franchises, as the case may be, and possible remedial requirements. Outokumpu Technology's policy of covering these risks through contractual limitations of liability, indemnities and insurance may not always be effective. In addition, there is a risk that insurance premiums may increase to a level where the Company considers it is unreasonable or not in its interests to maintain insurance coverage at its existing level. Outokumpu Technology may, following a cost-benefit analysis, elect to not insure certain risks on the grounds that the amount of premium payable for that risk is excessive when compared to the potential benefit to the Company from the insurance coverage. Such potential insufficiencies in Outokumpu Technology's insurance coverage could have a material adverse effect on Outokumpu Technology's business, financial condition and results of operations. For a further discussion of the insurance coverage of Outokumpu Technology, see "*—Risks Relating to Separation from Outokumpu—Control Risks*" below, "*Business of Outokumpu Technology—Insurance*" and "*Related Party Transactions*."

Political, Economic and Other Uncertainties

Outokumpu Technology's business operations are subject to various political, economic and social conditions which include fair or unfair calling of commercial bank guarantees, nationalization of assets, social, political or economic instability, volatility in currency exchange rates or restrictions on repatriation of profits and transfers of cash or suspension or cancellation of projects by governmental authorities, which all could have a material adverse effect on Outokumpu Technology's business, financial condition and results of operations. Operations in emerging markets may present risks that are not encountered in countries with well-established economic and political systems, including economic instability, which could make it difficult for Outokumpu Technology to anticipate future business conditions in these markets and cause delays in the placement of orders for projects that it has been awarded, thereby subjecting Outokumpu Technology to volatile markets. Additionally, certain Outokumpu Technology's projects are located in regions that could be affected by epidemics, natural disasters, armed conflicts or terrorist attacks. There can be no assurance that Outokumpu Technology's exposure to such conditions will not have a material adverse effect on its business, financial condition and results of operations.

Environmental Risk Relating to Projects and Project Sites

Outokumpu Technology's plant deliveries may carry a supplier liability, which generally terminates at a certain time after the completion of the construction and commissioning of a plant. During the construction and commissioning phase, accidents may occur involving environmental damage or personal injury, and litigation arising from such accidents may result in the Company being named a defendant in lawsuits asserting potentially large claims. Severe damage to human health, the environment or property or disruption in production could also be caused by accidents on a site where Outokumpu Technology has carried out a project in the past. Such accidents could result in lawsuits towards Outokumpu Technology as a technology provider, which, in turn, could lead to significant liabilities. There can be no assurance that an accident and/or environmental damage occurring during project execution or later at a project site will not result in claims against and result in liabilities on the part of, Outokumpu Technology, which could, in turn, have a material adverse effect on Outokumpu Technology's business, financial condition and results of operations.

Uncertainty Related to Regulatory Changes and Foreign Legal Systems

Countries in which Outokumpu Technology operates may have less developed and less strictly enforced legal systems than in industrialized countries with more established economies, which may result in risks, such as (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation or in an ownership dispute, being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations and decrees; or (v) relative inexperience of the judiciary and courts in such matters. Also the protection of intellectual property rights may be less developed and less strictly enforced in these countries. There can be no assurance that Outokumpu Technology or its joint ventures, licenses, license applications or other legal arrangements or the effectiveness of the enforcement thereof will not be adversely affected by the actions of government authorities or others.

Outokumpu Technology's operations also expose it to changes in foreign regulations. The imposition of adverse new legislation or unexpected taxes or other payments on revenues in these markets or the introduction of exchange controls as well as other restrictions by foreign governments could have a material adverse effect on Outokumpu Technology's business, financial condition and results of operations. In addition, the operations of Outokumpu Technology as well as its customers, subcontractors and consortium partners are subject to extensive environmental protection laws, which are subject to change. Outokumpu Technology may be subject to liabilities for, for example, environmental contamination, if Outokumpu Technology, its customers or subcontractors do not comply with laws regulating, for example, hazardous substances, and such liabilities can be substantial. Further, some of the financing received or applied for by Outokumpu Technology or its customers may be conditional upon or subject to covenants relating to compliance with the relevant environmental laws and regulations. Outokumpu Technology's failure to comply with applicable laws and regulations could also give rise to damage to the Company's reputation, which may substantially harm Outokumpu Technology's business prospects and which could have a material adverse effect on Outokumpu Technology's business, financial condition and results of operations.

Labor Disputes

Some of Outokumpu Technology's principal domestic and foreign operations and subcontractors are located in areas of high union concentration or in jurisdictions with laws favorable to unionization. There can be no assurance that any disputes, work stoppages or strikes will not arise in the future. In addition, many of Outokumpu Technology's customer projects may be located in highly unionized countries and such customer projects are susceptible to strikes or other union organized activity that may be caused by factors outside Outokumpu Technology's control. Even though there has been no major labor disputes in the history of Outokumpu Technology, there can be no assurance that such disputes which could have a material adverse effect on Outokumpu Technology's business, financial condition and results of operations would not arise in the future.

Fluctuations in Currency Exchange Rates and Interest Rates as well as Other Financial Risks

A majority of Outokumpu Technology's revenue is generated in euro, U.S. dollar and Australian dollar and currently also Brazilian real, and a significant part of its expenses are incurred in the same currencies. However, Outokumpu Technology is still exposed to risks from changes in currency exchange rates between the euro, U.S. dollar and/or other currencies. In addition, as a consequence of Outokumpu Technology's business operations in countries not belonging to the European Economic and Monetary Union and the generation of sales to such countries, Outokumpu Technology is exposed to risks from changes in the currency exchange rates of these countries. Currency risk exposure, although limited, will affect Outokumpu Technology's operations to the extent its sales are denominated in currencies other than those in which its expenses are incurred. The Company may be exposed to currency risks regarding both forecasted cash flows and firm contractual commitments. In addition, Outokumpu Technology has from time to time investments and deposits in various currencies in a manner exposing Outokumpu Technology to fair value risks related to these assets. Net investments in foreign subsidiaries expose Outokumpu Technology to translation risk, which is monitored, but not currently hedged. There can be no assurance that currency exchange rate fluctuations will not have a material adverse effect on Outokumpu Technology's business, financial condition and results of operations.

Outokumpu Technology's net interest-bearing debt was a negative EUR 108.5 million as at June 30, 2006 and the Company had a significant amount of cash and cash equivalents as well as other interest-bearing assets. These assets are in general invested in money markets with low interest rate risk. However, changes in interest rates may decrease the financial income or cause financial costs. There can be no assurance that interest rate fluctuations will not have a material adverse effect on Outokumpu Technology's business, financial condition and results of operations.

In addition, Outokumpu Technology is exposed to various financial risks, such as market risks, default risks and liquidity risks, and failure to properly anticipate and manage such risks could result in a material adverse effect on Outokumpu Technology's business, financial condition and results of operations. For further discussion, see below "*Operating and Financial Review and Prospects—Risk Management—Financial Risks*."

Dividends

The amount of future dividend payments, if any, will depend upon Outokumpu Technology's future earnings, financial condition, cash flows, working capital requirements, investments, the amount of unrestricted equity and other factors. In accordance with the Finnish Companies Act (624/2006), as amended, (the "Finnish Companies Act") and prevailing practice in Finland, dividends have generally been paid only annually, and dividends may only be paid after the general meeting of shareholders has approved the Company's results and decided upon the amount of the dividend, if any, proposed by the Company's Board of Directors.

Goodwill Included in the Balance Sheet

As at June 30, 2006, goodwill recorded in Outokumpu Technology's balance sheet had a total carrying value of EUR 47.0 million, principally as a result of the acquisitions of Lurgi Metallurgie GmbH and KHD Aluminium Technology GmbH. The management of Outokumpu Technology has assessed, will continue to assess and, if necessary, adjust the carrying value of goodwill annually or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. These adjustments could include recording a write-down of the carrying value of goodwill that would negatively affect the Company's results of operations in the relevant period. While a write-down would not have a negative effect on cash flow, a significant write-down of goodwill could have a material adverse effect on the business, financial condition and results of operations of Outokumpu Technology. See "*Operating and Financial Review and Prospects—Critical Accounting Policies—Goodwill*" for a discussion of certain matters regarding the Company's accounting policies in respect of the valuation of goodwill.

Risks Relating to Separation from Outokumpu

Limited Independent Operating History

Even though Outokumpu Technology as a business has a long history, it has a relatively brief history as an independently operating entity. The historical financial performance of Outokumpu Technology has been reported together with, and has been connected to, the results of operations, assets and cash flow of Outokumpu's other business segments. The financial statements included in this Offering Circular do not necessarily reflect the actual results of operations, financial position and cash flows that Outokumpu Technology would have had if it had been a separate, publicly traded company during the periods presented. Similarly, they are necessarily not indicative of the future results of operations and future financial position of Outokumpu Technology. For a further discussion of the history of Outokumpu Technology and it relationship with Outokumpu, see "*Business of Outokumpu Technology—Company History*" and "*Related Party Transactions*."

Control Risks

Outokumpu Technology's internal governance, financial and disclosure controls, insurance coverage as well as certain other functions, such as tax planning and information technology systems have, in the past, been integrated with those of Outokumpu, and, as a result, while Outokumpu Technology has had certain internal controls and risk management procedures, it has had no comprehensive central group level policy framework for application of internal controls and risk management on an integrated basis across the Outokumpu Technology Group. Outokumpu Technology will continue the process of formalizing, documenting and developing its internal controls and risk management procedures and policies as well as insurance coverage following the completion of the Offering. As a result, there may be additional costs incurred due to the ongoing work to finalize an integrated governance, control and risk management framework for the Company and, until that integrated framework is in place, Outokumpu Technology may be affected by risks arising in relation to its internal controls and risk management, which could have a material adverse effect on Outokumpu Technology's business, financial condition and results of operations.

Successful Launch of Outokumpu Technology's New Company Name and Related Brands

Outokumpu has granted the Company a license to use the name "Outokumpu" as part of the Company's name Outokumpu Technology in connection with its operations worldwide until June 30, 2008, and a right to be referred to as "former Outokumpu Technology" for a period ending 18 months after the change of the Company's name or until December 31, 2009, whichever is earlier. See "*Related Party Transactions*." Thereafter, Outokumpu Technology will need to continue operating under a new company name and market its own new brand in its worldwide operations. When the Company's right to use the "Outokumpu" name in its Company name and brands expires, it may not be able to maintain or enjoy comparable name recognition or status under its new company name and related brands. If Outokumpu Technology is unable to successfully manage the introduction of a new company name and the transition of its business to its new brand, the benefit that Outokumpu Technology previously enjoyed through its customers recognizing its brand will be reduced, which could have a material adverse effect on the Outokumpu Technology's business, financial condition and results of operations.

Ability to Operate Effectively as an Independent Company

Previously, Outokumpu Technology has purchased certain centralized services for procurement, information technology, financial accounting, tax planning, human resources, legal affairs, financing, treasury, risk management and financial communications from Outokumpu. Outokumpu Technology's management estimates that the additional annual costs for operating the Company on an independent stand-alone basis, in addition to the cost charged to the income statement, would have totalled approximately EUR 1 million, which has not been taken into account as an adjustment to the combined financial statements included elsewhere in this Offering Circular. Outokumpu Technology is in the process of developing certain independent facilities, systems, infrastructure and personnel to replace services it has shared with Outokumpu. For a period after the Offering, Outokumpu will continue to perform certain corporate functions for Outokumpu Technology's operations for a fee. Outokumpu Technology's management believes that the amounts the Company pays for this transitional support are arm's length rates generally based on Outokumpu's direct and indirect costs. For more information regarding the transition arrangements, see "*Related Party Transactions*." Although Outokumpu Technology has implemented many independent functions, if it is not able to complete the establishment of these functions, or obtain related services from third parties, the Company may not be able to operate its business effectively or at costs comparable to those of its competitors, which could have a material adverse effect on Outokumpu Technology's business, financial condition and results of operations.

As a stand-alone company, Outokumpu Technology may not have the same negotiating power regarding the procurement of certain services it had through Outokumpu. In addition, certain agreements relating to, among others, the research and development operations provided by Outokumpu Technology to third-party companies have been entered into by Outokumpu and not the Company, and have to be transferred, if possible, and renegotiated, if necessary, in connection with Outokumpu Technology's separation from Outokumpu. As a result, Outokumpu Technology may not have as favorable terms or prices as those obtained prior to the separation from Outokumpu, which could have a material adverse effect on Outokumpu Technology's business, financial condition and results of operations.

After the separation from Outokumpu, Outokumpu Technology will not have the financial support of and access to financing provided by its former parent company Outokumpu. Due to this, the Company has entered into certain new guarantee and credit facilities. See "*Operating and Financial Review and Prospects—Liquidity and Capital Resources*." However, there can be no assurance that these or future financing arrangements of the Company have as favorable terms as those obtained prior to the separation from Outokumpu or that they are sufficient to sustain Outokumpu Technology ability to tender for, or enter into, project contracts that are large, complex and of high value.

Risks Relating to the Offering

Ownership of Outokumpu

As of the date of this Offering Circular, Outokumpu owned 100 percent of the outstanding Shares and voting rights of the Company. Upon the completion of the Offering, Outokumpu would continue to hold approximately 12 percent of the outstanding Shares and voting rights of the Company, assuming full exercise of the Over-Allotment Option. Accordingly, Outokumpu will be a significant shareholder of the Company and it will have influence in matters submitted for a vote of shareholders, such as approval of the annual financial statements, declarations of dividends, capital increases, amendments to the Company's Articles of Association and the election and removal of the members of the Board of Directors of the Company. See "*Related Party Transactions*" and "*Ownership Structure*." The influence of Outokumpu may also have the effect of delaying, deferring or preventing a change in control and discourage bids for and adversely affect the value of the Shares of Outokumpu Technology.

Future Issues or Sales of Substantial Amounts of the Shares

Outokumpu Technology and the Selling Shareholder have informed that they will not, subject to certain exceptions, issue or sell any Shares during the period from the date of the Purchase Agreement (as defined herein) and ending 180 days after the date of the pricing announcement relating to the Offering. After the end of this period, Outokumpu Technology and the Selling Shareholder may freely issue or sell Shares. Issues or sales of substantial amounts of the Shares, whether by Outokumpu Technology or the Selling Shareholder, or the perception that such issues or sales could occur, could have an adverse effect on the market value of the Shares and the ability of Outokumpu Technology to raise capital through future capital increases. See "*Plan of Distribution*."

Absence of a Public Market: Possible Volatility of Share Price; Transfer Restrictions

Prior to the Offering, there has been no public trading market for the Shares and there can be no assurance that an active market will emerge or can be sustained after the Offering. Accordingly, there can be no assurance as to the liquidity of any market for the Shares.

The Offer Price will be determined in negotiations among the Selling Shareholder and the Managers based on book-building in the Offering and may bear no relationship to the price at which the Shares will trade upon completion of the Offering. The market price of the Shares subsequent to the Offering could be subject to fluctuations in response to factors, such as actual or anticipated variations in Outokumpu Technology's results, announcements of innovations, introductions of new solutions or services by either Outokumpu Technology or its competitors, changes in estimates by financial analysts, currency exchange rates, regulatory developments, general market conditions and other factors. In addition, international financial markets have from time to time experienced price and volume fluctuations, which have been unrelated to the operating performance or prospects of individual companies. Consequently, the trading market for, and the liquidity of the Shares may be materially adversely affected by general declines in the market or by declines in the market for similar securities.

The Shares have not been registered under the U.S. Securities Act and are subject to restrictions on transferability and resale. See "*Transfer Restrictions*."

Inability of Certain Non-Finnish Shareholders to Exercise Their Pre-emptive Rights

Certain holders of the Shares resident in, or with a registered address in, certain jurisdictions other than Finland, including U.S. holders, may not be able to exercise their pre-emptive rights and preferential rights in respect of the Shares they hold in any future offerings by the Company unless a registration statement, or the equivalent thereof under the applicable laws of their respective jurisdictions, is effective with respect to such Shares, or an exemption from any registration or similar requirements under the applicable laws of their respective jurisdictions is available. See "*Description of the Shares and Share Capital—Shareholder Rights—Pre-Emptive Rights*."

BACKGROUND AND REASONS FOR THE OFFERING

Outokumpu Technology is currently a wholly-owned subsidiary of Outokumpu, an international stainless steel and technology company. Outokumpu Technology has been managed as an independent business within the Outokumpu Group and the Company has developed its organization, legal structure, identity and operational model with the aim of effective operation as an independent company. Outokumpu's management believes that the listing of Outokumpu Technology as an independent company on the Helsinki Stock Exchange, concentrating on process solutions, technologies and services principally for the mining and metals industries, will improve the strategic focus and prospects for both companies, also considering the limited synergies between the two companies. The listing of Outokumpu Technology will give investors a higher degree of choice regarding their asset exposure and provide improved transparency. The public quotation of the Shares will also enable the use of the Shares as a means of payment in connection with possible acquisitions and creates a new potential source of financing to be used in implementing the growth strategy of the Company.

USE OF PROCEEDS

The Company will not receive any portion of the proceeds from the sale of the Offer Shares by the Selling Shareholder in the Offering.

The net proceeds to the Selling Shareholder from the Offering are estimated to be approximately EUR 451.0 million after deduction of the combined selling, underwriting and advisory fee. The net proceeds have been calculated assuming that the Offer Price per Offer Share will be at mid-point of the Offer Price range, the Over-Allotment Option is not exercised and the maximum number of Offer Shares is included in the Offering. See "*Plan of Distribution*."

Outokumpu Technology is expected to pay approximately EUR 0.8 million and Outokumpu approximately EUR 11.0 million in non-recurring fees and expenses in connection with the Offering.

CAPITALIZATION

The following table sets forth the capitalization of Outokumpu Technology Group as at June 30, 2006. This table should be read in conjunction with the combined financial information of Outokumpu Technology Group as well as with other information concerning the Company's capitalization included elsewhere in this Offering Circular. See "*Selected Historical Combined Financial Information of the Company*" and "*Operating and Financial Review and Prospects—Liquidity and Capital Resources*" and "*—Off-balance Sheet Liabilities*."

	As at June 30, 2006
	(unaudited) **(EUR in millions)**
Non-current interest-bearing liabilities	3.8
Current interest-bearing liabilities	6.8
Non-current interest-bearing assets[1]	1.4
Cash and cash equivalents	117.8
Total net interest-bearing debt[2]	(108.5)
Equity attributable to the equity holders of the Company	
Share capital	16.8
Premium fund	20.2
Other reserves	0.1
Retained earnings	70.3
Net profit for the period	8.7
Total	116.1
Minority interest	0.0
Total equity	116.1
Total capitalization[3]	7.6

(1) Includes EUR 0.6 million of interest-bearing loan receivables.

(2) Net interest-bearing debt = interest-bearing debt + accrued interest expenses − loan receivables − available-for-sale investments − accrued interest income − cash and cash equivalents.

(3) Total equity and total net interest-bearing debt.

DIVIDENDS AND DIVIDEND POLICY

The Company's Board of Directors has adopted a dividend policy whereby the Company intends to propose for the approval of the Company's shareholders dividends representing approximately 40 percent of the annual net income of Outokumpu Technology for the preceding financial year, with the amount of future dividends, if any, being subject to Outokumpu Technology's future earnings, financial condition, cash flows, working capital requirements, investments in either organic growth or acquisitions and other factors. Although the Company's Board of Directors has no reason to believe that dividend payments according to this policy will not generally be made, there can be no assurance that any annual dividend will actually be paid, nor can there be any assurance as to the amount that will be paid in any given year.

Subject to the factors described above, the Company intends to pay its first dividend as a public company after the Company's annual general meeting during the first half of 2007 and the dividend is expected to amount to approximately 40 percent of the annual net income of Outokumpu Technology for the financial year ending December 31, 2006.

Under the Finnish Companies Act, the general meeting of shareholders decides on the distribution of dividends. Dividends on shares of a Finnish company, if any, have generally been declared once a year and may be paid only after the general meeting of shareholders has approved the company's financial statements and the amount of the dividend proposed by the Board of Directors. In accordance with the Finnish Companies Act, payment of dividends may be based on audited financial statements other than those approved at the end of the preceding financial year, for example audited interim financial statements, and companies may also pay interim dividends based on the current financial year's earnings upon approval of audited financial statements in extraordinary general meeting of shareholders. The distribution of dividends by the Company in respect of the Shares will require the approval of the holders of a majority of the votes cast at the general meeting of shareholders. Under the provisions of the Finnish Companies Act, the amount of any dividend is limited to the amount of the distributable funds shown on the parent company's latest financial statements. However, any distributions of funds are prohibited if it is known or it should be known at the time of taking such decision that the company is insolvent or such distribution would cause the company to become insolvent. As of June 30, 2006, total unrestricted equity of Outokumpu Technology Oyj was EUR 19.1 million. See "*Description of the Shares and Share Capital—Shareholder Rights—Dividends and Other Distributions.*"

Dividends paid to holders of Shares who are non-residents of Finland generally will be subject to Finnish withholding tax currently at a rate of 28 percent, a rate which may be reduced pursuant to an applicable tax treaty to which Finland is a party. See "*Taxation*" for a summary of certain Finnish and U.S. tax consequences to holders of Shares.

EXCHANGE RATES

The following table sets forth, for the periods and dates indicated, the average, high, low, and period-end reference rates as published by the European Central Bank for the U.S. dollar per EUR 1.00. The average rate means the average of the exchange rates on the last day of each month during the applicable period.

	Reference rates of U.S. dollars per euro			
	Average	High	Low	Period-End
2001	0.8955	0.9545	0.8384	0.8813
2002	0.9452	1.0487	0.8578	1.0487
2003	1.1313	1.2630	1.0377	1.2630
2004	1.2437	1.3633	1.1802	1.3621
2005	1.2443	1.3507	1.1667	1.1797
2006 (through September 22)	1.2441	1.2958	1.1826	1.2817

The following table sets forth, for the periods and dates indicated, the average, high, low, and period-end reference rates as published by the European Central Bank for the Australian dollar per EUR 1.00. The average rate means the average of the exchange rates on the last day of each month during the applicable period.

	Reference rates of Australian dollars per euro			
	Average	High	Low	Period-End
2001	1.7318	1.9000	1.6137	1.7280
2002	1.7373	1.8556	1.6360	1.8556
2003	1.7384	1.8556	1.6079	1.6802
2004	1.6897	1.7673	1.5781	1.7459
2005	1.6323	1.7354	1.5593	1.6109
2006 (through September 22)	1.6636	1.7260	1.5974	1.7013

The following table sets forth, for the periods and dates indicated, the average, high, low, and period-end reference rates as quoted by Bloomberg and computed as a cross exchange rate through the U.S. dollar for the Brazilian real per EUR 1.00. The average rate means the average of the exchange rates on the last day of each month during the applicable period.

	Reference rates of Brazilian reals per euro			
	Average	High	Low	Period-End
2001	2.1055	2.5917	1.7920	2.0552
2002	2.7928	3.8955	1.9947	3.8543
2003	3.4712	3.9599	3.1898	3.6414
2004	3.6359	3.8866	3.4469	3.5997
2005	3.0366	3.7059	2.5279	2.7702
2006 (through September 22)	2.7181	3.0152	2.5123	2.8221

The above rates are provided solely for the convenience of the reader and are not necessarily the rates used in the preparation of the Company's financial statements and financial statement information. No representation is made that euro could have been converted into U.S. or Australian dollars or Brazilian reals at the rates shown or at any other rate for such periods or at such dates.

BUSINESS OF OUTOKUMPU TECHNOLOGY

Outokumpu Technology

Outokumpu Technology is a leading global provider of process solutions, technologies and services principally for the mining and metals industries. Outokumpu Technology utilizes its extensive experience and advanced process know-how by providing plants, equipment and services based mainly on its proprietary technologies. Outokumpu Technology operates through three divisions: Minerals Processing, Base Metals and Metals Processing. Outokumpu Technology's management estimates that all of Outokumpu Technology's business divisions are currently market leaders in their key technologies in terms of number of deliveries.

Outokumpu Technology provides solutions for the whole production chain of processing minerals to metals. Outokumpu Technology's solutions are used in the production of ferrous metals and ferroalloys, alumina and aluminum, copper, nickel, zinc, precious metals, niobium, synthetic rutile, certain industrial minerals and sulfuric acid. Its solutions range from single equipment deliveries to manufacturing lines and entire turnkey process plants. In addition, Outokumpu Technology offers specialized technology and know-how for the chemical and other process industries. By optimizing customers' investment costs and life-time operational costs and by applying the best technologies in terms of energy efficient and environmental protection, Outokumpu Technology aims to assist its customers in overcoming the operational and competitive challenges that they encounter. In addition to the above, Outokumpu Technology offers after-sales services typically including delivery of spare parts, limited maintenance services, customers' process plant audits and customers' operator training.

Outokumpu Technology is focusing its own operations in the areas where it has a clear competitive advantage over its competitors, for example, in developing special proprietary technologies for the mining and metals industries and in tailoring these technologies to fit with its customers' specific needs through designing and testing the relevant process. In order to be able to efficiently utilize business opportunities occurring at irregular intervals in different parts of the world, the Company has decided not to have any substantial own manufacturing or detail engineering resources but rather to use outside resources often available locally where the projects are implemented.

During the past few years, the position of Outokumpu Technology as a leading technology provider for mining and metals industries has been further strengthened through acquisitions. In 2001, Outokumpu acquired Lurgi Metallurgie GmbH, the global metallurgical technology business formerly owned by Lurgi AG. Through the addition of Lurgi Metallurgie's expertise, experience and technology base to Outokumpu Technology, the Company has been able to expand its proprietary technologies portfolio with technologies relating to processing of alumina, iron ore, sulfidic minerals and sulfuric acid. Additionally through the expertise and experience of Lurgi Metallurgie, the Company has been able to expand its offerings to customers to include comprehensive technology packages, including large turnkey plant deliveries. In addition, the acquisitions of KHD Aluminium Technology GmbH, a supplier of anode technology for aluminum smelters, and the grinding mill business of Nordberg Mills in 2001 further strengthened Outokumpu Technology's position as a leading technology supplier in its field.

The following table sets forth the sales, operating profit/loss, order intake for the periods indicated as well as order backlog and number of employees of the Company at period-end:

	For the year ended and as at December 31,			For the six months ended and as at June 30,	
	2003	2004	2005	2005	2006
	(audited)[1]			(unaudited)	
	(EUR in millions, except personnel data)				
Sales	365.9	425.6	556.2	216.7	320.9
Operating profit/(loss)	7.9	10.8	24.3	(3.4)	14.1
Order intake during the period	458.1[2]	542.0	678.5	278.0	425.9
Order backlog, period-end	355.5[2]	450.2	596.0	519.5	693.8
Number of employees, period-end	2,008	1,831	1,802	1,883	1,889

(1) Audited except for order intake during the period and order backlog and number of employees at period-end.

(2) Share of the sold filter business was EUR 37.7 million of order intake during the period and EUR 5.7 million of order backlog.

The following table sets forth the sales of each of the Company's three divisions and Other Businesses for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2003	2004	2005	2005	2006
		(audited)		(unaudited)	
			(EUR in millions)		
Minerals Processing	125.0	150.0	184.8	65.5	93.8
Base Metals	117.1	139.2	160.0	56.2	95.5
Metals Processing	123.3	134.8	205.9	91.0	130.4
Other Businesses	24.7	34.7	32.2	15.8	14.7
Unallocated items[(1)] and intersegment eliminations	(24.2)	(33.0)	(26.7)	(11.8)	(13.4)
Total sales	365.9	425.6	556.2	216.7	320.9

(1) Unallocated items primarily include invoicing of internal management and administrative services.

The following table sets forth the sales of the Company based on the location of the customer for the periods indicated:

	For the year ended December 31,		
	2003	2004	2005
		(audited) (EUR in millions)	
Asia	107.9	125.5	169.1
Europe	93.3	108.5	121.4
South America	54.6	63.5	100.6
Australia	58.9	68.5	80.1
Africa	33.4	38.9	60.4
North America	17.7	20.6	24.6
Total sales	365.9	425.6	556.2

Company History

Outokumpu Technology's strong market position and technology leadership are based on the knowledge and experience derived from the operations of two major mining and metals companies: on the know-how based on the Company's historic position as a part of the Outokumpu Group, particularly during the period when mining and metallurgy formed a key part of the operations of the Outokumpu Group and it spent substantial resources in creating related technologies, as well as on the know-how of former Lurgi Metallurgie GmbH, originating from Metallgesellschaft AG.

Outokumpu's history dates back to 1910 when a substantial copper ore deposit was found in Eastern Finland and the company was founded to commence mining and metallurgical operations in the area. Finland's rapid industrialization supported the company's strategy of developing sophisticated processing and production methods, and already in 1935 Outokumpu constructed what was then the largest electric copper smelter in the world. In the late 1940s, Outokumpu's scientists and engineers developed a new process of extracting metal from its ore, called flash smelting. The success of flash smelting, which later was licensed to other metallurgical companies, eventually led to the formation of a technology division within Outokumpu. To aid in the development of further innovations, the company relied on its metallurgical research center, established in Pori, Finland, in 1949. In order to promote technology trading, a sales department for licensing and know-how was established in the head office of the company. During Outokumpu's fast expansion into mining and processing of different metals, it established a separate metallurgical design office. This organization implemented, or participated in implementation of, most of Outokumpu's own industrial investment projects as well as worked together with the technology sales organization when selling and supplying flash smelting and other process plants and equipment to international customers. At the end of the 1960s, the offering of the sale department covered all Outokumpu's production processes for copper, zinc, nickel and ferrochrome.

The global breakthroughs of flash smelting, flotation and automation technologies led to the establishment of overseas sales offices in Canada, the United States, Mexico and Brazil in the 1970s and in Peru and Chile in the 1980s. Outokumpu Technology's growth and internationalization have continued with acquisitions and establishment of further sales offices and competence centers until today. Outokumpu Technology has expanded its scope of technologies and product range through the acquisitions of Canadian-based Aisco Systems Inc. (aluminum technology), Australian-based Supaflo, Ltd. (thickeners), U.S.-based Carpco, Inc. and Inprosys, Inc. (physical separation), German-based KHD Aluminium Technology GmbH (aluminum technology) and Lurgi Metallurgie GmbH (ferrous metals, alumina, sulfuric acid, off-gas and roasting technologies), Norwegian-based Nordberg Mills (grinding mills), and Swedish-based Boliden Contech AB (gas handling and precious metals processing). In addition, Outokumpu Technology acquired around the turn of the millennium two filter companies, German-based Eberhard Hoesch & Söhne GmbH and Royal Pannevis BV based in the Netherlands, to complement its ceramic filter product line. The Company sold its filter business (Ceramec, Hoesch and Pannevis) to Larox Oyj in 2004. See "*Operating and Financial Review and Prospects—Discontinued Operations.*"

The acquisition of Lurgi Metallurgie GmbH in 2001 had a major impact on Outokumpu Technology's portfolio complementing it with technologies for iron processing, alumina calcining, roasting of sulfidic ores and sulfuric acid production technologies. Original parent company of Lurgi Metallurgie, Metallurgische Gesellschaft AG, was founded in 1897 and its activities included mining, recovery and processing of metals. Lurgi Gesellschaft für Chemie und Hüttenwesen GmbH was established in 1920 and this company developed over the years into Lurgi Metallurgie GmbH. Based on its historical background, Lurgi has developed a full range of plant engineering and contracting businesses over the course of time. This expertise was combined with Outokumpu Technology as a result of the acquisition of Lurgi Metallurgie.

Outokumpu Technology was organized as a legal consolidated group, for the first time, when the Outokumpu Technology companies, which were under the common control of Outokumpu, were transferred to the ownership of Outokumpu Technology on or prior to June 30, 2006. On September 25, 2006, the Company became a public limited company.

Key Strengths

Outokumpu Technology's management believes that the Company's position as a leading global provider of process solutions, technologies and services principally for the mining and metals industries is based upon the following key strengths:

- **Strong Market Position and Long-Term Customer Relationships**

  For several decades, Outokumpu Technology has been a technology leader in many of its market segments. Outokumpu Technology's management estimates that all of Outokumpu Technology's business divisions are currently market leaders in their key technologies: the Minerals Processing division in analyzers and flotation and thickening technologies; the Base Metals division in copper smelting, anode casting and in ferrochrome production technologies; and the Metals Processing division in iron ore pelletizing and sintering, alumina calcining, metallurgical sulfuric acid plants, fluidized bed ("FB") and circulating fluidized bed ("CFB") technology based applications.

  Outokumpu Technology has close and long-term relationships with many of its customers and it seeks to strengthen these relationships further through continuous development and improvement of its technology and services based on customer needs. Many of the world's largest companies in the mining and metals industries have relied on Outokumpu Technology for a significant portion of their new facilities over extended periods of time. The Company has repeatedly supplied several process plants and renovations to a number of leading companies in the mining and metals industries, such as Alcan Inc., BHP Billiton Limited and Companhia Vale do Rio Doce (CVRD). Outokumpu Technology's management believes that the Company's leadership position in many of its technologies has been and remains to be an important factor in creating and maintaining these long-term relationships.

- **Proprietary Technology Base and Extensive Research and Development Resources**

  Outokumpu Technology has in its research and development activities focused on developing new and improving its existing state-of-the-art technologies, both independently and through co-operation with its customers, covering the entire complex process chain from minerals to metals, and it has been successful in building a broad proprietary technology base. All of Outokumpu Technology's deliveries are based on its proprietary technology. The Company has two modern, high-quality research centers, one in Pori, Finland, and one in Frankfurt, Germany. These two centers combined employ approximately 190 employees and primarily support the operations of Outokumpu Technology while also providing services to third parties. In addition, Outokumpu Technology has technology and product development activities in its divisions. Outokumpu Technology's customers regularly involve the Company already in the initial planning phase of their projects and Outokumpu Technology's management believes that, through testing customers' feed materials in the Company's test facilities, Outokumpu Technology enjoys a competitive advantage over most of its competitors who do not have such test facilities.

- **Global Presence**

Outokumpu Technology operates globally and has offices in 18 countries all around the world. The Company can tailor its customer offerings to the specific needs of each customer through its global presence and ability to operate in the most cost-efficient way in any location. Outokumpu Technology has varying levels of own competences to implement local projects in the countries it has offices in, working together with its local subcontractors. In these countries, Outokumpu Technology's local offices may act as the project's main contractor and the Company is generally able to operate using the local language. Additionally, Outokumpu Technology typically uses suppliers located in the customer's country or in lower cost countries even if the Company does not have an office in the country.

- **Proven Track Record in Project Execution**

Due to the large size of their investments, Outokumpu Technology's customers require dependability from their partners and suppliers. Outokumpu Technology has a proven track record in successfully delivering complicated projects on a global basis, often in remote locations, with fixed delivery timetables and costs. This capability of the Company together with its extensive technological know-how has brought Outokumpu Technology recognition within the whole industry. Outokumpu Technology's management believes that the Company's ability to design and successfully implement complicated projects with fixed timetables and cost structures has been a key factor in creating and sustaining long-term relationships.

- **Environmentally Friendly and Energy Efficient Technologies**

Outokumpu Technology has had a long-standing focus on the environmental impact of its solutions. Outokumpu Technology's technologies have been developed to improve the efficiency of the processes with a special focus on energy and environmental issues. These technologies include, among others, flash smelting and flash converting, traveling grate technologies for the agglomeration of iron ores, CFB based technologies for alumina calcining and for the prereduction of iron ores as well as state-of-the-art technologies for the treatment of metallurgical gases and sulfuric acid plants. Nowadays, advanced technologies are also developed to meet the increasingly strict environmental regulations and demands. Also the rise in energy prices has increased the requirements of energy efficiency. Several of the Company's technologies are presented as reference processes in the European Union's Best Available Techniques List (BAT). The financiers of the customers' projects are increasingly requiring that the project fulfills requirements of the internationally acceptable environmental regulations.

- **Experienced and Committed Employees and Management**

Personnel is the most important asset in Outokumpu Technology's operations. Outokumpu Technology has a large number of experienced employees working around the world and with a long history in implementing projects and in customer service globally, enabling the Company to provide to its customers competitive solutions and services. Outokumpu Technology's Management Committee consists of experienced executives who have demonstrated their ability in managing the commercial, technical and financial areas of the Company's business. These executives have an average of more than 20 years of operating experience in the Company or elsewhere in the mining and metals industries. See "*Board of Directors, Management and Auditors*."

Business Strategy

Outokumpu Technology's goal is to continue to strengthen its position as a leading global provider of process solutions, technologies and services principally for the mining and metals industries. In line with this, Outokumpu Technology will continue to implement its business strategy, the cornerstones of which are to:

• ***Seek Sustainable Growth***

Outokumpu Technology's management believes that the Company can continue to experience sustainable growth by pursuing a number of measures. These are expected to include:

- *Developing and introducing new technological solutions.* Outokumpu Technology is seeking growth by developing and introducing new technologies and new applications for its existing technologies both independently and in cooperation with its customers. For example, the HydroCopper™ process is a unique and effective way of producing high-quality copper from low-grade ore bodies, thereby expanding operating life of mines and eliminating the need for the transport of concentrate. In addition, Outokumpu Technology's Circoheat® preheating/prereduction technologies and Circored® and Circofer® direct reduction technologies make it possible to feed preheated/ prereduced iron ore fines in a direct smelting process, and thus, enhance capacity or decrease DRI/ HBI (Direct Reduced Iron/Hot Briquetted Iron) production costs by eliminating the agglomeration phase. Outokumpu Technology's management believes that, if successfully implemented, these technologies will offer significant new opportunities for the Company.

- *Applying the Company's existing technologies to new customer industries.* Outokumpu Technology is seeking to create applications of its existing technologies for new customer industries. For example, through the continuous development of its existing flotation technology, Outokumpu Technology is developing new ways to use the Company's flotation technology to segregate bitumen from oil sands allowing for this bitumen to be further processed at oil refineries and used in the production of, among others, gasoline and fuel oils. Another example is the application of the Company's sulfuric acid plant technology to the non-metallurgical sulfuric acid industry, such as the fertilizer industry. Outokumpu Technology's management believes that these technologies could open considerable new markets for the Company.

- *Expanding the scope of operations in selected geographic markets.* Outokumpu Technology's management believes that it is possible for the Company to grow in areas where ore bodies are for the first time being brought under systematic utilization, such as certain countries in the Middle East. Additionally, a number of markets, such as Russia and CIS countries, Brazil and other South American countries, India and of the People's Republic of China, provide the Company with opportunities for growth inasmuch as these markets are expected to continue to experience considerable growth, including increasing demand for minerals and metals and related technologies.

- *Increasing after-sales business.* Outokumpu Technology continuously seeks to be a lifetime partner to its customers, continuing its partnership after the completion of a project and by servicing its customers in spare parts and optimization of the customers' operations. This is expected to increase both the scope and the volume of its after-sales business which has in recent years accounted for approximately ten percent of total sales. Outokumpu Technology has supplied over the past decades a large number of process plants and equipment that operate in most cases under erosive and corrosive conditions. The Company's management believes that it can improve the operational life and competitiveness of its customers' plants and equipment by providing auditing services to evaluate the condition of the customers' processes and maintenance practices as well as the skills of their operations personnel. Based on the results of such audits, the Company can offer improvement and upgrading solutions, for example, in the form of improved plant automation, process upgrades and operator training.

- *Undertaking acquisitions*. Outokumpu Technology will continue to seek opportunities to expand and strengthen its technology and competence base and as well as its market position and to decrease its susceptibility to business cycles. Acquisitions may additionally benefit the Company by shortening the introduction time of new technologies to the market if new technologies that are yet to be finalized by the previous owner can be acquired and finalized by Outokumpu Technology. Additionally, the possibility to use the Company's existing resources to serve both Outokumpu Technology's existing and the newly acquired businesses' customers' needs can provide substantial synergy benefits. The public quotation of the Company's Shares also enables the use of the Shares as a means of payment in connection with possible acquisitions and creates a new potential source of financing in implementing the growth strategy of the Company.

• ***Maintain and Improve Profitability***

Although Outokumpu Technology has in recent years considerably improved its profitability, the Company's management believes that there continues to be further scope for improvement in this area. The management of Outokumpu Technology also believes that the Company can decrease its susceptibility to business cycles. The Company aims to achieve these goals by:

- *Improving efficiency of operations.* The Company continuously reviews the possibilities to improve the efficiency of its sourcing operations and to utilize outsourcing of non-core activities. For example, the development of the People's Republic of China and India, has increasingly offered opportunities to procure manufacturing of machinery and components from such markets at a lower cost. Outokumpu Technology's management sees a continued need and also opportunities to enhance its global sourcing to increase its cost competitiveness. The Company is further developing its state-of-the-art engineering tools and processes as well as project execution concepts, including modularization, to further improve its efficiency and, consequently, also its competitiveness.

- *Optimizing cost structure and the flexibility of fixed costs.* For several years, Outokumpu Technology has been improving its cost-efficiency in order to enhance its competitive position. The Company's management believes that there is a continued need to have tight control on fixed costs. Therefore, the Company will focus on efficient international use of its own personnel and other resources together with external parties. The Company intends to continuously seek to optimize the balance between outsourcing and insourcing of different activities depending on the market situation while simultaneously securing its competitive know-how base.

- *Increasing the share of the value-added component in its offerings*. Outokumpu Technology will endeavor to further increase the share of its proprietary technology and value-adding services in its offerings. These benefits to the customer would enable the Company to earn further license fees from its customers and develop other contractual practices that allow sharing of such additional customer value between the Company and its customers.

Financial Targets

Outokumpu Technology has defined sustainable profitable growth as its objective and, based on its business strategy, adopted the following financial targets:

- Average annual increase in earnings per share in excess of ten percent;

- Annual EBIT (Earnings Before Interest and Taxes) margin always above five percent; and

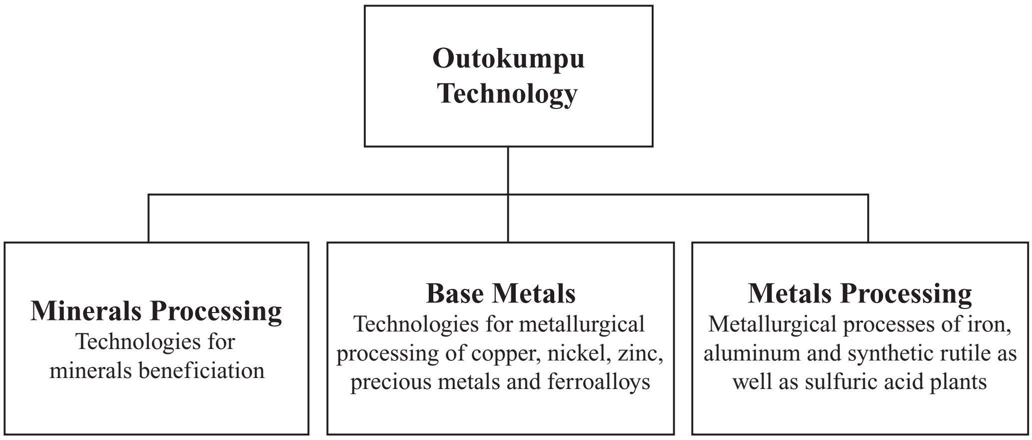
- Strong balance sheet providing operational flexibility and enabling the Company to finance potential acquisitions.

There can be no assurance that Outokumpu Technology will achieve and, if achieved, maintain compliance with the financial targets stated above. See "*Special Cautionary Notice Regarding Forward-Looking Statements*."

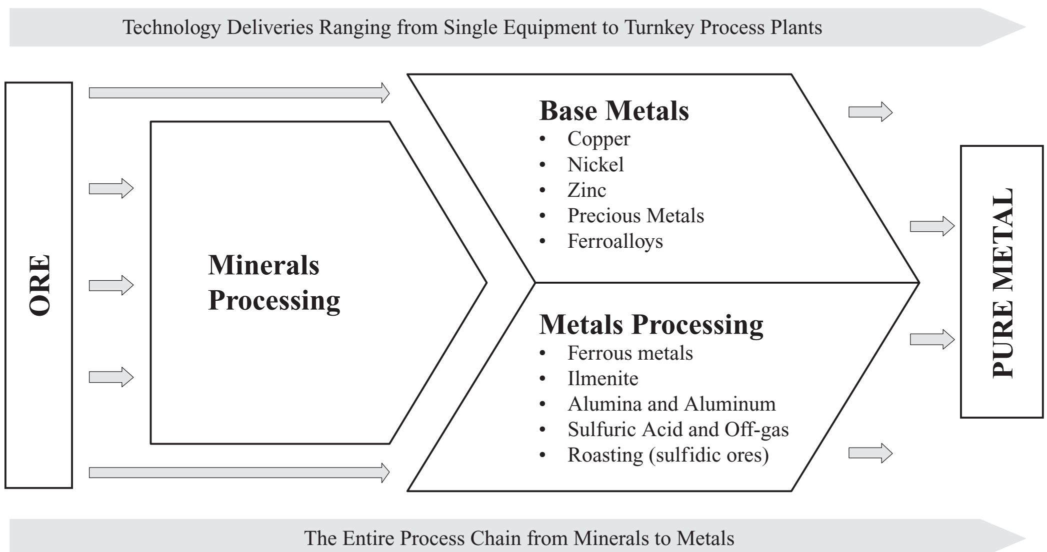
Business Organization

Outokumpu Technology's operations are organized into three divisions: Minerals Processing, Base Metals and Metals Processing. In 2005, the Minerals Processing division generated 31.7 percent, the Base Metals division 27.4 percent and the Metals Processing division 35.3 percent of Outokumpu Technology's sales. Certain smaller businesses (*e.g.*, equipment manufacturing operations and research and technology development services provided both to internal and external customers) are reported under Other Businesses, which represented approximately six percent of the sales in 2005.

The following chart sets forth the business organization of Outokumpu Technology:



The following chart sets forth the position of the three divisions in the process chain of processing minerals to metals.



Minerals Processing

The Minerals Processing division provides processes and process equipment based on proprietary technology in the areas of grinding, flotation, physical separation and thickening as well as analyzer and automation technologies. The division also offers total concentrator solutions that integrate various equipment and processes and are based on several decades of research and development at Outokumpu's concentrator plants and research center. In addition to process technology, the offering of the Minerals Processing division also covers application and process knowledge and metallurgical know-how for larger projects, and services, including delivery of spare parts, site maintenance and inspection services as well as other expert services.

The following table sets forth certain financial information and other data relating to the Minerals Processing division for the periods indicated:

	For the year ended and as at December 31,			For the six months ended and as at June 30,	
	2003	2004	2005	2005	2006
		(audited)		(unaudited)	
	(EUR in millions, except personnel data)				
Sales	125.0	150.0	184.8	65.5	93.8
Operating profit/(loss)	3.5	8.3	8.3	1.4	(5.6)
Number of employees, period-end[(1)]	462	338	354	339	387

(1) Unaudited.

The origins of the operations of the Minerals Processing division date back to the period when mining operations were a significant part of the operations of the Outokumpu Group and it spent substantial resources in creating mining technologies and processes. For example, the grinding experience possessed by the division and its predecessors goes back over a 100 years. Based on its longstanding experience and by combining its strong process know-how of the mining industry with all its operations, the Minerals Processing division aims to be its customers' first choice in process solutions for minerals liberation, recovery, dewatering and process control needs in minerals processing.

The technologies provided by the Minerals Processing division are developed to produce mineral concentrates, which include, in particular, copper, nickel, zinc, precious metals, iron, phosphates and industrial minerals, as efficiently as possible from increasingly complex ore bodies. The main emphasis on the design is on integrating equipment, automation and selected third-party auxiliary components to form process units that are reliable, cost-efficient and easy to operate. In addition to traditional mining and metals industries, the Minerals Processing division is entering into a number of new markets, including solutions for the beneficiation of oil sands, and FGD (Flue Gas Desulfurization) in the energy sector, processing of phosphates relating mainly to fertilizer industry, water and waste treatment at mine sites improving the environmental protection and helping to use efficiently the scarce nature resources as well as drinking water plants, as a technology provider for selected parts of production processes where its expertise can be applied.

The Minerals Processing division's offering includes the following technologies:

Process	Product description
Total concentrator solutions	Full concentrators or sections of concentrators comprising grinding, flotation, thickening and clarifying, physical separation, analyzers and automation
Grinding	A full line of mills, including Autogenous (AG) mills, Semi-autogenous (SAG) mills, rod mills, ball mills and pebble mills
Flotation	Flotation cells Tankcell®, SkimAir™, froth camera FrothMaster™, froth control FrothCon
Thickening and clarifying	SUPAFLO® thickeners, paste thickeners, clarifiers, lime saturators
Physical separation	Spiral (gravity) separators, density separators, magnetic separators, electrostatistic separators
Analyzers and automation	Particle size indicators PSI 200®, PSI 500®, on-stream XRF-analyzers COURIER® 3 SL, COURIER® 6 SL, COURIER® 6 HX, slurry and solution sampling, operator stations, PROSCON®, plant automation systems, MillSense™

The sizes of the projects, equipment deliveries and service packages of the Minerals Processing division depend primarily on the size of the plant and of the respective scope of delivery and range typically from less than EUR 1 million to more than EUR 30 million. The location of the projects is determined according to the location of the mines. The projects take on average three months to 18 months to complete. The main geographic markets of the division are Australia, Asia, Africa, North America, Russia and CIS countries and South America.

Outokumpu Technology is the market leader in flotation in terms of flotation cell capacity installed during the past ten years as well as in on-stream elemental and particle size analyzers in terms of total number of sample streams analyzed in each installation in minerals processing concentrator plants. The Company is a market leader in grinding mill, thickener and physical separation technologies in terms of actual sales volumes during the past five years.

Base Metals

The Base Metals division provides metallurgical processing technology for copper, nickel, zinc, precious metals and ferroalloys. The Base Metals division transfers its technologies globally to its customers working in close partnership with them and identifying the most profitable solutions to its customers' businesses. The Base Metals division develops new technologies in cooperation with its key customers, and the division's profound process knowledge has lead to a number of benchmark technology introductions in the field of base metals processing.

The following table sets forth certain financial information and other data relating to the Base Metals division for the periods indicated:

	For the year ended and as at December 31,			For the six months ended and as at June 30,	
	2003	2004	2005	2005	2006
	(audited)			(unaudited)	
	(EUR in millions, except personnel data)				
Sales	117.1	139.2	160.0	56.2	95.5
Operating profit/(loss)	5.2	4.4	11.6	(2.2)	12.7
Number of employees, period-end(1)	738	721	629	697	657

(1) Unaudited.

The historical landmark inventions of the Base Metals division took place in the 1930s, when Outokumpu constructed what was then the largest electric copper smelter in the world, and in the late 1940s, when flash smelting, that is, a new process of extracting metal from its ore, was introduced. Since then, the Base Metals division has introduced a number of breakthrough technologies, and, building on this history of innovation and its strong process knowledge, the Base Metals division aims to be life cycle partner with its customers by developing and transferring the best available process technologies.

Normally, technology transfer projects of the Base Metals division begin with studies, including pre-, scoping and feasibility studies, and continue with basic engineering. A typical technology transfer package of the Base Metals division contains engineering, proprietary equipment, main critical equipment, construction supervision, training and commissioning assistance. The services provided by the Base Metals division comprise spare parts, equipment maintenance service, auditing and troubleshooting. Offerings of the Base Metals division are based on deep theoretical and practical knowledge of metallurgical processes with intensive research and product development. The offering of the Base Metals division has also been expanded by biotechnologies. Outokumpu Technology has begun to market Paques biotechnology for high-quality purification systems used in treating industrial effluent and process water, and BioHeap™ bacterial leaching technology, which can be combined with Outokumpu Technology's solvent-extraction/electro-winning and other downstream technologies.

The Base Metals division's offering includes the following technologies:

Process	Product description
Copper technologies:	
Smelting	Outokumpu Flash Smelting process, Kennecott-Outokumpu Flash Converting
Fire refining and anode casting	Anode furnace, TWIN Anode Casting equipment
Leaching	Atmospheric reactor leaching, pressure leaching in autoclaves
Solvent extraction	VSF™ process system with SPIROK™ mixer and DOP™ pump, DDG™ settler, tank farm process and equipment
Electrowinning and electrolytic refining	Permanent cathode processes with fully automated stripping machines, anode preparation machines and automatic crane, process automation system CellSence
Hydrometallurgical process for sulfide concentrates	HydroCopper™
Copper scrap refining	Smelting and refining of copper scrap
Nickel technologies:	
Smelting	DON (Direct Outokumpu Nickel) process for nickel smelting
Leaching	Atmospheric and pressure leaching of nickel matte, direct leaching of nickel concentrate
Solution purification	Nickel and cobalt solvent extraction
Electrowinning	Cell house with machines
Hydrogen reduction	LTP reduction of nickel
Zinc technologies:	
Leaching	Calcine leaching, conversion process, direct leaching of zinc concentrate
Solution purification	Continuous cobalt removal
Electrowinning	Cell house with machines and casting
Precious metals technologies:	
Anode slime treatment	Anode slime processing with KALDO and TROF processes
Selenium recovery	Selenium roaster
Precious metals recovery	Precious metals plants; silver refining, gold and platinum group metals recovery
Ferrochrome technologies:	
Pelletizing and sintering	SBS™ steel belt sintering
Smelting	Ferroalloys smelting process

The Base Metals division bases its operations on process knowledge and typically acts as a technology supplier in larger investment projects. The sizes of the division's projects typically range from EUR 10 million to over EUR 50 million. The projects of the Base Metals division take on average 12 to 30 months to complete. The main geographic markets of the division are Australia, Asia, Africa, Europe, and South America.

Outokumpu Technology leads the industry development with several breakthrough technologies. Approximately one-half of world's primary copper smelter production and one-third of nickel smelter production based on sulfide raw materials is produced by Outokumpu Technology's flash smelting process. The Company's anode casting system is the prevailing method in the market with the majority of global copper anodes being produced using Outokumpu Technology's anode casting technology. In addition, during the last ten years, approximately one-half of the global ferrochrome production capacity has been built by using Outokumpu Technology's sintering technologies.

Metals Processing

The Metals Processing division provides technologies and plants for the metallurgical processing of iron ore, for production of bauxite to alumina, for production of aluminum, for processing ilmenite to synthetic rutile as well as for roasting of different non-ferrous concentrates and for production of sulfuric acid. With its proprietary technologies and the long experience of Outokumpu Technology and former

Lurgi Metallurgie GmbH in plant building, the Metals Processing division is in a position to offer its customers an extensive range of solutions from technology packages to lump-sum turnkey plant deliveries, both for new plants and for the modernizations and expansions of customers' existing plants as well as related studies and audits and debottlenecking.

The following table sets forth certain financial information and other data relating to the Metals Processing division for the periods indicated:

	For the year ended and as at December 31,			For the six months ended and as at June 30,	
	2003	2004	2005	2005	2006
	(audited)			(unaudited)	
	(EUR in millions, except personnel data)				
Sales	123.3	134.8	205.9	91.0	130.4
Operating profit/(loss)	4.7	(1.6)	7.1	(2.0)	10.2
Number of employees, period-end(1)	445	423	482	469	487

(1) Unaudited.

The Metals Processing division has a history of over 80 years in developing pioneering technologies in its field of operations at the Company's own research facilities as well as through long-term cooperation with its customers. Based on this experience, the Metals Processing division has been able reach technological leadership and strong market position in its technologies, which positions it aims to maintain and further reinforce through tailoring its innovative technologies to meet the needs of its individual customers.

The Metals Processing division offers process alternatives for both the conventional steel-making route with its own state-of-the-art sintering and pelletizing technologies and for direct reduction of iron ore fines based on Circored® and Circofer® technologies and the licensed HIsmelt direct smelting technology. The Metals Processing division further builds its competences around the CFB and FB technologies, which are applied for the calcining of alumina and roasting of non-ferrous metals. The division has always been the forerunner in sulfuric acid production technologies with track record of over 600 plants built. Furthermore, the Metals Processing division offers special proprietary equipment for aluminum smelters, such as anode plants and rod shops.

The Metals Processing division's offering includes the following technologies:

Process	Product description
Aluminum technologies:	
Alumina calcinations	CFB technology for the calcination of alumina hydrocside
Aluminum smelters	Green anode plants, carbon anode vibrocompactors, rodding shops, casthouse
Processing Spent Potliner waste from aluminum smelters	Tailored process
Ferrous technologies:	
Sintering and pelletizing	Traveling grate process, EOS® - Emission Optimized Sintering
Preheating and prereduction processes	Circoheat™ for preheating or prereduction of ferrous based fines
Direct reduction	Circored® and Circofer® for direct reduction of iron ore fines, SL/RN direct reduction technology
Direct Smelting	HIsmelt direct smelting technology (licensed technology for hot metal production)
Ilmenite upgrading, production of synthetic rutile and titanium slag	Ilmenite roasting, Becher-SR process, Circored® and Circofer® reduction of ilmenite and Circosmelt™ for titanium slag production
Sulfuric acid/off-gas and roasting technologies:	
Sulfuric acid processes	Production facilities
Metallurgical feedstock	Double absorption process, Lurec™

Process	Product description
Sulfur handling and combustion	Luro burner, HEROS™, Peracidox™
Spent acid regeneration	Acid decomposition furnace
Liquid oleum, liquid sulfur dioxide and trioxide	Tailored processes
Roasting:	
Gold roaster, pyrite roaster, zinc roaster	Stationary FB and CFB technology

Typical projects of the Metals Processing division are either large lump-sum turnkey or technology transfer package projects with project sizes ranging from EUR 3 million to EUR 200 million. The Metals Processing division seeks to optimize its customers' operations also after the plant delivery by, among others, debottlenecking or revamping its existing plants with state-of-the-art technologies. The division's projects take on average 15 to 36 months to complete. The main geographic markets of the Metals Processing division are Australia and Asia, Europe and South America.

Through its proprietary technologies, Outokumpu Technology has become one of the market leaders in the production in almost all of the product areas within the Metals Processing division. The Company is the market leader in iron ore pelletizing and sintering, alumina calcining plants as well as in FB and CFB technology based applications and a co-leader in sulfuric acid plants in terms of capacity installed.

Other Businesses

Outokumpu Technology's Other Businesses comprise equipment manufacturing and research operations outside the Company's three divisions, namely process equipment manufacturing of Outokumpu Technology Turula Oy, a workshop located in Eastern Finland, and research and technology development services provided by Outokumpu Research Oy in Pori, Finland.

The following table sets forth certain financial information and other data relating to Other Businesses for the periods indicated:

	For the year ended and as at December 31,			For the six months ended and as at June 30,	
	2003	2004	2005	2005	2006
	(audited)			(unaudited)	
	(EUR in millions, except personnel data)				
Sales	24.7	34.7	32.2	15.8	14.7
Operating profit/(loss)	(2.8)	2.4	0.2	0.5	(0.3)
Number of employees, period-end(1)	363	349	337	378	358

(1) Unaudited.

Outokumpu Technology Turula Oy focuses on the manufacturing of machines, components and equipment as well as partial entireties needed by the three divisions of Outokumpu Technology as well as by a number of third-party customers. The manufacturing is primarily based on annual contracts entered into with the relevant division within Outokumpu Technology or with a third-party customer. As opposed to the production of standard products, Outokumpu Technology Turula Oy concentrates on the manufacturing of hi-tech machines, components and equipment designed to meet the requirements of the end-user.

Outokumpu Research Oy in Pori, Finland, provides research and development services both to internal and external customers, who can benefit from the Company's expertise derived from a range of fields of study within the metals industry. Besides research and development, customers can also utilize the laboratory and testing services offered by the Pori Research Center. These services provided by Outokumpu Research Oy are reported through Other Businesses. Currently, in addition to the Company's internal customers, Outokumpu Research Oy's major service customer is Boliden AB. See "*—Research and Development; Test and Pilot Facilities*" below.

Associated Company

In 2005, Outokumpu Technology, UPM-Kymmene Corporation and Finnish Industry Investment Ltd established Intune Circuits Oy for the purpose of transferring certain intellectual property rights to be used in developing technologies for the production of metallic high-quality radio frequency identification ("RFID") antennas and potentially other metallic flexible circuits. The objective of the company is to design, manufacture and market RFID-based products to be used for, among others, product identification and stock control. Intune Circuits Oy's production facilities are located in Vantaa, Finland, and pilot production was commenced in early 2006. The company is the world's first producer specializing in RFID antennas that targets global markets, and this reflects the Company's strategy of seeking growth from new technology areas, such as materials technology applications. Outokumpu Technology's shareholding in Intune Circuits Oy is 28.0 percent and the profit or loss generated by this investment is reported as share of result of associated companies.

Customers

Outokumpu Technology's customers comprise large global mining companies, small and medium-sized mining and metallurgical companies in developed countries as well as local mining and metallurgical companies in emerging regions. In their investment projects, large global companies follow a strategy emphasizing economies of scale that aims at large capacities and low operating costs and typically involves a company offering engineering, procurement, construction and management ("EPCM") related services. As large global companies have their own network and financial resources, Outokumpu Technology's involvement in the projects of these customers is typically that of a technology supplier.

Small and medium-sized mining and metallurgical companies in developed countries typically focus on proven technologies and on reliable project execution. However, due to their limited financing capabilities, they do not apply the economies of scale approach typical to large global companies. Thus, Outokumpu Technology aims to be the technology supplier for these small and medium-sized mining companies at an early stage of their projects, providing them with project development support in addition to supply of technology.

Similar to small and medium-sized mining and metallurgical companies in developed countries, also local mining and metallurgical companies in emerging regions look for proven technologies, however, with a strong emphasis on low investment costs, including a substantial local portion of engineering and manufacturing. While subject to a cost disadvantage due to its main resource base locating in Europe, Outokumpu Technology can offer these local mining and metallurgical companies superior standard mature technologies as well as its networking and financing capabilities.

Competition

Outokumpu Technology utilizes its extensive operational experience and advanced process know-how by providing plant, equipment and service solutions covering the whole process chain of processing minerals to metals. Outokumpu Technology operates in a number of specialized markets and competition for its solutions and services is fragmented. Due to Outokumpu Technology being a technology owner, the diversity of its technologies and services as well as the scope of its offerings, it has a number of different competitors in various technologies.

The main competitors of the Minerals Processing division include:

Process	Main competitors
Total concentration solutions	Bateman Engineering NV, Metso Minerals, Inc.
Grinding	FFE Minerals Corp., Metso Minerals, Inc., Polysius AG (part of ThyssenKrupp Technologies AG)
Flotation	Groupe Laperriere Verreault Inc (GL&V), Metso Minerals, Inc.
Thickening and clarifying	Delkor Ltd., Groupe Laperriere Verreault Inc (GL&V), WesTech, Inc.
Physical separation	Eriez Manufacturing Co., Roche Mining (MT)
Analyzers and automation	Thermo Electron Corporation

The main competitors with technology focus of the Base Metals division include:

Process	Main competitors
Copper technologies	Aker Kvaerner ASA, Bateman Litwin BV, Falconbridge Limited, Mitsubishi Materials Corporation, Xstrata Plc
Nickel technologies	Aker Kvaerner ASA, Bateman Engineering NV, Bateman Litwin BV, Dynatec Corporation
Zinc technologies	Dynatec Corporation, Tecnicas Reunidas, S.A., Xstrata Plc
Precious metals technologies	No major direct competitors
Ferrochrome technologies	No major direct competitors

The main competitors with technology focus of the Metals Processing division include:

Process	Main competitors
Aluminum technologies	Brochot SA, FFE Minerals Corporation, Solios SA
Ferrous technologies	Aker Kvaerner ASA, Kobe Steel, Ltd., Siemens AG (Siemens/VAI)
Sulfuric acid technologies	Aker Kvaerner ASA (Chemetics), MECS, Inc. (former Monsanto Company) (including licensees), Simon-Calves
Roasting of non-ferrous copper bearing ores in the fluidized bed	No major direct competitors

Project Types and Project Risk Management of Outokumpu Technology

Project Types

Most of Outokumpu Technology's work is obtained through competitive tendering processes. The main project types that the Company engages in include Engineering, Procurement, Construction ("EPC") and Technology Transfer Package ("TTP") projects and process equipment supplies. EPC projects normally require the contractor to engineer the project and to carry out construction work as well as to procure equipment and machinery after being advised by the customer of the requirements and technical specifications of the project. TTP projects are similar to EPC projects with the exception that they do not include construction work. Project sizes of EPC projects range from EUR 15 million to EUR 200 million with project durations from 15 to 36 months, while the sizes of technology transfer packages typically range from EUR 3 million up to EUR 70 million with durations from ten to 36 months. Project sizes of the single equipment deliveries of the Company range from less than EUR 1 million up to EUR 10 million. To a lesser extent, Outokumpu Technology may also take part in EPCM projects, where the contractor acts as a manager to the project instead of carrying out all of the engineering, procurement and construction work itself.

Generally, Outokumpu Technology acts as the main contractor in its EPC and TTP projects, having a total control of and an ultimate responsibility for the work performed. The Company may at times be a member of a larger consortium or a joint venture. In a consortium, the scope of work and responsibility is shared among the consortium members and defined in a consortium agreement. In the case of a joint venture, the members of the joint venture company that has been established for the project have joint and several liability for the obligations towards the customer. The responsibilities and obligations of each member of the joint venture are detailed in a joint venture agreement.

Outokumpu Technology has been increasingly focusing on contracts for projects executed on an EPC or TTP basis, leveraging the Company's expertise in full. Depending on the role of Outokumpu Technology, a project specific strategy is developed how to share work with subcontractors (or with other members in a consortium or joint venture as mentioned above) taking into consideration the individual strength and risk exposures. See "*Risk Factors—Risks relating to the Business of Outokumpu Technology—Project Risks—Dependence on Suppliers.*"

In projects that Outokumpu Technology works on, the customer usually provides for a relevant advance payment in the beginning of the project and are typically completed by demonstration of the performance of the plant, process or equipment resulting in an acceptance of the work. The Company's liabilities and guarantees under most of the projects it undertakes are secured by letters of guarantee. These letters of guarantee include bid guarantees that are from time to time issued in connection with projects, advance payment guarantees, performance guarantees to guarantee satisfactory performance of the contract until acceptance of the project and, in some cases, customers provide retention money guarantees to allow Outokumpu Technology to receive full installments from its customers. Most projects in which Outokumpu Technology participates include also post-completion guarantees for a one to two year warranty period, which are covered by warranty guarantees. Most of these letters of guarantee related to the above are obtained from banks and are often on first demand, irrevocable and unconditional. See "*Risk Factors—Risks Relating to the Business of Outokumpu Technology—Project Risks—Pricing of Contracts*" and "*Operating and Financial Review and Prospects—Order Backlog.*"

Most of the Company's current project contracts have been awarded on a fixed-price basis. Outokumpu Technology's contracts typically include milestones and payment schedules which define the frequency and amount of payment to Outokumpu Technology over the course of the project. However, the total amount payable to the Company is fixed and Outokumpu Technology has the responsibility for the quantification and accurate estimation of the work and supplies in the project. Outokumpu Technology is subject to the risk of increases in the costs of, among others, materials and labor. Estimating contract costs accurately is very important to the Company's profitability. Costs are carefully monitored throughout the life of a project to protect against significant cost overruns. See "*Risk Factors—Risks Relating to the Business of Outokumpu Technology—Project Risks—Pricing of Contracts.*"

The Company's management believes that Outokumpu Technology has a good reputation for timely performance of projects and the Company has not paid any material claims for defective work or loss resulting from negligence on the Company's part. If a project is delayed through no fault attributable to the Company, the contract usually provides that Outokumpu Technology will be granted an extension of time for finalizing the project as well as in many cases compensation for additional costs caused. However, if Outokumpu Technology causes a delay in completion of a project, the contract generally requires it to pay liquidated damages or other penalties.

The following table sets forth the major recent customer projects of the Company:

Project	Division	Customer	Country	Contract type and value	Status
Pellet indurating furnace for Samarco	Metals Processing	Samarco Mineracão S.A.	Brazil	EPC Project value EUR 160 million	Under construction, commissioning scheduled for the end of 2007
Pelletizing plant for LKAB Malmberget	Metals Processing	LKAB	Sweden	EPC Project value EUR 60 million	Under construction, commissioning scheduled for December 2006
Copper plant for Yanggu	Base Metals	Yanggu Xiangguang Copper Co	The People's Republic of China	TTP Project value EUR 50 million	Under construction, shipping of equipment scheduled by the end of 2006
Copper smelter for Konkola	Base Metals	Konkola Copper Mines Plc, a subsidiary of Vedanta Resources Plc	Zambia	TTP Project value EUR 48 million	Under construction, commissioning scheduled for early 2008
Copper solvent extraction plant for Minera Escondida	Base Metals	BHP Billiton Limited	Chile	EPC Project value EUR 40 million	In commissioning stage; in production since mid-2006
Copper concentrator for Green Mountain I	Minerals Processing	Russian Copper Company	Kazakhstan	Process solution Project value EUR 22 million	In commissioning stage
Five grinding mills for LKAB Kiruna	Minerals Processing	LKAB	Sweden	EPC Project value EUR 20 million	Under construction, installation of equipment scheduled by mid-2007 and start-up of operation in early 2008
Sulfuric acid plant expansion	Metals Processing	Corporación Nacional del Cobre de Chile	Chile	TTP Project value EUR 16 million	Under construction, commissioning scheduled for early 2007
Two alumina calcination plants for Alunorte	Metals Processing	Alumina do Norte do Brasil S.A.	Brazil	TTP Project value EUR 15 million	Under construction, commissioning in 2008

Project Risk Management

Outokumpu Technology's project risk management is based on the Company's Project Risk Identification and Management ("PRIMA") policy. Through this policy, the Company currently aims to analyze and manage the operational risks relating to its projects efficiently with the objective of fully utilizing the Company's business opportunities while controlling its risk exposure. PRIMA is an integrated risk management process that covers all stages of a project, commencing from the sales phase, continuing through project selection, bidding, negotiation and execution phases and ending at the end of the warranty period of a project.

When a target project is identified or a request for an offer is received from a potential or existing customer, the proposal to prepare and submit a tender is generally made by the management of the division or a business area. All proposals relating to the commencement of a new project are classified into four layers with separate approval procedures based on the special features of the project. These features include the size of the project in terms of value, risks relating to the project and the novelty of the technology used in the project, that is, if the technology or a part thereof is new to Outokumpu Technology. The larger the project or the greater the share of new technologies is in the project, the greater the related risk potential is. Therefore, a more extensive approval process is required for the project. In the highest risk potential cases, after the prior approval by the relevant division president and the approval by the Company's Management Committee, the final approval is granted by the Board of Directors.

Before being submitted to the customer, the tender is reviewed by the relevant risk review team that comprises commercial, legal, technical and project execution specialists and may also include financial specialists. In addition to a risk review by the risk review team prior to the contract negotiation phase, a project is also subject to a follow-up review during the negotiation phase. This review is carried out in order to secure that the agreed risk strategy for the project is appropriately implemented in the negotiations. The monitoring of risks during the execution phase of larger projects is carried out in project supervisory board meetings that take place typically once a month and where the current status of the project is reviewed and any potential risk exposures are addressed. In addition, a division controller is responsible for preparing a regular report for each effective contract above certain threshold and such reports form an integral part of the review by the Company's Management Committee. The report addresses the progress of the project and its compliance with the budget as well as other conditions. Finally, when a project is completed, the project manager supported by the project controller and the controller of the relevant company prepares a completion report and the company analyzes in detail any cost overruns or other deviations from the original basis for the tender in order to learn from the possible mistakes, oversights and success in the project.

Projects are followed up as an important part of the reporting to the Outokumpu Technology Group's management and the Company's Board of Directors address the major projects in the bidding stage as well as in the implementation stage. This reporting addresses risks in the projects as well as forecasted and actual profitability of the projects.

Marketing

Outokumpu Technology's group level marketing function develops regional strategies together with the three business divisions and regional companies, maintains agency and representative networks globally, identifies and screens business opportunities and promotes viable projects especially in their early conceptual and development phases, develops new service concepts and solutions for life-cycle care of customers, and coordinates key account management and customer relationship management systems as well as marketing communication activities.

Research and Development; Test and Pilot Facilities

Outokumpu Technology's research and development operations are organized under the Research and Technology Development ("RTD") function. RTD is a group level function consisting of RTD Management, IPR Management and the Pori Research Center. RTD function also coordinates research and development activities of the three business divisions and the Frankfurt Research Center that provides RTD services mainly for the Metals Processing division.

The main purpose of the RTD function is to improve and develop existing technologies together with the three business divisions, co-ordinate the development and commercialization of new technologies of

Outokumpu Technology, maintain Outokumpu Technology's technology innovation process and operation methods and provide high-quality RTD and technology know-how for Outokumpu Technology.

The most important core competence of Outokumpu Technology is its profound knowledge of metals, metals processing and application technologies. Proprietary technology is a key element in the Company's business and therefore technological capabilities are being continuously developed. Outokumpu Technology emphasizes internal and external cooperation and the sharing of technological knowledge and competencies, and actively develops and acquires technologies based on customer needs and requirements.

Outokumpu Technology's innovation activity targets fast commercialization of innovations. In order to achieve this, the Company operates research facilities and pilot plants, which are unique in the industry as none of the competitors of Outokumpu Technology have similar facilities to develop and test their new technologies. The pilot plants provide feedstock test services for the Company's customers who may derive benefits from the combination of Outokumpu Technology's research experience and their own know-how, thereby also avoiding the need to carry out expensive test runs with their own process equipment. This also makes it possible for Outokumpu Technology to work in close cooperation with its customers in the testing phase of the projects and to further customize its technologies to meet the needs of the individual customer. Research cooperation with customers further reinforces the Company's ability to commercialize innovations in a shorter timeframe than its competitors. Outokumpu Technology carries also out a part of the development work through partnerships and joint development projects with its customers.

The Pori Research Center located in Pori, Finland, is a research and product development center specializing in minerals and metals processing and offers to Outokumpu Technology's customers the advantage of expertise derived from a number of studies carried out within the metals industry. The Pori Research Center has 165 employees, state-of-the-art laboratories and an extensive network of research subcontractors. In addition, the Pori Research Center operates hydrometallurgical and pyrometallurgical pilot plants that are used to test new applications for the technologies and processes developed and sold by Outokumpu Technology. The Pori Research Center works closely with universities and research organizations as well as through partnerships and joint development projects with customers. The Pori Research Center provides research and development services also to third parties. In addition, the Pori Research Center can act as a coordinator in research projects involving several research areas and a large number of participating organizations.

The Research Center in Frankfurt, Germany focuses on research and development in pelletizing and sintering of iron concentrates, sulfuric acid plant development and CFB technologies. The Frankfurt Research Center carries out new process development and improvement of existing technologies and support plant design through, among others, development and/or improvement of current technologies, bottleneck analysis and feasibility studies as well as through test work utilizing variety of its own pilot plants.

Outokumpu Technology's total costs for research and development amounted to EUR 13.9 million in 2005, EUR 13.5 million in 2004 and EUR 11.7 million in 2003.

Intellectual Property

Outokumpu Technology's proprietary technologies are protected by patents and by an active intellectual property right policy. IPR Management, a part of the Company's RTD function, is responsible for applying for and maintenance of patents, registration and maintenance of trademarks, innovation management and coordination of outside patent counsels. IPR Management consists of six experts, three of whom are patent attorneys and responsible for the preparation and filing of patent applications.

Outokumpu Technology Oyj, the parent company of Outokumpu Technology Group, owns all patents and trademarks of the Outokumpu Technology Group and licenses them to the Outokumpu Technology Group companies that utilize these intellectual property rights in their operations. As at June 30, 2006, Outokumpu Technology Oyj owned over 400 patent families and over 1,800 patents, had approximately 1,600 patent applications and owned approximately 50 trademarks.

Outokumpu Technology's investment on IPR assets aims for competitive advantage. The Company seeks to protect its technologies and solutions in their main market areas and in segments where patenting is an important part of business. The Company seeks to ensure the competitive advantage by active follow-up of competitors' IPR activities and competing technologies.

Employees

As at June 30, 2006, Outokumpu Technology had a total of 1,889 employees, 1,116 of whom were employed outside of Finland. A majority of the Company's employees are engineers and other specialists. Changes in Outokumpu Technology's business volume are not immediately reflected in the number of employees, because the effect of cyclicality on the number of employees is reduced by the use of contractors and the use of temporary employees. The number of temporary employees has ranged below and above ten percent out of the total number of employees. The number of temporary employees was 242 as at June 30, 2006, as compared to 261 employees as at June 30, 2005. The number of contracted employees may range from ten to 30 percent of the Company's permanent employees depending on the number of contracted projects. The following table sets forth the number of employees of each of the Company's divisions and Other Businesses for the dates indicated(1):

	As at December 31,			As at June 30,	
	2003	2004	2005 (unaudited)	2005	2006
Minerals Processing	462	338	354	339	387
Base Metals	738	721	629	697	657
Metals Processing	445	423	482	469	487
Other Businesses	363	349	337	378	358
Total	2,008	1,831	1,802	1,883	1,889

(1) Includes also temporary employees.

The following table sets forth the number of employees of the Company by country for the dates indicated:

	As at December 31,			As at June 30,	
Location(1)	2003(2)	2004	2005 (unaudited)	2005	2006
Australia	107	131	152	149	159
Brazil	5	8	6	8	8
Canada	114	68	74	72	75
Chile	193	168	148	159	165
The People's Republic of China	—	16	19	18	22
Finland	868	862	746	857	773
Germany	349	302	343	334	347
Mexico	3	3	7	3	6
The Netherlands	95	2	2	2	2
Norway	5	6	7	6	7
Peru	13	14	16	15	17
Poland	6	6	6	6	6
Russia	29	37	35	30	39
South Africa	45	48	57	51	68
Sweden	130	117	134	125	143
United States	46	43	50	48	52
Total	2,008	1,831	1,802	1,883	1,889

(1) The location of an employee is determined by the domicile of the entity paying the employee's salary. Thus, employees working in projects are typically accounted for as employees located in the domicile of the entity paying their salaries, not as employees located in the country where the project is carried out.

(2) The year 2003 numbers include 177 persons of the sold filter business, see "*Operating and Financial Review and Prospects—Discontinued Operations*." The decrease was divided between the Minerals Processing division with 176 persons and the Base Metals division with one person. By country the decrease was divided as follows: two persons in Australia, one person in Chile, 17 persons in Finland, 60 persons in Germany, 92 persons in the Netherlands, two persons in Russia and three persons in United States.

Outokumpu Technology's goal is to convert technological knowledge and industry experience to profitable business operations. This requires continuous learning and improved skills, capabilities and competencies in various operations. The Company has implemented a performance management system for its entire personnel focusing on the employees' continuous performance development based on the Company's strategy. In addition, the Company has development programs for its personnel intended to provide them with the required competencies and skills to implement the Company's strategy and to further improve the work culture and atmosphere in the Company. In addition, Outokumpu Technology has rejuvenated its personnel's age structure and focused on technology knowledge transfer from experienced employees to younger employees.

Outokumpu Technology has a number of internal training programs aimed at improving the work culture, including a global seminar series intended for the whole personnel that focuses on awareness of values and company culture. The work culture in the Company is regularly monitored with a global employee survey, which shows a general trend of improving work atmosphere during the period from 2003 to 2006. Other development programs of Outokumpu Technology are local, including, among others, induction, mentoring, development of leadership skills and financial training. Professional skills development is carried out through courses and development assignments provided by third-party service providers. A systematic competence management system is under development and will be implemented from 2007 onwards.

At the end of 2005, approximately 85 percent of the employees of Outokumpu Technology had at least lower university degrees or upper secondary degrees and 32 percent of the employees had university degrees (including Master, Licentiate and Doctor level degrees).

Group Legal Structure

Outokumpu Technology Oyj is the operating parent company of the group of companies belonging to the Outokumpu Technology Group. Outokumpu Technology Oyj also engages in operative business activities. The following table sets forth the most significant subsidiaries and associated companies that Outokumpu Technology Oyj owned directly or indirectly as at June 30, 2006:

Subsidiaries	Country	% Held of All Shares and Votes
Aisco Systems Inc. Chile y Compania Limitada	Chile	100.0
International Project Services Ltd. Oy	Finland	100.0
OOO Outokumpu Norilsk	Russia	100.0
Outokumpu Deutschland GmbH	Germany	100.0
Outokumpu Holding GmbH	Germany	100.0
Outokumpu Mexicana S.A. de C.V.	Mexico	100.0
Outokumpu Poland Sp. z o.o.	Poland	100.0
Outokumpu Research Oy	Finland	100.0
Outokumpu Shanghai Co. Ltd.	The People's Republic of China	100.0
Outokumpu Technology (Pty) Ltd.	South Africa	100.0
Outokumpu Technology AB	Sweden	100.0
Outokumpu Technology AS	Norway	100.0
Outokumpu Technology Australasia Pty. Ltd.	Australia	100.0
Outokumpu Technology B.V.	The Netherlands	100.0
Outokumpu Technology Chile Limitada	Chile	100.0
Outokumpu Technology GmbH	Germany	100.0
Outokumpu Technology Inc.	United States	100.0
Outokumpu Technology Ltd.	Canada	100.0
Outokumpu Technology Minerals Oy	Finland	100.0
Outokumpu Technology Pty. Ltd.	Australia	100.0
Outokumpu Technology S.A.C.	Peru	100.0
Outokumpu Technology Turula Oy	Finland	100.0
Outokumpu Tecnologia Brazil Ltda.	Brazil	100.0
Outokumpu Wenmec AB	Sweden	100.0
Petrobau Ingenieur Bulgaria EOOD	Bulgaria	100.0
SepTor Technologies B.V.	The Netherlands	100.0
ZAO Mineral Processing Engineers	Russia	60.0
ZAO Outokumpu Moskva	Russia	100.0
Associated Companies		
Intune Circuits Oy	Finland	28.0
Middle East Metals Processing Company Limited	Saudi Arabia	49.0

Legal Proceedings

In June 2006, Outokumpu Technology GmbH, a subsidiary of Outokumpu Technology, commenced an arbitration proceeding against Bandirma Gübre Fabrikalari A.S. (“BAGFAS”). The dispute relates to a bank guarantee issued in connection with a project contract entered into between BAGFAS and Outokumpu Technology GmbH in July 2003. Under the contract, Outokumpu Technology GmbH was responsible for the modernization of certain section of a sulfuric acid plant of BAGFAS located in Bandirma, Turkey. The fulfillment of Outokumpu Technology GmbH’s obligations under the contract was secured by an on-demand bank guarantee of EUR 3.44 million issued by Nordea Bank Finland Plc (“Nordea”). In August 2005, BAGFAS called the bank guarantee in full. Outokumpu Technology’s management believes that the calling of the guarantee lacks merit and that, in any case, the value of the items, based on which BAGFAS called the guarantee, is significantly lower than EUR 3.44 million. In October 2005, in a proceeding initiated by Outokumpu Technology GmbH, the Helsinki District Court issued an injunction against Nordea, prohibiting the payment on the bank guarantee by Nordea to BAGFAS. Outokumpu Technology GmbH has also commenced a main proceeding against Nordea in the Helsinki District Court in order to prevent the possible repeal of the injunction. This case is still pending. BAGFAS has initiated interim measures proceedings in Turkey against Nordea and the 9th Commercial Court of Istanbul has attached by way of injunction certain receivables of Nordea valued at approximately EUR 3.44 million. A main proceeding, in which the injunction may be repealed, is pending. The court of arbitration is expected to decide on whether the calling of the bank guarantee by BAGFAS was fair, certain reimbursement claims and related issues. The arbitral award in the case is not expected to be issued before 2008. In case Nordea is obliged to pay on the guarantee, in part of in full, Outokumpu Technology GmbH will have to indemnify Nordea for the payment on the guarantee.

In 1995, a former officer of Prometal SA, a Brazilian corporation, commenced legal action against, among others, Oku-Tec Ltda, a former agent of Outokumpu Technology in Brazil, and Outokumpu Engenharia e Comercio, Ltda (currently, Outokumpu Tecnologia Brazil Ltda). The former officer of Prometal SA is claiming a commission of USD 200,000 (excluding interest) due to him according to his opinion as a commission for intermediation in the acquisition of certain mining rights in Buritama, Brazil, owned by Prometal SA. In addition, if the former officer is successful in his claim regarding the said commission, he may commence legal proceedings for a success fee of approximately USD 4.7 million (excluding interest) relating to the same acquisition allegedly due to him. The case is currently pending at the 5th Civil Court of Sao Paolo, Brazil, and a decision on the case is expected by the end of the year 2006. While Outokumpu Technology’s management believes that the claims of the former officer of Prometal SA against Outokumpu Tecnologia Brazil Ltda are unfounded, there can be no assurance as to the outcome of the court proceedings.

In addition to the proceedings described above, certain Outokumpu Technology companies are involved in disputes which are incidental to the Outokumpu Technology Group’s business. Outokumpu Technology’s management estimates that the outcome of the said disputes will not have a material effect on Outokumpu Technology’s financial position.

Business Premises

Outokumpu Technology’s principal executive offices are located at Riihitontuntie 7C, FI-02200 Espoo, Finland. Outokumpu Technology’s principal business premises, which are all owned or leased by Outokumpu Technology, are set forth below.

Location	Primary use	Building area (m^2)
Australia		
Melbourne	Office	950
Perth	Office, warehouse, laboratory	3,550
Sydney	Office, warehouse	2,631
Chile		
Santiago	Office	1,343
Finland		
Espoo	Executive offices	10,911
Pori	Office, research and development facilities, warehouse	11,738
Germany		
Cologne	Office	2,070
Frankfurt	Research and development facilities, warehouse	4,347
Oberursel	Office, warehouse	7,181

Insurance

The Company's management estimates that Outokumpu Technology's business premises are insured adequately and in a manner consistent with market practice. Outokumpu Technology's insurance policies comprise, among others, third-party liability provisions, property insurance, business interruption insurance, directors and officers liability, insurance for certain activities and customary insurance policies, including accident and travel insurances, covering the employees of the Company. Depending on the territory of Outokumpu Technology's activities, the insurance coverage is provided either on an admitted or non-admitted basis. Outokumpu Technology's insurance policies are subject to standard limitations and, for example, in the case of business interruption insurance, limitations may apply with respect to the length of the interruption covered and the maximum amount that can be claimed, and, in the case of insurance for financial losses, limitations may also apply in the form of deductibles and the maximum amount that can be claimed, and, as a result, insurance may not necessarily cover all losses in sales incurred by Outokumpu Technology.

Material Contracts

In addition to the agreements mentioned below in "*Related Party Transactions,*" none of the group companies of Outokumpu Technology have entered into any material contracts outside the ordinary course of business during the two years preceding the date of this Offering Circular, or any contracts outside the ordinary course of business under which any group company of Outokumpu Technology has any obligation or right which are material to the Company as at the date of this Offering Circular.

Mining and Metals Technology Industry

Outokumpu Technology operates in the global mining and metals technology industry, which comprises the design, construction, commissioning, maintenance and servicing of minerals and metallurgical processing facilities provided to customers in the mining and metals industries. The market for mining and metals technology industry encompasses both the construction of entirely new minerals and metallurgical processing facilities as well as expanding and optimization of existing facilities and, accordingly, the mining and metals technology industry provides a range of products and services. In general, the market comprises:

- *Greenfield investments.* Greenfield investments are carried out at a site where no mining or metals processing activity is carried out by the time of the investment. Greenfield investments can be divided into investments increasing production capacity and investments replacing capacity at a different site.
- *Brownfield investments.* Brownfield investments are carried out at the existing site consisting mainly of expansion, modernization and maintenance investments.
- *Services.* Services provided for the industry's customers include, among others, engineering, consulting, project management, maintenance planning, spare part services, research and development services as well as other services.

The market of mining and metals technology products and services is supplied by a range of participants with great variance in size and operating model. Companies operating in the market include technology providers with varying degrees of proprietary technologies in their offering as well as EPCM companies. The participants in the mining and metals technology market can also be grouped into separate categories as follows:

- *Focused proprietary technology companies.* Focused proprietary technology companies provide products and services to mining and metals companies based upon their proprietary technologies. They typically supply different selections of proprietary process technologies either as a whole production facility based on the company's own proprietary technology or in a very technology focused scope with basic engineering with or without any hardware.
- *Mining and metals companies.* Even though the main trend within mining and metals companies during the last decade has been to outsource technology and engineering operations, there are still some mining and metals companies with their own technology and engineering subsidiaries. These units are providing mainly services on an in-house basis but they may supply their services also to external customers.
- *Engineering and construction companies.* Engineering and construction companies carry out basic and detailed engineering for process plants based on the selected key technologies agreed with the end-customer. Engineering and construction companies purchase the process technologies and process machinery required for the plant from various suppliers. They also plan and execute the required civil works and infrastructure facilities using local subcontractors. These EPCM contractors are typically used by large mining and metals companies to engineer and execute large greenfield process plants.
- *Service companies.* Service companies provide a variety of services including process evaluations and feasibility study preparations as well as certain engineering, manufacture and maintenance activities. The group of service companies covers a wide range of service providers starting from purely local providers of engineering, manufacturing and maintenance services to so called neutral process specialist companies that help the customer to select the best process to satisfy their needs.
- *Commercial research centers, universities and other research organizations.* Commercial research centers, universities and other research organization provide research and development services in cooperation with operators in the mining and metals industries. Typically, these organizations offer their services to mining and metals companies either in the form of studies regarding alternative technological solutions to a specific problem or consultancy services in the form of expert opinions regarding different technology alternatives.

Mining and Metals Industries

Introduction

The mining and metals industries produce metals and raw materials for practically all manufacturing industries through extracting and processing minerals from the deposits situated in earth's crust. The industries operate globally and mines are located in all continents. When the mineral-based ore bodies have been identified and researched, the minerals are mined and crushed and processed to concentrates and further to metals, which can be transported at a relatively low cost for further processing worldwide. Generally, minerals processing activities are located in areas with mineral deposits, while metals processing typically takes place closer to the industry's customers or in regions where inexpensive energy or other key inputs are available. The principal factor affecting the industry's business environment is global metal consumption, which, together with the available supply, affects the market prices of metals. The mining and metals industries are also influenced by political factors, as some countries seek to achieve or maintain self-sufficiency and high degree of refining in certain metals.

The mining and metals industries operate, with high level of activity especially in the People's Republic of China, India, Australia, South America, Canada, Russia and CIS countries and southern Africa. Based on the industry structure, the mining and metals industries can also be grouped into separate categories with different characteristics and strategies:

- Large companies with global operations or global influence (such as Alcan Inc., Alcoa Inc., Anglo American plc, Barrick Gold Corporation, BHP Billiton Limited, Corporación Nacional del Cobre de Chile ("Codelco"), Companhia Vale do Rio Doce ("CVRD"), Inco Limited, Newmont Mining Corporation, Phelps Dodge Corporation and Rio Tinto Ltd), which typically operate numerous mines and metals processing facilities. Some of the large companies cover multiple metals and have operations throughout the world;
- Small and medium-sized mining companies that typically operate in selective regional markets both locally and internationally. These companies are typically focused on a particular metal; and
- Local mining and metallurgical companies in emerging regions (such as Russia, Brazil, Africa, India and the People's Republic of China). The development of these companies is mainly driven by strong home market consumption growth.

Selected Metals and Secondary Products

The most relevant metals, metal alloys and secondary products relating to Outokumpu Technology's offering are listed below:

- *Iron/Steel.* The largest users of steel are construction and transportation equipment industries. Steel is produced from both iron ore and recycled steel scrap. The annual global production of crude steel is approximately 1.1 billion tonnes. Brazil, Australia, the People's Republic of China and India have the largest production volumes of iron. The largest iron ore mining companies are CVRD, Rio Tinto Ltd and BHP Billiton Limited.
- *Aluminum.* Aluminum is mainly used by transportation equipment, packaging and construction industries. Aluminum is produced from bauxite ore and recycled aluminum scrap. The production of primary aluminum (produced from bauxite) is approximately 32 to 33 million tonnes annually. Bauxite ore is mainly found in regions under tropical to subtropical climate between the Tropic of Cancer and the Tropic of Capricorn. The largest bauxite mining, alumina refining and aluminum smelting companies are Alcoa Inc., Alcan Inc., Aluminum Corporation of China Limited (Chalco) and Russian Aluminum (RusAl).
- *Copper.* Copper is typically used in electrical equipment, residential and commercial construction, industrial machinery and various consumer goods. Copper is produced from copper ore and from recycled copper scrap. The global production of refined primary copper is approximately 15 to 16 million tonnes annually. Copper is mined in various regions globally, with the largest production volumes in Chile and Peru. The largest copper mining and smelting companies are Codelco, Phelps Dodge Corporation and Grupo Mexico, S.A. de C.V and certain Chinese companies, including Tongling Nonferrous Metals (Group) Inc. and Jiangxi Copper Corporation.
- *Zinc.* Zinc is mainly used in galvanizing of steel and in different metal alloys. Primary zinc is sourced from zinc mines throughout the world. Metallurgical zinc extraction (pyro- and

hydrometallurgical processing) is based mostly on sulfidic mineral concentrates and occasionally on zinc oxide mineral concentrates. The amount of zinc produced annually is approximately 10 to 11 million tonnes and the People's Republic of China has the largest smelter production volumes of zinc. The largest zinc mining and smelting companies are Young Poong Corporation, Xstrata Plc, Zinifex Limited, the Umicore Group and certain Chinese companies, including Hunan Zhuye Smelter Torch Metal Co. and Lianoning Nonferrous Metals Industry Co.

- *Nickel.* Nickel is typically used in the production of stainless steel and in alloys. Nickel has typically been produced from sulfidic ores, and Australia, Canada and Russia are the biggest countries where nickel mines are located. More recently, an increasing part of nickel is produced from oxidized (laterite) ores in regions under tropical to subtropical climate between the Tropic of Cancer and the Tropic of Capricorn. The global production of nickel is approximately 1.3 to 1.4 million tonnes annually. The largest nickel mining, smelting and refining companies are Norilsk Nickel IAS, Inco Limited, BHP Billiton Limited and Falconbridge Limited.

- *Gold.* Gold is mainly used as an international monetary standard, in jewelry and as coating material by the electrical industry. Primary gold is sourced from a vast number of gold mines throughout the world. Gold deposits are of variable geological origin and gold occurs both as native particles and as a component in a large number of different sulfide minerals. The production of primary gold requires that a significant amount of ore be processed compared to relatively low global production of approximately 2,500 tonnes annually. South Africa, Australia and the United States have the largest production volumes of gold. The largest gold mining companies are Barrick Gold Corporation, Newmont Mining Corporation, AngloGold Ashanti Limited and Gold Fields Limited.

- *Platinum group metals.* Platinum group metals are mainly used in jewelry and as catalysts by the chemicals industry and in vehicles. They are typically produced as a secondary product in copper production or from nickel ores with platinum group metal content. The largest platinum group metals mining and smelting companies are Anglo American plc, Norilsk Nickel IAS and Impala Platinum Limited.

- *Titanium minerals.* Titanium minerals are produced through various intermediate products with the final products being titanium dioxide pigment or, to a lesser extent, metallic titanium and titanium alloys. Titanium dioxide is the most widely used white pigment in the paint and plastic industries. Titanium metal and titanium alloys are mainly used in highly corrosion resistant piping and heat exchangers. Titanium exists as oxides mainly as ilmenite in natural ilmenite sands and in massive ilmenite ores. India, Brazil and Australia have the largest production volumes of titanium minerals. The largest titanium mining and smelting companies are Rio Tinto Ltd, Iluka Resources Limited and Anglo American plc.

- *Ferrochrome.* Ferrochrome is mainly used in stainless steel production. The annual production of ferrochrome is approximately six million tonnes, with the largest production volumes in India, Kazakhstan and South Africa. The largest ferrochrome mining, smelting and refining companies are Xstrata Plc, TNZ Kazchrome JSC and BHP Billiton Limited.

- *Sulfuric acid.* Sulfuric acid is mainly used by the fertilizer, chemical and metallurgical industries and it is the most produced chemical after water with annual production of approximately 200 million tonnes. Sulfuric acid can be produced as a secondary product by metallurgical and oil refining industries or directly from sulfuric minerals and elemental sulfur. The production of sulfuric acid is widely distributed between different producers and consequently there are no dominant suppliers.

Key Drivers of Mining and Metals Technology Industry and Market Trends

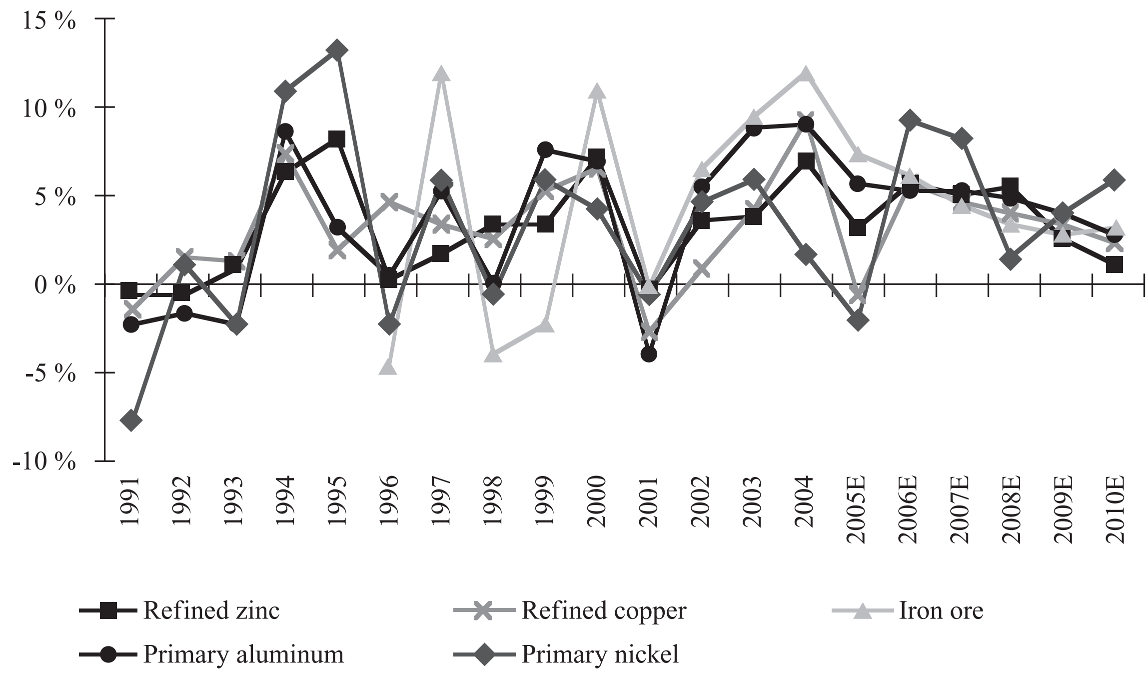
General

The mining and metals technology market is primarily driven by the overall level of investment activity in the mining and metals industries, which is mainly affected by the overall global economic activity. Investment activity related to the commissioning of new projects in particular is closely related to market conditions in the metals and mining industries. The past three years have seen an increase in the price of commodities generally, which in turn has generated a positive business environment for the mining companies. This has resulted in strong earnings and cash flow performance by mining companies. While metal prices have decreased from their recent heights, it is expected that they will remain high by recent historical standards. From the perspective of mining companies seeking to commit significant capital to new projects, however, the longer term outlook for consumption and metal prices is more important than the outlook in the short-term.

Global Consumption of Metals

The consumption of metals is one of the main drivers for the mining and metals technology industry as it defines the need for additional capacity and investments by the mining and metals industries. Taken over an extended period, the global consumption of metals has generally grown in line with population and GDP growth. In the past 15 years, growth in metals consumption has been primarily driven by demand from rapidly developing countries, such as the People's Republic of China and, more recently, also India. Rapid urbanization and the infrastructure requirements associated with this in these regions is anticipated to continue to underlay consumption of minerals and metals as well as all commodities. The following chart sets forth the historical and expected growth in consumption of refined zinc, refined copper, primary nickel, primary aluminum and iron ore.

Growth in Global Consumption

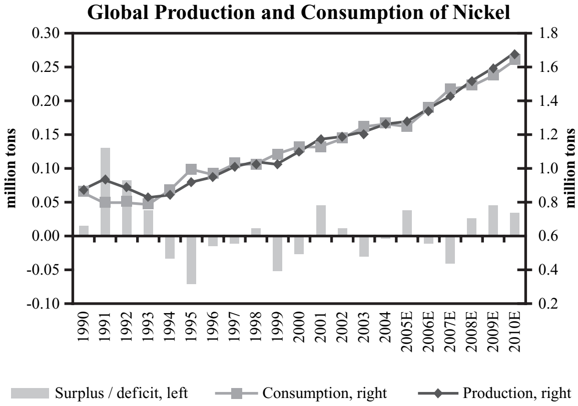


Sources: CRU, Brook Hunt

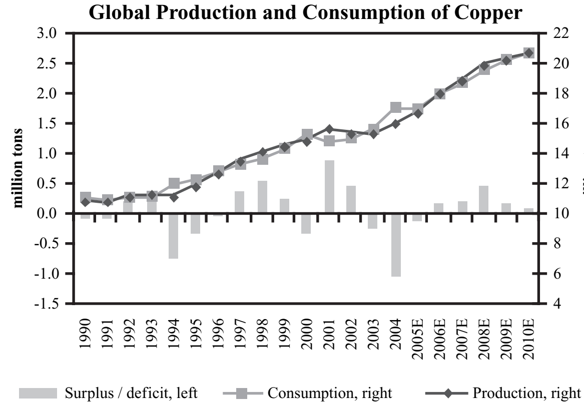
Supply and Demand Balance

The market for mining and metals technology is also greatly impacted by the supply and demand balance of metals. The following charts set forth the historical and expected development of production and consumption of aluminum, copper, nickel, zinc and iron ore.

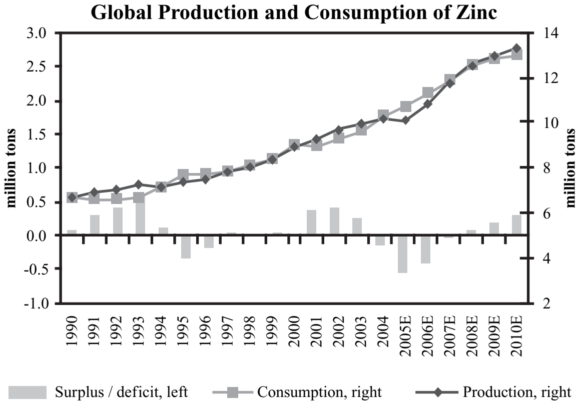
Global Production and Consumption of Nickel



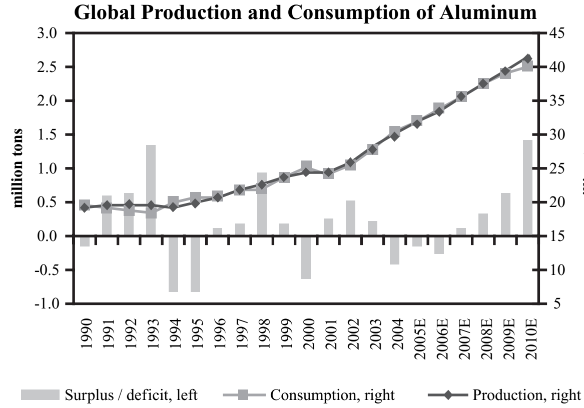
Global Production and Consumption of Copper



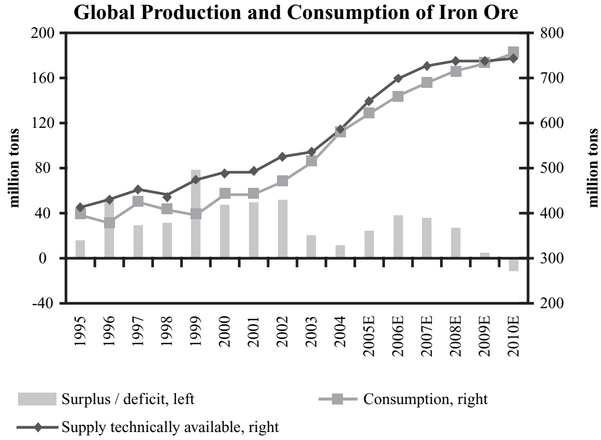
Global Production and Consumption of Zinc



Global Production and Consumption of Aluminum



Global Production and Consumption of Iron Ore



(1) The development of the production volumes of iron ore is based on estimated production increase on the basis of expansion projects known in 2005.

Sources: Nickel: CRU, Quarterly Industry and Market Outlook, July 2006
Copper: Brook Hunt, "Copper Data" Tonia Crake, June 16, 2006
Zinc: Brook Hunt "Global Refined Zinc Supply and Demand" Andrew Thomas, June 16, 2006
Aluminium: Brook Hunt "World Aluminium Balance 2000-2007" Dan Smith, June 16, 2006
Iron Ore: IISI "Seaborne Iron Ore" (Cronwald, L., Uhlig, M.: Stahl und Eisen 126 (2006) Nr. 6, S. 21/28)

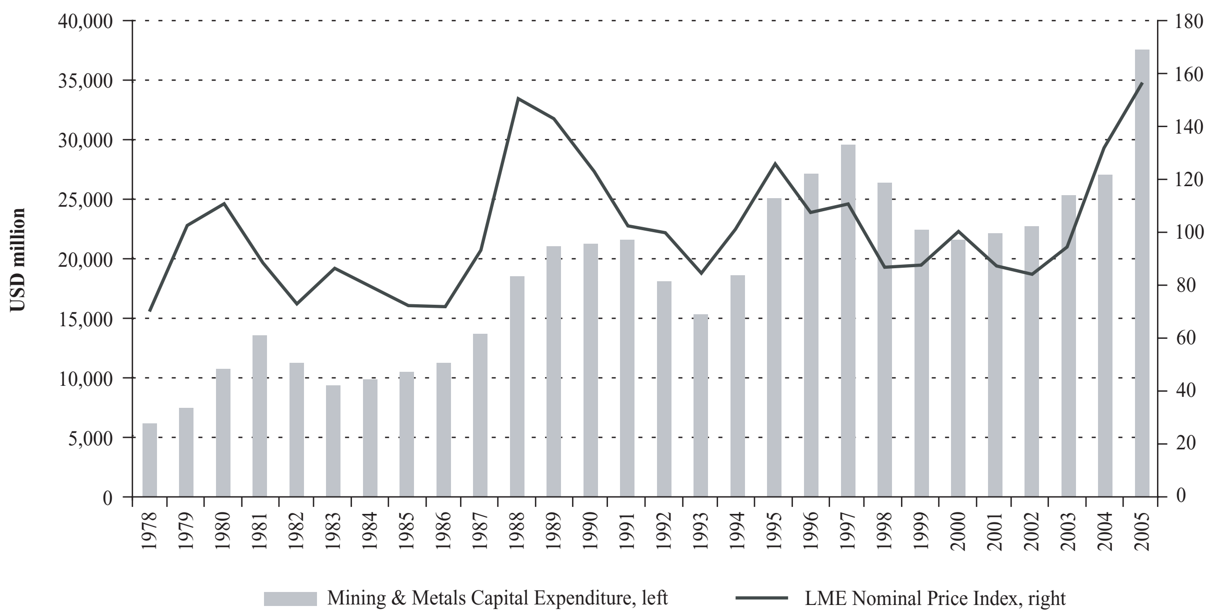
The increasing consumption of metals has had a significant impact on the demand and supply balance of the mining and metals industries. Whereas consumption and demand have grown rapidly, capacity investments typically require years to complete a project from an investment decision to planning and implementation. In general, the gap between supply and demand has in recent years created strong growth in investments.

Mining and Metals Industries' Capital Expenditure

Investment activity in the mining and metals industries represents the industries' response to rising consumption and, therefore, in the long-term, follows global GDP growth. However, investment activity is significantly impacted by metal price cycles, with peak in investment activity typically occurring two to three years after a peak in metal prices. Additionally, due to cost pressures, mining companies continuously make investments to increase efficiency and to replace old plants and equipment.

The following chart sets forth the historical capital expenditure for the mining and metals industries along with a metal price index as constructed by CRU based on prices quoted on the LME:

Annual Capital Expenditure and Metal Price Index



Source: CRU MICA (Minerals Industry Competitor Analysis), June 22, 2006

Note: Data for historical capital expenditure and metal price index are presented in nominal terms.

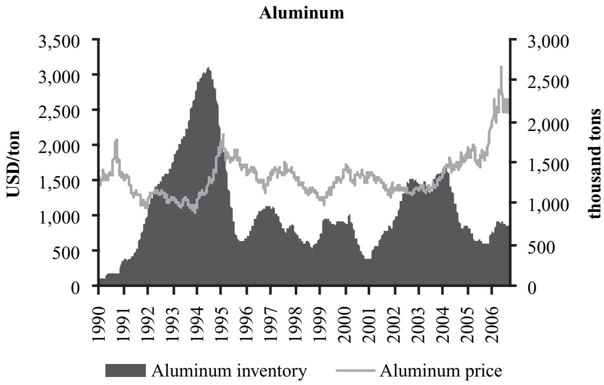
Structure and Location of Capacity

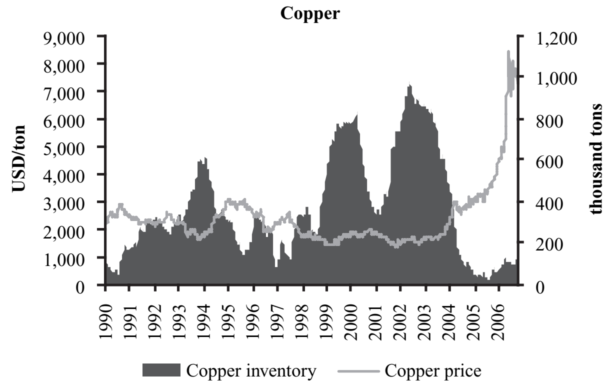
Changes in the geographical balance of capacity also impact the demand for mining and metals technology. In general, mines are located in regions where sufficient natural resources for economical mining exist. Establishing new mining locations is mainly driven by the capability of finding suitable ore bodies for economical production. While most of the minerals processing activities are carried out on the mining site, metals processing is typically located in regions where the availability and cost of resources (*e.g.*, energy) and the distance to the end-user market are more optimal. While the industrial use of metals was historically more focused on industrial countries, the economic growth of the People's Republic of China and other developing countries has had a significant impact on the metals processing industry structure, principally due to capacity expansions carried out in these countries.

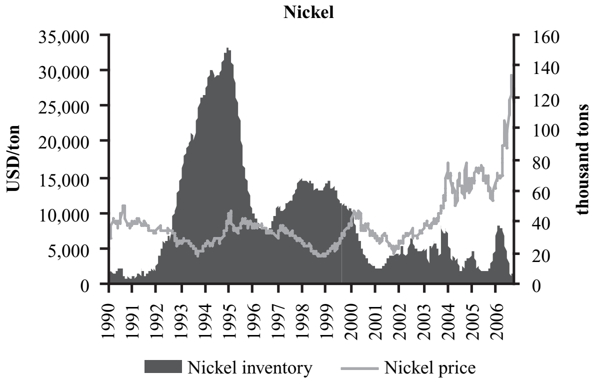
Metal Prices

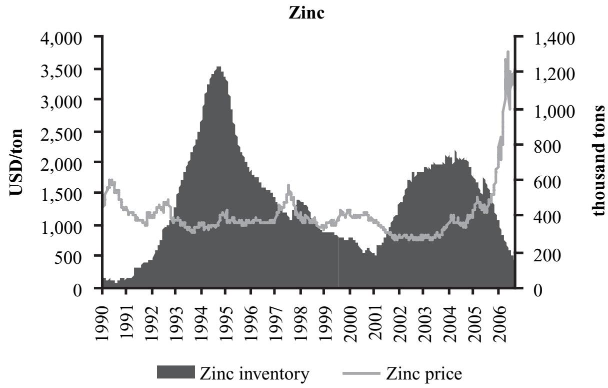
In general, metal prices are driven by the supply and demand balance of metals and metal production costs. Some metals are also traded on public exchanges, and changes in inventory levels can have a significant impact on the prices of these metals.

The following charts set forth the historical development of selected metal prices (LME 3-month forward) and LME inventory levels:









Source: Bloomberg, September 22, 2006

From a historical perspective, the prices of many metals are currently at a high level. In general, the metal prices have a direct impact on the mining and metals industries' profitability and business activity, and high metal prices typically support the industry's investment decisions, which in turn create demand for mining and metals technology. The investment decisions made by the industry are, however, based on long-term estimates on sustainable metal prices. The management of Outokumpu Technology does not believe that the current high market prices are, as such, a prerequisite for mining and metals companies to execute their investment plans.

Metal Content of Ore Bodies

The mining industry continuously utilizes mineral resources, that is ore bodies, which each have only a limited amount of the mineral available. Historically, production has generally started in mines with higher-grade ore bodies, as those have been easier to utilize in the production of minerals and metals. Over the years, many of these higher-grade ore bodies have already been fully utilized and the mines have either been closed down or have shifted utilization to lower-grade ore bodies. Currently, since new higher-grade ore bodies have not been found in sufficient amount, an increasing amount of new capacity comes from producing minerals from lower-grade ore bodies, which increases the demand for mining and metals technology. In the short- to medium-term, this trend is expected to continue and further strengthen.

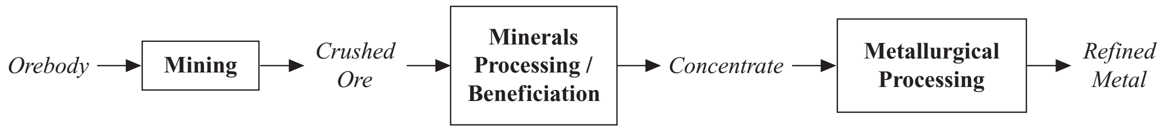
Environmental and Technological Requirements

Generally, the environmental requirements in the mining and metals industries have been getting stricter on a worldwide basis. The environmental regulations and standards in developed countries have traditionally been more restrictive than in developing countries, which have only in recent years shown increasing environmental awareness. Another factor with increasing importance for the industry is energy efficiency of the processing technology. The need for energy efficient technologies has been emphasized by the increasing energy prices in recent years.

Overview of the Metals Process Chain

In general, ores are divided into sulfidic (sulfide) and oxidized (oxide) ores. In sulfidic ores, the metal is chemically bound with sulfur, and typically the ore includes multiple metals. Producing metals from sulfidic ores commonly produces sulfuric acid as secondary product for commercial purposes. In oxidized ores, the metal is chemically bound into oxygen and the ore typically consists of one primary metal. Typical sulfidic ores are copper, nickel, zinc, cobalt, gold and platinum group metals. Copper and nickel are also commonly found and mined as oxidized ores. Iron and chromium are commonly found as oxides.

In general, the process chain from ore to refined metal consists of the three phases described below:



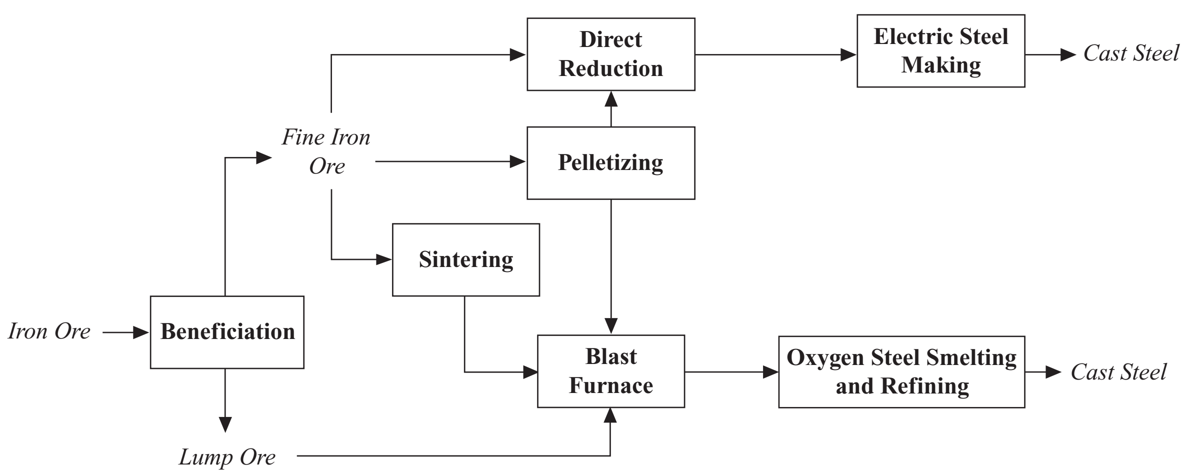
Most metals, with the exception of gold, occur as one of the components of a compound. Minerals processing is the crushing of ore and concentration of the mineral-bearing material (referred to as beneficiation). All mineral material requires some processing to yield a marketable product. The typical process flow involves crushing and grinding of ore followed by concentration. Crushing and grinding reduce the size of a mineral rock to a predetermined size, usually that of a fine sand, so that the mineral particals can be freed from the waste rock. Concentration is the process whereby the concentration of the target mineral is raised significantly. This is achieved through physical methods (flotation, gravity, magnetic) or chemical methods (leaching, solvent extraction).

Metallurgical processes refine concentrates produced by the minerals processes into refined metals in either a pyrometallurgical or a hydrometallurgical process or a combination of both. A typical metallurgical process chain includes processes, such as drying, smelting, roasting, converting, fire refining, slag cleaning, off-gas cleaning, leaching, electrorefining/electrowinning and casting. In general, sulfidic concentrates are mainly refined in pyrometallurgical processes, where high temperatures are used to extract metals from concentrates and transform them into refined metals or into interim products, which are further refined into pure metal through hydrometallurgical processes. Oxidized non-ferrous metal ores are typically refined in hydrometallurgical processes, where different chemicals are used to extract and refine metals or intermediate metal compounds. Ferrous metals, such as iron and chromium, are processed from oxidic ores through pyrometallurgical processing only.

Overviews of typical process technologies for producing certain metals, metal alloys and secondary products relevant for Outokumpu Technology are presented below.

Iron/Steel

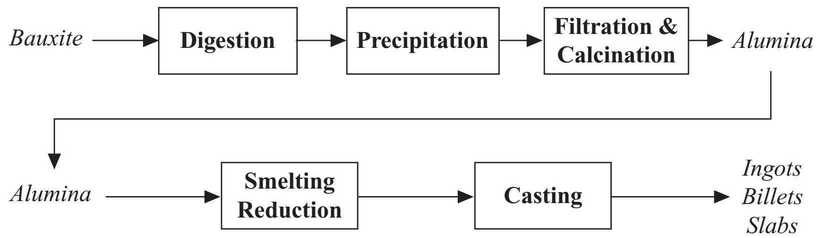
The principal production processes for steel are described below:



Iron ore is mainly open pit mined and can be processed in different ways. Traditionally, the prevailing production route has been to produce raw iron (pig iron) trough the blast furnace process using either lump ore, sinter or pellets in different combinations as the feed material. Lump iron ore can be directly processed in a blast furnace. Blast furnace produces pig iron, which is typically processed further into cast steel. Iron ore may also be beneficiated and further processed through pelletizing or sintering. Pellets are typically transported for further processing either in blast furnace or in direct reduction. Sinter is processed directly after sintering in blast furnace. During the last decades, different direct reduction or direct smelting of iron technologies have emerged. The main benefits from the new direct processing technologies are to use low-cost iron ore fines for high-quality steel making. Since the economical size of a direct reduction plant is substantially lower than with blast furnace, the required capital is substantially lower as well. Direct reduction of iron ore, by processing either the iron ore pellets or lump ore or directly the fine iron ore, is becoming a common technology in the steel industry.

Aluminum

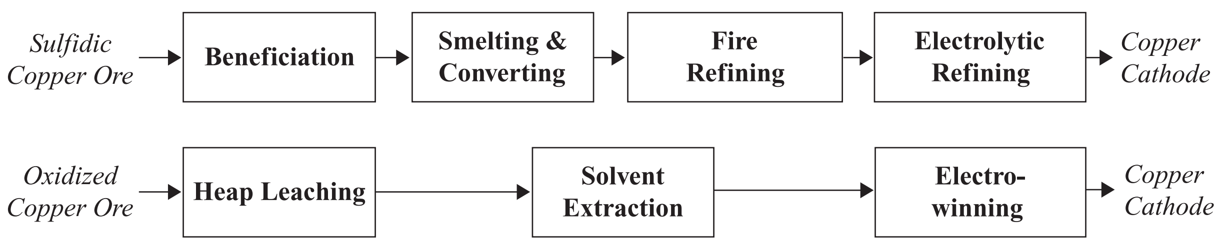
The general production process for alumina and primary aluminum is described below:



Bauxite clay ore, the raw material for primary aluminum, is mined from open pits. Bauxite is first refined into alumina (aluminum oxide) at or close to the mining site, while alumina is typically transported for further processing elsewhere. Aluminum smelting process consumes a considerable amount of energy, and therefore the smelters are located in regions with reliable and inexpensive energy sources.

Copper

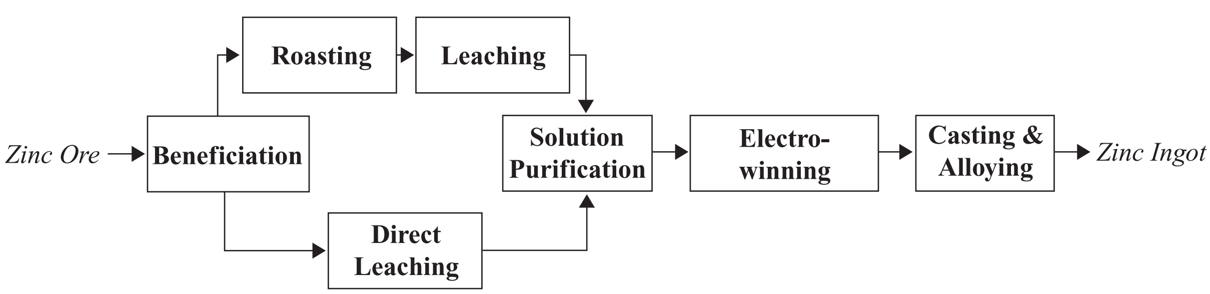
Copper cathode is produced in two principal ways described below:



The majority of copper is mined from open pits, but to some extent copper is also mined underground. Oxidized copper ore is processed through hydrometallurgical extraction and sulfidic copper ore mainly in pyrometallurgical processes with the final refining taking place through an electrorefining process. Copper cathode is the end product of the process, and it is further used as raw material by various downstream copper manufacturing companies.

Zinc

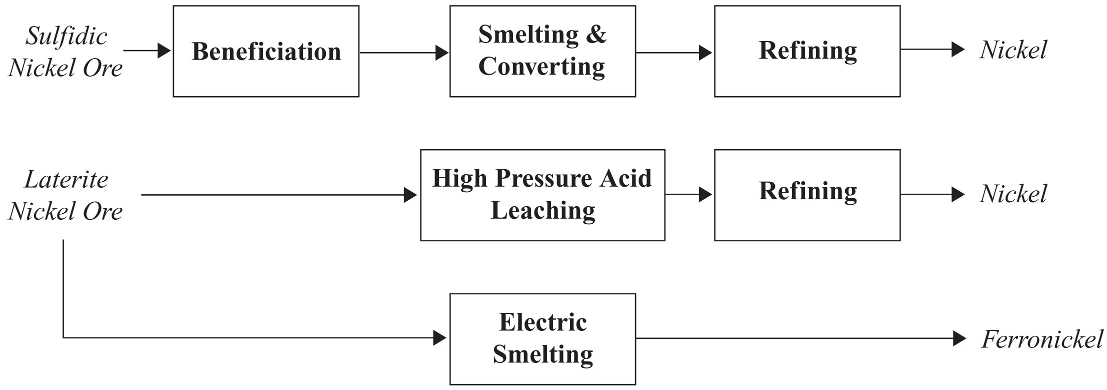
The general production process of zinc is described below:



Almost all primary zinc comes from sulfidic ore bodies, which are mined both underground and from open pits. More than 90 percent of sulfidic zinc concentrates are processed at zinc smelters through the following route: roasting, leaching, solution purification, electrowinning and alloying and casting. Zinc ingots are the final saleable products. The pyrometallurgical roasting phase can also be substituted by the direct hydrometallurgical leaching method.

Nickel

The general production processes for nickel and ferronickel are described below:



Sulfidic nickel ores are mainly mined from underground and concentrated to nickel concentrates to be shipped for smelting. The intermediate nickel product from the smelter, nickel matte, is typically further processed and refined by hydrometallurgical method and the final saleable product is pure cathode nickel produced with electrowinning or electrorefining process. In some cases alternatively pure nickel briquettes are produced with a hydrogen reduction process. Nickel matte is at certain refineries processed to nickel powder via pyrometallurgical route.

Laterite nickel ores are mined from open pits and further processed at mine sites. Iron rich ores are leached in autoclaves at high pressure in sulfuric acid (or sometimes in caustic), refined through hydrometallurgical methods and nickel is finally recovered as pure cathode nickel with an electrowinning process. Nickel may alternatively be precipitated as intermediate nickel salts to be shipped for further processing to nickel chemicals. Magnesium rich laterite nickel ores are smelted in electric furnaces to ferro nickel, which is the final commercial product in cast and crushed form.

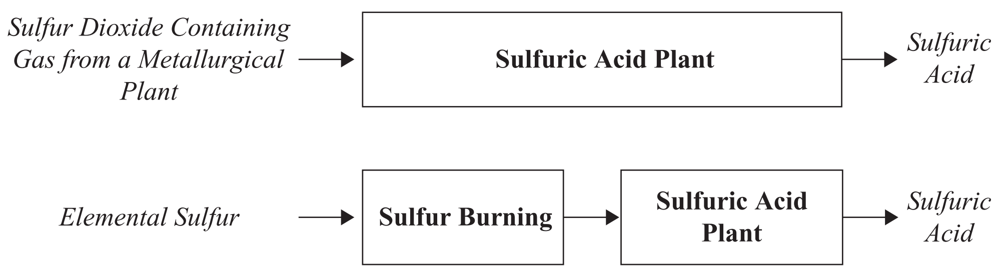
Ferrochrome

The general production process for ferrochrome is described below:

Chromium is typically open pit mined from oxidic chromite ore bodies. After beneficiation at the mine site, the chromite ore fines are pelletized or briquetted and smelted together with lump ore to ferrochrome in an electric arch furnace. Cast and crushed ferrochrome is the final commercial product.

Sulfuric Acid

The two main types of production processes for sulfuric acid are described below:



Sulfuric acid is produced from metallurgical smelter and roaster gases containing sulfur dioxide or starting from elemental sulfur, which is available as a commodity. Smelter and roaster gases are first cleaned after which the sulfur dioxide in the gas is oxidized in contact reactors to gaseous sulfur trioxide and finally absorbed into water to form sulfuric acid. When starting from elemental sulfur, it is first burned to sulfur dioxide gas, which is then processed to sulfuric acid in the same way as metallurgical gases.

SELECTED HISTORICAL COMBINED FINANCIAL INFORMATION OF THE COMPANY

The following selected financial information for the Company should be read in conjunction with, and is qualified in its entirety by reference to, the audited combined financial statements of the Company for the years ended and as at December 31, 2003, 2004 and 2005, the unaudited interim combined financial statements of the Company for the six months ended and as at June 30, 2005 and 2006 and other relevant information included elsewhere in this Offering Circular. The audited combined financial statements of the Company for the years ended and as at December 31, 2003, 2004 and 2005 and the unaudited interim combined financial statements of the Company for the six months ended and as at June 30, 2005 and 2006 have been prepared in accordance with IFRS as adopted by the European Union and as described in more detail in the accounting principles included in the notes to the combined financial statements beginning on page F-27 of this Offering Circular. The audited combined financial statements of the Company have been audited by KPMG Oy Ab, authorized public accountants and their reports are included elsewhere in this Offering Circular.

This Offering Circular contains audited combined financial information for the Company for the years ended and as at December 31, 2003, 2004 and 2005, and unaudited combined financial information for the six months ended and as at June 30, 2005 and 2006, as if the Company had operated on a stand-alone basis for the periods presented. The combined financial information has been derived from the historical financial statements of the Outokumpu Group and is based on the historical acquisition cost of assets and liabilities and on the results of operations and cash flows, as if the Company and its subsidiaries had been a stand-alone independent group for the periods presented. The combined consolidated financial statements of Outokumpu Technology for the years ended and as at December 31, 2003, 2004 and 2005 and for the six months ended and as at June 30, 2005 and 2006 reflect the time when Outokumpu Technology was managed as one business as part of Outokumpu Group. The combined financial information may not be indicative of the actual results of the Outokumpu Technology Group that would have occurred for the periods indicated had the Company and its subsidiaries operated as a stand-alone group separated from Outokumpu Group, nor is it necessarily indicative of the future results of operations and financial condition of Outokumpu Technology Group. Outokumpu Technology was organized as a legal consolidated group, when the Outokumpu Technology companies, which were under the common control of the Outokumpu Group, were transferred to the ownership of the Company on or prior to June 30, 2006.

The audited combined financial information for the years ended and as at December 31, 2003, 2004 and 2005 and unaudited combined financial information for the six months ended and as at June 30, 2005 and 2006 comprise the Outokumpu Technology companies set forth in note 33 of the audited combined financial statements and these companies have been under common control of Outokumpu Group for the periods presented. From these companies, Outokumpu Shanghai Co. Ltd., OOO Outokumpu Norilsk, Outokumpu Holding GmbH, Kumpu GmbH, Outokumpu Deutschland GmbH, Outokumpu Technology GmbH, Petrobau Ingenieur Bulgaria EOOD, Outokumpu Technology AB, ZAO Outokumpu Moskva, Outokumpu Poland Sp. z.o.o. and Outokumpu Research Oy were transferred to the ownership of Outokumpu Technology from Outokumpu Group during the period from January 1, 2003 to June 30, 2006 and they are part of the future operation of the Company, as presented in this Offering Circular. The Company's former subsidiary, Outokumpu Metals Off-Take Oy, has been excluded due to it having been sold by the Company to Outokumpu before June 30, 2006, and, therefore, not being a part of the future operations of the Company, as presented in this Offering Circular. Outokumpu Technology acquired Boliden Contech AB (currently, Outokumpu Technology AB) on December 31, 2003 and it has been included in the combined financial statements from the date of the acquisition. The filter business sold to Larox Oyj in January 2004 has been presented as a discontinued operation, see "*Operating and Financial Review and Prospects—Discontinued Operations*." The accounting principles of the combined financial statements have been included in the notes to the combined financial statements beginning on page F-27 of this Offering Circular.

For comparability, the effect of transfers of the Outokumpu Technology companies to and from the Outokumpu Group has been taken into account in interest-bearing receivables and liabilities and in interest income and expenses as if the actual transfers would have been implemented as of January 1, 2003. The retained earnings of Outokumpu Technology companies, which have been transferred to and from Outokumpu Group, have been combined in the financial statements of Outokumpu Technology as of January 1, 2003 so that the difference between the equity and the actual acquisition cost has been reported in the combined equity. The interest expenses calculated for the combined financial information were based on market terms. Up until June 30, 2006, the Company has not had a centralized treasury and financing department, but has relied on Outokumpu to provide this service. It is possible that the Company would not independently have been able to obtain financing with equally favorable terms and conditions as it has obtained financing as a member of the Outokumpu Group.

Outokumpu Technology has previously been part of Outokumpu Group's tax planning. To combine profits and losses in tax jurisdictions of Finland, Sweden and Germany, Outokumpu Technology companies have both taken group contributions from and given group contributions to other Outokumpu Group companies. The group contributions received from or given to Outokumpu Group companies have been reversed in each year in the combined financial statements. The effect of these adjustments has been taken into account in the opening balance sheet as of January 1, 2003 and in each financial year by adjusting equity, interest-bearing receivables and liabilities, taxes and interest income and expense. The income taxes of Outokumpu Technology have been presented as if the Company had been operating on a stand-alone basis for the periods indicated. The deferred income taxes of Outokumpu Technology have been stated using the balance sheet liability method, as measured with the enacted rates, to reflect the net tax effect of all temporary differences between the financial reporting and tax bases of assets and liabilities.

It has been the Outokumpu Group's policy to charge the cost related to centralized services to the subsidiaries in the Outokumpu Group using the matching principle. Outokumpu Technology has purchased centralized services for procurement, information technology, financial accounting, taxes, human resources, legal affairs, financing, treasury, risk management and financial communications from Outokumpu. In addition, the Outokumpu Group has invoiced the part of the general group administration costs related to Outokumpu Technology from the Company. However, the combined financial statements of Outokumpu Technology do not include costs related to operating Outokumpu Technology as an independent listed company, such as costs related to board meetings, general meetings of shareholders, corporate communications, financial consolidation, including investor relations and related expenses. Outokumpu Technology's management estimates that the additional annual costs for operating the Company on an independent stand-alone basis, in addition to the costs charged to the income statement, would have totalled approximately EUR 1 million.

	For the year ended and as at December 31,			For the six months ended and as at June 30,	
	2003	2004	2005	2005	2006
		(audited)		(unaudited)	
			(EUR in millions)		
INCOME STATEMENT DATA					
Sales	365.9	425.6	556.2	216.7	320.9
Cost of sales	(280.3)	(327.8)	(451.5)	(177.6)	(258.9)
Gross margin	85.6	97.8	104.7	39.1	62.1
Other operating income	3.9	3.9	2.2	0.5	1.4
Selling and marketing expenses	(40.7)	(46.7)	(39.2)	(20.3)	(23.1)
Administrative expenses	(26.9)	(30.2)	(28.0)	(14.2)	(15.8)
Research and development expenses	(11.7)	(13.5)	(13.9)	(6.9)	(8.5)
Other operating expenses	(2.3)	(0.6)	(0.8)	(1.4)	(1.6)
Share of result of associated companies	—	—	(0.6)	(0.1)	(0.4)
Operating profit/(loss)	7.9	10.8	24.3	(3.4)	14.1
Total financial income and expenses	(3.9)	1.1	1.3	1.5	1.5
Profit/(loss) before taxes and discontinued operations	4.0	11.9	25.6	(1.9)	15.6
Income taxes	0.4	(2.4)	(9.2)	(1.5)	(7.0)
Net profit/(loss) for the period from continuing operations	4.4	9.5	16.4	(3.4)	8.7
Net profit for the period from discontinued operations	0.4	12.2	—	—	—
Net profit/(loss) for the period	4.8	21.7	16.4	(3.4)	8.7
CASH FLOW DATA					
Net cash from operating activities	24.9	8.1	80.2	20.2	0.6
Net cash from investing activities	(25.5)	22.4	(10.1)	(6.8)	(3.4)
Net cash from financing activities	6.8	(7.8)	(1.6)	0.4	(0.1)

	For the year ended and as at December 31,			For the six months ended and as at June 30,	
	2003	2004	2005	2005	2006
	(audited)			(unaudited)	
	(EUR in millions, except for financial ratios, personnel data and per share data)				
BALANCE SHEET DATA					
Intangible assets	71.6	73.9	75.2	74.3	73.3
Property, plant and equipment	38.7	31.4	30.5	31.1	29.1
Investments in associated companies	—	—	1.9	1.2	1.5
Available-for-sale financial assets	1.6	0.0	0.8	0.8	0.8
Deferred tax assets	12.1	9.6	12.2	9.3	12.3
Trade and other receivables	3.1	1.6	0.9	3.6	2.5
Total non-current assets	127.1	116.4	121.5	120.2	119.5
Inventories	31.7	30.8	35.2	50.6	38.6
Available-for-sale financial assets	—	0.5	0.0	0.0	0.0
Derivative financial instruments	5.9	5.6	0.6	3.3	1.0
Trade and other receivables	104.8	92.5	125.5	82.3	131.1
Cash and cash equivalents	34.9	52.9	126.3	69.1	117.8
Total current assets	177.3	182.2	287.7	205.3	288.5
Total assets	304.4	298.7	409.2	325.5	408.0
Equity attributable to the equity holders of the Company	69.5	90.8	110.6	90.1	116.1
Minority interest	0.0	0.0	0.1	0.0	0.0
Total equity	69.5	90.9	110.7	90.1	116.1
Long-term debt	3.5	3.6	3.1	3.6	3.8
Deferred tax liabilities	10.7	8.2	15.2	8.1	14.7
Pension obligations	22.4	18.1	18.2	18.0	18.5
Provisions	—	1.0	0.8	1.0	0.9
Trade and other payables	2.9	—	0.7	3.3	2.4
Total non-current liabilities	39.6	30.9	37.9	34.1	40.3
Current liabilities	19.5	8.4	7.8	10.5	6.8
Derivative financial instruments	1.4	5.1	1.1	5.1	0.5
Income tax liabilities	0.1	2.1	2.9	0.9	4.3
Provisions	0.6	1.9	1.6	3.0	2.2
Trade and other payables	173.7	159.4	247.1	181.8	237.9
Total current liabilities	195.3	176.9	260.6	201.3	251.6
Total equity and liabilities	304.4	298.7	409.2	325.5	408.0
KEY RATIOS					
Gross margin, % of sales	23.4	23.0	18.8	18.0	19.3
Operating margin, % of sales	2.1	2.5	4.4	(1.6)	4.4
Net interest-bearing debt(1)	(13.4)	(41.4)	(116.1)	(55.7)	(108.5)
Gearing, %(2)	(19.3)	(45.5)	(104.9)	(61.8)	(93.4)
Equity-to-assets ratio, %(3)	28.9	38.1	36.1	37.0	40.9
Capital employed(4)	56.1	49.5	(5.5)	34.4	7.6
Return on capital employed (ROCE), %(5)	14.2	20.5	110.3	(16.0)	2,610.5
Return on investment (ROI), %(6)	11.5	14.5	24.3	(3.6)	29.7
Return on equity, %(7)	6.6	11.8	16.3	(14.8)	15.3
Capital expenditure	26.6	11.7	12.1	5.7	3.8
Order backlog, period-end(8)	355.5	450.2	596.0	519.5	693.8
Order intake during the period(8)(9)	458.1	542.0	678.5	278.0	425.9
Number of employees, period-end(8)	2,008	1,831	1,802	1,883	1,889
Net profit/(loss) for the period from continuing operations, % of sales	1.2	2.2	2.9	(1.6)	2.7
Net profit/(loss) for the period, % of sales	1.3	5.1	2.9	(1.6)	2.7
SHARE RELATED DATA(10)					
Earnings per share for profit attributable to the equity holders of the company:					
Earnings per share from continuing operations, EUR(11)	0.10	0.23	0.39	(0.08)	0.21
Earnings per share from discontinued operations, EUR(11)	0.01	0.29	—	—	—
Total earnings per share, EUR(11)	0.11	0.52	0.39	(0.08)	0.21
Equity per share, EUR(12)	1.65	2.16	2.63	2.14	2.76

	For the year ended and as at December 31,			For the six months ended and as at June 30,	
	2003	2004	2005	2005	2006
		(audited)		(unaudited)	
			(EUR in millions)		
SEGMENT DATA					
Minerals Processing					
Sales	125.0	150.0	184.8	65.5	93.8
Operating profit/(loss)	3.5	8.3	8.3	1.4	(5.6)
Base Metals					
Sales	117.1	139.2	160.0	56.2	95.5
Operating profit/(loss)	5.2	4.4	11.6	(2.2)	12.7
Metals Processing					
Sales	123.3	134.8	205.9	91.0	130.4
Operating profit/(loss)	4.7	(1.6)	7.1	(2.0)	10.2
Other Businesses					
Sales	24.7	34.7	32.2	15.8	14.7
Operating profit/(loss)	(2.8)	2.4	0.2	0.5	(0.3)

(1) Net interest-bearing debt = Interest-bearing debt + accrued interest expenses – loan receivables – available-for-sale investments – accrued interest income – cash and cash equivalents

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

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

(4) Capital employed = Total equity + net interest-bearing debt

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

(6) Return on investment (ROI) $= \frac{\text{Operating profit + financial income}}{\text{Total assets – non-interest-bearing debt (average for the period)}} \times 100$

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

(8) Unaudited.

(9) Order intake during the period means the cumulative value of orders fulfilling the contractual obligations for coming into force received during the reporting period.

(10) In an extraordinary general meeting of the shareholders of the Company held on August 4, 2006, a resolution was adopted to split the number of the Company's Shares from 8,400,000 Shares to 42,000,000 Shares and such resolution was registered with the Finnish Trade Register on August 10, 2006. Earnings per share and equity per share data has been calculated using 42,000,000 Shares.

(11) Earnings per share $= \frac{\text{Net profit/(loss) for the period attributable to the equity holders}}{\text{Average number of shares for the period, as adjusted for stock split}}$

(12) Equity per share $= \frac{\text{Equity attributable to the equity holders}}{\text{Number of shares at the end of the period, as adjusted for stock split}}$

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with the combined financial statement information of the Company included elsewhere in this Offering Circular. The audited combined financial statements of the Company for the years ended and as at December 31, 2003, 2004 and 2005 and the unaudited interim combined financial statements of the Company for the six months ended and as at June 30, 2005 and 2006 have been prepared in accordance with IFRS as adopted by the European Union.

General

Outokumpu Technology generates its sales from deliveries of equipment, technology transfer packages, turnkey process plants and services covering the whole process chain of processing minerals to metals. The Company's business operations are mainly driven by the global consumption of metals, which, in turn, is impacted by the overall economic development. The long-term outlook for the metal demand and supply balance, prevailing metal prices and consequent development of metal prices have a significant impact on investment activity in the mining and metals industries. This directly affects the demand for Outokumpu Technology's products and technologies.

Outokumpu Technology operates on a global basis and the development in different geographical regions has a clear impact on its business operations. While increased metal consumption in certain geographical regions will create demand for new capacity in minerals processing and metals production, investments are not necessarily made in the same regions. This is due to the fact that the mining and metals industries operate on a worldwide basis and that the location of the minerals processing industry's production facilities is primarily determined by the location of natural resources. The mining and metals industries are also in certain special cases influenced by political factors, inasmuch as different governments impose regulations and taxes that affect investments. On the other hand, certain countries seek to achieve or maintain self-sufficiency and a high degree of refining in certain metals, which may provide additional business opportunities for Outokumpu Technology.

Outokumpu Technology possesses a significant amount of proprietary technologies, and the results of its operations are highly influenced by the demand for these technologies. From this perspective, Outokumpu Technology's management believes that the increased demand for energy efficient, environmentally friendly and reliable technologies has provided Outokumpu Technology with additional growth potential. In addition, Outokumpu Technology's customers need the Company's technology to utilize the increasingly weak and unfavorably located ore bodies inasmuch as the currently known good-quality and easily extractible minerals and ore bodies have almost been utilized to the full and new ore bodies are often either of poorer quality or unfavorably located.

The financial performance of all three Outokumpu Technology's divisions is mainly affected by similar factors, with metals consumption as the primary underlying factor. In addition, the sales and margins of Outokumpu Technology's business divisions are driven by factors that vary according to each division's competitive position and according to their position in the minerals and metals value chain. Sales of the Company's divisions comprise of revenue recognition from long-term projects, equipment deliveries and sales of services. Profit recognition in connection with long-term projects takes place towards the end of the project, as a significant part of the profits is realized only after the project completion and receipt of customer acceptances. The Base Metals division also sells licenses, which are usually related to the division's equipment deliveries and other sales. License sales are typically entered at the beginning of the project when the customer pays for the right to use Outokumpu Technology's technology at a plant with a certain capacity. If capacity is later increased, Outokumpu Technology would be entitled to additional license income. In general, the revenue and profit margins of the business divisions are mainly affected by the sales price of projects, costs and successful completion of a project. The successful completion of a project is principally dependent on the timetable and the completion model of the project, project conditions and project location. Profitability of the business units is also affected by the general costs of production, sales, marketing, development and administration as well as the competitive situation at the time each project agreement is entered into as well as the efficiency of project execution, including the costs of subsuppliers.

In addition, the profitability of projects carried out by the Company's divisions is dependent on the scope of the projects, that is, what solutions and/or services the projects comprise. The scope of an individual project highly impacts the relative profitability of the project, with sales of proprietary technology percentage-wise typically being the most profitable part of operations. The Minerals Processing division provides process technology and proprietary equipment, which, despite the competitive pressures faced by the division, generally generate good profit margins. Similarly, a relatively large portion of the Base Metals division's deliveries to its customers include higher margin proprietary technology. The Metals Processing division's projects, on the other hand, include proportionately more non-proprietary third-party deliveries due to which the margins in the Metals Processing division have historically been somewhat lower than those generated in the Minerals Processing and the Base Metals divisions. However, the impact of these factors on profit margins varies over time and from project to project.

During the period from 2000 to 2003, the business environment for Outokumpu Technology's customer industries was very depressed, which resulted in low demand for Outokumpu Technology's technologies and services. However, global economic growth started to improve towards the end of 2003 and the growing need of minerals and metals required to support the growth of certain economies, such as the People's Republic of China and India, led to a significantly more favorable business environment for Outokumpu Technology's customers in the mining and metals industries. This has, in turn, been reflected in increased investment activity in countries with significant mining activity and in countries where metallurgical plants are being built. The increased demand in the markets materialized in the form of increased order intake in the Minerals Processing and the Metals Processing divisions during the fall of 2004, while the order intake in the Base Metals division started to increase somewhat later. This was due to the fact that non-ferrous smelter and refinery investments, particularly in relation to copper, commenced somewhat later than investments in the markets of the Minerals Processing and the Metals Processing divisions.

During 2005, metal prices continued to increase and investment activity within the mining and metals industries remained strong throughout the year. Investment activity was strong in both ferrous and non-ferrous markets. The investment activity was particularly robust in emerging markets, which consequently became more important to Outokumpu Technology. The willingness of the Middle Eastern countries to diversify their industrial base by investing part of their growing income from oil and gas into the production of consumables, including metals that require a significant amount of energy to produce, resulted in increased orders from the region. Concerns about the economy in the United States, high oil prices and turmoil in the Middle East had an adverse effect on the otherwise positive market sentiment.

In 2006, the market sentiment has continued to be strong regardless of certain fluctuation in metals prices. The prices continue to be at a historically very high level. Outokumpu Technology's management estimates that investment activity within the mining and metals industries will remain at a high level, at least in the short-term, due to continued high-demand for metals particularly in emerging countries.

Discontinued Operations

On January 8, 2004, Outokumpu Technology's filter business, which was previously part of the Minerals Processing division, was sold by Outokumpu to Larox Oyj for a total consideration of EUR 31.0 million. Net profit from the filter business has been presented in the income statement as a separate item after net profit from continuing operations in 2003 and 2004. The sale of the filter business resulted in a gain of EUR 12.2 million, net of taxes, and is included in the income statement in the line net profit from discontinued operations in 2004. The assets and liabilities of the filter business have not been classified as assets held for sale or discontinued operations in the balance sheet as at December 31, 2003 as they did not qualify as assets held for sale in accordance with IFRS. The divested operations comprised of Kumpu GmbH's filter business in Germany, the filter business of Royal Pannevis BV in the Netherlands and Outokumpu Mintec Oy's filter business in Finland.

Structural and Organizational Changes

The structural changes between January 1, 2003 and June 30, 2006 included the acquisition of Boliden Contech AB (subsequently Outokumpu Technology AB) in December 2003, which increased the number of the Company's personnel by 102 persons mainly in Sweden. The divestment of Outokumpu Technology's filter business that was sold to Larox Oyj in January 2004 reduced the number of employees by approximately 180 people mainly in Finland, in Germany and in the Netherlands. In 2004, the Company established a new sales office in Shanghai, the People's Republic of China, which was operatively transferred under the control of Outokumpu Technology in 2005. Since the beginning of the year 2004, Outokumpu Research Oy was operatively transferred under the control of Outokumpu Technology. In 2006, Outokumpu Deutschland GmbH and Outokumpu Poland Sp.z.o.o were transferred under the operative control of Outokumpu Technology.

Legally, Outokumpu Shanghai Co. Ltd., OOO Outokumpu Norilsk, Outokumpu Holding GmbH, Kumpu GmbH, Outokumpu Deutschland GmbH, Outokumpu Technology GmbH, Petrobau Ingenieur Bulgaria EOOD, Outokumpu Technology AB, ZAO Outokumpu Moskva, Outokumpu Poland Sp. z.o.o. and Outokumpu Research Oy have been transferred to the ownership of Outokumpu Technology from Outokumpu Group during the period from January 1, 2003 to June 30, 2006 and they are part of the future operation of the Company, as presented in this Offering Circular. The Company's former subsidiary, Outokumpu Metals Off-Take Oy has been excluded due to it having been sold by the Company to Outokumpu before June 30, 2006, and, therefore, it is not a part of the future operation of the Company, as presented in this Offering Circular.

In 2005, Outokumpu Technology continued improve its financial performance, ways of working and utilization of the Company's global resources. The business was divided into the current three main business divisions, Outokumpu Research Oy's operations were integrated in the business organization and new management functions were created. The new organizational structure, effective as of September 1, 2005, is aimed at increasing the operational efficiency through simpler reporting lines and clearer roles and responsibilities. In 2006, the operative structure of the Company has remained unchanged.

Recent Developments

There have been no significant changes in Outokumpu Technology's financial condition or business position since June 30, 2006.

During the period from 2002 to 2004, a Chilean subsidiary of Outokumpu Technology ("OTC") was engaged, in association with a local construction company, by Codelco, a Chilean mining company, in the engineering, supplies and construction works with regard to the relocation of two crushing plants in the Chuquicamata mine in Northern Chile pursuant to a contract dated July 31, 2002 (the "Project Contract"). The local construction company was in charge of the engineering and construction of the underground tunnels and cavern (measuring 46 meters in length, 26 meters in height and 22 meters in width) related to the crushing plant at the mine, based upon a conceptual design and geological information provided by Codelco. OTC was in charge of the procurement and installation of the main equipment in the project. However, according to the Project Contract, the local construction company and OTC were jointly and severally liable for all financial obligations arising out of the project works towards the customer. In December 2004, the project works were handed over, and received in conformity with the Project Contract by, Codelco. According to information made public by Codelco, there was a rockslide in the cavern on July 23, 2006 impeding the normal use of the equipment inside the cavern and partially affecting the production of the Chuquicamata mine but no fatalities or personal injuries occurred in connection with the rockslide. Codelco has also informed that the rockslide is subject to an ongoing investigation but Outokumpu Technology has received no information concerning the reasons for the rockslide or concerning costs or damages or other potential economic impact on Codelco caused by the rockslide. However, on September 15, 2006, Codelco publicly announced that it had been able to fully reestablish the mine's production and that it had been able to fulfill all of its sales commitments regardless of the accident. No claims for damages or any other demands related to the accident have been presented to OTC and the management of Outokumpu Technology believes that any such claims or demands, if presented, would be unfounded due to the lack of negligence in the engineering and construction of the cavern. However, there can be no assurance that the accident will not result in claims against OTC or Outokumpu Technology, which, if determined adversely to OTC or Outokumpu Technology, could have a material adverse effect on Outokumpu Technology's business, financial condition and results of operations.

On September 22, 2006, Outokumpu Technology announced that it had entered into a letter of understanding with Companhia Siderúrgica do Atlântico ("CSA") appointing Outokumpu Technology as the nominated contractor for the design and supply of a turnkey iron ore sinter plant that CSA plans to build in connection with its greenfield steel plant located in Sepetiba, Rio de Janeiro, Brazil. CSA is a joint venture of ThyssenKrupp Steel AG and Companhia Vale do Rio Doce (CVRD), with ThyssenKrupp Steel AG being the majority shareholder. CSA's new steel plant is scheduled to start operation in 2009 and to produce five million tons of steel products annually, mainly for the export to Europe and the NAFTA (North American Free Trade Agreement) region.

Current Outlook

Demand for metals has continued to be strong in the year 2006. The mining and metals industries continue to invest actively in both ferrous and non-ferrous metals production capacity, and there are no signs of a slow-down in the activity in the short-term. The Company continues to be very active in marketing and negotiating new contracts offering potential for a continuing strong new order intake. The Company's management expects that sales and profitability in 2006 will represent a clear improvement compared to the year 2005. Furthermore, during the six months ending December 31, 2006, Outokumpu Technology's management expects the Company's sales and operating profit to be somewhat higher than during the comparable period in 2005, excluding one-time expenses related to the Offering incurred by the Company.

Outokumpu Technology's management further estimates that the positive outlook for the mining and metals industries and continued high market activity together with the Company's strong recent order intake and record high order backlog will provide the Company with a strong basis for the year 2007.

The Company's statement concerning the expected growth in sales and profitability is mainly based on the Company's management's estimates on revenue recognition from the order backlog for 2006 and on expected development of the Company's projects. Factors outside the control of the Company that affect the forward-looking statements are mostly related to various acceptances given in connection with the completion of projects, the timing of the receipt of which affects in particular the Company's results.

The management of the Company estimates that the one-time expenses for the Company relating to the Offering amount to approximately EUR 0.8 million.

Critical Accounting Policies

General

Outokumpu Technology's principal accounting policies in respect of its financial statements have been included in the notes to the combined financial statements beginning on page F-27 of this Offering Circular.

The preparation of consolidated financial statements in accordance with IFRS requires management's estimates and assumptions that affect the amounts reported. The estimates are based on historical experience and various other assumptions that are believed to be reasonable, even though actual results and timing could differ from these estimates. Outokumpu Technology's management believes that the accounting policies below represent those matters requiring the exercise of judgment where a different opinion could result in significant changes to reported results.

Long-Term Construction Contracts

A long-term construction contract is a contract entered into for the engineering, design, manufacture or construction of a single substantial asset, or the provision of a service or the provision of a combination of assets and/or services which together constitute a single project where the time taken to substantially complete the contract is such that the contract activity falls into different accounting periods and extends for a period exceeding one year. Revenue from long-term construction contracts is recognized based on the stage of completion when the outcome of the project can be reliably measured. The stage of completion is measured using the cost-to-cost method under which the percentage of completion is defined as the ratio of costs incurred in the total costs. In case the current estimates of the total contract costs and revenues indicate a gross loss, provision is made for the total unrecognized gross loss on the contract irrespective of the stage of completion and irrespective of the gross profits on other contracts.

Impairment of Assets

The carrying amounts of property, plant and equipment and other non-current assets are reviewed at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount of an asset may be impaired. Triggering events for impairment reviews include, among others:

- permanent deterioration in the economic or political environment of customers or Outokumpu Technology's own activity;
- significant under-performance relative to expected historical or projected future performance; and
- significant changes in the strategic orientation of the Company affecting the business plans.

If any such indications exist, the recoverable amount of an asset is estimated as the higher of the net selling price and the value in use, with an impairment charge being recognized whenever the carrying amount exceeds the recoverable amount.

Goodwill

Goodwill is not amortized, but it is tested for impairment at the cash-generating unit ("CGU") level or by group of CGUs at least on an annual basis. Any impairment is measured using the discounted cash flow valuation method. This method uses future projections of cash flows from each of the reporting units in a CGU or group of CGUs and includes, among other estimates, projections of future pricing of the projects, deliveries, project costs, market supply and demand, projected maintenance capital expenditures and an assumption of the weighted average cost of capital. A pre-tax discount rate used for the net present value calculation of projected cash flows reflects the weighted average cost of capital. If carrying amount exceeds the value-in-use, then assets within the CGU or group of CGUs are considered to be impaired, and the difference is allocated to goodwill and then on a pro-rata basis to the other long-lived assets until the carrying value equals value-in-use. The Company has evaluated sensitive estimates, the changes of which could have a material effect on the fair value of the assets or goodwill and therefore could lead to an impairment charge. These factors are the expected sales prices of the projects, expected inflation rate in respect of the project costs and discount rate. Sensitivity analysis will be performed on critical factors.

Pension and Other Post-Employment Benefits

The Company operates a mixture of pension schemes in accordance with the local conditions and practices in the countries in which the Company operates. Such benefit plans vary according to the customary benefit plans prevailing in the country concerned. Most of these programs are defined benefit pension schemes with retirement, disability, death and termination income benefits. Several statistical and other actuarial assumptions are used in calculating the expense and liability related to the plans. These factors include assumptions about discount rate, expected return on plan assets, changes in future compensation and withdrawal. Statistical information used may differ materially from actual results due to changing market and economic conditions, changes in the service period of plan participants or changes in other factors. Changes in actuarial assumptions resulting in increase or decrease of the liabilities are charged or credited to income statement over the remaining service lives of the employees and therefore affect recognized expense and obligation in future periods. Significant differences in actual results and initial estimates or changes in assumptions may materially affect the pension obligations and future expense. The retirement income benefits are generally a function of years of employment and final salary with the company and are generally coordinated with local national pensions. Generally, the schemes are funded through payments either to insurance companies or to trustee-administered funds as determined by periodic actuarial calculations, or the obligations are assumed directly by the Company. Additionally, it is possible that the value of the plan assets could decline as a result of negative investment returns, which combined with increasing amounts of accumulated benefit obligations could result in the Company being required to make significant cash contributions to the plans in future periods.

Order Backlog

According to the principles applied by Outokumpu Technology, a contract is included in the order backlog after the related project contract becomes effective and sufficient preconditions have been met to implement the project. Typical preconditions for a contract to become effective are the following: advance payment has been received, parties have provided agreed bank guarantees, arrangement by parties of agreed payment guarantees and granting of the regulatory permits. Additionally, the Company's risk management policies require that for certain projects a separate risk assessment has been carried out before such a project can be booked in the order backlog. Sales of services which are invoiced, for example, on a monthly basis are not entered into the order backlog.

The Company's order backlog is being reduced when project contracts are reported as income, either in whole or partly based on the percentage of completion method. The suspension of a project does not usually cause the removal of a project from the order backlog. However, in case the prerequisites for the appropriate continuation and completion of a project no longer exist, the project will be removed from the order backlog. A project will be removed from the order backlog in case the related project contract is terminated. See "*Business of Outokumpu Technology—Project Types and Project Risk Management of Outokumpu Technology—Project Risk Management*." However, there can be no assurance that contracts entered into the order backlog will be completed, in whole or in part, and reported as income, see "*Risk Factors—Risk Relating to the Business of Outokumpu Technology—Project Risks—Predictability of Earnings Based on Order Backlog.*"

The following table sets forth the order backlog and order intake of Outokumpu Technology for the years ended December 31, 2003, 2004 and 2005, and for the six months ended June 30, 2005 and 2006:

	For the year ended December 31,			For the six months ended June 30,	
	2003[(1)]	2004	2005	2005	2006
			(unaudited) (EUR in millions)		
Order backlog, period-end	355.5	450.2	596.0	519.5	693.8
Order intake during the period	458.1	542.0	678.5	278.0	425.9

(1) Share of the sold filter business was EUR 37.7 million of Order intake during the period and EUR 5.7 million of order backlog at period-end.

As at June 30, 2006, Outokumpu Technology's order backlog was EUR 693.8 million, an increase of EUR 97.8 million, or 16.4 percent, as compared to order backlog of EUR 596.0 million as at December 31, 2005. The Company's management estimates that approximately 50 percent of the order backlog will be realized into sales during the six months ending December 31, 2006, approximately 47 percent during the year ending December 31, 2007 and the remainder after December 31, 2007. As at June 30, 2006, the order backlog contained 15 projects with total value in excess of EUR 10 million and the said projects counted for EUR 390.7 million, or 56.3 percent of the order backlog.

Results of Operations

The following table sets forth the sales of each of Outokumpu Technology's three divisions and the sales of Other Businesses for the three years ended December 31, 2003, 2004 and 2005, and for the six months ended June 30, 2005 and 2006:

	For the year ended December 31,			For the six months ended June 30,	
	2003	2004	2005	2005	2006
		(audited)		(unaudited)	
			(EUR in millions)		
Minerals Processing	125.0	150.0	184.8	65.5	93.8
Base Metals	117.1	139.2	160.0	56.2	95.5
Metals Processing	123.3	134.8	205.9	91.0	130.4
Other Businesses	24.7	34.7	32.2	15.8	14.7
Unallocated items[(1)] and intersegment eliminations	(24.2)	(33.0)	(26.7)	(11.8)	(13.4)
Total sales	365.9	425.6	556.2	216.7	320.9

(1) Unallocated items primarily include invoicing of internal management and administrative services.

The following table sets forth operating profit/loss of each of Outokumpu Technology's three divisions and operating profit/loss of Other Businesses for the three years ended December 31, 2003, 2004 and 2005, and for the six months ended June 30, 2005 and 2006:

	For the year ended December 31,			For the six months ended June 30,	
	2003	2004	2005	2005	2006
		(audited)		(unaudited)	
			(EUR in millions)		
Minerals Processing	3.5	8.3	8.3	1.4	(5.6)
Base Metals	5.2	4.4	11.6	(2.2)	12.7
Metals Processing	4.7	(1.6)	7.1	(2.0)	10.2
Other Businesses	(2.8)	2.4	0.2	0.5	(0.3)
Unallocated items[(1)]	(2.8)	(2.7)	(2.8)	(1.1)	(2.9)
Operating profit/(loss)	7.9	10.8	24.3	(3.4)	14.1

(1) Unallocated items primarily include management and administrative services and share of result of associated companies.

Six Months Ended June 30, 2006 Compared to Six Months Ended June 30, 2005

Sales

Outokumpu Technology

Outokumpu Technology's sales for the six months ended June 30, 2006 were EUR 320.9 million, an increase of EUR 104.2 million, or 48.1 percent, as compared to sales of EUR 216.7 million for the same period in 2005. This increase was primarily due to continued favorable development and increased demand in the Company's principal markets that started already in 2004 and resulted in strong growth in the order backlog, which in turn was materialized as increased sales in the six months ended June 30, 2006. Outokumpu Technology's order backlog as at June 30, 2006 was EUR 693.8 million, which represented an increase of EUR 174.3 million, or 33.6 percent, over EUR 519.5 million as at June 30, 2005. Sales increased in all divisions, with particularly strong improvement in the Base Metals division. The underlying reason for the growth in the order backlog was robust investment activity in all customer segments commencing during the second half of 2005.

Minerals Processing

The Minerals Processing division's sales for the six months ended June 30, 2006 were EUR 93.8 million, which represented an increase of EUR 28.3 million, or 43.2 percent, as compared to sales of EUR 65.5 million for the same period in 2005. This increase was primarily due to the growth in order backlog that began in the fall of 2004 with higher volume of deliveries especially in grinding mills and thickening technology. Also flotation technology grew during these periods. Australasia's share as a marketing area from the total sales was significant during the first six months of both 2005 and 2006 and the growth in this area has been strong. In addition, project operations have been active also in Africa and North America during these periods.

Base Metals

The Base Metals division's sales for the six months ended June 30, 2006 were EUR 95.5 million, an increase of EUR 39.3 million, or 69.9 percent, as compared to sales of EUR 56.2 million for the same period in 2005. This increase was primarily due to revenue recognition from strong order backlog generated especially during the second half of the year 2005, particularly from orders from producers of copper and ferroalloys. The growth in hydrometallurgical and ferroalloys technologies contributed most to the growth in sales. Also the sales of the smelter technology grew slightly. During the six months ended June 30, 2006, China was a significant area in copper smelter and hydrometallurgical technology, while South Africa was an important country for ferroalloys technologies.

Metals Processing

The Metals Processing division's sales for the six months ended June 30, 2006 were EUR 130.4 million, an increase of EUR 39.4 million, or 43.3 percent, as compared to sales of EUR 91.0 million for the same period in 2005. Ferrous technology and sulfuric acid/off-gas and roasting technologies contributed mostly to the increase in sales during the six months ended June 30, 2006 compared to the same period in 2005. The sales of the aluminum technologies remained almost on the same level. During these periods, Brazil and Sweden were significant for the growth in sales especially in the ferrous technology business and India for the growth in sales in the ferrous technology and aluminum business.

Other Businesses

The sales of Other Businesses for the six months ended June 30, 2006 were EUR 14.7 million, a decrease of EUR 1.1 million, or 7.0 percent, as compared to sales of EUR 15.8 million for the same period in 2005. This decrease was primarily due to timing differences in equipment deliveries and service capacity adjustments.

Operating Expenses

The following table sets forth the amount and percentage of Outokumpu Technology's operating expenses for the six months ended June 30, 2005 and 2006:

	For the six months ended June 30,			
	2005	2006	2005	2006
	(unaudited)			
	(EUR in millions)		(%)	
Cost of sales[(1)]	177.6	258.9	80.7	84.4
Selling and marketing expenses	20.3	23.1	9.2	7.5
Administrative expenses	14.2	15.8	6.5	5.1
Research and development expenses	6.9	8.5	3.1	2.8
Other operating income and expenses	0.9	0.2	0.4	0.1
Share of results of associated companies	0.1	0.4	0.0	0.1
Total	220.0	306.9	100.0	100.0

(1) Cost of sales is mainly driven by sales volume and includes related procurement of services and materials as well as own work and related overhead expenses.

For the six months ended June 30, 2006, Outokumpu Technology's operating expenses were EUR 306.9 million, an increase of EUR 86.9 million, or 39.5 percent, as compared to EUR 220.0 million for the same period in 2005. The increase in expenses was principally due to general growth of volume in business activities, and resulted especially in increased cost of sales. The cost of sales were 80.7 percent and 82.0 percent of sales during the six month ended June 30, 2006 and 2005, respectively.

For the six months ended June 30, 2006, selling and marketing expenses increased by 13.8 percent, administrative expenses by 11.3 percent and research and development expenses by 23.2 percent as compared to the same period in 2005. The increase in expenses was mainly due to general growth of volume in business activities and increased performance-based compensation payments due to increased profitability.

Operating Profit/Loss

Outokumpu Technology

Outokumpu Technology's operating profit for the six months ended June 30, 2006 was EUR 14.1 million, as compared to a loss of EUR 3.4 million for the same period in 2005. This positive development was primarily due to strong sales growth, the effect of which was particularly offset by the impact of increased operating expenses. The divisional profit contribution during the six months ended June 30, 2006 was mixed with the Minerals Processing division reporting some unexpected losses, the Metals Processing division and especially the Base Metals division posting improved profits. The Metals Processing and Base Metals divisions were also the divisions showing best improvement in profitability while the Minerals Processing division's performance was weaker during the six months ended June 30, 2006, as compared to the same period in 2005.

Minerals Processing

The Minerals Processing division's operating loss for the six months ended June 30, 2006, was EUR 5.6 million, as compared to an operating profit of EUR 1.4 million for the same period in 2005. The result was negative regardless of the increase in sales due to timing issues within the fiscal year and a higher share of low margin products in sales. Certain delays resulting in the postponement of profit recognition to the second half of 2006 as well as cost overruns in certain projects had a negative impact of approximately EUR 5 million on the profitability of the Minerals Processing division, of which approximately one-half was caused by the delayed profit recognition. The first half of the year is typically a weak period for the Minerals Processing division due to the investment budgeting and purchasing cycle of customers during a fiscal year. However, taking into account the time of year, the six months ended June 30, 2005 were exceptionally good in terms of profitability due to timing of completed projects and a product mix with higher than average margins.

Base Metals

The Base Metals division's operating profit for the six months ended June 30, 2006 was EUR 12.7 million, as compared to an operating loss of EUR 2.2 million for the same period in 2005. This improved result was primarily due to higher sales volume and revenues from smelter technology licenses and higher margin projects as a result of improved market situation. The operating loss during the six months ended June 30, 2005 was due to low license income and lower margins in projects.

Metals Processing

The Metals Processing division's operating profit for the six months ended June 30, 2006, was EUR 10.2 million, as compared to an operating loss of EUR 2.0 million for the same period in 2005. This improvement was primarily due to higher sales volume. In addition, revenue recognition related to the successful completion of certain alumina plant projects increased profitability. During the six months ended June 30, 2005, losses were mainly due to sales volume being low in relation to expenses and a substantial increase in provisions for subcontractor claims in one project.

Other Businesses

The Other Businesses had an operating loss of EUR 0.3 million for the six months ended June 30, 2006, as compared to operating profit of EUR 0.5 million for the same period in 2005. This adverse change was primarily due to lower sales volume during the six months ended June 30, 2006.

Total Financial Income and Expenses

Outokumpu Technology had net financial income of EUR 1.5 million for the first six months of both 2006 and 2005.

Income Taxes

Outokumpu Technology's income taxes for the six months ended June 30, 2006, was EUR 7.0 million, an increase of EUR 5.5 million, as compared to income taxes of EUR 1.5 million for the same period in 2005. This increase was due to improved profitability. Outokumpu Technology's effective tax rate was 45 percent for the six months ended June 30, 2006, as compared to the same period in 2005 when the Outokumpu Technology Group had tax costs despite an operating loss. The effective tax rate during the six months ended June 30, 2006 was higher than Finnish statutory corporate tax rate due to higher than Finnish statutory tax rates in certain countries of operation as well as by losses in certain countries of operation for which deferred tax assets are not recognized. Further, due to the nature of income taxation, exact income tax calculations are only made in the year-end and the interim period income tax bookings include certain estimations and assumptions which may cause fluctuations in the effective tax rate between interim periods. In the six months ended June 30, 2005, the unusual effective tax rate was caused by the relatively small absolute profit and tax amounts and, in particular, the uneven accrual of profits during the year as well as between profit and loss making companies. Some of the Company's subsidiaries that were profitable in the year-end 2005 were still making losses during the six months ended June 30, 2005, and based on prudence, deferred tax assets were not recognized for these losses in the middle of the year. Due to the nature of income taxation, exact income tax calculations, including proper final tax asset recognition analysis, are typically made at the end of the year.

Net Profit for the Period

Outokumpu Technology recorded a net profit of EUR 8.7 million for the six months ended June 30, 2006, as compared to a net loss of EUR 3.4 million for the same period in 2005.

Comparison of Years Ended December 31, 2003, 2004 and 2005

Sales

Outokumpu Technology

In 2005, Outokumpu Technology's sales were EUR 556.2 million, an increase of EUR 130.6 million, or 30.7 percent, as compared to sales of EUR 425.6 million in 2004, which in turn represented an increase of EUR 59.7 million, or 16.3 percent, over sales of EUR 365.9 million in 2003. This increase in sales in

2005 was primarily due to increased level of the Company's order backlog which started to grow already in 2004 and intensified further in 2005, which increased the Company's sales with a delay.

The increase in sales in 2005 was due to favorable market environment and generally good progress made in the projects. In 2005, the growth in sales was especially strong in the Metals Processing division, but the sales in Minerals Processing and Base Metals divisions also increased clearly. The growth in 2004 was more evenly spread across all three divisions when the already improved order backlog was seen in higher sales volume. Lower sales in 2003 was mainly due to weak market environment and lower order intake during previous years in all divisions of the Company.

Minerals Processing

In 2005, the Minerals Processing division's sales were EUR 184.8 million, an increase of EUR 34.8 million, or 23.2 percent, as compared to sales of EUR 150.0 million in 2004, which in turn represented an increase of EUR 25.0 million, or 20.0 percent, as compared to sales of EUR 125.0 million in 2003. The increases in 2005 and 2004 were primarily due to improved overall market conditions as a result of the increase investment activity of the customers. In addition, the division's renewed operating structure resulted in increased efficiency in marketing and sales, which increased the market share especially in grinding mills. The sales growth was also supported by an increase in total process solution deliveries. The sales for the year 2004 were also positively impacted by growth in the drinking water plant business. Significant new projects in Australasia, Africa and the United States were an important contributor to the increase in sales of the Minerals Processing division in 2004 and 2005.

Base Metals

In 2005, the Base Metals division's sales were EUR 160.0 million, an increase of EUR 20.8 million, or 14.9 percent, as compared to sales of EUR 139.2 million in 2004, which in turn represented an increase of EUR 22.1 million, or 18.9 percent, as compared to sales of EUR 117.1 million in 2003. This increase in 2005 was primarily due to increased activity in its customer industries in 2004, which led to new investment decisions in copper smelters and refineries, particularly for copper. This, in turn, resulted in a strong increase in the order intake for the Base Metals division in 2004 and especially during the six months ended December 31, 2005. This growth in order intake had an increasing impact on sales especially in 2005. In particular, significant new copper smelter and refinery projects were undertaken in the People's Republic of China. Customers also invested strongly in ferroalloys technologies, where the Base Metals division had successful projects in South Africa and Kazakhstan. The sales increase in 2004 was primarily due to favorable progress in long-term delivery contracts and the positive development in ferroalloys and copper related hydrometallurgy projects. The sales in 2003 were positively affected by, in particular, smelter technology projects and hydrometallurgy projects in Chile.

Metals Processing

In 2005, the Metals Processing division's sales were EUR 205.9 million, an increase of EUR 71.1 million, or 52.8 percent, as compared to sales of EUR 134.8 million in 2004, which in turn represented an increase of EUR 11,4 million, or 9.3 percent, as compared to sales of EUR 123.3 million in 2003. This increase in 2005 was primarily due to the high order intake in the area of ferrous technology business in 2004. The increased investment activity in customer industries, in particular in the iron and steel industries, commenced from the second half of 2004 and continued during 2005, which resulted in high order intake in both 2004 and 2005. The sales increase in 2004 was primarily due to orders received by the aluminum technology business from Brazil, the People's Republic of China and Dubai in 2003. The sales in 2003 were positively affected by, in particular, projects related to sulfuric acid/off-gas and roasting technologies in Australasia and in Turkey.

Other Businesses

In 2005, the sales of Other Businesses were EUR 32.2 million, which represented a decrease of EUR 2.4 million, or 7.0 percent, as compared to sales of EUR 34.7 million in 2004, which in turn represented an increase of EUR 9.9 million, or 40.1 percent, as compared to sales of EUR 24.7 million in 2003. This decrease in 2005 was primarily due to lower level of equipment deliveries by the Turula workshop. The sales increase in 2004 was primarily due to growth in the sales of external research and development services from the Pori Research Center as well as equipment deliveries from the Turula workshop. The sales in 2003 primarily consisted of deliveries in Finland. Two thirds of these deliveries consisted of research and development services and three fifths consisted of process equipment deliveries.

Operating Expenses

The following table sets forth the amount and percentage of Outokumpu Technology's operating expenses for the years ended December 31, 2003, 2004 and 2005:

	For the year ended December 31,					
	2003	**2004**	**2005**	**2003**	**2004**	**2005**
	(audited)					
	(EUR in millions)			(%)		
Cost of sales[(1)]	280.3	327.8	451.5	78.3	79.0	84.9
Selling and marketing expenses	40.7	46.7	39.2	11.4	11.3	7.4
Administrative expenses	26.9	30.2	28.0	7.5	7.3	5.3
Research and development expenses	11.7	13.5	13.9	3.3	3.2	2.6
Other operating income and expenses	(1.6)	(3.4)	(1.4)	(0.4)	(0.8)	(0.3)
Share of results of associated companies	—	—	0.6	—	—	0.1
Total	358.0	414.7	531.9	100.0	100.0	100.0

(1) Cost of sales is mainly driven by sales volume and includes related procurement of services and materials as well as own work and related overhead expenses.

For each of the years ended 2005, 2004 and 2003, Outokumpu Technology's operating expenses increased as compared to the previous year principally as a result of general growth of volume in business activities, and resulted especially in increased cost of sales. In 2005, Outokumpu Technology's cost of sales were EUR 451.5 million, an increase of EUR 123.7 million, or 37.7 percent, over cost of sales of EUR 327.8 million in 2004, which in turn represented an increase of EUR 47.5 million, or 17.0 percent, over cost of sales of EUR 280.3 million in 2003. Cost of sales were 81.2 percent, 77.0 percent and 76.6 percent of sales in 2005, 2004 and 2003, respectively. The share of these costs compared to sales is typically higher in larger projects, and the increased number of larger projects had an impact on the cost level particularly in 2005.

Selling and marketing expenses decreased significantly in 2005 as compared to the level in 2004, and were also at a lower level than in 2003. The higher cost level in selling and marketing expenses was due to exceptionally strong marketing efforts in 2004. In 2005, the cost decrease was also affected by the increased use of resources in project deliveries, and including the related expenses in cost of sales in a larger scale. The amount of administrative expenses also decreased in 2005, after having been at a clearly higher level in 2004 as compared to respective costs in 2003. The decrease in administrative expenses in 2005 was mainly due to the Company's operations efficiency program that was commenced in the same year. The increase in administrative expenses in 2004 was, in turn, mainly due to general growth of business activities. Despite the growth of business volumes in 2005, research and development expenses remained almost at the same level as in 2004 due to decreased number of related personnel. In 2004, research and development costs increased by 15.4 percent as compared to year 2003 as a result of increased efforts in developing new products.

Operating Profit/Loss

Outokumpu Technology

In 2005, Outokumpu Technology's operating profit was EUR 24.3 million, an increase of EUR 13.5 million, as compared to operating profit of EUR 10.8 million in 2004, which represented an increase of EUR 2.9 million, as compared to operating profit of EUR 7.9 million in 2003. The increase in 2005 was primarily due to increased sales. In addition, the improved profitability was due to actions to improve efficiency as well as to lower overhead costs. The Base Metals and Metals Processing divisions improved their profitability in 2005. During the second half of the year 2005, especially higher than average license income contributed to the Company's profitability. Operating profit for 2004 included EUR 5.1 million non-recurring income related to the release of the Finnish TEL disability pension liability. The increase in operating profit in 2004 compared to 2003 was mainly due to this non-recurring income. If this non-recurring income is not taken into account, the profitability of the Company's operations decreased in 2004 as compared to 2003. In addition, high level of marketing and sales activity increased overhead costs which in turn decreased the Company's profitability of operations. The Minerals Processing division contributed to the profits of the Company while the Metals Processing division was making a small loss. The result was at a low level in 2003 mainly due to weak market environment.

Minerals Processing

Both in 2005 and in 2004, the Minerals Processing division's operating profit was EUR 8.3 million, which represented an increase of EUR 4.8 million in 2004, as compared to operating profit of EUR 3.5 million in 2003. This increase in 2004 was mainly due to restructuring and cost saving activities implemented in the years 2002 and 2003 and the improved operating structure which focused more closely on the marketing and sales activities and which resulted in improved sales. Also the cost savings measures carried out in 2002 and 2003 increased profitability. In 2004, the Company experienced larger than normal gains from exchange rates related to longer term order backlog and the operating profit for 2004 also included EUR 1.1 million in non-recurring income related to the release of the Finnish TEL disability pension liability. In 2005, due to these non-recurring factors, operating profit was at the same level as during the previous year despite an increase in sales volume. The low operating profit of 2003 was primarily due to low sales and costs caused by profitability improving measures.

Base Metals

In 2005, the Base Metals division's operating profit was EUR 11.6 million, an increase of EUR 7.2 million as compared to operating profit of EUR 4.4 million in 2004, which in turn represented a decrease of EUR 0.8 million, or 15.4 percent, as compared to operating profit of EUR 5.2 million in 2003. This increase in 2005 was primarily due to exceptionally strong license income in smelter technology during the six months ended December 31, 2005, increased sales and the implementation of the restructuring and cost savings programs. Operating profit for 2004 included EUR 2.3 million in non-recurring income related to the release of the Finnish TEL disability pension liability. Even after the inclusion of this non-recurring income, operating profit decreased in 2004 from the 2003 level, although sales increased due to an increase in investment activity in the copper and ferroalloys markets. This was primarily due to increased marketing costs in relation to new orders, implementation costs for management systems and depreciation related to hydrometallurgical demonstration plant in 2004. The operating profit in 2003 was negatively affected mainly by the low sales volumes due to difficult market situation.

Metals Processing

In 2005, the Metals Processing division's operating profit was EUR 7.1 million, as compared to operating loss of EUR 1.6 million in 2004 and operating profit of EUR 4.7 million in 2003. This improvement in operating profit in 2005 was primarily due to higher sales volume, which was based on the strong order intake in 2004 and 2005. The weak performance in 2004 was primarily due to project delays in certain long-term contracts as well as a temporary project hold in a major project resulting in additional costs, which lowered the profitability. Furthermore, labor disputes at the construction site of one project located in Australia delayed the project and resulted in significant additional costs. Despite the difficult market situation, operating profit in 2003 was fairly good due to successfully completed projects in Australasia and in Turkey.

Other Businesses

In 2005, operating profit of Other Businesses was EUR 0.2 million, a decrease of EUR 2.2 million as compared to operating profit of EUR 2.4 million in 2004. In 2003, the operating loss of Other Businesses was EUR 2.8 million. This decrease of operating profit in 2005 was primarily due to the non-recurring income as the release of the Finnish TEL disability pension liability of EUR 1.7 million in 2004. In addition, the division experienced lower sales volumes and cost overruns in relation to certain projects. The improvement in operating profit in 2004 was attributable to growth in the sales and profits of the Turula workshop and the release of the non-recurring Finnish TEL disability pension liability. The year 2003 was difficult especially for the Turula workshop due to weak demand. Also, the costs resulting from measures aimed at increasing profitability had a negative effect on the operating profit.

Total Financial Income and Expenses

In 2005, Outokumpu Technology had net financial income of EUR 1.3 million, an increase of EUR 0.2 million as compared to total financial income of EUR 1.1 in 2004, and total financial expenses of

EUR 3.9 million in 2003. The total financial income in years 2005 and 2004 was due to the improved liquidity position. In 2003, weaker liquidity position as well as certain foreign exchange losses resulted in net financial expenses.

Income Taxes

In 2005, Outokumpu Technology's income taxes were EUR 9.2 million, an increase of EUR 6.8 million, as compared to income taxes of EUR 2.4 million in 2004. In 2003, taxation had a positive effect of EUR 0.4 million on results. Outokumpu Technology's effective tax rate was 36 percent in 2005 as compared to 20 percent in 2004. The effective tax rate in 2005, which is higher than the Finnish statutory corporate tax rate, is due to the higher statutory tax rates in certain major countries of operation (*e.g.*, Germany, Australia, Brazil), foreign withholding taxes for which full tax credit can not be obtained, certain losses in foreign jurisdictions for which deferred tax asset booking is not justified, as well as certain combination effects creating negative tax impact in the accounts. The relatively lower effective tax rate in 2004 was mostly due to some one-off adjustments to deferred tax balance items as well as utilization of tax losses and other items for which no deferred tax asset was previously recognized. As the positive effect of income taxes in 2003 was mostly due to deferred tax assets booked on Outokumpu Technology's tax losses, which would have materialized on a stand-alone basis. Tax credit in 2003 was especially affected by a one-off write-down in subsidiary shares booked in statutory accounts. Such write-down is eliminated in Outokumpu Technology Group accounts, but has been tax deductible for the Company.

Net Profit/Loss from Continuing Operations

In 2005, Outokumpu Technology's net profit for the period from continuing operations totalled EUR 16.4 million, an increase of EUR 6.9 million, as compared to net profit of EUR 9.5 million in 2004, which in turn represented an increase of EUR 5.1 million as compared to net profit from continuing operations of EUR 4.4 million in 2003.

Net Profit from Discontinued Operations

In 2004, Outokumpu Technology's net profit for the period from the discontinued operations totalled EUR 12.2 million and consisted of the gain of EUR 12.2 million, net of taxes, on the sale of the filter business and the result of the filter business up to the closing of the deal with Larox Oyj in January 2004. In 2003, net profit for the period from the discontinued operations totalled EUR 0.4 million.

Net Profit for the Period

In 2005, Outokumpu Technology's net profit for the period was EUR 16.4 million, which represented a decrease of EUR 5.3 million, as compared to net profit for the period of EUR 21.7 million in 2004, which represented an increase of EUR 16.9 million, as compared to EUR 4.8 million in 2003. The net profit for the period in 2004 and 2003 includes a EUR 12.2 million and EUR 0.4 million net profit, respectively, from the sale of the filter business.

Sales According to Origin

The following table sets forth the sales of the Company in its main geographic markets for the periods indicated based on the location of the company belonging to the Outokumpu Technology Group:

	For the year ended December 31,			For the six months ended June 30,	
	2003	**2004**	**2005**	**2005**	**2006**
		(audited)		(unaudited)	
	(EUR in millions)				
Asia	—	0.2	2.0	1.4	0.2
South America	32.5	17.0	61.3	20.7	33.8
Australia	85.0	120.0	116.2	52.6	52.3
Africa	18.7	23.6	36.9	13.4	21.4
Europe	212.9	269.1	349.8	129.7	200.9
North America	47.3	45.5	37.7	10.9	27.7
Inter-area	(30.5)	(49.9)	(47.8)	(11.9)	(15.4)
Total sales	365.9	425.6	556.2	216.7	320.9

Liquidity and Capital Resources

Outokumpu Technology's principal source of funds is provided by cash flow from operations, which is, in addition to the Company's result, affected by the changes in its net working capital. Net cash from operations amounted to EUR 80.2 million in 2005, of which EUR 49.5 million resulted from a decrease in net working capital. This decrease in net working capital was mainly due to increased amount of advances received as a result of general growth in business activities. Cash flow from operations remained at EUR 8.1 million in 2004 inasmuch as it was negatively affected by EUR 7.6 million increase in net working capital related to normal variations in business operations. In 2003, cash flow from operations was EUR 24.9 million, of which EUR 15.3 million resulted from a decrease in net working capital. The change in the net working capital was mainly due to an increase in non-interest-bearing liabilities and current assets. For the six months ended June 30, 2006, cash flow from operations amounted to EUR 0.6 million as it was negatively impacted by EUR 18.3 million increase in net working capital, which, in turn, was primarily due to an increase in current receivables and current assets as well as a decrease in non-interest-bearing liabilities. Cash flow from operations amounted to EUR 20.2 million during the corresponding period in 2005, which included a decrease of EUR 19.2 million in net working capital related mainly to an increase in advance payments received.

In order to manage its financing as an independent public company, Outokumpu Technology has entered into a committed EUR 330 million multicurrency revolving guarantee issuance facility (the "Guarantee Facility"), which is a part of the financing package provided to Outokumpu Technology by Nordea as mandated lead arranger and which is expected to become effective upon the listing of the Shares on the Helsinki Stock Exchange. The financing package also includes a commitment for a EUR 50 million revolving credit facility (the "Credit Facility") and a EUR 20 million limit for foreign exchange, derivative and overdraft facility purposes. The Guarantee Facility and the Credit Facility include customary covenants, event of default provisions as well as representations and warranties. Under the Guarantee Facility, the Company is required to pledge a certain portion of its cash funds as a security for the Credit Facility. Based on the outstanding total liabilities of EUR 186.3 million as at June 30, 2006, the required security would have amounted to approximately EUR 20 million. Outokumpu Technology continues to receive interest income on the pledged amount. Furthermore, the Guarantee Facility includes a covenant requiring that Outokumpu Technology's liquidity (including the undrawn portion of the Credit Facility) not to fall below EUR 30 million.

The table below sets forth aggregated information about Outokumpu Technology's balance sheet as at December 31, 2003, 2004 and 2005 and as at June 30, 2005 and 2006:

	For the year ended and as at December 31,			For the six months ended and as at June 30,	
	2003	2004	2005	2005	2006
	(audited)			(unaudited)	
	(EUR in millions)				
Total non-current assets	127.1	116.4	121.5	120.2	119.5
Total current assets	177.3	182.2	287.7	205.3	288.5
Total assets	304.4	298.7	409.2	325.5	408.0
Equity attributable to the equity holders of the Company	69.5	90.8	110.6	90.1	116.1
Minority interest	0.0	0.0	0.1	0.0	0.0
Total equity	69.5	90.9	110.7	90.1	116.1
Total non-current liabilities	39.6	30.9	37.9	34.1	40.3
Total current liabilities	195.3	176.9	260.6	201.3	251.6
Total equity and liabilities	304.4	298.7	409.2	325.5	408.0

Non-current assets on the Company's balance sheet mainly consist of intangible and tangible assets, while current assets mainly consist of trade and other receivables as well as cash and cash equivalents. The liabilities on the balance sheet mainly consist of current liabilities. The largest items included in current liabilities are advances received as well as trade payables and accruals.

Balance sheet total amounted to EUR 409.2 million as at December 31, 2005, as compared to EUR 298.7 million as at December 31, 2004. This increase was mainly due to general growth in business operations, which particularly resulted in increased cash and cash equivalents, trade receivables and advances received. Equity also increased due to growth in retained earnings. Balance sheet total was both as at December 31, 2004 and December 31, 2003 largely at the same level, as an increase in shareholders' equity was offset by a decrease in current liabilities. Balance sheet total as at June 30, 2006 was almost at the same level as at December 31, 2005, while, as compared to the corresponding figure as at June 30, 2005, balance sheet total increased especially due to large advance payments received during the last six months of 2005. The advance payments received as at December 31, 2003, 2004 and 2005 totalled EUR 63.9 million, EUR 60.3 million and EUR 102.8 million, respectively. The advance payments received as at June 30, 2005 and 2006 totalled EUR 82.0 million and EUR 124.2 million, respectively.

Working Capital Statement

Outokumpu Technology's net working capital was EUR 93.9 million negative as at June 30, 2006. This was primarily a result of large advance payments received under certain contracts and certain other payment terms relating to contracts entered into by the Company, which together resulted in positive cash flows. Outokumpu Technology had EUR 10.6 million of interest-bearing debt as at June 30, 2006 and the net interest-bearing debt of the Company amounted to a negative EUR 108.5 million.

The Guarantee Facility and the Credit Facility together with the existing cash resources and the subsequent working capital, are, in the opinion of the Company's management, sufficient for the requirements to conduct its business operations for the following 12 months.

Share Remuneration Programs

Outokumpu Technology has not had its own option plans or other share-based incentive schemes, but Outokumpu Technology's management has participated in incentive schemes of Outokumpu. The combined financial statements of Outokumpu Technology include Outokumpu's allocated expenses related to the share-based incentive scheme of the Outokumpu Group for the years 2000 to 2002 to the extent that Outokumpu Technology's personnel have been included in this incentive scheme. The expenses of the share-based incentive scheme allocated to Outokumpu Technology amounted to EUR 2.4 million in 2004 and EUR 1.7 million in 2003. No expenses were recognized from this incentive scheme in 2005. The expenses of the year 2003 stock option plan allocated to Outokumpu Technology amounted to EUR 19 thousand during the first half of 2006, EUR 83 thousand in 2005, EUR 77 thousand in 2004 and EUR 13 thousand in 2003.

Contractual Obligations

The table below sets forth aggregated information about the contractual obligations of Outokumpu Technology as at June 30, 2006:

		Payments due by period			
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
		(unaudited) (EUR in millions)			
Interest-bearing debt, including short-term portion of long-term debt	10.0	6.8	2.0	1.2	0.0
Capital lease obligations	0.6	0.0	0.6	0.0	0.0
Present value of minimum lease payments on operating leases	19.6	4.8	7.9	5.8	1.1

Investments

Outokumpu Technology's cash flow based investments totalled EUR 12.1 million in 2005, EUR 12.3 million in 2004 and EUR 31.3 million in 2003. Investments included acquisitions of shares in subsidiaries and associated companies, acquisitions of available-for-sale assets, purchases of property, plant and equipment as well as purchases of intangible assets. In 2005, the largest individual investment was an investment of EUR 2.5 million in the shares of the associated company Intune Circuits Oy, while the remaining EUR 9.6 million was mainly related to investments in information technology and office equipment. In 2004, the main capital expenditure was a EUR 3.9 million investment in the hydrometallurgical demonstration plant in Pori, Finland, and, in 2003, the main capital expenditures related to a EUR 11.2 million investment in the hydrometallurgical demonstration plant, a EUR 4.7

million investment in a SAP enterprise resource planning system and a EUR 3.2 million in the acquisition of Boliden Contech AB. Investments for the six months ended June 30, 2006 and for the corresponding period in 2005 totalled EUR 3.3 million and EUR 5.5 million, respectively. The main investments in non-current assets during the six months ended June 30, 2006 included investments in intellectual property rights of EUR 1.1 million related to technology patents and trademarks and other minor investments of EUR 2.2 million mainly in information technology software and equipment. Outokumpu Technology's management currently estimates that total capital expenditures (including recurring maintenance investments) will be largely in line with the level of the annual depreciation in the foreseeable future. The primary areas of investment currently scheduled include maintenance and replacement investments which also aim at improving operational performance. Capital expenditures that are currently scheduled are expected to be financed from cash flow from operations. Potential acquisitions are considered as part of the Company's growth strategy and may significantly increase the amount of investments in the future and may require external financing.

Pursuant to a shareholders' agreement, dated April 11, 2005, the Company has agreed to invest EUR 2.55 million to Intune Circuits Oy in addition to the EUR 2.5 million investment carried out in 2005. The parties to the shareholders' agreement have certain investment commitments towards Intune Circuits Oy and such commitments are based on an action plan included in the shareholders' agreement. The parties may refuse to fulfill their respective investment commitment only if Intune Circuits Oy materially fails to meet agreed targets set forth in the action plan. After a due fulfillment of the investment commitments, which is scheduled to have taken place by May 31, 2008, the shareholders are not obliged to participate in any further possible increases of shareholders' equity or to grant guarantees for, or otherwise secure, Intune Circuits Oy's liabilities. However, the shareholders' agreement includes certain provisions regarding additional financing, which should first be arranged from financial institutions on customary terms and then, pursuant to a proposal of the Board of Directors of Intune Circuits Oy, provided by the shareholders of Intune Circuits Oy on an arm's length basis. The shareholders are entitled but not obliged to participate in such additional financing.

Intune Circuits Oy's share capital was EUR 400,000 as of the date of this Offering Circular. According to the action plan included in the shareholders' agreement, the shareholders shall invest a total maximum of EUR 17,000,000 in the company by May 2008. Prior to May 31, 2008, or, until the shareholders have invested the said EUR 17,000,000, the shareholders have undertaken not to sell, transfer, offer or otherwise dispose of their shares or any part thereof without prior written consent of all other shareholders.

Off-Balance Sheet Liabilities

In connection with its sales contracts, the Company has given bank and parent company guarantees to its customers in return for, for example, advance payments received and/or other contract-related liabilities of Outokumpu Technology Group companies. In addition, the Company has also given guarantees to financiers as security for the Outokumpu Technology Group companies' credit obligations. Prior to the Offering, Outokumpu Technology has given a counter guarantee covering all commercial and financial guarantees issued by Outokumpu directly on behalf of Outokumpu Technology Group. The counter guarantee given by Outokumpu Technology is valid throughout the duration of the guarantees listed in the table under "*Related Party Transactions—Group Treasury*."

After the commencement of the trading of the Shares on the Helsinki Stock Exchange, the Company will continue, when necessary, to provide bank guarantees to its customers on its own merits.

The guarantees that are related to Outokumpu Technology's projects or which are otherwise provided, are presented as contingent liabilities in the Company's financial statements. These obligations will be reported as liabilities on the balance sheet only if it becomes probable, according to the expectations of the Company's management, that the Company needs to settle such obligations.

The total amount of commitments and contingent liabilities is presented in the following table:

	As at June 30, 2005	As at June 30, 2006
	(unaudited) (EUR in millions)	
Commitments and contingent liabilities		
Pledges	2.0	2.1
Guarantees for commercial commitments	50.4	77.2

Mortgages and pledges are used to secure a local credit facility of Outokumpu Technology's Canadian subsidiary. The commitments and contingent liabilities of the parent company, Outokumpu Technology Oyj, include guarantees on behalf of subsidiaries for financing totalling EUR 4.7 million as at June 30, 2006 and EUR 3.7 million at June 30, 2005 and guarantees on behalf of subsidiaries for commercial commitments EUR 186.3 million and EUR 114.6 million, respectively. The amount of guarantees issued on behalf of subsidiaries and for commercial commitments as reported on a group level is lower than as reported on a parent company level due to the elimination in the consolidation of advance and financial guarantees issued by the parent company in relation to advance payments and financial obligations reported as a liability on the Company's consolidated balance sheet.

Risk Management

General

Outokumpu Technology's risks may be divided into strategic risks, business risks, operational risks and financial risks. Strategic risks and business risks relate to the nature of the Company's business and concern the Company's market position, notable investments, customer behavior and financial outlook. Operational risks arise from, for example, failed in-house processes or systems or external events. Outokumpu Technology seeks to cover such risks with its own active risk management programs and insurance coverage, as applicable. Financial risks include market, default and liquidity risks. Outokumpu Technology has also hedged certain of the known financial risks together with the Outokumpu Group treasury but expects to continue to hedge these risks separately as an independent company in the future. The management of operational and business risks in relation to projects is discussed under "*Business of Outokumpu Technology—Project Types and Project Risk Management of Outokumpu Technology.*" The Board of Directors of Outokumpu Technology have on August 23, 2006 approved a general risk management policy and a financial risk policy for the Company.

Financial Risks

Market Risks

The main market risks that affect the profitability of Outokumpu Technology are foreign exchange rate risks and interest rate risks. Foreign exchange rate risks may be further divided into translation risks and transaction risks. Transaction risks consist potentially of firm commitment exposure from contracts, forecasted cash flows exposure from fixed price tenders and fair value exposure related to foreign currency denominated assets and liabilities that the Company carries on its balance sheet. The objective of the management of foreign exchange rate risks within Outokumpu Technology is to limit the uncertainty created by changes in foreign exchange rates on the future economic value of cash flows and earnings as well as on Outokumpu Technology's balance sheet. Risks related to fixed price tenders and foreign currency denominated balance sheet assets are normally managed through hedging with forward contracts. Hedging in the form of, for example, currency clauses may be used for hedging a part of tender risks.

Outokumpu Technology's policy is to seek to identify and manage all material and relevant transactional foreign exchange exposures (which exceed separately specified limits) to manage the related risks. Prior to the Offering, hedging of foreign exchange risks has been centralized in the Outokumpu Group treasury. Outokumpu Technology intends to establish its own treasury operation and take over its own hedging activities upon the completion of the Offering. The operating companies of Outokumpu Technology are responsible for identifying their foreign currency exposures and entering into intercompany hedge contracts with the relevant treasury operation, where legally possible and otherwise feasible, or external transactions to hedge this risk. The intercompany transactions within the Outokumpu Technology Group have the effect of transferring the operating companies' currency risk to the treasury operation. The treasury operation then manages this risk by entering into offsetting transactions with third party financial institutions.

Outokumpu Technology is exposed to interest rate risks, for example, due to its investing cash funds and liquidity management activities. Outokumpu Technology's total interest rate position, including all financial investments and indebtedness as well as debentures and futures contracts, has been managed centrally by the Outokumpu Group treasury but Outokumpu Technology intends to establish its own treasury operation to manage interest rate risks upon the completion of the Offering.

Default Risks

Default risks can be divided into country risk and counterparty risk. Country risk consist of classical political risks (*e.g.*, war and expropriation) including, for example, an embargo that is politically motivated or a boycott of a project, product shipment or debt repayments, which may reflect the foreign policy of the country. Also included in country risk are circumstances in which the host country and/or institution operating in it cannot transfer funds from a country or permit such transfer.

Counterparty risk arises from the potential failure of a counterparty to meet its contractual obligations including payment or delivery and, thus, the amount of risk depends on the volume and tenor of exposure and creditworthiness of the counterparty. In addition, counterparty risk arises in conjunction with cash investments and with hedging instruments.

Default risks may on a case by case basis be hedged or mitigated by, for example, contractual (payment) terms and conditions, payment securities, such as letters of credit, bank/other guarantees and several types of insurance products.

Liquidity Risks

Liquidity risks are linked to the availability of sufficient cash, operative cash flows and adequate credit lines/decisions from financial institutions for Outokumpu Technology to cover its operative needs. Liquidity is currently supported especially by advance payments and/or otherwise favorable payment terms in the Company's projects. Liquidity is expected to be supported further by the Credit Facility described above under "*—Liquidity and Capital Resources.*" Liquidity risk management has been previously covered by the Outokumpu Group treasury but Outokumpu Technology intends to establish its own treasury operations upon the completion of the Offering to manage liquidity risks, for example, in form of cash planning, cash pooling and credit lines from financial institutions.

However, there can be no assurance that hedging or other mitigants will be available for all relevant contracts and, therefore, Outokumpu Technology may, from time to time, be exposed to the above-mentioned default and liquidity risks.

BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS

General

Pursuant to the provisions of the Finnish Companies Act and the Company's Articles of Association, responsibility for the control and management of the Company is divided between the general meeting of shareholders, the Board of Directors and the Chief Executive Officer. The shareholders participate in the control and management of the Company through actions taken at general meetings of shareholders. Typically, general meetings of shareholders are convened upon notice given by the Board of Directors. In addition, general meetings of shareholders are held when requested in writing by an auditor of the Company or by shareholders representing at least one-tenth of all the outstanding shares of the Company.

Other than as indicated below, the Company intends to comply with the Helsinki Stock Exchange's Recommendation on Corporate Governance ("Recommendation"), which took effect as at July 1, 2004 (with one exception relating to the audit committee of the Board of Directors, as explained below), as from the commencement of the trading of the Shares on the Helsinki Stock Exchange.

The business address of the members of the Board of Directors, the Chief Executive Officer and the Management Committee is c/o Riihitontuntie 7C, FI-02200 Espoo, Finland.

Board of Directors and Management Committee

Board of Directors

The Board of Directors has general responsibility for the management of the Company and its subsidiaries and for the proper organization of the Company's activities. The Board of Directors establishes the principles of the Company's strategy, organization, accounting and financial control and it appoints the Company's Chief Executive Officer. In 2005, the Board of Directors of the Company met three times. The Chief Executive Officer is responsible for the implementation of the Company's strategy and the day-to-day management of the Company's affairs in accordance with instructions and directives given by the Board of Directors.

The Company's Articles of Association provide for a Board of Directors consisting of five to eight members, each of whom shall be elected at the annual general meeting of shareholders for a term expiring at the close of the following annual general meeting of shareholders. In connection with the Offering, the Board of Directors is being expanded to include five members.

The Board of Directors is expected to establish an audit committee consisting of two of its members (and not three as provided in the Recommendation). The members of the audit committee shall be elected from amongst the members of the Board of Directors. Under the Recommendation, the principal tasks of the audit committee are to be defined in a written charter to be approved for the audit committee by the Board of Directors. Pursuant to the Recommendation, tasks of the audit committee include preparation of matters relating to financial reporting and control. The Board of Directors is not expected to establish other committees.

The members of the Board of Directors, as of the date of this Offering Circular, are as follows:

Name	Year born	Position	Year appointed to the Board
Karri Kaitue	1964	Chairman of the Board	2006
Vesa-Pekka Takala	1966	Member of the Board	2006
Risto Virrankoski	1946	Member of the Board	2006

The members of the Board of Directors, continuing in office or taking office at the commencement of the trading of the Shares on the Helsinki Stock Exchange for a term ending with the annual general meeting of the Company's shareholders to be held during the first half of 2007, are as follows:

Name	Year born	Position	Year appointed to the Board
Risto Virrankoski	1946	Chairman of the Board	2006
Karri Kaitue	1964	Vice Chairman of the Board	2006
Carl Gustaf Bergström	1945	Member of the Board	2006
Hannu Linnoinen	1957	Member of the Board	2006
Anssi Soila	1949	Member of the Board	2006

Karri Kaitue has been the Deputy Chief Executive of Outokumpu since 2005. Mr. Kaitue has held various managerial and expert positions at the Outokumpu Group since 1990. Mr. Kaitue has been the Vice Chairman of the Board of Directors of Okmetic Oyj and a member of the Board of Directors of Cargotec Corporation since 2005. Mr. Kaitue holds a Licentiate of Laws degree.

Vesa-Pekka Takala has been the Senior Vice President—Corporate Controller of Outokumpu since 2001. Mr. Takala has held various managerial and expert positions at the Outokumpu Group since 1990. Mr. Takala holds a Master of Science degree in Economics. Mr. Takala ceases to be a member of Outokumpu Technology's Board of Directors as from the commencement of the trading of the Shares on the Helsinki Stock Exchange.

Risto Virrankoski is the former Deputy Chief Executive Officer, Deputy President of Outokumpu. Mr. Virrankoski has held various managerial and expert positions at the Outokumpu Group since 1969. Mr. Virrankoski has been the chairman of the Board of Directors of Oy Ovako Ab since 2005, the Chairman of the Board of Directors of Patria Oyj since April 2006 and a member of the Board of Directors VR Osakeyhtiö (Finnish Railways) since 1998. He has previously served as the Chairman of the Board of Directors of Okmetic Oyj between 1999 and 2001, the chairman of the Board of Directors Boliden AB (publ) between 2004 and 2005 and the chairman of the Board of Directors of Outokumpu Rossija Oy between 2001 and 2002. In addition, Mr. Virrankoski has served as a member of the Board of Directors of Partek Corporation (former Partek Oy Ab) between 1997 and 2002 and a member of the Board of Directors of Outokumpu Copper Products Oy (currently Luvata Oy) between 2001 and 2005. Mr. Virrankoski holds a Bachelor of Science degree in Economics.

Carl Gustaf Bergström will be a member of the Board of Directors of Outokumpu Technology as from the commencement of the trading of the Shares on the Helsinki Stock Exchange. Mr. Bergström has served as the Chief Executive Officer of Cargotec Corporation from June 2005 to April 2006, the Chief Executive Officer of Kone Cargotec Ltd. between 2004 and 2005 and the Chief Executive Officer of Partek Corporation (former Partek Oy Ab) between 2002 and 2004. Mr. Bergström has been a member of the Board of Directors of Technology Industries of Finland and Cargotec Corporation since 2006, the chairman of the Confederation of Finnish Industries' committee of trade politics since 2005 and the chairman and a member of the Confederation of Finnish Industry and Employers' committee of trade politics between 2002 and 2004, and, between 1998 and 2001, respectively. Mr. Bergström has been a member of the Board of Directors of Förlags Ab Sydvästkusten since 1991. Mr. Bergström holds a Master of Science degree in Economics.

Hannu Linnoinen will be a member of the Board of Directors of Outokumpu Technology as from the commencement of the trading of the Shares on the Helsinki Stock Exchange. Mr. Linnoinen has served as the Senior Vice President, the Chief Financial Officer and a member of the executive committee of SRV Group Plc. since 2006, the Senior Vice President, deputy to the Chief Executive Officer, and, the Executive Vice President of Pohjola Group plc between 2003 and 2005, and, between 2001 and 2003, respectively, and the President of Conventum Limited between 1999 and 2001. Mr. Linnoinen has served as a member of the Board of Directors of Nooa Savings Bank Ltd between 2003 and 2005, Rautakirja Corporation between 2002 and 2003, Bitboys Limited between 2000 and 2001, Pohjola Life Insurance Company between 2004 and 2005 and A-Insurance Limited in 2005. Mr. Linnoinen holds a Bachelor of Science degree in Economics and a Master of Laws degree.

Anssi Soila will be a member of the Board of Directors of Outokumpu Technology as from the commencement of the trading of the Shares on the Helsinki Stock Exchange. Mr. Soila has acted as the President of KONE Corporation between 1995 and 1999. Mr. Soila has been a member of the Board of Directors of Aspocomp Group Plc since 2004, the chairman and a member of the Board of Directors of MedOne Ltd since 2004 and between 2002 and 2004, respectively, the chairman and a member of the Board of Directors of Kemira Oyj since 2003 and between 2000 and 2003, respectively, the chairman and a member of Å&R Carton AB between 1999 and 2003 and since 2006, respectively, the chairman of the Board of Directors of Normet Corporation between 1999 and 2005, the vice chairman of the Board of Directors of Normet Group Ltd. since 2005, a member of the Board of Directors of Lindström Oy since 1999 and the chairman of the Board of Directors of Sponda Plc since 1999. Mr. Soila holds a Master of Sciende degree in Engineering and a Bachelor of Science degree in Economics.

Management Committee

The members of the Management Committee, as of the date of this Offering Circular, are as follows:

Name	Year born	Position
Tapani Järvinen	1946	President and Chief Executive Officer
Markku Jortikka	1947	President, Base Metals division
Kari Knuutila	1958	Executive Vice President, Research and Technology Development
Hans Jochen König	1942	Executive Vice President, Marketing
Seppo Rantakari	1944	Executive Vice President, Business Development and Venturing
Jari Rosendal	1965	President, Minerals Processing division
Ilkka Virtanen	1961	Executive Vice President and Chief Financial Officer
Peter Weber	1963	President, Metals Processing division

The members of the new Executive Committee, continuing in office or taking office at the commencement of the trading of the Shares on the Helsinki Stock Exchange, are as follows:

Name	Year born	Position
Tapani Järvinen	1946	President and Chief Executive Officer
Seppo Rantakari	1944	Executive Vice President and Deputy Chief Executive Officer
Markku Jortikka	1947	Executive Vice President and President, Base Metals division
Jari Rosendal	1965	Executive Vice President and President, Minerals Processing division
Vesa-Pekka Takala	1966	Executive Vice President and Chief Financial Officer
Peter Weber	1963	Executive Vice President and President, Metals Processing division

In addition, the Company has a Management Committee, taking office at the commencement of the trading of the Shares on the Helsinki Stock Exchange, which will include the members of the Executive Committee as well as Martti Haario, Senior Vice President — Marketing Development; Ari Jokilaakso, Senior Vice President — Human Resources; Kari Knuutila, Senior Vice President and Chief Technology Officer; and Ilkka Virtanen, Senior Vice President — Business Development.

Tapani Järvinen has been the President and Chief Executive Officer of Outokumpu Technology since 2003. Prior to being appointed the President and Chief Executive Officer of Outokumpu Technology, Mr. Järvinen has held various managerial positions at the Outokumpu Group between 1985 and 2003. He has also held various managerial positions at KONE Corporation between 1971 and 1985. Mr. Järvinen currently serves as chairman and/or member of the Board of Directors of a number of companies within the Outokumpu Technology Group in Finland and abroad. Mr. Järvinen has also served as a member of the Board of Directors of Swedish Boliden AB between 2003 and 2005 and a member of the Board of Directors of the Australian Dragon Mining NL since December 2003. He has been a member of the Board of Directors of the International Copper Association (ICA) since 1995 and a member of the executive committee of Eurometaux since 2003. Mr. Järvinen holds a Licentiate of Science degree in Technology.

Seppo Rantakari has been the Executive Vice President, Business Development and Venturing, of Outokumpu Technology since 2005 and also acts as a member of the Management Board of Outokumpu Technology GmbH. Mr. Rantakari has held various managerial and expert positions at the Outokumpu Group between 1970 and 2005. Mr. Rantakari holds a Bachelor of Science degree in Mechanical Engineering.

Martti Haario has been the Vice President, Marketing Development, of Outokumpu Technology since April 2006. Mr. Haario has held various managerial positions within the Outokumpu Group since 1988. Mr. Haario was a member of the Boards of Directors of Eurochile and Eteres y Alcoholes S.A. from January 2003 to March 2006. As from October 1, 2006, Mr. Haario will replace Hans Jochen König as the Executive Vice President, Marketing Development of Outokumpu Technology. Mr. Haario holds a Master of Science degree in Chemistry.

Ari Jokilaakso has served as the Executive Vice President, Human Resources, of Outokumpu Technology since 2002. Mr. Jokilaakso holds a Doctor of Science degree in Technology.

Markku Jortikka has been the President of the Base Metals division of Outokumpu Technology since 2005. Mr. Jortikka has held various managerial and expert positions at the Outokumpu Group between 1974 and 2005. Mr. Jortikka holds a holds a Master of Science degree in Engineering.

Kari Knuutila has been the Executive Vice President, Research and Technology Development, of Outokumpu Technology since 2005. Mr. Knuutila has held various managerial and expert positions at the Outokumpu Group between 1986 and 2005. He has been a member of the Board of Directors of the Finnish Association of Mining and Metallurgical Engineers since 2005. Mr. Knuutila holds a Doctor of Science degree in Technology.

Hans Jochen König is the present Executive Vice President, Marketing, of Outokumpu Technology. Mr. König will retire on a pension from the Company on December 31, 2006 and will surrender from his position as the Executive Vice President of Marketing on September 30, 2006 and from his position as the Chairman of the Management Board of Outokumpu Technology GmbH on November 30, 2006.

Jari Rosendal has been the President of the Minerals Processing division of Outokumpu Technology since 2003 and also acts as the managing director of Outokumpu Technology Minerals Oy. Mr. Rosendal has held various managerial and expert positions at the Outokumpu Group between 1989 and 2003. Mr. Rosendal holds a Master of Science degree in Mechanical Engineering.

Vesa-Pekka Takala. See above "*—Board of Directors.*"

Ilkka Virtanen has been the Executive Vice President and Chief Financial Officer of Outokumpu Technology since 2002. Mr. Virtanen has held various managerial and expert positions at the Outokumpu Group since 1986. Mr. Virtanen holds a Master of Science degree in Economics.

Peter Weber has been the President of the Metals Processing division of Outokumpu Technology since 2002. Mr. Weber has held various managerial positions at Outokumpu Technology and various managerial and expert positions at Lurgi Metallurgie GmbH since 1992. Mr. Weber will become the Chairman of the Management Board of Outokumpu Technology GmbH on December 1, 2006. Mr. Weber holds a Doctor of Philosophy degree in Metallurgy.

Certain Information on the Members of the Board of Directors and the Management Committee

At the date of this Offering Circular, none of the members of the Board of Directors or the Management Committee or the Chief Executive Officer of the Company have during the previous five years:

- had any convictions in relation to fraudulent offences;
- been in a managerial position, such as a member of the administrative or management or a supervisory body or belonged to the senior management of any company at the time of its bankruptcy, receivership or liquidation; or
- been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from managing the affairs of any company.

Conflicts of Interests

Provisions regarding the conflicts of interests of the management of a Finnish company are set forth in the Finnish Companies Act. Pursuant to Chapter 6, Section 4 of the Finnish Companies Act, a member of the Board of Directors may not participate in the handling of a contract between himself and the company, nor may he participate in the handling of a contract between the company and a third party if he may thereby receive a material benefit which may be in contradiction with the interests of the company. The above provisions on a contract shall correspondingly apply to other legal act, legal proceeding and other similar matter. The same provisions are applied with regard to the Chief Executive Officer.

To the knowledge of the Company, the members of the Board of Directors, the Management Committee or the Chief Executive Officer do not have conflicts of interests between any duties to the Company and their private interests and/or their other duties.

Compensation of the Members of the Board of Directors and the Management Committee and the Chief Executive Officer

Pursuant to the Companies Act, the Company's shareholders determine the amount of compensation for members of its Board of Directors at the annual general meeting of shareholders.

Prior to the Offering, no remuneration was paid by the Company to the members of its Board of Directors for the year ended December 31, 2005. The total amount of remuneration paid to the President and Chief Executive Officer and to the members of the Management Committee for the year ended December 31, 2005 amounted to EUR 1.65 million.

After the listing of the Shares on the Helsinki Stock Exchange, the Chairman of the Board of Directors will be paid EUR 3,000, the Vice Chairman will be paid EUR 2,500 and the members of the Board of Directors will be paid EUR 2,000 per month. In addition, EUR 500 will be paid to each member of the Board of Directors for each meeting attended. The same amount will also be paid for any meetings of board committees attended.

In Outokumpu Technology, incentive bonuses are determined based on reaching the Company's financial targets as well as targets set forth for the employees or departments. Personal targets form at most one third of the total incentive bonus. As a general rule, the total bonus percentage ranges from ten percent to 50 percent of the employee's annual salary, depending on the position of the employee. The incentive bonus program covers almost the entire personnel of Outokumpu Technology.

The Company's Board of Directors has passed a resolution on the principles for the adoption of a long-term incentive plan, a share-based incentive program for the years 2007 to 2009, for the key members of the Company's management. The adoption of this incentive scheme is conditional on the listing of its Shares on the Helsinki Stock Exchange. The incentive scheme aims to increase the commitment of the participants to the Company and to align the interests of the Company's shareholders and its key personnel in order to increase the value of the Company. Initially, 20 to 30 key members of the Company's management will participate in the incentive scheme. The share-based incentive program is expected to be a three year program (2007 to 2009) consisting of two earning periods. The first period is expected to commence on January 1, 2007 and end on December 31, 2008. The maximum reward as well as the performance criteria and targets will be decided by the Board of Directors of the Company separately for both earning periods. The Shares will be allocated annually in 2007 and 2008. The actual number of Shares will be based on the achievement of the set performance criteria. The Shares will be distributed and the cash portion (for covering the income taxes) is paid after the end of each earning period.

The Company's President and Chief Executive Officer Tapani Järvinen's employment agreement includes a fixed severance payment equal to 12 months' salary, including the value of the fringe benefits existing at the time of the termination notice. Mr. Järvinen was entitled, according to a decision by the Outokumpu's Board of Directors, to retire at the age 60. According to a memorandum dated August 11, 2006, as signed by Mr. Järvinen and Outokumpu, Mr. Järvinen shall not retire at the age of 60 but shall continue as the Company's President and Chief Executive Officer. Mr. Järvinen is entitled to pension benefits through Outokumpu's pension insurance arrangements when he retires, at the latest when he turns 63 or prior to that in the event that he no longer serves as the President and Chief Executive Officer of the Company. Pension benefits amount to 60 percent of his total average annual salary in the last five full years of service.

Hans Jochen König, Executive Vice President of Marketing of the Company is scheduled to retire from the Company on December 31, 2006. In addition to his regular pension benefits, he is entitled to receive additional retirement payments totalling EUR 32,722.68 annually.

In addition to the additional pension arrangements described above, the Company has only statutory pension liabilities that are covered with monthly pension insurance payments. The Company's net liabilities related to pension arrangements and other severance benefits for its entire personnel were EUR 18.0 million as at December 31, 2005.

Management Ownership

As of the date of this Offering Circular, the members of the Company's Board of Directors and the Management Committee hold no Shares in the Company.

Auditors

The combined financial statements of the Company for the years ended and as at December 31, 2003, 2004 and 2005 included in this Offering Circular have been audited by KPMG Oy Ab, Mauri Palvi as the responsible auditor, as stated in their report thereon. On March 30, 2006, the annual general meeting of shareholders of Outokumpu elected KPMG Oy Ab as the new auditor of Outokumpu Oyj and its group companies.

THE SELLING SHAREHOLDER

Outokumpu Technology is currently a wholly-owned subsidiary of Outokumpu, an international stainless steel and technology company. Outokumpu operates in approximately 30 countries and employs approximately 11,000 people. In 2005, the Outokumpu Group's sales were EUR 5.6 billion, of which 95 percent was generated outside Finland. Outokumpu Group's headquarters are located in Espoo, Finland. Outokumpu's shares have been listed on the Helsinki Stock Exchange since 1988.

OWNERSHIP STRUCTURE

As of the date of this Offering Circular, the Company's issued share capital was EUR 16,800,000 consisting of 42,000,000 Shares with a counter-book value of EUR 0.40 each.

The following table sets forth certain information regarding the shareholdings of the Company's shareholders immediately prior to and after the Offering:

	Before the Offering		After the completion of the Offering		After the exercise of the Over-Allotment Option(1)	
Shareholder	**Number of Shares**	**%**	**Number of Shares**	**%**	**Number of Shares**	**%**
Outokumpu	42,000,000	100	8,399,999	20	5,039,999	12
Investors in the Offering	—	—	33,600,001	80	36,960,001	88
Total	42,000,000	100	42,000,000	100	42,000,000	100

(1) Assumes full exercise of the Over-Allotment Option.

RELATED PARTY TRANSACTIONS

Following the Offering, Outokumpu is expected to hold approximately 12 percent of the Shares and voting rights in the Company (assuming full exercise of the Over-Allotment Option). The following is a brief summary of agreements, arrangements and transactions between the Company and Outokumpu and the Company and its associated companies. Outokumpu Technology's management believes that all such agreements, arrangements and transactions have been entered into on an arm's length basis.

Transactions and Open Balances with the Outokumpu Group

Information Technology

Outokumpu Technology is utilizing the global information technology infrastructure and applications of the Outokumpu Group that also provides local information technology support services to Outokumpu Technology in Finland. These services will be provided by Outokumpu for a 12-month period beginning from the commencement of the trading of the Shares on the Helsinki Stock Exchange but may be terminated by Outokumpu Technology with a notice period of two months. During this transition period, Outokumpu Technology expects to establish corresponding services either internally or by using external vendors.

As a part of the arrangements at the Outokumpu Group level, Outokumpu Technology utilizes software and hardware agreements and licenses. The necessary agreements will be negotiated directly by Outokumpu Technology and the required licenses will be transferred from the Outokumpu Group to Outokumpu Technology during a transition period corresponding to the requirements set forth in the agreements currently being utilized. Furthermore, during the transition period, Outokumpu Technology may provide to Outokumpu information technology infrastructure services, in particular, in the Outokumpu campus area in Espoo, Finland.

Group Treasury

Outokumpu has provided treasury related services to Outokumpu Technology. These services have included, for example, internal financing and deposits, cash management, payment transactions and services related to hedging agreements. Outokumpu will continue to provide currency derivative hedging services to Outokumpu Technology during a six month transition period beginning from the commencement of the trading of the Shares on the Helsinki Stock Exchange.

After the Offering, Outokumpu will no longer give parent company guarantees or counter guarantees on behalf of the companies belonging to Outokumpu Technology Group. The parent company guarantees and counter guarantees that have been issued by Outokumpu prior to the Offering will remain in force. As a part of Outokumpu Technology's independent financing, Outokumpu will receive a counter guarantee from the banks providing the financing as a security for the outstanding guarantee commitments given by Outokumpu on behalf of Outokumpu Technology. Prior to the Offering, Outokumpu Technology has given Outokumpu a counter guarantee covering all commercial and financial guarantees issued by Outokumpu directly on behalf of the companies belonging to the Outokumpu Technology Group. The counter guarantee given by Outokumpu Technology will remain in force for as long as the underlying guarantee obligations are valid. The table below describes the total amount of liabilities covered by the counter guarantee as at June 30, 2006:

	Parent company guarantees	Bank guarantees	Total
	(unaudited) (EUR in millions)		
Advance payment guarantees	1.3	97.7	99.0
Other commercial guarantees	0.6	67.5	68.1
Financial guarantees	0.0	6.1	6.1
Total	1.9	171.4	173.3

Insurances

Prior to the Offering, Outokumpu Technology Group has been covered by insurances obtained by Outokumpu. If deemed beneficial and subject to the insurers' consent, Outokumpu Technology Group endeavors to remain co-insured under the existing insurances of Outokumpu until the expiry of the current insurance periods. In case Outokumpu Technology Group does not remain co-insured under the existing insurances of Outokumpu, it will obtain insurance coverage on an independent basis.

Financial Services

Outokumpu, through its financial services operations in Prague, the Czech Republic, provides financial administration services to Outokumpu Technology GmbH in Germany. These services include accounts payable and accounts receivable administration, payment services, invoicing and bookkeeping. The services are available until January 31, 2007.

Premises

Outokumpu and Outokumpu Technology have entered into a long-term rental agreement for premises used by Outokumpu Technology in the Outokumpu campus area located in Espoo, Finland. In addition, Outokumpu and Outokumpu Technology have entered into a long-term lease agreement for the land used by the Pori Research Center in Pori, Finland.

Indemnity Agreement

Outokumpu and Outokumpu Technology have entered into an indemnity agreement whereby Outokumpu has given certain indemnifications to Outokumpu Technology and group companies of Outokumpu Technology regarding operations that they have carried out in the past and that no longer form part of the operations of these companies and certain operations that these companies may continue to carry out but which are outside the current scope of their business activities. The agreement remains in force for ten years as from September 30, 2006.

Technology Cooperation Agreement

Outokumpu Technology has granted to Outokumpu a royalty free, worldwide, perpetual and non-exclusive license to certain patents and inventions relating to the ferrochrome production operations of Outokumpu. The license may be used only in the production of the Outokumpu Group.

Outokumpu and Outokumpu Technology have entered into a technology cooperation agreement in relation to the ferroalloy production related operations of both companies. Under the agreement, Outokumpu will continue to provide technical and commercial assistance and information to Outokumpu Technology in relation to the ferrochrome production process carried out at Outokumpu's plant located in Tornio, Finland, including, among others, sintering of pellets, preheating and smelting with CO-gas utilization. Outokumpu Technology provides to Outokumpu technical expertise in relation to the ferrochrome process and provides Outokumpu with information on material new developments in the field of ferroalloy technologies. Outokumpu Technology pays Outokumpu a fee for these services, the amount of which is determined based on the number of processes delivered by Outokumpu Technology to third parties. The agreement remains in force until December 31, 2008.

Management and Administration of Outokumpu Metals Off-Take Oy

Outokumpu Metals Off-Take Oy, a wholly-owned subsidiary of Outokumpu, and Outokumpu Technology have entered into a consulting services agreement regarding the operative management and financial administration of Outokumpu Metals Off-Take Oy. The agreement remains in force until December 31, 2007.

License to Use the Name "Outokumpu"

Outokumpu has granted the Company a license to use the name "Outokumpu" in connection with its operations worldwide until June 30, 2008 as a part of the Company's name Outokumpu Technology and the right to be referred to as "former Outokumpu Technology" for a period ending 18 months after the change of the Company's name or until December 31, 2009, whichever is earlier.

Other Services

Outokumpu, or its external suppliers, will also provide certain other services, including postal, clerical, medical and catering services, in the Outokumpu campus area in Espoo, Finland, as well as allow the use of certain of Outokumpu's recreational facilities for Outokumpu Technology employees. The terms for these services, including the duration of service, are agreed separately for each service.

Agency Agreement

Outokumpu Poland Sp. z.o.o., a subsidiary of Outokumpu Technology, and Outokumpu Pori Tube Oy, a subsidiary of Outokumpu, have entered into an agreement under which Outokumpu Poland Sp. z.o.o. provides Outokumpu Pori Tube and its affiliated entities sales agency services related to the sales of copper tube products in Poland.

Summary of Related Party Transactions with the Outokumpu Group

The table below sets forth the Outokumpu Technology transactions with Outokumpu Group companies for the years ended December 31, 2003, 2004, 2005 and for the six months ended June 30, 2005, and 2006 and the related receivables and liabilities as at December 31, 2003, 2004, 2005 and as at June 30, 2005 and 2006:

	For the year ended and as at December 31,			For the six months ended and as at June 30,	
	2003	2004	2005	2005	2006
		(audited)		(unaudited)	
			(EUR in millions)		
Sales	29.4	10.3	4.3	2.5	0.6
Purchases	(4.8)	(8.6)	(7.1)	(2.5)	(4.0)
Leases	(2.3)	(2.0)	(2.7)	(1.3)	(1.3)
Other expense items	(6.5)	(7.4)	(5.0)	(1.2)	(3.3)
Interest income	1.0	0.4	1.3	0.5	0.7
Derivative financial instruments	7.2	1.8	(2.4)	(1.8)	1.4
Current receivables					
Trade receivables	1.3	1.4	0.7	0.7	0.4
Derivative financial instruments	5.4	3.4	0.1	2.5	0.9
Other receivables	1.6	0.1	0.1	0.1	0.0
Cash and cash equivalents	—	28.3	46.1	36.9	34.1
Current liabilities					
Trade payables	8.8	3.6	4.9	3.3	3.5
Derivative financial instruments	0.5	0.0	1.1	1.8	0.4
Other current liabilities	2.3	1.4	0.1	1.3	0.1
Commitments					
Advance payment guarantees	45.9	50.6	115.0	64.2	99.0
Other guarantees for financial commitments	66.8	50.3	59.0	50.4	68.1

There have been no material changes in the above information during the period from June 30, 2006 to the date of this Offering Circular.

Transactions and Open Balances with Intune Circuits Oy

In 2005, Outokumpu Technology, UPM-Kymmene Oyj and Finnish Industry Investment Ltd established Intune Circuits Oy. Based on a shareholders agreement dated April 11, 2005, Outokumpu Technology has committed to invest EUR 2.55 million in Intune Circuits Oy. See "*Operating and Financial Review and Prospects—Investments.*"

The table below sets forth the Outokumpu Technology transactions with Intune Circuits Oy for the years ended December 31, 2003, 2004 and 2005 and for the sixth months ended June 30, 2005 and 2006 and the receivables and liabilities from and to Intune Circuits Oy as at December 31, 2003, 2004, 2005 and as at June 30, 2005 and 2006:

	For the year ended and as at December 31,			For the six months ended and as at June 30,	
	2003	2004	2005	2005	2006
		(audited)		(unaudited)	
			(EUR in millions)		
Sales	—	—	0.2	—	0.0
Current trade receivables	—	—	0.0	—	0.0
Loan receivables					
Current	—	—	—	—	0.4
Non-current	—	—	—	—	0.1

The Company had no transactions or open balances with associated companies in 2003 or 2004.

There have been no material changes in the above information during the period from June 30, 2006 to the date of this Offering Circular.

Employment Benefits of the Senior Management

The Company's senior management consists of its Board of Directors, its President and Chief Executive Officer and the other members of its Management Committee. The current Board of Directors and Management Committee have served as from April 1, 2005. Short-term employment benefits of the Company's senior management amounted to EUR 1.1 million between April 1 and December 31, 2005. There were no loan receivables from the senior management as at December 31, 2005.

Other Arrangements

The Company's President and Chief Executive Officer, Tapani Järvinen, was entitled, according to a decision by the Outokumpu's Board of Directors, to retire at the age 60. According to a memorandum dated August 11, 2006, as signed by Mr. Järvinen and Outokumpu, Mr. Järvinen shall not retire at the age of 60 but shall continue as the Company's President and Chief Executive Officer. Mr. Järvinen is entitled to pension benefits through Outokumpu's pension insurance arrangements when he retires, at the latest when he turns 63 or prior to that in the event that he no longer serves as the President and Chief Executive Officer of the Company. Pension benefits amount to 60 percent of his total average annual salary in the last five full years of service.

DESCRIPTION OF THE SHARES AND SHARE CAPITAL

General Information on the Company

The Company was incorporated on December 31, 1990, and is organized under the laws of the Republic of Finland. The registered business name of the Company is Outokumpu Technology Oyj and the Company is domiciled in Espoo, Finland. The Company is registered in the Trade Register maintained by the National Board of Patents and Registration of Finland (the "Trade Register") under the business identity code 0828105-4, and its registered office is located at Riihitontuntie 7C, FI-02200 Espoo, Finland.

According to Article 2 of the Company's Articles of Association, the Company is to carry on, by itself or through subsidiaries, the design, manufacture and construction of and trade in methods, machinery, devices, equipment, spare parts and production facilities for the mining, ore cleaning, metallurgical and other processing industries, energy technology and environmental protection, the production and sales of technical design and project services for the process industry, energy technology and environmental protection, including any industrial and commercial operations based on or relating to these activities and know-how acquired in this sphere of activities, the sale of business management services and other business, as well as the holding and control of domestic and foreign securities. Within the limits of its field of activity, the Company may establish domestic and international companies and consortiums, own and control domestic and foreign securities, raise and grant loans, grant guarantees and give its property in pledge, as well as engage in the sales of business management consulting services.

Shares and Share Capital

Pursuant to the Articles of Association of the Company, its issued share capital may not be less than EUR 6,730,000 nor more than EUR 40,000,000. The Company's issued share capital may be increased or decreased within these limits without amending the Articles of Association. Pursuant to the Articles of Association of the Company, the maximum number of Shares is 100,000,000.

As of the date of this Offering Circular, the Company's share capital amounted to EUR 16,800,000 consisting of 42,000,000 Shares. The counter-book value of the Shares is EUR 0.40 per Share. Each Share entitles its holder to one vote at the general meetings of shareholders of the Company. The Shares were entered into the Finnish Book-Entry Securities System on September 22, 2006.

On August 11, 2006, the Company's extraordinary general meeting of shareholders authorized the Company's Board of Directors to increase the Company's share capital by issuing new Shares, granting stock options or issuing convertible bonds and to decide upon the repurchase and transfer of the Company's own Shares.

According to the authorization, the issuance of new Shares may not increase the Company's share capital of the Company on one or several occasions by more than EUR 1,680,000. Accordingly, an aggregate maximum of 4,200,000 Shares (counter-book value EUR 0.40 per Share) may be issued. The Company's Board of Directors was authorized to decide who will have the right to subscribe for any new Shares, stock options or convertible bonds. The Board of Directors may decide the subscription price and the other terms and conditions of the issue of Shares, stock options or convertible bonds. The Board of Directors may also decide that the subscription price for new Shares be paid by means of contribution in kind, set-off or otherwise subject to specific terms and conditions. The authorization is valid until the annual general meeting of the Company's shareholders to be held in the year 2007, however not longer than one year from the decision of the annual general meeting of shareholders.

According to the authorization, the Company's Shares may be repurchased in order to improve the Company's capital structure or to be used as consideration when acquiring assets for the Company's business or as consideration in possible corporate acquisitions, in the manner and to the extent decided by the Board of Directors. Repurchased Shares may also be used as a part of incentive and bonus schemes directed to the personnel of the Company. The number of Shares to be repurchased may not exceed 4,200,000. Shares may be repurchased pursuant to a decision of the Board of Directors through purchases in public trading at the Helsinki stock exchange at the prevailing market price. The purchase price shall be paid to the sellers within the time limit provided in the rules of the Helsinki stock exchange and the Finnish Central Securities Depository Ltd. The Shares shall be repurchased with distributable funds and accordingly repurchasing will reduce distributable equity of the Company. The authorization is valid until the annual general meeting of the Company's shareholders to be held in the year 2007, however not longer than one year from the decision of the annual general meeting of shareholders.

According to the authorization, the maximum number of the Company's repurchased Shares to be transferred shall be 4,200,000. The Shares may be transferred on one or several occasions. The Company's Board of Directors shall be authorized to decide on the recipients of the Shares and the procedure and terms to be applied. The Board of Directors may decide to transfer the Shares in deviation of the pre-emptive right of the shareholders to the Company's Shares. Shares may be transferred as consideration when acquiring assets for the Company's business or as consideration in possible corporate acquisitions, in the manner and to the extent decided by the Board of Directors. The Board of Directors may decide to sell the Shares through public trading at the Helsinki stock exchange in order to obtain funds for the Company for investments and possible corporate acquisitions. Shares can also be transferred as a part of incentive and bonus schemes directed to the personnel of the Company, including the Chief Executive Officer and his/her deputy. The authorization is valid until the annual general meeting of the Company's shareholders to be held in the year 2007, however not longer than one year from the decision of the annual general meeting of shareholders.

History of Share Capital

The table below sets forth a summary of the changes in the Company's share capital since the establishment of the Company, including the number of Shares into which it is divided:

Measure	Counter-book value of a Share (EUR)	Increase/decrease in the number of Shares	Increase/decrease in share capital, (EUR)	New number of Shares	New share capital, (EUR)	Registered(1)
Split	0.40	33,600,000	—	42,000,000	16,800,000	August 10, 2006
Establishment of the Company	2.00	—	—	8,400,000	16,800,000	December 31, 1990

(1) Date refers to date of registration in the Trade Register.

Shareholder Rights

Pre-Emptive Rights

Under the Finnish Companies Act, existing shareholders of Finnish companies have pre-emptive rights to subscribe, in proportion to their shareholdings, for new shares of such companies as well as for issues of option warrants or convertible bonds, unless the corporate resolution approving such issue provides otherwise. Under the Finnish Companies Act, a resolution waiving pre-emptive rights must be approved by at least two-thirds of all votes cast and shares represented at a general meeting of shareholders.

Certain shareholders resident in, or with a registered address in, certain jurisdictions other than Finland may not be able to exercise any pre-emptive rights and preferential rights in respect of their shareholding unless a registration statement, or an equivalent thereof, under the applicable laws of their respective jurisdictions is effective or an exemption from any registration or similar requirements under the applicable laws of their respective jurisdictions is available.

General Meeting of Shareholders

Under the Finnish Companies Act, shareholders exercise their power to decide on corporate matters at general meetings of shareholders. The Company's Articles of Association require that a general meeting of shareholders be held on May 31 each year at the latest. At the annual general meeting of shareholders, the financial statements, including the income statement, the balance sheet, the annual report, the consolidated income statement and the consolidated balance sheet as well as the related auditors' reports are presented to the shareholders for adoption. At the annual general meeting, the shareholders also take decisions, among other things, on any measure warranted by the profit or loss shown in the adopted balance sheet, the date of payment of dividends, if any, discharge from liability for the members of the Board of Directors and the Chief Executive Officer as well as on elections of members of the Board of Directors and their respective remuneration. An extraordinary general meeting of shareholders in respect of specific matters shall be held when considered necessary by the Board of Directors, or when requested in writing by an auditor of the Company or by shareholders representing at least one-tenth of all the issued shares of the Company.

Under the Company's Articles of Association, invitation to the general meetings of shareholders shall be sent to the shareholders not sooner than two months and not later than 17 days prior to the meeting.

In order to have the right to attend and vote at a general meeting of shareholders, a shareholder must be registered no later than ten days prior to relevant general meeting of shareholders in the register of shareholders maintained by the Finnish Central Securities Depository Ltd. (the "FCSD") in accordance with Finnish law, see "*The Finnish Securities Market—The Finnish Book-entry Securities System*." A beneficial owner wishing to attend and vote at the general meeting of shareholders should seek a temporary registration in the register of shareholders maintained by the FCSD no later than ten days prior to the relevant general meeting of shareholders. There are no quorum requirements for general meetings of shareholders in the Finnish Companies Act or the Company's Articles of Association.

Voting Rights

A shareholder may attend and vote at a general meeting of shareholders in person or through an authorized representative. Under the Company's Articles of Association, each share entitles its holder to one vote. At a general meeting of shareholders, resolutions generally require the approval of a majority of the votes cast. However, certain resolutions, such as a resolution to amend the Articles of Association, a resolution to issue shares in deviation from the shareholders' pre-emptive subscription rights and, in certain cases, a resolution regarding a merger or liquidation of the Company, require a majority of two-thirds of the votes cast and of the shares represented at the general meeting of shareholders. In addition, certain resolutions, such as amendments to the Articles of Association which change the respective rights of shareholders holding the same class of shares or increase the redemption rights of the Company or its shareholders require the consent of all shareholders, or, where the rights of certain shareholders only are affected, in addition to the applicable majority requirement the consent of all those shareholders whose shares are affected by the amendment.

Dividends and Other Distributions

In accordance with prevailing practice in Finland, dividends on shares of a Finnish company have generally only been paid annually. Dividends may be paid after shareholders' approval of the company's audited financial statements and of the amount of the dividend proposed by the Board of Directors. In accordance with the Finnish Companies Act, payment of dividends may be based on audited financial statements other than those approved at the end of the preceding financial year, for example audited interim financial statements, and companies may also pay interim dividends based on the current financial year's earnings. The payment by the Company of a dividend in respect of the Shares will require the approval of the majority of the votes cast at a general meeting of shareholders. The general meeting of shareholders may also authorize the Board of Directors to decide upon the payment of dividends.

Under the Finnish Companies Act, the shareholders' equity of a company is divided into restricted and unrestricted equity. Restricted equity consists of the share capital, the revaluation fund and the fair value fund. Also the share premium fund and the reserve fund are included in restricted equity. Other reserves are included in unrestricted equity. The amount of any dividend is limited to the amount of distributable funds according to the financial statements upon which the decision regarding the payment of dividends is based. However, any distributions of funds are prohibited if it is known or it should be known at the time of taking such decision that the company is insolvent or such distribution would cause the company to become insolvent. Distributable funds include the net profit for the preceding financial year, retained earnings from previous years and other unrestricted equity adjusted for the loss set forth in the balance sheet and the amounts that the articles of association of the company require to be left undistributed. Distributable funds are, where applicable, to be further adjusted for capitalized incorporation, research and certain development costs in accordance with the provisions of the Act on the Implementation of the Finnish Companies Act (625/2006), as amended. A parent company of a consolidated group of companies may not distribute more than the amount of distributable funds shown on the parent company's latest financial statements. The dividend may not exceed the amount proposed by the Board of Directors unless so requested at the general meeting by the holders of not less than ten percent of all shares of the company, in which case the dividend, if so requested, shall amount to the lower of (i) at least one-half of the profit for the last preceding financial period less the amount that the articles of association of the company require to be left undistributed, or (ii) the amount of distributable funds as defined above. However, in such case the dividend may not exceed eight percent of the total shareholders' equity of the company and the distributable amount shall be adjusted for any dividends paid for the period before the annual general meeting of shareholders.

Dividends and other distributions are paid to shareholders or their nominees entered in the register of shareholders on the relevant record date. Such register is maintained by the FCSD through the relevant book-entry account operators. Under the Finnish Book-Entry Securities System, dividends are paid by account transfers to the accounts of the shareholders appearing in the registry. All of the Shares, including the Offer Shares, carry equal rights to dividends and other distributions by the Company (including distributions of assets in the event of the liquidation of the Company).

The Offer Shares are entitled to dividends as described in the section entitled "*Summary of the Offering.*" The right to dividend expires three years from the due date of the dividend payment.

For information relating to taxation of dividends, see "*Taxation.*"

Treasury Shares

Under the Finnish Companies Act, a company may acquire its own shares. Decisions on the acquisition of a company's own shares must be taken by a general meeting of shareholders, unless the general meeting of shareholders has authorized the Board of Directors to decide upon share repurchases using unrestricted equity. Any such authorization to the Board of Directors of a company may remain in effect for a period not exceeding 18 months. A public limited company may neither directly nor through a subsidiary hold its own shares in an amount in excess of ten percent of all shares in the company. As of the date of this Offering Circular, Outokumpu Technology does not hold any of its own shares.

Transfers

Upon a sale of shares through the Finnish Book-Entry Securities System, the relevant shares are transferred from the seller's book-entry account to the buyer's book-entry account as an account transfer. The sale is registered as an advance transaction until the settlement thereof and the payment for the shares, after which the buyer will automatically be registered in the register of shareholders of the relevant company. In the case of registration in the name of a nominee, a sale of shares does not require any entries into the Finnish Book-Entry Securities System unless the nominee is changed pursuant to the sale.

Restrictions on Foreign Ownership

Restrictions on foreign ownership of Finnish companies were abolished as of January 1, 1993. However, under the Act on the Control of Foreigners' Acquisition of Finnish Companies of 1992 (the "Control Act"), clearance by the Finnish Ministry of Trade and Industry would be required if a foreign person or entity, other than a person or entity from another member state of the EEA or the Organization for Economic Co-operation and Development (the "OECD"), or a Finnish entity controlled by one or more such foreign persons or entities were to acquire a holding of one-third or more of the voting rights of the company. The Control Act is applicable for acquisitions of companies (i) with more than 1,000 employees during the preceding or current financial year; (ii) with the net sales exceeding EUR 168.2 million according to its latest approved financial statements; or (iii) with total assets exceeding EUR 168.2 million according to its latest approved financial statements. The Ministry of Trade and Industry could refuse clearance where the acquisition would jeopardize important national interests, in which case the matter would be referred to the Finnish government.

Foreign Exchange Control

Shares of a Finnish company may be purchased by non-residents of Finland without any separate Finnish exchange control consent. Non-residents may receive dividends without separate Finnish exchange control consent, the transfer out of Finland being subject to payment by the company of withholding taxes in the absence of an applicable double taxation treaty. Non-residents having acquired shares may receive shares pursuant to a bonus issue or through participation in a rights issue without a separate Finnish exchange control consent. Shares of a Finnish company may be sold in Finland by non-residents, and the proceeds of such sale may be transferred out of Finland in any convertible currency. There are no Finnish exchange control regulations applying to the sale of shares of a Finnish company by non-residents to other non-residents.

THE FINNISH SECURITIES MARKET

Trading and Settlement on the Helsinki Stock Exchange

Trading in, and clearing of, securities on the Helsinki Stock Exchange takes place in euro, with the minimum tick size for trading quotations being 0.01 euro. All price information is produced and published only in euro.

In September 2004, the Helsinki Stock Exchange transferred to a new Saxess trading platform. Saxess is an order-based system in which orders are matched to trade when price and volume match. Following the transfer to Saxess trading platform, the main trading phases of the Helsinki Stock Exchange are pre-trading, trading and post-trading. For shares, pre-trading begins at 8:30 a.m. and ends at 9:45 a.m. at the prices established during the previous trading day. Trading with calls and continuous trading takes place from 9:45 a.m. to 6:30 p.m. Opening call begins at 9:45 a.m. and ends at 10:00 a.m. Round lot orders entered during the pre-trading session and existing orders with several days' validity are automatically transferred into the opening call. Continuous trading begins sequentially after the opening call ends at 10:00 a.m. when the first share is assigned its opening price and then becomes subject to continuous trading. After approximately ten minutes, the opening prices for all the shares have been established and trading continues at prices based on market demand until 6:20 p.m. when the closing call is initiated. The closing call ends at approximately 6:30 p.m. when the closing prices are determined. Post-trading, during which only contract transactions for shares can be registered at the prices established during the trading day, takes place from 6:40 p.m. to 7:00 p.m.

Trades are normally cleared in the FCSD's automated clearing and settlement system (HEX clear) on the third banking day after the trade date unless otherwise agreed by the parties.

The Helsinki Stock Exchange is a part of the OMX group. OMX also owns and maintains the exchanges in Stockholm, Copenhagen, Riga, Vilnius and Tallinn. OMX's Nordic List, the so-called OMX List, is expected to be launched on October 2, 2006. The OMX List will replace the current main list, I List and NM List in Helsinki, A List and O List in Stockholm and the current list in Copenhagen. Through the OMX List, the listing requirements for companies will also be harmonized as well as the way of presenting the listed companies.

Regulation of the Finnish Securities Market

The securities market in Finland is supervised by the Finnish Financial Supervision Authority. The principal statute governing the securities market is the Finnish Securities Market Act, which contains regulations with respect to company and shareholder disclosure obligations, admission to listing and trading of listed securities, public tender offers and insider dealing, among other things. The Finnish Financial Supervision Authority monitors compliance with these regulations.

The Finnish Securities Market Act specifies minimum disclosure requirements for Finnish companies applying for listing on the Helsinki Stock Exchange or making a public offering of securities in Finland. The information provided must include sufficient information on matters that may have a material impact on the value of the securities and be sufficient to enable investors to make a sound evaluation of the securities being offered and the issuing company. Finnish listed companies have a continuing obligation to publish regular financial information and to inform the market of any matters likely to have a material impact on the value of their securities.

A shareholder is required, without undue delay, to notify a Finnish listed company and the Finnish Financial Supervision Authority when its voting interest in, or its percentage ownership of, the issued share capital of such Finnish listed company reaches, exceeds or falls below five percent, ten percent, 15 percent, 20 percent, 25 percent, 30 percent, 50 percent or 66.67 percent (⅔), calculated in accordance with the Finnish Securities Market Act, or when it enters into an agreement or other arrangement that, when effective, leads to a crossing of any of such thresholds. If a Finnish listed company receives information indicating that a voting interest or ownership interest has reached, exceeded or fallen below any of these thresholds, it must disclose such information without undue delay to the Helsinki Stock Exchange and to the public.

Pursuant to the Finnish Securities Market Act, a shareholder whose holding in a listed company increases above three tenths or above half of the total voting rights attached to the shares of the company, calculated in accordance with the Finnish Securities Market Act, after the commencement of a public quotation of such shares must make a public tender offer to purchase the remaining shares and other securities entitling its holder to shares of such company for fair market value. If the securities that caused the above-mentioned limits to be reached have been purchased by a public tender offer, which has been made for all shares of the target company and other securities entitling its holder to shares of such company, the obligation to make a tender offer will not be triggered. If the target company has one shareholder whose holding of the voting rights attached to the shares exceeds an above-mentioned limit, the other shareholder will not be obliged to make a tender offer until its holding exceeds the holding of this former shareholder. If a shareholder's exceeding of the above-mentioned limit is solely due to acts by the company or another shareholder, the exceeding shareholder will not be obliged to make a tender offer before purchasing or subscribing more shares in the target company or otherwise increasing its holding of voting rights attached to the shares in the target company. Under the Finnish Companies Act, a shareholder holding shares representing more than 90 percent of all the shares in a company and more than 90 percent of the votes entitled to be cast at a general meeting of shareholders has the right to require the minority shareholders to sell the remaining shares of such company to such shareholder for fair market value. In addition, any minority shareholder that possesses shares that may be so purchased by a majority shareholder is entitled to require such majority shareholder to purchase its shares. Detailed rules apply for the calculation of the above proportions of shares and votes.

The Finnish Penal Code of 1889, as amended (the "Finnish Penal Code"), contains provisions relating to breach of disclosure requirements, the misuse of privileged or inside information and market manipulation. Breach of these provisions constitutes a criminal offense. Pursuant to the Finnish Securities Market Act, the Finnish Penal Code and the Finnish Act on the Financial Supervision Authority (587/2003), as amended, the Finnish Financial Supervision Authority and the Finnish Market Court are authorized to impose administrative sanctions for breach of the proposed provisions, to the extent the offense does not fall within the scope of the Finnish Penal Code. The Financial Supervision Authority can, for example, issue a public notice or warning or impose monetary penalties or, in more serious cases, request the Finnish Market Court to issue a warning and impose monetary penalties for the breach of disclosure or reporting requirements, insider register provisions, misuse of insider information or market manipulation.

The Finnish Book-Entry Securities System

General

Use of the book-entry securities system is mandatory for companies whose shares are listed on the Helsinki Stock Exchange. The Company's Shares were entered into the Finnish Book-Entry Securities System on September 22, 2006.

The Finnish Book-Entry Securities System is centralized at the FCSD, which provides national clearing and settlement as well as registration services for securities. The FCSD maintains a central book-entry securities system for both equity and debt securities. The business address of the FCSD is Urho Kekkosen katu 5C, FI-00100 Helsinki, Finland.

The FCSD maintains a register of the shareholders of listed companies and book-entry accounts for shareholders that do not wish to utilize the services of a commercial account operator. The expenses incurred by the FCSD in connection with maintaining the central book-entry securities system are borne by the issuers participating in the book-entry securities system and the account operators. The account operators, which consist of credit institutions, investment services companies and other institutions licensed to act as account operators by the FCSD, are entitled to make entries in the book-entry register and administer the book-entry accounts.

Registration

In order to effect entries in the Finnish Book-Entry Securities System, a security holder or such holder's nominee must establish a book-entry account with an account operator or with the FCSD or register its securities through nominee registration. Only shareholders who are not Finnish citizens or entities may register their securities through nominee registration. For shareholders who have not transferred their shares into book-entries, a joint book-entry account shall be opened with the FCSD, the registered holder of which shall be the issuer. All transactions in securities registered with the book-entry securities system are executed as computerized book-entry transfers. The account operator confirms book-entry transfers by sending notifications of transactions to the holder of the respective book-entry account. The account holders also receive an annual statement of their holdings as of the end of each calendar year.

Each book-entry account is required to contain specified information with respect to the account holder or the custodian administering the assets of a nominee account. Such information includes the type and number of book-entry securities registered and the rights and restrictions pertaining to the account and to the book-entry securities registered in the account. A nominee account is identified as such on the entry. The FCSD and the account operators are required to observe strict confidentiality, although certain information (for example, the name, nationality and address of each account holder) contained in the register of shareholders maintained by the FCSD must be made available to the public by the FCSD and the company, save in the case of nominee registration. The Finnish Financial Supervision Authority is entitled to receive certain information on nominee registrations upon request.

Each account operator is strictly liable for errors and omissions on the registers maintained by it and for any unauthorized disclosure of information. However, if an account holder has suffered a loss as a result of a faulty registration or an amendment to, or deletion of, rights in respect of registered securities and the account operator is unable to compensate such loss, such account holder is entitled to receive compensation from the statutory registration fund of the FCSD. The capital of the registration fund must be at least 0.000048 percent of the average of the total market value of the book-entries kept in the book-entry securities system during the last five calendar years and it must not be less than EUR 20 million. The compensation to be paid to one injured party shall be equal to the amount of damages suffered by such injured party from a single account operator subject to a maximum amount of EUR 25,000. The liability of the registration fund to pay damages in relation to each incident is limited to EUR 10 million.

Custody of the Shares and Nominees

A non-Finnish shareholder may appoint an account operator (or certain non-Finnish organizations approved by the FCSD) to act as a custodial nominee account holder on its behalf. A nominee shareholder is entitled to receive dividends and to exercise all share subscription rights and other financial and administrative rights attaching to the shares held in its name. A beneficial owner wishing to attend and vote at general meetings of shareholders must seek a temporary registration and be registered in the register of shareholders not later than ten days prior to the relevant general meeting. A custodial nominee account holder is required to disclose to the Finnish Financial Supervision Authority and the relevant company on request the name of the beneficial owner of any shares registered in the name of such custodial nominee account holder, where the beneficial owner is known, as well as the number of shares owned by such beneficial owner. If the name of the beneficial owner is not known, the custodial nominee account holder is required to disclose said information on the representative acting on behalf of the beneficial owner and to submit a written declaration to the effect that the beneficial owner of the shares is not a Finnish natural person or legal entity.

Finnish Depositories for both Euroclear Bank, S.A./N.V., as operator of Euroclear, and Clearstream have nominee accounts within the book-entry securities system and, accordingly, non-Finnish shareholders may hold their shares through their accounts with Euroclear or Clearstream.

Shareholders wishing to hold their shares in the book-entry securities system in their name and who do not maintain a custody account in Finland are required to open a book-entry account at an authorized account operator in Finland and a convertible euro account.

TAXATION

The following summary is based on the tax laws of Finland and the United States as in effect and applied on the date of this Offering Circular, and is subject to changes in Finnish or U.S. law, including changes that could have a retroactive effect. The following summary is not exhaustive and does not take into account or discuss the tax laws of any country other than Finland or the United States. You are advised to consult your own professional tax advisors as to the Finnish, United States or other tax consequences of the Offering and the purchase, ownership and disposition of Shares.

Prospective investors who may be affected by the tax laws of other jurisdictions should consult their tax advisors with respect to the tax consequences applicable to their particular circumstances.

Finnish Tax Considerations

The following is a description of the material Finnish income tax consequences that may be relevant with respect to this Offering. The description below only addresses Finnish tax legislation and does not take into account the tax laws of any other countries.

The description below is applicable to both resident and non-resident natural persons and limited liability companies of Finland for the purposes of Finnish domestic tax legislation relating to dividend distributions and capital gains arising from the sale of shares. This description does not address tax considerations applicable to holders of Shares or subscription rights or warrants that may be subject to special tax rules, including, among others, different restructurings of corporations, controlled foreign corporations (CFC), non-business carrying entities, income tax-exempt entities or general or limited partnerships. Furthermore this description addresses neither Finnish inheritance nor gift tax consequences.

This description is based on:

- The Finnish Income Tax Act (*Tuloverolaki* 30.12.1992/1535), as amended;
- The Finnish Business Income Tax Act (*Laki elinkeinotulon verottamisesta* 24.6.1968/360), as amended; and
- The Finnish Transfer Tax Act (*Varainsiirtoverolaki* 29.11.1996/931), as amended.

In addition, relevant case law, decisions and statements made by the tax authorities in effect and available on the date of this Offering Circular have been taken into account.

All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

In 2004, the Finnish Parliament approved new rules regarding Finnish corporate and capital tax legislation. Under these new rules, the Finnish *avoir fiscal* system, among others, was abolished effective as of January 1, 2005. The Finnish Net Wealth Tax Act (*Varallisuusverolaki* 30.12.1992/1537), as amended, was abolished as of January 1, 2006.

General

Residents and non-residents of Finland are treated differently for tax purposes. The worldwide income of persons resident in Finland is subject to taxation in Finland. Non-residents are not generally liable for tax in Finland and are taxed on Finnish source income only. Finnish tax treaties may limit the applicability of the domestic tax legislation and also the right to tax the non-resident's income that is received from Finland.

Generally, an individual is deemed a resident of Finland if such individual stays in Finland for more than six consecutive months or if the permanent home and dwelling of such individual is in Finland. Earned income, including salary, is taxed at progressive rates while capital income is currently taxed at a flat rate of 28 percent. Corporate entities established under the laws of Finland are regarded as residents of Finland. Finnish companies are subject to corporate income tax on their worldwide income. Currently, the corporate income tax rate is 26 percent.

The following is a summary of certain Finnish tax consequences relating to the purchase, ownership and disposition of the Shares by Finnish resident and non-resident shareholders.

Taxation of Dividends

Resident Individuals

If the shareholder is an individual, 70 percent of dividends paid by a company listed on the Helsinki Stock Exchange, as the Company is expected to be at the time of the completion of the Offering, to a Finnish individual shareholder is considered as capital income of the recipient, taxable at the flat rate of 28 percent, while remaining 30 percent is tax-exempt.

A company listed on the Helsinki Stock Exchange and distributing dividends is obligated to cause advance tax withholding from dividends paid to resident individuals. In 2006, the amount of the advance tax withholding is 19 percent of the amount of the dividend. The advance tax withheld by the distributing company is credited against the final tax payable by the individual shareholder for the dividend received. Resident individuals must review their precompleted tax form to confirm that the received dividend income during the tax year is correct. If necessary, the taxpayer must report the correct amount of dividend income and the amount of prepaid income tax to the tax authorities, should these amounts be incorrectly entered in the precompleted tax form.

Finnish Limited Liability Companies

Dividends received by a company listed on the Helsinki Stock Exchange from another company listed on the Helsinki Stock Exchange are generally tax-exempt. However, in cases where the underlying shares are included in the investment assets of the shareholder, 75 percent of the dividend is taxable income while the remaining part of the dividend is tax-exempt.

In the case of non-listed companies (privately held companies) holding less than ten percent of the share capital of a company listed on the Helsinki Stock Exchange or booking the underlying shares as investment assets, 75 percent of the dividend received on such shares is considered to be the shareholder's taxable income, while the remaining part of the dividend is tax-exempt. In other cases, dividends received by a privately held company from a company listed on the Helsinki Stock Exchange are fully tax-exempt.

Non-Residents

The withholding tax as a final tax is withheld on a Finnish company's dividend that is paid to a foreign shareholder. The withholding tax is withheld by the company distributing the dividend at the time of dividend payment. The withholding tax rate is 28 percent unless otherwise set forth in a tax treaty.

Finland has entered into double taxation treaties with many countries pursuant to which the withholding tax rate is reduced on dividends paid to persons entitled to the benefits under such treaties. For example, in the case of the treaties with the following countries, Finnish withholding tax rates regarding portfolio shares are generally reduced to the percentages given: Austria: ten percent; Belgium: 15 percent; Canada: 15 percent; Denmark: 15 percent; France: zero; Germany: 15 percent; Ireland: 0 percent; Italy: 15 percent; Japan: 15 percent; the Netherlands: 15 percent; Norway: 15 percent; Spain: 15 percent; Sweden: 15 percent; Switzerland: ten percent; the United Kingdom: zero; and the United States: 15 percent. Please note that this list is not exhaustive. A further reduction in the withholding tax rate is usually available to corporate shareholders for distributions on qualifying holdings (usually direct ownership of at least ten percent of the capital of the distributing company).

Where shares in a Finnish company are held through a nominee account, the Finnish distributing company pays the dividends to the nominee account managed by the custodian, who then delivers the dividend payment to the beneficial owner. Where shares in a Finnish company are held through a nominee account, the Finnish distributing company pays the dividends to the nominee account managed by the custodian, who then delivers the dividend payment to the beneficial owner. If the dividend receiver holding the shares trough a nominee account is a resident in a tax treaty country, the withholding tax from the dividend is the tax rate set forth in the relevant tax treaty, however, at least 15 percent. If the tax rate set forth in the tax treaty is less than 15 percent, an application may be submitted for the refund of the excess withholding tax. The 15 percent withholding tax requires that the foreign custodian intermediary is registered in the Finnish tax authorities' register and that it is resident in a country that Finland has a tax treaty with. Also the foreign custodian intermediary has to have an agreement with the Finnish account operator with regard to the custody of the shares. In such agreement, the foreign custodian intermediary shall, among others, commit to report the dividend receiver's residential country to the account operator and provide additional information to the tax authorities, if needed. If these provisions are not fulfilled, the 28 percent withholding tax will be withheld on the nominee account's dividends.

No withholding tax shall be levied under Finnish tax laws on dividends paid to corporate entities that reside in an EU member state as specified in Article 2 of the Parent-Subsidiary Directive (90/435/EEC) and that directly hold at least 20 percent of the capital of the distributing Finnish company. This threshold will be reduced to 15 percent in 2007 and ten percent in 2009.

Capital Gains

Resident Individuals

Capital gain or loss arising from the sale of Shares (other than in the context of business activities) is taxable as capital gain or deductible as capital loss for resident individuals. Capital gains are currently taxed at a rate of 28 percent. If the shares belong to the business activity (business income source) of the seller, any gain is divided to be taxed as earned income at progressive tax rates and capital income at a flat rate of 28 percent. Any capital gain or loss is calculated by deducting the original acquisition cost and sales related expenses from the sales price. Alternatively, individuals may, in lieu of applying the actual acquisition costs, choose to apply a so-called presumptive acquisition cost, which is equal to 20 percent of the sales price or, in the case of Shares which have been held for at least ten years, 40 percent of the sales price. If the presumptive acquisition cost is used instead of the actual acquisition cost, any selling expenses are deemed to be included therein and, therefore, are not separately deducted from the presumptive acquisition cost.

However, capital gains arising from the sale of assets, such as the Shares, are exempt from tax provided that the proceeds of all assets sold by the resident individual during the calendar year do not, in the aggregate, exceed EUR 1,000. Correspondingly, capital losses are not tax deductible if the acquisition cost of all assets sold during the calendar year do not, in the aggregate, exceed EUR 1,000.

A capital loss arising from the sale of securities, such as the Shares, is deductible from the resident individual's capital gains arising in the same year and during the following three calendar years. As capital losses are not deductible from any other capital income apart from capital gains, they will not be taken into account when calculating the capital income deficit for the calendar year. Thus, such capital losses do not increase the amount of the deficit-credit that is deductible from the taxes under the deficit-crediting scheme.

An individual who is resident in Finland has to enter in the precompleted tax form information regarding the sale of securities (such as the Shares) during the relevant calendar year.

Finnish Limited Liability Companies

The following applies only to Finnish limited liability companies that are taxed on the basis of the Business Income Tax Act.

Shares may be fixed assets, current assets, investment assets or financial assets of a limited liability company. The taxation of a disposal of shares and loss of value may vary according to the asset type for which the shares qualify. Shares may also qualify as personal income source assets of a limited liability company. The Finnish Income Tax Act's provisions are applied to the capital gains that have arisen from the sale of assets from personal income source. Any sales price from the sale of securities is generally included in the business income of a Finnish company. The acquisition cost of the shares is similarly deductible from business income upon disposal of the shares. However, a participation exemption for capital gains on share disposals is available for Finnish companies, provided that certain strict requirements are met.

Under the participation exemption and except for investment companies, capital gains arising from the sale of shares that are part of the fixed assets of the selling company are not considered as taxable business income and, correspondingly, capital losses incurred on the sale of such shares are not tax deductible provided, among other things, that (i) the tax payer has directly and continuously owned the shares for at least one year and that the period has ended not earlier than one year before the sale, and the selling company owns at least ten percent of the share capital in the company whose shares are sold, (ii) the company whose shares have been sold is not a real estate or residential housing company or limited liability company whose activities, on a factual basis, consist of ownership or possession of real estate, and (iii) the company whose shares are sold is resident in Finland, another member state of the European Union as specified in Article 2 of the Parent-Subsidiary Directive (1990/435/EEC) or a country with which Finland has entered into a tax treaty for the elimination of double taxation.

Tax deductible capital losses pertaining to the sale of shares that are part of the fixed assets of the selling company can only be deducted from capital gains arising from the sale of shares in the same fiscal year and the subsequent five years. Capital losses pertaining to the sale of shares that are not part of fixed assets are tax deductible from taxable income in the same fiscal year and the subsequent ten years in accordance with the general rules concerning losses carried forward.

Non-Residents

Non-residents who are not generally liable for tax in Finland generally will not be subject to Finnish taxes on capital gains realized on the sale of shares of a Finnish company, unless the non-resident taxpayer is deemed to have a permanent establishment for income tax purposes in Finland and the shares are considered as assets of that permanent establishment.

Finnish Transfer Tax

There is no transfer tax payable in Finland on transfers or sales of the Shares made on the Helsinki Stock Exchange. If the transaction is executed by a foreign broker not having a branch or office in Finland, the precondition for the tax exemption is that the transferee notifies the transfer to the Finnish tax authorities within two months after such transfer. If the transfer or sale of Shares is not made on the Helsinki Stock Exchange, a transfer tax at the rate of 1.6 percent of the sales price is payable by the buyer. However, if the buyer is neither a resident of Finland nor a Finnish branch of a foreign credit institution nor of a foreign investment firm, the seller must collect the tax from the buyer. A Finnish securities dealer or credit institution, a Finnish branch office of a foreign securities dealer, or a foreign credit institution acting as a broker in the transaction, is liable to collect and pay the transfer tax on behalf of the buyer. If neither the buyer nor the seller is a resident of Finland or a Finnish branch or office of a foreign credit institution or foreign investment firm, the transfer of Shares will be exempt from Finnish transfer tax. Transfer tax is not payable in connection with the issuance of new shares. The minimum amount of transfer tax collected is EUR 10.

The Selling Shareholder will be responsible for any Finnish transfer tax that may be payable in respect of the sale by the Selling Shareholder of the Offer Shares in the Offering.

United States Federal Income Taxation

The following is a summary of the principal U.S. federal income tax consequences that may be relevant with respect to the acquisition, ownership and disposition of Offer Shares. This summary addresses only the U.S. federal income tax considerations of holders that will hold the Offer Shares as capital assets. Except to the extent set forth below, this summary does not address tax considerations applicable to holders that are subject to special tax rules, such as, insurance companies, tax-exempt entities, grantor trusts, certain financial institutions, dealers or traders in securities or currencies, real estate investment trusts, regulated investment companies, persons that have a "functional currency" other than the U.S. dollar, persons who hold Offer Shares as a position in a "straddle" or as part of a "hedging" or "conversion" transaction for U.S. federal income tax purposes, certain former citizens or long-term residents of the United States, persons who receive Offer Shares as compensation for the performance of services and holders owning (actually or constructively) ten percent or more (by voting power or value) of the stock of the Company. Moreover, this summary does not address the U.S. federal estate and gift or alternative minimum tax consequences of the acquisition, ownership or disposition of Offer Shares.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the "Code"), existing, proposed and temporary U.S. Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date of this Offering Circular. All of the foregoing are subject to change (possibly with retroactive effect) which could affect the tax consequences described herein.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of Offer Shares, that for U.S. federal income tax purposes is (i) a citizen or resident of the United States, (ii) a corporation or partnership created in or organized under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if such trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes or if (x) a court within the United States is able to exercise primary supervision over its administration and (y) one or more U.S. persons have the authority to control all of the substantial decisions of such trust.

A "Non-U.S. Holder" is a beneficial owner of Offer Shares that is not a U.S. Holder.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Offer Shares, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its own tax advisor as to its consequences.

Each prospective purchaser should consult its own tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of Offer Shares.

Internal Revenue Service Circular 230 Disclosure

Pursuant to Internal Revenue Service Circular 230, we hereby inform you that the description set forth herein with respect to U.S. federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on the taxpayer under the U.S. Internal Revenue Code. Such description was written to support the marketing of the Offer Shares. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Distributions

The gross amount of any distribution by the Company of cash or property (other than certain distributions, if any, of Offer Shares distributed *pro rata* to all shareholders of the Company) with respect to Offer Shares, before reduction for any Finnish taxes withheld therefrom, will be includible in income by a U.S. Holder as dividend income to the extent such distributions are paid out of the current or accumulated earnings and profits of the Company as determined under U.S. federal income tax principles. Certain non-corporate U.S. Holders generally may be taxed on such dividends at the lower rates applicable to long-term capital gains for taxable years beginning on or before December 31, 2010 (that is, gains from the sale of capital assets held for more than one year). However, a U.S. Holder's eligibility for such preferential rate is subject to certain holding period requirements and the non-existence of certain risk reduction transactions with respect to the Offer Shares. Dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. Holders. To the extent, if any, that the amount of any distribution by the Company exceeds the Company's current and accumulated earnings and profits as determined under U.S. federal income tax principles, it will be treated first as a tax-free return of the U.S. Holder's adjusted tax basis in the Offer Shares and thereafter as capital gain. The Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles.

Any dividend paid in euro (or any currency other than the U.S. dollar) will be included in the gross income of a U.S. Holder in an amount equal to the U.S. dollar value of the euro (or, if not in euro, the currency in which the dividend was paid) amount on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend. A U.S. Holder may have foreign currency gain or loss if it does not convert the amount of such dividend into U.S. dollars on the date of its receipt. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

Dividends received by a U.S. Holder with respect to the Offer Shares will be treated as foreign source income, which may be relevant in calculating such holder's foreign tax credit limitation. Subject to certain conditions and limitations, Finnish tax withheld on dividends at a rate not exceeding the rate provided in the income tax treaty between the United States and Finland (the "Treaty") may be deducted from taxable income or credited against a U.S. Holder's U.S. federal income tax liability. Finnish tax withheld in excess of the Treaty rate for which a refund is available is not eligible for credit against a U.S. Holder's U.S. federal income tax liability. See "*—Finnish Tax Considerations—Taxation of Dividends—Non-Residents*" for a discussion of how a U.S. Holder may obtain the Treaty rate. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by the Company generally will constitute "passive income," or, in the case of certain U.S. Holders, "financial services income." U.S. Holders should note, however, that the "financial services income" category will be eliminated with respect to taxable years beginning after December 31, 2006. Thereafter, the foreign tax credit limitation categories will be limited to "passive category income" and "general category income." U.S. Holders should consult their tax advisors regarding the availability of, and limitation on, any such foreign tax credit.

Subject to the discussion below under "*—Backup Withholding Tax and Information Reporting Requirements*," a Non-U.S. Holder of Offer Shares generally will not be subject to U.S. federal income or withholding tax on dividends received on Offer Shares, unless such income is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States.

Sale or Other Disposition of Offer Shares

A U.S. Holder generally will recognize a gain or loss on the sale or other disposition of Offer Shares equal to the difference between the amount realized on such sale or other disposition and the U.S. Holder's adjusted tax basis in the Offer Shares. Such gain or loss will be a capital gain or loss. In the case of a non-corporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if such U.S. Holder's holding period for such Offer Shares exceeds one year (that is, such gain is long-term capital gain). Gain or loss, if any, recognized by a U.S. Holder generally will be treated as U.S. source income or loss, as the case may be, for U.S. foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

The initial tax basis of the Offer Shares to a U.S. Holder will be the U.S. dollar value of the euro denominated purchase price determined on the date of purchase. If the Offer Shares are treated as traded on an "established securities market," a cash basis U.S. Holder (or, if it elects, an accrual basis U.S. Holder) will determine the U.S. dollar value of the cost of such Offer Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The conversion of U.S. dollars to euro and the immediate use of that currency to purchase Offer Shares generally will not result in taxable gain or loss for a U.S. Holder.

With respect to the sale or other disposition of Offer Shares, the amount realized generally will be the U.S. dollar value of the payment received determined on (i) the date of receipt of payment in the case of a cash basis U.S. Holder and (ii) the date of disposition in the case of an accrual basis U.S. Holder. If the Offer Shares are treated as traded on an "established securities market," a cash basis U.S. Holder (or, if it elects, an accrual basis U.S. Holder) will determine the U.S. dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale.

Subject to the discussion below under "*—Backup Withholding Tax and Information Reporting Requirements*," a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realized on the sale or exchange of Offer Shares unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale or exchange and certain other conditions are met.

Passive Foreign Investment Company Considerations

A non-U.S. corporation is a "passive foreign investment company" (a "PFIC") for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (i) at least 75 percent of its gross income is "passive income" or (ii) at least 50 percent of the gross value of its assets is attributable to assets that produce "passive income" or are held for the production of "passive income." Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions.

Based on certain estimates of the gross income and the average value of the gross assets of the Company and the nature of the Company's business, the Company does not believe it was a PFIC for the taxable year ended December 31, 2005. The Company's status in future years will depend on the Company's assets and activities in those years. The Company has no reason to believe that its assets or activities will change in a manner that would cause it to be classified as a PFIC, but there can be no assurance that the Company will not be considered a PFIC for any taxable year. If the Company were a PFIC, a U.S. Holder of Offer Shares generally would be subject to imputed interest charges and other disadvantageous tax treatment (including the denial of the taxation of dividends at the lower rates applicable to long-term capital gains, as discussed above under "*—Distributions*") with respect to any gain from the sale or other disposition of, and certain distributions with respect to, the Offer Shares.

If the Company were a PFIC, a U.S. Holder could make a variety of elections that could help to alleviate certain of the tax consequence referred to above, and one of these elections may be made retroactively. However, it is expected that the conditions necessary for making certain of such elections will not apply in the case of the Offer Shares. U.S. Holders should consult their own tax advisors regarding the tax consequences that would arise if the Company were treated as a PFIC.

Backup Withholding Tax and Information Reporting Requirements

U.S. backup withholding tax and information reporting requirements generally will apply to certain payments to non-corporate holders of stock. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, Offer Shares made within the United States, or by a U.S. payor or U.S. middleman, to a holder of Offer Shares (other than an "exempt recipient," including a corporation, a payee that is not a U.S. person that provides an appropriate certification and certain other persons). A payor will be required to withhold backup withholding tax from any payments of the proceeds from the sale or other disposition of Offer Shares, or dividends paid with respect to the Offer Shares, within the United States, or by a U.S. payor or U.S. middleman, to a holder (other than an "exempt recipient") if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with such backup withholding tax requirements. The backup withholding tax rate is 28 percent for taxable years through 2010. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is furnished to the Internal Revenue Service.

In the case of such payments made within the United States to a foreign simple trust, a foreign grantor trust, or a foreign partnership (other than payments to a foreign simple trust, a foreign grantor trust or a foreign partnership that qualifies as a "withholding foreign trust" or a "withholding foreign partnership" within the meaning of the applicable U.S. Treasury Regulations and payments to a foreign simple trust, a foreign grantor trust or a foreign partnership that are effectively connected with the conduct of a trade or business in the United States), the beneficiaries of the foreign simple trust, the persons treated as the owners of the foreign grantor trust or the partners of the foreign partnership, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from backup withholding tax and information reporting requirements. Moreover, a payor may rely on a certification provided by a payee that is not a U.S. person only if such payor does not have actual knowledge or a reason to know that any information or certification stated in such certificate is unreliable.

The above summary is not intended to constitute a complete analysis of all tax consequences relating to ownership of Offer Shares. Prospective investors should consult their own tax advisors concerning the tax consequences of their particular situations.

PLAN OF DISTRIBUTION

General

Subject to the terms and conditions of the Purchase Agreement that is expected to be executed among the Selling Shareholder, the Company and the Managers on or about October 9, 2006 (the "Purchase Agreement"), the Selling Shareholder is expected to agree to sell to the Managers or purchasers procured by them, and each of the Managers is expected to severally agree to purchase or procure purchasers for, at the Offer Price, the respective number of Offer Shares set forth opposite their names below. The Managers will receive from the Selling Shareholder a combined selling, underwriting and advisory fee of EUR 9.7 million assuming that the Offer Price per Offer Share will be at mid-point of the Offer Price range, the Over-Allotment Option is not exercised and the maximum number of Offer Shares is included in the Offering. In addition to the combined selling, underwriting and advisory fee, the Selling Shareholder may pay to the Managers (at its sole discretion) an incentive fee of up to EUR 1.8 million based upon the same assumptions.

Managers	Number of Offer Shares
Institutional Offering	
Nordea	16,632,001
Lehman Brothers	13,608,000
	30,240,001
Retail Offering	
Nordea	3,360,000
	33,600,001

The Purchase Agreement is expected to provide that the obligations of the Managers are subject to certain conditions precedent and that the Managers are committed to take and pay for all of the Offer Shares, if any are taken. The Company and the Selling Shareholder are expected to agree in the Purchase Agreement to indemnify the Managers against certain liabilities, including liabilities under the U.S. Securities Act. In addition, the Company is expected to agree to reimburse the Managers for certain of their expenses.

The Selling Shareholder has announced that it will grant Nordea, acting on behalf of the Managers, the Over-Allotment Option exercisable at any time within 30 days after the commencement of the trading of the Shares on the Helsinki Stock Exchange, to purchase up to an aggregate of 3,360,000 Offer Shares of the Company solely to cover over-allotments, if any, at the Offer Price, less a combined underwriting and selling commission corresponding to such Offer Shares. If Nordea, acting on behalf of the Managers, exercises the Over-Allotment Option, the Managers are expected to severally agree, subject to certain conditions, that each of them will purchase approximately the same percentage of the Offer Shares to be sold pursuant to the Over-Allotment Option as the number of Offer Shares to be purchased by each of them, as shown in the foregoing table, bears to the total number of Offer Shares offered in the Offering.

The Offer Price will be determined by negotiation among the Selling Shareholder and the Managers and may vary from the market price of the Shares subsequent to the Offering. The final price per Offer Share, the total number of Offer Shares and the number of Offer Shares offered in the Retail Offering and the Institutional Offering will be set out in a stock exchange release to be issued by the Company on or about October 9, 2006.

Offers and sales of the Offer Shares in the United States will be made only to qualified institutional buyers, as defined in, and in reliance on, Rule 144A under the U.S. Securities Act, and will be made by the Managers solely through affiliated securities brokers or dealers registered with the SEC under Section 15 of the Exchange Act.

Except for Offer Shares sold in the Offering (including any additional Shares sold pursuant to the Over-Allotment Option), each of the Company and the Selling Shareholder have informed that they will not, without the prior written consent (which consent shall not be unreasonably delayed or withheld) of Nordea on its own behalf and on behalf of Lehman Brothers (having first consulted with Lehman Brothers), during the period from the date of the Purchase Agreement and ending 180 days after the date of the pricing announcement relating to the Offering, as applicable, (i) issue, offer, pledge, sell, lend, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

In connection with the Offering, Nordea or its agents may (but will be under no obligation to), during a period of 30 days after the commencement of the trading of the Shares on the Helsinki Stock Exchange, that is, from or about October 10, 2006 to or about November 8, 2006, effect transactions which stabilize or maintain the market prices of the Shares which might not otherwise prevail in the open market (stabilization). These activities may raise the market price of the Shares above independent market levels or prevent or retard a decline in the market price of the Shares. Such transactions may be effected on the Helsinki Stock Exchange or otherwise. There can be no assurance that such stabilization will be undertaken, and, if undertaken, such stabilization, if commenced, may be discontinued at any time and, in any event, will be discontinued 30 days after the commencement of the trading of the Shares on the Helsinki Stock Exchange. Nordea may purchase a maximum of 5,040,000 Shares in such transactions at a maximum price equating the final price for Offer Shares. After the termination of the stabilizing period, Nordea shall publish information on stabilization as required by law or applicable regulation.

Stabilization follows the Commission Regulation (EC) No 2273/2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programs and stabilization of financial instruments.

Selling Restrictions

General

Other than in connection with the Retail Offering, no action has been taken in any jurisdiction by the Company, the Selling Shareholder or the Managers that would permit a public offering of the Offer Shares, or possession or distribution of any offering documents or any amendment or supplement thereto or any other offering or publicity materials relating to the Offer Shares, in any country or jurisdiction where action for that purpose is required. Accordingly, no offer or sale of the Offer Shares may be made, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Offer Shares may be distributed or published in any jurisdiction except under circumstances that will result in compliance with the applicable laws thereof. Persons to whom this Offering Circular is delivered are required by the Company, the Selling Shareholder or the Managers to inform themselves about and to observe any restrictions to the offering of the Offer Shares and the distribution of this Offering Circular.

United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act, or any state securities laws, and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

United Kingdom

This Offering Circular is directed only at persons who (i) are outside the United Kingdom or (ii) are persons falling within Article 19(5) ("investment professionals") of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons together being referred to as "relevant persons"). This Offering Circular must not be acted on or relied on by persons in the United Kingdom who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons. All sales of the Offer Shares will comply with all applicable provisions of the FSMA with respect to anything done in relation to the Offering and the Offer Shares in, from, or otherwise involving the United Kingdom. No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Offer Shares in circumstances in which Section 21(1) of the FSMA applies to Outokumpu Technology.

European Economic Area

In relation to each Relevant Member State, an offer to the public of the Offer Shares which are the subject of the Offering contemplated by this Offering Circular may not be made in that Relevant Member State other than the offer contemplated in the Finnish Offering Circular in Finland once the Finnish Offering Circular has been approved by the competent authority in Finland and published in accordance with the Prospectus Directive as implemented in Finland except that an offer to the public in that Relevant Member State of any Offer Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than EUR 43,000,000 and (iii) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts;

(c) by the Managers to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Lead Manager for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Offer Shares shall result in a requirement for the publication by the Company or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer Shares to be offered so as to enable an investor to decide to purchase any Offer Shares, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state.

TRANSFER RESTRICTIONS

The Offer Shares have not been and will not be registered under the U.S. Securities Act, or any state securities laws, and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

Each purchaser in the United States of the Offer Shares offered hereby will be deemed to have represented and agreed that it has received a copy of this Offering Circular and such other information as it deems necessary to make an investment decision and that (terms used herein that are defined in Rule 144A or Regulation S under the U.S. Securities Act are used herein as defined therein):

(a) it is (i) a qualified institutional buyer, (ii) acquiring such Offer Shares for its own account or for the account of one or more qualified institutional buyers with respect to whom it has the authority to make, and does make, the representations and warranties set forth herein, (iii) is not acquiring the Offer Shares with a view to further distribution of such Offer Shares and (iv) is aware and each beneficial owner of such Offer Shares has been advised, that the sale of Offer Shares to it is being made in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the U.S. Securities Act;

(b) it understands that the Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be reoffered, resold, pledged or otherwise transferred except (A) (i) to a person who the purchaser and any person acting on its behalf reasonably believes is a qualified institutional buyer purchasing for its own account or for the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (iii) pursuant to an exemption from registration under the U.S. Securities Act provided by Rule 144 thereunder (if available) and (B) in accordance with all applicable securities of laws of the States of the United States;

(c) it acknowledges that the Offer Shares offered and sold hereby in the manner set forth above are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of Offer Shares. The purchaser understands that they may not be deposited into any unrestricted depositary receipt facility in respect of shares of the Company that may be established or maintained by a depositary bank, unless and until such time as such Offer Shares are no longer restricted securities within the meaning of Rule 144(a)(3) under the U.S. Securities Act; and

(d) it understands that any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions may not be recognized by the Company.

Each purchaser of the Offer Shares offered hereby in reliance on Regulation S will be deemed to have represented and agreed that it has received a copy of this document and such other information as it deems necessary to make an investment decision and that:

(a) it is aware that the Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States;

(b) it is purchasing the Offer Shares in an offshore transaction meeting the requirements of Regulation S; and

(c) it will not offer, sell, pledge or transfer any Offer Shares, except in accordance with the U.S. Securities Act and any applicable laws of any state of the United States and any other jurisdiction.

LEGAL MATTERS

Certain legal matters in connection with the Offering with respect to English, Finnish and U.S. law will be passed upon for the Company and the Selling Shareholder by White & Case LLP. Certain legal advice in connection with the Offering with respect to English and U.S. law is being provided to the Managers by Clifford Chance LLP.

DOCUMENTS ON DISPLAY

Copies of the following documents may be inspected during the period of validity of this Offering Circular at the registered office of Outokumpu Technology, address Riihitontuntie 7C, FI-02200 Espoo, Finland on weekdays during normal business hours:

- the Articles of Association of the Company as at the date of this Offering Circular;
- the Company's unaudited interim combined financial statements for the six months ended June 30, 2005 and 2006;
- the Company's audited combined financial statements for the years ended December 31, 2003, 2004 and 2005;
- Outokumpu Technology Oy's (currently, Outokumpu Technology Oyj) audited financial statements for the years ended December 31, 2003, 2004 and 2005;
- this Offering Circular; and
- the decisions of the Finnish Financial Supervision Authority regarding this Offering Circular.

GLOSSARY

Agglomeration . . . . The formation of a lump by the coalescence of smaller globules, refers to briquetting, nodulizing, sintering, etc.

Alumina . . . . Aluminum oxide processed from bauxite ore; used as raw material in aluminum production.

Anode . . . . In copper, nickel, cobolt and zinc production a rectangular metal plate with positive charge cast in a shape suitable for refining by the electrolytic process. In the electrorefining process the anode is made of the impure metal to be refined and in the electrowinning process it is made of material inert in the process.

Anode furnace . . . . A copper (or more seldom nickel) refining furnace, in which blister copper (or impure nickel) is fire refined.

Anode slime . . . . Metals or metal compounds left at, or falling from, the anode during electrolytic refining, normally containing gold, silver and platinum group metals.

Atmospheric reactor . . . . A hydrometallurgical reactor working at normal atmospheric pressure.

Autoclave . . . . A hydrometallurgical reactor working at elevated pressure and temperature.

Bacterial leaching, bioleaching . . The extraction of metals from their ores or concentrates using microorganisms. Microbial technology offers an economic alternative for the mining industry, at a time when high-grade mineral resources are being depleted.

Ball mill . . . . A steel cylinder containing steel balls used to grind ore. The mill is rotated causing the balls to cascade and grind the ore.

Base metals . . . . Metals usually considered to be of lower value, such as copper, lead, zinc and nickel, when compared with the noble metals gold, silver and platinum.

Bauxite . . . . The main ore of aluminum.

Beneficiation . . . . The treatment of mined material, making it more concentrated or rich.

Blast furnace . . . . A tall, refractory lined vertical shaft furnace for the production of pig iron or hot metal for direct conversion into steel.

Brownfield . . . . Brownfield investments are carried out at the existing site consisting mainly of expansion, modernization and maintenance.

Calcination, calcining . . . . Heating ores, concentrates, precipitates or residues to decompose carbonates, hydrates or other gas forming compounds.

Carbon plant . . . . Plant for the production of baked anode blocks, for use in the aluminum smelting electrolysis process. The “carbon plant” is made up of the sectors: green anode plant, anode baking plant, carbon scrap recycling plant and rodding shop.

Cathode . . . . In copper, nickel, cobalt and zinc production, a rectangular metal plate with a negative charge used in electrolytic refining. The deposited metal recovered onto this plate is called cathode metal and is melted and cast into commercial shapes such as bars, ingots or rod.

Cathode copper . . . . Electrolytically refined copper that has been deposited on the cathode of an electrolytic bath of acidified copper sulfate solution. Such sheet formed copper is usually marketed in bundles of approximately 2.5 tons.

Caustic . . . . Sodium hydroxide solution, used for the extraction of alumina from bauxite in the Bayer process.

Chromite . . . . An isometric chromium containing oxide ore mineral; also in black sands, the major source of chromium.

Chromium . . . . An element that increases the hardenability of steel and in association with high carbon gives resistance to wear and abrasion. Chromium has an important effect on corrosion resistance and is present in stainless steels in amounts of 12 percent to 20 percent.

Circulating fluidized bed (CFB), fluidized bed (FB) . . . . A bed of small solid particles suspended and kept in motion by an upward flow of a fluid (as a gas). In CFB — in contrast to the conventional stationary fluid bed (FB) — the bed is continuously renewed by circulating the solids with gas stream in a controlled way. Fluidized-bed roasters have found wide acceptance because of their high capacity and efficiency.

Clarifier . . . . A settling tank or other vessel for separating suspended solid matter from a liquid to produce clean liquid.

Concentrate . . . . A mineral product containing valuable metals from which most of the waste rock has been separated.

Concentrator, concentrating plant . . . . A plant for the recovery of valuable minerals from ore in the form of concentrate. Located typically at the mine site, adjacent to the mine.

Converting . . . . In pyrometallurgy a process of removing impurities from molten metal or metallic compounds by blowing air through the melt. The impurities are transformed either to gaseous compounds, which are removed by volatilization, or to liquid compounds which are removed as slags.

Conversion process . . . . A hydrometallurgical process in which a less noble metal element in a sulfidic ore or concentrate having no value (e.g., iron) is substituted by a more noble, valuable metal element (e.g., copper, nickel) dissolved in the solution; thus enriching the ore or concentrate. Outokumpu Technology has developed unique processing technologies based on this process.

Crude steel . . . . The first solid steel product upon solidification of liquid steel in a steel mill.

Direct leaching . . . . A hydrometallurgical processing technology that directly dissolves metals from sulfidic concentrates in a special leaching process without normal preceding pyrometallurgical treatment.

Direct reduction . . . . An iron making process in which iron oxide pellets and/or lump iron ore, are reduced (oxygen removed) in solid state by a reducing gas, producing direct reduced iron (DRI). Only high-grade ores and pellets are suitable for direct reduction.

DRI (direct reduced iron) . . . . . . Solid metallic iron product obtained upon direct reduction of high grade iron ore in solid state itself without being converted into liquid form like that in blast furnace.

Direct smelting . . . . A pyrometallurgical process involving coal based direct smelting and reduction of iron ore to produce reduced molten pig iron that may be immediately refined to steel. Direct smelting is a new alternative process for hot metal production to substitute the conventional capital intensive blast furnace process.

Downstream . . . . Processes that occur later on in a production sequence, for example, from ore to metal.

Effluent . . . . Generally considered to be pollution, such as the discharge from industrial works.

Electrolysis . . . . An electrochemical process in which electric current is passed through a solution containing dissolved metals (electrolyte), causing the metals to be deposited onto a cathode.

Electrolytic refining, electrorefining . . . . A hydrometallurgical process to refine metals, typically copper, by electrochemically dissolving the impure metal (as cast) anode into to the acidic electrolyte and coincidently precipitating it selectively onto the cathode as pure metal.

Electrowinning . . . . A hydrometallurgical process in which a valuable metal, typically copper, nickel, cobalt or zinc, dissolved in the acidic electrolyte is selectively recovered as pure metal by electrochemically depositing it on the cathode.

EPC . . . . Engineering, procurement and construction.

EPCM . . . . Engineering, procurement, and construction management.

Extraction . . . . In mining and metallurgical industry, a term describing commonly separating and upgrading steps or series of steps in the production chain of a desired metal from ore towards pure metal.

Feasibility study . . . . An engineering study designed to define the technical, economic, and legal viability of a capitalization project — like a mining project — with a degree of predicted reliability.

Ferroalloy . . . . Metal alloy products such as ferrochrome, ferronickel, ferromolybdenum that are commonly used as tradeable raw materials for alloying in steel making.

Ferrous metals . . . . A classification of a certain group metals commonly having chemical and physical properties next to iron, in addition to iron itself, such as chromium, manganese and vanadium.

Fire refining . . . . A pyrometallurgical process used for the removal of impurities from impure molten metals produced by the smelting process by introducing air and possibly fluxes into the molten metal.

Flash converting . . . . A process whereby copper concentrate is first smelted in a primary smelting furnace to produce high-grade copper matte. The fine-grained ground solid matte is oxidized and smelted in the flash converting furnace to blister copper and slag using pure oxygen or high oxygen enrichment.

Flash smelting . . . . A smelting process in which dried metal sulfide concentrates are blown with oxygen or oxygen-rich air in a hot hearth-type furnace such that the particles react rapidly with the oxygen to generate a large amount of heat, partially (controlled) oxidizing the concentrates and producing a molten matte phase containing the metal values, which will be further processed, and a molten slag.

Flotation, froth flotation . . . . A method of separating metal-containing minerals from gangue, by adding chemicals to a pulp mixture of water and mineral rendering metal-containing minerals hydrophobic. The hydrophobic particles will cling to introduced air bubbles which pass through the mixture thus separating them from other particles.

Flow sheet . . . . An illustration showing the sequence of operations, step by step, in the production chain.

Flue gas desulfurization . . . . A technology that employs a sorbent, usually lime or limestone, to remove sulfur dioxide from the gases produced by burning fossil fuels. State-of-the art technology for major sulfur dioxide emitting power plants.

Fluidized bed (fluid bed, FB) . . . See circulating fluidized bed.

Froth control . . . . A control system dedicated to enhancing the performance of the flotation process.

Galvanizing . . . . A chemical process that is used to coat steel or iron with zinc to reduce corrosion.

Green anode plant . . . . Plant sector in the primary aluminum smelter to produce "green" (that is, "raw" or unbaked) anode blocks from calcined petroleum coke or recycled carbon material, using liquid coal tar pitch as binder These blocks are used — after baking — as consumable anode in the aluminum smelting electrolysis.

Greenfield . . . . Greenfield investments are carried out at a site where no mining or metals processing activity is carried out by the time of the investment.

Grinding . . . . Size reduction into fine solid particles in a mill

Heap leaching . . . . A hydrometallurgical process whereby valuable metals, usually copper or gold, are leached from a heap of crushed ore by continuously irrigated leaching solution percolating down through the heap dissolving the metal and subsequently collected from a sloping, impermeable liner below in the form of a pregnant leach solution.

Hot metal . . . . Molten carbon saturated raw iron (pig iron) tapped from a blast furnace or from a direct smelting furnace to be sent to the following steel making process.

HydroCopper™ . . . . A new hydrometallurgical process developed by Outokumpu Technology for producing high-quality copper directly from sulfidic copper concentrate using chloride leaching.

Hydrometallurgy . . . . The treatment of ores, concentrates, and other metal-bearing materials by aqueous based wet chemical and physical processes, usually involving leaching, leach solution purification and desired metal(s) recovery as the main process steps.

Ilmenite . . . . Iron and titanium bearing oxide mineral; the major valuable mineral for titanium; also in mineral sands.

Indurating . . . . A pyrometallurgical process whereby unfired pellets are hardened at high temperature in an indurating furnace to give them mechanical strength for transportation and for further downstream processing.

Industrial minerals . . . . Usually non-metallic minerals used in industry and manufacturing processes in their natural state, for example clays, silica sand, talc, limestone/chalk, gypsum and potash.

IPR . . . . Intellectual property rights.

Laterite . . . . Red soil developed in humid, tropical, and subtropical regions of good drainage, contains concentrations of iron oxides and hydroxides and aluminum hydroxides and can be exploited due to its aluminum, manganese, or nickel contents — depending on the composition of the laterite.

Leaching . . . . Dissolution from ore or concentrates typically after suitable comminution to expose the valuable minerals, by aqueous and chemical attack targeting to get desired metals into the solution. If heat and pressure are used to intensify or speed this, the work is called pressure leaching.

Lime saturator . . . . A device that makes clarified saturated lime solution for drinking water plants.

Lump ore . . . . Beneficiated high-grade ore in a lumpy form (typically 8-30 mm in diameter) for further downstream processing; in contrast to the fine-grained ore concentrate. Term used especially in iron, ferrochrome and ferromanganese production.

Magnetic separation . . . . Separation of magnetic materials from non-magnetic materials, using a magnet. An important process in the beneficiation of iron ores to separate magnetite from other minerals.

Matte . . . . An intermediate product of a smelter, being a mixture of metals (*e.g.*, iron and copper or/and nickel and cobalt) with some contained sulfur. It must be further refined to obtain the pure metal.

Metallurgical feedstock . . . . Raw material supplied to a metallurgical processing plant.

Metallurgy . . . . Science/art of extracting metals from their ores. Also used to refer to the science of metals processing.

Mineral deposit . . . . A mineral occurrence of sufficient size and grade that it might, under favorable circumstances, be considered to have economic potential.

Mineral . . . . An inorganic compound occurring naturally in the earth's crust, with a distinctive set of physical properties, and a definite chemical composition.

Ore . . . . A mineral deposit that can be mined economically.

Oxide . . . . A compound of oxygen with another element. Also referring to a mineral compound characterized by the linkage of oxygen with one or more metallic elements, such as iron (magnetite) and chromium (chromite).

Paste thickener . . . . A thickener, which concentrates solids much higher than conventional and high rate thickeners, but with an underflow that can be pumped. As an alternative to filtration, paste thickening offers additional water recovery compared to conventional thickening in a continuous process and is therefore a good method in dry areas.

Pellet . . . . Spherical agglomerates (typically 8-18 mm in diameter) made (pelletized) of fine-grained particles to allow the suitability of the material for more beneficial downstream processing.

Pelletizing . . . . A method in which fine-grained moist material is rolled in a drum or on an inclined disk, so that the particles cling together and roll up into small, spherical pellets. The addition of a binder may be required to produce a pellet of acceptable mechanical strength. The green ore concentrate pellets are practically always heat hardened (sintered) for the same reason. Pelletizing is used especially for iron and chromite ore fines.

Permanent cathode . . . . Stainless steel plates (approximately 1m x 1m) used as reusable cathodes for copper electrorefining and electrowinning processes. High-quality permanent cathodes made of special stainless steel are used to maximize the productivity of the copper refinery. Permanent cathodes simplify the production and offer a better operational safety and enhanced working environment in the refinery.

Physical separation . . . . Covers a wide range of techniques, such as magnetic, electrical, thermal, gravity and dense medium separation, filtration and liberation, which are applied to mineral beneficiation, waste treatment and recycling.

Pig iron . . . . The product of the blast furnace.

Pilot plant . . . . A non-commercial scale plant in which processing steps are systematically investigated under conditions simulating a full production unit to obtain engineering and other data needed, establish finished product technical specifications, or design special equipment required by a new or improved production process.

Pressure leaching . . . . See leaching.

Pyrite . . . . The most common iron sulfide mineral. An important gold bearing mineral and a source of sulfur for sulfuric acid production. Occurs commonly also in sulfidic copper ores.

Pyrometallurgy . . . . Metallurgical operations that involve processing at temperatures above ambient conditions, generally involving chemical reactions, for example fluid bed roasting of zinc concentrates, smelting of copper concentrates and fire refining of blister copper.

Recovery . . . . The amount of ore, mineral or element finally obtained through various processes in relation to its original amount. Usually expressed in percentage.

Reduction . . . . In chemistry and metallurgy strictly, the process step when an element captures electrons and reduces to a lower reduction stage; meaning for metal elements closer to metallic stage. In practical pyrometallurgical terminology, removal of oxygen from oxygen-containing compounds (oxides).

Refining . . . . The removal of impurities from a metal to be refined. Both pyrometallurgical and hydrometallurgical refining methods are used.

Roasting . . . . In pyrometallurgy, a pre-treatment process at elevated temperature to oxidize the ore or concentrate to be more suitable for the following downstream processing. Roasting is in practice most often conducted with air (oxidizing roasting); called dead roasting when thoroughly done for sulfidic concentrates and sulfatizing roasting if the valuable metals are transformed to (water soluble) sulfates.

Rod mill . . . . A mill for fine grinding, somewhat similar to the ball mill, but employing long steel rods instead of balls as the grinding medium.

Rodding shop . . . . Plant sector in the primary aluminum smelter to process used anode assemblies, separate the bath (flux) and carbon residue, recondition the metallic electric current conductor bar ("rod"), and seal the "rods" into new baked carbon anode blocks for use in the aluminum electrolysis.

RTD . . . . Research and technology development.

Selenium . . . . A non-metallic element that closely resembles sulfur in its properties. A typical by-product recovered when processing copper concentrates; reporting at the end to copper anode slime in the copper electrorefining process. Recovered as a part of anode slime treatment process called selenium process.

Sinter . . . . In pyrometallurgy, baked agglomerates of fine-grain particles that stick together in roughly one to two-inch lumpy chunks to allow more suitable downstream processing. Typically used for iron ore concentrates and iron containing dust collected from the blast furnaces.

Sintering . . . . A pyrometallurgical process used to agglomerate fine ore. This is necessary because in their original condition fine ores would choke the downstream processing furnace (*e.g.*, blast furnace).

Slag . . . . The vitreous mass of molten glass-like material separated floating from the molten metals in the smelting, converting or fire refining process. Slags, insoluble in the metal, typically absorb desired impurities or/and protects the molten metal from oxidizing and/ or cooling by loosing radient heat. The composition of slag is carefully adjusted with additives called fluxes.

Slime treatment . . . . Anode slimes are the metals or metal compounds left at, or falling from, the anode during electrolytic refining of metals, typically copper. These metals, often gold, silver and platinum group metals, are recovered in an anode slime treatment process.

Slurry sampling . . . . Sampling of water or a liquid containing a high concentration of suspended solids. Often referring to sampling of different process phases of a flotation sequence in a minerals processing plant (concentrator).

Smelting . . . . A pyrometallurgical thermal processing operation in which the metal (or matte) is separated in molten form from non-metallic materials or other undesired metals with which it is associated. Smelting always includes coincidentally necessary and desired chemical reactions, melting typically not or in a much lesser degree.

Solution purification . . . . An essential part of hydrometallurgical processing chain, after the first leaching step, where impurities are separated by different means from the leach solution containing also the desired main metal. As an example in the zinc leaching process also other metallic components nobler than zinc like copper, cobalt, nickel and cadmium are leached and must be removed in the solution purification process before final electrowinning to recover pure zinc.

Solvent extraction (SX) . . . . A wet chemical/hydrometallurgical process to extract selectively desired species, typically desired dissolved metal, from an aqueous pregnant leach solution (PLS) with the aid of a reagent dissolved in an organic solvent phase (insoluble in the PLS). PLS and organic solvent, typically kerosene, are first mixed intensively together in a mixer where the desired metal is captured from the PLS to the organic phase by the reagent in the latter phase. Lighter, water insoluble organic phase with the now dissolved desired metal is next let to separate on the top in a settler and then removed for the following stripping stage. The desired metal is stripped, through the adjustment of acidity (pH), from the organic phase as pure to a new aqueous phase for final recovery—typically electrowinning (EW) for copper and zinc.

Spent acid regeneration . . . . A recovery process that re-produces sulfuric acid from contaminated, used (spent) sulfuric acid. Costs are much higher compared to the acid produced from conventional raw materials, but sometimes it is more economical than the ecologically acceptable disposal of spent acids.

Stripping machine . . . . A device for removing the refined metal, typically copper or zinc, from the (permanent) cathode.

Sulfide . . . . A mineral compound characterized by the linkage of sulfur with a metal (or metals) or semimetal (semimetals), for example, pyrite.

Sulfur dioxide . . . . Poisonous gas, which has a pungent, irritating odor and which is a typical by-product of a (copper, nickel, zinc) sulfide smelter used as raw material for consequent sulfuric acid production.

Sulfuric acid . . . . A dense, colorless liquid base chemical of the chemical industry. Used extensively for production of fertilizers and to leach stockpiles of oxidized copper ore. Sulfuric acid is primarily produced as a by-product of smelting, but it is also be generated by other means starting from elemental sulfur.

Synthetic rutile	A synthetic tetragonal oxide mineral in which titanium replaces iron; an intermediate raw material of titanium.
Tank farm	A plant section between solvent extraction and electrowinning phases in hydrometallurgical copper production, used for circulating the solvents and purifying the electrolyte.
Thickening	The concentration of the solids in a suspension with a view to recovering (most of) the solids in a fraction (underflow) with a higher concentration of solids than in the original suspension.
Titanium	A metallic element found in nature only in compounds; occurs chiefly in ilmenite, rutile and titanite.
Traveling grate	A type of furnace in which assembled links of grates are joined together in a perpetual belt arrangement, typically used for iron ore sintering and pelletizing.
Upstream	Early activities of the production chain, for example, mine to metal value chain.

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UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2006

All figures in the financial statements have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

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OUTOKUMPU TECHNOLOGY

UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

COMBINED INCOME STATEMENT

€ million	Note	For the six months ended June 30, 2005	2006
Sales		216.7	320.9
Cost of sales		(177.6)	(258.9)
Gross margin		39.1	62.1
Other operating income		0.5	1.4
Selling and marketing expenses		(20.3)	(23.1)
Administrative expenses		(14.2)	(15.8)
Research and development expenses		(6.9)	(8.5)
Other operating expenses		(1.4)	(1.6)
Share of results of associated companies		(0.1)	(0.4)
Operating profit/(loss)		(3.4)	14.1
Financial income/(expenses)			
Net interest income/(expenses)		0.8	3.7
Market price gains/(losses)		0.9	(1.4)
Other financial income/(expenses)		(0.3)	(0.8)
Total financial income/(expenses)		1.5	1.5
Profit/(loss) before taxes		(1.9)	15.6
Income taxes	3	(1.5)	(7.0)
Net profit/(loss) for the period		(3.4)	8.7
Attributable to:			
Equity holders of the Company		(3.4)	8.7
Minority interest		0.0	0.0
Earnings per share for profit attributable to the equity holders of the Company:			
Earnings per share, €		(0.08)	0.21
Diluted earnings per share, €		(0.08)	0.21

See also notes to unaudited condensed combined interim financial statements.

UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

COMBINED BALANCE SHEET

€ million	Note	As at June 30, 2005	2006
ASSETS			
Non-current assets			
Intangible assets		74.3	73.3
Property, plant and equipment		31.1	29.1
Investments in associated companies		1.2	1.5
Available-for-sale financial assets		0.8	0.8
Deferred tax assets		9.3	12.3
Trade and other receivables		3.6	2.5
Total non-current assets		120.2	119.5
Current assets			
Inventories		50.6	38.6
Available-for-sale financial assets		0.0	0.0
Derivative financial instruments	5	3.3	1.0
Trade and other receivables		82.3	131.1
Cash and cash equivalents		69.1	117.8
Total current assets		205.3	288.5
TOTAL ASSETS		325.5	408.0

See also notes to unaudited condensed combined interim financial statements.

COMBINED BALANCE SHEET (Continued)

€ million	Note	As at June 30, 2005	2006
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company			
Share capital		16.8	16.8
Premium fund		20.2	20.2
Other reserves		0.2	0.1
Retained earnings		56.4	70.3
Net profit/(loss) for the period		(3.4)	8.7
		90.1	116.1
Minority interest		0.0	0.0
Total equity		90.1	116.1
Non-current liabilities			
Interest-bearing debt		3.6	3.8
Deferred tax liabilities		8.1	14.7
Pension obligations		18.0	18.5
Provisions		1.0	0.9
Trade and other payables		3.3	2.4
Total non-current liabilities		34.1	40.3
Current liabilities			
Interest-bearing debt		10.5	6.8
Derivative financial instruments	5	5.1	0.5
Income tax liabilities		0.9	4.3
Provisions		3.0	2.2
Trade and other payables		181.8	237.9
Total current liabilities		201.3	251.6
TOTAL EQUITY AND LIABILITIES		325.5	408.0

See also notes to unaudited condensed combined interim financial statements.

CONDENSED COMBINED STATEMENT OF CASH FLOWS

€ million	For the six months ended June 30, 2005	2006
Cash flow from operating activities		
Net profit/(loss) for the period	(3.4)	8.7
Adjustments for		
Depreciation and amortization	4.8	5.1
Impairments	—	1.5
Other adjustments	0.5	3.6
Decrease (increase) in working capital	19.2	(18.3)
Interest received	1.4	4.3
Interest paid	(0.5)	(0.6)
Income tax paid	(1.8)	(3.7)
Net cash from operating activities	20.2	0.6
Cash flow from investing activities		
Purchases of assets	(5.5)	(3.3)
Proceeds from sale of assets	0.8	0.0
Change in other investing activities	(2.1)	(0.1)
Net cash from investing activities	(6.8)	(3.4)
Cash flow before financing activities	13.3	(2.9)
Cash flow from financing activities		
Repayments of long-term debt	(0.2)	(2.4)
Increase in current debt	0.6	3.2
Change in other financing activities	(0.0)	(0.9)
Net cash from financing activities	0.4	(0.1)
Other adjustments	1.9	(0.0)
Net change in cash and cash equivalents	15.6	(2.9)
Cash and cash equivalents at the beginning of the financial period	52.9	126.3
Foreign exchange rate effect on cash and cash equivalents	0.6	(5.7)
Net change in cash and cash equivalents	15.6	(2.9)
Cash and cash equivalents at the end of the period	69.1	117.8

See also notes to unaudited condensed combined interim financial statements.

COMBINED STATEMENT OF CHANGES IN EQUITY

€ million	Share capital	Premium fund	Other reserves	Fair value reserves	Cumulative translation differences	Retained earnings	Minority interest	Total equity
	Attributable to the equity holders of the Company							
Equity on January 1, 2005	16.8	20.2	0.1	0.1	5.6	48.0	0.0	90.9
Fair value gains on available-for-sale financial assets	—	—	—	(0.1)	—	—	—	(0.1)
Change in translation differences	—	—	—	—	2.7	—	0.0	2.7
Items recognized directly in equity	—	—	—	(0.1)	2.7	—	0.0	2.6
Net loss for the financial period	—	—	—	—	—	(3.4)	(0.0)	(3.4)
Total recognized income and expenses	—	—	—	(0.1)	2.7	(3.4)	(0.0)	(0.8)
Management stock option program: value of received services	—	—	—	—	—	0.0	—	0.0
Other changes	—	—	(0.0)	—	—	—	—	(0.0)
Equity on June 30, 2005	16.8	20.2	0.1	0.0	8.4	44.6	0.0	90.1

€ million	Share capital	Premium fund	Other reserves	Fair value reserves	Cumulative translation differences	Retained earnings	Minority interest	Total equity
	Attributable to the equity holders of the Company							
Equity on January 1, 2006	16.8	20.2	0.1	0.0	9.0	64.5	0.1	110.7
Change in translation differences	—	—	—	—	(3.2)	—	0.0	(3.2)
Items recognized directly in equity	—	—	—	—	(3.2)	—	0.0	(3.2)
Net profit for the financial period	—	—	—	—	—	8.7	(0.0)	8.7
Total recognized income and expenses	—	—	—	—	(3.2)	8.7	(0.0)	5.4
Management stock option program: value of received services	—	—	—	—	—	0.0	—	0.0
Other changes	—	—	(0.0)	—	—	—	—	(0.0)
Equity on June 30, 2006	16.8	20.2	0.1	0.0	5.7	73.3	0.0	116.1

See also notes to unaudited condensed combined interim financial statements.

OUTOKUMPU TECHNOLOGY

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES

The condensed combined interim financial statements have been prepared in accordance with the recognition and valuation principles under International Financial Reporting Standards ("IFRS") adopted by the European Union and the same accounting principles as applied in the combined financial statements for the years 2003-2005 as presented in note 2 to the combined financial statements for years ended December 31, 2003, 2004 and 2005.

Use of estimates

The preparation of the interim 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 interim financial statements, and the reported amounts of income and expenses during the reporting period. Accounting estimates are employed in the interim 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.

Adoption of new and amended standards and interpretations in 2006 and 2007

Outokumpu Technology has adopted in 2006 the following amended and new standards and interpretations issued in 2004-2006:

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

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

IFRIC 4 Interpretation: Determining whether an Arrangement contains a Lease, issued on December 2, 2004, effective date January 1, 2006.

IFRIC 8 Interpretation: Scope of IFRS 2, issued on January 12, 2006, effective date May 1, 2006.

Amendment to IAS 19 Employee Benefits—Actuarial Gains and Losses, Group Plans and Disclosures, issued on December 16, 2004, effective date January 1, 2006.

Outokumpu Technology estimates that the adoption of the amended standards and new interpretations does not have material impact on the financial statements.

Outokumpu Technology will adopt the following new and amended standards issued in 2005 in 2007:

IFRS 7 Financial Instruments: Disclosures

Amendment to IAS 1 Presentation of Financial Statements—Capital Disclosures.

Outokumpu Technology is investigating the impacts on the disclosure information during 2006.

2. SEGMENT INFORMATION

2.1 Business segments

Minerals Processing

€ million	For the six months ended June 30, 2005	2006
Sales	65.5	93.8
Operating profit/(loss)	1.4	(5.6)

Base Metals

€ million	For the six months ended June 30, 2005	2006
Sales	56.2	95.5
Operating profit/(loss)	(2.2)	12.7

Metals Processing

€ million	For the six months ended June 30, 2005	2006
Sales	91.0	130.4
Operating profit/(loss)	(2.0)	10.2

Other Businesses

€ million	For the six months ended June 30, 2005	2006
Sales	15.8	14.7
Operating profit/(loss)	0.5	(0.3)

2.2 Geographical segments

€ million	For the six months ended June 30, 2005	2006
Sales by origin[(1)]		
Finland	62.5	100.9
Germany	57.7	81.9
Other Europe	9.5	18.1
North America	10.9	27.7
South America	20.7	33.8
Australia	52.6	52.3
Asia	1.4	0.2
Africa	13.4	21.4
Inter area	(11.9)	(15.4)
Combined	216.7	320.9

(1) Presented by the location of the company.

3. INCOME TAXES

€ million	For the six months ended June 30, 2005	2006
Current taxes	(0.8)	(6.0)
Deferred taxes	(0.8)	(1.0)
Total income taxes	(1.5)	(7.0)

4. COMMITMENTS AND CONTINGENT LIABILITIES

€ million	For the six months ended June 30, 2005	2006
Pledges	2.0	2.1
Guarantees for commercial commitments	50.4	77.2
Minimum future lease payments on operating leases	18.7	19.6

The total value of commercial guarantees does not include advance payment guarantees issued by Outokumpu Technology Oy on behalf of its subsidiaries while advances received are presented in the combined interim financial statements as a liability. The total amount of guarantees for financing issued by Outokumpu Technology Oy amounted to EUR 3.7 million at June 30, 2005 and EUR 4.7 million at June 30, 2006 and for commercial guarantees amounted EUR 114.6 at June 30, 2005 and EUR 167.1 million at June 30, 2006.

5. OPEN DERIVATIVE INSTRUMENTS

€ million	As at June 30, 2005	2006	As at June 30, 2005	2006
	Net fair values		Contract amounts	
Currency forwards	(1.8)	0.5	75	84

6. EVENTS AFTER BALANCE SHEET DATE

According to the resolution of the extraordinary general meeting of Outokumpu Technology Oy's shareholders on August 4, 2006, the number of Outokumpu Technology Oy's shares was split from 8.4 million shares to 42.0 million shares, after which the counter-book value of a share is EUR 0.40. The maximum share capital after the split is EUR 40.0 million. The resolution was registered with the Finnish Trade Register on August 10, 2006.

On August 11, 2006, the extraordinary general meeting of Outokumpu Technology Oy's shareholders authorized the Company's Board of Directors to increase the Company's share capital by issuing new shares, granting stock options or issuing convertible bonds and to decide upon the repurchase and transfer of the Company's own shares.

According to the authorization, the issuance of new shares may not increase Outokumpu Technology Oy's share capital of the Company on one or several occasions by more than EUR 1,680,000. Accordingly, an aggregate maximum of 4,200,000 shares (counter-book value EUR 0.40 per share) may be issued. The Company's Board of Directors was authorized to decide who will have the right to subscribe for any new shares, stock options or convertible bonds. The Board of Directors may decide the subscription price and the other terms and conditions of the issue of shares, stock options or convertible bonds. The Board of Directors may also decide that the subscription price for new shares be paid by means of contribution in kind, set-off or otherwise subject to specific terms and conditions. The authorization is valid until the annual general meeting of the Company's shareholders to be held in 2007, however not longer than one year from the decision of the general meeting of shareholders.

According to the authorization, the Company's shares may be repurchased in order to improve the Company's capital structure or to be used as consideration when acquiring assets for the Company's business or as consideration in possible corporate acquisitions, in the manner and to the extent decided by the Board of Directors. Repurchased shares may also be used as a part of incentive and bonus schemes directed to the personnel of the Company. The number of shares to be repurchased may not exceed 4,200,000. Shares may be repurchased pursuant to a decision of the Board of Directors through purchases in public trading at the Helsinki stock exchange at the prevailing market price. The purchase price shall be paid to the sellers within the time limit provided in the rules of the Helsinki stock exchange and the Finnish Central Securities Depository Ltd. The shares shall be repurchased with distributable funds and accordingly repurchasing will reduce distributable equity of the Company. The authorization is valid until the annual general meeting of the Company's shareholders to be held in 2007, however not longer than one year from the decision of the general meeting of shareholders.

According to the authorization, the maximum number of the Company's repurchased shares to be transferred shall be 4,200,000. The shares may be transferred on one or several occasions. The Company's Board of Directors shall be authorized to decide on the recipients of the Shares and the procedure and terms to be applied. The Board of Directors may decide to transfer the Shares in deviation of the pre-emptive right of the shareholders to the Company's Shares. Shares may be transferred as consideration when acquiring assets for the Company's business or as consideration in possible corporate acquisitions, in the manner and to the extent decided by the Board of Directors. The Board of Directors may decide to sell the shares through public trading at the Helsinki stock exchange in order to obtain funds for the Company for investments and possible corporate acquisitions. Shares can also be transferred as a part of incentive and bonus schemes directed to the personnel of the Company, including the Chief Executive Officer and her/his deputy. The authorization is valid until the annual general meeting of the Company's shareholders to be held in 2007, however not longer than one year from the decision of the general meeting of shareholders.

In order to manage its financing as an independent public company, Outokumpu Technology has entered into a committed EUR 330 million multicurrency revolving guarantee issuance facility, which is a part of the financing package provided to Outokumpu Technology by Nordea Bank Finland plc as mandated lead arranger and which is expected to become effective upon the listing of the Shares on the Helsinki Stock Exchange. The financing package also includes a commitment for a EUR 50 million revolving credit facility and a EUR 20 million limit for foreign exchange, derivative and overdraft facility purposes. The Guarantee Facility and the Credit Facility include customary covenants, event of default provisions as well as representation and warranties. Under the Guarantee Facility, the Company is required to pledge a certain portion of its cash funds as a security for the Credit Facility. Based on the outstanding total liabilities of EUR 186.3 million as at June 30, 2006, the required security would have amounted to approximately EUR 20 million. Outokumpu Technology continues to receive interest income on the pledged amount. Furthermore, the Guarantee Facility includes a covenant requiring that Outokumpu Technology's liquidity (including the undrawn the Credit Facility) not be below EUR 30 million.

OUTOKUMPU TECHNOLOGY

KEY FINANCIAL FIGURES OF UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

	For the six months ended and as at June 30,	
	2005	2006
KEY FINANCIAL FIGURES		
Sales, € million	216.7	320.9
Operating profit/(loss), € million	(3.4)	14.1
Gross margin, %	18.0	19.3
Operating profit/(loss) in relation to sales, %	(1.6)	4.4
Profit/(loss) before taxes, € million	(1.9)	15.6
Profit/(loss) before taxes in relation to sales, %	(0.9)	4.9
Net interest-bearing debt, € million	(55.7)	(108.5)
Gearing, %	(61.8)	(93.4)
Equity-to-assets ratio, %	37.0	40.9
Capital expenditure, € million	5.7	3.8
Return on capital employed, % (ROCE)	(16.0)	2,610.5
Return on capital invested, % (ROI)	(3.6)	29.7
Return on equity, %	(14.8)	15.3
Order backlog, € million	519.5	693.8
Order intake, € million	278.0	425.9
Personnel, June 30	1,883	1,889
Net profit/(loss) for the period in relation to sales, %	(1.6)	2.7
Capital expenditure in relation to sales, %	2.6	1.2
Research and development expenses, € million	6.9	8.5
Research and development expenses in relation to sales, %	3.2	2.7

	For the six months ended and as at June 30,	
	2005	2006
SHARE RELATED KEY FIGURES		
Earnings per share for profit/(loss) attributable to the equity holders of the Company:	(0.08)	0.21
Equity per share, €	2.14	2.76
Dividend per share, €	—	—

Outokumpu Technology Oy shares have been split on August 10, 2006 from 8.4 million to 42.0 million shares, after which counter-book value of a share is EUR 0.40. Earnings per share and dividends per share have been calculated with 42.0 million shares.

UNAUDITED FINANCIAL INTERIM STATEMENTS OF OUTOKUMPU TECHNOLOGY OY FOR JUNE 30, 2006

The unaudited income statement for the period January-June, 2006 and the balance sheet on June 30, 2006 of Outokumpu Technology Oy are to present the financial position and profit of Outokumpu Technology Oy after the internal transactions made in Outokumpu Group as described in the note 2 Accounting principles to the combined financial statements. The financial interim statement of Outokumpu Technology Oy has been prepared according to the valuation and recognition principles set in the Finnish Accounting Standards (FAS) and other regulation. The most significant differences in the accounting principles according to FAS and other regulation compared to the combined financial statement according to IFRS principles are the following:

Positive fair values of derivate financial instruments, which have been acquired for trading purposes, are not recognized in the income statement. In the combined financial statements the fair value changes of the derivative financial instruments have been recognized in the income statement.

Research and development costs have been expensed in the interim financial statements. In the combined financial statements research development expenses are expensed as they are incurred. In the combined financial statements certain development costs are capitalized when it is probable that a development project will generate future economic benefits, and certain criteria, including commercial and technological feasibility, have been met.

The cash in the Outokumpu Group's cash pool accounts and the short-term deposits have been reported as current loans receivable. In the combined financial statements these assets are reported as cash and cash equivalents.

Income taxes presented in the income statement consist of accrued taxes for the period January-June, 2006 and tax adjustments to prior years. Deferred tax assets and liabilities have not been recognized in the interim financial statements. In the combined financial statements the deferred income taxes are stated using the balance sheet liability method, as measured with enacted tax rates, to reflect the net tax effects of all temporary differences between the financial reporting and tax bases of assets and liabilities.

Untaxed reserves have not been divided to equity and deferred tax liability in the interim financial statements of Outokumpu Technology Oy while this has been done in the combined financial statements.

INCOME STATEMENT

€ million	For the six months ended June 30, 2006
Sales	80.5
Cost of sales	(53.8)
Gross margin	26.7
Selling and marketing expenses	(8.3)
Administrative expenses	(4.2)
Research and development expenses	(2.9)
Other operating income/(expenses)	0.7
Operating profit	12.0
Financial income/(expenses)	(0.5)
Profit before taxes	11.5
Income taxes	(2.6)
Profit for the period	8.9

BALANCE SHEET

€ million	As at June 30, 2006
ASSETS	
Non-current assets	
Intangible assets	
Intangible rights	6.6
Other intangible assets	6.3
	12.9
Property, plant and equipment	
Machinery and equipment	1.4
Long-term financial assets	
Shareholdings in subsidiaries	108.9
Receivables from Group companies	3.8
Shareholdings in associated companies	2.6
Other shares and holdings	0.8
	116.1
Total non-current assets	130.4
Current assets	
Inventories	
Work in progress	2.2
Finished goods and merchandise	0.7
Advance payments	0.2
	3.1
Trade and other receivables	
Trade receivables	10.4
Loan receivables	21.1
Accrued income and prepaid expenses	29.7
Other receivables	3.1
	64.3
Cash and cash equivalents	0.0
Total current assets	67.4
TOTAL ASSETS	197.8

BALANCE SHEET (Continued)

€ million	As at June 30, 2006
EQUITY AND LIABILITIES	
Shareholders' equity	
Share capital	16.8
Premium fund	20.2
Retained earnings	10.2
Profit for the period	8.9
	56.1
Untaxed reserves	
Accumulated depreciation difference	0.3
Current liabilities	
Interest-bearing debt	97.8
Non interest-bearing	
Advances received	0.6
Trade payables	9.4
Accrued expenses and prepaid income	26.8
Other liabilities	6.8
	43.6
Total liabilities	141.4
TOTAL EQUITY AND LIABILITIES	197.8

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OUTOKUMPU TECHNOLOGY
COMBINED FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2003, 2004 AND 2005

All figures in the financial statements have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Outokumpu Technology Oy

We have audited the accompanying combined balance sheets as at December 31, 2003, 2004 and 2005, and the income statements, statements of changes in equity and cash flow statements for each of the years in the three year period ended December 31, 2005 prepared in accordance with International Financial Reporting Standards as adopted by the EU and as described in the accounting principles as set out in Note 2.1 to the combined financial statements. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Finland. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We have on a test basis examined the combined financial statements presented and evaluated the principles used for the combined financial statements and evaluated significant management estimates. We have also evaluated the content of the combined financial statements and the presentation as a whole. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2.1 to the combined financial statements, these combined financial statements have been prepared in order to present Outokumpu Technology had it been a stand-alone independent group for these periods presented. The financial statements may not be indicative of the actual results of operations that would have occurred for the periods indicated, if Outokumpu Technology had been a stand-alone entity during the periods presented.

The combined financial statements referred to above, in our opinion, give a true and fair view in all material respects, on the financial position as at December 31, 2003, 2004 and 2005 and the results of operations, changes in equity and cash flows of Outokumpu Technology for the years then ended in conformity with International Financial Reporting Standards as adopted by the EU and as set out in Note 2.1 to the combined financial statements.

This report is being issued solely in connection with the Initial Public Offering of Outokumpu Technology.

Helsinki, September 1, 2006

KPMG OY AB

Mauri Palvi
Authorized Public Accountant

OUTOKUMPU TECHNOLOGY
COMBINED FINANCIAL STATEMENTS

COMBINED INCOME STATEMENT

€ million	Note	For the year ended and as at December 31, 2003	2004	2005
Continuing operations:				
Sales	3, 6	365.9	425.6	556.2
Cost of sales	9	(280.3)	(327.8)	(451.5)
Gross margin		85.6	97.8	104.7
Other operating income	7	3.9	3.9	2.2
Selling and marketing expenses	9	(40.7)	(46.7)	(39.2)
Administrative expenses	9	(26.9)	(30.2)	(28.0)
Research and development expenses	9	(11.7)	(13.5)	(13.9)
Other operating expenses	8	(2.3)	(0.6)	(0.8)
Share of results of associated companies	16	—	—	(0.6)
Operating profit		7.9	10.8	24.3
Financial income/(expenses)	11			
Net interest income/(expenses)		(1.5)	1.6	1.9
Market price gains/(losses)		(1.8)	(0.3)	0.7
Other financial income/(expenses)		(0.7)	(0.2)	(1.3)
Total financial income/(expenses)		(3.9)	1.1	1.3
Profit before taxes and discontinued operations		4.0	11.9	25.6
Income taxes	12	0.4	(2.4)	(9.2)
Net profit for the financial year from continuing operations		4.4	9.5	16.4
Discontinued operations:				
Net profit for the financial year from discontinued operations	4	0.4	12.2	—
Net profit for the financial year		4.8	21.7	16.4
Attributable to:				
Equity holders of the Company		4.8	21.7	16.4
Minority interest		0.0	0.0	0.0
Earnings per share for profit attributable to the equity holders of the Company:				
Earnings per share, €	13	0.11	0.52	0.39
Diluted earnings per share, €		0.11	0.52	0.39
Earnings per share from continuing operations attributable to the equity holders of the Company:				
Earnings per share, €		0.10	0.23	0.39
Diluted earnings per share, €		0.10	0.23	0.39
Earnings per share from discontinued operations attributable to the equity holders of the Company:				
Earnings per share, €		0.01	0.29	—
Diluted earnings per share, €		0.01	0.29	—

See also notes to the combined financial statements.

OUTOKUMPU TECHNOLOGY

COMBINED FINANCIAL STATEMENTS

COMBINED BALANCE SHEET

€ million	Note	For the year ended and as at December 31, 2003	2004	2005
ASSETS				
Non-current assets				
Intangible assets	14	71.6	73.9	75.2
Property, plant and equipment	15	38.7	31.4	30.5
Investments in associated companies	16	—	—	1.9
Available-for-sale financial assets	17	1.6	0.0	0.8
Deferred tax assets	12	12.1	9.6	12.2
Trade and other receivables	22	3.1	1.6	0.9
Total non-current assets		127.1	116.4	121.5
Current assets				
Inventories	21	31.7	30.8	35.2
Available-for-sale financial assets	17	—	0.5	0.0
Derivative financial instruments	20	5.9	5.6	0.6
Trade and other receivables	22	104.8	92.5	125.5
Cash and cash equivalents	23	34.9	52.9	126.3
Total current assets		177.3	182.2	287.7
TOTAL ASSETS		304.4	298.7	409.2

See also notes to the combined financial statements.

COMBINED BALANCE SHEET (Continued)

€ million	Note	2003	2004	2005
		For the year ended and as at December 31,		
EQUITY AND LIABILITIES				
Equity attributable to the equity holders of the Company				
Share capital		16.8	16.8	16.8
Premium fund		20.2	20.2	20.2
Other reserves		0.1	0.3	0.1
Retained earnings		27.5	31.9	57.1
Net profit for the financial year		4.8	21.7	16.4
		69.5	90.8	110.6
Minority interest		0.0	0.0	0.1
Total equity	24	69.5	90.9	110.7
Non-current liabilities				
Interest-bearing debt	27	3.5	3.6	3.1
Deferred tax liabilities	12	10.7	8.2	15.2
Pension obligations	25	22.4	18.1	18.2
Provisions	26	—	1.0	0.8
Trade and other payables	28	2.9	—	0.7
Total non-current liabilities		39.6	30.9	37.9
Current liabilities				
Interest-bearing debt	27	19.5	8.4	7.8
Derivative financial instruments	20	1.4	5.1	1.1
Income tax liabilities		0.1	2.1	2.9
Provisions	26	0.6	1.9	1.6
Trade and other payables	28	173.7	159.4	247.1
Total current liabilities		195.3	176.9	260.6
TOTAL EQUITY AND LIABILITIES		304.4	298.7	409.2

See also notes to the combined financial statements.

OUTOKUMPU TECHNOLOGY

COMBINED FINANCIAL STATEMENTS

COMBINED STATEMENT OF CASH FLOWS

€ million	Note	For the year ended and as at December 31, 2003	2004	2005
Cash flow from operating activities				
Net profit for the financial year		4.8	21.7	16.4
Adjustments for				
Taxes	4, 12	(0.4)	2.4	9.2
Depreciation and amortization	14, 15	6.8	9.7	9.4
Share of results of associated companies	16	—	—	0.6
Profit/(loss) on sale of property, plant and equipment	7, 8	(0.1)	(0.3)	(1.2)
Interest income	11	(2.1)	(2.5)	(3.0)
Dividend income	11	(0.0)	(0.0)	(0.0)
Interest expense	11	3.5	0.9	1.0
The gain on the sale of the filter business	4	—	(16.2)	—
Other adjustments		(0.1)	3.2	(0.1)
		7.6	(2.7)	16.0
Change in working capital				
Change in trade and other receivables		(2.8)	12.1	(20.9)
Change in inventories		7.9	(5.9)	(3.3)
Change in trade and other payables		8.6	(11.9)	74.7
Change in provisions		1.6	(1.9)	(0.9)
		15.3	(7.6)	49.5
Interest received		2.1	2.5	3.0
Interest paid		(3.5)	(1.7)	(1.1)
Income tax paid		(1.4)	(4.1)	(3.6)
Net cash from operating activities		24.9	8.1	80.2
Cash flow from investing activities				
Acquisition of shares in subsidiaries	5	(3.2)	—	—
Acquisition of shares in associated companies	16	—	—	(2.5)
Acquisition of available-for-sale financial assets	17	—	(0.3)	(0.8)
Purchases of property, plant and equipment	15	(12.6)	(3.6)	(5.4)
Purchases of intangible assets	14	(15.5)	(8.4)	(3.4)
Proceeds from the sale of the filter business	4	—	31.0	—
Proceeds from sale of available-for-sale financial assets	17	—	1.6	0.5
Proceeds from sale of property, plant and equipment	15	3.6	0.6	1.8
Proceeds from sale of intangible assets	14	0.0	—	0.0
Change in other long-term receivables		2.2	1.5	(0.2)
Net cash from investing activities		(25.5)	22.4	(10.1)
Cash flow before financing activities		(0.6)	30.5	70.1
Cash flow from financing activities				
Borrowings of long-term debt		1.4	0.1	—
Repayments of long-term debt		(0.3)	(0.7)	(0.7)
Change in current debt		3.7	(7.3)	(3.1)
Borrowings of finance lease liabilities		—	0.1	—
Repayments of finance lease liabilities		—	—	(0.1)
Other financing cash flow		2.0	0.0	2.4
Net cash from financing activities		6.8	(7.8)	(1.6)
Other adjustments		3.9	(4.6)	(0.3)
Net change in cash and cash equivalents		10.1	18.1	68.2
Cash and cash equivalents at the beginning of the financial year		24.8	34.9	52.9
Foreign exchange rate effect on cash and cash equivalents		0.0	(0.1)	5.2
Net change in cash and cash equivalents		10.1	18.1	68.2
Cash and cash equivalents at the end of the financial year	23	34.9	52.9	126.3

See also notes to the combined financial statements.

COMBINED STATEMENT OF CHANGES IN EQUITY

€ million	Share capital	Premium fund	Other reserves	Fair value reserves	Cumulative translation differences	Retained earnings	Minority interest	Total equity
	Attributable to the equity holders of the Company							
Equity on January 1, 2003	16.8	20.2	0.2	—	4.1	21.2	0.0	62.5
Change in translation differences	—	—	—	—	2.2	—	(0.0)	2.2
Items recognized directly in equity	—	—	—	—	2.2	—	(0.0)	2.2
Net profit for the financial year	—	—	—	—	—	4.8	0.0	4.8
Total recognized income and expenses	—	—	—	—	2.2	4.8	0.0	7.0
Management stock option program: value of received services	—	—	—	—	—	0.0	—	0.0
Other changes	—	—	(0.0)	—	—	—	—	(0.0)
Equity on December 31, 2003	16.8	20.2	0.1	—	6.3	26.0	0.0	69.5
Fair value gains on available-for-sale financial assets	—	—	—	0.1	—	—	—	0.1
Change in translation differences	—	—	—	—	(0.5)	—	(0.0)	(0.5)
Items recognized directly in equity	—	—	—	0.1	(0.5)	—	(0.0)	(0.3)
Net profit for the financial year	—	—	—	—	—	21.7	0.0	21.7
Total recognized income and expenses	—	—	—	0.1	(0.5)	21.7	0.0	21.3
Management stock option program: value of received services	—	—	—	—	—	0.1	—	0.1
Other changes	—	—	(0.0)	—	—	—	—	(0.0)
Equity on December 31, 2004	16.8	20.2	0.1	0.1	5.8	47.8	0.0	90.9
Fair value gains on available-for-sale financial assets	—	—	—	(0.1)	—	—	—	(0.1)
Change in translation differences	—	—	—	—	3.4	—	0.0	3.5
Items recognized directly in equity	—	—	—	(0.1)	3.4	—	0.0	3.3
Net profit for the financial year	—	—	—	—	—	16.4	0.0	16.4
Total recognized income and expenses	—	—	—	(0.1)	3.4	16.4	0.0	19.7
Management stock option program: value of received services	—	—	—	—	—	0.1	—	0.1
Other changes	—	—	0.0	—	—	—	—	0.0
Equity on December 31, 2005	16.8	20.2	0.1	0.0	9.3	64.2	0.1	110.7

See also notes to the combined financial statements.

OUTOKUMPU TECHNOLOGY

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Outokumpu Technology (the ''Company'') is a leading international developer and supplier of technology for minerals processing and metallurgical industry. Outokumpu Technology designs and delivers plants, processes and equipment tailored for each customer's needs, and provides engineering, project and support services globally. The Company has its own research centres and know-how for metals value chain from ore to metal. Outokumpu Technology had some 1 800 employees in 19 countries and it generated sales of EUR 556.2 million in 2005. Outokumpu Technology's operations are organized through three divisions: Minerals Processing, Base Metals and Metals Processing. Operations outside these segments including equipment manufacturing division, external and internal research and technology development services and other operations, which do not belong to the Company's core business are reported under Other businesses. The parent company is Finnish Outokumpu Technology Oy, domiciled in Espoo.

Outokumpu Technology is part of Outokumpu Group and has been included in the consolidated financial statements of Outokumpu Group. In June 2006, Outokumpu Oyj, the parent company of Outokumpu Group, published its intention to list Outokumpu Technology Oy on the Helsinki Stock Exchange. The Board of Directors adopted the resolution on June 6, 2006.

2. ACCOUNTING PRINCIPLES

2.1 Accounting Principles of the Combined Financial Statements

The combined financial statements of Outokumpu Technology Oy have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union. In addition, notes to the combined financial statements have been prepared in accordance with Finnish Accounting Standards and Finnish Companies Act. The combined financial statements are presented in millions of euros and have been prepared under the historical cost conventions, unless otherwise stated in the accounting principles.

In 2004, Outokumpu Group adopted IFRS standards in accordance with the IFRS 1. Outokumpu Group's date of transition to IFRS was January 1, 2003. However, for the adoption of IAS 39 (Financial Instruments: Recognition and Measurement) and IAS 32 (Financial Instruments: Disclosure and Presentation), the date of transition was January 1, 2004. For financial instruments, Outokumpu utilized the exemption for a first-time adopter of IFRS not to apply the aforementioned standards to the comparative information for 2003.

IFRS does not include specific guidance for preparation of the combined financial statements. The principles of the preparation of Outokumpu Technology's combined financial statements are as follows.

Structure of combined financial statements

The combined financial statements of Outokumpu Technology reflect the Company's result of operations, cash flows and financial position, which have previously been included in the consolidated financial statements of Outokumpu Group. These combined financial statements presented in this Offering Circular have been prepared in order to present the combined financial statements of Outokumpu Technology for the financial periods from January 1 to December 31, 2003, 2004 and 2005, and periods then ended.

Outokumpu Technology was organized as a legal consolidated group, for the first time, when the Outokumpu Technology companies, which were under the common control of the Outokumpu Group, were transferred to the ownership of Outokumpu Technology on or prior to June 30, 2006. The combined consolidated financial statements of Outokumpu Technology for the financial periods from January 1 to December 31, 2003, 2004 and 2005, and periods then ended have been prepared so that business structure and combined financial information of Outokumpu Technology, which was organized after the transfer of Outokumpu Technology companies from Outokumpu Group, would be as comparable as possible. The combined financial statements of Outokumpu Technology for the financial periods from January 1 to December 31, 2003, 2004 and 2005, and periods then ended reflect the time when Outokumpu Technology was managed as one business as part of Outokumpu Group. However, it may not be indicative of the actual results of operations that would have occurred for the periods indicated, if Outokumpu Technology would have been a stand-alone independent group for these periods presented.

The combined financial statements of Outokumpu Technology for the financial periods from January 1 to December 31, 2003, 2004 and 2005, and periods then ended comprise the Outokumpu Technology companies set forth in note 33 to the combined financial statements and these companies have been under common control of Outokumpu Group for the periods presented. Of these companies Outokumpu Shanghai Co. Ltd, OOO Outokumpu Norilsk, Outokumpu Holding GmbH, Kumpu GmbH, Outokumpu Deutschland GmbH, Outokumpu Technology GmbH, Petrobau Ingenieur Bulgaria EOOD, Outokumpu Technology AB, ZAO Outokumpu Moskva, Outokumpu Poland Sp. z o.o. and Outokumpu Research Oy have been transferred to the ownership of Outokumpu Technology Oy from Outokumpu Group during the period January 1, 2003 and June 30, 2006 and they are part of the future operation of the company, as presented in these combined financial statements. The Company's former subsidiary, Outokumpu Metals Off-Take Oy, has been excluded due to it having been sold by the Company to Outokumpu before June 30, 2006, and, therefore, it is not a part of the future operation of the Company, as presented in this Offering Circular. Outokumpu Technology acquired Boliden Contech AB (currently, Outokumpu Technology AB) on December 31, 2003 and it has been included in these combined financial statements from the date of acquisition. The filter business sold by Outokumpu Technology Oy to Larox Oyj in January 2004 has been presented as a discontinued operation.

Adjustments to combined financial statements

Acquisitions

The combined financial statements have been derived from the historical financial statements of Outokumpu Group and are based on the historical acquisition cost of assets and liabilities and on the result and cash flows of operations, unless otherwise stated in the accounting principles, as if Outokumpu Technology Oy and its subsidiaries had been a stand-alone independent group for the financial periods from January 1 to December 31, 2003, 2004 and 2005, and periods then ended. The combined consolidated financial statements of Outokumpu Technology for the financial periods from January 1 to December 31, 2003, 2004 and 2005, and periods then ended reflect the time, when Outokumpu Technology was managed as one business as part of Outokumpu Group. However, it might not be indicative of the actual results of operations that would have occurred for the periods indicated if Outokumpu Technology could have been a stand-alone independent group for these periods presented.

For comparability, the effect of transfers of the Outokumpu Technology companies to and from the Outokumpu Group has been taken into account in interest-bearing receivables and liabilities and interest as if the actual transfers would have been implemented as of January 1, 2003. The retained earnings of Outokumpu Technology companies, which have been transferred to and from Outokumpu Group, have been combined in the financial statements of Outokumpu Technology as of January 1, 2003 so that the difference between the equity and the actual acquisition cost has been reported in the combined equity.

Patents

Patents which have been transferred from Outokumpu Group to Outokumpu Technology Oy in May 2005, have been presented as the transfer would have been made already as of January 1, 2003. Current interest-bearing receivables and interest have been adjusted accordingly.

Financial items

The interest expenses calculated for the combined financial information were derived from financial markets. Outokumpu Technology Oy has not had a centralized treasury and finance department, but has obtained this service from Outokumpu Oyj during the financial periods from January 1 to December 31, 2003, 2004 and 2005, and periods then ended. It is possible that as an independent company Outokumpu Technology Oy would not have been able to obtain financing with as favorable terms and conditions as part of Outokumpu Group.

Interest-bearing receivables and liabilities

The interest-bearing receivables and liabilities between Outokumpu Technology and Outokumpu Group have been offset and the difference has been reported in cash and cash equivalents in case of the interest-bearing receivables have exceeded the interest bearing liabilities. In case of the interest-bearing liabilities have exceeded the interest-bearing receivables, the difference has been reported in interest-bearing liabilities.

Group contributions and income taxes

Outokumpu Technology has previously been part of Outokumpu Group's tax planning. To combine profits and losses in tax jurisdictions of Finland, Sweden and Germany, Outokumpu Technology companies have both taken and given group contributions from or to other Outokumpu Group companies. The group contributions given and received from Outokumpu Group companies have been reversed in each year in the combined financial statements. The effect of these adjustments has been taken into account in the opening balance sheet as of January 1, 2003 and in each financial year by adjusting equity, interest-bearing receivables and liabilities, taxes and interests.

The income taxes of Outokumpu Technology have been presented on a stand-alone basis for the periods indicated. The deferred income taxes of Outokumpu Technology have been stated using the balance sheet liability method, as measured with the enacted rates, to reflect the net tax effect of all temporary differences between the financial reporting and tax bases of assets and liabilities.

Commitments

The guarantees which relate to the business of Outokumpu Technology and have been issued by Outokumpu Oyj during the financial periods from January 1 to December 31, 2003, 2004 and 2005, and periods then ended have been presented as if they have been issued by Outokumpu Technology Oy.

Non-allocated costs related to Outokumpu Technology Oy's future organization and administration

It has been Outokumpu Group's policy to allocate and charge the cost related to centralized services using matching principle to the subsidiaries. Outokumpu Technology has agreed to purchase centralized services, among others, for procurement, information technology, financial accounting, taxes, human resources, legal affairs, financing, treasury, risk management and communications from Outokumpu during the transition period. In addition Outokumpu Group has charged Outokumpu Technology's part of the general administration costs. However, the combined financial statements of Outokumpu Technology do not include costs related to running an independent listed company such as costs related to board meetings, general shareholders' meetings and other head office functions including investor relations. Outokumpu Technology's management estimates that the additional annual costs for operating Outokumpu Technology on an independent stand-alone basis would have totaled approximately EUR 1 million, which has not been recognized as an adjustment to the combined financial statements.

2.2 Accounting Principles of Financial Statements

Use of estimates

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

Principles of combination and consolidation

The combined financial statements include the parent company Outokumpu Technology Oy and all subsidiaries where over 50% of the subsidiary's voting rights are controlled directly or indirectly by the parent company, or the parent company is otherwise in control of the company. Associated companies, where Outokumpu Technology holds voting rights of 20-50% and in which Outokumpu Technology has significant influence, but not control, over the financial and operating policies, are included in the combined financial statements using the equity method. When Outokumpu Technology's share of losses exceeds the interest in the associated company, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred obligations in respect of the associated companies. The interest in an associated company is the carrying amount of the investment under the equity method together with any long-term interest that, in substance, forms part of the investor's net investment in the associated company. Joint ventures over whose activities Outokumpu Technology has joint control, established by contractual agreement, are consolidated using the equity method. There has been no joint ventures during financial years 2003-2005.

Acquired companies are accounted for using the purchase method according to which the assets and liabilities of the acquired company are measured at fair value at the date of acquisition. Goodwill represents the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill on consolidation is not amortized but tested for impairment annually. In accordance with the exemption under IFRS 1, acquisitions prior to the IFRS transition date, January 1, 2003, have not been restated but the previous values are taken as the deemed cost. Subsidiaries acquired during the financial year are included in the combined financial statements from the date of their acquisition and disposed subsidiaries are included up to their date of sale.

The combination of income statements and assets and liabilities of the Outokumpu Technology companies, which were under the common control of the Outokumpu Group and were transferred to the ownership of the Outokumpu Technology prior to June 30, 2006, is based on the historical acquisition cost of assets and liabilities and on the results of operations in Outokumpu Group, unless otherwise stated in the accounting principles and in the notes to the combined consolidated financial statements.

All intra-group transactions, receivables, liabilities and unrealized margins, as well as distribution of profits within the Group, are eliminated.

Minority interest is presented separately from the net profit and disclosed as a separate item in the equity.

Discontinued operations

A discontinued operation results from a decision, pursuant to a single disposal plan, to divest an operation comprising a separate major line of business for which the assets less liabilities and net financial results may be distinguished physically, operationally and for financial reporting purposes. The disposal shall be highly probable. The result from discontinued operations is presented in the income statement as a separate item after the profit from continuing operations. Comparative income statement figures are restated accordingly. Comparative balance sheet items are not restated but presented separately from the assets and liabilities of continuing operations from the date they have been classified as discontinued operations.

Segment reporting

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of segments in other economic environments. Outokumpu Technology's primary reporting segments are its business segments: Minerals Processing, Base Metals, Metals Processing and Other businesses. Other businesses consists mainly of equipment manufacturing division, external and internal research and technology development services and other operations, which do not belong to the Company's core business. Pricing of inter-segment transactions is based on current market prices. Geographical reporting segments, which are based on the main areas where the Company has activities and sales and are as follows: Finland, Germany, Other Europe, South America, North America, Asia, Australia and Africa.

Foreign currency transactions

Items of each subsidiary included in the combined consolidated financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that subsidiary ("the functional currency"). The combined consolidated financial statements are presented in euros, which is the functional currency of the parent company. Group companies' foreign currency transactions are translated into functional currencies using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the exchange rates prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement or translation of monetary interest-bearing assets and liabilities denominated in foreign currencies and related derivatives are recognized in financial income and expenses in the income statement. Foreign exchange differences arising in respect of other financial instruments are included in operating profit under sales, purchases or other income and expenses. Income statements and cash flows of subsidiaries, whose functional and reporting currencies are not the euro, are translated into euros at the average exchange rates during the financial period. Their balance sheets are translated at the exchange rates prevailing at the balance sheet date and the translation differences are recorded in equity. When a subsidiary is sold, possible translation differences are recognized in the income statement as part of the gain or loss on the sale.

Revenue recognition

Sales are recognized after the significant risks and rewards that are connected with ownership have been transferred to the buyer, and the Group retains neither a continuing managerial involvement to the degree usually associated with ownership, nor effective control of those goods. Revenues from services are recorded when the service has been performed. Sales are shown net of indirect sales taxes and discounts.

Revenue from long-term construction contracts within Outokumpu Technology is recognized based on the stage of completion when the outcome of the project can be reliably measured. The outcome of the project can be measured reliably, when total contract revenues and expenses can be measured reliably and when the progress of the project can be measured reliably and it is probable that the economic benefits associated with the project will flow to the Company. When the outcome of the project cannot be measured reliably, revenue shall be recognized only to the extent of contract costs incurred that is probable that they will be recoverable.

The stage of completion is measured by using the cost-to-cost method under which the percentage of completion is defined as the ratio of costs incurred to total estimated costs. Revenue recognition according to the stage of completion is based on the estimates of anticipated contract revenues and expenses and on the reliable measurement of the project progress. Revenue recognized and result will be adjusted if the estimates of the project outcome change. The cumulative effect of a change in the estimates will be recorded in the financial period in which the change was first estimated and known. The expected loss shall be recognized as an expense immediately.

License income is recognized on an accrual basis in accordance with the substance of the relevant technology transfer agreement.

Research and development costs

Research and development costs are expensed as they are incurred, except for certain development costs, which are capitalized when it is probable that a development project will generate future economic benefits, and certain criteria, including commercial and technological feasibility, have been met. Capitalized research and development expenses comprise mainly materials, supplies, direct labor and related overhead costs. The carrying value of capitalized research and development expenses in the balance sheet represents the cost less accumulated depreciation and any impairment charges. Capitalized research and development expenses are amortized on a systematic basis over their expected useful lives, however up to 20 years. If the carrying value of capitalized research and development expenses exceeds the amount of the cash flows expected to be generated by the asset, the difference shall be recognized as an expense immediately.

Income taxes

The Company income tax expense includes taxes of the group companies based on taxable profit for the period, together with tax adjustments for previous periods and the change in deferred income taxes. The income tax effects of items recognized directly in equity are similarly recognized. The share of results in associated companies is reported in the income statement as calculated from net profit and thus including the income tax charge. Deferred income taxes are stated using the balance sheet liability method, as measured with enacted tax rates, to reflect the net tax effects of all temporary differences between the financial reporting and tax bases of assets and liabilities. The main temporary differences arise from the depreciation difference on property, plant and equipment, fair valuation of net assets in acquired companies, fair valuation of available-for-sale financial assets and derivatives, intra-group inventory profits, pension and other provisions, untaxed reserves and tax losses and credits carried forward. Deductible temporary differences are recognized as a deferred tax asset to the extent that it is probable that future taxable profits will be available, against which the deductible temporary difference can be utilized.

Goodwill and other intangible assets

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets, liabilities and contingent liabilities acquired. Goodwill is stated at cost and is not amortized, but tested annually for impairment. In respect of associated companies, the carrying amount of goodwill is included in the carrying amount of the investment.

Other intangible assets include customer relations, capitalized development expenses, patents, copyrights, licenses and software. The valuation of intangible assets acquired in a business combination is based on fair value. Other intangible assets are stated at cost. Intangible assets are amortized on a straight-line basis over their expected useful lives, which can vary from 3 to 20 years. Development costs or acquisition costs of new software clearly associated with an identifiable product, which will be controlled by the Company and has probable economic benefit exceeding its cost beyond one year, are recognized as an intangible asset and depreciated over the software's expected useful life. Associated costs include staff costs of the development team and an appropriate portion of overhead. An intangible asset is recognized only if it is probable that the future economic benefits that are attributable to the asset will flow to the Company, and the cost of the asset can be measured reliably. All other expenditure is expensed as incurred.

Periods of amortization used for intangible assets are:

Intangible rights	3-20 years
Software	up to 10 years

Property, plant and equipment

Property, plant and equipment acquired by group companies are stated at historical cost, except the assets of acquired companies that were stated at their fair values at the date of acquisition. Depreciation is calculated based on the useful lives of the assets and adjusted for impairment charges, if any. The carrying value of the property, plant and equipment in the balance sheet represents the cost less accumulated depreciation and any impairment charges.

Depreciation is based on the following expected useful lives:

Buildings	10-20 years
Machinery and equipment	5-20 years
Research and development equipment	3-10 years

Land is not depreciated.

Expected useful lives of non-current assets are reviewed at each balance sheet date and, where they differ significantly from previous estimates, depreciation periods are changed accordingly. Ordinary repairs and maintenance costs are charged to the income statement during the financial year in which they are incurred. The cost of major renovations is included in the asset's carrying amount when it is probable that the Group will derive future economic benefits in excess of the originally assessed standard of performance of the existing asset. Major renovations are depreciated over the useful lives of the related assets. Gains and losses on sales and disposals are determined by comparing the received proceeds with the carrying amount and are included in operating profit.

Government grants

Government or other grants are recognized as income on a systematic basis over the periods necessary to match them with the related costs, which they are intended to compensate. Investment grants are recognized as revenue on a systematic basis over the useful life of the asset. In the balance sheet, investments grants are deducted from the value of the asset they relate to.

Impairments

Property, plant and equipment and other non-current assets, including goodwill and intangible assets, are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Goodwill is tested at least annually. For the purposes of assessing impairment, assets are grouped at the lowest cash generating unit level for which there are separately identifiable, mainly independent, cash inflows and outflows. An impairment loss is the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is the asset's value in use. The value in use is determined by reference to discounted future net cash flows expected to be generated by the asset. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount. However, the reversal must not cause that the adjusted value is higher than the carrying amount that would have been determined if no impairment loss had been recognized in prior years. Impairment losses recognized for goodwill are not reversed.

Leases

Leases of property, plant and equipment, where the Group has substantially all the rewards and risks of ownership, are classified as finance leases. Finance leases are capitalized at the commencement of the lease term at the lower of the fair value of the leased property or the estimated present value of the underlying lease payments. Each lease payment is allocated between the capital liability and finance charges, so as to achieve a constant interest rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities with the interest element of the finance charge being recognized in the income statement over the lease period. Property, plant and equipment acquired under finance lease contracts are depreciated over the shorter of the useful life of the asset or lease period. Leases of assets, where the lessor retains all the risks and benefits of ownership, are classified as operating leases. Payments made there under, and under rental agreements, are expensed on a straight-line basis over the lease periods.

Financial instruments

Financial instruments are classified as loans and receivables, held-to-maturity investments, available-for-sale financial assets, financial liabilities at amortized cost and financial assets and liabilities at fair value through profit and loss. Equity securities are classified as available-for-sale financial assets. Interest-bearing securities and convertible loan receivables are classified as financial assets at fair value through profit and loss. Highly liquid marketable securities with maturity not exceeding three months are classified as cash equivalents.

Available-for-sale investments, as well as financial assets and liabilities at fair value through profit and loss, are measured at fair value and the valuation is based on quoted rates and market prices and appropriate valuation models. Unlisted equity securities for which fair value cannot be reliably measured are recognized at cost less impairment. Fair value changes of available-for-sale investments are recognized directly in equity. In the event such an asset is disposed of, the accumulated fair value changes are released from equity to financial income and expenses in the income statement. Purchases and sales of available-for-sale financial assets are recognized at the trade date.

Loans and receivables as well as all financial liabilities, except for derivatives, are recognized at the settlement date and measured at amortized cost using the effective interest rate method. Transaction costs are included in the initially recognized amount. The need for impairment is assessed separately for each loan receivable and when realized it is deducted from the carrying value. The impairment shall be based on evidence that it is probable that the Company will not be able to collect the loan receivable according to initial terms. Financial assets and liabilities at fair value through profit and loss are recognized at the trade date and measured at fair value.

All derivatives, including embedded derivatives, are initially recognized at fair value on the date Outokumpu Technology has entered into the derivative contract, and are subsequently re-measured at fair value. Determination of fair values is based on quoted market prices and rates, discounting of cash flows and option valuation models.

Fair values of currency forwards and swaps are determined by discounting the future nominal cash flows with relevant interest rates and then converting the discounted cash flows to the base currency using spot rates. The fair value of currency options is determined by utilizing commonly applied option valuation models.

Majority of Outokumpu Technology's derivatives are hedging underlying transactions although in accordance with IAS 39 they are not classified as hedging instruments as they do not meet IAS 39 criteria for hedge accounting. The fair value changes in these derivatives are recognized in operating profit under other income and expenses. However, if the derivative is assigned to financial items, the fair value changes are recognized in financial income and expenses.

All recognized fair value changes to equity are net of tax.

Commitments and contingent liabilities

Outokumpu Technology Oy has issued guarantees in connection with long-term construction contracts. Guarantees have been given in order to secure customers' advance payments or counter secure commercial guarantees given by bank to customer or financing needs of local subsidiaries. Certain guarantees relate also to other commercial contractual obligations.

Guarantees have been presented as commitments and contingent liabilities in notes to the combined financial statements.

According to the percentage of completion method, at the start of a project, business related not interest-bearing liability is recorded in respect of a customer's advance payment. The liability is reduced as revenue is recognized from the long-term construction contracts. Guarantees issued will be discharged case by case according to the sale contract and the contract of guarantee.

Warranty provision

The estimated future warranty costs are recognized as provisions. The adequacy of warranty provisions is assessed regularly based on the actual and estimated costs.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the FIFO method (first-in, first-out). The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads, but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Trade receivables

Trade receivables are carried at their anticipated realizable value, which is the original invoice amount less an estimated valuation allowance for impairment of these receivables. A valuation allowance for impairment of trade receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are included within borrowings in current liabilities in the balance sheet.

Provisions

Provisions are recognized in the balance sheet when Outokumpu Technology has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions generally may arise from restructuring plans, onerous contracts and from environmental, litigation or tax risks.

Employee benefits

Outokumpu Technology companies in different countries have various pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. The contributions to defined contribution plans are charged to the income statement in the year to which they relate. The present value of the obligation of defined benefit plans is determined using the projected unit credit method and the plan assets are measured at fair value at the balance sheet date. In calculating the Company's obligation with respect to a plan, the extent to which the cumulative unrecognised actuarial gain or loss exceeds the greater of the present value of the defined benefit obligation and the fair value of plan assets by more than 10% is identified. That excess portion is recognized in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized. In accordance with the exemption under IFRS 1, all cumulative actuarial gains and losses have been recognized in retained earnings at the date of transition, January 1, 2003.

Share-based payment transactions

Outokumpu Technology has not had its own option plans or other share-based incentive schemes. Outokumpu Technology's management has participated in incentive schemes of Outokumpu Oyj. The combined financial statements of Outokumpu Technology include Outokumpu Oyj's allocated expenses related to 2003 option program of Outokumpu Group to the extent that Outokumpu Technology's personnel have been involved in these incentive schemes.

In accordance with the transitional provision the Company has applied IFRS 2 Share-based payments standard only to the 2003 option program in which the stock options have been granted after November 7, 2002 and were not vested on January 1, 2005. Equity-settled awards that were granted before November 7, 2002, have not been recognized as an expense in the financial statements.

The stock options are valued at fair value on the grant date and recognized as an expense in the income statement during the vesting period. The expense of the stock options determined at the grant date reflects the Outokumpu Group's estimate of the number of stock options that will ultimately vest. The fair value is determined at the grant date using the Black-Scholes option pricing model and relevant statistical methods. The non-market criteria are not included in the fair value of the option but taken into account in the number of options that are assumed to vest. Outokumpu updates at each annual closing the estimate of the final amount of the options that will vest. The changes in the estimates are recognized in the income statement.

Dividends

The dividend proposed by the Board of Directors is not deducted from distributable equity until approved by the annual general meeting of shareholders.

Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the equity holders of the company by the number of shares outstanding during the year. The split of the Outokumpu Technology shares, which took place on August 10, 2006 have been taken into account when calculating the earnings per share.

Adoption of new and amended standards and interpretations in 2006 and 2007

Outokumpu Technology has adopted in 2006 the following amended and new standards and interpretations issued in 2004-2006:

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

- Cash flow hedges of forecast intragroup transactions, issued on April 14, 2005, effective date January 1, 2006.
- Fair value option, issued on June 16, 2005, effective date January 1, 2006.

– Financial guarantee contracts, issued on August 18, 2005, effective date January 1, 2006

IFRIC 4 Interpretation: Determining whether an Arrangement contains a Lease, issued on December 2, 2004, effective date January 1, 2006.

IFRIC 8 Interpretation: Scope of IFRS 2, issued on January 12, 2006, effective date May 1, 2006.

Amendment to IAS 19 Employee Benefits—Actuarial Gains and Losses, Group Plans and Disclosures, issued on December 16, 2004, effective date January 1, 2006.

Outokumpu Technology estimates that the adoption of the amended standards and new interpretations does not have material impact on the Company's financial statements.

Outokumpu Technology will adopt in 2007 the following new and amended standards issued in 2005:

IFRS 7 Financial Instruments: Disclosures

Amendment to IAS 1 Presentation of Financial Statements—Capital Disclosures.

Outokumpu Technology is investigating the impacts on the disclosure information.

3. SEGMENT INFORMATION

Outokumpu Technology is a leading global provider of process solutions, technologies and services principally for the mining and metals industries. Outokumpu Technology utilizes its extensive operational experience and advanced process know-how by providing plants, equipment and services based mainly on its proprietary technologies. Outokumpu Technology's management reporting structure and related assets consists of three principal divisions: Minerals Processing, Base Metals and Metals Processing. Outokumpu Technology's Other businesses division comprise equipment manufacturing and research operations outside the Company's three principal business divisions. Geographical reporting segments, which are based on the main areas where the Company has activities and sales and are as follows: Finland, Germany, Other Europe, South America, North America, Asia, Australia and Africa.

Outokumpu Technology provides solutions for the whole production chain of processing minerals to metals. Outokumpu Technology's solutions are used in the production of ferrous metals and ferroalloys alumina and aluminum, copper, nickel, zinc, precious metals, niobium, syntetic rutile, certain industrial minerals and sulfuric acid. Its solutions range from single equipment deliveries to manufacturing lines and entire turnkey process plants. In addition, Outokumpu Technology offers specialized technology and know-how for the chemical and other process industries. By optimizing customers' initial investment costs and life-time operational costs and by applying the best technologies in terms of energy saving and environmental protection, Outokumpu Technology aims to assist its customers in overcoming the operational and competitive challenges that they encounter. In addition to the above, Outokumpu Technology offers after-sales services including spare parts, limited maintenance services, customers' process plant audits and customers' operator training.

Outokumpu Technology operates through three divisions: Minerals Processing, Base Metals and Metals Processing. Outokumpu Technology's Other businesses comprise equipment manufacturing and research operations outside the Company's three business divisions.

Minerals Processing

The Minerals Processing division provides processes and process equipment based on proprietary technology in the areas of grinding, flotation, physical separation, thickening and analyzer and automation technologies. The Minerals Processing division offers also total concentrator solutions that integrate various equipment and processes and are based on several decades of research and development at Outokumpu's own concentrator plants and research center. In addition to process technology, the offering of the Minerals Processing division also covers application and process knowledge and metallurgical know-how for larger projects, and services, including delivery of spare parts, site maintenance and inspection services as well as other expert services.

Base Metals

The Base Metals division provides metallurgical processing technology for copper, nickel, zinc, precious metals and ferroalloys. The Base Metals division transfers its technologies globally to its customers working in close partnership with them and identifying the most profitable solutions to its customers' businesses. The Base Metals division develops new technologies in cooperation with its key customers, and the division's profound process knowledge has lead to a number of benchmark technology introductions in the field of base metals processing.

Metals Processing

The Metals Processing division provides technologies and plants for the metallurgical processing of iron ore, for processing bauxite to alumina, for production of aluminum, for processing ilmenite to synthetic rutile as well as for roasting of different non-ferrous concentrates and for production of sulfuric acid. With its proprietary technologies and the long experience of Outokumpu Technology and former Lurgi Metallurgie GmbH in plant building, the Metals Processing division is in a position to offer its customers an extensive range of solutions from technology packages to lump-sum turnkey plant deliveries, both for new plants and for the modernizations and expansions of customers' existing plants as well as related studies and audits and debottlenecking.

Other businesses

Outokumpu Technology's Other Businesses comprise equipment manufacturing and research operations outside the Company's three business divisions, namely equipment manufacturing of Outokumpu Technology Turula Oy, a workshop located in Eastern Finland, and research and technology development services provided by Outokumpu Research Oy in Pori, Finland.

3.1 Business segments

2003

€ million	Minerals Processing	Base Metals	Metals Processing	Other businesses	Unallocated items	Discontinued operations	Eliminations	Combined
External sales	117.3	114.2	123.3	11.0	0.0	—	—	365.9
Inter-segment sales	7.7	2.9	0.0	13.7	6.0	—	(30.3)	—
Sales	125.0	117.1	123.3	24.7	6.1	—	(30.3)	365.9
Operating profit/(loss)	3.5	5.2	4.7	(2.8)	(2.8)	—	—	7.9
Financial income and expenses	—	—	—	—	—	—	—	(3.9)
Profit before taxes and discontinued operations	—	—	—	—	—	—	—	4.0
Income taxes	—	—	—	—	—	—	—	0.4
Discontinued operations	—	—	—	—	—	0.4	—	0.4
Net profit for the financial year	—	—	—	—	—	—	—	4.8
Depreciation and amortization	(1.7)	(2.1)	(1.8)	(1.2)	(0.1)	—	—	(6.8)
Non interest-bearing assets(1)	100.4	58.3	87.3	25.9	23.1	—	(39.3)	255.8
Interest-bearing assets	—	—	—	—	—	—	—	36.5
Deferred tax assets(2)	—	—	—	—	—	—	—	12.1
Total assets	—	—	—	—	—	—	—	304.4
Non interest-bearing liabilities(1)	70.7	33.7	87.8	19.1	29.0	—	(39.3)	201.1
Interest-bearing liabilities	—	—	—	—	—	—	—	23.0
Deferred tax liabilities(2)	—	—	—	—	—	—	—	10.7
Total liabilities	—	—	—	—	—	—	—	234.9
Operating capital(1)	29.7	24.6	(0.5)	6.8	(5.9)	—	0.0	54.7
Net deferred tax assets(2)	—	—	—	—	—	—	—	1.4
Capital employed	—	—	—	—	—	—	—	56.1
Capital expenditure	3.3	18.5	2.7	1.8	0.5	—	—	26.6

(1) Operating capital = non interest-bearing assets − non interest-bearing liabilities.

(2) Net deferred tax assets = deferred tax assets − deferred tax liabilities.

2004

€ million	Minerals Processing	Base Metals	Metals Processing	Other businesses	Unallocated items	Discontinued operations	Eliminations	Combined
External sales	145.7	135.1	131.8	13.0	0.0	—	—	425.6
Inter-segment sales	4.3	4.1	3.0	21.7	4.1	—	(37.1)	—
Sales	150.0	139.2	134.8	34.7	4.1	—	(37.1)	425.6
Operating profit/(loss)	8.3	4.4	(1.6)	2.4	(2.7)	—	—	10.8
Financial income and expenses	—	—	—	—	—	—	—	1.1
Profit before taxes and discontinued operations	—	—	—	—	—	—	—	11.9
Income taxes	—	—	—	—	—	—	—	(2.4)
Discontinued operations	—	—	—	—	—	12.2	—	12.2
Net profit for the financial year	—	—	—	—	—	—	—	21.7
Depreciation and amortization	(2.0)	(4.2)	(2.1)	(1.3)	(0.1)	—	—	(9.7)
Non interest-bearing assets(1)	77.4	60.1	95.2	18.9	0.0	—	(15.9)	235.7
Interest-bearing assets	—	—	—	—	—	—	—	53.4
Deferred tax assets(2)	—	—	—	—	—	—	—	9.6
Total assets	—	—	—	—	—	—	—	298.7
Non interest-bearing liabilities(1)	54.6	27.7	97.7	9.6	13.3	—	(15.3)	187.5
Interest-bearing liabilities	—	—	—	—	—	—	—	12.1
Deferred tax liabilities(2)	—	—	—	—	—	—	—	8.2
Total liabilities	—	—	—	—	—	—	—	207.8
Operating capital(1)	22.8	32.4	(2.4)	9.3	(13.3)	—	(0.6)	48.1
Net deferred tax assets(2)	—	—	—	—	—	—	—	1.4
Capital employed	—	—	—	—	—	—	—	49.5
Capital expenditure	2.0	6.2	1.7	0.7	1.1	—	—	11.7

(1) Operating capital = non interest-bearing assets − non interest-bearing liabilities.

(2) Net deferred tax assets = deferred tax assets − deferred tax liabilities.

2005

€ million	Minerals Processing	Base Metals	Metals Processing	Other businesses	Unallocated items	Eliminations	Combined
External sales	183.2	155.5	205.0	12.4	0.0	—	556.2
Inter-segment sales	1.5	4.5	0.9	19.8	5.3	(32.0)	—
Sales	184.8	160.0	205.9	32.2	5.3	(32.0)	556.2
Share of results of associated companies	—	—	—	—	(0.6)	—	(0.6)
Operating profit/(loss)	8.3	11.6	7.1	0.2	(2.8)	—	24.3
Financial income and expenses	—	—	—	—	—	—	1.3
Profit before taxes	—	—	—	—	—	—	25.6
Income taxes	—	—	—	—	—	—	(9.2)
Net profit for the financial year	—	—	—	—	—	—	16.4
Depreciation and amortization	(1.8)	(3.8)	(2.4)	(1.3)	(0.1)	—	(9.4)
Non interest-bearing assets(1)	78.8	57.1	108.4	19.5	20.2	(16.1)	267.9
Investments in associated companies(1)	—	—	—	—	1.9	—	1.9
Interest-bearing assets	—	—	—	—	—	—	127.1
Deferred tax assets(2)	—	—	—	—	—	—	12.2
Total assets	—	—	—	—	—	—	409.2
Non interest-bearing liabilities(1)	50.4	45.4	163.5	8.9	20.3	(16.1)	272.4
Interest-bearing liabilities	—	—	—	—	—	—	11.0
Deferred tax liabilities(2)	—	—	—	—	—	—	15.2
Total liabilities	—	—	—	—	—	—	298.5
Operating capital(1)	28.4	11.7	(55.1)	10.6	(0.1)	0.0	(4.4)
Net deferred tax liability(2)	—	—	—	—	—	—	(2.9)
Capital employed	—	—	—	—	—	—	(7.4)
Capital expenditure	1.7	3.2	2.5	1.2	3.6	—	12.1

(1) Operating capital = non interest-bearing assets − non interest-bearing liabilities.

(2) Net deferred tax liability = deferred tax assets − deferred tax liabilities.

3.2 Geographical segments

2003

€ million	Finland	Germany	Other Europe	North America	South America	Australia	Asia	Africa	Inter area	Combined
Sales by destination[(1)]	20.8	6.7	65.8	17.7	54.6	58.9	107.9	33.4	—	365.9
Sales by origin[(2)]	110.0	97.1	5.7	47.3	32.5	85.0	—	18.7	(30.5)	365.9
Non interest-bearing assets[(2)]	109.2	80.3	12.4	25.7	9.0	42.5	—	9.5	(32.9)	255.8
Capital expenditure[(2)]	21.7	2.1	0.2	0.3	0.7	1.5	—	0.1	—	26.6

2004

€ million	Finland	Germany	Other Europe	North America	South America	Australia	Asia	Africa	Inter area	Combined
Sales by destination[(1)]	24.2	7.8	76.5	20.6	63.5	68.5	125.5	38.9	—	425.6
Sales by origin[(2)]	158.0	104.1	7.0	45.5	17.0	120.0	0.2	23.6	(49.9)	425.6
Non interest-bearing assets[(2)]	87.6	85.7	7.3	21.9	9.5	38.4	1.0	10.9	(26.6)	235.7
Capital expenditure[(2)]	10.0	0.0	0.1	0.3	0.4	0.8	—	0.1	—	11.7

2005

€ million	Finland	Germany	Other Europe	North America	South America	Australia	Asia	Africa	Inter area	Combined
Sales by destination[(1)]	23.5	3.7	94.2	24.6	100.6	80.1	169.1	60.4	—	556.2
Sales by origin[(2)]	168.3	155.5	26.0	37.7	61.3	116.2	2.0	36.9	(47.8)	556.2
Non interest-bearing assets[(2)]	95.4	82.5	15.8	26.5	14.9	34.6	0.3	17.0	(19.0)	267.9
Capital expenditure[(2)]	8.9	0.7	0.2	0.4	1.0	0.8	—	0.1	—	12.1

(1) Sales by destination is presented for external sales.

(2) Sales, non interest-bearing assets and capital expenditure are presented by the location of the company.

4. DISCONTINUED OPERATIONS

On January 8, 2004, Outokumpu Technology's filter business was sold to Larox Oyj.

The most significant trademarks sold were Ceramec, Hoesch and Pannevis. The number of personnel transferred to Larox was some 180 persons in seven countries.

The total consideration was EUR 31.0 million and sold operating capital some EUR 12.0 million. Gain from the sale after taxes was EUR 12.2 million, which has been presented in income statement after net profit for the financial year from continuing operations.

Specification of discontinued operations

Income statement

€ million	2003	2004
Sales	42.2	—
Expenses	(41.7)	—
Operating profit	0.7	—
Net financial expenses	(0.3)	(0.8)
Profit/(loss) before taxes	0.4	(0.8)
Income taxes	—	—
Profit/(loss) after taxes	0.4	(0.8)
Gain on the sale of the filter business	—	16.2
Taxes	—	(3.2)
Net profit for the financial year from discontinued operations	0.4	12.2

5. ACQUISITIONS AND DISPOSALS

In 2003, Boliden's technology sales business (Boliden Contech AB, currently Outokumpu Technology AB) was transferred to Outokumpu Technology in accordance with the sales and purchase agreement between Outokumpu Group and Boliden Group. The purchase price totaled EUR 3.9 million, fair value of the acquired net assets was EUR 2.7 million, of which cash and cash equivalents amounted to EUR 0.6 million. Goodwill arising on the was acquisition EUR 1.2 million.

In 2004, there were no acquisitions. The sale of the filter business is described in the note 4 Discontinued operations.

In 2005, there were no acquisitions or disposals.

6. LONG-TERM CONSTRUCTION CONTRACTS

Sales include in 2003 EUR 146.4 million of income recognized based on the stage of completion of long-term construction contracts of which, revenue recognized from long-term construction contracts in progress amounted to EUR 121.4 million. Advances received, as of December 31, 2003, totaled EUR 23.5 million.

Sales include in 2004 EUR 232.6 million of income recognized based on the stage of completion of long-term construction contracts of which, revenue recognized from long-term construction contracts in progress amounted to EUR 185.4 million. Advances received, as of December 31, 2004 totaled EUR 30.4 million.

Sales include in 2005 EUR 360.1 million of income recognized based on the stage of completion of long-term construction contracts of which, revenue recognized from long-term construction contracts in progress amounted to EUR 288.4 million. Advances received, as of December 31, 2005 totaled EUR 41.7 million.

Outokumpu Technology recognizes payments from customers relating to the stage of completion of long-term construction contracts as advances received. Billing from customer relating to the stage of completion of long-term construction contracts is recognized to reduce the advances received. If billing from customer exceeds the amount of advances received, the difference is recognized in other receivables. In the long-term construction in contracts the costs incurred plus recognized profits does not materially differ from the amount of contract revenues recognized as revenue in the period.

7. OTHER OPERATING INCOME

€ million	2003	2004	2005
Gains on the sale of intangible and tangible assets	0.2	0.3	1.3
Market price gains from derivatives	2.0	2.9	—
Other income items	1.7	0.7	0.9
	3.9	3.9	2.2

8. OTHER OPERATING EXPENSES

€ million	2003	2004	2005
Losses on disposals of intangible and tangible assets and scrapping	(0.1)	(0.0)	(0.1)
Market price losses from derivatives	—	—	(0.7)
Other expense items	(2.2)	(0.5)	(0.1)
	(2.3)	(0.6)	(0.8)

9. FUNCTION EXPENSES BY NATURE

€ million	2003	2004	2005
Raw materials and merchandise	(191.8)	(239.5)	(341.7)
Fuels and supplies	(1.9)	(0.8)	(0.4)
Freights	—	(1.4)	(2.6)
Employee benefit expenses	(95.0)	(99.1)	(108.7)
Rents and leases	(8.1)	(7.7)	(8.7)
Depreciation and amortization	(6.8)	(9.7)	(9.4)
Change in inventories	(6.0)	(1.8)	(5.3)
Other expenses	(49.9)	(58.1)	(55.8)
	(359.6)	(418.1)	(532.7)

Expenses by function include cost of sales, selling and marketing, administrative as well as research and development expenses.

Operating income and expenses comprise following non-recurring items, which have affected financial performance for the period:

Non-recurring items

€ million	2003	2004	2005
Release of the Finnish TEL disability pension liability	—	5.1	0.8
	—	5.1	0.8

10. EMPLOYEE BENEFIT EXPENSES

€ million	2003	2004	2005
Wages and salaries	(78.5)	(85.9)	(88.6)
Termination benefits	—	(1.1)	(1.0)
Social security costs	(4.0)	(6.3)	(8.2)
Pension and other post-employment benefits			
Defined benefit plans	(1.8)	3.4	(0.5)
Defined contribution plans	(7.0)	(6.7)	(7.2)
Other post-employment benefits	(0.2)	(0.2)	(0.3)
Expenses from share-based payments	(0.0)	(0.1)	(0.1)
Other personnel expenses	(3.5)	(2.2)	(2.8)
	(95.0)	(99.1)	(108.7)

11. FINANCIAL INCOME AND EXPENSES

€ million	2003	2004	2005
Dividend income	0.0	0.0	0.0
Interest income	2.1	2.5	3.0
Other financial income	0.0	0.8	0.1
Total financial income	2.1	3.3	3.0
Interest expenses			
Current and long-term debt	(3.5)	(0.9)	(1.0)
Finance lease arrangements	—	0.0	0.0
Derivatives	—	0.0	—
Other financial expenses	(0.7)	(1.0)	(1.3)
Total financial expenses	(4.2)	(1.9)	(2.3)
Exchange gains and losses	(1.5)	(0.3)	0.6
Other market price gains and losses	(0.2)	0.0	0.0
Total market price gains and losses	(1.7)	(0.3)	0.7
Total financial income and expenses	(3.9)	1.1	1.3

Exchange gains and losses in the income statement

€ million	2003	2004	2005
In sales	1.8	0.0	0.8
In purchases	1.5	(0.5)	1.9
In other income and expenses	2.0	2.9	(0.9)
In financial income and expenses	(1.5)	(0.3)	0.6
	3.8	2.1	2.4

12. INCOME TAXES

Income taxes in the income statement

€ million	2003	2004	2005
Current taxes			
Accrued taxes for the year			
Finnish companies	(0.4)	(0.8)	(1.4)
Companies outside Finland	(2.6)	(4.6)	(2.8)
Tax adjustments for prior years			
Finnish companies	0.0	0.0	0.0
Companies outside Finland	0.5	(0.4)	(0.1)
	(2.4)	(5.8)	(4.4)
Deferred taxes			
Deferred taxes			
Finnish companies	(2.5)	(1.6)	0.4
Companies outside Finland	(0.8)	0.6	(4.3)
Deferred taxes on combination adjustments	6.1	4.4	(1.0)
	2.8	3.4	(4.9)
Total income taxes	0.4	(2.4)	(9.2)

The difference between income taxes at the statutory tax rate in Finland (26% in 2005, 29% in previous years) and income taxes recognized in the combined income statement is reconciled as follows:

€ million	2003	2004	2005
Hypothetical income taxes at Finnish tax rate on combined profit before tax	(1.2)	(3.5)	(6.7)
Effect of different tax rates outside Finland	0.0	(0.7)	(1.4)
Tax effect of non-deductible expenses and tax exempt income	(1.0)	(0.4)	(0.5)
Tax effect of losses for which no deferred tax benefit is recognized	(2.6)	(0.9)	(0.6)
Write-down of subsidiary shares	3.6	—	—
Effects of consolidation and eliminations	0.1	0.5	0.4
Effect of combination	(0.1)	(1.7)	(0.8)
Impact of the changes in the tax rates on deferred tax balances	1.3	1.6	0.1
Taxes for prior years	0.1	0.0	0.2
Expected change in tax rate	(0.0)	0.2	0.0
One-off adjustment to deferred taxes in Germany	—	1.9	—
Other items	0.2	0.5	0.1
Income taxes in the combined income statement	0.4	(2.4)	(9.2)

Deferred taxes have been reported as a net balance of those companies that file a consolidated tax return or that may otherwise be consolidated for current tax purposes.

€ million	2003	2004	2005
Deferred tax assets			
Tax losses and credits carried forward	4.9	4.9	6.6
Pension provisions	1.7	1.7	1.9
Depreciation difference	0.2	0.2	0.7
Effects of consolidation and eliminations	0.6	0.3	0.2
Effect of combination	0.8	—	—
Other provisions and items	5.7	2.3	2.9
	14.0	9.4	12.3
Deferred tax liabilities			
Timing difference in revenue recognition	4.1	3.1	10.6
Depreciation difference	1.0	1.0	1.0
Other untaxed reserves	0.5	0.5	0.4
Purchase price allocation	2.6	2.1	1.8
Effect of combination	3.2	0.6	0.3
Undistributable retained earnings	0.5	0.7	1.0
Other items	0.6	0.1	0.2
	12.6	8.0	15.3
Net deferred tax asset/(liability)	1.4	1.4	(3.0)
Deferred taxes in the balance sheet			
Long-term assets	12.1	9.6	12.2
Long-term liabilities	10.7	8.2	15.2
	1.4	1.4	(3.0)

In 2005, deferred tax assets of EUR 17.8 million (2004: EUR 19.4 million; 2003: EUR 17.4 million) have not been recognized in the combined financial statements because the realization of the tax benefit included in these assets is not probable. Majority of these unrecognised deferred tax assets relate to tax losses and credits amounting to EUR 48.2 million (2004: EUR 51.7 million; 2003: EUR 48.1 million), which can be carried forward in the future. All these tax losses and credits will expire earliest in 2011 (2004: 2010 and 2003: 2009).

The combined balance sheet includes deferred tax assets of EUR 9.8 million (2004: EUR 3.3 million; 2003: EUR 3.8 million) in subsidiaries, which have generated losses in current or in prior year. The recognition of the assets is based on result estimates, which indicate that the realization of these deferred tax assets is probable.

Deferred tax liability on all undistributed earnings of subsidiaries, calculated according to IFRS, has not been recognized in the combined balance sheet because distribution of the earnings is in the control of Outokumpu Technology and such distribution is not probable within foreseeable future. The amount of such undistributed earnings in subsidiaries, which may attract withholding or other tax consequences upon distribution, was at the end of the year 2005 EUR 41.2 million (2004: EUR 22.1 million; 2003: EUR 10.2 million).

13. EARNINGS PER SHARE

	2003	2004	2005
Profit attributable to the equity holders of the Company, € million	4.8	21.7	16.4
Number of shares, in thousands	42 000	42 000	42 000
Earnings per share for profit attributable to the equity holders of the Company, €	0.11	0.52	0.39
Earnings per share, €:			
From continuing operations	0.10	0.23	0.39
From discontinued operations	0.01	0.29	—

Outokumpu Technology Oy shares have been split on August 10, 2006 from 8.4 million to 42.0 million shares, after which counter-book value of a share is EUR 0.40. Earnings per share has been calculated with 42.0 million shares.

14. INTANGIBLE ASSETS

€ million	Intangible asset, internally generated	Intangible asset, acquired	Goodwill	Advances paid and construction in progress	Total
Historical cost on January 1, 2003	3.0	8.3	46.9	—	58.2
Translation differences	0.1	(0.0)	0.2	—	0.3
Additions	0.1	9.2	—	5.1	14.5
Acquisition of subsidiaries	0.7	—	1.2	—	1.9
Disposals	(0.0)	—	—	—	(0.0)
Reclassifications	(0.1)	0.1	—	—	0.0
Historical cost on December 31, 2003	3.9	17.7	48.3	5.1	75.0
Accumulated amortization on January 1, 2003	(1.8)	(0.2)	—	—	(2.0)
Translation differences	(0.0)	0.0	—	—	(0.0)
Disposals	0.0	—	—	—	0.0
Reclassifications	(0.1)	0.0	—	—	(0.1)
Amortization during the period	(0.2)	(1.0)	—	—	(1.3)
Accumulated amortization on December 31, 2003	(2.1)	(1.2)	—	—	(3.4)
Carrying value on December 31, 2003	1.7	16.4	48.3	5.1	71.6
Historical cost on January 1, 2004	3.9	17.7	48.3	5.1	75.0
Translation differences	(0.0)	0.0	0.6	—	0.6
Additions	0.0	3.2	—	3.9	7.1
Disposals	(1.8)	(0.7)	(2.0)	—	(4.5)
Reclassifications	(0.1)	0.1	—	—	0.0
Historical cost on December 31, 2004	1.9	20.2	47.0	9.1	78.2

€ million	Intangible asset, internally generated	Intangible asset, acquired	Goodwill	Advances paid and construction in progress	Total
Accumulated amortization on January 1, 2004	(2.1)	(1.2)	—	—	(3.4)
Translation differences	0.0	0.0	—	—	0.0
Disposals	1.4	0.0	—	—	1.4
Reclassifications	0.1	(0.1)	—	—	(0.0)
Amortization during the period	(0.3)	(2.1)	—	—	(2.4)
Accumulated amortization on December 31, 2004	(0.8)	(3.5)	—	—	(4.3)
Carrying value on December 31, 2004	1.1	16.7	47.0	9.1	73.9
Historical cost on January 1, 2005	1.9	20.2	47.0	9.1	78.2
Translation differences	0.0	0.0	0.3	—	0.3
Additions	—	3.1	—	0.3	3.5
Disposals	—	(0.1)	—	—	(0.1)
Reclassifications	(0.3)	0.3	—	—	(0.0)
Historical cost on December 31, 2005	1.7	23.5	47.2	9.4	81.8
Accumulated amortization on January 1, 2005	(0.8)	(3.5)	—	—	(4.3)
Translation differences	(0.0)	(0.0)	—	—	(0.0)
Disposals	—	0.1	—	—	0.1
Reclassifications	0.3	(0.3)	—	—	0.0
Amortization during the period	(0.2)	(2.2)	—	—	(2.4)
Accumulated amortization on December 31, 2005	(0.8)	(5.9)	—	—	(6.6)
Carrying value on December 31, 2005	0.9	17.7	47.2	9.4	75.2

Amortization by function

€ million	2003	2004	2005
Cost of sales	(0.8)	(1.2)	(0.7)
Selling and marketing expenses	(0.0)	(0.1)	(0.0)
Administrative expenses	(0.0)	(0.4)	(0.8)
Research and development expenses	(0.4)	(0.8)	(0.8)
	(1.3)	(2.4)	(2.4)

Impairment testing of goodwill

Goodwill is allocated to the cash-generating units of Outokumpu Technology (CGUs) according to the business organization.

Goodwill allocation to the segments

€ million	2003	2004	2005
Minerals Processing	5.8	4.4	4.6
Metals Processing	41.3	41.3	41.3
Other businesses	1.2	1.2	1.3
	48.3	47.0	47.2

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations are based on the cash flow projections in the strategic plans approved by the management covering a three-year period. Fourth and fifth year cash flow assumptions are based on third year cash flow. The estimated sales and profits are based on the current backlog and estimated order intake as well as cost development. The most important assumptions relate to gross margin levels in various products and estimated overall gross margin level volume in relation to fixed costs. In defining its planning assumptions Outokumpu Technology makes use of growth, demand and price estimates by market research institutions. Discount rate is the weighted average pre-tax cost of capital (WACC) as defined for Outokumpu Technology. The components of WACC are risk-free yield rate, market risk premium, industry specific beta, cost of debt and targeted capital structure. The WACC used in the calculations was 10.5% in 2005 (2004: 10.5%, 2003: 10.5%). Cash flows beyond the five year period are calculated using terminal value method. As a result of the performed impairment tests, no impairment losses have been recognized.

15. PROPERTY, PLANT AND EQUIPMENT

€ million	Land	Buildings	Machinery	Office equipment	Other tangible assets	Advances paid and construction in progress	Total
Historical cost on January 1, 2003	0.8	8.4	35.0	20.9	2.9	11.1	79.3
Translation differences	(0.0)	0.0	(0.6)	(0.6)	(0.1)	—	(1.3)
Additions	—	0.5	3.4	2.2	0.0	6.5	12.6
Acquisition of subsidiaries	—	—	—	0.2	—	—	0.2
Disposals	—	—	(1.7)	(1.4)	(0.2)	(2.7)	(5.9)
Reclassifications	—	2.0	11.2	(2.2)	0.3	(13.4)	(2.2)
Historical cost on December 31, 2003	0.8	10.9	47.3	19.2	3.0	1.5	82.7
Accumulated depreciation on January 1, 2003	—	(2.7)	(24.3)	(14.9)	(1.2)	—	(43.2)
Translation differences	—	0.0	0.5	0.6	0.0	—	1.1
Disposals	—	—	1.3	1.2	0.0	—	2.5
Reclassifications	—	(0.0)	(0.2)	1.5	(0.2)	—	1.0
Depreciation during the period	—	(0.4)	(3.2)	(1.9)	(0.0)	—	(5.5)
Accumulated depreciation on December 31, 2003	—	(3.2)	(25.9)	(13.5)	(1.4)	—	(44.0)
Carrying value on December 31, 2003	0.8	7.7	21.4	5.7	1.6	1.5	38.7
Historical cost on January 1, 2004	0.8	10.9	47.3	19.2	3.0	1.5	82.7
Translation differences	(0.0)	(0.0)	(0.4)	(0.2)	(0.0)	—	(0.6)
Additions	—	0.6	1.4	1.5	0.0	0.1	3.6
Disposals	—	(0.3)	(5.6)	(2.8)	(2.7)	(0.2)	(11.6)
Reclassifications	—	0.0	1.4	(0.2)	(0.2)	(1.1)	(0.1)
Historical cost on December 31, 2004	0.8	11.2	44.1	17.4	0.1	0.3	73.9
Accumulated depreciation on January 1, 2004	—	(3.2)	(25.9)	(13.5)	(1.4)	—	(44.0)
Translation differences	—	0.0	0.2	0.1	0.0	—	0.4
Disposals	—	0.1	4.3	2.6	1.3	—	8.3
Reclassifications	—	(0.0)	(0.2)	0.2	0.0	—	0.0
Depreciation during the period	—	(0.5)	(5.0)	(1.8)	(0.0)	—	(7.3)
Accumulated depreciation on December 31, 2004	—	(3.6)	(26.5)	(12.3)	(0.1)	—	(42.5)
Carrying value on December 31, 2004	0.8	7.6	17.6	5.1	0.0	0.3	31.4
Historical cost on January 1, 2005	0.8	11.2	44.1	17.4	0.1	0.3	73.9
Translation differences	0.2	0.5	(1.7)	1.1	0.1	0.0	0.2
Additions	—	0.2	0.8	3.8	0.0	0.7	5.5
Disposals	(0.3)	(0.0)	(0.4)	(2.4)	—	—	(3.2)
Reclassifications	—	(0.1)	0.2	0.0	(0.1)	(0.3)	(0.2)
Historical cost on December 31, 2005	0.6	11.9	43.0	19.9	0.1	0.7	76.2
Accumulated depreciation on January 1, 2005	—	(3.6)	(26.5)	(12.3)	(0.1)	—	(42.5)
Translation differences	—	(0.0)	1.7	(0.3)	(0.0)	—	1.3
Disposals	—	0.0	0.4	2.1	(0.0)	—	2.5
Reclassifications	—	0.0	(0.1)	(0.0)	0.1	—	(0.0)
Depreciation during the period	—	(0.5)	(4.4)	(2.0)	(0.0)	—	(7.0)
Accumulated depreciation on December 31, 2005	—	(4.2)	(28.9)	(12.6)	(0.1)	—	(45.7)
Carrying value on December 31, 2005	0.6	7.7	14.0	7.3	0.1	0.7	30.5

Depreciation by function

€ million	2003	2004	2005
Cost of sales	(1.6)	(1.5)	(2.1)
Selling and marketing expenses	(1.3)	(1.7)	(0.5)
Administrative expenses	(0.9)	(0.8)	(1.1)
Research and development expenses	(1.8)	(3.2)	(3.3)
	(5.5)	(7.3)	(7.0)

Assets leased by finance lease agreement

Machinery and equipment

€ million	2004	2005
Historical cost	0.3	0.2
Accumulated depreciation	(0.2)	(0.2)
Carrying value on December 31, 2004	0.1	0.0

There were no finance lease agreements in 2003.

16. INVESTMENTS IN ASSOCIATED COMPANIES

€ million	2003	2004	2005
Investments in associated companies at cost			
Historical cost on January 1	0.0	0.0	0.0
Additions	—	—	2.5
Historical cost on December 31	0.0	0.0	2.5
Equity adjustment to investments in associated companies on January 1	(0.0)	(0.0)	(0.0)
Share of results of associated companies	—	—	(0.6)
Equity adjustment to investments in associated companies on December 31	(0.0)	(0.0)	(0.6)
Carrying value of investments in associated companies on December 31	—	—	1.9

Associated companies on December 31, 2005

€ million	Domicile	Assets	Liabilities	Sales	Loss	Ownership, %
Intune Circuits Oy	Finland	8.9	2.6	0.3	(2.3)	28.0

In 2004 and 2003 there were no substantial associated companies.

Pursuant to a shareholders' agreement, dated April 11, 2005, Outokumpu Technology has agreed to invest EUR 2.55 million in Intune Circuits Oy in addition to the EUR 2.5 million investment carried out in 2005. The parties to the shareholders' agreement have certain investment commitments towards Intune Circuits Oy and such commitments are based on an action plan inherent in the shareholders' agreement. The parties may only refuse from fulfilling their respective investment commitment should Intune Circuits Oy materially fail to meet agreed targets set forth in the action plan. After a due fulfilment of the investment commitment, which is scheduled to have taken place by May 31, 2008, the shareholders are not obliged to participate in any further possible increases of the share capital or to grant guarantees or give securities for Intune Circuits Oy's liabilities. However, the shareholders' agreement includes certain provisions regarding actual financing, which should be at first arranged from financial institutions on normal terms, then at Intune Ciruits Oy's Board of Director's proposal, provided by the shareholders of

Intune Circuits Oy on an arm's length basis. The shareholders are entitled but not obliged to participate in such additional financing.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

€ million	2004	2005
Carrying value on January 1	1.6	0.5
Translation differences	(0.0)	—
Additions	0.3	0.8
Disposals	(1.6)	(0.5)
Fair value changes	0.2	(0.2)
Gains and losses on disposals in the income statement	—	0.1
Carrying value on December 31	0.5	0.8
Listed equity securities	0.5	0.0
Unlisted equity securities	—	0.8
Less:		
Non-current unlisted equity securities	(0.0)	(0.8)
Current available-for-sale financial assets	0.5	0.0
Fair value	0.5	0.8
Acquisition value	(0.3)	(0.8)
Fair value changes	0.2	0.0
Deferred tax liability	(0.0)	(0.0)
Fair value reserve in equity	0.1	0.0

18. SHARE-BASED PAYMENT PLANS

Outokumpu Technology has not had its own option plans or other share-based incentive schemes. Outokumpu Technology's management has participated in incentive schemes of Outokumpu Oyj.

The combined financial statements of Outokumpu Technology include Outokumpu's allocated expenses related to 2000-2002 share-based incentive scheme of Outokumpu Group to the extent that Outokumpu Technology's personnel have been involved in these incentive schemes. These incentive schemes have not been accounted for along IFRS 2 Share-based payments standard but the expenses allocated to Technology from these schemes are presented in note 10 Employee benefit expenses in line wages and salaries. The amount of share-based incentive scheme expenses allocated to Outokumpu Technology amounted to EUR 2.4 million in 2004 and EUR 1.7 million in 2003. No expenses have been recognized from this incentive scheme in 2005.

Outokumpu Group has applied IFRS 2 Share-based payments standard only to the 2003 option program in which the stock options have been granted after November 7, 2002 and were not vested on January 1, 2005. From this option program Outokumpu Technology has recognized as an expense in the income statement as follows: in 2003 EUR 0.0 million, in 2004 0.1 million and in 2005 0.1 million.

Equity-settled awards that were granted before November 7, 2002, have not been recognized as an expense in the financial statements.

The following table illustrates the general terms and conditions of the option program.

	2003A	2003B
Grant date	June 12, 2003	February 10, 2004
The number of options granted	742 988	1 088 820
of which options granted to Outokumpu Technology personnel	101 553	126 810
The maximum number of granted at the balance sheet date(1)	684 191	1 047 570
Exercise price, €(2)	10.00	13.06
Term of contract	June 12, 2003-March 1, 2009	February 10, 2004-March 1, 2010
Vesting period	June 12, 2003-August 31, 2006	February 10, 2004-August 31, 2007

(1) The maximum number for the whole option program.

(2) Paid dividends have been deducted.

Conditions of the agreement

- The Outokumpu Group's earnings per share in 2004 and share price performance outperforming the share price trend of peer companies. The additional earnings criterion for Group Executive Committee members was the Outokumpu Group's debt-to-equity ratio.
- The Outokumpu Group's earnings per share in 2003 and share price performance outperforming the share price trend of peer companies. The additional earnings criterion for Group Executive Committee members was the Outokumpu Group's debt-to-equity ratio.

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted.

The following table lists the used inputs to the model:

	2003A	2003B
Risk-free interest rate (%)	3.05	3.79
Expected life of options at the grant date (years)	5.7	6.1
Share price at the grant date, €	7.75	10.35
Estimated forfeit ratio (at the grant date), % p.a.	2.2	2.2
Actual forfeit ratio, % p.a.	7.1	6.9
Estimated outcome of non-market based criteria (at the grant date)	—(1)	—(1)
Estimated outcome of market based criteria (at the grant date)	—(1)	—(1)
Fair value of the option at the grant date, €	2.99	3.78

(1) The actual value have been used on the transition date to IFRS 2 standard (January 1, 2005).

19. FINANCIAL RISK MANAGEMENT AND INSURANCES

Financial Risk Management And Insurances

Outokumpu Technology has been operating as a part of Outokumpu Group. Financial risk management in Outokumpu Group has been centralized so that the main objective has been to reduce the impacts of price fluctuations in financial markets and other factors of uncertainty on earnings, cash flows and balance sheet, as well as to ensure sufficient liquidity.

Outokumpu Technology has been obliged to comply with the risk management policy of Outokumpu Group. The CEO and the Executive Committee of Outokumpu Group monitor implementation of risk management procedures in coordination with the Board of Directors. The Chief Financial Officer is responsible for implementation and development of financial risk management.

Financial risks consist of market, default and liquidity risks. The business units hedge their market risks by entering into agreement with the Outokumpu Group's treasury which does most of the financial contracts with banks and other financial institutions. The Treasury of Outokumpu Group is also responsible for managing certain group-level risks, such as interest rate risk and foreign currency translation risk.

The Risk management of Outokumpu Group purchases substantial part of Outokumpu Group's insurances. The most important insurance lines are property damage, business interruption, liability and credit. Credit risks are usually insured on a project by project basis.

Market risk

Market risks are caused by changes in foreign exchange and interest rates, as well as commodity or other prices. These changes may have a significant impact on the Outokumpu Group's earnings, cash flows and balance sheet.

In order to mitigate adverse impacts of market price changes Outokumpu Technology uses derivative contracts. Majority of derivative contracts hedge underlying business transactions although they do not comply with hedge accounting criteria according to IAS 39. Because of this the derivatives cause timing differences between derivative gains/losses and sales/purchases. Outokumpu Technology does not apply hedge accounting for derivative instruments. In this description of financial risk management the term hedging has been used in its broadest sense and therefore it also includes usage of non-hedge-accounted derivatives.

Exchange rate risk

Major part of Outokumpu Technology's sales is in euros, U.S. dollars, Brazilian real and Australian dollars. A significant part of costs arise in euros, U.S. dollars, Brazilian real and Australian dollars.

The currencies related to sales and costs can change materially depending on the projects of Outokumpu Technology. Outokumpu Technology hedges most of its fair value risk. Cash flow risk related to firm commitments are hedged almost all, within subsidiary specific limits and forecasted and probable cash flows are hedged selectively based on separate decisions. Outokumpu Technology does not hedge its investment in foreign operations' translation risk. The total non-euro-denominated equity of Outokumpu Technology's foreign subsidiaries and associated companies was 60.2 million euros on December 31, 2005 (December 31, 2004: 42.7 million euros and December 31, 2003: 27.4 million euros).

In certain cases commercial contracts may include a so called embedded derivatives, the volume of which may at times amount to a substantial share of all derivatives.

Outokumpu Technology had the following foreign exchange derivative contract amounts, including embedded derivatives, as of December 31:

€ million	2003	2004	2005
Currency forwards	76	94	75

Interest rate risk

Outokumpu Technology's interest rate position has been monitored as a part of Outokumpu Group's cash flow and fair value risks. In order to manage the balance between risk and cost efficiently, significant part of the financial investments have short term interest-rate as a reference rate.

In addition to loans and financial investments the advance payments received from projects in the emerging markets and the related financial investments occasionally cause interest rate risks. Euro, Brasilian real and Australian dollar have substantial contribution to overall interest rate risk.

Securities price risk

Outokumpu Technology does not have any material amounts of listed equity securities.

Credit risks

Outokumpu Technology accounts receivables and other potential sources of default risk are generated by a large number of customers worldwide, but occasionally risk concentrations may develop due to large individual sales contracts. The default risks related to business operations are mitigated for example by the use of advance payments and other payment terms under sales contracts, project specific credit insurances and letters of credit.

Outokumpu Group's Treasury manages a substantial part of the credit risk related financial instruments of Outokumpu Technology. Outokumpu Group seeks to reduce these risks by limiting the counter parties to banks and other financial institutions, which have a good credit standing. All investments related to liquidity management are made in liquid money market instruments with, as far as possible, low credit risk. Especially related to Outokumpu Technology's project advance payments part of liquid assets can be invested in local money markets in emerging countries.

Liquidity risk

Outokumpu Group's Treasury raises centrally most of the Outokumpu Group's interest-bearing debt. Outokumpu Technology has had some local credit lines of its own which mostly have been counter-guaranteed by Outokumpu Group's parent company. Liquidity and refinancing risks are sought to be reduced with availability of sufficient amount of credit lines which have a balanced maturity profile. Efficient cash and liquidity management is also reducing liquidity risk.

Insurances

Liability, property damage and business interruption are the most important types of insurance and a significant part of insurance premiums paid relate to these types of risks. Other significant insurance types include credit risks which are insured on a project specific basis and based on a case by case assessment.

20. FAIR VALUES OF DERIVATIVE INSTRUMENTS

Currency forwards

€ million	2003	2004	2005
Positive fair value	5.9	5.6	0.6
Negative fair value	(1.4)	(5.1)	(1.1)
Net fair value	4.5	0.5	(0.5)

Fair values are estimated based on market rates and prices, discounted future cash flows.

21. INVENTORIES

€ million	2003	2004	2005
Raw materials and consumables	7.0	3.3	3.2
Work in progress	11.6	15.2	20.7
Finished goods and merchandise	5.2	3.7	2.9
Advance payments	7.8	8.6	8.4
	31.7	30.8	35.2

22. TRADE AND OTHER RECEIVABLES

€ million	2003	2004	2005
Non-current			
Trade receivables	3.0	—	—
Defined benefit pension assets	0.1	0.1	0.1
Other receivables	0.0	1.5	0.8
	3.1	1.6	0.9
Current			
Trade receivables	81.5	72.6	88.9
Income tax receivable	2.8	2.2	2.4
VAT receivable	2.0	3.7	8.1
Grants and subsidies receivable	0.8	0.5	0.6
Other accruals	11.4	9.2	20.0
Other receivables	6.3	4.3	5.6
	104.8	92.5	125.5
Doubtful receivables deducted from trade receivables			
Doubtful trade receivables on January 1	2.3	1.9	2.1
Additions	0.3	0.4	0.5
Deductions	(0.1)	(0.1)	(1.5)
Recovery of doubtful receivables	(0.5)	(0.1)	—
Doubtful trade receivables on December 31	1.9	2.1	1.1

Fair value of trade and other receivables does not significantly differ from the carrying value.

23. CASH AND CASH EQUIVALENTS

	Book value		
€ million	2003	2004	2005
Cash at bank and in hand	25.0	44.1	66.3
Short term bank deposits	9.9	0.2	15.7
Cash equivalent marketable securities	—	8.7	44.3
	34.9	52.9	126.3

Fair value of cash and cash equivalents does not significantly differ from the carrying value.

Majority of Outokumpu Technology's deposits are invested in money markets in the following currencies: euro, US dollar and Australian dollar. The relevant reference interest rate of these currencies have fluctuated during 2005 as follows: euro 2.05-2.60%, U.S. dollar 2.40-4.60%, and Australian dollar 5.30-5.90%. Deposits in Brazilian reals were made at the end of 2005, so the interest accrued during 2005 remained low. The relevant reference interest rate was the central bank of Brazil's reference interest rate (so called CDI-interest rate), which value in December 2005 was at 18.15% per annum.

24. EQUITY

Share capital and premium fund

€ million	Number of shares 1 000	Share capital	Premium fund	Total
On Dec. 31, 2003	8,400	16.8	20.2	37.0
On Dec. 31, 2004	8,400	16.8	20.2	37.0
On Dec. 31, 2005	8,400	16.8	20.2	37.0

According to the Articles of Association, which were valid at December 31, 2005, the maximum number of Outokumpu Technology Oy shares was 10.0 million. Counter book value of a share was EUR 2.0, and the maximum share capital was EUR 26.9 million. Outokumpu Technology Oy shares have been split on August 10, 2006 from 8.4 million to 42.0 million shares, after which counter-book value of a share is EUR 0.40. The maximum share capital after the split is EUR 40.0 million.

Other reserves

Fair value reserve

€ million	2003	2004	2005
Available-for-sale investments reserve	—	0.1	0.0

Fair value reserves include movements in the fair value of the available-for-sale financial assets.

Other reserves

€ million	2003	2004	2005
Reserve fund	0.1	0.1	0.1
Other reserves	0.0	0.0	0.0
	0.1	0.1	0.1

Reserve fund includes amounts transferred from the distributable equity under the Articles of Association or by a decision by general meeting of shareholders. Other reserves include other items based on the local regulations of the group companies.

25. EMPLOYEE BENEFIT OBLIGATIONS

Outokumpu Technology has several defined benefit and defined contribution pension plans in various countries. The most significant pension plan in Finland is the Finnish Statutory Employment Pension Scheme (TEL), in which benefits are directly linked to employee earnings. The disability component of TEL has been accounted for as a defined benefit plan. In December 2004, the Finnish Ministry of Social Affairs and Health approved certain changes, effective from January 1, 2006 onwards, to the principles for calculating disability pension liabilities under TEL. According to the new practice, TEL's disability pension component will be accounted for as a defined contribution plan. Due to this change and based on the year-end actuarial calculations, Outokumpu Technology has released EUR 5.1 million of this obligation, related to continuing operations in December 2004 and the rest EUR 0.8 million has been released in 2005. Outokumpu Technology's foreign pension plans include both defined contribution and defined benefit plans. The most significant defined benefit pension plan is in Germany. Other post-employment benefits relate to retirement medical arrangements in Germany.

Pension and other post-employment benefits

Amounts recognized in the income statement

€ million	2003	2004	2005
Defined benefit pension expenses	(1.8)	3.4	(0.5)
Defined contribution pension expenses	(7.0)	(6.7)	(7.2)
Other post-employment benefits	(0.2)	(0.2)	(0.3)
	(9.1)	(3.5)	(8.0)

By function

	Defined benefit pension plans			Other post-employment benefits		
€ million	2003	2004	2005	2003	2004	2005
Cost of sales	(1.3)	1.8	(0.7)	(0.2)	(0.1)	(0.3)
Selling and marketing expenses	(0.2)	1.0	0.1	(0.0)	(0.1)	(0.0)
Administrative expenses	(0.1)	0.2	(0.0)	(0.0)	(0.0)	(0.0)
Research and development expenses	(0.2)	0.5	0.1	(0.0)	(0.0)	(0.0)
	(1.8)	3.4	(0.5)	(0.2)	(0.2)	(0.3)

Pension cost in employee benefit expenses

	Defined benefit pension plans			Other post-employment benefits		
€ million	2003	2004	2005	2003	2004	2005
Current service cost	(0.7)	(0.7)	(0.3)	(0.0)	(0.0)	(0.0)
Interest cost	(1.1)	(1.2)	(0.9)	(0.2)	(0.2)	(0.2)
Recognized net actuarial gains and losses	—	0.3	(0.1)	—	(0.0)	(0.1)
Past service cost	—	1.0	—	—	—	—
Gains and losses on curtailments and settlements	—	4.1	0.8	—	—	—
	(1.8)	3.4	(0.5)	(0.2)	(0.2)	(0.3)

Amounts recognized in the balance sheet

€ million	Defined benefit pension plans			Other post-employment benefits		
	2003	2004	2005	2003	2004	2005
Present value of funded obligations	5.8	0.7	—	—	—	—
Present value of unfunded obligations	15.5	17.4	19.4	3.4	3.7	4.1
Unrecognized actuarial gains and losses	(2.0)	(3.2)	(4.6)	(0.4)	(0.6)	(0.9)
Net liability	19.3	14.9	14.8	3.0	3.1	3.2

Balance sheet reconciliation

Net liability on January 1	18.3	19.3	14.9	2.9	3.0	3.1
Net periodic pension cost in income statement	1.8	(3.4)	0.5	0.2	0.2	0.3
Employer contributions	(0.8)	(1.0)	(0.6)	(0.1)	(0.1)	(0.2)
Net liability on December 31	19.3	14.9	14.8	3.0	3.1	3.2
Defined benefit pension and other post-employment benefit obligations	22.4	18.1	18.2			
Defined benefit pension assets (note 22)	(0.1)	(0.1)	(0.1)			
Net liability	22.3	18.0	18.0			

Principal actuarial assumptions

%	2003	2004	2005
Discount rate			
Finland	5.3	5.0	4.5
Germany	5.4	5.1	4.5
Expected return on plan assets			
Finland	5.3	5.0	4.5
Future salary increase expectation			
Finland	3.5	3.5	3.5
Germany	4.0	4.0	2.5
Future benefit increase expectation			
Finland	2.0	2.0	2.0
Germany	2.0	2.0	1.5

Defined benefit pension and other post-employment benefit obligations in the balance sheet

2003

€ million	Finland	Germany	Total
Present value of funded obligations	5.8	—	5.8
Present value of unfunded obligations	—	18.9	18.9
Unrecognized net gain or loss	0.0	(2.5)	(2.4)
	5.9	16.4	22.3

2004

€ million	Finland	Germany	Total
Present value of funded obligations	0.7	—	0.7
Present value of unfunded obligations	—	21.1	21.1
Unrecognized net gain or loss	0.1	(3.9)	(3.9)
	0.8	17.2	18.0

2005

€ million	Finland	Germany	Total
Present value of funded obligations	—	—	—
Present value of unfunded obligations	—	23.5	23.5
Unrecognized net gain or loss	—	(5.5)	(5.5)
	—	18.0	18.0

26. PROVISIONS

€ million	2003	2004	2005
Provisions on January 1	0.9	0.6	2.9
Translation differences	0.0	(0.0)	0.3
Increases in provisions	0.2	2.2	0.7
Utilized during the year	(0.3)	(0.4)	(1.1)
Unused amounts reversed	(0.2)	(0.2)	(0.4)
Other changes	—	0.7	—
Provisions on December 31	0.6	2.9	2.4
Non-current provisions	—	1.0	0.8
Current provisions	0.6	1.9	1.6
	0.6	2.9	2.4

Provisions are based on best estimates on the balance sheet date. Provisions relate mainly to projects' future losses and warranty provisions. The outflow of economic benefits related to long-term provisions is expected to take place mainly within 1-3 years.

27. INTEREST-BEARING LIABILITIES

€ million	2003	2004	2005
Non-current			
Pension loans	1.0	0.7	0.4
Finance lease liabilities	—	0.1	—
Other long-term loans	2.6	2.9	2.7
	3.5	3.6	3.1
Current			
Loans from financial institutions	4.1	2.2	3.5
Pension loans	0.3	0.3	0.3
Finance lease liabilities	—	0.0	—
Other current loans	15.2	5.9	4.1
	19.5	8.4	7.8

Finance lease liabilities

There have been no material finance lease agreements in Outokumpu Technology between years 2003 and 2005.

Repayment schedule of long-term debt on December 31, 2005

€ million	2006(1)	2007	2008	2009	2010	Total
Pension loans	0.3	0.3	0.1	—	—	0.7
Other long-term loans	0.2	0.7	0.7	0.7	0.6	2.9
	0.4	1.0	0.8	0.7	0.6	3.6

(1) Repayments in 2006 are included in current debt.

Average maturity of long-term debt was 2 years and the average interest rate 1.68%.

Carrying and fair values of borrowings

€ million	2003 Carrying value	2003 Fair value	2004 Carrying value	2004 Fair value	2005 Carrying value	2005 Fair value
Long-term debt	3.5	3.3	3.6	3.3	3.1	2.8
Current debt	19.5	19.5	8.4	8.4	7.8	7.8

The fair value of interest-bearing liabilities is lower compared to the carrying value mainly due to low interest rates in certain subsidised loans.

28. TRADE AND OTHER PAYABLES

€ million	2003	2004	2005
Non-current			
Trade payables	0.1	—	—
Other long-term liabilities	2.8	—	0.7
	2.9	—	0.7
Current			
Trade payables	48.3	38.0	55.6
Advances received	63.9	60.3	102.8
Accrued employee-related expenses	14.8	18.7	18.6
VAT payable	0.5	1.8	3.1
Withholding tax and social security liabilities	1.5	1.9	2.2
Other accruals	38.8	33.3	45.5
Other payables	5.9	5.3	19.2
	173.7	159.4	247.1

29. COMMITMENTS AND CONTINGENT LIABILITIES

€ million	2003	2004	2005
Pledges on December 31	1.9	1.8	2.3
Guarantees for commercial commitments on December 31	82.6	61.2	61.8

Pledges are used to secure a local credit facility of Outokumpu Technology's Canadian subsidiary.

Commercial guarantees relate to project and equipment deliveries. The total value of commercial guarantees in the combined financial statements does not include advance payment guarantees issued by Outokumpu Technology Oy on behalf of its subsidiaries while advances received are presented in the combined financial statements as a liability. The total amount of guarantees for financing issued by

Outokumpu Technology Oy amounted to EUR 3.4 million in 2003, EUR 2.2 million in 2004 and EUR 2.0 million in 2005 and for commercial guarantees EUR 117.3 million in 2003, EUR 114.7 million in 2004 and EUR 187.3 million in 2005.

Present value of minimum lease payments on operating leases

€ million	2003	2004	2005
Not later than 1 year	5.0	4.7	5.3
1-2 years	3.6	4.5	4.8
2-3 years	2.6	3.6	3.4
3-4 years	1.9	3.0	3.0
4-5 years	1.7	2.0	2.9
Later than 5 years	0.3	1.4	0.2
Present value of minimum lease payments	15.2	19.3	19.7

Major off-balance sheet investment commitments on December 31, 2005

Outokumpu Technology has no major off-balance sheet investment commitments.

30. DISPUTES AND LIGITATIONS

In June 2006, Outokumpu Technology GmbH, a subsidiary of Outokumpu Technology, commenced an arbitration proceeding against Bandirma Gübre Fabrikalari A.S. ("BAGFAS"). The dispute relates to a bank guarantee issued in connection with a project contract entered into between BAGFAS and Outokumpu Technology GmbH in July 2003. Under the contract, Outokumpu Technology GmbH was responsible for the modernization of certain section of a sulfuric acid plant of BAGFAS located in Bandirma, Turkey. The fulfillment of Outokumpu Technology GmbH's obligations under the contract was secured by an on-demand bank guarantee of EUR 3.4 million issued by Nordea Bank Finland Plc ("Nordea"). In August 2005, BAGFAS called the bank guarantee in full. Outokumpu Technology's management believes that the calling of the guarantee lacks merit and that, in any case, the value of the items, based on which BAGFAS called the guarantee, are of significantly lower value than EUR 3.4 million. In October 2005, in a proceeding initiated by Outokumpu Technology GmbH, the Helsinki District Court issued an injunction on Nordea, prohibiting the payment of the bank guarantee by Nordea to BAGFAS. Outokumpu Technology GmbH has also commenced a main proceeding against Nordea in the Helsinki District Court in order to prevent the possible repeal of the injunction. This case is still pending. BAGFAS has initiated interim measures proceedings in Turkey against Nordea and the 9th Commercial Court of Istanbul has attached by way of injunction receivables of Nordea worth approximately EUR 3.44 million. A main proceeding, in which the injunction may be repealed, is pending. The court of arbitration will decide on whether the calling of the bank guarantee by BAGFAS was fair, certain reimbursement claims and related issues. The arbitral award in the case is not expected to be issued before 2008. In case Nordea is obliged to pay the guarantee, in part of in full, Outokumpu Technology GmbH will have to indemnify Nordea for the payment of the guarantee in accordance with the terms and provisions of the guarantee facility entered into between Nordea and Outokumpu Technology GmbH. No provision has been recorded as management believes that this will not have material effect on the company's financial position.

In 1995, a former officer of Prometal SA, a Brazilian corporation, commenced legal actions against, among others, Oku-Tec Ltda, a former agent of Outokumpu Technology in Brazil, and Outokumpu Engenharia e Comercio, Ltda (currently Outokumpu Technologia Brasil Ltda). The former officer of Prometal SA is claiming a commission of USD 200,000 (excluding interest) allegedly due to him as a commission for intermediation in the acquisition of certain mining rights in Buritama, Brazil, owned by Prometal SA. In addition, if the former officer is successful in his claim regarding the said commission, he may commence legal proceedings for a success fee of approximately USD 4.7 million (excluding interest) relating to the same acquisition allegedly due to him. The case is currently pending at the 5th Civil Court of Sao Paolo, Brazil, and a decision on the case is expected by the end of the year 2006. While Outokumpu Technology's management believes that the claims of the former officer of Prometal SA against

Outokumpu Technologia Brasil Ltda are unfounded, there can be no assurance as to the outcome of the court proceedings. No provision has been recorded as management believes that this will not have material effect on the company's financial position.

In addition to the proceedings described above, some Outokumpu Technology companies are involved in disputes incidental to their business. Outokumpu Technology management believes that the outcome of said disputes will not have material effect on Outokumpu Technology's financial position.

31. RELATED PARTY TRANSACTIONS

Transactions and balances with Outokumpu Group

€ million	2003	2004	2005
Sales	29.4	10.3	4.3
Purchases	(4.8)	(8.6)	(7.1)
Leases	(2.3)	(2.0)	(2.7)
Other expense items	(6.5)	(7.4)	(5.0)
Interest income	1.0	0.4	1.3
Derivative financial instruments	7.2	1.8	(2.4)
Current receivables			
Trade receivable	1.3	1.4	0.7
Derivative financial instruments	5.4	3.4	0.1
Other receivables	1.6	0.1	0.1
Cash and cash equivalents	—	28.3	46.1
Current liabilities			
Trade payable	8.8	3.6	4.9
Derivative financial instruments	0.5	0.0	1.1
Other current liabilities	2.3	1.4	0.1
Commitments			
Advance payment guarantees	45.9	50.6	115.0
Other guarantees for commercial commitments	66.8	50.3	59.0

It has been Outokumpu Group's policy to allocate and charge the cost related to centralized services using matching principle to the subsidiaries. Outokumpu Technology has agreed to purchase centralized services, among others, for procurement, information technology, financial accounting, taxes, human resources, legal affairs, financing, treasury, risk management and communications from Outokumpu. In addition Outokumpu Group has charged Outokumpu Technology's part of the general administration costs.

Transactions and balances with associated companies

€ million	2005
Sales	0.2
Current trade receivables	0.0

Outokumpu Technology had no transactions or balances with associated companies in 2004 or 2003.

Pursuant to a shareholders' agreement, dated April 11, 2005, Outokumpu Technology has agreed to invest EUR 2.55 million in Intune Circuits Oy in addition to the EUR 2.5 million investment carried out in 2005. The parties to the shareholders' agreement have certain investment commitments towards Intune Circuits Oy and such commitments are based on an action plan inherent in the shareholders' agreement. The parties may only refuse from fulfilling their respective investment commitment should Intune Circuits Oy materially fail to meet agreed targets set forth in the action plan. After a due fulfilment of the investment commitment, which is scheduled to have taken place May 31, 2008, the shareholders are not obliged to participate in any further possible increases of the share capital or to grant guarantees or give securities for Intune Circuits Oy's liabilities. However, the shareholders' agreement includes certain provisions regarding actual financing, which should be at first arranged from financial institutions on normal terms, then at Intune Ciruits Oy's Board of Director's proposal, provided by the shareholders of Intune Circuits Oy on an arm's length basis. The shareholders are entitled but not obliged to participate in such additional financing.

Employee benefits for key management

Key management consists of the members of the Board of Directors, CEO and other members of Executive Committee. Outokumpu Technology's current Board of Directors and Executive Committee have worked since April 1, 2005. The short-term employee benefits of the key management during April 1 and December 31, 2005 were EUR 1.1 million. There were no outstanding loans receivable from key management on December 31, 2005.

32. EVENTS AFTER THE BALANCE SHEET DATE

According to the resolution of the extraordinary general meeting of Outokumpu Technology Oy's shareholders on August 4, 2006, the number of the Company's shares were split from 8.4 million shares to 42.0 million shares, after which the counter-book value of a share is EUR 0.40. The maximum share capital after the split is EUR 40.0 million. The resolution was registered with the Finnish Trade Register on August 10, 2006.

On August 11, 2006, the extraordinary general meeting of Outokumpu Technology Oy's shareholders authorized the Company's Board of Directors to increase the Company's share capital by issuing new shares, granting stock options or issuing convertible bonds and to decide upon the repurchase and transfer of the Company's own shares.

According to the authorization, the issuance of new Shares may not increase Outokumpu Technology Oy's share capital of the Company on one or several occasions by more than EUR 1,680,000. Accordingly, an aggregate maximum of 4,200,000 Shares (counter-book value EUR 0.40 per Share) may be issued. The Company's Board of Directors was authorized to decide who will have the right to subscribe for any new Shares, stock options or convertible bonds. The Board of Directors may decide the subscription price and the other terms and conditions of the issue of Shares, stock options or convertible bonds. The Board of Directors may also decide that the subscription price for new Shares be paid by means of contribution in kind, set-off or otherwise subject to specific terms and conditions. The authorization is valid until the annual general meeting of the Company's shareholders to be held in 2007, however not longer than one year from the decision of the annual general meeting of shareholders.

According to the authorization, the Company's Shares may be repurchased in order to improve the Company's capital structure or to be used as consideration when acquiring assets for the Company's business or as consideration in possible corporate acquisitions, in the manner and to the extent decided by the Board of Directors. Repurchased Shares may also be used as a part of incentive and bonus schemes directed to the personnel of the Company. The number of Shares to be repurchased may not exceed 4,200,000. Shares may be repurchased pursuant to a decision of the Board of Directors through purchases in public trading at the Helsinki stock exchange at the prevailing market price. The purchase price shall be paid to the sellers within the time limit provided in the rules of the Helsinki stock exchange and the Finnish Central Securities Depository Ltd. The Shares shall be repurchased with distributable funds and accordingly repurchasing will reduce distributable equity of the Company. The authorization is valid until the annual general meeting of the Company's shareholders to be held in 2007, however not longer than one year from the decision of the annual general meeting of shareholders.

According to the authorization, the maximum number of Company's repurchased Shares to be transferred shall be 4,200,000. The Shares may be transferred on one or several occasions. The Company's Board of Directors shall be authorized to decide on the recipients of the Shares and the procedure and terms to be applied. The Board of Directors may decide to transfer the Shares in deviation of the pre-emptive right of the shareholders to the Company's Shares. Shares can be transferred as consideration when acquiring assets for the Company's business or as consideration in possible corporate acquisitions, in the manner and to the extent decided by the Board of Directors. The Board of Directors may decide to sell the Shares through public trading at the Helsinki stock exchange in order to obtain funds for the Company for investments and possible corporate acquisitions. Shares can also be transferred as a part of incentive and bonus schemes directed to the personnel of the Company, including the Chief Executive Officer and his/her deputy. The authorization is valid until the annual general meeting of the Company's shareholders to be held in 2007, however not longer than one year from the decision of the general meeting of shareholders.

Outokumpu management does not have knowledge of any significant events after the balance sheet date, which would have had an impact on the financial statements.

33. SUBSIDIARIES

Subsidiaries on December 31, 2005

	Country	Group holding, %
Aisco Systems Inc. Chile y Compañia Limitada	Chile	100.0
Boliden Contech Chile S.A.	Chile	100.0
Eberhard Hoesch & Söhne GmbH	Germany	100.0
Edifo AB	Sweden	100.0
International Project Services Ltd. Oy(*)	Finland	100.0
Kumpu Engineering, Inc.	The United States	100.0
Kumpu GmbH	Germany	100.0
MPE-Service Oy	Finland	100.0
OOO Outokumpu Norilsk(*)	Russia	100.0
Outokumpu Metals Off-Take Oy	Finland	100.0
Outokumpu Mexicana, S.A. de C.V.(*)	Mexico	100.0
Outokumpu Shanghai Co. Ltd(*)	The People's Republic of China	100.0
Outokumpu Technology AS	Norway	100.0
Outokumpu Technology Australasia Pty. Ltd.	Australia	100.0
Outokumpu Technology B.V.	The Netherlands	100.0
Outokumpu Technology Chile Limitada(*)	Chile	100.0
Outokumpu Technology Inc.(*)	The United States	100.0
Outokumpu Technology Ltd.(*)	Canada	100.0
Outokumpu Technology Ltd.(*)	Britain	100.0
Outokumpu Technology Minerals Oy(*)	Finland	100.0
Outokumpu Technology Pty. Ltd.	Australia	100.0
Outokumpu Technology (Pty) Ltd.(*)	South Africa	100.0
Outokumpu Technology S.A.C.(*)	Peru	100.0
Outokumpu Technology Turula Oy(*)	Finland	100.0
Outokumpu Tecnologia Brasil Ltda.(*)	Brazil	100.0
Outokumpu Wenmec AB(*)	Sweden	100.0
Pannevis Inc.	The United States	100.0
SepTor Technologies B.V.	The Netherlands	100.0
ZAO Mineral Processing Engineers	Russia	60.0
ZAO Outokumpu Moskva(*)	Russia	100.0

Subsidiaries transferred to Outokumpu Technology after December 31, 2005

Outokumpu Technology GmbH	Germany	100.0
Outokumpu Deutschland GmbH	Germany	100.0
Outokumpu Holding GmbH(*)	Germany	100.0
Outokumpu Poland Sp. z o.o.(*)	Poland	100.0
Outokumpu Research Oy(*)	Finland	100.0
Outokumpu Technology AB(*)	Sweden	100.0
Petrobau Ingenieur Bulgaria EOOD	Bulgaria	100.0

Subsidiaries transferred to Outokumpu Oyj after December 31, 2005

Outokumpu Metals Off-Take Oy	Finland	100.0

(*) Shares and stock held by the parent company Outokumpu Technology Oy.

The Group holding corresponds to the Group's share of voting rights.

OUTOKUMPU TECHNOLOGY

KEY FINANCIAL FIGURES OF THE COMBINED FINANCIAL STATEMENTS

KEY FINANCIAL FIGURES

	2003	2004	2005
Sales, € million	365.9	425.6	556.2
Operating profit/(loss), € million	7.9	10.8	24.3
Gross margin, %	23.4	23.0	18.8
Operating profit/(loss) in relation to sales, %	2.1	2.5	4.4
Profit before taxes and discontinued operations, € million	4.0	11.9	25.6
Profit before taxes and discontinued operations in relation to sales, %	1.1	2.8	4.6
Net interest-bearing debt, € million	(13.4)	(41.4)	(116.1)
Gearing, %	(19.3)	(45.5)	(104.9)
Equity-to-assets ratio, %	28.9	38.1	36.1
Capital expenditure, € million	26.6	11.7	12.1
Return on capital employed, % (ROCE)	14.2	20.5	110.3
Return on investment, % (ROI)	11.5	14.5	24.3
Return on equity, %	6.6	11.8	16.3
Order backlog, € million(1)	355.5	450.2	596.0
Order intake, € million(1)	458.1	542.0	678.5
Personnel Dec. 31(1)	2,008	1,831	1,802
Net profit for the financial year from continuing operations in relation to sales, %	1.2	2.2	2.9
Net profit for the financial year in relation to sales, %	1.3	5.1	2.9
Capital expenditure in relation to sales, %	7.3	2.7	2.2
Research and development expenses, € million	11.7	13.5	13.9
Research and development expenses in relation to sales, %	3.2	3.2	2.5

(1) The key figures are unaudited.

SHARE RELATED KEY FIGURES

	2003	2004	2005
Earnings per share for profit attributable to the equity holders of the Company:			
Earnings per share from continuing operations, €	0.10	0.23	0.39
Earnings per share from discontinued operations, €	0.01	0.29	—
Total earnings per share, €	0.11	0.52	0.39
Equity per share, €	1.65	2.16	2.63
Dividend per share, €	—	—	—

Outokumpu Technology Oy shares have been split on August 10, 2006 from 8.4 million to 42.0 million shares, after which counter-book value of a share is EUR 0.40. Earnings per share and dividends have been calculated with 42.0 million shares.

Definitions of key financial figures

Net interest-bearing debt = Interest-bearing debt + accrued interest expenses − loan receivables − available-for-sale financial assets—accrued interest income − cash and cash equivalents

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

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

Capital employed = Total equity + net interest-bearing debt

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

$$\text{Return on investment (ROI)} = \frac{\text{Operating profit} + \text{financial income}}{\text{Total assets} - \text{non interest-bearing debt (average for the period)}} \times 100$$

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

Research and development costs = Research and development expenses in the income statement (including expenses covered by grants received)

$$\text{Earnings per share} = \frac{\text{Net profit/(loss) for the financial period attributable to the equity holders}}{\text{Average number of shares during the period, as adjusted for stock split}}$$

$$\text{Equity per share} = \frac{\text{Equity attributable to the equity holders}}{\text{Number of shares at the end of the period, as adjusted for stock split}}$$

$$\text{Dividend per share} = \frac{\text{Dividend for the financial year}}{\text{Number of shares at the end of the period, as adjusted for stock split}}$$

SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN IFRS AND U.S. GAAP

Outokumpu Technology Group's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted for use in the European Union. Certain differences that exist between IFRS and generally accepted accounting principles in the United States ("U.S. GAAP"), which might be material to the financial information herein, are summarized below. The Company has been responsible for preparing the Summary.

The Company has not quantified the differences between IFRS and U.S. GAAP, nor undertaken a reconciliation of its consolidated financial statements and related footnote disclosures between IFRS and U.S. GAAP. Accordingly, no assurance is provided that the following summary of certain identified differences between IFRS and U.S. GAAP represents all significant differences relating to Outokumpu Technology Group. Had the Company undertaken any such quantification or preparation or reconciliation, other potentially significant accounting and disclosure differences might have come to its attention, which are not identified below. The differences described below reflect only those differences in accounting policies in force at the time of the preparation of the IFRS historical financial statements. No attempt has been made to identify future differences between IFRS and U.S. GAAP as the result of prescribed changes in accounting standards, transactions or events that may occur in the future and affect the financial statements of Outokumpu Technology.

Future developments or changes in either IFRS or U.S. GAAP owing to the regulatory bodies that promulgate IFRS and U.S. GAAP may give rise to additional differences between IFRS and U.S. GAAP that could affect future comparisons, such as this one, and have a significant impact on the Company.

Investors must rely on their own examination of the Company, the terms of the offering and the financial information when making an investment decision. Potential investors should consult their own professional advisers for an understanding of the differences between IFRS and U.S. GAAP, and how these differences might affect the financial information herein.

Generally, the approach under IFRS is more "principles-based" with limited application guidance whereas U.S. GAAP is more "rule-based" oriented with more specific application guidance. Regarding account classification and disclosure requirements U.S. GAAP is generally more restrictive and comprehensive than IFRS.

Business Combinations

Under IFRS, the cost of investment is required to be allocated to the acquired entity's assets and liabilities and contingent liabilities assumed based on fair values to the acquirer at the date of acquisition. Under IFRS 3, the date on which consideration in a business combination is measured is the acquisition date, on which control passes. A liability for a planned post-acquisition restructuring, such as, for terminating or reducing the activities of the acquiree, can be recognised only if the acquiree already recognised a provision under IAS 37 at the acquisition date; any liabilities arising as a result of decisions made by the acquirer are dealt with as post-acquisition costs. Under IFRS 3, purchased in-process research and development can be recognised as an acquired finite life intangible asset, or as part of goodwill if not separately measurable. IFRS 3 requires negative goodwill to be immediately recognised as gain. Minority interest is measured as minority's percent of fair values. Fair value adjustments are required to be made in the financial statements for the first full financial year following the acquisition (not beyond the financial year). Any adjustments after 12 months must be recognised in the income statement. Combinations of entities under common control are outside the scope of IFRS 3, however, merger accounting (pooling of interests method) is generally used in practice. In accordance with the exemption granted under IFRS 1, the Outokumpu Technology Group has elected not to apply IFRS 3 retrospectively to past business combinations that occurred before the date of transition to IFRS, that is, January 1, 2003.

U.S. GAAP requires that the cost of investment is allocated to the acquired entity's identifiable assets and liabilities based on fair values to the acquirer at the date of acquisition. Under U.S. GAAP, the date on which consideration in a business combination should be measured is within a reasonable period before and after the date the terms of the acquisition are agreed to and announced. Recognition of a liability for a planned post-acquisition restructuring is possible if a plan to exit an activity or terminate employees relates to the acquired business and certain conditions are met. Purchased in-process research and development is expensed. Negative goodwill is initially allocated on a pro rata basis against the carrying amounts of certain acquired non-financial assets. Any resulting excess is recognised as an extraordinary gain. Minority interest is measured at fair value if an entity is consolidated under the FIN 46's risk and rewards model; otherwise using carrying value. The period allowed for adjusting the fair value of pre-acquisition contingencies is typically limited to a maximum of one year from the acquisition and is limited to adjustments relating to information that management has been waiting for to complete its purchase price allocation. For combinations of entities under common control, pooling of interests method is required to be applied under U.S. GAAP. A similar exemption to the one granted under IFRS 1 from the restatement of those business combinations that occurred before the date of transition would not be available under U.S. GAAP.

Development costs

IAS 38 requires development costs to be capitalised, if certain criteria are met. Subsequent expenditure on purchased in-process research and development is capitalised if it meets the definition of development as well as certain other criteria.

Under U.S. GAAP, such costs are expensed (except for certain website development costs and certain costs associated with developing internal use software). Subsequent expenditure on purchased in-process research and development is expensed.

Deferred Taxes

Under IAS 12, deferred tax assets and liabilities are provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The enacted or "substantially enacted" tax rate is used. Temporary differences include both timing differences and other differences, such as revaluation of assets for which no equivalent adjustment is made for tax purposes. Deferred tax is not provided for taxable temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect accounting profit or taxable profit. A deferred tax asset is recognised only if realisation of tax benefit is "probable." When recognising a deferred tax asset after a business combination, goodwill is first reduced to zero and any resulting excess is credited to net profit or loss. Deferred tax on temporary differences related to intercompany profits is recognised at the buyer's tax rate and on undistributed earnings of a subsidiary using a rate applicable to undistributed profits. IAS 12 requires the changes in deferred taxes originally charged or credited to equity also be charged or credited directly to equity. Under IAS 12, deferred tax assets and liabilities are always classified non-current.

Under U.S. GAAP, deferred taxes are required to be recognised using the full liability method. Under this method, deferred tax liabilities and assets are determined on the basis of temporary differences between the tax and book bases of assets and liabilities using applicable enacted statutory tax rates at the reporting date. Under U.S. GAAP, there is no similar "initial recognition exemption" as under IFRS regarding recognition of deferred tax for taxable temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect accounting profit or taxable profit. Deferred tax assets are subject to a valuation allowance to reduce the gross deferred tax assets to the amount that it is "more likely than not" to be realised in the future. When recognising a deferred tax asset after a business combination goodwill is first reduced to zero, then any other intangible assets are reduced to zero and only after that any resulting excess is credited to net profit or loss. In addition, under U.S. GAAP, there are other specific exemptions to the basic principle that a deferred tax is recognised for all temporary differences. Deferred tax on temporary differences related to intercompany profits is recognised at the seller's tax rate (as if the transaction had not occurred) and on undistributed earnings of a subsidiary applying the higher of the distributed and undistributed rates. SFAS 109 requires the changes in deferred taxes originally charged or credited to equity be allocated to current year income. Classification of deferred tax assets and liabilities is split between the current and non-current components based on the classification of the underlying asset or liability, or on the expected reversal of items not related to an asset or liability.

Impairment of Long-Lived Assets

Under IFRS, an impairment loss is recorded when an asset's carrying amount exceeds the higher of the asset's value in use, which is calculated based on discounted present value of the asset's expected future cash flows, and fair value less costs to sell. Under IFRS, goodwill is tested for impairment on the cash-generating unit level ("CGU"), which is the lowest level to which goodwill can be allocated. The calculation for impairment of goodwill includes only one step, where recoverable amount of a CGU that is the higher of fair value less costs to sell and value in use, is compared to the carrying amount of a CGU. Measurement of an impairment loss is based on the recoverable amount. When calculating impairment of indefinite-life intangible assets (other than goodwill), goodwill and other indefinite-life intangible assets are included in a CGU, which is tested for impairment. Annual impairment test is required for intangible assets with indefinite useful lives or that are not yet available for use. Under IAS 36, impairment losses (other than for goodwill), are required to be subsequently reversed, if certain criteria are met.

Under U.S. GAAP, an impairment loss is recorded when the expected future cash flows to be derived from an asset on an undiscounted basis exceed the asset's carrying amount. Goodwill is tested for impairment on the reporting unit level, which may be either a business segment or one organisational level below. The calculation for impairment of goodwill and tangible assets comprises two steps: first the fair value of the reporting unit is compared with its carrying amount including goodwill; if the fair value exceeds the carrying amounts, no impairment is required. The second step includes comparison of the "implied fair value" of goodwill with its carrying amount; an impairment loss is recorded for the difference. Measurement of an impairment loss is based on the fair value. When calculating impairment of indefinite-life intangible assets (other than goodwill) under U.S. GAAP, goodwill is included in CGU and other indefinite-life intangible assets are tested separately. U.S. GAAP prohibits subsequent reversals of impairment losses.

Leases

Under IAS 17, classification as a finance lease is more principles-based rather than rules-based. No quantitative tests are required. Under IAS 17, a lease of land and buildings should be split at inception of the lease into a separate lease of land and a lease of buildings and considered for the lease classification separately. Under IAS 17, a gain on a sale and leaseback transaction where the leaseback is an operating lease is recognised immediately, if the transaction is established at fair value. The concept of minimum lease payments under IFRS includes third-party guarantees related to the leased assets. The rate implicit in the lease is generally used to discount minimum lease payments.

U.S. GAAP contains more restrictive quantitative criteria for the recognition of a capital lease. Leases must be accounted for as a capital lease if one of the following criteria is met:

- the lease automatically transfers the title of the leased asset to the lessee;
- the lease contains a bargain purchase option;
- the lease term equals or exceeds 75 percent of the remaining estimated economic life of the leased property; or
- the present value of minimum lease payments are greater than 90 percent of the excess of fair market value of leased property at inception over any related investment tax credit retained by the lessor.

All other leases not meeting this criteria are accounted for as operating leases. Further, U.S. GAAP requires that in sale and lease back transactions, where assets are sold to a third party and then leased back, any gain on the sale of the asset be deferred and recognised over the life of the lease. Minimum lease payments under U.S. GAAP exclude third-party guarantees related to the leased assets. The implicit rate must be used by lessors to discount minimum lease payments whereas lessees generally would use the incremental borrowing rate unless the implicit rate is known and is the lower rate.

Financial Instruments

The Outokumpu Technology Group has investments in unlisted equity instruments. Under IFRS, they are measured at fair value if it can be reliably measured, otherwise at cost. IAS 39 requires subsequent reversal of an impairment loss be recognised for loans and receivables, held-to-maturity, and available-for-sale debt instruments if certain criteria is met. In derecognising financial assets, IFRS considers combination of risks and rewards and control approach. Part of an asset can be derecognised. "Legal isolation in bankruptcy" test is not required. Offsetting amounts due from and owed to two different parties is required if the company has a legal right of set-off and the intent to settle net.

U.S. GAAP requires investments in unlisted equity instruments be measured at cost. Subsequent reversal of an impairment loss is prohibited for available-for-sale and held-to-maturity and securities.

Reversal of valuation allowances on loans is recognised in the income statement. Under U.S. GAAP, assets can be derecognised when the transferor has surrendered control over the assets. Legal isolation in bankruptcy is one of the conditions. No partial derecognition is allowed. Offsetting amounts due from and owed to two different parties is prohibited under U.S. GAAP.

Provisions

Under IAS 37, the best estimate to settle the obligation, which generally involves the expected value method, is used for measuring a provision. Provisions are required to be discounted, where the effect of the time value of money is material. Under IAS 37, a restructuring provision is to be recognised if a detailed formal plan is announced or implementation of such a plan has started. Costs associated with ongoing activities in the context of a restructuring cannot be accrued. For onerous leases, a number of specific criteria must be met.

Under U.S. GAAP, the low end of the range of possible amounts is used for measuring a provision, if no one item is more likely than another. Most provisions are not discounted. A restructuring provision is to be recognised when a transaction or event occurs that leaves an entity little or no discretion to avoid the future transfer or use of assets to settle the liability. Some costs associated with ongoing activities in the context of a restructuring are accrued. Onerous lease provisions are only reflected in the financial statements when the company ceases to use the property.

Inventory

Under IAS 2, inventory write-downs are required to be reversed if certain criteria is met, whereas U.S. GAAP prohibits this.

Pensions and Other Post-Retirement Benefits

The Finnish statutory employment pension plan, TEL, is considered as a defined contribution plan under IFRS. Under IFRS, past service costs related to benefits that have vested is required to be recognised immediately. Pension assets recognised may not exceed the net total of unrecognised past service cost and actuarial losses plus the present value of benefits available from refunds or reduction of future contributions to the plan. There is no minimum liability requirement for benefits under defined benefit plans. IAS 19 permits the recognition of actuarial gains and losses, when they arise, directly in the statement of equity. Both curtailment gains and losses are recognised when the employer is demonstrably committed to the transaction and a curtailment has been announced. A curtailment gain or loss is the sum of three elements: (a) the change in the present value of the defined benefit obligation, (b) any resulting change in fair value of the plan assets, and (c) a pro rata share of any related actuarial gains and losses, unrecognised transition amount, and past service cost that had not previously been recognised in the profit and loss. Both curtailment gains and losses are recognized when the entity is demonstrably committed and a curtailment has been announced. IAS 19 does not distinguish between "special" and other termination benefits but termination benefits are recognised when the employer is demonstrably committed to pay.

Under U.S. GAAP, the Finnish statutory employment pension plan, TEL is regarded as a defined benefit plan. Past service costs related to benefits that have vested are amortised over the remaining service period or life expectancy. In respect of pension assets, there are no limitation on the amount that can be recognised. The minimum liability to be recognised for benefits under defined benefit plans is, at a minimum, the unfunded accumulated benefit obligation (ignoring projected future salary increases). U.S. GAAP prohibits the recognition of actuarial gains and losses, when they arise, directly in the statement of equity. A curtailment loss is recognised when it is probable that a curtailment will occur and the effects are reasonably estimable. A curtailment gain is deferred until realised, that is, recognised when the relevant employees are terminated or the plan suspension or amendment is adopted, which could occur after the employer is demonstrably committed to the transaction and a curtailment is announced. When measuring gain or loss on curtailment of a benefit plan unrecognised actuarial gains and losses arising subsequent to transition do not affect the curtailment gain or loss; the amount of gain or loss would be offset by any portion of the unrecognised transition asset or liability. A curtailment gain is required to be recorded when the plan suspension or amendment is adopted or the related employees terminate. This could occur after the entity is demonstrably committed and a curtailment plan is announced. A curtailment loss is recognized when it is probable that a curtailment will occur and the effects are reasonably estimable. Special one-time termination benefits are generally recognised when they are communicated to employees unless employees will render service beyond a "minimum retention period;" in such a case the liability is recognised rateably over the future service period. Contractual termination benefits are recorded when it is probable that employees will be entitled and the amount can be reasonably estimated.

Cash Flow Statement

Under IAS 7, interest received and paid may be classified as an operating, investing, or financing activity. Bank overdrafts in cash are included in cash and cash equivalents if they form an integral part of an entity's cash management.

U.S. GAAP requires interest received and paid be classified as an operating activity. Bank overdrafts in cash are excluded from cash and cash equivalents.

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ANNEX B

ARTICLES OF ASSOCIATION OF OUTOKUMPU TECHNOLOGY OYJ

(English translation)

1 § Company name and Domicile

The name of the company is Outokumpu Technology Oyj. The company's place of domicile is Espoo.

2 § Field of Business

The company is to carry on, by itself or through subsidiaries, the design, manufacture and construction of and trade in methods, machinery, devices, equipment, spare parts and production facilities for the mining, ore cleaning, metallurgical and other processing industries, energy technology and environmental protection, the production and sales of technical design and project services for the process industry, energy technology and environmental protection, including any industrial and commercial operations based on or relating to these activities and know-how acquired in this sphere of activities, the sale of business management services and other business, as well as the holding and control of domestic and foreign securities. Within the limits of its field of activity, the company may establish domestic and international companies and consortiums, own and control domestic and foreign securities, raise and grant loans, grant guarantees and give its property in pledge, as well as engage in the sales of business management consulting services.

3 § Minimum and Maximum Capital

The company's minimum capital is EUR 6,730,000 and maximum capital EUR 40,000,000 within which limits the share capital may be increased or decreased without amending the Articles of Association.

4 § Shares

The shares have no nominal value. The total number of the company's shares may not exceed 100,000,000. Each share carries one (1) vote at general meetings of shareholders.

5 § Administration

The company has a Board of Directors and a Chief Executive Officer. In addition, a Deputy Chief Executive Officer may be appointed for the company.

6 § Board of Directors

The Board of Directors is composed of at least five and no more than eight members. The general meeting of shareholders shall elect a chairman and a vice chairman from amongst its members. The term of office of a member of the Board of Directors begins from the annual general meeting of shareholders where he/she was elected and ends at the close of the first annual general meeting of shareholders following the election.

7 § Chief Executive Officer and Deputy Chief Executive Officer

The Chief Executive Officer and Deputy Chief Executive Officer are appointed by the Board of Directors.

8 § Quorum of Board of Directors

The Board of Directors has a quorum when more than one-half of the Board members are present.

9 § Signing for the Company

The chairman of the Board of Directors signs for the company together with another member of the Board of Directors. The Chief Executive Officer and Deputy Chief Executive Officer sign for the company, each severally. The Board of Directors may also authorize other persons to sign for the company each severally. The name of the company is also signed for by persons who have been granted procurations by the Board of Directors.

10 § Financial Year

The company's financial year is the calendar year.

11 § Auditors

The company has at least one and at most two auditors. The auditors must be Authorized Public Accountants or Authorized Public Accountancy Companies approved by the Central Chamber of Commerce. The term of the auditors expires at the end of the annual general meeting of shareholders following their election.

12 § Invitation to General Meeting of Shareholders

The Board of Directors publishes an invitation to the general meeting of shareholders in one or more newspapers of its choice with a wide circulation at the earliest two months before the end of the registration period stipulated in §13 and at the latest 17 days before the general meeting of shareholders.

13 § Date and Place of the General Meeting of Shareholders and Advance Registration

The annual general meeting of shareholders is held on May 31 each year at the latest. In order to participate in the general meeting of shareholders, a shareholder must so inform the company before the end of the registration period stated in the invitation to the general meeting of shareholders, which cannot be earlier than ten days before the general meeting of shareholders and must not fall on a Sunday, Saturday, Midsummer Eve, Christmas Eve or other public holiday. Additionally, what is stated in the Finnish Companies Act concerning entitlement to participate in the general meeting of shareholders must be taken into consideration after the company's shares have been entered into the book-entry securities system. The annual general meeting of shareholders may be held in Helsinki or Vantaa.

14 § Annual General Meeting

At the annual general meeting of shareholders, the following shall be

presented:

1. the financial statements of the company and the group, including the income statements, balance sheets, any appendices to them and the annual report; and
2. the auditors' reports concerning the company and the group;

decided:

3. approval of the income statement and balance sheet and the consolidated income statement and balance sheet;
4. measures prompted by the profit or loss recorded in the approved balance sheet and consolidated balance sheet, and the date from which shareholders may draw any dividend;
5. granting of discharge from liability to the members of the Board of Directors and the Chief Executive Officer;
6. the number of members of the Board of Directors and auditors;
7. the remuneration to be paid to the chairman and other members of the Board of Directors and the auditors;
8. any matter that the Board of Directors, an auditor or a shareholder wishes to put before the general meeting of shareholders, provided that sufficient notice of the matter was given to include it in the invitation to the general meeting of shareholders; and
9. any other business stated in the invitation to the general meeting of shareholders, and

elected:

10. members of the Board of Directors; and
11. auditors.

15 § Book-entry Securities System and Record Date Procedure

After the date of registration determined by the company's Board of Directors, the company's shares are in the book-entry securities system.

After the date of registration, only a person

1. who has been entered in the register of shareholders as a shareholder on the record date;

2. whose right to payment has been entered in the book-entry account of a registered shareholder and entered in the register of shareholders on the record date; or

3. in the case of nominee-registered shares, in whose book-entry account the share has been entered on the record date and whose share administrator is so entered as the administrator of the shares in the register of shareholders on the record date,

has the right to assets distributed by the company and the right of subscription when the share capital is increased.

16 § Reference to the Finnish Companies Act

In addition to the provisions stated above in these Articles of Association, the provisions of the Finnish Companies Act valid at the time shall be observed.

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THE COMPANY

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