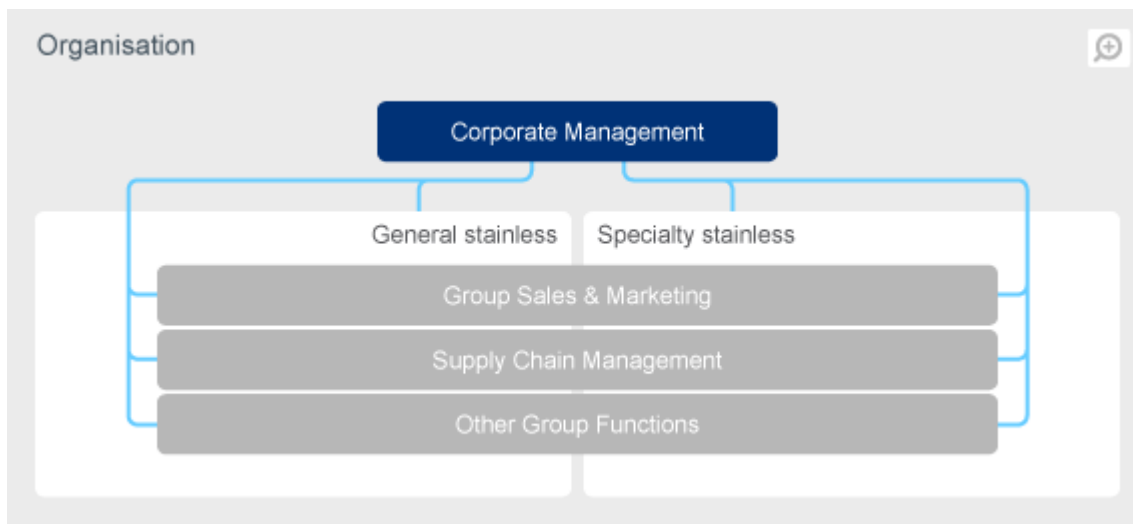


Corporate Governance Statement

Regulatory framework

Outokumpu Oyj, the Group's parent company, is a public limited liability company incorporated and domiciled in Finland.

In its corporate governance and management, Outokumpu Oyj complies with Finnish legislation, the company's Articles of Association and the Corporate Governance Policy resolved and approved by the company's Board of Directors. Outokumpu follows the Finnish Corporate Governance Code (available to the public at www.cgfinland.fi), effective as of 1 October 2010, issued by the Securities Market Association and adopted by the NASDAQ OMX Helsinki stock exchange. Outokumpu complies with all regulations and recommendations issued by NASDAQ OMX Helsinki.



Tasks and responsibilities of governing bodies

The governing bodies of the parent company Outokumpu Oyj, i.e. the General Meeting of Shareholders, the Board of Directors, and the President and Chief Executive Officer (CEO), have ultimate responsibility for Group management and Group operations. The Group Executive Committee reports to the CEO and is responsible for efficient management of the Group's operations.

General Meeting of Shareholders

The General Meeting of Shareholders normally convenes once a year. Under the Finnish Companies Act, certain important decisions such as the approval of financial statements, decisions on dividends and increases or reductions in

share capital, amendments to the Articles of Association, and election of the Board of Directors and auditors fall within the exclusive domain of the General Meeting of Shareholders.

The Board of Directors convenes a General Meeting of Shareholders. The Board can decide to convene a General Meeting on its own initiative, but is obliged to convene a General Meeting if the auditor or shareholders holding at least 10% of Outokumpu's shares so request. In addition, each shareholder has the right to bring before a General Meeting of Shareholders any matter that falls within the domain of the General Meeting, provided that a written request to do so has been received by the Board of Directors early enough to allow the matter to be placed on the agenda included in the notice announcing the General Meeting. According to its Articles of Association, Outokumpu has only a single class of shares and all shares have equal voting power at General Meetings of Shareholders.

Board of Directors

The general objective of the Board of Directors is to direct Outokumpu's business in a manner that secures a significant and sustained increase in the value of the company for its shareholders. Board members offer their expertise and experience for the benefit of the company. The tasks and responsibilities of the company's Board of Directors are determined on the basis of the Finnish Companies Act as well as other applicable legislation. The Board has general authority to decide and act in all matters not reserved for other corporate governing bodies by law or under the provisions of the company's Articles of Association. The Board's general task is to organise the company's management and operations. In all situations, the Board must act in accordance with the company's best interests.

The Board of Directors has established rules of procedure which define its tasks and operating principles. The main duties of the Board of Directors are as follows:

With respect to directing the company's business and strategies:

- To decide on the Group's basic strategy and monitor its implementation;
- To decide on annual limits for the Group's capital expenditure, monitor the implementation, review quarterly plans and decide on changes;
- To decide on individual investments or expenditure that lie within authorised capital expenditure limits and have a value exceeding EUR 20 million, as well as on other major and strategically important investments;
- To decide on any individual business acquisitions and divestments that lie within the current scope of the Group's business and have a value exceeding EUR 10 million;
- To decide on any financing arrangements made by any Group company which exceed EUR 150 million in value, are organised by way of public offerings, or which are otherwise outside the Group's normal course of business; and
- To decide on any other commitments by any Group companies that are out of the ordinary in terms of either value or nature, taking into account the size, structure and field of operation.

With respect to organising the company's management and operations:

- To nominate and dismiss the CEO and his deputy, and to decide on their terms of service, including incentive schemes, on the basis of a proposal made by the Board's Remuneration Committee;
- To nominate and dismiss members of the Group Executive Committee, to define their areas of responsibility, and to decide on terms of service, including incentive schemes, on the basis of a proposal made by the Board's Remuneration Committee;
- To monitor the adequacy and allocation of the Group's top management resources;
- To decide on any significant changes to the Group's business organisation;

- To define the Group's ethical values and working methods;
- To ensure that policies outlining the principles of corporate governance are in place;
- To ensure that policies outlining the principles behind managing the company's insider issues are in use; and
- To ensure that the company has guidelines for any other matters which the Board deems necessary and which fall within the scope of the Board's duties and authority.

With respect to the preparation of matters to be resolved by General Meetings of Shareholders:

- To establish a dividend policy and issue a proposal on dividend distribution; and
- To make other proposals to General Meetings of Shareholders.

With respect to financial control and risk management:

- To discuss and approve interim reports and annual accounts;
- To monitor significant risks related to the Group's operations and the management of such risks; and
- To ensure that adequate procedures concerning risk management are in place.

The Board of Directors also assesses its own activities on a regular basis.

The Board of Directors is quorate when more than half its members are present. A decision by the Board of Directors shall be the opinion supported by more than half of the members present at a meeting. In the event of a tie, the Chairman shall have the casting vote.

The Annual General Meeting elects the Chairman, the Vice Chairman and the other members of the Board of Directors for a term expiring at the close of the following Annual General Meeting. The entire Board is therefore elected at each Annual General Meeting. A Board member may be removed from office at any time by a resolution passed by a General Meeting of Shareholders. Proposals to the Annual General Meeting concerning the election of Board members which have been made known to the Board prior to the Annual General Meeting will be made public if such a proposal is supported by shareholders holding a minimum of 10% of all the company's shares and voting rights and if the person being proposed has consented to such nomination.

Under the company's Articles of Association, the Board shall have a minimum of five and a maximum of twelve members. The company's largest shareholders have confirmed that they are in favour of a principle according to which members of the company's Board of Directors should, as a rule, be qualified experts from outside the company. According to the Articles of Association, a person aged 68 years or older cannot be elected as a member of the Board of Directors. A Board consisting of eight members was elected at the 2010 Annual General Meeting. All members of the current Board of Directors are independent of the company and its main shareholders.

The Board of Directors meets at least five times a year. In 2010, the Board met eight times and the average attendance rate of members at board meetings was 91%.

See [Board of Directors](#).

Shares and options of the members of the Board of Directors on 31 Jan 2011

Member	Shares
Ole Johansson	3 545
Anssi Soila	6 578
Evert Henkes	853
Victoire de Margerie	1 353
Anna Nilsson-Ehle	1 653
Jussi Pesonen	853
Leena Saarinen	2 348
Olli Vaartimo	853
	18 036

Board committees

The Board of Directors has set up two permanent committees consisting of Board members and has confirmed rules of procedure for these committees. Both committees report to the Board of Directors.

The Audit Committee comprises four Board members. The task of the Audit Committee is to deal with matters relating to financial statements, auditing work, internal controls, the scope of internal and external audits, billing by auditors, the Group's financial policies and other procedures for managing Group risks. In addition, the Audit Committee prepares a recommendation for the Annual General Meeting concerning the election of an external auditor and auditing fees. The Audit Committee met five times during 2010 and the average attendance rate was 79%.

The Remuneration Committee comprises the Chairman of the Board and three other Board members. The task of the Remuneration Committee is to prepare proposals for the Board of Directors concerning appointment of the company's top management, excluding the Board of Directors, and principles relating to the compensation they receive. The Board of Directors has authorised the Remuneration Committee to determine the terms of service and benefits enjoyed by Group Executive Committee members other than the company's CEO and Deputy CEO. The Remuneration Committee met three times during 2010 and the attendance rate was 92%.

To handle specific tasks, the Board of Directors can also set up temporary working groups consisting of Board members. These working groups report to the Board. No such working groups were set up in 2010.

See [Board of Directors](#).

The Nomination Board

Based on a proposal by Solidium Oy (the Finnish State and Outokumpu's largest shareholder), the Outokumpu 2010 Annual General Meeting decided to establish a Nomination Board to prepare proposals on the composition of the Board of Directors and director remuneration for the next General Meeting of Shareholders. The 2010 Annual General Meeting also decided that the Nomination Board should consist of representatives of Outokumpu's three largest shareholders as registered in the Finnish book-entry securities system on 1 November 2010, which accept the assignment, and that the Chairman of the Board acts as an expert member of the Nomination Board.

Outokumpu's largest shareholders were determined on the basis of shareholdings registered in the Finnish book-entry system. Holdings of a shareholder who, under the Finnish Securities Markets Act, has the obligation to disclose changes in shareholdings, e.g. those divided between a number of funds (the flagging obligation), had however to be combined provided that the owner would have presented a written request to that effect to the company's Board of Directors no later than 29 October 2010.

Shareholder representatives on the Nomination Board were: Solidium Oy (the Finnish State), The Finnish Social Insurance Institution, and Ilmarinen Mutual Pension Insurance Company. These shareholders chose the following individuals as their representatives on the Nomination Board: Kari Järvinen, Managing Director of Solidium Oy, Liisa Hyssälä, Director General of The Finnish Social Insurance Institution, and Harri Sailas, Chief Executive Officer of the Ilmarinen Mutual Pension Insurance Company. Kari Järvinen was elected as Chairman of the Nomination Board and Ole Johansson, Chairman of the Outokumpu Board of Directors, served as an expert member. The Nomination Board has submitted its proposals regarding Board composition and director remuneration to Outokumpu's Board of Directors which has incorporated these proposals into the notice announcing the 2011 Annual General Meeting of Shareholders.

The CEO and Deputy CEO

The Chief Executive Officer (CEO) is responsible for the company's operational management, the objective of which is to secure significant and sustainable growth in the value of the company for its shareholders. The CEO prepares matters on which decisions are made by the Board of Directors, develops the Group in line with the targets agreed with the Board, and ensures proper implementation of Board decisions. The CEO is also responsible for ensuring that existing legislation and regulations are observed throughout the Group. The CEO chairs meetings of the Group Executive Committee. The Deputy CEO is responsible for attending to the CEO's duties in situations when the CEO is prevented from doing this.

Group Executive Committee

The task of the Group Executive Committee is overall management of Outokumpu's business. Committee members have extensive authority in their individual areas of responsibility and their duty is to develop the Group's operations in line with the targets set by the Board of Directors and the CEO. The Group Executive Committee consists of seven members appointed by the Board of Directors. The members of the committee hold the positions of the CEO and the Deputy CEO, Executive Vice President – Chief Financial Officer, Executive Vice President – Specialty Stainless, Executive Vice President – Supply Chain Management, Executive Vice President – Group Sales & Marketing and Executive Vice President – Human Resources. The Group Executive Committee typically meets twice each month.

See [Executive Committee](#).

Shares and options of the Group Executive Committee members on 31 Jan 2011

	Shares	Options 2003C	Share-based incentive programme 2008–2010	Share-based incentive programme 2009–2011	Share-based incentive programme 2010–2012	Share-based incentive programme 2011–2013
Juha Rantanen	36 000	15 500	16 500	33 000	33 000	33 000
Karri Kaitue	12 380	15 000	8 000	15 500	15 000	15 000
Jamie Allan	2 000	-	5 500	10 000	9 000	9 000
Bo Annvik	-	-	5 500	10 000	9 000	9 000
Pii Kotilainen	1 500	-	-	10 000	9 000	9 000
Esa Lager	28 000	-	5 500	10 000	9 000	9 000
Kari Parvento	1 000	-	-	7 000	9 000	9 000
Total	80 880	30 500	41 000	95 500	93 000	93 000
Board of Directors and Executive Committee	98 916					

Group Corporate Management

Outokumpu's corporate management consists of the Chief Executive Officer (CEO), members of the Group Executive Committee, and managers and experts who assist the CEO and the Group Executive Committee. The task of corporate management is to manage the Group as a whole. Duties include the coordination and execution of strategy and corporate planning, financial control, internal audit, human resources, environment, health and safety, communications and investor relations, corporate responsibility, R&D, legal affairs and IPR, as well as treasury and risk management. In addition to corporate management tasks, Outokumpu's functional steering across Group businesses has been organised into Sales and Marketing functions and Supply Chain Management. Certain support functions have been centralised at Group level. The Outokumpu Group is managed in accordance with the organisation of its business, in which the Group's legal company structure also provides the legal framework for the Group's operations. Clear financial and operational targets have been established for all the Group's operational businesses.

In 2010, Outokumpu's businesses were organised into five business units: Tornio Works, Special Coil and Plate, Thin Strip, OSTP (Outokumpu Stainless Tubular Products) and Long Products. As of 1 March 2011, Outokumpu's businesses are organised into the following business units: Tornio Works, Special Coil, Special Plate, OSTP and Long Products. The business units report directly to individual Group Executive Committee members. In this reporting, business units are consolidated into two divisions according to the type of product being manufactured; General Stainless (Tornio Works and Long Products) and Specialty Stainless (Special Coil and Plate, Thin Strip and OSTP). As of 1 March 2011, Specialty Stainless comprises Special Coil, Special Plate and OSTP.

Outokumpu Brass operations is managed separately from the Group through the Board of Directors of Outokumpu Brass.

Remuneration

As confirmed by the 2010 Annual General Meeting, levels of annual remuneration for members of Outokumpu's Board of Directors are as follows: Chairman EUR 70 000, Vice Chairman EUR 43 000 and other members EUR 34 000, with 40% of this paid as Outokumpu shares purchased from the market and 60% paid in cash. Members of the Board are not entitled to any other share-based rewards. In addition to their annual remuneration, all members of the Board of Directors are paid a meeting fee of EUR 600 (EUR 1 200 for non-Finnish members). The meeting fee is also payable for attending meetings of Board committees. Remuneration to the Finnish members of the Board of Directors has been included in the Finnish national pension scheme.

The period of notice for the Group CEO is six months on both sides. If Outokumpu terminates the CEO's employment for a reason or reasons unconnected with his performance or events interpreted as him having failed in his duties, the company will make a compensation payment. The amount of this payment will total the CEO's basic salary in the preceding 24 months plus the monetary value of his employee benefits at the moment of termination.

In the 2011 financial year, the level of the performance-related incentive payable to the Group CEO and members of the Group Executive Committee in addition to their salary and employee benefits will be based on: whether the Group's EBIT (Earnings Before Interest and Taxes) target was achieved, a comparison of the Group's operating profit margin against a peer group, and whether operational targets and individual targets set separately were reached. For all members of the Group Executive Committee, including the Group CEO, the maximum amount of this incentive payment is 60% of annual base salary. The total amount of short-term and long-term incentives must not exceed 200% of an individual's annual salary. Should this limit be exceeded, the share-based element of the incentive reward will be reduced accordingly.

No separate remuneration is paid to the Group CEO or members of the Group Executive Committee for membership of this committee or the Group's other internal governing bodies.

In December 2009, the Board of Directors confirmed that the retirement age is 63 for all new members of the Group Executive Committee. The other members of the Group Executive Committee are entitled to retire at the age of 60. For Finnish members of the Group Executive Committee appointed before January 1, 2007, pension benefits amount to 60% of the total average annual salary in the last five full years of service. For other Finnish members of the Group Executive Committee, the targeted pension is 60% of annual salary at the age of either 60 or 63 depending on the date when the executive concerned was appointed to the committee. Earnings calculated from the year of appointment, including fringe benefits but excluding performance-related short-term incentives, are used as the basis for the insurance premium. The maximum premium is 25% of an individual's annual earnings.

Outokumpu did not provide any guarantees or other similar commitments on behalf of members of its Board of Directors in 2010. No members of the Board of Directors or the Group Executive Committee or closely-related persons or institutions have any significant business relationships with the Group.

Fees, salaries and employee benefits paid

2010

€	Salaries and fees with employee benefits	Performance/project- related bonuses	Share-based payments and options	Total
Board of Directors				
Chairman of the Board, Johansson	22 900	-	70 000	92 900
Vice Chairman of the Board, Soila	14 350	-	43 000	57 350
Board member, Henkes	18 100	-	34 000	52 100
Board member, Kilpelä	9 700	-	-	9 700
Board member, de Margerie	15 700	-	34 000	49 700
Board member, Nilsson-Ehle	20 500	-	34 000	54 500
Board member, Pesonen	13 469	-	34 000	47 469
Board member, Saarinen	13 300	-	34 000	47 300
Board member, Vaartimo	4 200	-	34 000	38 200
CEO	766 710	165 736	7 000	939 447
Deputy CEO	383 008	83 448	78 506	544 962
Other Group Executive Committee members	1 611 727	319 743	40 500	1 971 969

2009

€	Salaries and fees with employee benefits	Performance/project- related bonuses	Share-based payments and options	Total
Board of Directors				
Chairman of the Board, Johansson	76 000	-	-	76 600
Vice Chairman of the Board, Soila	47 800	-	-	47 800
Board member, Henkes	44 800	-	-	44 800
Board member, Kilpelä	40 600	-	-	40 600
Board member, de Margerie	41 200	-	-	41 200
Board member, Nilsson-Ehle	44 800	-	-	44 800
Board member, Oksanen	9 100	-	-	9 100
Board member, Pesonen	31 933	-	-	31 933
Board member, Saarinen	40 600	-	-	40 600
CEO	740 295	183 300	285 754	1 209 349
Deputy CEO	376 721	101 906	142 877	621 504
Other Group Executive Committee Members	1 594 596	302 513	373 467	2 270 576

Insider issues

Outokumpu's insider rules are based on and comply with the Guidelines for Insiders issued by the NASDAQ OMX Helsinki stock exchange. Permanent insiders with a duty to declare consist of members of the company's Board of Directors, the Auditor in Charge, the CEO and his deputy, and other members of the Group Executive Committee. Outokumpu maintains a public register of permanent insiders who have the duty to declare. Employees of the Group who receive inside information on a regular basis as a result of their position or the duties they perform are registered in a non-public register of permanent company-specific insiders. Permanent insiders must not purchase or sell securities issued by the company in the 14 days prior to the publication of interim reports or the company's annual accounts (the so-called "closed window").

Separate, non-public, project-specific insider registers are maintained for insider projects. Persons defined as project-specific insiders are those who, in the course of their duties in connection with a project, receive information concerning the Group which, if or when realised, is likely to have a significant effect on the value of the company's publicly-traded securities.

Outokumpu's corporate general counsel is responsible for the coordination and supervision of insider issues. For up-to-date information on holdings by Outokumpu's permanent insiders who have a duty to declare see "Permanent insiders" at www.outokumpu.com.

Key aspects of internal control and risk management system in connection with financial reporting

According to the Finnish Limited Liability Companies Act and the Finnish Code of Corporate Governance, the Board of Directors is responsible for a company's internal controls. The purpose of this chapter is to provide shareholders and other parties with a description of how internal control and risk management of financial reporting is organised in Outokumpu. As a listed company, the Group has to comply with a variety of regulations. To ensure that all the stated requirements are met, Outokumpu has introduced principles for financial reporting and internal control and distributed these throughout the company's organisation.

Control environment

The foundation for Outokumpu's control environment is the business culture established within the Group and its associated methods of operation. The basis for the company's control routines is provided by Group policies and principles which define the way in which Outokumpu's organisation operates. These policies and principles are for example the Group's Corporate Responsibility Policy, Ethical Principles and the Outokumpu Leadership Principles. Introduced in 2007, the Outokumpu Code of Conduct describes the Group's basic values and offers standardised, practical guidelines for managers and employees to follow. The Outokumpu performance management process is a key management activity and an important factor in enabling an efficient control environment. In all sections of the Group's operations, planning activities and the setting of both operational and financial targets are executed in accordance with Outokumpu's overall business targets. Management follow-up of related achievements is carried out through monthly management reporting routines and in performance review meetings.

Outokumpu operates in accordance with the risk management policy approved by the Group's Board of Directors. This policy defines the objectives of risk management activities, the approaches to be taken and areas of responsibility. As well as supporting Outokumpu strategy, risk management activities help in defining a balanced risk profile from the perspective of shareholders and other stakeholders such as customers, suppliers, personnel and lenders. The Outokumpu Board of Directors holds ultimate responsibility for risk management within the Group. The CEO and the Group Executive Committee are responsible for defining and implementing risk management procedures, and for ensuring that risks are both properly addressed and taken into account in strategic and business planning. Business units and Group functions are responsible for managing risks connected with their own operations. More information on risk management within Outokumpu can be found in the Risk Management chapter in the Group's annual report.

Outokumpu's control process for financial reporting is based on Group policies, principles and instructions relating to financial reporting as well as on the responsibility and authorisation structure within the Group. Policies relating to financial reporting are usually owned and approved by the CEO, the CFO or the Corporate Controller. Financial reporting in Outokumpu is carried out in a harmonised way using a common chart of accounts. Outokumpu Controller's Manual contains financial reporting policies and instructions. Policies and instructions for financial reporting are reviewed on a regular basis and revised when required. During the financial year, several minor adjustments were made to the instructions. In 2011, the main focus area will be lease accounting.

Financial reporting is prepared in accordance with International Financial Reporting Standards (IFRS). Outokumpu Accounting Principles (OAP) are Outokumpu's application guidance on IFRS. The aim of OAP and other financial reporting instructions is to ensure that unified financial processes and reporting practices are used throughout the Group. Financial statements by the parent company and stand-alone Finnish subsidiaries are prepared in accordance with generally accepted accounting principles in Finland, while foreign subsidiaries follow local accounting principles.

Outokumpu also complies with regulations regarding financial reporting published by the Financial Supervisory Authority (FIN-FSA) and NASDAQ OMX Helsinki.

Risk identification and assessment

Risk management processes connected with the Group's financial reporting are coordinated by the Treasury and Risk Management function. Related risks are classified as operational risks and can arise as a consequence of inadequate or failed internal processes, employee actions, systems or other events such as misconduct or crime. The aim of the Outokumpu risk management process is to identify, evaluate, control and mitigate such risks. Major risks are reported to and evaluated by the Audit Committee on a regular basis. Outokumpu's risk management process includes arranging workshops on the identification of key risks, including operational risks, for business units and other Group functions. Deliverables include risk maps and risk identification plans. In 2010, a risk workshop regarding financial reporting was held. The outcome of the workshop will be started to be implemented in financial reporting processes during 2011.

Internal audit

Outokumpu's Internal Audit function has an independent role and a twofold objective: to provide assurance and to offer consulting services which add value and improve the organisation's operations. Internal Audit's most important task is assisting the Audit Committee and the Executive Committee in fulfilling their control functions. To do this, Internal Audit identifies and monitors significant operational risks within the Group, ascertains the adequacy and effective operation of internal controls and provides the two committees with a direct source of correct and reliable information. Other tasks carried out by Internal Audit include monitoring the Group's principles, controls and policies and follow-up of the audit conclusions by the company's external auditors. The internal auditor reports to the Audit Committee and administratively to the CFO.

Control activities

In addition to the Board of Directors and Audit Committee, operational management teams in Outokumpu are responsible for ensuring that internal controls relating to financial reporting are in place at all Outokumpu units. The aim of control activities is to discover, prevent and correct potential errors and deviations in financial reporting. Control activities aim also to ensure that authorisation structures are designed and implemented in a way that conflicting division of work will not exist (one person performing an activity and also being responsible for controlling that activity). Control activities consist of different kind of measures and include reviews of financial reports by Group management and in business unit management teams, the reconciliation of accounts, analyses of the logic behind reported figures, forecasts compared to actual reported figures and analyses on the Group's financial reporting processes, to mention a few. A key component is the monitoring of monthly performance against financial and operational targets. These control activities take place at different levels in the organisation. The most important accounting items in Outokumpu are the valuation and reporting of inventories and other working capital items. These items are carefully monitored and controlled both in the units and at the Group level.

Information technology and solutions play an important role in guaranteeing that the Group's internal controls have a solid foundation. The harmonisation of IT systems to further improve Outokumpu's internal control environment is ongoing. During the financial year, e-invoicing was implemented in some Outokumpu units and the plan is to expand its use within the Group in 2011. In 2010, a unified accounting system for OSTP Units (TSAP) was finalised and implemented. Also the planning for SAP travel management system in Sweden was started.

Information and communication

Group-wide policies and principles are freely available to all Outokumpu employees. Instructions relating to financial reporting are communicated to all the parties involved. The main communication channels employed are Outokumpu's intranet and other easily-accessible databases. Face-to-face controller meetings are also organised. In 2010, Senior

Controller meetings were organised on a monthly basis to share information and to discuss the topical issues in the Group. Outokumpu has established different networks and communities in which financial reporting and internal control issues and related instructions are discussed and reviewed. These networks usually consist of personnel from business units and Group functions. The aim of these networks, communities and common instructions is to ensure that unified financial processes and reporting practices are used throughout the Group. The networks and communities play an important role in establishing the effectiveness of internal controls relating to financial reporting and in developing Outokumpu policies, instructions and processes.

Follow-up

Both management in Outokumpu companies and personnel in accounting and controlling functions are responsible for the follow-up and monitoring of internal controls connected with financial reporting. The Internal Audit and Risk Management functions also engage in follow-up and control activities. The findings of the follow-up procedures are reported to the Audit Committee and the Group Executive Committee on a regular basis.

Auditors

Under its Articles of Association, the company shall have a minimum of one and a maximum of two auditors who are auditors or firms of independent public accountants authorised by the Central Chamber of Commerce of Finland. The Annual General Meeting elects the auditors to a term of office ending at the close of the next Annual General Meeting. Proposals to the Annual General Meeting on the election of auditors which have been made known to the Board prior to the Annual General Meeting will be made public if the proposal is made by the Board Audit Committee or if it is supported by shareholders holding a minimum of 10% of all the company's shares and voting rights and if the person or company proposed has consented to such nomination. The company's auditors submit the statutory auditor's report to the company's shareholders in connection with the company's financial statements. The auditors also report their findings to the Board Audit Committee on a regular basis and at least once a year to the full Board. The parent company, Outokumpu Oyj, is audited by KPMG Oy Ab, and the responsible auditor is Mauri Palvi, Authorised Public Accountant. KPMG Oy Ab is also responsible for overseeing and coordinating the auditing of all Group companies.

Both Outokumpu and KPMG Oy Ab highlight the requirement for an auditor to be independent of the company being audited. In its global independence policy, KPMG Oy Ab has stated its commitment to applying the Code of Ethics of the International Federation of Accountants (IFAC).

Outokumpu's Board Audit Committee continuously monitors the global level of non-audit services purchased by the Group from KPMG Oy Ab. In 2010, auditors were paid fees totalling EUR 1.7 million, of which non-auditing services accounted for EUR 0.3 million.

Members of the Board of Directors

Ole Johansson

b. 1951, Finnish citizen

B.Sc. (Econ.)

Outokumpu Board member 2002–

Chairman of the Board 2008–

Vice Chairman of the Board 2004–2008

Chairman of the Remuneration Committee

President and CEO: Wärtsilä Corporation 2000–

President and CEO: Wärtsilä NSD Oy 1998–2000

Chairman of the Board: Confederation of Finnish Industries EK 2011–

Chairman of the board 2007-2009 and Board member 2010-: Technology Industries of Finland

Vice Chairman of the Board: Varma Mutual Pension Insurance Company 2005–

Vice Chairman of the Board: Confederation of Finnish Industries 2007-2009

Board member: The Research Institute of the Finnish Economy ETLA 2011–

Board member: The Finnish Business and Policy Forum EVA 2011–

Board member: Wärtsilä Oyj 2010–

Independent of the company and its significant shareholders.

Anssi Soila

b. 1949, Finnish citizen

M.Sc. (Eng.), B.Sc. (Econ.)

Outokumpu Board member 2008–

Vice Chairman of the Board 2008–

Member of the Remuneration Committee

Kone Oyj 1973–1999, President and CEO 1994–1999: Kone Oyj

Chairman of the Board: Kemira Oyj 2003-2007, Normet Group Oy 1999-2005 and Sponda Oyj 1999–2007

Vice Chairman of the Board: Normet Group Oy 2005–

Board member: DNA Oy 2008–

Board member: Attendo AB 2007–

Board member: Outotec Oyj 2006–

Board member: Lindström Oy 1999–

Independent of the company and its significant shareholders.

Evert Henkes

b. 1943, Dutch citizen

B.Sc. (Ag. Econ.)

Outokumpu Board member 2003–

Member of the Remuneration Committee

CEO: Shell Chemicals Ltd 1998–2003

Board member: Marzac Investment 2009–

Board member: Air Products and Chemicals Inc 2006–

Board member: SembCorp Industries Ltd 2004–

Board member: Tate & Lyle Plc 2003–

Board member: BPB Ltd 2003-2006 and CNOOC Ltd 2003–2008

Member of International Advisory Board: CNOOC Ltd 2008–2009

Independent of the company and its significant shareholders.

Victoire De Margerie

b. 1963, French citizen

Ph. D. (Management), LL.M., M.Pol.Sc.

Outokumpu Board member 2007–
 Member of the Audit Committee
 Founder and CEO: Marzac Investment 2009–
 Professor of Strategic Management: Grenoble Graduate School of Business 2003–
 General Manager: Péchiney Plastic Bottles 2000–2002
 Vice President: Sales & Marketing Péchiney Aluminum Canstock 1998–2000
 Chairman of the Board: Rondol Technology Ltd. (UK) 2008–
 Board director and member of the Audit Committee: Ciments Francais (France) 2006–
 Independent of the company and its significant shareholders.

Anna Nilsson-Ehle

b. 1951, Swedish citizen
 Ph.D., M.Sc. (Eng.)
 Outokumpu Board member 2005–
 Member of the Audit Committee
 Director: SAFER–National vehicle and traffic safety research center 2006–
 Consultant: Ohde & Co 2005–2006
 Managing Director: Universeum AB 1999–2004
 General Manager, Strategy and Business: Volvo Car Components 1997–1998
 Vice President: Volvo AB and Volvo Cars 1993–1997
 Board member: Swedish National Space Board 2008–
 Board member: Svensk Bilprovning AB 2007–
 Independent of the company and its significant shareholders.

Jussi Pesonen

b. 1960, Finnish citizen
 M.Sc. (Eng.)
 Outokumpu Board member 2009–
 Member of the Audit Committee
 President and CEO 2004– and Senior Executive Vice President and COO, Publication Papers 2001–2004: UPM-Kymmene Oyj
 Board member: UPM-Kymmene Oyj 2007–
 Board member: Finnish Forest Industries Federation 2003–
 Board member: Confederation of European Paper Industries (CEPI) 2004–
 Supervisory Board member: Ilmarinen Mutual Pension Insurance Company 2009–
 Independent of the company and its significant shareholders.

Leena Saarinen

b. 1960, Finnish citizen
 M.Sc. (Food technology)
 Outokumpu Board member 2003–
 Member of the Remuneration Committee

President and CEO: Suomen Lähikauppa Oy (formerly Tradeka Ltd.) 2007–2010
 President and CEO: Altia Oyj 2005–2007
 Managing Director: Unilever Bestfoods Nordic Foodsolution 2003–2005
 National Manager 2002–2005 Suomen Unilever Oy and Board member 1999 and 2001–2005
 Chairman of the Board: Nofu Oy 2011–
 Chairman of the Board 2010 and Board member 2008–2009: the Finnish Grocery Trade Association
 Board member: Helsingin Mylly Oy 2010–
 Board member: Suomen Lähikauppa Oy, Tuko Logistics Oy and Federation of Finnish Commerce 2008–2010
 Supervisory Board member: Varma Mutual Pension Insurance Company and Luottokunta 2008–
 Independent of the company and its significant shareholders.

Olli Vaartimo

b. 1950, Finnish citizen
 M. Sc. (Econ.)
 Outokumpu Board member 2010–
 Chairman of the Audit Committee
 CFO: Metso Oyj 2003–
 Executive Vice President, Deputy to the President and CEO: Metso Oyj 2003–2010
 Member of the Executive Team 1999– and Vice Chairman of the Executive Team 2004–2010: Metso Oyj
 President and CEO (acting): Metso Oyj 2003–2004
 President and CEO: Metso Minerals Oy 1999–2003
 President and CEO: Nordberg Group, Rauma Oyj 1993–1999
 Executive Vice President: Rauma Oyj 1991–1998
 Board Member: Kuusakoski Oy 2008–
 Independent of the company and its significant shareholders

Members of the Executive Committee

Juha Rantanen

b. 1952, Finnish citizen,
 M.Sc. (Econ.), MBA
 CEO 2005–
 Chairman of the Group Executive Committee 2005–
 Outokumpu Board member and Vice Chairman 2003–2004
 Responsibility: Group management, Communications and IR, corporate social responsibility, Legal Affairs & IPR and energy strategy
 Employed by the Outokumpu Group since 2004
 President & CEO: Ahlstrom Corporation 1998–2004
 Chief Executive Officer: Borealis A/S 1994–1997
 Chief Financial Officer 1992–1994, Executive Vice President, Chemicals 1989–1992 and Executive Vice President, Gas 1986–1989: Neste Oy
 Chairman of the Board 2009– and Board Member 2005–2009: Association of Finnish Steel and Metal Producers

Chairman of the Board of Directors: Fennovoima Oy 2007–
 Chairman of the Board: Confederation of Finnish Industries EK 2003–2004
 Vice Chairman of the Board 2010– and Board Member 2008–2010: Stora Enso Oyj
 Vice Chairman of the Board: Moventas Oy 2007–
 Treasurer 2010– and Board Member 2008–2010: International Stainless Steel Forum ISSF
 Board Member: Crisis Management Initiative 2011–
 Board Member: Technology Industries of Finland 2005–
 Supervisory Board Member: Varma Mutual Pension Insurance Company 2001–

Karri Kaitue

b. 1964, Finnish citizen,
 LL.Lic.
 Deputy CEO 2005–
 Member of the Group Executive Committee 2002–
 Vice Chairman of the Group Executive Committee 2005–
 Responsibility: Group strategy, Business Development and M&A, new ventures, Tornio Works and as of 1 March 2011 the Kloster plant in Sweden and Environment, Health and Quality
 Employed by the Outokumpu Group since 1990
 Executive Vice President – Strategy and Business Development : Outokumpu Oyj 2004
 President – Coil Products 2003–2004, Executive Vice President – Strategy and Business Development 2002–2003, Executive Vice President – M&A and Legal Affairs 2001–2002 and Member of the Executive Committee 2001–2003: AvestaPolarit Oy (former AvestaPolarit Oyj Abp)
 Senior Vice President – Corporate General Counsel: Outokumpu Oyj 1998–2001
 Assistant Vice President – Corporate Counsel: Outokumpu Group (USA) 1996–1998
 Chairman of the Board: Destia Oy 2009–
 Vice Chairman of the Board: Outotec Oyj 2006–
 Vice Chairman of the Board: Okmetic Oyj 2005–2010
 Board Member: Cargotec Oyj 2005–

Jamie Allan

b. 1956, British citizen
 Executive Vice President – Supply Chain Management
 Member of the Group Executive Committee 2008–
 Responsibility: Production Excellence, Supply Chain Management operations, Procurement and Energy Procurement and Safety
 Employed by the Outokumpu Group since 1978
 Senior Vice President, Thin Strip Business Unit and Director: Outokumpu Oyj 2006–2007
 Senior Vice President, Coil Products Sheffield Business Unit and
 Director: Outokumpu Stainless Ltd 2003–2006
 Operations Director, Coil Products Sheffield, 2002–2003 and General Manager, Coil Products Sheffield, Panteg 2001–2002: AvestaPolarit Ltd
 General Manager, Operations: Avesta Sheffield Distribution Ltd 1996–2001
 Member of the British Stainless Steel Association

Bo Annvik

b. 1965, Swedish citizen,

M. Sc. (Econ.)

Executive Vice President – Specialty Stainless

Acting Executive Vice President – Group Sales and Marketing February 2009–2010

Member of the Group Executive Committee 2007–

Responsibility: Special Coil and Plate as of 1 March 2011 and OSTP, Long Products and R&D

Employed by the Outokumpu Group since 2007

President: SKF Sealing Solutions 2005–2007

Vice President Business Development, Automotive Division 2002–2005: SKF Executive

Vice President, Nordic/Sweden 2000–2002: Volvo Cars/PAG

Vice President, Marketing, Europe 1998–2000, Vice President, Product Planning & Bus. Dev., North America

1996–1998, Act. Vice President, Business Strategy & Product Planning 1995–1996, Business Strategy Director

1994–1995: Volvo Car Corporation

Chairman of the Board: SKGS (Skog, Kemi, Gruvor & Stål) 2011–

Board Member: Tibnor AB 2009–

Board Member: Jernkontorets Fullmäktige/Jernkontoret - The Swedish Steel Producers' Association 2008–

Board Member: Stål & Metall/Employers' Association of The Swedish Steel and Metal Industry 2008–

Pii Kotilainen

b. 1960, Finnish citizen,

M.Sc. (Econ.)

Executive Vice President – Human Resources

Member of the Group Executive Committee 2009–

Responsibility: HR strategy and global HR processes, policies and practices, e.g. performance management, leadership development, resourcing, and compensation & benefits

Employed by the Outokumpu Group since 2009

Senior Vice President, Group Human Resources: Huhtamaki Oyj 2006–2008

Vice President Human Resources, Technology Platforms 2004–2006, Senior Vice President, Human Resources, Nokia

Mobile Phones 2000–2004: Nokia Oyj

Head of Nokia Learning Center Network: Nokia Networks, Milan, Italy 1998–2000

Vice President Human Resources, 1994–1998, Senior Manager, Nokia Treasury Center 1991–1994: Nokia Oyj

Board Member: Componenta Oyj 2010–

Advisory Board Member: Advansis Oy 2008–

Esa Lager

b. 1959, Finnish citizen,

M.Sc. (Econ.), LL.M.

Chief Financial Officer (CFO)

Member of the Group Executive Committee 2001–

Responsibility: Financial and business control, Treasury and Risk Management, IT, real estate and portfolio business

Employed by the Outokumpu Group since 1990

Chief Financial Officer (CFO) 2005–, Executive Vice President – Finance and Administration 2001–2004, Corporate Treasurer 1996–2000 and Assistant Treasurer 1991–1995: Outokumpu Oyj
 Manager, Head Office/London Branch 1984–1990: Kansallis Banking Group
 Vice Chairman of the Board 2010– and Board Member 2003–2008: Okmetic Oyj
 Vice Chairman of the Board: Olvi Oyj 2002–

Kari Parvento

b. 1957, Finnish citizen

M.Sc. (Eng.)

Executive Vice President – Group Sales and Marketing

Member of the Group Executive Committee 2010–

Responsibility: Group sales and marketing strategy, customer relationship development, end-user and project sales, distributors and processors sales, stock and processing development and Pricing office

Employed by the Outokumpu Group since 2010

President, UG Hard Rock Mining and President, UG Soft, Rock Mining and Managing Director, SMC Oy, Finland: Sandvik Group 2009–2010

President, Underground Hard Rock Mining & Managing Director, SMC Oy, Finland: Sandvik Group 2007–2009

Managing Director, Sandvik Mining & Construction Australia and Managing Director, Sandvik Materials Handling Pty Ltd. Australia: Sandvik Group 2005–2007

Business Development Manager, Sandvik Tamrock Finland: Sandvik Group 2004–2005

Managing Director Kuusakoski Sverige, Sweden 2004 and Country Manager, Scandinavia Finland 2000–2004: Kuusakoski Group Oy

Risk management

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

Risk management organisation

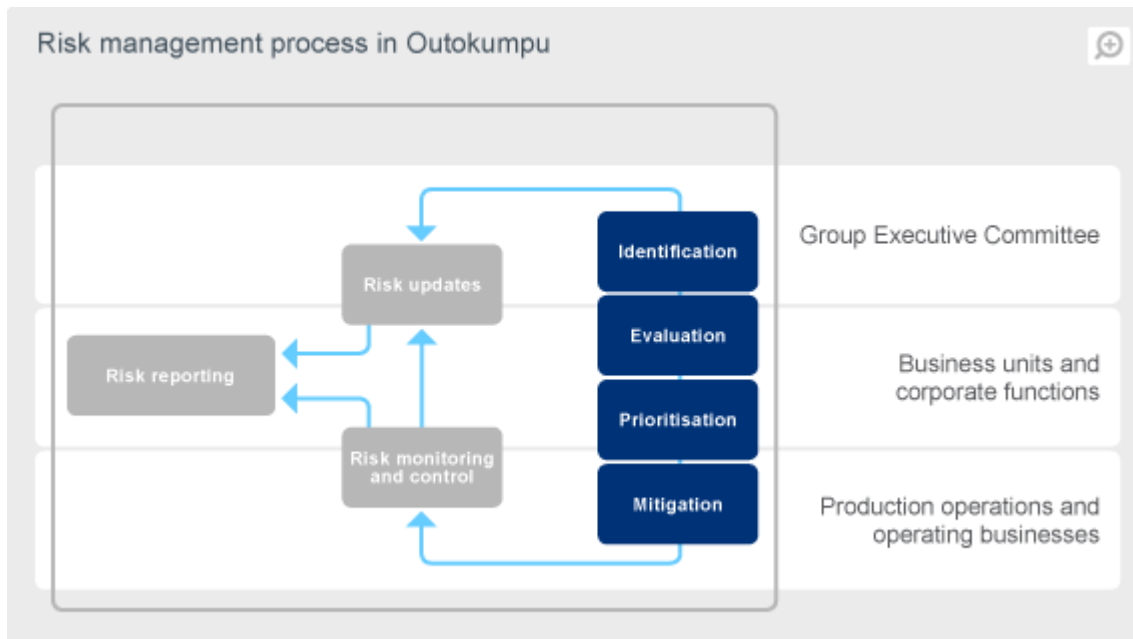
The Outokumpu Board of Directors carries ultimate responsibility for risk management within the Group. Outokumpu's CEO and the Group Executive Committee are responsible for defining and implementing risk management procedures, and for ensuring that risks are both properly addressed and taken into account in strategic and business planning. Business units and Group functions are responsible for managing risks connected with their own operations.

Auditors and Internal Audit monitor risk management processes, while the Group Executive Committee, the Board's Audit Committee and Outokumpu's Board of Directors review key risks and actions taken to manage these risks on a regular basis. The Treasury and Risk Management function supports implementation of the Group's risk management policy, facilitates and coordinates risk management, and prepares quarterly risk reports for management, the Board's Audit Committee and auditors.

The risk management process

Outokumpu has defined risk as anything that could have an adverse impact on achieving Group's objectives. Risks can therefore be threats, uncertainties or lost opportunities connected with current or future operations.

Outokumpu's appetite for risk and risk tolerance are defined in relation to Group earnings, cash flows and capital structure. The risk management process is an integral part of Outokumpu's overall management processes and is divided into four stages: risk identification, risk evaluation, risk prioritisation and risk mitigation.



The risk management process is monitored and controlled at different organisational levels in a systematic manner. Regular updates regarding risks are performed to make sure that the process continues without interruption. Monitoring results and risk updates also support internal and external risk reporting by ensuring that accurate information is provided both internally to business unit management teams and the Group Executive Committee, and to external parties such as shareholders and other stakeholders.

Focus areas

Risk workshops

Risk workshops covering risk identification, evaluation, prioritisation and mitigation were successfully implemented with management teams in most Outokumpu's business units during 2009. This work continued in 2010 within a number of Group functions including the Corporate Controller's Office and Group Sales and Marketing.

Management of credit risks

In 2010, the availability of insured credit limits improved, and Outokumpu's exposure to customer credit risks was reduced. The rate of overdue receivables declined.

Fire safety

Fire safety is systematically audited in accordance with a survey programme linked to the Group's insurances. In 2010, some 30 audits were conducted in co-operation with insurers and insurance brokers. Progress in fire safety during 2010 included also the development of new internal fire safety standards.

Realised risks

No major damage to Group property or business interruptions occurred in 2010. The most significant risks realised in 2010 were associated with structural issues in stainless steel markets, with the continuing influence of the global economic downturn and with adverse movements in some currencies important to the Group. All of these had a negative impact on Outokumpu's profitability and gearing.

Strategic and business risks

Strategic risks for Outokumpu are mostly associated with the company's business portfolio and stainless steel markets. Business risks arise from the Group's operating environment, customer behaviour and the economic outlook.

Structural overcapacity in stainless markets

Increased production capacity in stainless steel, especially in China, has led to the gradual development of global overcapacity. While demand in Europe improved in 2010, it remained below the levels achieved before the economic crisis. This is partly due to difficulties with funding and uncertainties about future prospects that both had a negative impact on our customers' business activities. Existing global overcapacity distorts the structure of the stainless steel market and could limit Outokumpu's future growth. Actions taken by the Group to address excess production capacity comprise of improving levels of cost-efficiency and delivery reliability in all production operations, further strengthening Outokumpu's global sales network, and aiming for a leading position as supplier of stainless steel in global project-based, industrial applications. In the longer term, the aim is to increase the Group's presence in high-growth markets.

Eurocentricity

Although Outokumpu's sales and distribution network is global, the company's main production facilities are located in northern Europe and the UK. The main market for the Group's products is Europe, and having a leading position in both Nordic markets and the UK does not overcome the fact that growth in stainless steel markets takes place mainly outside Europe. Changes in demand growth, price levels or currency rates in these different market areas and regions can affect Outokumpu's competitive position and financial performance. Ensuring profitable business operations in Europe requires the Group to have a strong foothold consisting of cost-efficient, local operations.

The focus of competition in stainless steel is the Asian market

As growth prospects for stainless steel demand are better in Asia than in Europe, much new production capacity has been built in that region. While these significant investments have resulted in global cold rolled production capacity exceeding demand, the domestic supply and demand situation for cold rolled stainless steel in China is relatively balanced. The impact of overcapacity in 2010 was more obvious in other parts of Asia and in Europe, which both are traditional exporters to China. On the other hand, the degree of overcapacity in melting and hot rolling in China is larger than in the cold rolled production sector. While Asian producers are competitive in standard products and associated offerings, business opportunities for Outokumpu in special products and related service offerings in Asia are likely to continue. In 2010, the Group expanded its operations in China by opening in a new coil and plate service centre facility in Kunshan, Shanghai in which the focus is on special products and grades. Outokumpu is reviewing its competitive strengths in Asian markets as part of the establishment of generic strategies for taking advantage of longer-term growth opportunities in the region.

The continuing weak market situation

Following the clearly-negative impact of the global economic downturn on stainless steel demand in 2009, stainless steel markets improved during 2010, but remained relatively weak in Outokumpu's main market areas. If the Asian region

continues to be the primary location for rapid growth and investments, and imports to Europe consequently increase, this will have an impact on both demand for stainless steel and prices, with European producers being affected most. Group strategy has been reviewed and updated to include improved preparations for taking necessary market actions, reducing fixed costs and strengthening Outokumpu's readiness and capability in project sales.

Risks connected with strategy implementation

Outokumpu adjusted its strategy during the second half of 2010. Strategic priorities now focus on improving the performance of current operations as well as on putting additional effort into achieving future growth. Lack of success in strategy implementation could prevent the Group from achieving its vision and objectives. Key components of Outokumpu's revised strategy are:

- Loading Tornio Works with high-volume products,
- Rapid transformation towards special grades and products,
- Excellence in operations as well as in sales and customer service,
- Investment in ferrochrome expansion, and
- Growth outside Europe.

Progress in implementing the revised strategy will be monitored using strategic key performance indicators.

Risks associated with increased input costs

Outokumpu has been systematically developing the Group's operational performance through excellence initiatives, and a significant number of the company's personnel have been trained to implement related improvement measures in the company's commercial and production operations. While risks associated with increased input costs are mainly related to the prices of alloy metals and electricity, other conversion costs such as fuels and industrial gas, freight charges, salaries, prices for metallurgical coke and the cost of general consumer goods also affect input costs. To mitigate such risks, Outokumpu has developed the Group's purchasing function to improve the management of both purchasing-related and logistics-related costs. The work towards raw material excellence was also initiated by Group's Supply Chain Management function.

Operational risks

Operational risks include inadequate or failed internal processes, employee actions, systems, or other events such as natural catastrophes and misconduct or crime. These types of risk are often connected with production operations, logistics, financial processes, major investment projects, projects or information technology and, should they materialise, can lead to personal injury, liabilities, the loss of property, interrupted operations or environmental impacts. Outokumpu's operational risks are partly covered by insurances. The Group also aims to identify and mitigate possible risks and impacts on stakeholders.

Risks associated with people

Outokumpu's objective is to achieve a strong and unified corporate and performance culture throughout the company's organisation. This includes improvements in productivity and the development of enhanced leadership skills among Group personnel. To further these aims, the "One Outokumpu" concept is being further developed and its integration into other operating processes has begun, but a significant culture change of this kind takes time. This change process can be viewed as an excellent opportunity to increase operational efficiency through cross-cultural cooperation between people, as country-based or overly independent corporate cultures can restrict both operational progress and the achievement of strategic goals. In 2010, Outokumpu focused on leadership development through internal programmes

and training. An audit of corporate performance management was also undertaken to identify future development needs in performance management processes.

Risks associated with investment projects

During 2010, a decision was made to restart the project to double Outokumpu's ferrochrome production capacity in the Kemi-Tornio area in Finland and an investment to increase capability and capacity at the Group's stainless steel quarto plate production facility at Degerfors in Sweden was also announced. Failures or delays in these projects would have a negative impact on strategy implementation and the achievement of financial and growth targets. Actions being taken by Outokumpu to manage these risks include the provision of dedicated resources for overall project support.

Emissions allowances have indirect impacts on electricity prices

Outokumpu closely monitors developments in both global and European legislation that may affect Group businesses. The European Climate and Energy Package (CEP) could have a significant impact on the European electricity market, and could therefore also affect Outokumpu's business as ferrochrome production in particular consumes large quantities of electricity. The enforcement of EU level and national directives within the CEP is currently ongoing. This complex issue includes a number of significant uncertainties, including the precise form of final legislation and possible national compensation systems which may incorporate political elements.

The risk that a high price for emission allowances will increase the market price of electricity is significant, but Outokumpu's stake in the Fennovoima nuclear power project will help to mitigate this. Ongoing activities engaged in by the Group include the monitoring and analysis of different future price scenarios and regular coordination between Outokumpu's business units and related corporate functions.

Risks from radical changes in environmental legislation

Outokumpu operates its business in accordance with prevailing laws and regulations, including developing environmental legislation. Responses to the introduction of new regulations often result in additional costs such as: the need to hire additional personnel and purchase expensive equipment for data collection and reporting; arranging additional monitoring operations; and taking action to avoid pollution and/or mitigate the ecological impact of Group production facilities and products being manufactured. In this sense, environmental legislation and the associated permits are part of everyday life and not a specific risk to Outokumpu. On the other hand, environmental legislation has been one of the areas in EU regulatory activity which has developed most rapidly, and the rate at which new environment-related and ecology-related initiatives, directives and other regulations have been produced by the European Commission has been high in recent years. As there is the potential for radical changes in environmental legislation which cannot be predicted, the Group is exposed to impacts on its operations in the long-term and also to surprises for which we either cannot prepare or may have difficulty in adapting to efficiently in the short term in order to continue profitable businesses. Outokumpu attempts to mitigate such risks through the systematic management of environmental risks, through emissions trading, by launching environmental initiatives and by maintaining a proactive dialogue with stakeholders and parties involved in the framing of environmental legislation.

Risk of a major fire or accident

Most of Outokumpu's production facilities are located in extensive industrial zones and comprise a number of separate buildings and production lines. Production of stainless steel also involves the integration of production and logistics between facilities in Tornio and Kemi in Finland, Terneuzen in the Netherlands, Avesta in Sweden, Sheffield in the UK and other locations. Production is capital intensive and the majority of Outokumpu's operating capital is tied up in these facilities. Fire or serious mechanical machinery breakdown can lead to major damage to property and interruptions in production or have other indirect adverse effects on the Group's operations. Outokumpu monitors such risks by

continuously evaluating Group production facilities and processes from a risk management perspective and by arranging regular fire-safety audits. Insurances cover a large proportion of the associated risks.

Corporate security risks

Risks to corporate security are identified through Outokumpu's Enterprise Risk Management process. Risks of this kind include events such as the loss of critical R&D information and major instances of fraud or misconduct and moral corruption, which here means frequent but relatively-minor losses and/or repeated instances of malpractice.

The development of comprehensive corporate security within Outokumpu continued in 2010 with site security audits. Levels of security were subsequently improved to achieve better compliance with corporate security instructions. Group-wide instructions relating to security and fire safety procedures were reviewed in co-operation with the Outokumpu Security Working Group, consisting of personnel with safety and security responsibilities at Group sites. During 2010, Outokumpu implemented improvements in the vetting process. With the aim of creating a "One company" approach in purchasing, category management for security and fire safety was established in order to harmonise related Group practices.

Financial risks

Key financial risks for Outokumpu are:

- Changes in the nickel, molybdenum, electricity and fuel prices;
- Currency risks associated with the euro, the Swedish krona and the US dollar;
- Interest rate risks related to the Swedish krona and the euro;
- Risks related to certain equity and security prices;
- Risks associated with a specific loan receivable;
- Other credit risks;
- Limitations on financial flexibility, and the
- Risk of financial distress.

Both these financial risks and related risk management within the Group are described further in [Note 19](#) to the consolidated financial statements.

Shares and shareholders

Shares and share capital

On 31 December 2010, Outokumpu Oyj's fully-paid and registered share capital totalled EUR 311 063 023.30 and consisted of 182 978 249 shares. The company has one class of shares and each share entitles its holder to one vote at a General Meeting of Shareholders.

Listing of shares

Outokumpu shares are listed on NASDAQ OMX Helsinki exchange. The trading symbol is OUT1V.

Treasury shares

Outokumpu held 1 040 888 of its own shares (Treasury shares) at the end of 2010. Repurchases were made between 9 April and 27 November in 2001, and between 1 and 6 November in 2007. Treasury shares correspond to 0.57% of the Group's shares and voting rights.

State ownership

The Finnish State holds 30.85% of Outokumpu shares and voting rights through its wholly-owned company Solidium Oy. According to an act passed by Finland's parliament in December 2007, the state's holding in Outokumpu can be reduced to zero.

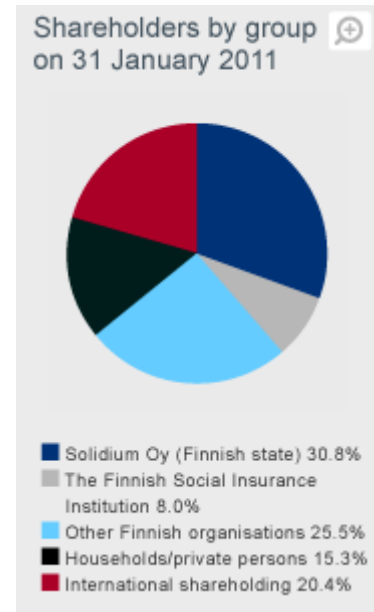
Dividend proposal

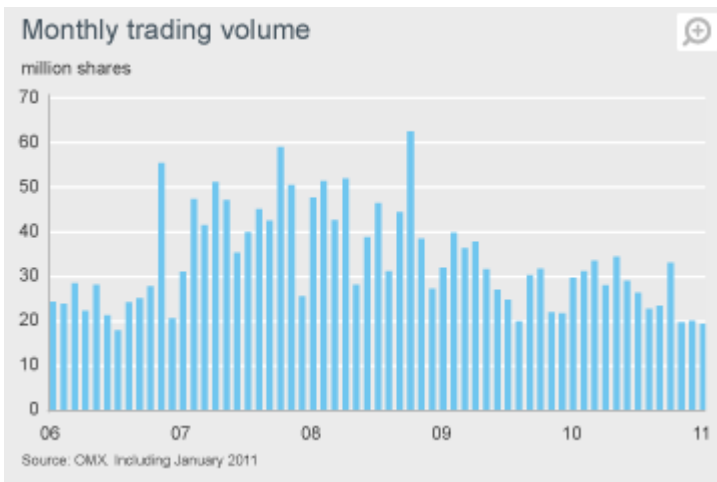
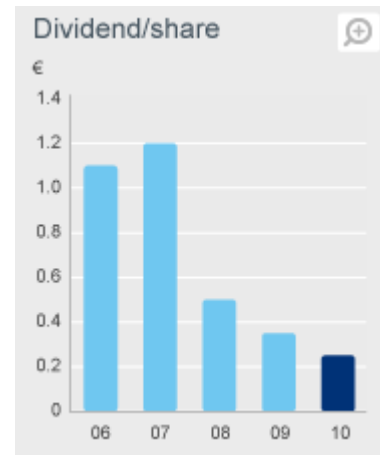
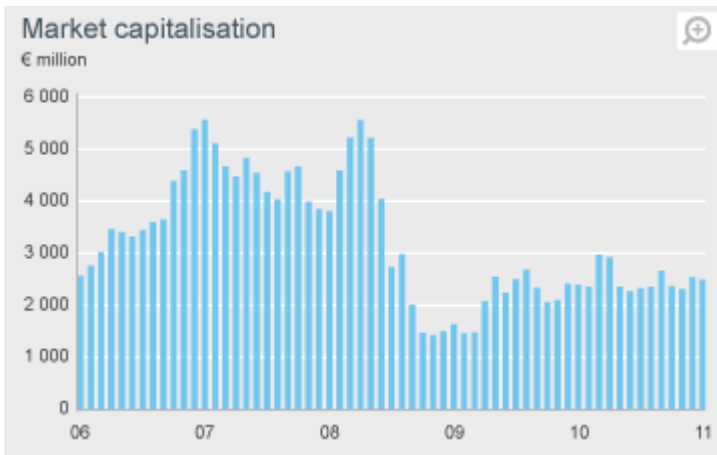
Outokumpu's Board of Directors is proposing a dividend of EUR 0.25 per share for the financial year 2010. The effective dividend yield is 1.8% and the average dividend payout ratio over the past five years is 65%.

Outokumpu share price development

Outokumpu's closing share price on 31 December 2010 was EUR 13.88 (31 Dec 2009: EUR 13.26), up 5% during the year.

In 2010, the highest share price traded was EUR 17.88 (2009: EUR 15.67) in April and the lowest share price was EUR 12.03 (2009: EUR 7.72) in June. The average share price was EUR 13.84 (2009: EUR 11.49). At the end of 2010, Outokumpu's market capitalisation was EUR 2 540 million (2009: EUR 2 413 million), up 5% on the previous year. Turnover in Outokumpu shares on the NASDAQ OMX Helsinki exchange in 2010 totalled 331.4 million shares (2009: 355.1 million) and amounted to EUR 4 586 million (2009: EUR 4 079 million). Average daily turnover during 2010 was 1.32 million shares (2009: 1.44 million shares).





Share-related key figures

		2010	2009	2008	2007	2006
Earnings per share	€	-0.68	-1.86	-1.05	3.52	5.31
Cash flow per share	€	-2.74	1.11	3.64	3.74	-0.19
Equity per share	€	13.05	13.54	15.50	18.53	16.87
Dividend per share	€	0.25 ¹⁾	0.35	0.50	1.20	1.10
Dividend payout ratio	%	neg.	neg.	neg.	33.9	20.7
Dividend yield	%	1.8	2.6	6.0	5.7	3.7
Price/earnings ratio		neg.	neg.	neg.	6.0	5.6
Development of share price						
Average trading price	€	13.84	11.49	18.99	24.94	19.77
Lowest trading price	€	12.03	7.72	6.33	18.48	12.60
Highest trading price	€	17.88	15.67	33.99	31.65	30.39
Trading price at the end of the period	€	13.88	13.26	8.28	21.21	29.66
Change during the period	%	4.7	60.1	-61.0	-28.5	136.3
Change in the OMXH index during the period	%	18.7	19.5	-53.4	20.5	17.9
Market capitalisation at the end of the period ²⁾	€ million	2 525	2 400	1 492	3 820	5 369
Development in trading volume						
Trading volume	1 000 shares	331 397	355 102	511 080	516 489	319 345
In relation to weighted average number of shares	%	182.3	196.4	283.6	285.5	176.4
Adjusted average number of shares ²⁾		181 751 107 ³⁾	180 825 569	180 184 845	180 922 336	181 033 168
Number of shares at the end of the period ²⁾		181 937 361	180 969 654	180 233 280	180 103 193	181 031 952

2003A stock options were listed on the NASDAQ OMX Helsinki Stock Exchange from 1 Sept 2006 to 1 May 2009, 2003B stock options have been listed since 3 Sept 2007. 2003C stock options are not listed.

¹⁾ The Board of Directors' proposal to the Annual General Meeting. ²⁾ Excluding treasury shares. ³⁾ The average number of shares for 2010 diluted with options was 181 762 074. These have a diluting effect of EUR 0.00 on earnings per share in 2010.

Principal shareholders on 31 January 2011

	Shares	%
Solidium Oy	56 440 597	30.8
The Finnish Social Insurance Institution	14 652 666	8.0
Ilmarinen Mutual Pension Insurance Company	8 661 927	4.7
Varma Mutual Pension Insurance Company	6 076 778	3.3
The State Pension Fund	2 132 134	1.2
OP-Delta Fund	1 660 000	0.9
OP-Finland Value Fund	1 060 000	0.6
Outokumpu Oyj	1 040 888	0.6
Alfred Berg Finland	938 811	0.5
Nordea Finland Fund	904 967	0.5
Nominee accounts held by custodian banks	35 324 253	19.3
Other shareholders	54 085 228	29.6
	182 978 249	100.0

Shareholders by group on 31 January 2011

Shareholders by group	Shares	%
Finnish corporations	7 441 684	4.1
Financial and insurance institutions	13 177 929	7.2
The public sector and public organisations		
Solidium Oy	56 440 597	30.8
The Finnish Social Insurance Institution	14 652 666	8.0
Others	20 771 568	11.4
Non-profit organisations	5 128 009	2.8
Households/private persons	28 001 022	15.3
Foreign investors	37 364 774	20.4
Total	182 978 249	100.0

Shares not transferred to the book-entry securities system 772.

Distribution of shareholders on 31 January 2011

Number of shares	Number of shareholders	% of shareholders	Total shares	% of share capital	Average shareholding
1–100	10 025	24.9	649 147	0.4	65
101–1 000	23 349	58.0	9 879 125	5.4	423
1 001–10 000	6 447	16.0	17 225 478	9.4	2 672
10 001–100 000	388	0.9	9 532 525	5.2	24 568
100 001–1 000 000	64	0.2	18 642 731	10.2	291 293
> 1 000 000	8	0.0	91 724 990	50.1	11 465 624
Shares in nominee accounts held by custodian banks	-	-	35 324 253	19.3	-
Shares not transferred to book-entry securities system			772		

Board authorisations

Board Authorisation to decide to issue shares and grant special rights entitling to shares

On 30 March 2010, Outokumpu's Annual General Meeting authorised the Board of Directors to decide to issue shares and grant special rights entitling to shares as detailed below.

Pursuant to the authorisation, the Board of Directors has the right to issue a maximum of 36 000 000 shares through one or several share issues or by granting special rights entitling to shares as specified in Chapter 10, Section 1 of the Finnish Companies Act, excluding option rights for Outokumpu management and personnel in accordance with an incentive plan.

Through share issues and/or by granting special rights entitling to shares, a maximum of 18 000 000 new shares may be issued, which at the time that the Annual General Meeting was held represented approximately 9.84% of the total number of registered shares. In addition, a maximum of 18 000 000 treasury shares may also be transferred, which at the time of the Annual General Meeting represented approximately 9.84% of the total number of registered shares.

The authorisation by the Annual General Meeting includes the right to decide on all other terms and conditions of such share issues and special rights entitling to shares, including the subscription price and to whom shares or special rights may be issued. The Board of Directors has the right to issue shares and special rights in deviation of the pre-emptive subscription right of shareholders.

The authorisation is valid until the next Outokumpu Annual General Meeting, however no later than until 31 May 2011. It had not been exercised by the Board by 31 January 2011.

Board authorisation to repurchase the company's own shares

On 30 March 2010, Outokumpu's Annual General Meeting authorised the Board of Directors to repurchase the company's own shares (treasury shares).

The maximum number of shares to be repurchased is 18 000 000, which at the time of the Annual General Meeting represented approximately 9.84% of the total number of registered shares. Based on this and earlier authorisations, the company held 1 040 888 of its own shares on 31 January 2011. The aggregate number of treasury shares held by the company and its subsidiaries may not, however, exceed 10% of the total number of registered shares.

The price payable for such share purchases shall be based on the prevailing price of Outokumpu's shares in public trading at the time that the repurchase is made. Shares can be repurchased in deviation from the proportional shareholdings of current shareholders. The Board of Directors has the right to decide on other matters and measures related to repurchasing of the company's shares.

The repurchase authorisation is valid until the next Annual General Meeting, however no later than until 31 May 2011. The authorisation had not been exercised by the Board by 31 January 2011.

2003 stock option programme

The 2003 Outokumpu Annual General Meeting passed a resolution on a stock option programme for the company's management personnel. The total number of share options that may be issued is 5 100 000, entitling holders of stock options to subscribe for 5 100 000 new Outokumpu shares during the 2006–2011 period. Based on a decision by the Board of Directors and in deviation from shareholders' pre-emptive rights, stock options marked 2003A, 2003B and 2003C were distributed to key persons in the Outokumpu Group in 2004, 2005 and 2006. When deciding on the total number of stock options to be distributed annually and to each individual, the Board of Directors assessed the Group's earnings trend and performance by comparing, among other items, the trend in Group earnings per share to trends in the same key ratio in peer companies.

The subscription periods for the 2003A and 2003B stock options ended on 1 March 2009 and 1 March 2010 respectively. The subscription period for the 2003C stock option will end on 1 March 2011.

The subscription price for shares subscribed for with 2003C stock options is the traded volume-weighted average price of Outokumpu shares on NASDAQ OMX Helsinki from 1 December 2005 to 28 February 2006 (EUR 10.09). On each dividend record date, to determine the subscription price and prior to the share subscription, the share subscription price of stock options has been reduced by the amount of dividends decided after the close of the period. Following the subscriptions for 2003 stock options, Outokumpu's share capital may be increased by a maximum of EUR 68 850 and the number of shares may be increased by a maximum of 40 500. The number of shares that can be subscribed for on the basis of the stock options corresponds to 0.02 % of Outokumpu's shares and voting rights.

Share-ownership plan

In accordance with the Outokumpu Group's share-ownership plan, members of the Outokumpu Group Executive Committee have an obligation to purchase Outokumpu shares with 10% of the income they receive from stock options.

2003 Stock option programme

Stock option	Number of participants 31 Dec 2010	Subscription period	Dividend adjusted share subscription price	The number of shares subscribed by 31 Dec 2010	An aggregate maximum of shares that will be subscribed with the remaining stock options	The number of stock options annulled by 31 Dec 2010
2003C 3		1 Sept 2008–1 March 2011	10.09 €	58 200	40 500	1 601 300

Increases in share capital

	Registered on	Number of shares	Share capital, €
Share capital on 1 Jan 2006		181 250 555	308 125 943.50
Shares subscribed with 2003A options 14 Oct–29 Dec 2006	11 Jan 2007	33 323	308 182 592.60
Shares subscribed with 2003A options 30 Dec 2006–29 Oct 2007	9 Nov 2007	23 539	308 222 608.90
Shares subscribed with 2003B options 8 Sept–29 Oct 2007	9 Nov 2007	14 379	308 247 053.20
Shares subscribed with 2003A options 30 Oct 2007–2 Jan 2008	15 Jan 2008	400	308 247 733.20
Shares subscribed with 2003B options 30 Oct 2007–2 Jan 2008	15 Jan 2008	1 000	308 249 433.20
Shares subscribed with 2003A options 3 Jan–29 Feb 2008	13 March 2008	11 955	308 269 756.70
Shares subscribed with 2003B options 3 Jan–29 Feb 2008	13 March 2008	10 187	308 287 074.60
Shares subscribed with 2003A options 1 March–5 May 2008	16 May 2008	38 208	308 352 028.20
Shares subscribed with 2003B options 1 March–5 May 2008	16 May 2008	57 264	308 449 377.00
Shares subscribed with 2003A options 6 May–7 July 2008	18 July 2008	380	308 450 023.00
Shares subscribed with 2003A options 8 July–8 Sept 2008	19 Sept 2008	693	308 451 201.10
Shares subscribed with 2003C options 8 July–8 Sept 2008	19 Sept 2008	5 000	308 459 701.10
Shares subscribed with 2003C options 9 Sept–24 Oct 2008	3 Nov 2008	5 000	308 468 201.10
Shares subscribed with 2003A options 1 Jan–9 Feb 2009	18 Feb 2009	126 910	308 683 948.10
Shares subscribed with 2003A options 10 Feb–1 March 2009	11 March 2009	415 473	309 390 252.20
Shares subscribed with 2003C options 29 April–4 June 2009	16 June 2009	10 000	309 407 252.20
Shares subscribed with 2003B options 30 Oct–17 Dec 2009	31 Dec 2009	6 276	309 417 921.40
Shares subscribed with 2003B options 1 Jan–8 Feb 2010	16 Feb 2010	172 437	309 711 064.30
Shares subscribed with 2003B options 9 Feb–1 March 2010	9 March 2010	755 270	310 995 023.30
Shares subscribed with 2003C options 2 March–3 May 2010	11 May 2010	18 000	311 025 623.30
Shares subscribed with 2003C options 4 May–26 July 2010	3 Aug 2010	2 000	311 029 023.30
Shares subscribed with 2003C options 27 July–25 Oct 2010	2 Nov 2010	10 000	311 046 023.30
Shares subscribed with 2003C options 26 Oct–29 Nov 2010	8 Dec 2010	10 000	311 063 023.30
Share capital on 31 Dec 2010		182 978 249	311 063 023.30
Share capital on 31 Jan 2011		182 978 249	311 063 023.30
Treasury shares on 31 Dec 2010		1 040 888	1 769 509.60
Number of shares outstanding on 31 Dec 2010		181 937 361	309 293 513.70

Share-based incentive programmes

Outokumpu's Board of Directors has confirmed that share-based incentive programmes are part of the incentive and commitment scheme for the company's key personnel. The objectives are to reward key personnel for good performance and thereby support Outokumpu's strategy, and to direct management attention towards increasing shareholder value over the long term. The programmes offer the possibility of receiving Outokumpu shares and cash (an amount equal to taxes not exceeding 1.5 times the value of the shares at the time they are distributed) as an incentive, provided that the targets set by the Board for each earning period are achieved.

Share-based incentive programme

Earning period	The number of people in scope on 31 Dec 2010
2008–2010	152
2009–2011	137
2010–2012	133

Share-based incentive programme 2006–2010

On 2 February 2006, the Outokumpu Board of Directors confirmed a five-year share-based incentive programme comprising three earnings periods, each lasting three calendar years. These earnings periods commenced on 1 January 2006, 1 January 2007 and 1 January 2008. The aggregate number of shares distributed during each earnings period cannot exceed 500 000. In accordance with targets confirmed for the earnings periods, rewards are based on the relative development in Total Shareholder Return (TSR) (50% of the maximum reward) and achieving targets set for Operational Excellence programmes (50% of the maximum reward). The aggregate annual total payment of rewards (shares and cash) under the programme, together with other short-term and long-term incentives, must not exceed 200% of a participant's annual salary at the end of the earnings period. If the above limit is exceeded, rewards allocated under the programme for the earnings period (both shares and cash) will be reduced accordingly. Participants must retain shares awarded to them under the programme in their possession for a period of at least two years from the date of distribution.

On 1 February 2011, the Outokumpu Board of Directors confirmed that the targets set for the earnings period 2008–2010 were not met for either of the two earnings criteria. No reward will therefore be paid to participants in the share-based incentive programme for the earnings period 2008–2010.

Share-based incentive programme 2009–2013

On 3 February 2009, Outokumpu's Board of Directors confirmed a new share-based incentive programme which will last five years and comprise three earnings periods, each lasting three calendar years and commencing on 1 January 2009, 1 January 2010 and 1 January 2011. The Board of Directors decides on the persons who are entitled to participate in the programme for each earnings period. The aggregate number of shares to be distributed for each earnings period cannot exceed 500 000.

On 14 December 2010, 134 people were confirmed as participants in the programme for the 2011–2013 earnings period. In accordance with targets confirmed for the 2011–2013 earnings period, the reward is based on the relative development in Total Shareholder Return (TSR) (50% of the maximum reward) over the three-year earnings period and Earnings per share (EPS) (50% of the maximum reward). The aggregate annual total payment of rewards (shares and cash) under the programme, together with other short-term and long-term incentives, must not exceed 200% of the participant's annual salary at the end of the earnings period. If the above limit is exceeded, rewards allocated under the

programme for the earnings period (both shares and cash) will be reduced accordingly. Participants must retain shares awarded to them under the programme in their possession for a period of at least one year from the date of distribution.

Members of the Group Executive Committee are obliged to hold an amount of the Outokumpu shares they acquire or receive under incentive programmes which is equivalent to the value of their annual gross base salary.

Management shareholding

On 31 January 2011, members of the Outokumpu Board of Directors and the Group Executive Committee held a total of 98 916 Outokumpu shares, corresponding to 0.05% of the Company's shares and voting rights.

If all the remaining 2003C options are exercised and if the 2009–2011, 2010–2012 and 2011–2013 earning periods in the 2009–2013 share-based incentive programme yield the maximum number of shares, shareholdings and aggregate voting rights held by the members of the Group Executive Committee will increase by 0.02 percentage points on the basis of stock options, and by 0.15 percentage points on the basis of the share-based incentive programme.

If participants in the 2009–2011, 2010–2012 and 2011–2013 earnings periods receive rewards totalling the maximum number of shares (a total of 281 500 shares), shareholdings obtained via the programme will amount to 0.15% of the Company's shares and voting rights.

Details of management shareholdings can be found in [Board of Directors](#) and [Group Executive Committee](#).