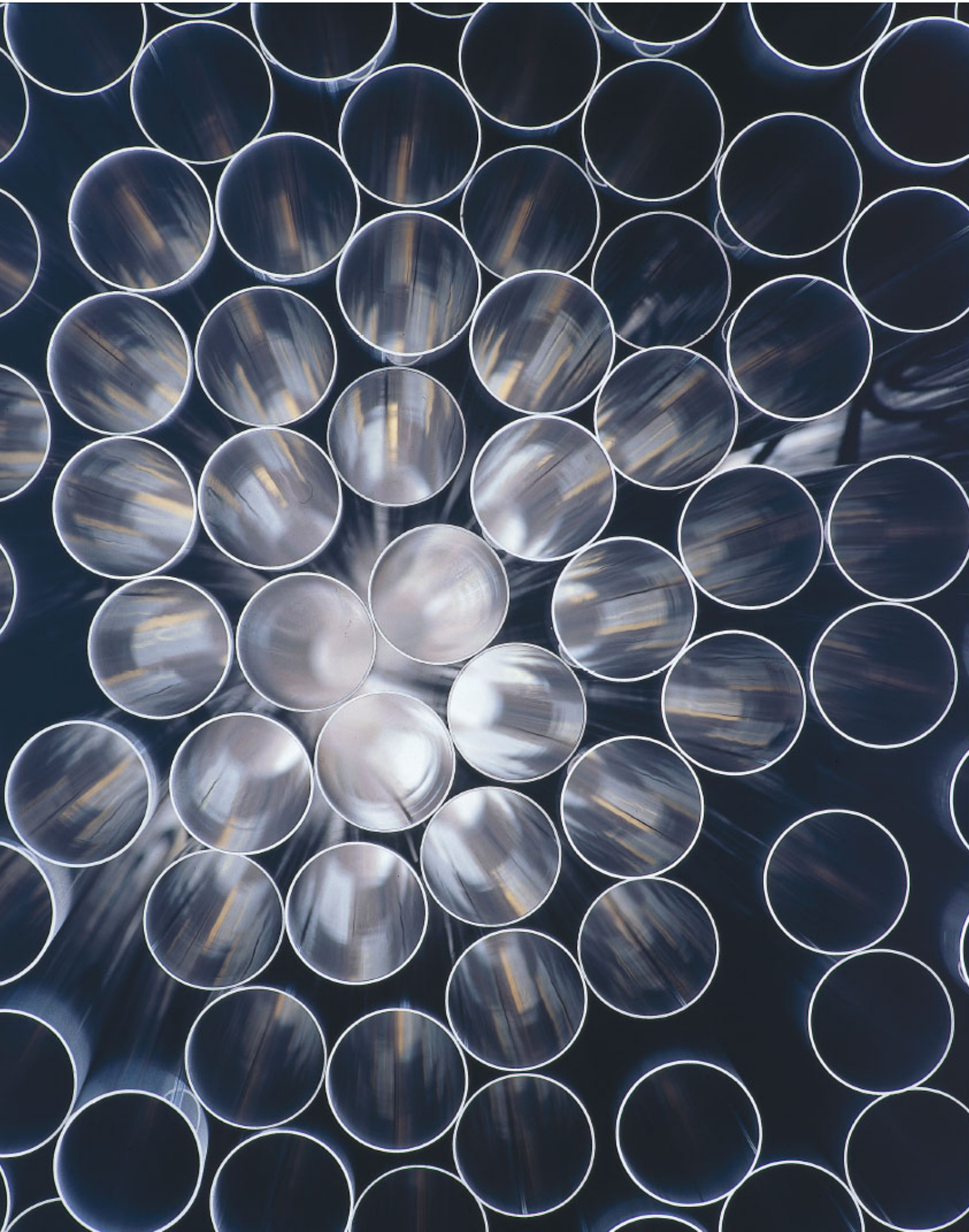
OUTOKUMPU

Annual Report 2010



Outokumpu – an international stainless steel company

Sales (2010)	EUR 4 229 million
Stainless steel deliveries (2010)	1 315 000 tonnes
Personnel (31 Dec 2010)	8 104
Main products	Cold and hot rolled stainless steel coil, sheet and plate, quarto plate, thin strip, tubular and long products.
Grades	Full range of standard and high-alloyed austenitic grades, as well as duplex, ferritic and manganese grades.
Dimensions	Cold rolled flat products in thickness range from 0.12 mm to 6.5 mm. White hot strip and hot rolled plate in varying widths and thicknesses. Full range of tubular products from small diameter tubes to heavy walled pipes.
Customers	Distributors, re-rollers and further processors, tube makers as well as end-user and project customers in various industrial segments.
Typical customer industries using stainless steel	Architecture, building and construction, chemical, petrochemical and energy, transportation, catering and appliances, process industries and resources and various other industries and applications.
Main production plants	Tornio (ferrochrome smelter, steel melting shops, hot and cold rolling mills) and Kemi (chromium mine) in Finland; Avesta (steel melting shop, hot and cold rolling mills), Nyby, Kloster (cold rolling mills at both) and Degerfors (hot rolling mill) in Sweden; Sheffield (steel melting shop) in the UK and New Castle (hot rolling mill) in the US. Long products are manufactured in Sweden, the US and the UK, whereas welded tubes and tube components are produced in Finland, Sweden, Estonia, Canada and the US.
Sales companies and service centres	A comprehensive network of sales companies in some 30 countries and service centres in 10 countries.

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Outokumpu – an international stainless steel company

Outokumpu is a global leader in stainless steel with the vision to be the undisputed number one. Customers in a wide range of industries use our stainless steel and services worldwide. Being fully recyclable, maintenance-free, as well as very strong and durable material, stainless steel is one of the key building blocks for sustainable future. Outokumpu employs some 8 000 people in more than 30 countries. The Group's head office is located in Espoo, Finland. Outokumpu is listed on the NASDAQ OMX Helsinki.

Outokumpu

Main Products	■ Cold and hot rolled stainless steel coil ■ Sheet and plate ■ Quarto plate ■ Thin strip ■ Tubular and long products
Grades	■ Full range of standard and high alloyed austenitic grades ■ Duplex ■ Ferritic ■ Manganese grades
Dimensions	■ Cold rolled flat products in thickness range from 0.12 mm to 6.50 mm ■ White hot strip and hot rolled plate in varying widths and thicknesses ■ Full range of tubular products from small diameter tubes to heavy walled pipe
Customers	■ Distributors ■ Re-rollers and further processors ■ Tube makers ■ End-user and project customers in various industrial segments
Typical customer industries using stainless steel	■ Architecture, building and construction ■ Chemical, petrochemical and energy ■ Transportation ■ Catering and appliances ■ Process industries and resources ■ Various other industries and applications

Main production plants	▪ Tornio (ferrochrome smelter, steel melting shops, hot and cold rolling mills) and Kemi (chromium mine) in Finland ▪ Avesta (steel melting shop, hot and cold rolling mills), Nyby, Kloster (cold rolling mills at both) and Degerfors (hot rolling mill) in Sweden ▪ Sheffield (steel melting shop) in the UK ▪ New Castle (hot rolling mill) in the US ▪ Long products are manufactured in Sweden, the US and the UK, whereas welded tubes and tube components are produced in Finland, Sweden, Estonia, Canada and the US
Sales companies and service centres	▪ A comprehensive network of sales companies in some 30 countries and service centres in 10 countries

Our main products are hot and cold rolled stainless steel sheets, plates and strips that are used in numerous applications – such as the construction industry, the automotive industry and equipment for the process industry. Wide and thick individually rolled quarto plates are used in the energy sector, chemical transportation, desalination, and in the process industry in pressure cylinders, tanks, thick-walled tubes, bridge structures and process equipment. Our tubes are mainly used by the process industry, such as the oil refining and the pulp and paper industries; bars are so-called long products, from which i.e. wire and reinforcement bars are manufactured.

Good qualities of stainless steel

- Fully recyclable
- Corrosion resistant
- Aesthetic
- High-strength
- Low life-cycle costs

CEO's review

2010 was characterised by improving markets for stainless steel globally. Worldwide, end demand recovered to pre-financial crisis levels, but volumes in Europe, Outokumpu's home market, were still some 20% below those in 2006–2007. This shortfall had a significant negative impact on our financial performance, which remained unsatisfactory.

In these difficult trading conditions, we were still able to make good progress in several operational areas. Also our renewed strategy and growth-related investment decisions should be mentioned as positive achievements during the year.

Financials

Global end demand for stainless steel grew in 2010 by some 13% and returned – more or less – to 2007 levels. Growth was very much driven by developments in Asian markets. Market development in Europe was more modest with growth of 6% and volumes still well below those reached before the financial crisis. Demand for investment-driven end-user applications still appears soft – the uncertain economic conditions are a clear factor here with no major investment projects being launched in our customer industries.

Lack of volume in our home markets resulted in low average operating rates of our production capacity. Our average operating rate during 2010 was some 75%, still too low to enable satisfactory levels of profitability. The sustainable savings on fixed costs that we achieved in 2009 were not sufficient to compensate for the impact of the low operating rates on profitability.

We also faced the need to increase our levels of working capital, primarily due to volume increase, increases in raw material prices and unfavourable developments in currency exchange rates. Combined with low profitability, these increased our gearing. Maintaining a healthy balance sheet is currently very high on our management agenda. All the levers we have available – including profitability improvement, management of working capital, releasing capital from the balance sheet, focusing investment efforts on essential projects and also those which hold the most promise – are worked on.

Operations and our people

Acting responsibly in difficult times is of particular importance. We have continued to work on the Group's operational excellence initiatives even though market conditions have been turbulent. I am very pleased to see that great progress has been made in several areas. One piece of evidence of improved operational performance and our commitment to responsible practices is the improvement in levels of safety, one of our focus areas in sustainability. In 2010, our lost-time accident frequency rate improved to 4.7 from its 2009 level of 5.9. This figure did not quite meet our target level of below four, but the development is very encouraging. Further demanding targets have been set for the coming years, with the ultimate aim being a rate of zero. Improving safety contributes to improvements in quality, costs and on-time delivery – not to forget the wellbeing of people.

We had our new commercial organisation fully functioning in 2010. The overall aim is to give our customers excellent service by being able to combine local, customer segment and product knowledge to our offering. Creating a stronger commercial presence outside Europe is a high priority and one milestone in that ambition was the inauguration of a new Outokumpu service centre in China.

Strategy

I am very excited about the long-term growth prospects for stainless steel. A sustainable material, it is an essential element in solutions to many of the global macro developments and challenges we face, such as increasing urbanisation and the need for cleaner air, clean water and renewable sources of energy.

Our unique strengths mean we are well positioned to capture the market opportunities. The Group's integrated production facility at Tornio, which includes our own supply of ferrochrome, is a global cost leader in standard grades. Our position in specialty products is equally strong and exemplified by our global market leadership in duplexes. Also our efforts in building excellence in both customer relationships and the Group's operations give us strength to capture the market opportunities.

Leveraging on our strengths, we did clarify our strategic priorities. New targets include improving loadings at Tornio, accelerating the transition towards special products and seizing existing growth opportunities. Doubling our ferrochrome capacity is an exciting project, both in its financial scope and because we will be entering a new global market. World-class levels of energy efficiency and reduced emissions also make a good project from an environmental viewpoint.

Sustainability has always been – and continues to be – at the core of our strategy. Over the years, Outokumpu has been a determined leader in environmental performance in the industrial sector. An independent study has demonstrated that our products have the smallest carbon footprint in Europe. Our commitment to the people who work for us – providing a safe workplace with opportunities for skills development – is a cornerstone of our efforts to further improve the sustainability of our operations.

Sustainability is a continuing journey and the recognition we receive for the Group's performance in this area is encouraging. While I am pleased with the progress we have already made, more ambitious and demanding objectives for different aspects of sustainability are being set. For example, according to our Energy and Low-carbon Programme, launched in 2010, our target is to reduce our carbon emissions by 20% by 2020.

I was very pleased that Finland's parliament awarded Fennovoima, in which Outokumpu is a major shareholder, a decision-in-principle to begin planning a nuclear energy project in Finland. By providing electricity supplies at stable prices, this project will support our increased ferrochrome production capacity and also contribute towards further reducing the carbon footprint of the electricity we use.

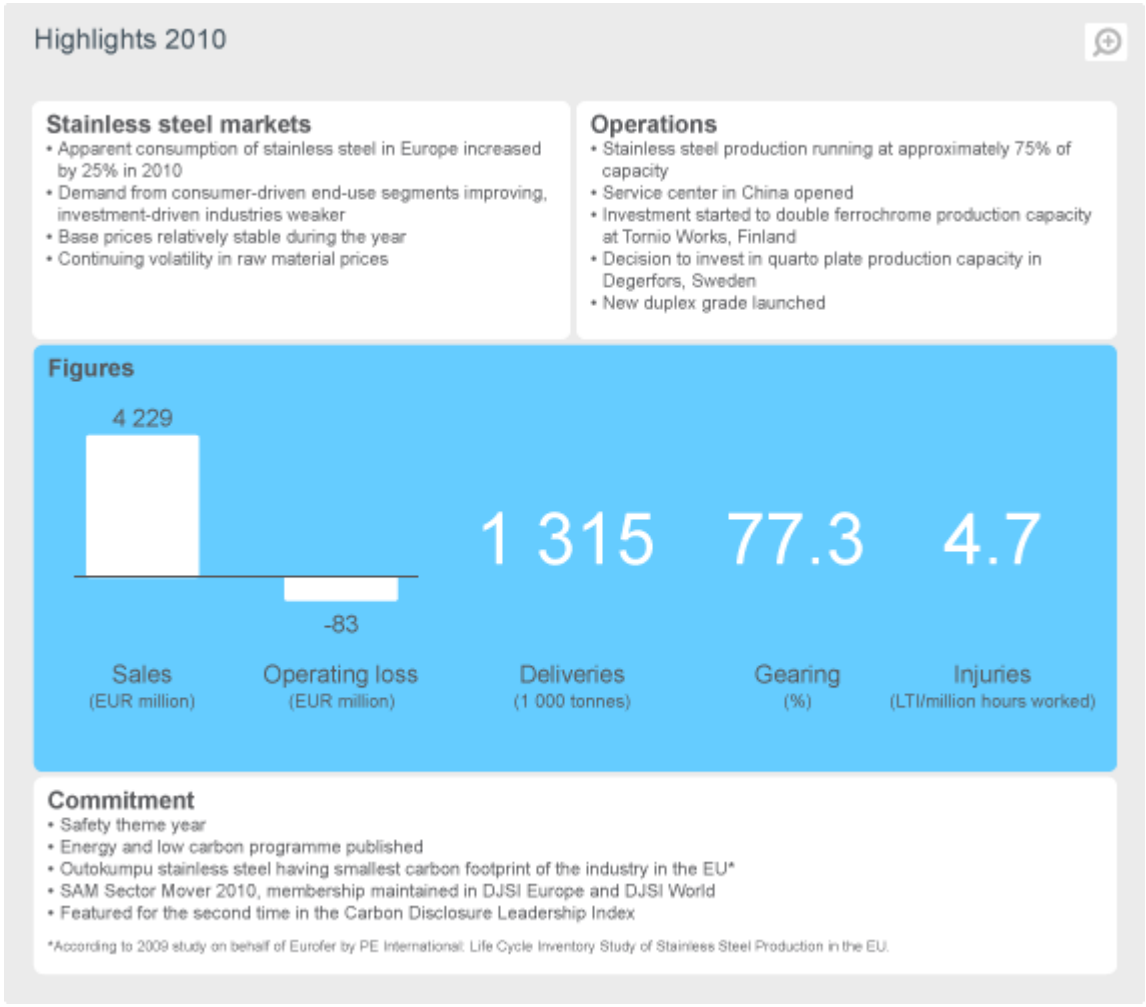
Next steps

The managerial agenda for the immediate future is very clear: restoring profitability, improving the structure of our balance sheet and implementing Group strategy. Successes in several areas achieved in recent years give me full confidence that the targets we have set will be reached.

Finally, I would like to take the opportunity to thank our customers for their continued loyalty, our people for their great work, and our investors for their support.

Juha Rantanen
CEO

Highlights


Highlights 2010
Stainless steel markets
• Apparent consumption of stainless steel in Europe increased by 25% in 2010
• Demand from consumer-driven end-use segments improving, investment-driven industries weaker
• Base prices relatively stable during the year
• Continuing volatility in raw material prices
Operations
• Stainless steel production running at approximately 75% of capacity
• Service center in China opened
• Investment started to double ferrochrome production capacity at Tornio Works, Finland
• Decision to invest in quarto plate production capacity in Degerfors, Sweden
• New duplex grade launched
Figures
4 229
-83
1 315
77.3
4.7
Sales (EUR million)
Operating loss (EUR million)
Deliveries (1 000 tonnes)
Gearing (%)
Injuries (LTI/million hours worked)
Commitment
• Safety theme year
• Energy and low carbon programme published
• Outokumpu stainless steel having smallest carbon footprint of the industry in the EU*
• SAM Sector Mover 2010, membership maintained in DJSI Europe and DJSI World
• Featured for the second time in the Carbon Disclosure Leadership Index
*According to 2009 study on behalf of Eurofer by PE International: Life Cycle Inventory Study of Stainless Steel Production in the EU.

Group key figures

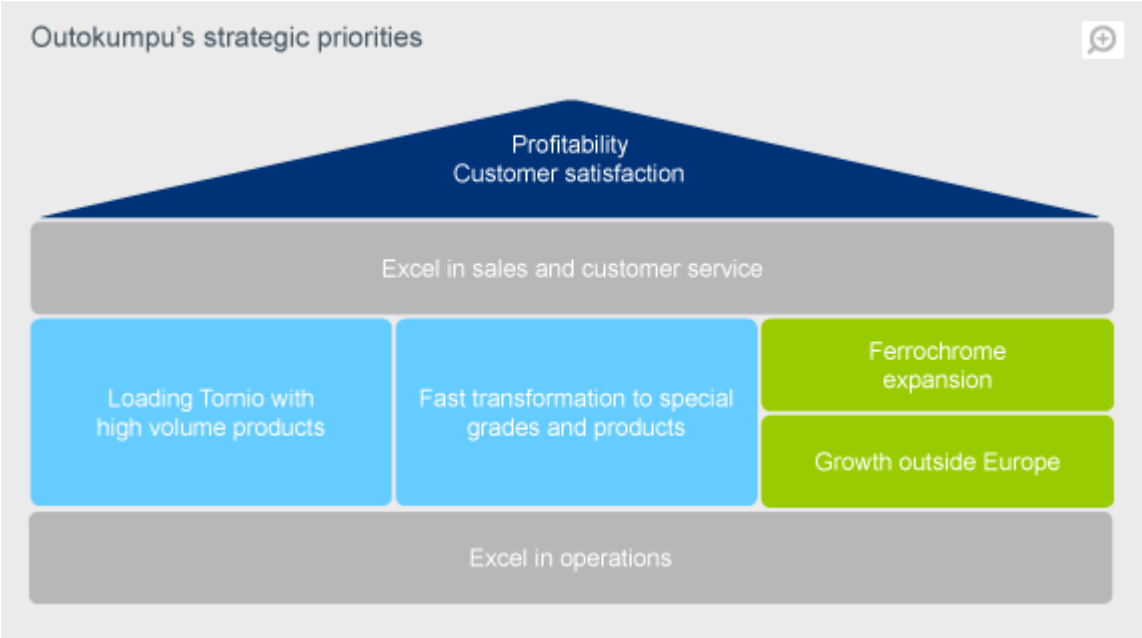
		2010	2009	2008
Sales	€ million	**4 229**	2 641	5 533
Operating profit	€ million	**-83**	-441	-68
EBITDA	€ million	**172**	-212	147
Non-recurring items in operating profit	€ million	**-17**	-20	-83
Profit before taxes	€ million	**-143**	-479	-141
Non-recurring items in financial income	€ million	**9**	-	-21
Net profit for the period	€ million	**-124**	-336	-189
Capital employed on 31 Dec	€ million	**4 213**	3 642	3 880
Return on capital employed	%	**-2.1**	-11.7	-1.7
Net cash generated from operating activities	€ million	**-497**	201	662
Capital expenditure	€ million	**161**	248	547
Net interest-bearing debt on 31 Dec	€ million	**1 837**	1 191	1 085
Equity-to-assets ratio	%	**42.2**	50.6	52.4
Debt-to-equity ratio	%	**77.3**	48.6	38.8
Earnings per share	€	**-0.68**	-1.86	-1.05
Equity per share	€	**13.05**	13.54	15.50
Dividend per share	€	**0.25** [1)]	0.35	0.50
Share price on 31 Dec	€	**13.88**	13.26	8.28
Market capitalisation on 31 Dec	€ million	**2 525**	2 400	1 492
Stainless steel deliveries	1 000 tonnes	**1 315**	1 030	1 423
Stainless steel base price	€/tonne	**1 252**	1 161	1 181
Personnel on 31 Dec [2)]		**8 104**	7 754	8 628
Investments in the environment	€ million	**16**	12	18
Patent applications	pcs	**4**	2	3
R&D	€ million	**22**	19	20

R&D (%) of sales	%	**0.5**	0.7	0.4
Income taxes and social security payments	€ million	**53**	47	66
Injury rate, injuries per million hours worked [3)]		**4.7**	5.9	9.0
Carbon dioxide emissions	million tonnes	**0.83**	0.57	0.87

[1)] The Board of Directors' proposal to the Annual General Meeting
[2)] FTE full-time equivalent
[3)] Including contractors

Strategic themes

Outokumpu's strategic targets include improved and more stable profitability and higher levels of customer satisfaction. Key priorities include highlighting the Group's cost competitiveness in producing high-volume standard grades and achieving a fast transformation to increased production of special grades and products.



Vision

Outokumpu's vision is to become the undisputed number one in stainless steel. This requires us to have the best financial performance in the industry. Related targets are:

- Becoming the industry leader in terms of customer satisfaction
- Having the most-efficient and environmentally-friendly operations, and
- Being the most attractive employer.

Outokumpu is committed to achieving the number-one position through responsible business practices and by working in close cooperation with key stakeholders. The Group is also aiming to hold a top-class position in responsibility.

Implementing the Outokumpu strategy

Loading Tornio with high-volume products

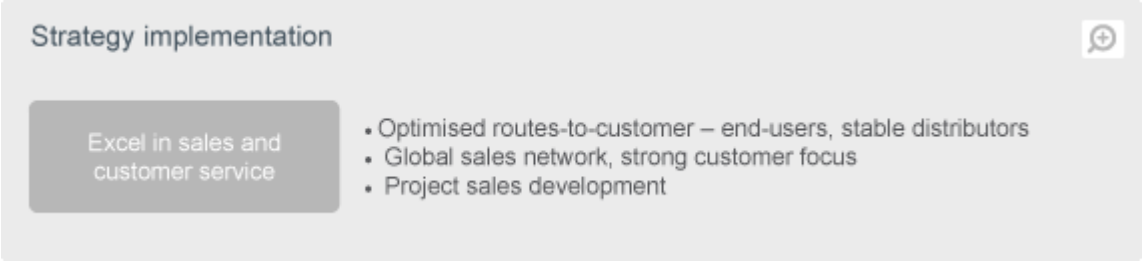
Outokumpu has a strong position in the stainless steel sector. The Group's Tornio Works, a fully-integrated production facility in northern Finland, is Outokumpu's largest site and its cost-efficiency makes the company a global leader in standard grades. Adequate capacity utilisation is a critical factor in achieving sustained profitability at Tornio. A close focus on high-volume products, utilising the plant's cost-leadership position in Europe and improved productivity are key areas in returning capacity utilisation to pre-financial-crisis levels.

Read more about Tornio Works.

Fast transformation to special grades and products

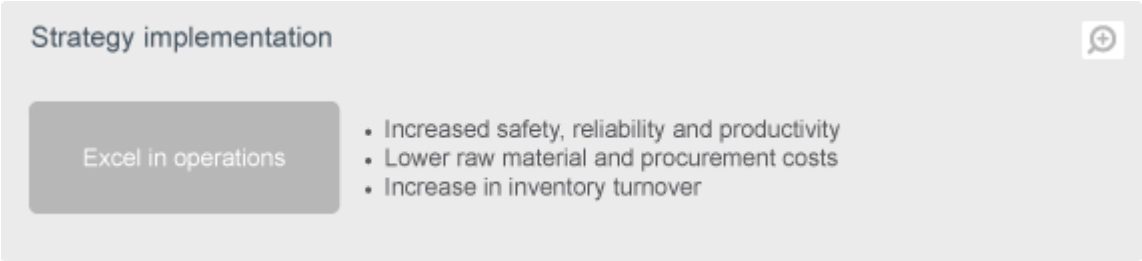
Outokumpu also holds a leading position in the special grades and products sector and is widely recognised for the high quality of its product and process development. Increasing sales of special grades and products is a core element in the Group's strategy. Special grades and products offer high growth potential and provide customers with significant value. Outokumpu's efforts to develop the market for duplex and other special grades will be accelerated and co-operation with end-user and project customers will be intensified.

Read more about special grades.



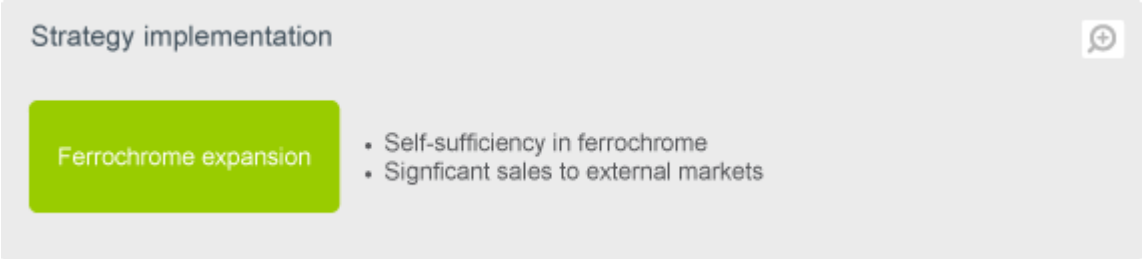
Excel in sales and customer service

Increasing end-user and project sales, building stable relations with key distributors and processors and further investing in sales skills and own global service network are critical for the transformation to special grades and products as well as for Tornio's capacity utilisation.



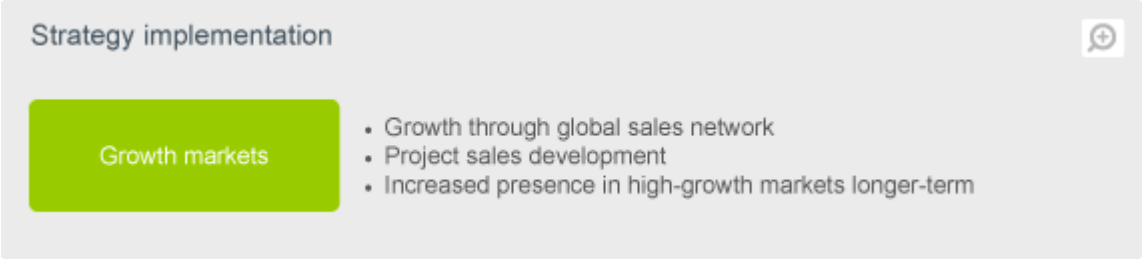
Excel in operations

Safe working conditions and reliable production schedules are clear indications of operational quality. Outokumpu will continue to focus on operational excellence and associated long-term improvements, which lead to reduced variability in production, cost savings in raw materials and procurement, lower inventory levels and the provision of safe and clean working environments.



Ferrochrome expansion

Outokumpu differs from its competitors in the stainless steel sector by having its own chromium mine and ferrochrome production facilities. The availability of an in-house source of ferrochrome, an important raw material in the stainless steel production process, yields unique cost savings in terms of raw materials, energy usage and logistics. The doubling of the ferrochrome production that is currently under way will provide the Group with an attractive growth business as Outokumpu will also become a significant supplier of ferrochrome to external markets.



Growth outside Europe

The most attractive growth markets in the stainless steel sector lie outside Europe, Outokumpu's traditional home market. The Group will continue to strengthen its global sales network and is aiming for the leading global position in project-based industrial applications. In the longer term, an increased Outokumpu presence in high-growth markets and other attractive commercial opportunities will be considered.

Fast implementation and follow-up

Outokumpu's short-term focus is on efficient and rapid strategy implementation, with progress being monitored using key strategic performance indicators. These are:

- safety (lost-time injuries)
- profitability (EBIT)
- customer satisfaction (net-promoter score)
- delivery performance (% on-time deliveries)

- inventory turnover

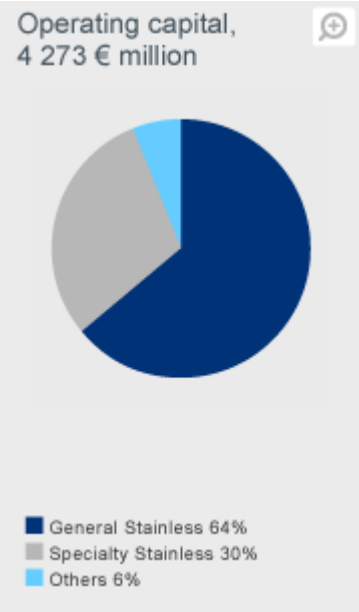
Management discussion of financial performance

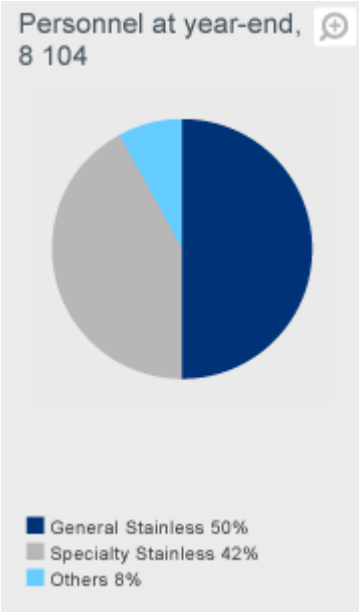
Disappointing result in a recovering market – strategic priorities adjusted and major investments announced

Rebounding from the economic crisis and difficult market conditions that prevailed in 2009, global demand for stainless steel increased in 2010 driven mainly by consumer-led industries and demand from Asia. The pick-up in overall demand was clearly evident during the first half of the year, which also marked Outokumpu's return to profit as a consequence of increased delivery volumes, higher base prices and raw-material related inventory gains resulting from increasing metal prices. The impact of a significant inflow of Asia-produced material in the summer and autumn periods on European market dynamics and base prices was clear. Despite relatively healthy levels of demand following the European summer holiday period, Outokumpu's result remained in negative territory throughout the second half of the year owing to lower-than-average seasonal deliveries and softening base prices. To maximise cash flow, inventory levels were also strongly reduced as the end of the year approached, resulting in high operating costs in the fourth quarter. The continuing lack of investment-driven end-use demand constrained Outokumpu's profitability throughout 2010, an effect that was particularly evident in special grades and products. Consequently, Outokumpu's annual result was disappointingly negative.

The aims of Outokumpu's strategy are achieving stable, industry-leading profitability and high levels of customer satisfaction. Adjusted strategic priorities were announced and implemented in 2010, and the focus is on improving performance in the Group's current operations as well as investing additional effort in developments expected to yield future growth. To support achievement of Outokumpu's strategic objectives, the Group announced major investments of more than EUR 544 million during the year. These include a project to double Outokumpu's ferrochrome production capacity in Tornio in Finland and increased stainless steel quarto plate capabilities and production capacity at Degerfors in Sweden.

In overall terms, it appears that market conditions are continuing along the path of gradual improvement. On the other hand, the European market for stainless steel can be expected to remain challenging, and will continue to be affected by over-capacity and regional imbalances between supply and demand. In early 2011, the overall economic development indicates improved stainless steel markets for the year.





Financial development

€ million	**2010**	2009
Sales		
General Stainless	**3 503**	2 065
Specialty Stainless	**1 710**	1 239
Other operations	**401**	273
Intra-group sales	**-1 384**	-935
The Group	**4 229**	2 641

1 000 tonnes		
Stainless steel deliveries		
Cold rolled	**698**	545
White hot strip	**312**	263
Quarto plate	**83**	67
Tubular products	**51**	53
Long products	**58**	40
Semi-finished products	**114**	63
Total deliveries	**1 315**	1 030

€ million		
Operating profit		
General Stainless	**14**	-259
Specialty Stainless	**-76**	-149
Other operations	**-15**	-34
Intra-group items	**-7**	1
The Group	**-83**	-441

€ million		
Major non-recurring items in operating profit		
Specialty Stainless		
Write-down of expansion project in Avesta	**-17**	-15
Redundancy provisions	**-**	-5
Total	**-17**	-20

€ million		
Major non-recurring items in financial income and expenses		
Other operations		
Gain on the sale of Okmetic shares	**9**	-
Total	**9**	-

Updated strategic priorities

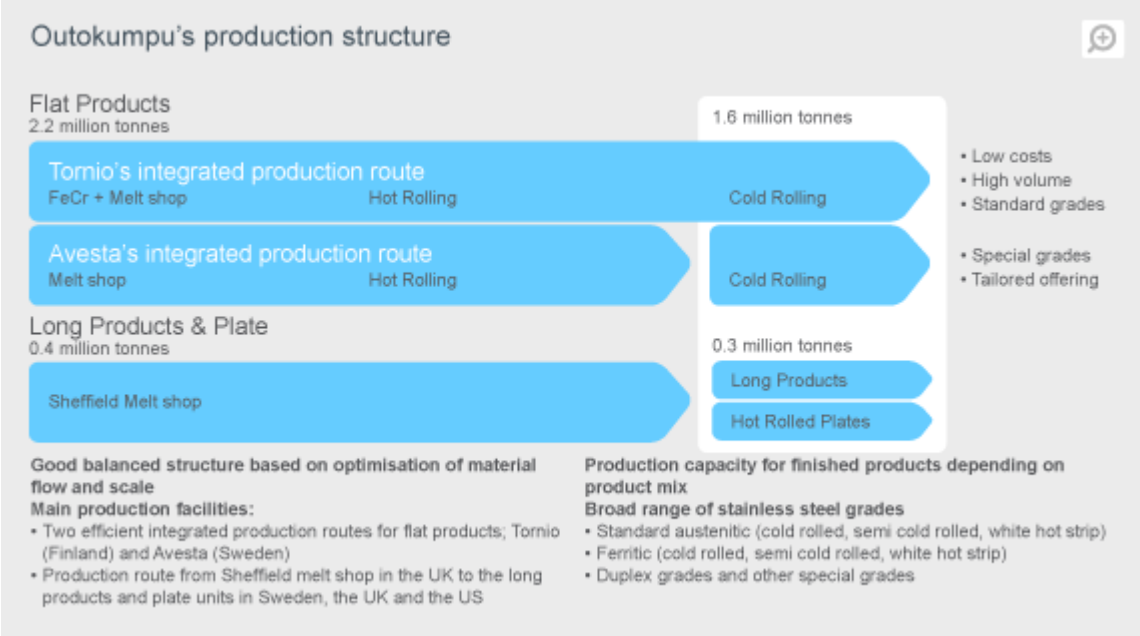
Outokumpu's vision of being the undisputed number one in stainless steel remains unchanged. The essence of being number one is having the best financial performance in the industry.

Outokumpu's strategic aims include achieving stable and industry-leading profitability, and high levels of customer satisfaction. In both the Group's adjusted strategic priorities and their implementation, the focus is on improving performance in Outokumpu's current operations and investing additional effort in developments expected to yield future growth. The forecast of long-term growth in demand for stainless steel is viewed by the Group as an attractive opportunity. Outokumpu's decision to double the Group's ferrochrome production capacity will also launch a growth business as the company will become a significant supplier to external markets.

The adjustments in Outokumpu's strategic priorities emphasise the utilisation of Tornio's cost-competitiveness in high-volume products as well as a rapid transformation to the production of special grades and products. In addition to focusing on operational excellence and long-term improvements, related requirements include an increase in end-user and project sales, continuing to build stable relationships with key distributors and processors and further investment in the Group's own global service network.

Outokumpu's short-term focus is on efficient and speedy strategy execution with follow-up based on key Group performance indicators such as safety (lost-time injuries), profitability (EBIT), customer satisfaction (net-promoter score), delivery performance (% on-time deliveries) and inventory turnover.

Read more about Outokumpu's strategy.



Major investments

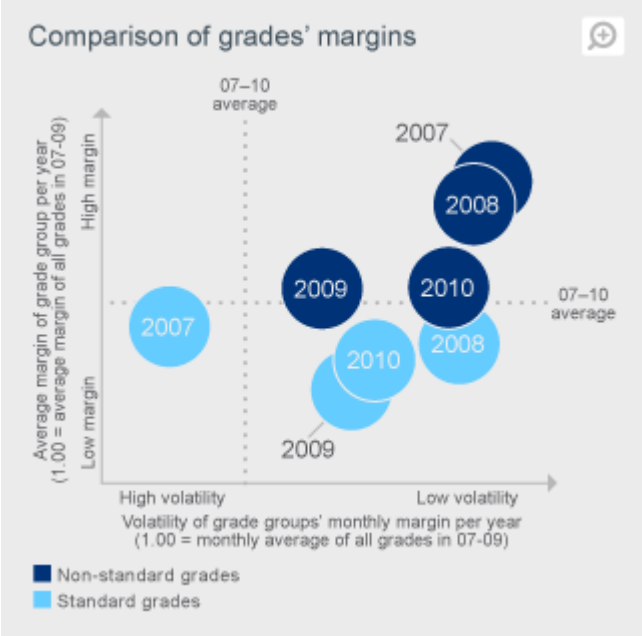
To support Outokumpu's aim of increasing the share of special grades and products produced, the Group completed two investment projects in 2010 and announced a significant new investment in production capability. At the New Castle facility in the US, an investment of EUR 45 million to increase the plant's capacity in quarto plate by some 20 000 tons to 70 000 tons was completed. At Sheffield in the UK, the investment of some EUR 10 million resulted in a new stainless steel bar and rebar facility coming on stream. At Degerfors in Sweden, Outokumpu is investing EUR 104 million in increasing the Group's capabilities and production capacity in stainless steel quarto plate, with annual production capacity being raised by 30% to 150 000 tonnes.

Outokumpu also opened a new service centre in Kunshan in China in 2010, an investment totalling EUR 20 million. The aims of this investment are to seize opportunities in the world's fastest-growing market for stainless steel, to expand the Group's operations outside Europe, and to serve end-user and project customers with value-added special products. The new service centre has an annual capacity of some 30 000 tonnes of stainless steel and employs approximately 50 people.

In June, Outokumpu decided to restart the project to double the Group's ferrochrome production capacity in Finland. The original investment was decided in June 2008 but was put on hold in December 2008 because of the financial crisis and uncertain market conditions. Completion of this investment will double annual ferrochrome production capacity at Tornio to 530 000 tonnes, enabling Outokumpu to cover its internal needs and to supply global markets with some 200 000 tonnes of ferrochrome on an annual basis. On completion, this EUR 440 million investment will result in an additional 120 permanent jobs at the Group's Kemi Mine and the ferrochrome facility in Tornio. Additional ferrochrome production capacity is expected to be operational during the first half of 2013, and capacity will be ramped-up in 2015. With the ferrochrome prices and exchange rates prevailing at the time the investment was announced, the expansion is expected to yield additional annual operating profits totalling some EUR 150 million at full capacity.

When the additional ferrochrome production capacity is operational, electricity consumption at Outokumpu's Tornio Works will increase to a level of some 3.3 TWh on an annual basis. To secure a supply of reliable, at-cost and low-emissions electricity, Outokumpu has taken a significant stake in the Fennovoima nuclear power initiative. In July 2010, Finland's parliament voted to approve decisions-in-principle for the building of two new nuclear power plants in Finland, a positive decision for Fennovoima. The new nuclear facility is expected to be operational in 2020, and the Group will then be able to obtain approximately one third of the company's current electrical power requirements at the cost of production.

In December 2010, the investment in a new annealing and pickling line at Avesta in Sweden was cancelled. The original decision on this investment was made in September 2007 and a decision to postpone it was made in December 2008. A related write-down of EUR 17 million was recorded in Outokumpu's Q4/2010 result.



Excellence Programmes

Launched in 2005 and originally comprising Production Excellence and Commercial Excellence, Outokumpu's Operational Excellence programmes were expanded to include Supply Chain Excellence in 2007. While the targeted benefits were achieved in 2008, as anticipated, low stainless steel delivery volumes and raw material prices played a significant role in the targeted benefits for 2009 and 2010 not being reached. The targets set by this programme were an improvement of EUR 80 million in the Group's performance in 2008, an improvement of EUR 200 million in 2009 and an improvement of EUR 300 million in 2010 (all compared to 2005). In 2010, compared to 2005, the Operational Excellence programmes delivered benefits totalling some EUR 172 million (2006: EUR 25 million, 2007: EUR 45 million, 2008: EUR 86 million, 2009: EUR 149 million).

More efficient utilisation of raw materials, additional capacity in production bottlenecks, improved pricing discipline, the release of working capital through shorter payment terms, profitable growth in sales to key customers and savings in procurement costs are just some examples of the profitability improvements achieved through the Outokumpu Operational Excellence programmes. The major foundations for Operational Excellence have been established with the ongoing development work focusing on leveraging the benefits of sharing best practices and fostering a culture of continuous improvement in daily work contributing to safety, customer service and cost efficiency. In the future, benefits derived from the Operational Excellence programmes will be tracked using key performance indicators, with the aim of maintaining and increasing their current level wherever possible.

Market review

Stainless steel markets began to recover in the beginning of 2010, with distributor customers in particular restocking in the wake of increasing metal prices. Compared to the fourth quarter of 2009, apparent consumption of flat products increased by 13% in Europe and by 7% globally in the first quarter of the year. Demand continued at a healthy level as the second quarter began, but negative economic data started to have an adverse effect on market activity in May. Demand for stainless steel weakened as the nickel price started to decline. Compared to the first quarter of 2010, apparent consumption of stainless steel flat products in the second quarter was almost unchanged in Europe and 10% higher globally. In the third quarter, global demand for stainless steel softened and apparent consumption went down by 13% compared to the second quarter. In Europe, demand was down by 20% in the third quarter because of the normal seasonal factors, with the main causes of reduced market activity being the impact of the declining nickel price on overall demand and the European holiday season. In the fourth quarter of 2010, global demand for stainless steel remained lacklustre with destocking visible in all the major stainless steel consuming regions as a result of the decline in metal prices as the end of the year approached. Apparent consumption was almost unchanged on a global basis, but in Europe up by 4% compared to the third quarter.

Read more about the stainless steel market in 2010.

The average German base price for 2 mm 304 cold rolled sheet in 2010 was 1 252 EUR/tonne, 8% higher than it was in 2009. According to CRU, the average base price declined somewhat from the fourth quarter of 2009 and was 1 235 EUR/tonne in the first quarter. The recovery in base prices which began towards the end of the first quarter resulted in an increase to 1 317 EUR/tonne in the second quarter before prices fell back to 1 245 EUR/tonne in the third quarter. During the third quarter, the price difference between Europe and Asia widened and there was a clear increase in volumes imported into Europe, especially from Asian producers. One result of this was additional pricing pressure towards the end of the year, and the base price in the fourth quarter fell to 1 213 EUR/tonne. The transaction price for stainless steel averaged 2 780 EUR/tonne in 2010, 37% higher than it was in 2009, mostly because of higher nickel prices in 2010. Increased competition resulted in prices for special grades and project-related products coming under pressure during the year. Outokumpu's average base prices in 2010 were somewhat lower than the CRU reference base price for German 2 mm 304 cold rolled sheet.

The nickel price increased from a level of 18 000 USD/tonne at the beginning of 2010 to some 26 000 USD/t in April before falling back to roughly 19 000 USD/tonne in the summer. From July onwards, the nickel price mostly exhibited an increasing trend and finished the year at a level of some 25 000 USD/tonne. The ferrochrome contract price increased from 1.01 USD/lb in the first quarter to 1.36 USD/lb in the second quarter, but fell back slightly to 1.30 USD/lb for the remainder of the year. The price of molybdenum – used to make stainless steel acid resistant – moved in the 15–18 USD/lb range throughout the year and was relatively stable. As with nickel, the highest price for molybdenum – close to 18 USD/lb – was recorded in April.

Disappointing result in recovering market conditions

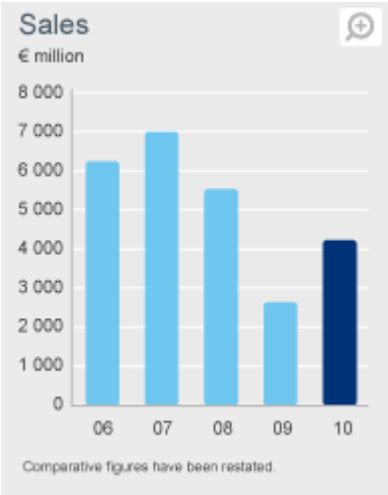
Higher delivery volumes and transaction prices for stainless steel in 2010 resulted in Group sales for the year increasing to EUR 4 229 million (2009: EUR 2 641 million). Stainless steel deliveries totalled 1 315 000 tonnes, a clear increase over the previous year (2009: 1 030 000 tonnes).

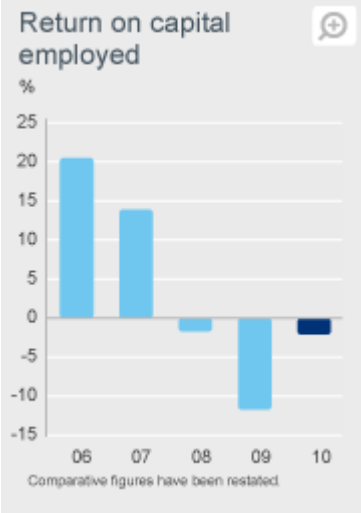
The operating profit in 2010 totalled EUR -83 million (2009: EUR -441 million). Net non-recurring costs of some EUR 17 million are included in the 2010 operating loss (a write-down in connection with the decision not to restart postponed investments at Avesta in Sweden, including a new annealing and pickling line). In 2009, the operating loss included net non-recurring costs of EUR 20 million (EUR 15 million writedowns resulting from the decision not to proceed with the melt shop investment at Avesta in Sweden and EUR 5 million of restructuring provisions). Raw material-related inventory gains in the 2010 operating result totalled EUR 26 million (2009: EUR -78 million). The underlying operational result for 2010 was EUR -91 million (2009: EUR -343 million). The main reasons for the improved operating result were significantly higher delivery volumes and increased base prices. Higher delivery volumes and increased contract prices

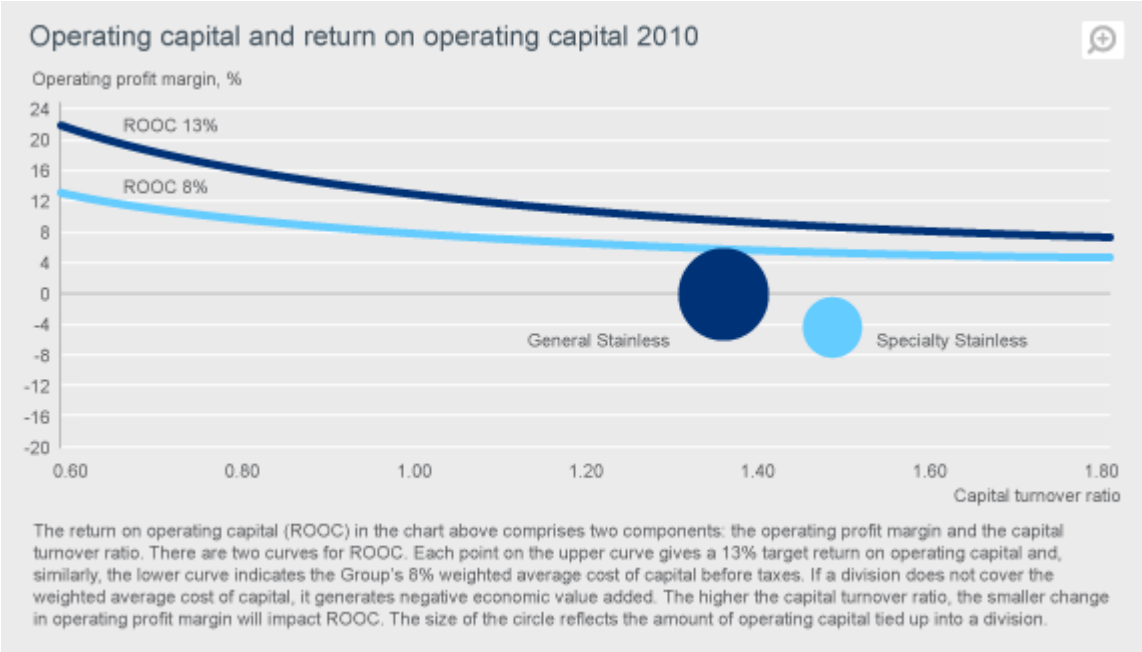
also resulted in a substantial improvement in performance by Outokumpu's own ferrochrome operations in 2010. In 2009, Outokumpu's ferrochrome operations were adversely affected by the temporary closure of the Group's Kemi Mine and ferrochrome production facilities between April and October.

On the cost side, increased financial benefits from optimised raw material use and higher metal prices were achieved in 2010. In 2009, fixed cost savings totalling EUR 185 million were achieved compared to 2008, half of which were sustainable. Underlying levels of fixed cost increased in 2010 by roughly the aforementioned sensitivity on unsustainable savings. The stronger Swedish krona in 2010 resulted in some additional pressure on fixed costs in Outokumpu's Swedish operations.

Net financial income and expenses in 2010 totalled EUR -50 million (2009: EUR -25 million). Net financial expenses in 2010 include a EUR 9 million positive contribution from the sale of Outokumpu's remaining stake in Okmetic Oyj, a company manufacturing silicon wafers (2009: no non-recurring items). Net interest expenses increased to EUR 38 million (2009: EUR 22 million) due to higher debt level. Profit before taxes was EUR -143 million (2009: EUR -479 million). Net profit in 2010 was EUR -124 million (2009: EUR -336 million). Earnings per share were EUR -0.68 (2009: EUR -1.86), and the return on capital employed in 2010 was -2.1% (2009: -11.7%).







Balance sheet and financing

Outokumpu's -2.1% return on capital employed in 2010 was a long way from the Group's target of 13.0%. Gearing at the end of the year was 77.3%, higher than the maximum target level of 75%. Net cash generated from operating activities in 2010 totalled EUR -497 million (2009: EUR 201 million). This figure includes a EUR 476 million negative contribution from the increase in working capital that resulted mainly from expanded inventory volumes, higher raw material prices and an increase in account receivables. Capital expenditure in 2010 totalled EUR 161 million. Major investments in 2010 were the finalisation of a project to increase quarto plate production capacity at New Castle in the US, completion of a new stainless steel bar and rebar facility at Sheffield in the UK, a new acid regeneration plant at the Avesta Works in Sweden and the establishment of a service centre in Kunshan in China. Outokumpu also restarted the project to double the Group's ferrochrome production capacity in Finland and a project to increase capabilities and production capacity in stainless steel quarto plate production at Degerfors in Sweden.

At the end of 2010, the Group's equity-to-assets ratio was 42.2%. Net interest-bearing debt at the end of 2010 totalled EUR 1 837 million (end of 2009: EUR 1 191 million) with most of the Group's debt maturities extending to the 2011–2014 period. Group cash and cash equivalents were EUR 150 million at the end of the year (2009: EUR 112 million), and committed undrawn credit facilities totalled some EUR 1 billion. All in all, Outokumpu's liquidity position remained good throughout 2010. The committed credit facilities include a three-year EUR 900 million revolving credit signed in June 2009. Intended for general corporate purposes, this committed credit facility replaced the comparable five-year EUR 1 billion facility signed in June 2005. The loan agreement includes a financial covenant based on gearing. At the end of 2010, the facility was fully undrawn. To improve the structure of the Group's debt portfolio, Outokumpu issued a EUR 250 million five-year domestic bond with an annual coupon of 5.125%. These funds will be used for general corporate purposes.

Dividend

Group earnings per share totalled EUR -0.68 in 2010 (2009: EUR -1.86). Total shareholder return (TSR) was 6.6% (2009: 64.4%). TSR is calculated as the annual change in the Outokumpu share price plus the dividend, divided by the starting share price for the year concerned. Outokumpu's share price was EUR 13.26 at the beginning of the year and increased to EUR 17.88 on 6 April 2010 before falling back to EUR 13.88 at the end of the year (respective market capitalisation of EUR 2 525 million). Dividends for 2009 totalling EUR 64 million (EUR 0.35 per share) were paid in 2010.

In accordance with the Board of Directors' established dividend policy, the payout ratio over a business cycle should be at least one-third of the Group's profit for the period with the aim of making stable annual payments to shareholders. In its annual dividend proposal, the Board of Directors, in addition to financial results, takes into consideration Outokumpu's investment and development needs. The Board of Directors is proposing to the Annual General Meeting to be held on 24 March 2011 that a dividend of EUR 0.25 per share be paid for 2010. The corresponding dividend yield is 1.8%. Outokumpu's average dividend payout ratio over the past five years has been approximately 65%.

Share-related key figures

€	**2010**	2009
Earnings per share	**-0.68**	-1.86
Equity per share	**13.05**	13.54
Dividend per share	**0.25** [1)]	0.35
Share price on 31 Dec	**13.88**	13.26
Market capitalisation on 31 Dec, € million	**2 525**	2 400

[1)] The Board of Directors' proposal to the Annual General Meeting.

Economic value added

Outokumpu's overall financial objective is to generate the maximum sustainable economic value added (EVA) on capital invested by the company's shareholders. Outokumpu uses the weighted average cost of capital (WACC) in defining the capital charge for economic value added, and applies this when assessing the profitability of investment projects and defining the economic and commercial value of the Group's business operations. In 2010, Outokumpu's WACC after taxes was approximately 6%. This figure was obtained using a target capital structure in which the weight given to equity is 60% and the weight given to debt is 40%. The cost of equity was 8.4% and the after-tax cost of debt was 3.3%. In 2010, economic value added by Outokumpu totalled EUR -284 million (2009: EUR -551 million).

Factors affecting Outokumpu's profitability

The stainless steel business is cyclical. In addition to the company's own actions, Group profitability depends on the current stage in the global economic cycle and particularly on levels of industrial investment activity. Historical long-term demand for stainless steel has been growing at an annual rate of 5–6%. Changes in regional or global production capacity can sometimes have an adverse effect on stainless markets, resulting in temporary imbalances between supply and demand. Increasing stainless steel production capacity in China will continue to have an effect on the global supply situation in future years.

A key factor that directly affects Outokumpu's profitability is developments in stainless steel base prices. Price levels are linked to the economic cycle, and also to levels of industrial investment in the Group's main customer segments. Changes in base prices are also attributable to strong fluctuations in demand from distributors engaged in either de-stocking or re-stocking. Outokumpu's current dependence on traditional nickel-containing standard austenitic grades exposes the Group to demand volatility caused by fluctuations in the nickel price. The distributor sector in particular postpones placing orders for stainless steel when nickel – and thus stainless steel transaction prices – are expected to fall, resulting in unnecessary volatility without any changes in underlying demand.

Transaction prices for stainless steel comprise the base price plus an alloy surcharge. The alloy surcharge applied in Europe and North America includes the cost of alloying materials when the prices of these exceed predefined trigger-price levels. The cost of alloying materials for stainless steel – nickel, chrome, molybdenum, iron and titanium – is invoiced by stainless steel producers to customers through the alloy surcharge mechanism, thus reducing producers' price risks associated with these alloying materials. Even so, the price paid for alloying materials feeds through into the amounts of capital tied up as working capital. As Outokumpu's throughput time is longer than the time period applied in the alloy surcharge mechanism, changes in the price of alloying materials may lead to timing differences that impact profitability. The alloy surcharge is based on a 30-day average of raw material prices calculated backwards from the 20th day of the preceding month.

Outokumpu's operating profits are affected not only by changes in base prices but also by delivery volumes, unit costs and the product mix. In the manufacture of stainless steel, capacity utilisation rates also have a major impact on operating profit. Production volumes depend on levels of demand for stainless steel, with products mostly being produced to meet orders received. The product mix also has an impact on profitability, with higher value-added products being more profitable.

The Group's chromium mine in Finland near Tornio and the ferrochrome production in Tornio, supply Outokumpu with the majority of its needs for ferrochrome at the cost of production. This has a direct positive impact on Group profitability.

Read more about Outokumpu's ferrochrome operations.

Stainless steel is fully recyclable. Alloying materials can usually be bought at a discount when sourced as recycled stainless steel and Outokumpu is therefore constantly maximising its usage of recycled steel in the Group's manufacturing process. The size of this discount varies in accordance with market conditions. When prices for alloying materials are high, financial benefits from using recycled material can be significant. Some 60% of the raw materials used by Outokumpu are sourced in the form of recycled stainless steel.

As a general rule, currencies in which stainless steel products are priced are determined by market area: euros in Europe and US dollars in the United States and Asia. Price levels in Europe, the United States and Asia can differ. Outokumpu is exposed to fluctuations in currency exchange rates primarily because of sales to Asian and US markets and the Group's own production of ferrochrome, which is priced in US dollars. Exchange rates may also have an impact on the relative competitiveness of stainless steel producers located on different continents. For the most part, Outokumpu's production costs are incurred in euros, Swedish kronas and pounds sterling. Prices for raw materials are determined primarily in US dollars, and the alloy surcharge mechanism transfers changes in exchange rates to euro prices in Europe.

Effect of sustained change on annual operating profit

€ million	
Stainless steel base price, +100 EUR/t	180
Ferrochrome price, +5 USD/lb	10
USD/EUR, +10%	43
SEK/EUR, +10%	-51
GBP/EUR, +10%	-7

The table shows the approximate sensitivity of Outokumpu's 2011 operating profit to changes in stainless steel base prices, increases or decreases in ferrochrome prices and movements in exchange rates between the main currencies and the euro. These sensitivities have been calculated on the basis of the average exchange rates experienced in 2010 and the Group's highest achieved delivery volumes.

Outokumpu and stainless steel markets going forward

After an extremely difficult 2009, conditions in the stainless steel industry stabilised in 2010 and the market set off along a path of gradual recovery. On the other hand, demand for stainless steel is still well below pre-crisis levels, especially in the area of investment-driven applications. Currently, the short-term market outlook is clearly better than it was at the beginning of 2010, but capacity utilisation rates, especially in Outokumpu's home market in Europe, are still rather low. The consequent pressure to achieve cost-efficiency therefore continues. In spite of this, long-term prospects for stainless steel remain robust, and SMR (Stainless Market Research) is forecasting that global consumption will grow at an average annual rate of 5.4% in the 2009–2020 period (CAGR). Growth is expected to remain strong in Asian markets, where capacity has also been increasing rapidly. This new capacity could cause periods of imbalance when supply exceeds demand, with particular impacts on the global market situation in standard grades.

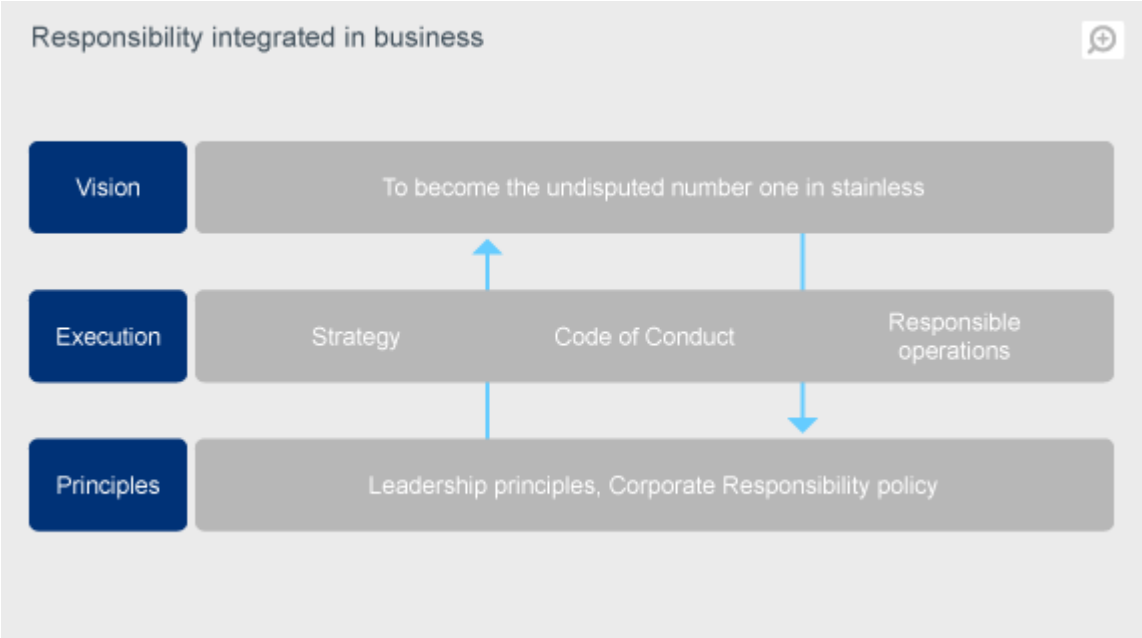
Moving further into 2011, Outokumpu's focus is on improving profitability, strengthening the Group's balance sheet and implementation of strategy. Good progress was made in a number of key operational areas in 2010: including improvements in safety, reductions in inventory levels and improved delivery performance. Positive developments of this type allow confidence in Outokumpu's expectation that significant progress in profitability will be achieved during 2011. The major investments announced in 2010 which support efforts to develop sources of future growth and a rapid transformation to special grades and products also support Outokumpu in its drive to build a more stable and profitable business model. As one of the world's six largest producers of stainless steel, widely recognised as a world leader in technical support, research and development, Outokumpu is favourably positioned to take advantage of the company's premier position in the world's fastest-growing metal market.

Reporting on corporate responsibility

Responsibility to people and to the environment has always been important in Outokumpu. Stated in simple terms, our aim is to make sustainable and responsible business practices a central element of all Group operations and strategy. Considering this issue further, it seemed that the trend in corporate responsibility reporting – producing a corporate responsibility report separated from the company's annual and financial report – can create a somewhat misleading concept: that corporate responsibility goals are somehow divorced from our 'core' business. This is not the Outokumpu view. We want to go one step further. To ensure success in the long run, all our operations and contacts with stakeholders must be based on ethical and sustainable business practices.

For this reason, we have once again developed our reporting by completely merging our annual and corporate responsibility reports. No separate section titled 'Corporate responsibility' exists in our 2010 report. Instead, all the information that relates to our responsibility as we conduct our business can be found in sections describing Outokumpu as a company, our business operations and their impact on the environment, our corporate governance, our employees and our impact on society. As we continue to follow the Global Reporting Initiative (GRI) guidelines in our reporting, and the UN Global Compact principles, information on same issues as in previous years has been supplied, but we do not employ the GRI tripartite division into economic, social and environmental responsibility. Our corporate responsibility reporting has once again been assured by an external assurance provider.

Internationally, the concept and practical results of this kind of integrated reporting is very much a work-in-progress. Being a pioneer involves the making of difficult choices about how to communicate issues in new ways – ways for which generally-recognised guidelines do not yet exist. The new format may leave some readers feeling that specific information on corporate responsibility is now more difficult to find than it used to be. If you are interested in specific issues relating to corporate responsibility, we recommend that you check the GRI and UN Global Compact reporting index, where all the indicators regarding responsibility practices are listed together with links to the pages on which they are addressed.

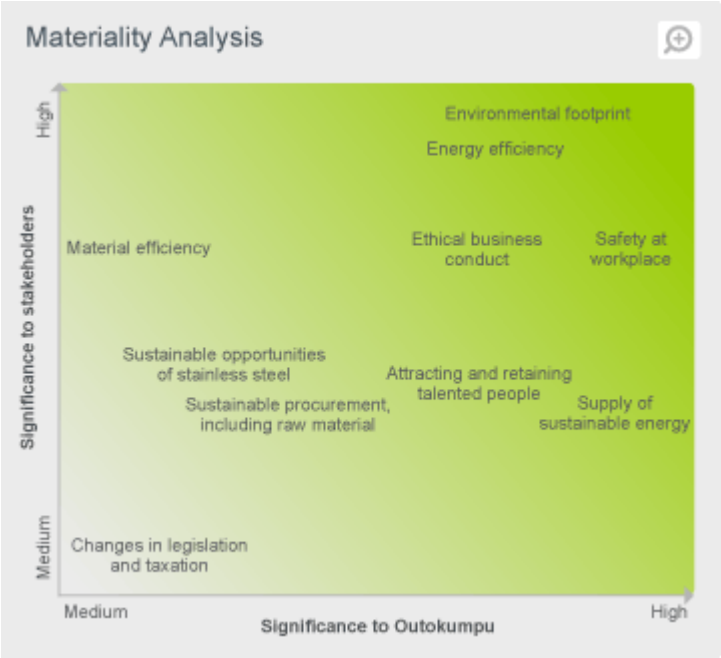


Developing Outokumpu's corporate responsibility strategy with materiality analysis

During the autumn of 2010, a materiality analysis was carried out within Outokumpu to ensure that the Group focuses its corporate responsibility efforts on the right issues. Analysing materiality in corporate responsibility is a process which involves determining the relative significance of different issues, which can make a major difference to an organisation's performance. Materiality analyses help to identify, prioritise and address risks, and also in the identification and exploitation of opportunities. The materiality analysis process in Outokumpu was supported by KPMG.

A list of some 150 issues was compiled based on internal interviews with experts and extensive material gathered from stakeholder dialogues, panels, international stainless steel benchmarking results (ISSF), media searches, the 2009 Outokumpu Annual Report and surveys of Group personnel. Members of the Outokumpu Corporate Responsibility network, an external network for stakeholders, were encouraged to comment and assign priorities to the listed issues.

The results of the materiality analysis revealed no surprises. Issues of high significance to both Outokumpu and our stakeholders are ones that have been on the Group's agenda earlier: energy and materials efficiency, our environmental footprint, ethical business conduct, safety, renewable energy sources, attracting and retaining talented individuals, sustainable applications and opportunities for stainless steel and sustainable procurement (including the raw materials we use). One new issue which was assigned medium significance by both Outokumpu and our stakeholders did emerge, this was 'Changes in legislation and taxation'.

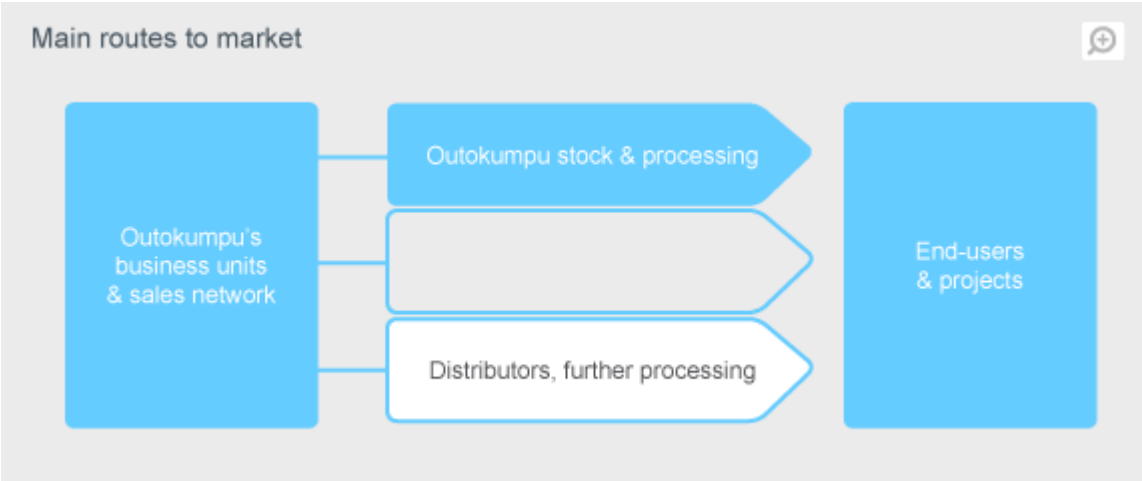


Outokumpu's business and business units

Outokumpu's product range includes standard and special grades of stainless steel and stainless steel products. The Group's main production facilities are efficient integrated mills located in Tornio, Finland and Avesta, Sweden. There is also a production route from the Sheffield melt shop in the UK to several long-product and plate-production units in Sweden, the UK and the US.

Outokumpu's organisation serves customers in an optimal manner. Group Sales and Marketing, a cross-organisational function, consists of customer industry-based groups and its responsibilities include the Group's commercial targets. Outokumpu's production operations are organised into two profit-responsible divisions based on product type: General Stainless and Specialty Stainless. The Group-wide Supply Chain Management function is responsible for end-to-end delivery performance.

Outokumpu also has a comprehensive network of sales companies, service centres and sales agents in some 70 countries. Group strategy is aimed at achieving higher levels of customer satisfaction and a more stable and profitable business model.



A significant proportion of Outokumpu's sales are made to distributors, re-rollers and tubemakers. While these segments continue to be an essential part of the Group's total business, Outokumpu is looking for growth in value-adding end-user segments such as a range of industrial uses, construction, and catering and appliances. As a supplier for project applications, market segments such as the pulp and paper industry, desalination, and oil and gas exploration and production are central to the Group's development.

Stainless steel deliveries

1 000 tonnes	**2010**	2009	2008
Cold rolled	**698**	545	739
White hot strip	**312**	263	330
Quarto plate	**83**	67	120
Tubular products	**51**	53	70
Long products	**58**	40	55
Semi-finished products	**114**	63	109
Total deliveries	**1 315**	1 030	1 423

Three main types of stainless steel

Stainless steel is made by adding chromium and other metals to iron. All grades of stainless steel contain a minimum of 10.5% chromium, which gives the material its corrosion resistance.

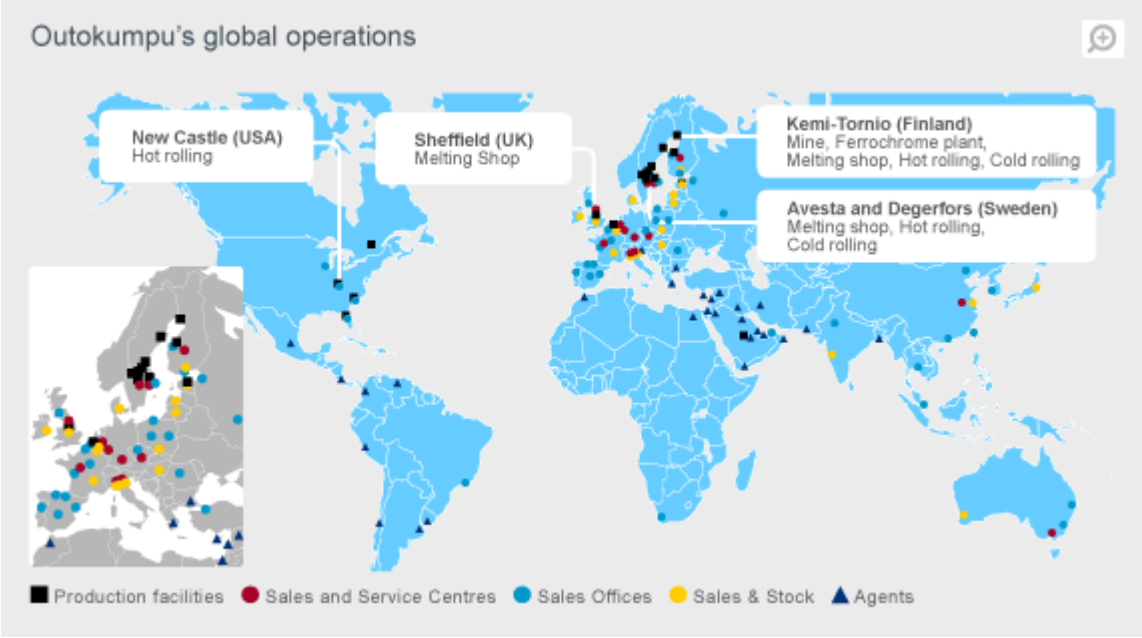
The main grades of stainless steel are:

Austenitic (typically 18% chromium and 8% nickel)
Ferritic (chromium up to 24%, no nickel)
Ferritic-austenitic (chromium content >20%, 1.5–5% nickel)
Duplex steel grades are ferritic-austenitic, contain only small amounts of nickel, and are very strong and corrosion resistant.

International presence

Outokumpu's main production facilities are located in Finland, Sweden, the UK, the US and The Netherlands. Outokumpu's annual melting capacity totals 2.55 million tonnes and the Group has annual finished products capacity of 1.6 million tonnes for cold-rolled material and white-hot strip. Outokumpu also has annual production capacity totalling 0.3 million tonnes for long products and plate.

The Tornio Works in Finland (Outokumpu's largest site) is one of the world's most cost-efficient and highly-integrated single-site stainless steel production facilities. Production at Tornio consists in the main of high-volume standard grades of stainless steel. At the Group's integrated site at Avesta in Sweden, the focus is on special grades and products tailored to customers' specific requirements.



Market position

In recent decades, consumption of stainless steel has been growing more rapidly than that of any other metal. Outokumpu, one of the world's largest producers of stainless steel, is widely recognised as a global leader in both research and development and technical support.

Outokumpu's current strategy includes an increase in the proportion of special grades and special products in the Group's product mix.

The global stainless steel market totals approximately 30 million tonnes and has a value of approximately EUR 80 billion. During the last twenty years, consumption has grown at an annual rate of 4–5%. In western Europe, the Group's main market area, sales in 2010 totalled 3.4 million tonnes. In historical terms, consumption in Europe has grown at an annual rate of some 2%, but declined sharply in 2009 before increasing by 20% in 2010. In recent years, the largest growth in global terms has been taking place in China, where average annual growth rates have exceeded 10%.

Outokumpu had a 18% share of the stainless steel coil market in Europe and a 5% share of the global market for this product in 2010. The main markets for Outokumpu products are Europe (75% of sales in 2010), Asia (11%) and North and South America (11%).

Major stainless steel producers

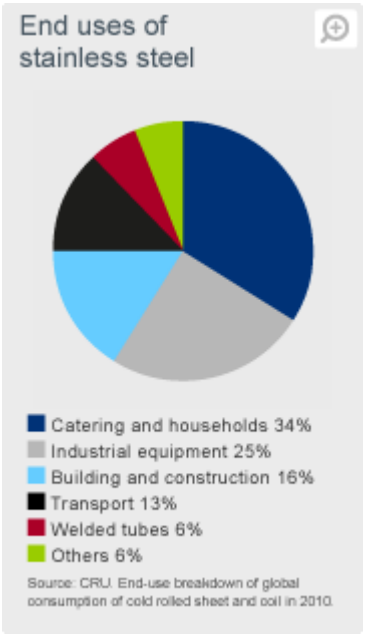
Estimated slab capacity

million tonnes	**2010**	2013
Acerinox, Spain	**3.28**	3.28
Aperam, Luxembourg	**3.00**	3.00
ThyssenKrupp, Germany	**2.90**	3.90
Posco, South Korea	**2.80**	2.80
Tisco, China	**2.60**	2.60
Outokumpu, Finland	**2.55**	2.55
Yusco, Taiwan	**1.98**	1.98

Market review

Global demand for stainless steel increased significantly in 2010 as the world embarked on a recovery from the financial crisis. The recovery was particularly strong during the first half of the year, creating good demand and leading to a 44% increase in stainless steel production compared to the first half of 2009. While the recovery continued in the second half of the year, levels of growth were more moderate. Overall, stainless steel production increased by 25% in 2010, following a decline of 5% in 2009 (ISSF).

Global end-use consumption of stainless steel increased by 13% in 2010 following a 3% decline in 2009. Growth in end-use consumption was positive in all regions and highest in China, where end-use consumption grew by 16% in 2010, up from 15% in 2009. Elsewhere in Asia, consumption grew by 15% after declining 6% in 2009. In the Americas, consumption increased by 9% following the 24% decline in 2009. In Europe, end-use consumption grew at the rate of 7%, after a 16% decline in 2009.



Demand in consumer-led industries in 2010 was higher than in more industry-focused stainless steel consuming segments which continued to be impacted by restrictions on the availability of finance for investment projects. In 2010, consumption in all end-use clusters was higher than in 2009, with the largest growth occurring in the transportation, process & resources and catering & appliances clusters. The lowest growth figure was recorded in the architecture, building & construction cluster.

In the transportation cluster, end-use consumption of stainless steel grew by 19% in 2010, following a decline of 10% in 2009. Automotive companies sought to rebuild inventories of parts and work in progress after the severe reductions in stock levels that took place in 2009. Sales of finished automotive vehicles were also good, particularly in emerging economies.

Global stainless steel consumption in the architecture, building & construction cluster increased by 7%, following a 3% decline in 2009. Although activity in this cluster in developed economies remained modest, demand was strong in developing economies, particularly China and India where the urbanisation process continues.

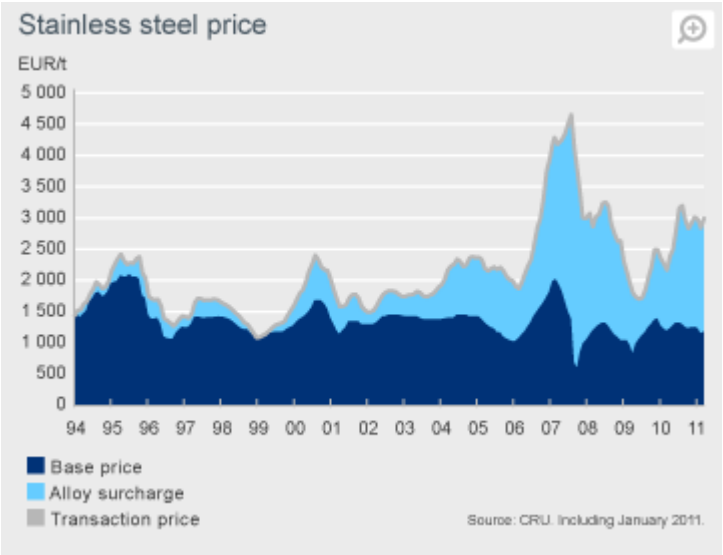
Catering & appliances was the only end-use cluster in which stainless steel consumption increased in 2009 and consumption in this cluster grew by a further 14% in global terms in 2010. Growth was strongest in emerging markets, for example the quantity of stainless steel consumed in producing white goods rose by more than 30% in China. In India, the

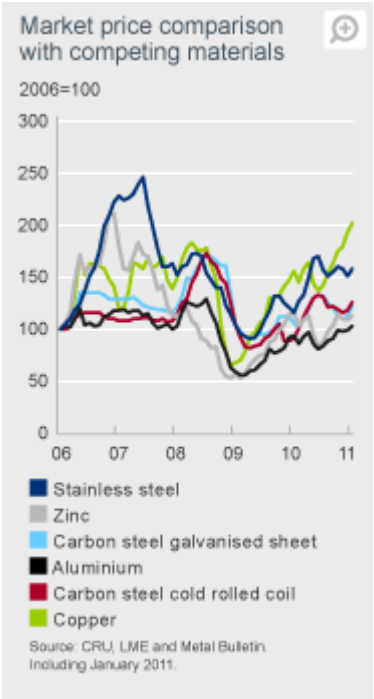
amount of stainless steel consumed in the catering & appliances cluster grew by more than 15%. Consumers in developed markets also felt positive enough to continue purchasing consumer goods.

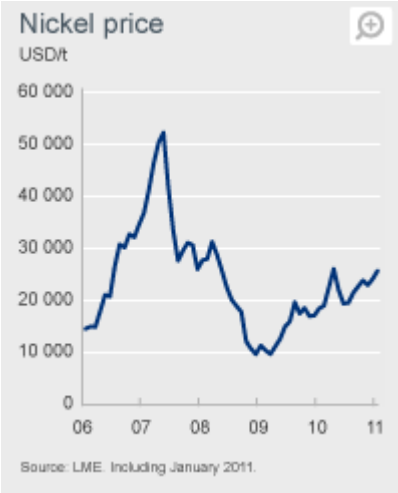
After declining by 6% in 2009, stainless steel consumption within the process & resources cluster increased by 16% in 2010. Growth in stainless steel consumption in the chemical, petrochemical and energy cluster increased by 12% in 2010 following the 11% decline in 2009. Consumption in these two clusters was adversely affected by the continuing tight conditions in financial markets which hampered approvals for project investments.

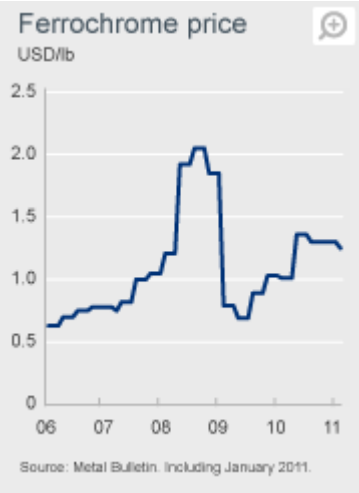
Long-term prospects for stainless steel demand remain robust. Key global megatrends in urbanisation, modernisation and increased mobility, combined with growing global demand for energy, food and water will ensure the continuing growth of stainless steel consumption in the future. SMR estimates indicate that the average annual growth in world-wide stainless steel consumption over the 2009–2020 period will be 5.8% (CAGR). As a leading producer of stainless steel, Outokumpu is well positioned to capitalise on the world's growing need for this material.

Sources: ISSF, SMR and Outokumpu






Nickel price
USD/t
60 000
50 000
40 000
30 000
20 000
10 000
0
06
07
08
09
10
11
Source: LME. Including January 2011.


Ferrochrome price
USD/lb
2.5
2.0
1.5
1.0
0.5
0
06
07
08
09
10
11
Source: Metal Bulletin. Including January 2011.


Molybdenum price
USD/lb
35
30
25
20
15
10
5
0
06
07
08
09
10
11
Source: Metal Bulletin. Including January 2011.

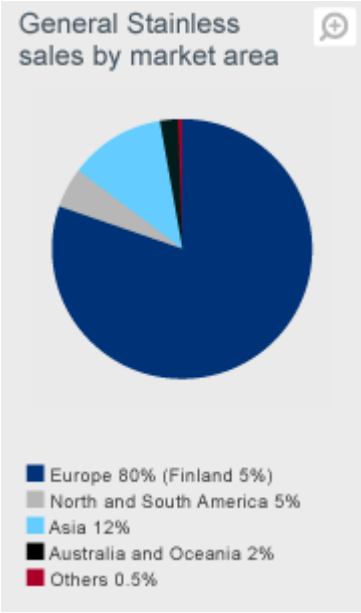
General Stainless – high-quality standard stainless steel

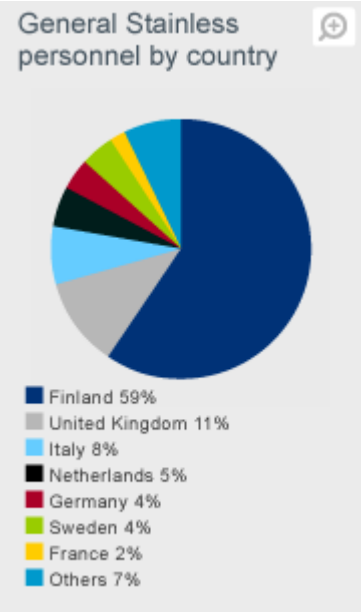
Outokumpu's General Stainless division produces high-quality standard stainless steel in the form of coil, sheet and long products. Europe is the main market for these products. In this standard high-volume market segment, cost efficiency, high quality and delivery reliability are key competitive advantages.

Outokumpu aims to maintain its cost leadership in standard stainless steel grades by exploiting the advantages offered by the Group's integrated stainless steel facility in Tornio, Finland.

The main applications for General Stainless products are in industrial segments such as chemicals and petrochemicals, construction and energy-related industries, pulp and paper, catering and households.

Customers are primarily distributors and processors who stock and process stainless steel to serve end-customers. General Stainless consists of the Tornio Works, the Sheffield Melt Shop and Long Products. The majority of the Group's stock and processing units and its sales companies are also reported under General Stainless. As of 1 March 2011, the Kloster plant in Sweden, previously part of Thin Strip/Specialty Stainless is also reported under General Stainless.





General Stainless key figures

€ million	**2010**	2009	2008
Sales	**3 503**	2 065	4 147
of which Tornio Works	**2 334**	1 292	2 701
Operating profit	**14**	-259	-6

of which Tornio Works	**29**	-183	66
Non-recurring items in operating profit	-	-	-
Operating capital on 31 Dec	**2 763**	2 421	2 663
Return on operating capital, %	**0.6**	-10.2	-0.2
Capital expenditure	**73**	129	332
Depreciation	**148**	141	135
Personnel on 31 Dec	**4 029**	3 753	3 938
1 000 tonnes			
Deliveries of main products			
Cold rolled	**615**	486	628
White hot strip	**299**	248	297
Semi-finished products	**268**	196	340
Total deliveries of the division	**1 181**	929	1 265

An efficient, integrated single-site operation

Located in northern Finland, Tornio Works is one of the largest stainless steel mills in the world and also the world's most integrated single-site operation. It is the only stainless steel production facility in the world that is fully backwards-integrated into the essential raw material, chrome, giving stainless its corrosion resistance. Tornio Works' main products are cold rolled and hot rolled 300-series austenitic stainless steel coils and sheets; ferritic grades are also part of the product portfolio.

The integrated production process begins at the nearby Kemi chromite mine, continues in the Tornio ferrochrome smelter and proceeds through two stainless-steel melt shops, a hot-rolling mill and cold-rolling mills. The majority of finishing operations, like slitting and cut-to-length, are carried out both directly at the cold rolling mill in Tornio or in Terneuzen in The Netherlands.

Annual production capacities at Tornio Works are:

- 1.65 million tonnes of melted products
- 1.60 million tonnes of hot rolled products
- 1.20 million tonnes of finished products from the cold rolling mills

The majority of the stainless steel produced at Tornio is standard austenitic stainless containing nickel in addition to chrome and iron (300-series). Another important 300-series grade produced is the acid resistant austenitic stainless steel containing molybdenum. Outokumpu also produces 400-series ferritic stainless steel in Tornio. As ferritic grades do not contain nickel, prices for these products have traditionally been less volatile than those of the Group's main product, 300-series austenitic stainless steel. Outokumpu's production capacity in ferritic grades totals approximately 140 000 tonnes with current product portfolio. In 2010, Outokumpu introduced a new surface finish for a ferritic grade – 2BB. Some white-hot strip (annealed and pickled but not cold rolled) and black-hot band (hot rolled) material from Tornio is also delivered to both internal and external customers.

Read more about new products introduced to the market.

Research and development activities carried out at the Tornio Research Centre focus on process, product and application development.

Read more about R&D.

Tornio Works' competitive edge

Tornio Works is Outokumpu's largest production unit and one of the world's most cost-efficient stainless steel operations. Production at Tornio Works accounts for approximately two thirds of the Group's total stainless steel production.

Integration with ferrochrome production

Chromium is an essential component in the production of stainless steel, as it gives the steel its corrosion resistance. It reacts with oxygen in the air to form a passive film of chromium oxide, preventing surface corrosion and blocking the spread of corrosion into the metal's internal structure.

Outokumpu's unique reverse integration into ferrochrome production offers the Group significant competitive advantages. Having an in-house chromium supply offers significant cost advantages and is also a way of mitigating risk. Chromite ore is mined at the underground mine in Kemi and then converted into ferrochrome in the Tornio Works ferrochrome smelters.

For Outokumpu, the primary benefit is the ability to source chromium at cost while selling it at prevailing market prices in the stainless steel products. As the Group's ferrochrome smelter is located on the same site as its integrated stainless steel mill, ferrochrome can be transferred to the stainless steel melt shop in liquid form, an exceptional advantage in terms of both energy usage and logistics costs.

RAP line

Tornio Works' integrated rolling, annealing and pickling (RAP) using the most modern and unique technology has a total steel strip length up to four kilometres. This provides additional production flexibility as production quantities can be shifted between semi-cold rolled and cold rolled products in accordance with market demand. As well as yielding a clear cost advantage, the Tornio Works RAP line requires less working capital than traditional cold rolling processes in which annealing and pickling operations are carried out on separate lines.

Efficient logistics

Tornio Works is located on the coast and has its own harbour. Transportation of finished products to Europe for further distribution and the shipping of raw materials to Tornio are therefore carried out in a highly efficient manner.

Ferrochrome

The chromium that provides stainless steel with its corrosion resistance is obtained from ferrochrome. Approximately 90% of the chromite ore mined around the world is converted into different grades of ferrochrome for use by the metals industry. The stainless steel industry consumes about 90% of the global production of ferrochrome (primarily high-carbon and charge grades). In 2010, global ferrochrome production totalled 8.3 million tonnes (2009: 5.6 million tonnes).

The major producers of ferrochrome are South Africa (42%), China (23%), Kazakhstan (13%), India (10%) and Finland (3%). Outokumpu's unique situation – having an in-house chromite mine with its own ferrochrome production located on the same site as the Tornio Works stainless steel plant – provides the Group with a clear competitive edge.

The main benefits of this integrated production chain are:

- The sourcing of raw material at cost while pricing the chromium contained in stainless steel products at prevailing market prices,
- The transfer of ferrochrome to the Tornio Works stainless steel melt shop in liquid form (savings in energy, transportation and logistics costs), and
- The use of carbon monoxide gas produced in the ferrochrome process as fuel in the Tornio Works stainless steel mill (reducing the need for external energy supplies).

Outokumpu is currently 60–65% self-sufficient in ferrochrome and able to satisfy the Tornio Works' needs from internal resources even when production of stainless steel is at full capacity. While the Group always attempts to optimise use of the recycled stainless steel which provides most of the balance, some primary ferrochrome is also purchased on the global market.

According to a seismic research report produced by the Geological Survey of Finland in 2009, mineral resources at the Kemi Mine could turn out to be significantly greater than indicated by earlier estimates. The intrusion which contains

chromium ore was found to extend to a depth of 2–3 kilometres and possibly to four kilometres, while the chromitite layer possibly extends to a depth of 2–2.5 kilometres or more.

Proven ore reserves at the Kemi Mine total approximately 37 million tonnes while the quantity of mineral resources totals some 87 million tonnes (estimated to a depth of one kilometre). Information in the new seismic research report indicates the existence of resources sufficient to allow several hundreds of years of mining activity even with doubled annual production volumes (the previous estimate was 70–80 years of mining activity). Outokumpu's mineral resources were not updated on the basis of these findings.

Investment to double ferrochrome production capacity

In June 2010, Outokumpu decided to restart the project to increase the Group's ferrochrome production capacity in Finland which had earlier been postponed. Including interest payments, this investment will total EUR 440 million. Annual ferrochrome production at Tornio will be doubled to 530 000 tonnes, enabling Outokumpu to cover all of the Group's internal needs and also supply global markets with approximately 200 000 tonnes of ferrochrome on an annual basis. The expanded production capacity is expected to be operational during the first half of 2013 with capacity being ramped up in 2015. At current prices and exchange rates and at full capacity, the planned expansion will yield additional annual operating profits totalling some EUR 150 million.

The ferrochrome market is very attractive because of high growth expectations and rising demand, especially from China. Demand for ferrochrome is primarily driven by the consumption of stainless steel. As ferrochrome production is a very energy-intensive process, the long-term price of ferrochrome is driven by problems with the availability of electrical power in South Africa, which supplies approximately 40% of the global market. Related constraints are expected to continue for several years, and electricity prices in South Africa are forecast to double over the next few years compared to prices in 2009.

Kemi mine and Tornio ferrochrome smelter

Production	**2010**	2009	2008
Ore excavated, million tonnes	**1.3**	0.5	1.3
Chromite concentrates, 1 000 tonnes	**598**	247	614
Ferrochrome	**238**	123	234

Ore reserves and mineral resources

31 Dec 2010	million tonnes	grade
Ore reserves		
Proven	**36**	26% Cr_2O_3
Mineral resources		
Indicated	**13**	30% Cr_2O_3
Inferred	**74**	29% Cr_2O_3

A mineral resource is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. An ore reserve is the economically mineable part of the measured and/or indicated mineral resource. Ore reserves are not included in the mineral resources.

Cr_2O_3 = chromium oxide

Long Products

Sheffield

The Sheffield Melt Shop in the UK has an annual operational production capacity of approximately 400 000 tonnes. At current manning levels, production capacity is some 300 000 tonnes. The melt shop produces slabs for flat stainless steel production and billets, blooms and ingots for the production of long products.

The wire rod and reinforcing bar operations at Sheffield have an annual production capacity of 30 000–35 000 tonnes of rod in coil and reinforcing bar. Finalised in 2010, an investment of EUR 10 million in Long Products' finishing facilities in Sheffield enabled an integrated manufacturing route for small bar and reinforcing bar that complements Sheffield's existing melt shop and wire-rod mill.

Degerfors

The hot rolling mill in Degerfors, Sweden produces long products in the form of rolled billets and heavy bars from blooms cast in Sheffield. Annual operational rolling capacity at Degerfors is approximately 50 000 tonnes.

Richburg

Outokumpu's bar production in Richburg, SC in the US has an annual delivery capacity of some 60 000 tonnes of long products.

Other

Outokumpu has a 50% stake in Fagersta Stainless, a company located in Sweden that manufactures and sells stainless steel wire rod and wire products.

Specialty Stainless – special grades and products

Outokumpu's Specialty Stainless division supplies both flat and tubular products for tailored solutions and demanding customer applications. Project orders form an important part of the business, supported by a strong R&D function and extensive, long-term experience in delivering tailored solutions.

End-users

Specialty Stainless serves customers who set very high requirements on steel grade, shape, thickness and surface finish in the oil and gas, chemical and petrochemical and pulp and paper industries as well as for applications in nuclear power and desalination plants.

Products, production and R&D

The main products produced by Specialty Stainless are hot and cold rolled coil, strip and plate, heavy plate (quarto plate), tubes and a variety of fittings, and precision strip. Most of the stainless steel slabs supplied to Specialty Stainless units come from Outokumpu's melt shops in Avesta, Sweden and Sheffield in the UK.

In terms of finished products, Specialty Stainless units have production capacity totalling:

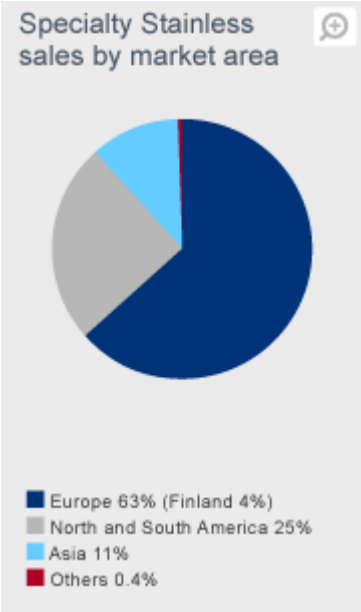
- 450 000 tonnes of cold rolled, white hot strip, plate and thin strip
- 170 000 tonnes of quarto plate
- 100 000 tonnes of tubular products

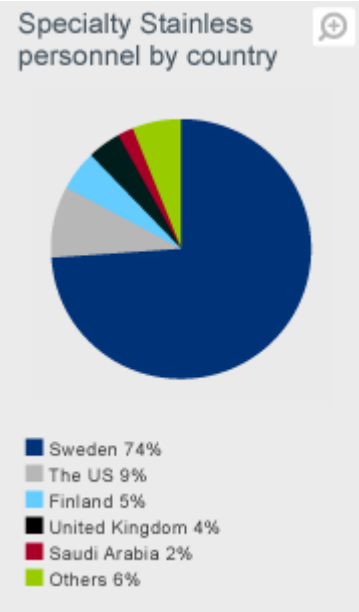
The focus of operations in Specialty Stainless is on differentiation and further specialisation in special grades and products, with specific customer needs being met through the offer of development opportunities. Duplex grades, for example, are an excellent substitute for standard austenitic (nickel-containing) grades of stainless steel. Outokumpu is a market leader in duplex grades with a global market share of some 50%.

Read more about duplex.

At the Group's Avesta Research Centre in Sweden, the focus of R&D is on developing new grades of stainless steel, new applications and identifying the best solutions for each Outokumpu customer.

Read more about R&D.





Specialty Stainless key figures

€ million	**2010**	2009	2008
Sales	**1 710**	1 239	2 705
Operating profit	**-76**	-149	-101
Non-recurring items in operating profit	**-17**	-20	-83
Operating capital on 31 Dec	**1 277**	1 035	1 174
Return on operating capital, %	**-6.6**	-13.5	-7.5
Capital expenditure	**69**	93	170
Depreciation	**73**	62	63
Personnel on 31 Dec	**3 388**	3 361	4 006
1 000 tonnes			
Deliveries of main products			
Cold rolled	**133**	86	154
White hot strip	**124**	92	142
Quarto plate	**87**	71	126

Tubular products	**43**	47	66
Long products	**55**	38	52
Total deliveries of the division	**443**	335	541

As of 1 March 2011, the organisation of Specialty Stainless changes. The former business units Special Coil & Plate and Thin Strip are replaced by the business units Special Coil and Special Plate. Special Coil comprises the flat products' production unit in Avesta, Sweden and the former Thin Strip unit in Nyby, Sweden. Special Plate comprises the quarto plate production units in Degerfors, Sweden, and New Castle, USA, the Nordic plate service centre in Degerfors as well as the unit in Willich, Germany. At the Group's Avesta Research Centre in Sweden, the focus of R&D is on developing new grades of stainless steel, new applications and identifying the best solutions for each Outokumpu customer.

Special Coil and Plate

Special Coil and Plate offers a wide range of special grades and products in a variety of dimensions.

Production facilities

Special Coil and Plate consists of the integrated Avesta production facility (coil and continuously-produced plate) and Hot Rolled Plate (quarto plate) production in Degerfors in Sweden and New Castle in the US.

As of 1 March 2011, Special Coil and Plate as well as Thin Strip are reorganised into Special Coil and Special Plate. Special Coil comprises the flat products' production unit in Avesta, Sweden and the former Thin Strip unit in Nyby, Sweden. Special Plate comprises the quarto plate production units in Degerfors, Sweden, and New Castle, USA, the Nordic plate service centre in Degerfors as well as the unit in Willich, Germany.

Products and production

Avesta is a world-class supplier to the process industry of thick, two-metre-wide cold rolled and white hot rolled products as well as continuously-produced plate. The integrated Avesta production facility covers the entire production chain from melt shop through hot rolling to cold rolling. Approximate annual operational production capacities at Avesta total:

- 500 000 tonnes for melting with the current mix
- 450 000 tonnes hot rolling (at current manned capacity)
- 250 000 tonnes of finished products

Avesta supplies the Nyby and Kloster cold rolling mills with black hot band and white hot strip material. Slabs and hot rolled plate are supplied to heavy plate operations (quarto plate). Outokumpu is the market leader in heavy plate with a more than 30% market share in Europe and a 10% market share in North America. Thick, wide, and individually rolled quarto plates are used in demanding applications in the pulp and paper, oil and gas, power plant and desalination segments, as well as in chemical tankers. Outokumpu produces quarto plates at Degerfors, Sweden and in New Castle, in the US. Annual production capacity in quarto plates is currently 110 000 tonnes at Degerfors and 70 000 tonnes at New Castle. The Group's plate service centres in Europe complement these facilities. To expand Outokumpu's ability to broaden its product mix and produce more special grades, a decision to invest EUR 104 million at Degerfors in Sweden was made in 2010. By 2014, production capacity at this site will have increased by 40 000 tonnes to an annual level of 150 000 tonnes and the Group's annual quarto plate production capacity will have correspondingly expanded to a total of 220 000 tonnes.

In accordance with Outokumpu strategy, the product mix at Avesta and quarto plate production at both Degerfors and New Castle are being shifted from standard grades towards the increased production of value-added, customised special grades – especially duplex grades – to ensure that end-user and project customers can be offered the Group's entire product range.

Thin Strip

Outokumpu's Thin Strip operations consist of cold rolling mills at Nyby and Kloster in Sweden. These mills have a combined annual delivery capacity of approximately 145 000 tonnes (Nyby some 100 000 tonnes and Kloster some 45 000 tonnes). Thin strip products are commonly used in plate heat exchangers, domestic heaters and heating elements, flexible tubes and automotive head gaskets. Annual production capacity in special grades at Nyby totals some 70 000 tonnes.

As of 1 March 2011, Special Coil and Plate as well as Thin Strip are reorganised into Special Coil and Special Plate. Special Coil comprises the flat products' production unit in Avesta, Sweden and the former Thin Strip unit in Nyby. The Kloster plant reports under General Stainless.

Outokumpu Stainless Tubular Products (OSTP)

OSTP manufactures and markets welded stainless steel tubes and pipes as well as butt-welded and threaded fittings. With a market share of almost 20% in the process-pipe segment, Outokumpu is one of Europe's largest producers of stainless steel tubes. Tubular products are manufactured in Canada, Estonia, Finland, Sweden and the US. The Group's main products – process pipes and fittings, heavy-wall pipes and heat-exchanger pipes – are used in most segments of the process industries in the pulp and paper, oil and gas, chemical and petrochemical, automotive, and construction sectors. Annual delivery capacity at OSTP totals some 100 000 tonnes.

As part of the restructuring of OSTP, the operation producing structural hollow sections in Jakobstad in Finland was sold to Stalatube Oy in 2009. The OSTP site in Veteli in Finland was closed in the first quarter of 2010 and production was moved to Jakobstad in Finland and Örnsköldsvik in Sweden.

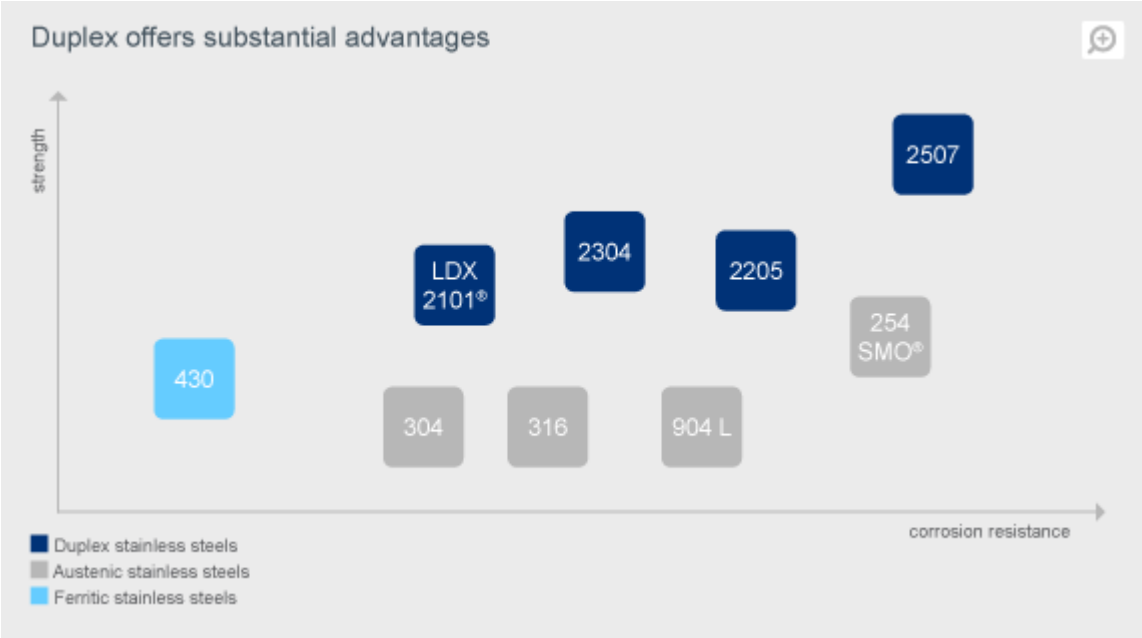
In Saudi Arabia, the OSTP joint venture with Armetal, a tube manufacturer, is creating the largest local producer of process pipe. Investments made during 2010 expanded the product range substantially.

Duplex grades

Demand for ferritic-austenitic duplex grades is growing significantly faster than demand for standard stainless grades. In addition to its low nickel content, duplex stainless steel is characterised by good corrosion resistance and high strength, allowing thinner gauges to be used in a variety of applications such as tanks, pressure vessels, piping, transportation, building and construction, and desalination plants. Considerable reductions in material costs can be achieved. Outokumpu is the clear market leader in duplex grade stainless steel with a global market share of some 50%. The Group's Avesta Works has a long and successful track record in the very demanding process of duplex production.

Outokumpu LDX 2101®, a lean duplex grade developed and patented by Outokumpu, has a nickel content of only 1.5%, making its price less dependent on the volatile price of nickel. In terms of corrosion resistance, LDX performance is similar to that of standard austenitic 304 grade (8% nickel), but Outokumpu's lean duplex stainless steel is twice as strong as the standard grade and has met with great success in demanding applications. To facilitate market penetration, Outokumpu has granted LDX 2101® manufacturing licences to a number of stainless steel producers in Europe and Asia.

A new member of the Outokumpu lean duplex family was launched in 2010. Outokumpu LDX 2404® has a 3.6% nickel content and is well positioned in relation to 316L, the acid-resistant standard austenitic grade (10% nickel). As LDX 2404® has a higher chrome and nitrogen content than 316, it offers higher levels of corrosion resistance, making it an excellent choice for the salty atmospheric conditions which prevail in buildings located near the sea. The higher mechanical strength of LDX 2404® also allows the use of thinner gauges, offering additional benefits in bulk liquid storage tanks, road and rail tankers, pulp and paper machinery and water-treatment facilities. The combination of improved corrosion resistance and higher strength makes LDX 2404® a very cost-effective solution in such applications.



Group level functions

Outokumpu's main Group level functions include

- Group Sales and Marketing,
- Supply Chain Management and
- Research and development.

See the Group organisation here.

Group Sales & Marketing

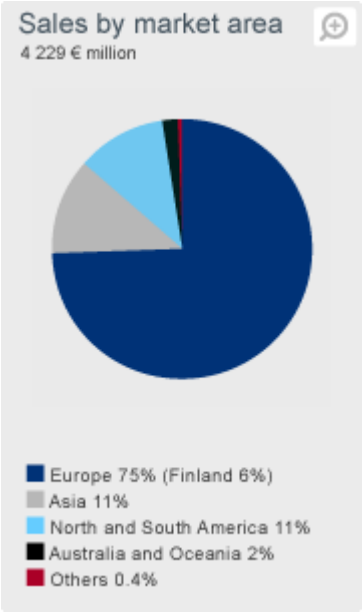
Outokumpu is a global leader in stainless steel with the vision of being the undisputed number one. Customers in a wide range of industries – from catering and appliances to building and construction, transportation and chemical, petrochemical and energy, as well as process and resources – use the Group's stainless steel and the services we provide worldwide. Fully recyclable, maintenance-free, strong and durable stainless steel is one of the key building blocks for a sustainable future.

What makes Outokumpu special is the superior level of technical customer service we offer: technically and commercially competent individuals located close to the customer, understanding our customers' processes and applications and employing environmentally-sound production processes to produce stainless steel.

Commercial organisation based on industry groups

Launched in April 2008, Group Sales and Marketing, the Group's commercial organisation, completed its second full year of operation in 2010. Sales and marketing is organised into customer-specific industry groups in order to best understand the needs of different customers and to provide them with the best possible service. Group Sales and Marketing consists of two global customer sectors: End-users and projects and Distributors and processors. Outokumpu supports its customers through its own sales and service centre networks (our Regions and Stock & Processing operations). Segmentation of customer industries into clusters allows Outokumpu to offer customers a complete range of products and services, to specialise in specific customer industries and to identify optimal solutions.

Headquarters in Belgium



Outokumpu's commercial headquarters is located in Zaventem, Belgium, close to Brussels. This office is the central meetings location for cluster teams, and also houses Group Sales and Marketing management as well as other central commercial functions.

Understanding the needs of end-user and project customers

Currently, approximately 35% of Outokumpu deliveries are delivered directly to end-user and project customers. Outokumpu develops its end-user business through local and global key accounts – seeking both new technical and business solutions, as well as continuously accurate deliveries. New solutions lead to additional growth in special grades of stainless steel, such as the Group's extensive range of duplex products.

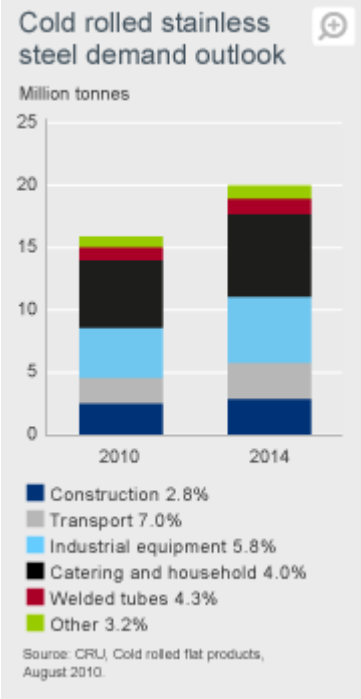
Outokumpu's end-user and project business is organised into five industry-based clusters:

- Architectural, building and construction
- Transportation
- Catering and appliances
- Chemical, petrochemical and energy
- Process and resources

In addition to serving key customers, a significant amount of effort within each cluster is targeted at developing new business and product offerings. Each cluster is managed by cross-functional teams consisting of key account managers, application and product experts, R&D and supply chain specialists, as well as the Group's frontline sales force in the regions. In addition to its strong market position in Europe, Outokumpu has important markets and growth opportunities in China, India, Latin America and the Middle East.

A key component in Outokumpu's end-user and project customer business are the services we provide for key accounts. Dedicated key account managers and teams serve these customers in a personalised manner, offering the Group's full product portfolio and tailor-made solutions on a global basis.

To support end-users of stainless steel and related stainless solutions, the Group participates in exhibitions which focus on relevant industries. In 2010, Outokumpu was present at more than ten exhibitions of this type, including the 7th EverythingAboutWater (Chennai, India), Expomin (Santiago, Chile), and China Paper (Shanghai, China).



Distributor and processor customers – a focus on stable, long-term relationships

A significant proportion of the global stainless steel market is served by independent distributors and service centres. For Outokumpu, these customers are our key business partners and represent a large part of the Group's customer base and route to market. Together with our long-term distributors, Outokumpu is working to reinforce the Group's strategy of developing a more stable and profitable business model. This is of particular importance in high-volume standard products and making the best of the highly integrated and cost-efficient Tornio operations.

Processors such as large-volume re-rollers and tube makers are also an important sector for Outokumpu. Close relationships with these customers are important as they enable the Group to develop products, processes and working methods that deliver long-term advantages.

Outokumpu's distributor and processor business is organised into two clusters:

- Distributors
- Re-rollers, tube-makers and further processors

Some members of the Group's sales teams focus exclusively on these customers, enabling Outokumpu to respond to their specific needs.

Regions and stock & processing – the day-to-day customer interface

Outokumpu's network of sales companies and service centres is managed through the Regions and stock & processing operations function. The Group's more than 30 sales companies are divided into seven regions. Outokumpu has sales personnel in almost 40 countries with another 30 countries being served through dedicated agents.

Service centres operate as part of the sales company in the country in which they are located. A central team is responsible for both processing efficiency in the service centre network and for its supply-chain efficiency.

Outokumpu has nine coil service centres and eight plate service centres in 14 locations in 10 countries. Coil service centres typically have machinery such as cut-to-length and slitting lines, as well as different types of surface-finishing and polishing units. Plate service centres specialise in cutting shapes from heavy plates using laser, plasma or water-jet cutting equipment. Some of the Group's plate operations are also equipped with bending equipment.

Expansion of our service centre network

Outokumpu's service centre network plays a central role in serving end-user and project customers. In 2010, some 400 000 tonnes of deliveries to customers passed through the Group's service centres. A greenfield service centre in Kunshan near Shanghai in China which processes mainly special grades began operation in early 2010. Annual processing capacity at this facility will eventually total 30 000 tonnes.

New products and solutions

Outokumpu made two major product launches during the year: Ferritic 2BB and Outokumpu LDX2404®.
Ferritic 2BB is a bright-surface, grade EN 1.4016 product targeted at the catering & appliances and white goods segments as an alternative to traditional bright-annealed products. It has already been certified by some major white goods manufacturers for use in washing machine drums and interior components in dishwashers. Invitations to a series of events organised for catering & appliances customers during 2010 were engraved on shiny ferritic 2BB stainless steel sheet.

Outokumpu LDX2404® is a new member of the Group's lean-duplex family. The high-strength and low nickel content LDX2404® offers better corrosion resistance than the Outokumpu LDX2101®. This new lean-duplex product was launched at two major stainless events: Stainless Steel World America in Houston, Texas, and at the Duplex World Conference & Exhibition in Beaune, France.

Read more about Outokumpu's duplex grades.

Taking our customers' pulse

Outokumpu is in the process of harmonising its customer satisfaction surveys. In the past, separate surveys have been conducted by Group production units and Group sales companies and while these provided valuable information, the difference in approach meant that assessment of the overall situation was difficult. To overcome this drawback, a single Group-wide survey will be conducted in the future.

The system selected for this purpose is based on the ‘net promoter' approach, and it does not involve completing lengthy questionnaires or engaging in extended interviews, it is ‘respondent friendly'. In essence, it turns around a single question posed during normal Outokumpu/customer contacts, i.e. ‘Would you recommend Outokumpu to your colleagues?'. Individual scores are then combined into a customer satisfaction score which is continuously updated. The survey will be an on-going process and will be piloted during the first half of 2011 in selected markets, with global roll-out in the second half of the year. Starting in the second half of 2011, the customer satisfaction score will be one of the Group's key performance indicators.

A final one-off customer survey was done in September 2010. Some 250 customers from France, Germany, Italy, Poland, Spain, Sweden and the UK participated in the survey. The three most important factors that customers use when selecting a stainless supplier were product quality, accurate delivery performance and competitive prices.

Compliance to ethical code in the heart of business

E-training in competition compliance continued during 2010, and some 500 Outokumpu sales personnel had either started or completed the three training modules by the end of the year. To supplement the English-language version, German, French and Italian versions were introduced in January 2011.

Compliance with UN, EU and US embargo lists was further enforced during 2010. An aggregated up-to-date list is available to Group sales personnel at all times. Using this, Outokumpu is able to ensure that the Group does not sell any of its products to totally-embargoed countries, or sell embargoed products to partially-embargoed countries.

During 2010, Outokumpu established a process that governs sales to the armaments and military sector, even though this sector receives only a marginal proportion of the Group's total deliveries. Customers in this sector are required to provide assurances that they will comply with the EU, UN and US embargo lists, and also asked to provide Outokumpu with evidence that they have in place measures comparable to Outokumpu's Code of Conduct and associated ethical standards. In cases of non-compliance, Outokumpu withholds sales to such customers.

outokumpu.com

The Outokumpu website at www.outokumpu.com, is widely recognised as one of the steel industry's most attractive and informative Internet locations. In 2010, it received more than a million visitors, making it the industry's second-most-visited website.

Supply Chain Management

- Procurement excellence
- Responsibility in procurement
- Product development and sourcing optimisation

Supply Chain Operations

The Supply Chain strategy supports the Group Commercial strategy through the focus on higher delivery performance, stable and shorter lead times and it supports the Group's overall strategy by optimising inventories, which results in efficient use of working capital.

The focus placed on delivery performance was very successful in 2010; achieving a significant improvement from the 2009 figure of 82% to 88% in 2010. Contributing factors included a diligent use of realistic available capacities for sales and increased operational focus on all shipments.

More efficient and lower working capital is a key strategic target for Outokumpu and in 2011 there will be extra focus on increasing efficiency of use of inventory in order to increase competitiveness. During 2010 Outokumpu's sales volume increased by 27% while inventory volumes increased by 12% compared to the situation in 2009.

Important activities in 2011 will consist of further increasing the efficient use of inventories, e.g. between the Group's service centres and production units in order to achieve more inventory consolidation opportunities within the Group. This is being supported by integrating the functions and business units. The existing common excellence tools and techniques will be used to achieve the ambitious long term supply chain targets especially in inventories, delivery performance and lead times.

Excellence programmes

The Operational Excellence programmes launched in 2005 and originally comprising Production and Commercial Excellence were expanded to include also Supply Chain Excellence in 2007. Work in all areas of the Excellence programmes has continued in order to achieve significant sustainable benefits for the Group. Benefits have been achieved through the Operational Excellence programmes for example by improved Group-level supply chain management, more efficient utilisation of raw and other materials, exploiting the procurement leverage, providing additional capacity for solving production bottlenecks, improved pricing discipline, and achieving growth in key customer accounts.

The project phase of the Operational Excellence Programmes ended at the end of 2010. The excellence work has now become part of daily operations management and will remain Outokumpu's method to identify, implement and maintain improvements. In the short term the Excellence work will continue to focus on working capital reduction, optimising raw material usage, quality development and capacity enhancement. All activities continue to be underpinned by the greater involvement of all Outokumpu employees to provide sustainable improvement and the sharing of best practise and rigorous standardisation where necessary.

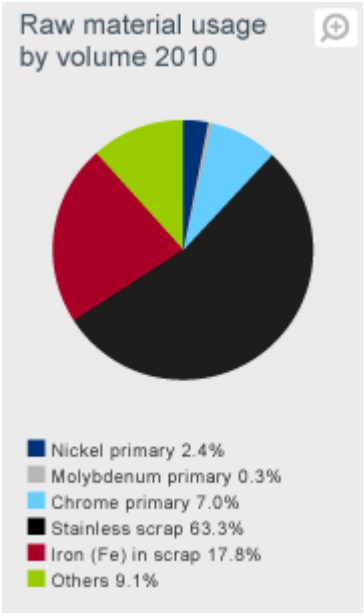
Procurement Excellence

General procurement activities

Under the pressure of a global downturn in economic activity, cost control has continued to play a crucial role in Outokumpu's sourcing operations. As an element of the Group's Supply Chain Excellence, Procurement Excellence is pursued as a key driver in reducing Group purchasing costs. Procurement Excellence aims at building capabilities for continuous improvement in procurement activity and reducing Outokumpu's total cost of purchasing by eliminating the losses that result from fragmented purchasing volumes, lack of alternative sources, untapped supplier know-how, and uncontrolled expenditure. This is a long-term project and a key driver for continuous improvement in the overall procurement function. Procurement Excellence is based on a category management approach leveraging knowledge of suppliers, products and services, development of professional procurement capabilities, optimal use of materials, products and services, and leveraging of the Group's purchasing power.

During 2010, steps were taken to intensify the efforts to realise sustainable cost savings in the area of general procurement. The number of sourcing categories to be pursued at a Group level has been increased to cover some 45% of the Group's general procurement spend. A new Group-level category-manager organisation was established with the responsibility for managing and coordinating the group's sourcing activities in accordance with strategies and plans developed in collaboration with the Group's business units. A revised general procurement policy was also issued in 2010, confirming the principles to be followed in connection with Outokumpu's sourcing activities, including the goal of dealing with those suppliers who operate to similar standards as Outokumpu when it comes to ethics and corporate responsibility.

Raw material procurement



The majority of Outokumpu's costs are associated with the purchase of raw materials. The primary raw materials used in stainless steel production – nickel, ferrochrome, recycled stainless and carbon steel – are purchased on the open market, but a proportion of the Group's ferrochrome needs are sourced internally.

Following the economic downturn in 2008–9, stainless steel volumes increased significantly in 2010 compared with 2009. Most of the raw material prices also increased and the average nickel price in 2010 was 21 809 USD/tonne, up about

50% compared to 2009. The ferrochrome price rose approximately 45% and molybdenum about 40%. With both higher volumes and higher prices, it meant that total raw material costs in 2010 almost doubled compared with 2009. The internal production of ferrochrome covered most of Outokumpu needs.

Outokumpu recognises its responsibilities towards suppliers and the communities in which we operate. Outokumpu is sourcing raw materials both locally and globally and the objective is to secure a wide enough network of various suppliers in order to minimise the risk of being dependent of a too small number.

Outokumpu continued to cover a reduced proportion of its primary metal needs with long-term contracts during 2010. Most metal markets were balanced during the year and there were no major problems in sourcing the required raw materials. One exception was the market for recycled stainless steel, which was somewhat tight during the first six months of the year.

Focus continues to be on optimising the sourcing of raw materials from recycled steel and this has been achieved with very good results. It is the most sustainable way to produce stainless steel. Outokumpu has also continued to optimise the usage of other raw materials at the melt shops with good and sustainable results. These activities will continue as part of daily operations.

Outokumpu managed to lower the total raw material inventories during 2010 and this will remain a priority in 2011.

The OUPEX programme

The Outokumpu Procurement Excellence programme (OUPEX) is a Group-wide procurement development programme for implementing both a common way of working and a common SAP system as well as raw materials purchasing and inventory management. The system is based on a common template jointly designed by a number of the Group's business units. During 2009 and 2010, OUPEX was taken into use at Tornio Works and the next steps in rolling it out to other units and sites are envisaged to be taken from 2011 onwards.

Responsibility in procurement

As the global financial crisis and the resulting global recession put pressure on Outokumpu and all companies in the industry, cost control has continued to be increasingly important. Outokumpu has continued to focus on corporate responsibility issues in both product development and our supplier evaluation processes. The Group's goal is to do business with responsible partners.

During 2010, a survey was conducted covering the Group‘s strategic suppliers in the area of raw materials and general materials, in order to assess the extent to which the suppliers take corporate responsibility, such as environmental, health and safety, discrimination and equal employment opportunity issues, into account in their activities. The outcome of the survey will be incorporated into the continued dialogue with the suppliers in order to ensure that the shared commitment to enhancing these values will continue. The same values will be further addressed in connection with the ongoing development of approval, evaluation and auditing routines in our supplier management processes.

In connection with our pursuit of Procurement Excellence, Outokumpu has continued to implement measures designed to further reduce procurement costs and additional cumulative savings have been realised. The company has also continued to focus on increasing business with those suppliers who offer more efficient alternatives from a total-cost of ownership perspective, thereby achieving increased efficiency in the use of those inputs and the company's assets overall.

Product development and sourcing optimisation

In addition to direct cost savings achieved in sourcing, optimisation of Outokumpu's product development and sourcing was carried out in number of areas such as:

- In the area of raw materials Outokumpu has continued to heavily focus on consuming as much recycled steel as possible with very good results. The company has also continued to optimise the usage of other raw materials at melt shops with sustainable good results. These activities will continue as a normal part of daily operations.
- In connection with graphite electrodes, refractory materials and related consumables, suppliers have been selected with a particular focus on total cost efficiency, including the total yield and energy consumption.
- In packaging materials, a number of sourcing categories are exploring ways of reducing overall costs, including the use of re-cycled and alternative material solutions.
- In covered rolls, Outokumpu is working with suppliers to investigate alternative materials which could provide further reductions to the total costs of using the rolls.
- During 2010, the general procurement excellence efforts have been expanded by establishing additional Group-level sourcing categories as well as deepening cross-functional and cross-business unit cooperation with the suppliers. All these activities have the aim of achieving additional savings in the future. In 2011, the category management approach will be expanded into Logistics to further reduce costs and improve efficiency.

In the long-term, Outokumpu believes that the most innovative ideas for optimising total cost ownership result from creative cooperation with suppliers and partners. The key to sustainable development is sharing mutual benefits with responsible suppliers who take economic, environmental, and social responsibilities into account in their daily operations. Outokumpu has a high regard for suppliers who maintain the highest ethical standards, respect human rights and work to protect the environment.

Research and development

- Product safety

Outokumpu's research and development operations involve process development, product development and application development. In process development, the aim is improved energy- and cost-efficiency in the Group's production processes while securing high-quality and consistent products and reductions in the environmental impact of our operations. In product development, the focus is on cost-efficient low-nickel and no-nickel stainless steel grades and on added-value special products such as high-corrosion-resistance, heat-resistant and high-strength stainless steels. Other important areas in R&D include applications development and providing our customers with comprehensive technical support. The Group's R&D function operates in close co-operation with Outokumpu's commercial organisation and is a source of valuable advice regarding material selection, properties and fabrication techniques. Outokumpu R&D personnel are also involved in joint projects connected with customers' product development activities.

Outokumpu invested EUR 22 million (0.5% of net sales) in research and development in 2010 (2009: EUR 19 million and 2008: EUR 20 million). The Group's two research centres are located in Tornio, Finland and Avesta, Sweden. R&D is also carried out at Outokumpu production sites. The Group R&D operations employ almost 200 professionals.

At the Tornio Research Centre, the focus is continuous improvement of production processes and the development of no-nickel ferritic steel grades. In 2010, delivery volumes of ferritic grades developed positively. One important recent development is the bright-pickled 2BB ferritic material produced at Tornio Works on the recently-modernised annealing pickling line. The surface finish of 2BB is a perfect alternative in applications which require a bright surface combined with good mechanical properties. Typical applications for 2BB are in the catering & appliances segment and in the architecture, building & construction segments.

At the Avesta Research Centre, special stainless steel grades including high-alloyed corrosion-resistant and heat-resistant grades and high-strength, corrosion-resistant duplex steel grades are under development. In 2010, Outokumpu launched LDX 2404®, a new duplex stainless steel grade which features higher mechanical strength than other major duplex grades currently on the market. LDX 2404® is well suited to applications where its excellent mechanical properties and good corrosion resistance can be utilised – in storage tanks, in road and rail tankers, in building and construction projects and in a variety of industrial processes. Lower-weight, lighter designs mean cost-efficient projects requiring less material, and ongoing benefits include savings in transport and maintenance costs as well as reductions in energy consumption.

A broad expertise

Outokumpu's research and development organisation has extensive, in-depth experience and knowledge of the properties and use of stainless steels. This knowledge is utilised in both application development and in the technical support we offer our customers, helping them to select optimum steel grades and optimise their manufacturing processes. Areas of particular interest are lightweight structures which exploit stainless steel's high strength and low lifecycle costs, as well as applications connected with green energy and clean water solutions. As a part of our technical support activities, the first edition of the *Outokumpu Welding Handbook* was published in August 2010. Welding is the most important process when assembling stainless steel components. Through this new publication, Outokumpu is contributing to existing knowledge and offering hands-on advice on welding methods and processes, as well as providing designs and design information based on the use of stainless steel.

Outokumpu conducts joint development projects in co-operation with industrial partners, universities and research institutes within national and European research programmes. Together with representatives of other stainless steel producers, Outokumpu R&D personnel participate in activities in ISSF (the International Stainless Steel Forum), Eurofer (the European Confederation of Iron and Steel Industries) and EuroInox (The European Stainless Steel Development

Association). Outokumpu is a shareholder in two Finland-based strategic centres for science, technology and innovation – the Finnish Metals and Engineering Competence Cluster (FIMECC Ltd) and the Cluster for Energy and Environment (Cleen Ltd) – and is an active participant in associated research programmes. Three Outokumpu-related foundations – the Outokumpu Stainless Research Foundation in Sweden, the Outokumpu Stainless Research Foundation in the UK and the Technology Industries of Finland Centennial Foundation Fund for the Association of Finnish Steel and Metal Producers – provide support for researchers and students. In 2010, Outokumpu also supported higher education and research by donating EUR 1 million to Finland's Aalto University.

Research and development activities within Outokumpu resulted in the filing of four patent applications in 2010. The development of methods to increase internal efficiency in R&D activities was also promoted, as was an initiative on the subject of Innovation management aimed at increasing R&D output.

Product safety

Consideration of issues that affect health and safety is important not only during the process of manufacturing stainless steel, but also when Outokumpu customers are further processing the material, when stainless steel products are being used, and when steel is returned for re-melting.

As stainless steel is inert and non-reactive when employed correctly, potential health and safety impacts are extremely limited. This explains why stainless steel is so widely used in medical appliances and for equipment and tools employed in the food processing industry. In addition to long-term experience with stainless steel in a wide variety of applications, the material has also been tested and reviewed for possible health effects. The most recent review of this type was conducted by the Finnish Institute of Occupational Health and published in 2010.

Outokumpu manufactures stainless steel grades that are standardised and proven to be safe for their recommended use. To ensure that all products manufactured by the Group comply with the specified requirements, Outokumpu's main production sites are certified in accordance with the ISO 9001 quality standard. Many of Outokumpu's sales and distribution companies are also certified in accordance with this quality standard; in total 90% of Outokumpu's personnel work in companies that are certified.

REACH stipulates the safe use of chemicals

In 2010, thousands of chemicals had to be registered in REACH by their manufacturers or importers. Large quantities of test data and instructions for the safe use of chemicals were generated during this process. Outokumpu successfully submitted registrations for all the substances manufactured by the Group. As a user of chemical substances, we have actively approached our suppliers to ensure that they also fulfil their obligations under REACH. Products manufactured by Outokumpu do not contain any SVHC (Substances of Very High Concern) as defined by the European Chemicals Agency (ECHA).

Outokumpu also takes account of specific end-use concerns. As there are restrictions on the use of metal compounds such as lead, cadmium, mercury and hexavalent chromium in the electronics and automotive sectors, the Group does not use these substances in its manufacturing processes.

Safety and methods of risk evaluation

Most stainless steels contain nickel, a metal classified as harmful in the EU. As stainless steel is inert, there is however no risk to either humans or the environment from stainless steel products in their normal use, a fact that has been demonstrated through both laboratory studies and the material's long history of usage.

Unfortunately, the fact that manufactured steel is a very different material from the components used in its manufacture is sometimes not fully understood by regulators. For example, how can the same grade of stainless steel be judged

perfectly safe for use in equipment in which food is prepared, but considered hazardous when used in an elevator wall panel? It is of course equally safe in both applications. The difference lies in how possible risks are evaluated. Materials that come into contact with food are thoroughly tested to ensure they do not have any effect on food or release dangerous substances. But content-based methods of evaluation such as those used in eco-labelling criteria do not allow for an assessment of the manufactured material. If any substances classified as hazardous feature among the raw materials used to manufacture a new material, use of that material can be restricted simply on the basis of its contents. This approach does not take into account the fact that the properties of metal alloys such as stainless steel can be radically different to those of its initial constituents.

Information to customers

Outokumpu provides health and safety information on products and materials supplied by the Group. Technical data sheets offer detailed information on the chemical and technical properties of each stainless steel grade. Information on topics such as Occupational Exposure Limits for substances contained in stainless steel will also be provided in Outokumpu's Safety Information Sheets, as well as advice on safety measures to be employed when handling stainless steel, for example when welding.

Reports on the health and environmental impacts associated with the use of stainless steel are issued by marketing organisations such as EuroInox. Information is also available in the product safety bulletins issued by international organisations representing the nickel, chromium and molybdenum industries.

A long-term commitment to sustainability

Stainless steel is 100% recyclable, hygienic, corrosion-resistant and the environmental impacts resulting from its use are almost non-existent. On the other hand, its production – both the manufacturing and reprocessing stages – does have an impact on the environment. The most substantial environmental impacts which result from stainless steel production process include emissions of dust and particulates into the air, discharges of water from production plants, and the high levels of direct and indirect energy consumption during production. Landfill waste is also created during the production process.

Outokumpu's way of managing environmental issues

Guided by the Group's Environment, Health, Quality and Safety policies, Corporate Responsibility Policy and Ethical Principles, Outokumpu's firm objective is to minimise the environmental burden of the Group's operations as much as this is economically and technically feasible. All Outokumpu's larger production sites employ either Environmental Management Systems (EMS) or risk-based management systems which help in avoiding spills and accidents that could be harmful to humans or to the environment. All of these Group systems operate in accordance with ISO 14001, the international standard for environmental management systems. Outokumpu's aim is to achieve a single Group-wide certificate. Currently 90% of our production sites have individual certification. The functioning of these systems is monitored using both internal and external audits. The Group also provides the appropriate authorities with reports on Outokumpu's operations in all the countries in which we operate. At Group level, our operations are managed and best practices applied through our environment network, whose working groups and environment committee meet once during each quarter.

Outokumpu believes that stainless steel will play an important role in the sustainable development of global infrastructure.

Outokumpu to increase its focus on environmental footprint

Stainless steel's very low environmental impact during the use phase, its durability and very low maintenance requirements are recognised. At the end of each product's life, its constituent materials are also fully recyclable. The life cycles of stainless steel products consist of several phases. Outokumpu's aim is to improve levels of sustainability in each phase from production through to re-use, and also to secure a sustainable supply chain all the way from suppliers of recycled steel to the production of stainless steel products.

Many applications that employ stainless steel already have a beneficial impact by reducing the total environmental burden exerted by human society. On a global scale, current trends towards achieving sustainability and reducing the extent of climate change are strong. The EU Climate and Energy Package focuses on renewable energy sources, emissions control and energy efficiency. Almost all nations and regions are targeting less-carbon-intensive forms of society.

Stainless is optimal for sustainable solutions

Outokumpu strongly believes that stainless steel will continue to play an important role in the sustainable development of global infrastructure. New business opportunities can already be identified as the use of stainless steel represents an important component in solutions which address humanity's growing demands for clean energy and pure water. Renewable energy solutions such as solar power, biofuels and wind energy require components and materials that can be sustainably sourced and yield low life cycle costs. Stainless steel is an optimal choice in such areas. What could be more practical than a metal that can be fully recycled multiple times without losing its intrinsically excellent qualities and which can be produced using the materials obtained when decommissioning redundant structures? For example, the steel structures in old, inefficient facilities can be dismantled and recycled to make new stainless steel products with far more advanced properties and characteristics. Technologies that help us adapt to the effects of climate change such as water purification systems and infrastructure that can withstand severe weather are being added to the list of solutions that will be built using corrosion-resistant materials.

Stainless already a key material in many applications

Stainless steel is already a key material in desalination equipment and processes. High-strength grades enable the use of thinner gauges in a variety of applications such as tanks, pressure vessels and piping, and also in transportation, civil and structural engineering solutions, with considerable savings in material costs. The development on duplex steels allows e.g. most building requirements to be reached with the added corrosion resistance that helps to increase the structure's lifespan. In road tankers, the properties of Outokumpu's duplex stainless steels allow considerable reductions in tank wall thickness, yielding lighter and less costly solutions with corresponding energy savings and reduced emissions. Together with the provision of technical customer support, a major subject of focus in the Group's R&D activities is assisting our customers along the path to a more sustainable economy. Outokumpu's austenitic and special grades of stainless steel ensure that we will be making positive contributions to future developments in sustainable solutions.

Environmental management has to be able to answer these challenges and needs for sustainable products and solutions. In the future, Outokumpu will be paying more focused attention to life-cycle-oriented environmental management. The importance of life-cycle data, both for internal use in highlighting areas where improvements are required and for external purposes in communications with customers and other stakeholders, has already been

recognised. For example, Outokumpu has used Life-Cycle-Inventory data to publish an Environmental Product Declaration for Outokumpu Cr-Ni (chrome-nickel) stainless steel. This is a public document which describes the main environmental effects and energy needs of the Group's most common stainless steel grade throughout its supply chain. Outokumpu's environmental and energy reporting, data management and analysis are supported by an Energy & Environment Reporting (EER) system which provides internal reporting and analysis tools for all the Group's production sites. The availability of robust and verified data is the starting point for managing sustainability throughout a product's life cycle.

Read more on defining issues of focus in sustainability at Outokumpu.

Environmental goals and results

Ambitious targets

Annual routines at all Outokumpu production locations include the setting and monitoring of independent environmental targets. These processes are built into the company's environmental management systems with key targets at Group level for each calendar year. Setting concrete, measurable targets for Outokumpu's operations is an effective way of focusing attention on specific environmental and energy issues throughout the Group.

Long term target

By 2020, a reduction of 20% in direct and indirect CO_2 emissions by the Group per tonne of stainless steel produced.

As mentioned in its Energy and low-carbon programme published at the beginning of 2010, Outokumpu is committed to the long-term target of reducing the Group's carbon emissions profile (both direct and indirect emissions) by 20% per tonne of stainless steel produced by 2020. This challenging target is a clear demonstration of Outokumpu's desire to improve the Group's energy efficiency, to contribute to a reduction in global emissions of carbon dioxide, and to participate in the transformation to a low-carbon society.

Group-wide environmental targets

Goals for 2010

- No significant environmental incidents.
- Climate change: Reduction of emissions in line with Outokumpu's long-term target of achieving a 20% reduction in direct and indirect CO_2 emissions by 2020 per tonne of stainless steel produced.
- Energy efficiency: A reduction of 1% in energy consumption per tonne of stainless steel processed with 2007 as the base year.
- Materials efficiency: Further reduction in waste to landfill per tonne of stainless steel produced.

Results 2010

- Environmental incidents: The target of zero incidents was not achieved. There was one incident classified as significant in 2010. A leak of acid at Tornio was detected but environmental damage was prevented. As the potential risks associated with this incident to both safety and the environment were very high, it was classified as significant.
- Climate change: A reduction of 0.3% in direct and indirect CO_2 emissions profile was achieved.
- Energy efficiency: Reduction of 3% in energy consumption per processed tonne was achieved (with 2007 as the base year). This has been a Group-wide target for three years, and was finally achieved. The main reasons were continuous investments in energy efficiency during 2008–2010 throughout the Group and

recovery of production volumes towards pre-2009 volumes enabling us to capitalise on the investments results.

- Materials efficiency: Reduction of waste to landfill per tonne of stainless steel produced was achieved. This was mainly due to improved processes in slag handling enabling a situation where no slag was landfilled at Tornio; instead, all slag was utilised or stored for future utilisation.

Goals for 2011

- No significant environmental incidents.
- Climate change: Reduction of emissions in line with Outokumpu's long-term target of achieving a 20% reduction in direct and indirect CO_2 emissions by 2020.
- Energy efficiency: A further reduction of 1% in energy consumption per tonne of stainless steel processed (with 2007–2009 as the base period).
- Materials efficiency: Further reduction in waste to landfill per tonne of stainless steel produced.

Site-specific targets

Goals for 2010

- Sheffield melt shop, the UK, water protection: To reduce water consumption by 5% compared to usage in 2007.
- Tornio Works, Finland, waste management: Produce steel slag products amounting to 32% of total slag production.
- Degerfors, Sweden (hot rolling): Waste to landfill target 2 kg per tonne.
- Tornio Works, air protection: Achieve usage level of dust-reduction units to more than 98% per month.
- Sheffield melt shop, soil protection: Complete hydrological assessment for the Tinsley Park landfill.
- Kemi mine, Finland, use of materials: Reuse 250 000 tonnes of lumpy rock and side rock from the Kemi concentrating plant to the underground mine.
- Richburg Bar plant, the US, SC: Reduction of hydraulic oil consumption by 50%.
- Avesta, Sweden, energy efficiency: Reduction of specific energy consumption by 3%.
- Management systems: Integrated Management System Manual to be published and IMS implementation to start from the business units Tornio Works and tubular products. IMS internal audit system starts to operate.

Results 2010

- Sheffield melt shop, water protection: The target was not achieved due to technical problems with filters.
- Tornio Works, waste management: The target was not achieved. A new process was implemented but planned levels of slag products were not reached. The amount of steel slag products amounted to 29% of total slag production.
- Degerfors, hot rolling: The target was achieved. Waste to landfill per tonne produced was 1.7 kg.
- Tornio Works, air protection: The target was not achieved. During the year there were 10 cases where the usage level was less than the target of 98%.
- Sheffield melt shop, soil protection: The target was not fully achieved. The assessment was started but not completed.
- Kemi mine, use of materials: The target was achieved. 300 000 tonnes of lumpy rock and side rock was reused.
- Richburg Bar, reduction of hydraulic oil consumption by 50%: The target was not achieved.
- Avesta, energy efficiency: The target was not achieved. Specific energy consumption was reduced by 1%.
- Management systems, Integrated Management System Manual to be published and implementation to start: The target was not fully achieved. The manual was not yet published. Implementation started in selected business units and the auditing system was finalised but not yet functioning.

Goals for 2011

- Avesta, Sweden, energy efficiency: Reduce specific energy consumption by 2%.
- Molkom, Sweden (tubular products): Reduction of total amount of heating oil usage by 2%.
- Wildwood, the US, FL (tubular products): Complete a lighting scheme at the south plant, with the aim of another 1000 MWh annual energy savings.
- Tornio Works, Finland, waste management: Produce steel slag products amounting to 32% of total slag production.
- Sheffield melt shop, water protection: reduce specific water consumption by 5% against 2010 usage.
- Kemi mine, Finland, materials efficiency: use more than 3000 tonnes of fly ash from the Tornion Voima power plant to bakcfill the stopes of the underground mine.
- Tornio Works, air protection: Achieve usage level of dust reduction units to more than 98% per month.
- Sheffield melt shop, soil protection: Complete hydrological assessment for the Tinsley Park landfill.

Materials efficiency

The recycled content in Outokumpu steel is as high as 90%

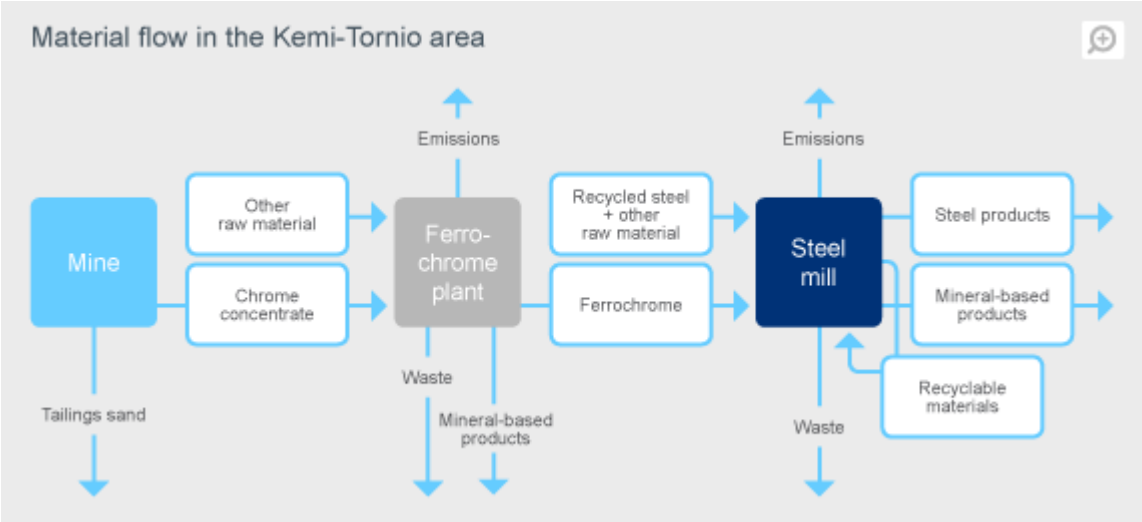
The most important raw materials used by Outokumpu in producing stainless steel are recycled stainless and carbon steels. Together with metals recovered from waste products and by-products of the production process, they enable the recycled content of stainless steel produced by the Group to be raised to approximately 90%, significantly higher than the global industry average of 60% (International Stainless Steel Forum ISSF). In addition to recycled steel, alloying elements including iron-containing alloys and other metals such as chromium, nickel and molybdenum are also required.

Raising the recycled content of stainless steel from 70% to a level of 90% reduces the environmental burden which results from manufacturing stainless steel. As recycled materials replace the raw materials that would otherwise have been required, the effects cover the whole supply chain. Taking the entire product life-cycle into account, achieving a 20% increase in recycled content avoids 1.2 tonnes of CO_2 emissions per tonne of stainless steel. At the 2010 production level of 1.6 million tonnes, the quantity of CO_2 emissions avoided in this way was 1.92 million tonnes. Outokumpu's ultimate target is zero-waste stainless steel production. This means that all material streams from production are studied in order to find means of fully recycling, reusing or selling them as by-products on the market. Generally, all processes are developed in a way that allows valuable metals to be recovered and retrieved from material streams.

Slag and dust are the main by-products of the steelmaking process. Considerable research and development effort has been invested by Outokumpu in methods of retrieving valuable metals from this slag and dust as such metals can be used as raw materials in the Group's melt shops. One example is the filters which minimise emissions into the environment by collecting more than 99% of the dust generated by Outokumpu's production operations. All of the dust generated by the company's melt shops is recycled, with collected dust fractions that have the highest metal content being recycled directly, and the remainder of the collected dust being recycled following a metal recovery process. In the Nordic region, this residue is transported to an external facility in Sweden which recovers the metals contained in the dusts. In the UK, the in-house metal-recovery facility is on site.

Materials efficiency and by-products

Outokumpu has invested several million euros in developing slag-based products that can be employed in the construction industry and for neutralisation purposes in industrial applications. In road construction, for example, slag products can be utilised to replace virgin materials such as crushed stone. In northern Finland, where frost resistance is a very important feature in road foundations, the technical performance offered by such slag-based materials is actually better than natural alternatives.



Until the beginning of 2009, slag from the steel melting process at the Tornio Works was processed in a grinding metal-separation process to retrieve the valuable materials it contained so that they could be re-used. The problem was that slag treated in this way turned into a very fine powder difficult to utilise. During 2009, the retrieval process was modified in a way that allowed the metal content to be extracted just as effectively but resulted in a coarser form of slag more suitable for use as a construction material. Operated by a local subcontractor, the new process was launched at production scale in 2010 and the achieved results, a high level of recovered metals from slag and possibility to utilise all steel slag, have been very good. During 2010, a total of 75 500 tonnes of steel slag products were sold and no slag was landfilled.

Another recycling project in Tornio involved the local utilisation of large volumes of the sediment derived from water-filtering processes in the ferrochrome plant. This waste material, which is inert, was used to seal surfaces during operations associated with closure of the Sellee landfill, replacing corresponding amounts of bentonite. Technical investigations revealed that the material's properties make it a very effective barrier to water flow. Results obtained from an experimental installation carried out at a landfill site in the City of Oulu in northern Finland were very promising, and the sludge continues to be employed in Outokumpu's own landfill areas, with approximately 7 015 tonnes being used as a mineral-sealing layer in surface in 2010.

Improved waste utilisation and less landfill waste

Outokumpu has the twofold aim of improving the Group's efficiency in the use of materials and reducing the quantities of waste sent to landfill. By paying special attention to waste management and segregation techniques, many waste fractions resulting from production operations are now recycled and the amount of waste sent to landfills has been reduced.

At the Sheffield melt shop in the UK, this has been achieved by both decreasing the total volume of waste and increasing the share of by-products. In the past years, two leading schemes have made it possible to significantly reduce the amounts of waste sent to landfill: first, the use of processed slag as a replacement for aggregate in asphalt; more than 85% of all the slag produced at the Sheffield melt shop is being used as an additive in asphalt used for road construction. Secondly, waste volumes have been decreased by production of a lime substitute manufactured by crushing refractory bricks no longer suitable for use in steel making. Compared to 2006, the total amount of waste sent to landfill in 2010 has been reduced by 87%. Development work is continuing with the aim of eventually achieving the full and complete utilisation of all by-products and waste materials produced at the Sheffield melt shop.

The Sheffield melt shop is licensed by the UK Environment Agency as an accredited packaging reprocessor, an important and vital component in the UK's packaging-compliance and waste-reduction efforts. Packaging waste from the Group's operations in Sheffield is recycled and used in the production of new packaging material.

Hydroflux, a product developed by Outokumpu, is manufactured from descaling waste generated on the Group's stainless steel annealing and pickling lines. It can be used to replace the calcium fluoride used as a flux in stainless steel slag management. In a joint project involving the Group's Avesta, Nyby and Degerfors production facilities, ways of re-using hydroxide flux instead of sending it to landfill are being developed. Avesta Melt Shop continues to use hydroflux on a continual basis. The next step is to enable full-scale production of hydroflux.

New Castle in the US completed several projects in 2010 with the aim of achieving lower levels of waste. For example, reductions targets in filter cake, mill scale, general trash and refractory waste were achieved.

Read more about waste management.

Investing in research projects

Almost all of the significant waste streams from Outokumpu's production processes are studied with the aim of reducing their environmental impact. For example the Group's Tornio Research facility coordinated the following environment-related research projects during 2010:

- The ISSF GRASCA - FINCON (Granulation of Slag under Controlled Atmosphere and Use of Stainless Steel Slag as Filler in Concrete) project
- Tests to evaluate fine steel slag as a material for the neutralisation of acidic mine effluent.
- The re-use of OPAR acid regeneration salts produced at Tornio Works in nickel production.
- Bioleaching processes for converting metallurgical wastes into less-chemically-active and less-harmful forms (PROBIO) and the development of new, remote-monitoring systems for both ground water and waste water (MONIWATER).
- A dust-treatment study
- The recovery of metals from scale sludge, oily sludge and steel dusts.
- The use of oil-containing waste water in ferrochrome sintering plant.

Material balance

Materials used, tonnes	2010	2009	2008
Recycled steel	**1 387 051**	1 131 144	1 367 858
Recovered metals	**80 408**	45 513	97 463
Ferrochrome	**230 508**	168 600	265 412
Nickel alloys	**71 674**	63 837	100 654
Other alloys	**82 356**	63 272	86 564

Additives, tonnes			
Slag formers	**251 446**	191 190	227 302
Meltshop process gases	**205 446**	155 978	179 851
Pickling acids bought	**12 668**	10 106	13 220
Pollution prevention materials	**34 705**	25 715	27 216
Packaging materials used for final products	**13 577**	12 876*	15 856*

Energy, million GJ			
Electricity	**10.0**	7.4	9.9
Propane	**4.1**	3.7	4.5
Carbon monoxide gas	**1.5**	0.7	1.4
Natural gas	**0.6**	0.5	0.7
Light and heavy fuel oil	**0.8**	0.7	0.8

Output, tonnes			
Steel	**1 610 053**	1 245 532	1 650 068

Emissions to air, tonnes			
Carbon dioxide	**827 256**	568 000	871 000
Nitrogen oxides	**1 742**	1 207	1 925
Sulphur oxides	**279**	179	277
Dust	**182**	134	216
Ozone-depleting substances	**0.000**	0.016	0.019

Emissions to water, tonnes

Metals	**19.0**	14.9	15.5
Nitrates	**528**	438	578

Hazardous waste, tonnes			
Oily sludge to the treatment	**4 916**	5 907	4 978
Hydroxide sludge landfilled	**42 802**	38 444	49 646
Steel making dust to recovery	**37 047**	25 265	37 240

Wastes and by-products, tonnes			
Slag, total	**451 124**	324 832	593 777
Slag utilised	**121 847**	185 576	443 517

* Figures in the 2009 and 2008 reports were incorrect. The figures presented here have been corrected.

Improving waste handling and preventing soil contamination

Waste materials recycling a priority

Dust and scale collected from stainless steel manufacturing operations are considered by Outokumpu to be significant waste streams. Wherever practicable, these waste materials are collected and recycled to recover the valuable alloying elements they contain – these include nickel, chromium and molybdenum. When necessary, specialist recovery techniques are employed such as the Direct-Current Arc Furnace at the Group's melt shop in Sheffield or external treatment facilities operated by other companies. The total quantity of dusts and scale collected and treated by Outokumpu in 2010 was
47 000 tonnes.

Wastes from Outokumpu production units are sent to appropriate treatment facilities or to landfill sites licensed to accept such materials. Both hazardous and non-hazardous wastes are involved, and pre-treatment of the waste material is completed whenever this is required. Hazardous wastes (oily wastes and hydroxide sludge) generated by the Group's operations in 2010 totalled 48 000 tonnes. All such materials are treated, re-used or disposed of in accordance with current legislation and best practices.

Outokumpu owns and manages landfill sites at some production sites in Finland, in Sweden and in the UK. In Tornio in Finland, a new 5-hectare landfill site for hazardous waste has been prepared, but an older one is still in use. The closure process for this landfill site has been initiated with completion scheduled in 2012. Both landfill sites fulfil all the high requirements and standards set by European legislation.

Read more about materials efficiency.

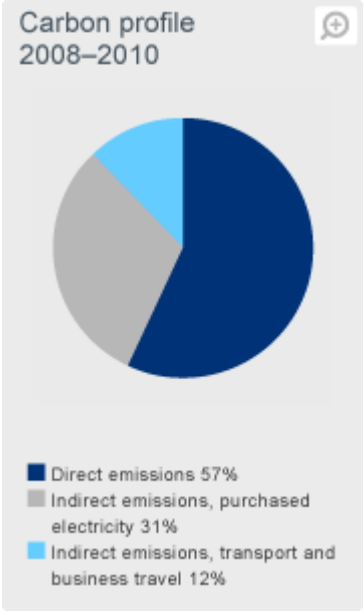
Working hard to prevent leakages and soil contamination

As planned, soil-contamination mapping or remediation operations were ongoing at several Outokumpu sites in 2010. Soil surveys were completed at Fagersta and Molkom in Sweden without any demands for further action. Studies were carried out also at Avesta and Nyby in Sweden together with Wildwood in the US. The decommissioning of Group plant located at Meadowhall and Stocksbridge in the UK continues. Closure of former landfill areas at Nyby in Sweden and Tornio in Finland proceeded as planned, and the capping of Tinsley Park Landfill at Sheffield in the UK, continued. Remediation activities in connection with contaminated groundwater continue at the Outokumpu site in Wildwood. Remediation work connected with a historic oil leakage at Montreal in Canada also continued, with normal operation of the system during 2010. Oil levels in this location are stable or declining.

Energy efficiency

Outokumpu sites use a range of fuels including direct energy sources such as natural gas, propane, heavy fuel oil and electricity. Direct energy use by the Group totalled 7.0 million GJ in 2010 and electricity consumption totalled 10.0 million GJ (2.8 million megawatt hours). Total energy consumption, 17.0 million GJ, increased some 31% compared to previous year mainly due to recovering process volumes and the long production stoppage of Ferrochromium smelter during 2009. Total annual energy consumption by Outokumpu is approximately equivalent to the amount of energy consumed by 210 000 Scandinavian households. Electricity consumption compares to about 30% of the annual output of a modern 1 600 MW nuclear power plant.

Outokumpu's Energy & low-carbon programme



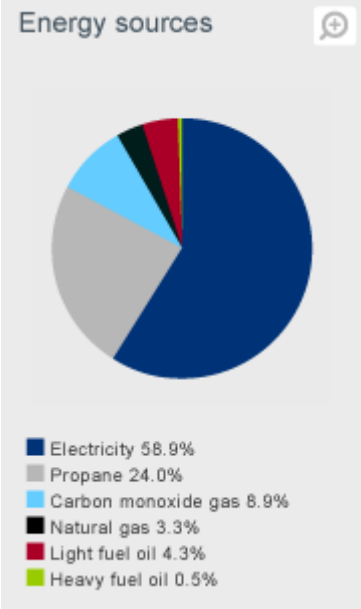
In the last ten years, Outokumpu has reduced the Group's direct carbon dioxide (CO_2) emissions by 25% per tonne of stainless steel produced. In the Outokumpu Energy and low-carbon programme, published at the beginning of 2010, Outokumpu's target is a 20% reduction in the Group's specific carbon emissions profile in stainless steel production by 2020. In assessing and measuring the Group's carbon profile, we utilise a method of calculation which focuses on factors that Outokumpu can manage and control.

The targets set in Outokumpu's Energy and low-carbon programme highlight not only specific reductions but also the Group's production efficiency, as emissions are calculated per tonne of stainless steel produced. These targets connect our materials and energy efficiency and supply chain management to our business targets. The figure for monitoring progress is the 3-year moving average that is compared to the baseline, which is the 2007–2009 period. Targets of the Energy and low-carbon programme represent optimal Group-wide environmental objectives both for Outokumpu and for combating climate change. They also support the Group's strategic goals and their achievement is supported by different energy and quality programmes. As the targets are both quantitative and a clear demonstration of our long-term commitment in this area, they encourage continuous improvement.

Calculated in terms of current capacity and production, the annual reduction in CO_2 emissions being targeted is approximately 370 000 tonnes by 2020, which means a total reduction of 2 200 000 tonnes over the 2010–2020 programme period.

Our actions and the results achieved

Primary actions included in the programme consist of making further improvements in energy efficiency, increasing the proportion of low-carbon electricity and targeting efficiency improvements through optimal levels of production. An internal air-travel compensation scheme has been implemented for business travel, and sustainable aspects are gradually integrated to logistics and transportation solutions. These actions involve Outokumpu operations in all locations and in all business units.



Outokumpu's carbon profile consists of direct emissions from production operations, indirect emissions from electricity consumed and the emissions resulting from the transportation of products and business travel, expressed as a quantity per tonne of stainless steel produced. After 2010, the Group's carbon profile was 0.3% lower compared to the programme baseline 2007–2009 average. This result is primarily due to improvement in energy efficiency and the lowered emissions of transports. On the other hand, indirect emissions from usage of electricity were higher compared to the baseline, almost offsetting the advancement.

Improvements in energy efficiency achieved by Outokumpu during 2007–2010 totalled 3%, equivalent to annual savings of some 160 GWh. The proportion of low-carbon electricity obtained from renewables and nuclear power was 69%.

Emissions of CO_2 resulting from business travel in 2010 totalled 5 164 tonnes (includes business air travel and company cars). To compensate for emissions resulting from business air travel in accordance with guidelines in the Energy and low carbon programme that reflect such activity, an investment will be made in environmental projects that lead to emissions reductions. The level of such investments will depend on the price of emission allowances, the total number of kilometres travelled and specific emissions by air carriers. Outokumpu has invested in 2010 approximately EUR 90 000 in new lighting systems at the Group's Wildwood tube mill. The annual energy savings achieved total some 1400 MWh, with a corresponding reduction of 910 tonnes in annual CO_2 emissions.

Continuous improvement in energy efficiency

Outokumpu's approach to energy efficiency is long-term and the target is continuous improvement. Energy efficiency is a component in the environmental management systems at Group mills. Major Outokumpu production sites also have long-term, prioritised energy efficiency investment plans. In overall terms, the largest energy-saving potential lies in the recovery of waste heat, improved process integration and improved efficiency in using raw materials.

Large, energy-specific investments are however not the only way of improving energy efficiency within the Group. The systematic monitoring and analysis of energy consumption plays a very important role, as does life-cycle analysis when purchases of new electrical equipment are being considered. Outokumpu provides its production personnel with training in energy efficiency.

To meet long-term targets for improvements in energy efficiency, Outokumpu arranges for the mapping of energy-efficiency initiatives and investment proposals in order to quantify their improvement potentials and any associated costs. This mapping process helps optimise energy-efficiency investments at Group level. The aim is a 5% improvement in Outokumpu's energy efficiency by 2020.

Read more about investments in energy efficiency.

Sustainable power solutions

Outokumpu's Energy function is responsible for procuring the electrical energy used in the Group's operations. The primary objective is to ensure favourable and stable prices for power supplies by hedging against future price changes. Other important tasks carried out by the Energy function include the management and optimisation of Outokumpu's physical energy portfolio and energy-production assets as well as the provision of support for Group companies in their energy-related activities.

Energy used 2010

GWh	Electricity	Fuel energy	Total
Tornio	2 032	1 237	3 269
Avesta	360	346	706
Sheffield	171	113	284
Other	224	247	471
Total	2 787	1 943	4 730

Origin of electricity 2010

%	
Renewable sources	47
Nuclear	22
Fossiles and turf	31

Outokumpu has adopted a long-term approach to developing its methods for procuring physical energy in the Nordic countries. The Group's power portfolio is handled by engaging in trading activities in the Nordic market for electrical power, through bilateral long-term supply agreements, and by making investments in power-generation capacity. By managing risks against price volatility, Outokumpu aims at competitive and stable prices for electricity. Another aim is to purchase environmentally-sustainable electrical power. Outokumpu has therefore acquired low-carbon nuclear, hydropower and windpower production assets.

Despite of protective actions against price risk, changes in the Nordic Power market still have a significant impact on Outokumpu**.** In 2010 the average system price of electricity in Nord Pool was 53 €/MWh. In the beginning and end of the year cold weather and weakening hydrological situation caused exceptionally high prices on the market. The hydrology remained weak throughout the year. As well, the low utilization rate of the Swedish nuclear stations pressured prices up during 2010.

Outokumpu's aim is to purchase low-carbon electricity

Nuclear power

Outokumpu has a 20 MW share in the new Olkiluoto 3 nuclear power project currently under construction in Finland. The Group's aim is to have access to an additional 150 MW of low-carbon power as one of stakeholders in Fennovoima, which plans to begin operating a new nuclear power plant in 2020. In 2010, Finland's Parliament granted Fennovoima permission to build this new power plant as a Decision-in-Principle. The location of the plant will be selected in 2011 and construction is scheduled to begin in 2012.

Hydropower

Through a long-term leasing agreement, Outokumpu has access to 104 MW of Norwegian hydropower capacity in Rana, Norway until 2020.

Windpower

Outokumpu is a minority shareholder in Rajakiiri Oy, a company that has been building a wind farm in Tornio. The winning proposal of Outokumpu's internal EUR 5 million competition in 2008 was to invest in power generation by wind turbines to reduce CO_2 emissions. The investment was made in Rajakiiri, and the eight shoreline wind generators with the total capacity of 28.8 MW started electricity production at the end of 2010. Rajakiiri is also drawing up plans for an offshore wind farm that will have an installed capacity up to 225 MW.

Combined Heat and Power

The Group has a minority stake in a Combined Heat and Power (CHP) plant in Tornio. This plant delivers heat to the Tornio Works, and a proportion of the fuel used is carbon monoxide gas created as a by-product of the ferrochrome production process. The CHP plant has also acquired a local heating business in Tornio. This acquisition will lead to better optimisation of the CHP plant, improvements in energy efficiency and a reduction in the level of CO_2 emissions in the Tornio-Haparanda region.

Energy and emissions trading

Outokumpu's main production operations in terms of energy consumption and carbon emissions are located in Europe. More than 90% of Outokumpu's direct emissions fall under the CO_2 Cap and Trade system. The European Emissions Trading Scheme places a direct financial cost on production emissions and the indirect costs of emissions trading are reflected through higher electricity prices. These two elements raise Outokumpu's marginal production costs in relation to our global competitors. Outokumpu emphasises the need for global regulation in efforts to transfer to the low-carbon society.

The major emissions of greenhouse gases by Group operations are twofold: direct releases of CO_2 from the company's sites as a result of combusting fossil fuels and process-related emissions from the Outokumpu's steelmaking operations. Outokumpu's carbon dioxide emissions in 2010 totalled 827 000 tonnes. Outokumpu's emissions trading activities fully comply with the relevant EU laws and regulations, with agreed procedures and with the Group's trading and risk policies.

Carbon dioxide emissions under EU Emissions Trading Scheme were still at lower than normal level in 2010 due to reduced levels of production, approximately 795 000 tonnes (2009: 540 000 tonnes). Outokumpu's carbon dioxide allowances in the UK, Sweden and Finland were sufficient for the Group's planned production.

The EU Emissions Trading Scheme after 2012

The European Commission (EC) and the European Parliament have agreed that the EU Emissions Trading Scheme (ETS) will continue, with the next trading period being 2013–2020. On the third emissions trading period, 2013–2020, the ETS will become a more restricting system. The total annual emission cap in Europe and share of free allocation of emissions will gradually decrease. Auctions will be the main form of issuing allowances. Outokumpu's operations under ETS will continue to receive free allocations according to efficiency-based benchmarks and historical activity. It is estimated that Group will be some allowances short and that the situation will most likely vary more than before within Group companies. One important issue for Outokumpu has been to qualify for a free allocation of emissions allowances during 2013–2020 by being part of an industry sector where there is a significant risk of carbon leakage. According to an EC decision, all of Outokumpu's ETS operations are currently qualified. Rules on how free allocations of emissions allowances are to be distributed will be finalised during 2011.

The renewed ETS directive states that member states can offer companies compensation for carbon dioxide related increases in electricity prices. As Outokumpu has three electricity-intensive installations in three different EU countries, this is an important aspect.

Read more about emissions trading.

Voluntary energy efficiency agreements

Outokumpu has participated in voluntary national energy efficiency agreements in Finland, Sweden and the UK for many years. The Tornio Works joined the Finnish programme at the beginning of the 1990s. Energy savings in electricity, heat and fuel achieved during 2010 totalled 961 GWh. To ensure that systematic improvements in energy efficiency continue to be achieved, Outokumpu sites in Finland signed new energy-efficiency agreements in December 2007 covering the 2008–2016 period.

In Sweden, the first round of the PFE (*Programmet för energieffektivisering i energiintensiv industri*) agreement – in which the target was annual savings in electricity consumption of 4 GWh – ended in the summer of 2009 with savings of 8 GWh having been realised. The Group is a participant in the second period (2009–2014) of this agreement. In connection with energy issues, Outokumpu usually works closely with national authorities – with Motiva in Finland and by participating in the *Jernkontoret* forum in Sweden.

Stainless steel in innovations against climate change

The steel industry is energy intensive and Outokumpu's steelmaking and rolling processes are no exception. Despite of a large energy usage and carbon footprint, stainless steel is generally a solution in climate change related issues, not a problem. Decreases in carbon footprint and improvements in energy efficiency are, in many cases, based on the use of stainless steel. In the energy industry, transportation, as well as building and architecture, the use of stainless is essential, providing a way to achieve new climate targets by its energy-efficiency. For instance, some biofuel applications would practically not be possible without the use of stainless steel due to the required corrosion resistance.

Studies show an energy efficient material

Outokumpu has recently participated in a project to collect and update European Life Cycle Inventory (LCI) data for production of stainless steel. Comparing the results published in 2010 to those obtained from a similar exercise in the late 1990s, the carbon efficiency (i.e. CO_2 efficiency) of stainless steel manufacturing was found to have improved dramatically. According to this study, the carbon footprint of austenitic stainless steel is now approximately 40% smaller than it was a decade ago. Factors facilitating this improvement include better process efficiencies, the use of a higher proportion of recycled stainless steel and the less-carbon-intensive electricity mix currently being employed.

Another study made by Boston Consulting Group in Germany (*Steel's CO_2 Balance – A Contribution to Climate Protection, 2010*) analysed the impact of the steel industry on CO_2 emissions. It found that in sectors such as energy generation, traffic, and household consumption, innovations with the use of steel create a potential to decrease the carbon footprint by innovative, climate-friendly applications. By the year 2020 in Germany, a total annual reduction potential of approx. 74 million tonnes of CO_2 was calculated from the examined examples of steel applications alone. Compared with the total emissions of the German steel industry in the year 2007, approximately 67 million tonnes, the result is a positive CO_2 balance.

The largest potential was found in an efficiency increase in fossil fuel power plants and an expansion of renewable energy sources, and also in the reduction of emissions in traffic through lighter vehicles. Approximately one-third of the German federal government's climate target (a 40% reduction of greenhouse gas emissions by 2020 compared with 1990) could be achieved by increasing the usage of steel alone. A strong steel industry is therefore – also from a climate-policy perspective – an important link in the value chain in providing the required material innovation.

Outokumpu recognises the need for energy to be used efficiently and continued hard work has given us a very good record in energy efficiency. Outokumpu processes are considered to be Best Available Techniques (BAT) as defined in the EU's integrated pollution prevention and control directive. At our ferrochrome production unit in Tornio, for example, energy consumption is very close to the theoretical minimum and no more than two thirds of the amounts used in traditional processes. Both process heat and process gases are recovered and re-used as direct energy sources and heating.

Read more about energy efficiency and programme results at Outokumpu.

The carbon footprints of Outokumpu products are lower than the EU average

Results from the European Life Cycle Inventory study in 2010 indicate that Outokumpu production sites are well placed in terms of "carbon-efficient" steel manufacturing. All Outokumpu products had smaller carbon footprints than the average for stainless steel manufactured in the EU. The carbon footprint of Outokumpu quarto plate products was almost 20% lower than the European average, austenitic flat products produced by the Group were about 10% more carbon-

efficient than average, and the Group's 430 ferritic grade performed well compared to the average. Data on Outokumpu's ferritic products was updated using 2009 information as ferritic production within the Group had only just begun when the LCI study began.

Outokumpu has also been an active participant in the Swedish Steel Eco-Cycle research project, the Swedish steel industry's first extensive and coherent research effort with an environmental focus. Improvements are being sought at all stages in the steel life-cycle, from mining through the manufacture of steel products to recycling. The project is currently in its second phase (2009–2012).

Outokumpu's Energy & low-carbon programme

The Group's long-term efforts and results achieved in the field of energy and material efficiency, R&D and product stewardship have reinforced our leadership position and provide a solid base for progress towards a low-carbon society. The Outokumpu Energy and low-carbon programme, published at the beginning of 2010 defines both the Group's ambitious targets and the actions required to reach them. In the last ten years, Outokumpu has reduced the Group's direct carbon dioxide (CO_2) emissions by 25% per tonne of stainless steel produced. Outokumpu's target is a 20% reduction in the Group's specific carbon emissions profile (direct and indirect emissions) in stainless steel production by 2020.

Read more about risks related to climate change.

Emissions and effluents

One of Outokumpu's principles is that best available techniques (BAT) be employed to reduce emissions and minimise harmful environmental impacts which may result from the Group's operations. BAT means economically and technically best available pollution prevention technology. Employing BAT means that the latest technology is used to keep emissions from Outokumpu operations at the lowest achievable level. To maintain the best possible levels of emission control in the future, Outokumpu is continually developing its processes and pollution prevention techniques and is also an active participant in the process of updating the reference documents (BREF) which define related technologies, helping to set the high standards that are applicable within the European Union.

Efficient systems help to prevent spills and instances of non-compliance

All Outokumpu's larger production sites employ either Environmental Management Systems (EMS) or risk-based management systems which help in avoiding spills and accidents that could be harmful to humans or to the environment. All of these Group systems operate in accordance with ISO 14001, the international standard for environmental management systems.

In 2010, emissions and discharges were generally at normal levels and in compliance with environmental permits, but some spills and instances of non-compliances did occur. At Tornio in Finland, some violations of permitted emissions limits took place but were essentially insignificant. The required operational level of 97% in dust-filtering units was not achieved on some occasions, but the resulting emissions of dust totalled only some hundreds of kilos. The emissions limit on suspended solids in waste water was also exceeded on two occasions when construction work was being carried out in the area of the settling pools. These incidents only lasted for a number of days.

At Sheffield in the UK, minor breaches of emissions limits for the Direct-Current Arc Furnace extraction system occurred in 2010. At Nyby and Långshyttan (Kloster) in Sweden, and at Sheffield, incidents involving discharges into local watercourses occurred. On all of these occasions, the environmental authorities were informed and no environmental damage was reported. Environmental compliance data for 2010 shows 12 breaches of permitted limits, and 3 incidents for which there is a financial penalty.

Radioactive material detected before entering the process

Sources of radioactive material may enter the stainless steel production chain via the recycled stainless steel used in the process. Such radiation usually derives from naturally-occurring sources. In some cases, the source of radiation is components in the measuring equipment extensively used by heavy industry. These items can contain small amounts of radioactive isotopes – with the maximum quantity measured in grams. Sources of this type are normally detected before they enter the Outokumpu production process.

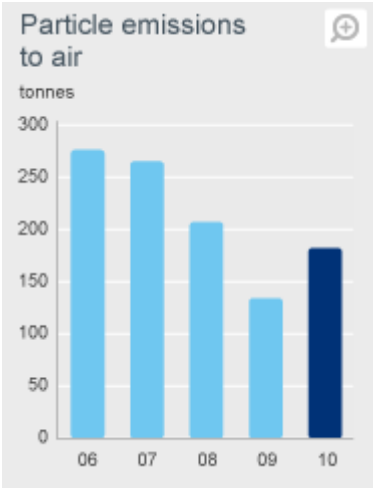
In 2010, three incidents in which radioactive material entered an electric arc furnace despite the presence of alarm systems occurred at the Group's facilities in Tornio in Finland (two incidents) and Sheffield, UK (one incident). The radioactive material concerned was identified as americium 241, an isotope employed in measurement instruments. All dusts and slag from the affected melt were separated and measured, and the radioactive materials were stored separately in accordance with guidelines provided by the national authorities. The dose rate associated with the radioactive material in these cases was not on a level harmful to humans.

Investments in technology are reducing dust emissions

Dusts of different types have traditionally formed the most significant emissions resulting from operations by the steel industry. The majority of Outokumpu's particle emissions originate from the Tornio, Avesta and Sheffield steel mills and the New Castle hot rolling mill. In 2002–2006, more than EUR 20 million was invested at the Group's steel plants to

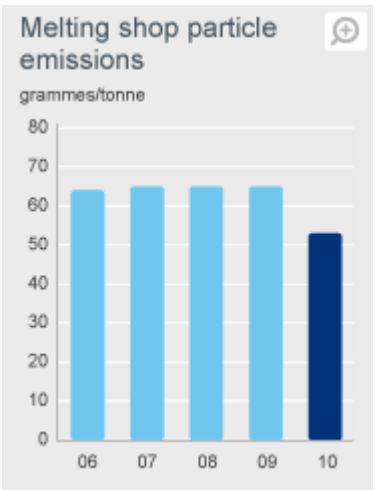
improve their environmental performance and minimise dust emissions. Even though total production of stainless steel has increased since 2000, levels of dust emissions from the Group's operations have declined significantly. In 2010, the dust emissions were 182 tonnes, ie. 36% more than in 2009, this was mainly due to increased production, especially at the Ferrochrome smelter, the production volumes of which nearly doubled.

A clean mine



The Kemi Mine is the only chromium mine located in the European Union. Because the ore-bearing minerals are very stable and chemicals are not used in the beneficiation process, operations at the mine have only a minor effect on watercourses. Metal discharges in particular are small, their effect only being observable as slightly elevated nitrogen, solids, calcium and iron concentrations in watercourses. The largest emissions into the air result from open-pit mining activity, the transportation of ore and waste rock, from operations in the product loading area and from piles of concentrate. During 2005, the Kemi Mine made a shift from open-pit operation to working underground. Mining operations including preliminary crushing are carried out underground. Therefore dust emissions into the air have become minimal (approximately one tonne in 2010). The effect of particulate emissions on air quality is still monitored regularly by studying levels of Suspended Particulate Matter. The results from the last monitoring period are currently being analysed.

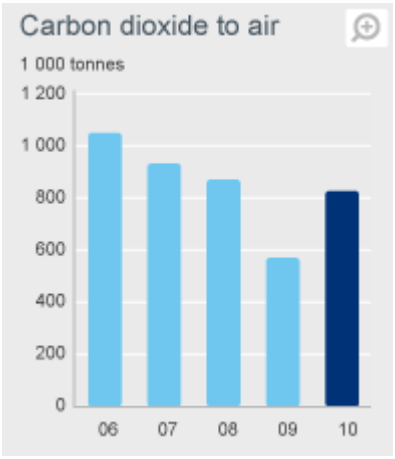
The mine's piles of gangue (waste rock), open-pit mining activities and the bene



ficiation and clarification basins all have a long-term effect on the landscape. Tailings basins are landscaped after they have filled up. The gangue will be used in backfilling the underground workings. The Kemi Mine only uses water (and a minor amount of flocculant) in its concentration processes as these are based on gravimetric separation. The amount of water used annually is approximately 0.3 million cubic metres. The noise caused by blasting operations is almost inaudible, even in the mine area. According to environmental impact assessments performed in 2009, the only significant effects result from the increased traffic generated by transporting concentrate from the mine to the Tornio ferrochromium plant. These effects were further mitigated by a new transport road taken into use in 2010, which minimises potential disturbance to residential areas.

Reductions in emissions

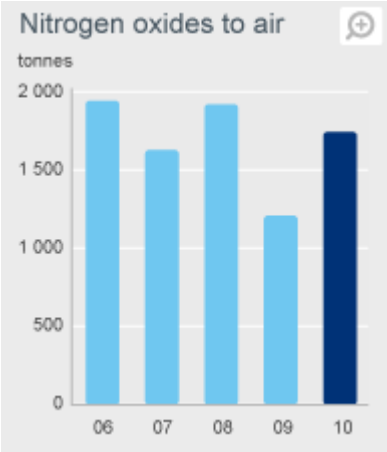
Dust emissions from Outokumpu's operations typically contain small quantities of metals (including iron, chromium and nickel) which are mainly present in a harmless form. Chromium, for example, is usually found in its trivalent form and not in the hazardous hexavalent form. In recent years, the Group has supported many studies investigating the effects of metal emissions on both the environment and human health.



Emissions of nitrogen oxides were on a higher level in 2010 (1 742 tonnes) compared to 2009 (1 254 tonnes) due to higher levels of production. To minimise emissions, Outokumpu production sites in Avesta, Nyby and Tornio are employing the latest burner technology and selective catalytic reduction technologies in certain processes.

Continually improved monitoring reduces environmental risks. For example, particle emissions from the steel melting shop in Tornio have been monitored using a continuous emissions-measurement system since the beginning of 2007. This more detailed daily emissions data helps immediate detection of potential filter leakages. The primary origin of the Group's sulphur dioxide emissions is the district heating unit at Tornio Works which is used only occasionally during the cold winter season.

Recovering heat from furnace gases at the Tornio and Avesta Works also reduces Outokumpu's energy consumption. Emissions of nitrogen oxides, carbon dioxide and



sulphur dioxide are correspondingly lower as fuel does not need to be burnt to produce heat. The energy efficiency measures which have been implemented have also reduced the Group's specific carbon dioxide emissions.

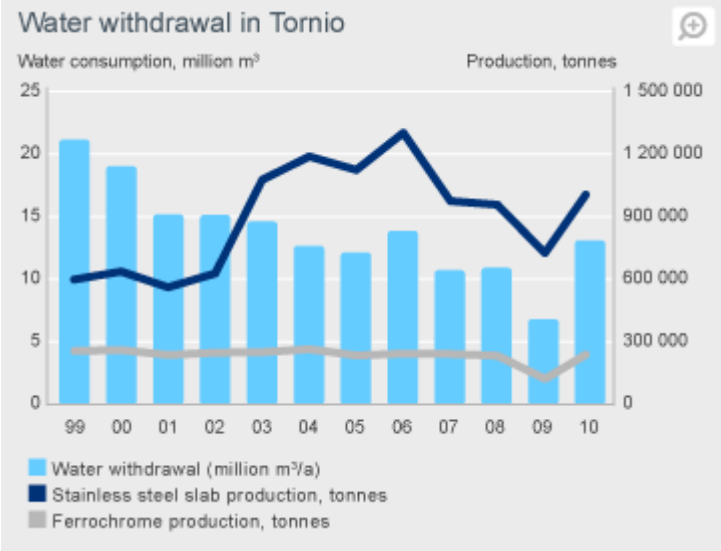
In general terms, ambient air quality in the Tornio and Haparanda communities is equivalent to that found in other communities of similar size in Finland and Sweden. Emissions from Outokumpu's production have not been found to deteriorate at any significant level the air quality in the regions.

Water – a natural resource for cooling

Steelmaking operations are based on high-temperature processes in which the cooling requirements are extensive. To protect people and equipment, Outokumpu's primary production operations employ water for this purpose, and considerable volumes – annually approximately 20 million m^3 – are used, particularly in the Group's melting and rolling operations. In 2010, the figure was 24 million m^3.

Availability of water is of major importance in high-temperature processes, since interruptions in the supply of water can result in significant damage. In many of the locations in which Outokumpu operates, local water supplies are abundant and the Group's usage of water has only a minimal effect on the resources available. Cooling water is used either directly through contact with steel surfaces, or indirectly through heat exchangers. In the latter, the only "contamination" to which the water is subjected is that its temperature is higher when it is pumped back into the watercourse from which it was extracted.

Water used in Outokumpu's operations in 2010 came from different sources. Over 95% was surface water (from rivers or the sea). Usage of ground water was minimal. Approximately 3% was rainwater (in the Kemi Mine), while municipal water sourced from rivers or lakes accounted for about 4%. Municipal water is used by the Group primarily in food preparation and for sanitary purposes, not in steelmaking processes.



90% of water recycled on average

To minimise the risk of polluting local resources, a high proportion of water used in Outokumpu's production is cleaned and recirculated. At the Avesta site, for example, the total amount of water in circulation is approximately 50 million m^3. To replenish the system, 4.5 million m^3 are pumped from the Dalälven river annually, a recirculation rate of almost 90%. This means that water is used for cooling an average of 10 times, with cleaning between each use.

Water recycling rates vary with the seasons. In winter, only a proportion of the cooling water at Tornio Works is recycled as the balance is discharged into the harbour basin to help reduce the amount of ice in the port. Preventing ice formation in this way reduces the need for ice-breakers.

At the Kemi Mine, approximately 2.5 million m^3 of water are used in the ore concentration process each year. This water is fully re-circulated via a settling-pool system which consists of three pools covering an area of more than 200 hectares. These pools are in an almost natural state.

Rainwater collected and treated

Many of the Group's sites cover large areas of land, and the volumes of rain and snow that fall on these areas are therefore considerable. Rainwater from Outokumpu sites is collected and treated in oil-separation facilities to minimise any environmental impact.

Smaller amounts of rainwater fall on landfill areas located on Group sites, and this water may come into contact with alkaline wastes that could be contaminated with the hazardous compound hexavalent chromium. Such waters are treated to reduce the already-small chromium content to its naturally-occurring level, either through direct treatment in landfill areas, or by pumping the water to neutralisation plants.

Paying attention to water discharges

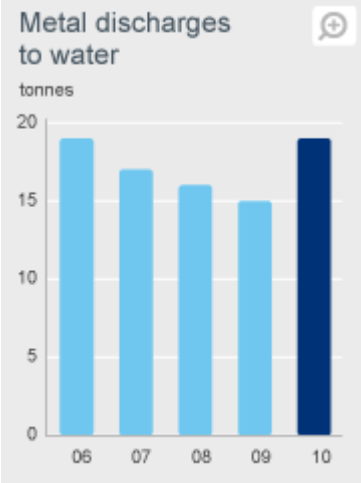
From an environmental perspective, the most significant components in water discharges from Outokumpu's stainless steel production processes are metal compounds and nitrates resulting from the neutralisation of acidic wastes generated in the Group's cold rolling units. Effluent discharges at all of Outokumpu's production units are controlled so as to minimise their impact on the environment. At the Tornio Works in Finland, for example, external studies conducted in the 2000s have shown that levels of metals in the primary discharges from the plant are much lower than the natural loading of metals in local rivers flowing into the Gulf of Bothnia.

Developing discharge handling techniques

Nitrate loadings originate in the pickling acids used in descaling operations involving stainless steel. A number of different techniques are employed by the Group to reduce nitrate loadings in effluent discharges from these operations, including pickling-acid recycling technologies. Outokumpu continues to work on the development of discharge-handling techniques to further reduce effluent loadings.

At the Group's Kemi Mine, the main source of nitrates is the explosives employed in blasting – a small proportion of the explosive charges used is washed out into the facility's water-circulation system. Passage through three large ponds (a total of almost 200 hectares) located upstream of the point at which discharges into the recipient water system take place results in the nitrate content of the water being reduced by some 60%. As these water ponds are natural removal units there are no associated negative impacts on the Iso-Ruonaoja, the recipient water system.

R&D to reduce discharges into water



Several research projects aimed at reducing nitrate discharges into the waterways have been carried out at a number of Outokumpu's production sites in Sweden. At Avesta, this resulted in the investment of EUR 28 million in a new acid-recycling system that was installed during 2010. Process start-up is scheduled for early 2011 and this method of handling acids will result in drastic reductions in the quantities of nitrates that are discharged in this location. As the new process also generates a metal oxide that can be used as a raw material in the steel melting process, the new system will also reduce the quantities of sludge sent to landfill.

At the Avesta site, the oil-separation station used for purifying cooling water and rainwater has been converted into a modern lamella filter unit. Process control ensures that oil is separated from water streams. At Tornio, to further reduce concentrations of nitrogen and suspended solids, plans to use the large dredging pond near the harbour as a post-treatment area for effluents from the Works have moved forward. The basin is expected to be taken into use during the year 2011. It has also been decided that the cleaning station for sanitary waters will be renewed.

Read more about the health of water ecosystems.

Water withdrawal and discharges

Water withdrawal by source	**2010**	2009	2008
Surface water, million m^3	**24.0**	17.2	19.3
Municipal water, million m^3	**1.0**	0.9	1.1

Water discharges by type and destination			
Cooling water out, million m^3	**8.2**	8.1	11.5
Waste water out, million m^3	**13.1**	7.3	7.8
Metal discharges to water, tonnes	**19.0**	14.9*	15.5
Nitrogen in nitrates, tonnes	**528**	437	578

* The figure in this table in the 2009 report was incorrect.

Biodiversity

Natural surroundings at stainless steel production sites remain unharmed

The production of stainless steel does not employ or reserve large areas of land or have a significant effect on biodiversity in the surrounding natural environment. Outokumpu production facilities are not located in sensitive areas such as Unesco World Heritage sites, Ramsar sites or Unesco Biosphere reserves. During recent decades, Group sites have not been found to disturb local biodiversity in any manner which is unacceptable.

Impacts regularly evaluated

None of the species included on the International Union for the Conservation of the Nature and Natural Resources (IUCN) Red List (a list which identifies and documents species most in need of conservation attention if global extinction rates are to be reduced) are known to be affected by Outokumpu's activities. Although the Group does not have any significant operations in ecologically sensitive areas, impacts on biodiversity at Outokumpu production sites are evaluated on a regular basis as part of environmental management processes.

No disturbance to local biodiversity

The environmental authorities have investigated the EU Natura areas located near Outokumpu's Tornio site. Reports and statements issued in the 2000s indicate that the Group's activities do not have a significant negative impact or threaten biodiversity in these areas.

At the Outokumpu site in Sheffield in the UK, an area has been established to provide protection for wading birds which nest there in springtime. Measures are taken to ensure that these nesting birds are not disturbed.

Former production sites returned to their natural state

Outokumpu ensures that areas which have been used for production operations are returned to their natural state. At the Group's Kemi Mine, waste rock extracted from the mine workings is now being utilised and intermediate rock-storage locations are being used in underground construction and for gallery-filling operations.

At the Kemi Mine, the Group's use of one 22.5 hectare concentrating sand bond in production processes ceased in 2008. Drying out has commenced in 2010 and landscaping and reafforestation will be carried out in accordance with the remediation plan. Bonds still in active use support a rich waterfowl population which includes rare species.

At the Tinsley Park landfill site in Sheffield in the UK approximately 50% of the landfill area has been capped as waste-tipping operations in these locations have been completed. As part of Outokumpu's commitment to the follow-up care of this area, restoration work being carried out by the Group will add to natural levels of biodiversity. Plants being used are native species and the operations being conducted include establishing areas of meadow. Wild flowers are being sown to provide an environment in which invertebrate life such as butterflies and bees can thrive.

The decommissioning of production sites at Meadowhall and Stockbridge in the UK closed in 2009 proceeded according to plans agreed with the local authorities in 2010. No environmental issues have emerged in these locations.

Marine ecosystems are in good health

With Tornio Works located in the estuary of the Tornionjoki river on the coast of the Gulf of Bothnia and close to nature reserves, Outokumpu's production operations have been developed to be ecologically friendly from the beginning. Many

studies monitoring the prevailing biological, physical and chemical conditions have been carried out near the Tornio site since the 1970s. In 2008, results of voluntary research concerning the impact of nitrates on recipient water at the Tornio site and the Kemi Mine were published. These showed that impacts are restricted to the immediate proximity of the discharge points at Tornio and cause slight eutrophication. At the Kemi Mine, the impacts on sea areas are essentially negligible.

Pollution prevention techniques being employed by Outokumpu mean that increases in emissions can be avoided, and further reductions from earlier emissions levels will be achieved in many cases even at higher-than-current production levels. Annual studies carried out by Pöyry, a consulting company, have shown that impacts on the sea areas close to the Group's production plants have diminished during the last ten years and that the associated marine ecosystems are in good health.

A number of studies which include the continuous monitoring of discharge levels have shown that discharges of chromium and nickel are now 60–80% below levels measured ten years ago. Considered to be the most significant metals released into the sea by Outokumpu's production activities at Tornio, current discharges of chromium and nickel only represent a fraction of the total metal loading, which originate in the main from natural sources in the northern part of the Gulf of Bothnia. This is because Tornionjoki and Kemijoki, the two local rivers, carry far greater concentrations of these metals into the sea than the combined amount discharged by the Group's facilities. Activity in local fisheries located near the Tornio Works is at healthy levels and commercial fishing operations are carried out close to the production plant. Research indicates that the metals released from the Outokumpu facilities do not accumulate in the marine food chain.

Continuing measures to improve the condition of the Baltic Sea

Outokumpu is participating in the Baltic Sea Challenge as mentioned in the programme published at the beginning of 2010. We use the practical measures already instituted at our Tornio Works in the 2000s and will also take action in the future to improve the condition of the Baltic Sea. In 2010, the required effluent permit was amended permitting us to take into use the 70 hectare-suction-dredging basin for effluents before they are discharged into the sea. During 2011–2012, the sanitary treatment facility of Tornio Works will be modernised to fulfil the new stricter efficiency requirements coming into force in 2013. These measures will help us reduce our impact on the Baltic Sea.

See the Baltic Sea Action programme.

Transport efficiency plays a role in reducing indirect emissions

Outokumpu has been working hard to improve the environmental performance of the Group's transportation networks. As part of our long-term targets for reducing our indirect and direct CO_2 emissions, also targets for transporting products have been included. They all are specified in the Outokumpu Energy and Low-carbon Programme.

Outokumpu has a five-year contract covering the 2008–2012 period with the EuroLink railway system. EuroLink connects the Group's Avesta, Degerfors, Nyby, Sheffield and Tornio sites and is Outokumpu's primary internal, rail-ship-rail transportation solution for materials. Specialised equipment is used to transport raw materials and coil as well as slab and billet products. As finished material is transported on an intermodal basis, products are only handled during loading and offloading operations.

Supply Chain Management goals in system solutions such as EuroLink include the maintenance of a reliable and frequent service between Outokumpu sites throughout Europe. The system is low-cost, has high capacity and very good levels of reliability. As it is rail-based and most of the locomotives used employ electric drive, EuroLink has an excellent environmental profile when compared to alternative methods of transportation such as trucks or ships, which use internal combustion engines.

Moving from road to rail transportation

In 2010, CO_2 emissions resulting from the transportation of finished products by the Group totalled 157 752 tonnes (2009: 128 285). The proportion of products transported by road totalled 50% and the proportion transported by ship totalled 26%, with 24% being transported by rail. At 1.4 million tonnes, the volume of products transported in 2010 was higher than in the preceding year (2009: 1.0 million tonnes). The primary reason for the increse in associated emissions is higher volumes transported. Nevertheless our transport mix is more emission efficient; the share of road transports decreased from 55% to 50%, while the share of rail transports increased from 17% to a record high of 24%. The share of ship transports decreased by 1.6%.

Environmental investments further improve sustainability

Operational costs for Outokumpu's environmental activities totalled EUR 52.2 million in 2010, with costs associated with the treatment and disposal of waste totalling EUR 2.6 million. Provisions and guarantees connected with environmental considerations totalled EUR 16.1 million, and additional provisions for the aftercare of former mining sites totalled EUR 0.5 million. Environmental investments by Outokumpu in 2010 totalled approximately EUR 16.0 million (2009: EUR 11.7 million), a clear indication of the Group's commitment to achieving increased sustainability.

Main environmental investments

Work on the three-year project launched in 2009 – an investment totalling EUR 28 million – to install a new acid regeneration plant at Avesta continued. The objective is to reduce the quantity of nitrates discharged into the Dalälven river by one third. Start-up is scheduled to take place in the first quarter of 2011.

Other major environmental investments in 2010 included:

- District cooling at Tornio Works (EUR 8.6 million)
- Fume-extraction equipment at Sheffield melt shop (EUR 2.3 million)
- New dust filters at the Avesta slab-cutting station and hot-slab grinding equipment
- At Degerfors, completion of both a project to improve water treatment in the hot rolling plant and a project to reduce discharges of nitrogen from the neutralisation plant.
- At Special Coil and Plate in New Castle in the US, both the installation of an annealing furnace and the replacement of batch-pickle arrangements by a vertical pickling line were completed.
- A new feeder station for hydrogen peroxide at the pickling station in tubular products facility at Storfors.
- At Degerfors new exhaust gas analyser investment decision in the purpose to decrease energy consumption and nitrogen oxide emissions.

Investments to improve energy efficiency

Continuous improvement, efficient operations and maintenance are essential elements in our work to improve energy efficiency of Outokumpu's operations. At the Group's Avesta Works in Sweden, improvement measures undertaken during 2010 included:

- The installation of high-efficiency motors and frequency converters in the continuous-casting steam-extraction system.
- The introduction of set-up routines to locate and reduce leakages of pressurised air in a systematic manner.
- An increase in the usage of secondary heat in the ventilation of buildings where continuous-casting and grinding operations are carried out, reducing the consumption of external district heat.
- A considerable reduction in the consumption of Liquid Petroleum Gas achieved by optimising operating procedures and only using one of the site's two walking-beam furnaces.
- Reductions in electrical power consumption through improved control of the electrolytic process in the annealing and pickling line.
- Savings in the consumption of district heat achieved by lowering the LPG vaporisation temperature.

- Major actions to optimise and stabilise the Electric arc furnaces and converter processes in both the short-term and long-term. As well as providing immediate energy savings, this also enhances the potential for achieving savings in the future.

At the Tornio Works in Finland, the largest improvement in energy efficiency achieved during 2010 resulted from the decision to invest in a new centralised district cooling system. A total of 50 individual electrically-driven refrigeration compressors in Cold Rolling Plant 1 will accordingly be replaced, reducing annual electricity consumption by 11 GWh. Much of the cooling in the new system will come from absorption coolers utilising district heat in which the primary form of energy employed is waste heat. The Finnish Government has granted this project a subsidy of almost EUR 2 million in 2010 as it represents a major energy-saving action. Planning activities commenced in the autumn of 2010 and construction began at the beginning of 2011. The new system will be taken into operation by the end of 2011.

In the summer of 2010, Outokumpu invested some EUR 2.3 million at the Sheffield melt shop to replace the four main air fans and two reverse air fans in the primary fume-extraction equipment with new, water-cooled variable-speed drives. The associated programmable logic controller was upgraded to control the operation of the new fume-extraction system and fans in a more accurate and energy-efficient way. Aims of the project included reducing the amounts of electricity consumed by fume extraction technology, thus supporting the Group's CO_2 emissions-reduction targets. As well as achieving significant reductions in electricity consumption (approximately 20%), the new variable-speed fans have also improved operational control of fume-extraction processes, helping to reduce fugitive emissions from the melting shop into the external environment.

Read more about energy efficiency.

Outokumpu and stakeholders

"Responsibility integrated in business"

The saying "No man is an island" also applies to companies. Companies are part of society, not isolated from their surroundings. Companies have an impact on society as a whole and on people as individuals – employees, shareholders, customers and other important stakeholders – and vice versa. Transparency in communication in both directions is essential, as is the assessment of possible impacts on different stakeholder groups of the way we conduct our business. Outokumpu's Leadership Principles and Code of Conduct provide guidelines for all Group employees on how to act in a responsible manner in both our everyday operations and in relation to our stakeholders.

Ultimate responsibility for the integration and maintenance of responsible business practices lies with Outokumpu's CEO. Concrete measures are implemented by a team whose members represent different business functions. This team is headed by the Group's VP – Corporate Responsibility. Each Outokumpu function and business unit is responsible for ensuring that its own operations are conducted in a responsible manner and that monitoring, data collection and reporting operations are executed in an appropriate fashion. Annual targets for environmental and social issues are set at Group level.

Outokumpu's Leadership Principles

- Making sound decisions
- Achieving ambitious targets
- Creating a winning team
- Inspiring to perform
- Building trust and respect
  - We act consistently in accordance with clear ethics and values
  - We encourage and require others to adhere to ethical values
  - We demonstrate honesty, loyalty and integrity in our everyday work

Social goals and results

In 2010, Outokumpu's goals in social responsibility were to further improve job rotation and the reporting of performance and development dialogues, to reduce injuries at work, to improve employee well-being and to finalise supplier audit processes. Equally our goal was to build a global interface for the SAP HR system to increase transparency and enable direct links with other IT tools.

Goals for 2010

- To build a global interface for the SAP HR system so that HR data can be fed to other Group systems. In this way to reduce manual work and the possibility of human errors. As the data quality improves the aim is to increase the usage of people-related data in the strategic business decision making.

- To improve job rotation practices and reporting further in SAP HR.

- Performance and development dialogues to all (white collars by the end of February and blue collars by the of May) and to improve dialogue reporting.
- Reduction of injuries to below four per million hours worked.
- Improve employees' well-being. Well-being is measured by O'People employee survey, and the aim is to increase the overall score to 660.
- Supplier audit processes finalised in 2010 and gradually taken into use.

Results 2010

- Build a global interface for the SAP HR system: Use of a global interface to transfer personnel data from the Group's SAP HR system to other Group systems began in the spring of 2010. One of the Group systems which benefits from this interface is Safety Log as well as the Finnish payroll system. With the integration of this interface to various systems, most personnel data has now to be maintained in only a single system, i.e. the SAP HR system.
- Improve job rotation practices and reporting further in SAP HR: Guidelines for job rotation were defined during 2010 and will be published throughout the Group in the beginning of 2011. In 2010, the focus of job rotation was on IT functions. In 2011, the target is to further encourage job rotation in other Outokumpu business units and functions. Reporting in the Group's SAP HR system was expanded to show the number of job rotation events (503) that took place during 2010.
- Performance and development dialogues to all: Although the target of performance and development dialogues (PDD) for all Outokumpu employees was not achieved in 2010, development of a clearly-positive nature took place. Of all permanent employees, 76% participated in PDDs during the year. The focus was on improving the quality of such dialogues through Group-wide training of management personnel. Outokumpu's target is for all employees to have a PDD within an agreed timeframe. Further steps are also required on the reporting side and this activity will therefore continue also in 2011.
- Reduction of injuries to below four per million hours worked: 'Safety first' is a key Outokumpu principle and work to enhance safety levels in the Group's working environment is continuous. In 2010, the injury rate target was not reached but the injury rate fell from 5.9 (2009) to 4.7 injuries per million hours worked.
- Improve employees' well-being: We were pleased that the Outokumpu Group employee survey O'People index increased from 617 (2009) to 665. This shows that personnel-related matters are moving in the right direction and that the results of actions taken to improve employees' well-being and motivation are becoming visible. Work in this area must however continue, with attention being paid to opportunities for further improvement.
- Finalise supplier audit processes in 2010: The Supplier audit process moved forward but was not finalised. During 2010, a survey of the Group's strategic suppliers in the area of raw materials and general materials was conducted to assess the extent to which such suppliers take corporate responsibility issues into account in their own activities. The results of the survey will be taken into account in Outokumpu's continuing dialogue with its suppliers.

Goals for 2011

- Improve HR reporting to provide better support for strategic decision-making and to make the outcome of performance and development dialogues (PDDs) and job-rotation processes more visible and transparent by quarterly internal reporting and communication activities.
- Communicate job-rotation guidelines throughout the Group and actively adopt them in supporting job-rotation practices.
- Improved performance management: increase the PDD completion rate by 10% from the previous year for all employees, and harmonise the PDD process in use.
- Implement Strategic Workforce Planning throughout the Group.
- Reduce the injury rate to less than 3.5 per million hours worked.
- Further develop approval, evaluation and auditing routines in connection with supplier management processes.

Read more on defining issues of focus in social responsibility at Outokumpu.

Our people

Outokumpu's success is based on three factors: our direction, our operations and our people. We have a clear vision and challenging goals, we strive for excellence in our operations and we rely on good leadership and the contributions of inspired and motivated people. These important elements enable us to create value for our customers and profits for the Group.

While Outokumpu's employee base is still very Europe-centric, we value diversity in our workforce and encourage people to rotate jobs and learn new skills. Outokumpu is committed to providing equal opportunities and our Code of Conduct forbids discrimination of any type. People must be treated equally and fairly irrespective of their ethnic origin, nationality, religion, political views, gender, sexual orientation or age. Outokumpu is totally opposed to the use of child and forced labour, and the Group condemns all forms of corruption and bribery. Our Ethics Statement, Corporate Responsibility Policy and Code of Conduct define our approach to social responsibility and we try to ensure that all of the Group's working methods and operational activities are based on ethical practices. Our internal policies are also in line with the UN Global Compact principles.

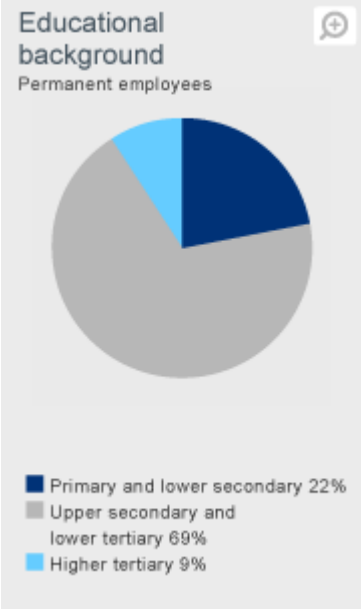
One of the key factors in achieving the Group's vision of becoming the undisputed number one in stainless steel is to be an attractive employer. Outokumpu's People Strategy is geared towards achieving this long-term goal. We work towards this target by enhancing the motivation and capabilities of Group employees globally.

Our People Strategy provides both strategic direction and a framework for all employee related activities within Outokumpu. People Strategy themes, leadership, execution capability and competence renewal boost leadership capabilities and improve performance by encouraging people to accept responsibility and acknowledge accountability, and by proactively developing the Group's resource and competence base to meet rapidly-evolving business needs. During 2010, as part of our People Strategy activities, we initiated Strategic Workforce Planning by conducting pilot projects in two units. The next step will be to develop this practice further to support our future competence and employee planning.

The basis for our daily work is Outokumpu's Leadership Principles. We are developing these principles in ways that will allow them to be implemented by every employee whatever their role in the company. They act as practical guidance for leaders and also as common goals for everyone. In addition to providing support for leaders within the Group, we have defined what we mean by a 'Good Outokumpu Leader'. To achieve our vision, our aim is to have leaders who possess a diverse range of experience, who are both business- and customer-oriented and able to provide leadership in a complex environment, and who live up to our leadership, ethical and safety principles and drive for excellence and one company approach.

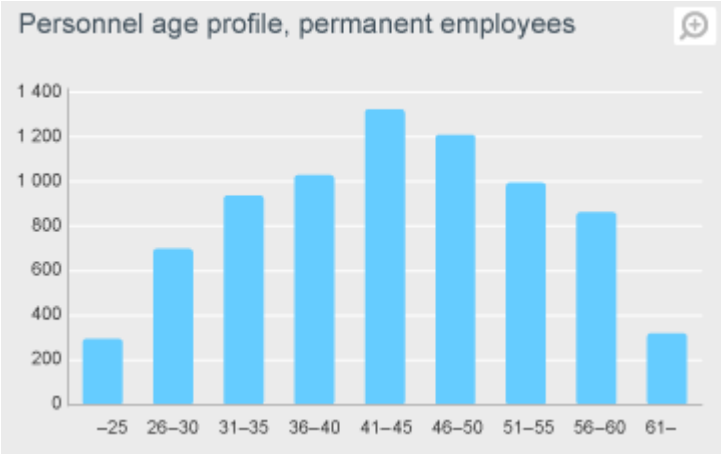
Personnel facts and figures

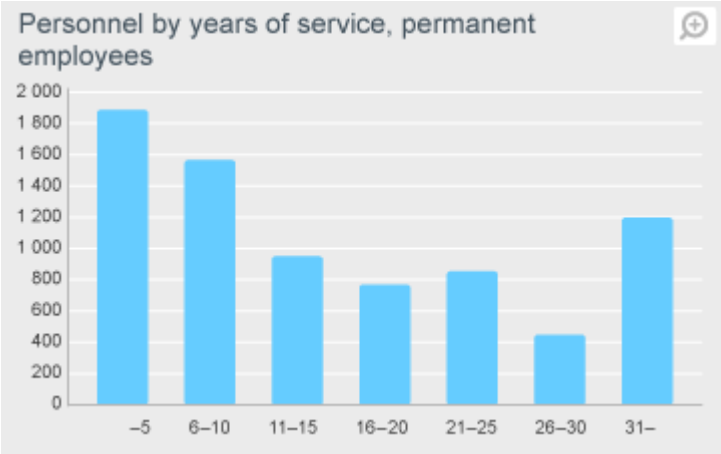
Outokumpu's business success and its ability to execute Group strategy is based on the competencies and motivation of our employees. Diverse, competent and committed employees are an essential component for success in a rapidly-changing and demanding environment. At the end of December 2010, Outokumpu employed 8 104 people (2009: 7 754, 2008: 8 628, figures as full time equivalent). Approximately 41% of the Group's employees are white-collar workers. Of permanent employees, 17.4% are women (2009: 17.7%) and 82.6% are men. Outokumpu provides employment in some 30 countries, with 93% of employees in Europe (34.0% in Finland, 35.7% in Sweden, and 7.8% in the UK).



In 2010, the number of permanent employees who had worked for Outokumpu for more than 30 years was 1 197, and the number employed for less than five years was 1 886 (6–10 years 1 565 employees). The average age of the Group's permanent employees was 43.5 years and the average length of service was 15.4 years. As reported in the 2009 Annual Report, a 'generation shift' is taking place in the company.

During 2010 Outokumpu hired 384 new employees. This was a slight increase over the previous year when Outokumpu had to respond to very weak market conditions by personnel adjustments. The average turnover among permanent employees in 2010 was 5.4% (2009: 7.6%, 2008: 7.0%). The hiring rate was 5.0% and the leaving rate was 5.9%. The number of people employed on fixed time contracts was 440. Outokumpu follows local legislation and applicable regulations in both job reduction measures and lay-offs.





Key figures

	2010	2009	2008
Sales/person, € million	**0.5**	0.3	0.6
Incentives of total personnel costs, %	**3.2**	2.3**	4.9**
Training costs of total personnel costs, %	**1.0**	0.7***	1.4**
Training days/person	**2.3**	2.5	2.9
Days lost due to strikes	**0**	915	4
Personnel turnover, %	**5.4 ***	7.6**	7.0**

*Calculation formula has been changed, see reporting principles. **Figures are not restated.
***The figure reported in 2009 was incorrect. The figure presented here has been corrected.

Personnel by country [1)]

31 Dec 2010	**2010**	2009	2008
Europe			
Sweden	**2 896**	2 749	3 211
Finland	**2 752**	2 703	2 798
The UK	**636**	564	717
The Netherlands	**412**	382	410
Italy	**304**	292	340
Germany	**215**	204	221
Other European countries	**347**	340	388
	7 562	7234	8 085
North and South America			

The US	**330**	321	403
Others	**33**	33	38
	362	354	441
Asia	**153**	137	72
Australia	**23**	24	25
Africa	**4**	5	5
Group total	**8 104**	7 754	8 628

[1)] Full-time equivalent.

Improvements in the collection and management of HR Data

In 2009 a global SAP HR project was successfully concluded and the main activity in 2010 was building a global interface to enable HR data from the Group's SAP HR system to be fed to other Group systems. System development projects were also initiated to better support Outokumpu's compensation and benefits processes. The target is for high-quality data from the HR systems to provide improved support for the Group's strategic decision-making.

Diversity and equal rights

Outokumpu maintains a consistent policy of freedom of association, which means that employees in all of the Group's operational locations are free to join trade unions in accordance with the rules and regulations that apply in local labour markets. In 2010, approximately 90% of the permanent employees were covered by collective agreements.

The overall percentage of women in Outokumpu's permanent workforce is 17.4% (2009: 17.7%). We are continuously working to address diversity issues and the Outokumpu Recruitment Guidelines were redefined in 2010. Our next subject of focus is recruitment policy. Three members of the Outokumpu Board of Directors and one member of the Group Executive Committee are female, and 58 women hold key leadership positions (17.7% of all key positions) within the Group.

There were 0 strike days in 2010 (2009: 915, 2008: 4).

Open communication

Employee motivation is very important in Outokumpu. We therefore use different methods and practices to increase employee engagement, and firmly believe that open and timely communication has a direct impact on people's motivation and commitment. We are active in using the Group's intranet to share information concerning Outokumpu strategy and highlights of the company's internal and external business activities. All employees are able to comment on intranet news items, even anonymously. A new web interface is currently being developed which will provide everyone in the Group with better communication tools which offer improved interactivity. In addition to our everyday activities, we conduct a regular employee survey.

The O'People Employee Survey

The O'People employee survey was conducted for the sixth time in 2010. The response rate achieved was 69%, which was a bit lower than the previous year (2009: 72.1%). To ensure a better understanding of Outokumpu employees' opinions and needs, the aim is to raise the response rate to 80%.

> Open, interactive dialogue is a vital component in achieving increased levels of job satisfaction and motivation.

The overall O'People index for 2010 was 665 (2009: 617), slightly more than the target of 660. It is encouraging to note the increase in the index compared to last year's result. A similar trend was also visible in the Leadership Index which improved from 64 (2009) to 68. The Leadership Index measures how well managers demonstrate the Outokumpu Leadership Principles from their team members' perspective. For example, 71% of all respondents indicated that their manager inspires them to perform. Even though the O'People employee survey results were better than last year, there is still room for further improvement, especially in the implementation of actions. One of the tasks performed by Outokumpu's internal coaches is providing support for managers in the O'People action planning process. This support was offered to all Group managers for the first time in 2010.

Outokumpu Personnel Forum

Outokumpu's Personnel Forum is a joint consultative body which provides a channel for transferring information between management and Group personnel. Established in 1994 in response to a European Works Council Directive, the forum includes 21 personnel representatives from the Group's European operations, representatives of the Outokumpu HR function and members of the Group's senior management teams. Usually convened once each year, the 2010 Personnel Forum was held in Willich, Germany. While the primary focus of the 2010 forum was safety, the Group's renewed People Strategy was also discussed.

The Personnel Forum appoints a working committee which is responsible for ongoing cooperation between management and Outokumpu personnel. During 2010, this committee held six meetings with members of the senior management team, including the Group CEO.

Cooperation with universities

Outokumpu's goal is to become the most attractive employer in the industry. To achieve this, we have focused on co-operation with schools and universities in Finland and especially in Sweden. During 2010, we increased awareness of Outokumpu as an employer from 4% to 35% among students studying engineering at Swedish universities. This increase

is one result of activities undertaken during the year such as participation in careers events in Sweden and Finland, the placing of advertisements in student and business magazines, and the publication of interviews with Group employees on the web.

To become attractive, a company must be known. Outokumpu will continue working to enhance the Group's image as an employer among this group of students. In 2009, Outokumpu was ranked 94th in a survey to determine Sweden's most attractive employers and in 2010 we were ranked 92nd. In a survey by Universum International regarding students' expectations on potential future employers, Outokumpu was ranked in Finland number 25 (2009: 22) by engineering students, number 92 (2009: 85) by business students and number 74 by young professionals.This is a long-term effort that will yield beneficial results in the long run.

Outokumpu experts have also been invited to lecture for university students on various themes, including corporate responsibility issues.

Compensation and benefits

Outokumpu's intent is to provide competitive base salary for all employees based on the scope of their role and their individual performance. In this philosophy, rewards should be differentiated based on the employees' performance. Base salary levels also typically vary depending on an individual's career stage. According to our principles, the base salary should be determined by considering the requirements of the position, and the relevant competences and experience of the employee. Overall, Outokumpu pays its employees according to the local labour agreements and market in each country. At country level, Outokumpu aims to be at the market median in terms of base salary. In addition to the base salary, incentive schemes are used as an element of total compensation. In 2010, incentive payments totaled 3.2% of total personnel costs.

Performance management

Performance management supports the achievement of Outokumpu's strategic goals. Becoming the undisputed number one in stainless steel requires a high-quality performance management process at both company and individual level. An improved understanding of Performance and Development Dialogue (PDD) process implementation was recently obtained by conducting a performance management audit in 10 Group units and functions. Outokumpu's aim is to support efficient strategy implementation by continuously evaluating and improving the PDD process.

Performance management is a daily process based on dialogue in which the focus is on improving business results by enhancing each employee's performance and levels of competence. Performance and Development Dialogues are an important part of the Performance Management process. Each PDD consists of a formal annual review of an employee's performance and development against defined targets in the preceding 12 months, together with the development of a new Performance and Development Plan for the next 12-month period. Outokumpu's target is for every employee to have at least one formal PDD each year, and mid-year reviews are strongly encouraged.

Improved practices in the Group's Performance and Development Dialogue process were introduced and adopted in 2010. In performance evaluations, emphasis is given to what individuals have actually achieved, and attention is also paid to how people work as individuals and within teams. The "how" part of the overall evaluation is based on Outokumpu's Leadership Principles. The rationale for these developments is ensuring that all employees receive feedback on how they are performing and ways in which they can improve their performance. Every employee is also provided with feedback on how they have been applying Outokumpu Leadership Principles. We are aware of the challenges involved in this new and improved evaluation process and the Group has provided training to increase consistency and transparency in performance reviews. In 2011, further improvements associated with Outokumpu's Performance and Development Dialogues will include conducting a new audit and incorporating the lessons learned into current practices.

Developing our people through continuous learning

Outokumpu's People Strategy highlights the need to proactively develop the Group's resource and competence base and leadership capabilities to meet the rapidly changing requirements of our business and the surrounding environment. The Group provides its employees with a variety of development opportunities using different methods: growing within one's current role or taking on new challenging tasks (job rotation); learning from others (mentoring); supporting individuals in realising their potential (coaching); and by providing formal training opportunities.

The planning and implementation of competence development processes takes place at Group level and also at functional and business unit levels. During Performance and Development Dialogues, managers and employees together identify any competence gaps and the actions required for an individual's future development.

Internal development programmes focus on competences for Outokumpu's strategic success

Every employee in the Group is responsible for actively and continuously developing their individual abilities and for behaving in accordance with Outokumpu's Leadership Principles. All leaders within Outokumpu are accountable for supporting the development of their team members.

Both globally and locally, Outokumpu offers a variety of internal development and training programmes for developing competences and skills at different stages of an individual's career. Outokumpu's global development programmes focus on leadership development and the provision of support for implementing Group strategy. The backbone of all our leadership development activities is Outokumpu's Leadership Principles.

One of these global development programmes, the Leadership Excellence Programme (LEAP), has a specific focus on supporting Group leaders in understanding and to behaving in accordance with Outokumpu's Leadership Principles. The third LEAP group of 19 leaders began their development journey in the autumn of 2010. The first two groups, a total of 37 leaders, graduated in the spring of 2010.

In the Outokumpu Management Development Programme (OMDP), the focus is on developing Group leaders' abilities in the areas of strategic thinking, leadership and leading change. In 2010, the OMDP programme involved 22 participants from different Group units and countries.

Coaching is an important method of personal development within Outokumpu, and the Group has trained some 14 internal coaches during 2009–2010. Coaches support both leaders and employees in improving their individual performance and/or helping them to focus on the correct development actions. Coaching also features as a learning element in all of our development programmes.

Attracting and developing talent

Two programmes which concentrate on developing the future talent in our company are the High Potential (HiPo) Development Programme and the Stainless Pro International Graduate Programme. The HiPo programme involves indentifying Group employees who have the ability, aspiration, engagement and potential to work in demanding positions within the company in the future, offering such individuals a structured way of developing themselves and building their career in Outokumpu in accordance with their personal long-term development plans.

Outokumpu's Stainless Pro International Graduate Programme has proved to be a good way of attracting young talent. It provides us with a concrete way of co-operating with universities, informing students about Outokumpu and what the

Group can offer them, and also listening to what they expect from us. The two-year programme acquaints graduates with Outokumpu's business operations. The third programme was initiated in the early part of 2010 and more than 600 applications were received. The selected five new 'Stainless Pros' began their development programme in September 2010. A total of 15 individuals have now completed the programme and all of them continue to work for the Group.

In 2010, training costs in Outokumpu amounted to 1.0% of total personnel costs (2009: 0.7%*, 2008: 1.4%). The Group provided 2.3 training days per employee (2009: 2.5, 2008: 2.9).

** In the 2009 report this figure was incorrect. The figure presented here has been corrected.*

Health and safety

Health and safety are key issues for Outokumpu, and the Group top management is strongly committed to further improving our current level of safety. Our personnel, as well as our contractors and suppliers, must be provided a safe and healthy environment while they are working at Outokumpu's production sites and facilities.

Historical statistics show our safety performance improving along the years. Accidents leading to absence on the following day (lost-time injuries) have been reduced substantially through conscious efforts such as development programmes and other measures. In the 2000s, safety theme years with special attention paid to safety issues have also greatly contributed to the improvement. While in 2005 the rate of lost-time injuries per million hours worked was 19, in 2010 the equivalent figure was 4.7. Outokumpu continues its efforts to enhance safety at work as our ultimate target is to have zero injuries at all of our production sites or facilities.

Staying healthy in the workplace

Occupational health services provided by Outokumpu at operational sites are based on national legislation, local needs, generally-accepted practices and scientific data. Activities focus on improving working environments and employee health is monitored using a variety of occupational health checks and fitness tests. Occupational hygiene measurements are carried out on an ongoing basis at Group production plants in order to monitor work-related exposures to, for example, noise and impurities in the ambient air. In 2010, a Group-wide database on employees' occupational exposures was established. Issues related to working environments within Outokumpu are also studied through joint research projects carried out in collaboration with universities and specialist institutions.

In the early months of 2010, the swine flu pandemic was a major challenge for public health authorities all over the world. The Group's own Occupational Health Units participated in vaccination campaigns by vaccinating Outokumpu employees. Vaccination coverage exceeded 50% at several sites.

In 2010, an average of 5 412 days per million hours worked by Outokumpu employees were lost as a result of sickness or injury (2009: 5 900). The number of cases of occupational disease diagnosed in the Group in 2010 was 23 (2009: nine cases). This increase can at least partly be explained by improved reporting.

The "Stop Flu" Research project

In cooperation with six major international companies, one of which was Outokumpu, the Finnish National Institute for Health and Welfare carried out a 16-month intervention study aiming at showing whether enhanced and guided hand hygiene together with transmission-limiting behavioural habits could reduce the number of infection episodes and absences from work. The follow-up phase ended in May 2010. The results obtained from the study have been analysed and will be published in an international medical journal in 2011.

Study of occupational exposure and respiratory health effects in Tornio

Outokumpu has been studying exposure to chromium compounds in the stainless steel production chain and their long-term effects on respiratory health since 1985.The latest phase of the research programme – a joint study between Outokumpu and the Finnish Institute of Occupational Health co-sponsored by the Finnish Work Environment Fund – was carried out in 2009. A total of 350 Group employees participated in this clinical study, in which lung function and inflammation biomarkers were investigated. Occupational hygiene measurements included chromium speciation and the assessment of particle-size distributions (coarse to ultrafine). The results of the tests were extensively analysed in 2010 and will be published in a scientific publication in 2011.

Everyone deserves a safe working environment

Outokumpu is committed to providing its personnel with safe and healthy working environments. The Group is accountable for the safety of contractors and suppliers while they are working in Outokumpu's production plants and other Group facilities. Development of occupational safety is monitored via regular reporting to corporate management meetings, and all management committees and equivalent bodies throughout Outokumpu start each meeting with a safety review. Safety is a key performance indicator linked to our bonus system.

Group top management is strongly committed to achieving improved levels of safety. The year 2010 was designated as Safety Theme Year. A new vision for safety and new safety principles have recently been developed and discussed throughout the Group. Work on developing corporate safety standards is led by the Occupational Safety Committee, whose target is to identify best corporate practices and share these with all parts of Outokumpu.

Injury prevention and hazard awareness

In 2010, the Group's Occupational Safety Theme Year, the target was to reduce the overall injury rate to less than four per million hours worked. In 2009 the rate was 5.9 injuries per million hours worked (including contractors). The 2010 rate was 4.7. Even though the annual target was not fully achieved, there were still very positive signs of development with a best-ever monthly performance in October of 2.7 injuries per million working hours. The overall 2010 figure is also an improvement compared to the previous year.

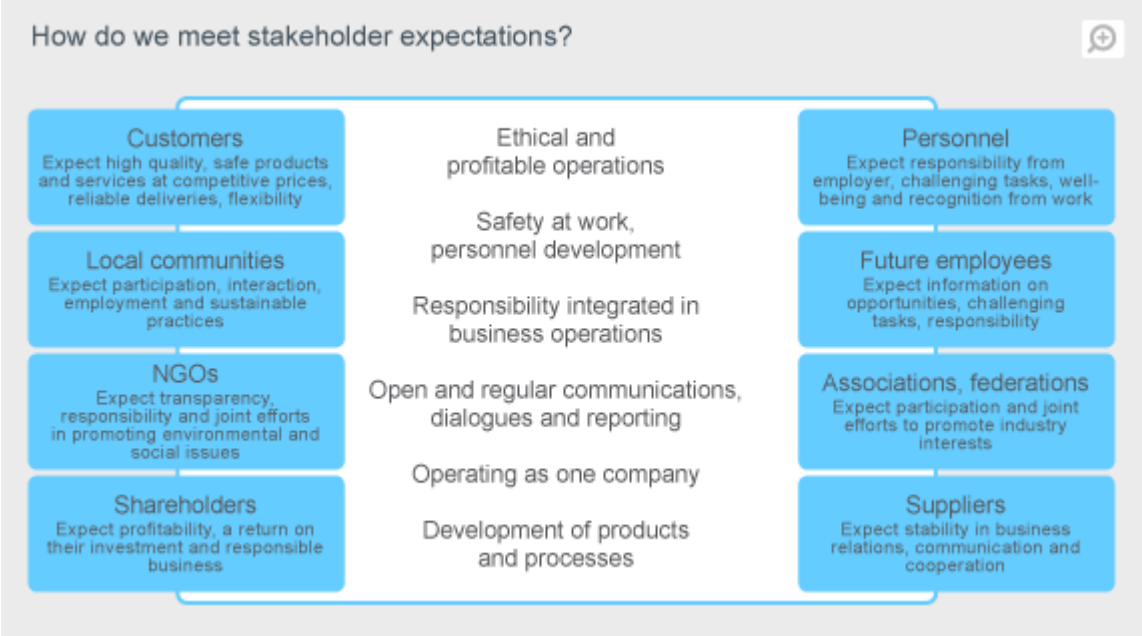
In 2010, injuries resulted in 91 (2009: 120) sick leave days per million hours worked and a total of 80 (2009: 92) individual lost-time injuries occurred, none of which were fatal. The EU average for the World Steel Association member companies in 2009 was 5.1 injuries per million hours worked. Any work-related injury which prevents an employee or a contractor's employee from returning to work on their next scheduled work day is considered to be a lost-time injury. Lost-time injuries occurring in the Group are reported in accordance with definitions issued by the World Steel Association. Figures reported here include injuries suffered both by Outokumpu's own personnel and individuals employed by contractors.

Outokumpu employees are encouraged to report all the near-miss situations they encounter in the workplace. A total of 3 360 reports were received in 2010 (2008: 2 521 and 2009: 2 898).

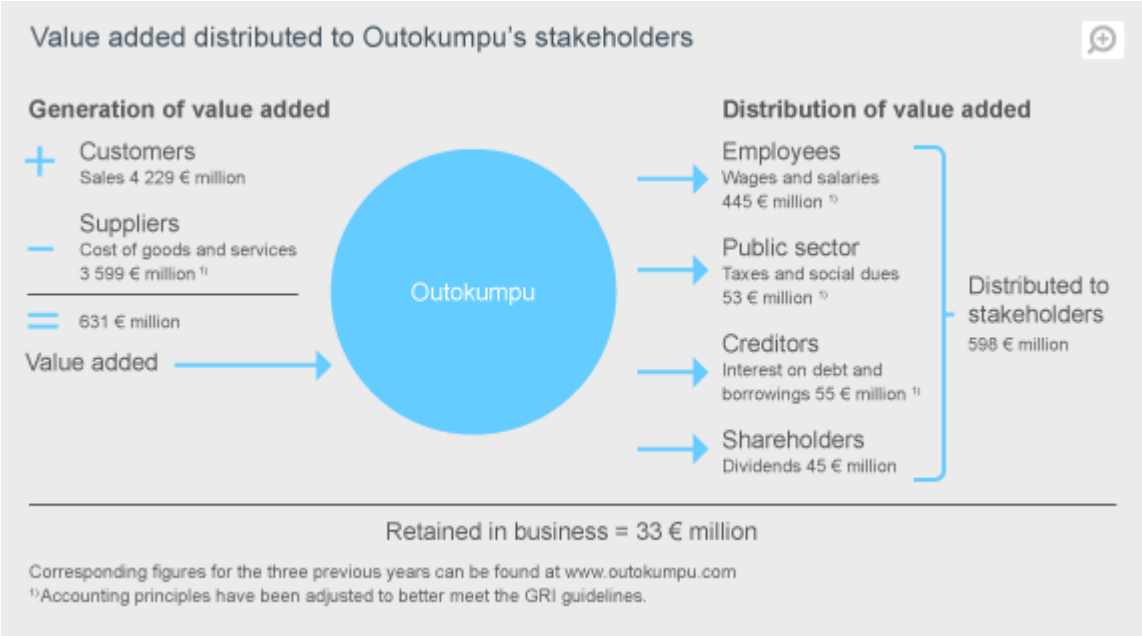
Safety Log, a Group-wide occupational safety system for data collection and management was launched in January 2008 in all Outokumpu's business units and service centers as well as in Group head office. Sales companies joined the system at the beginning of 2009. Development of the system has been conducted since 2009 and is still ongoing. As well as enabling Outokumpu's safety status to be monitored in real time, Safety Log allows data received from all Outokumpu Group units to be reported and compared.

We value our stakeholders' opinions

The first two of Outokumpu's main corporate responsibility goals are that responsibility is an integral part of our everyday business, and that our business partners not only become familiar with the Group's policies, but also follow similar policies. The third strategic corporate responsibility goal is enhancing transparency by conducting an open and continuing dialogue with key stakeholders. For Outokumpu, being aware of stakeholders' expectations is essential. Good communication increases mutual understanding.



Different forms of interaction with Outokumpu stakeholders continued in 2010 with face-to-face meetings in many forums – at seminars, workshops and discussion panels, during road shows, and at fairs and exhibitions. In this ongoing dialogue, particular attention is given to contacts with analysts, investors, employees, future employees, non-governmental organisations (NGOs), customers and suppliers. Other key stakeholder groups are local communities, industrial and business organisations, authorities, schools and universities. Online seminars with customers continued, and with all Outokumpu stakeholders as the target audience, we arranged the Group's first online seminar on the subject of corporate responsibility. Our stakeholders' involvement in what we do and the trust they place in us are fundamental elements of Outokumpu's business operations.



Formed in 2008, the Outokumpu CR (Corporate Responsibility) network for external stakeholders is a channel for sharing news about the Group's corporate responsibility activities. The goal is to encourage all stakeholders to provide feedback we can use in further developing our operations. In 2010, an informal Outokumpu CR ambassador network consisting of employees, a very important stakeholder group, was initiated.

Webinar to discuss innovations

In 2010, Outokumpu organised an online seminar on corporate responsibility issues for the Group's CR network and other interested parties. The topics for this webinar were Outokumpu's R&D activities and innovations that improve sustainability, and the aim was to listen to stakeholders' expectations in these areas and answer related questions. Two applications in which stainless steel is employed – biomass gasification and photovoltaic cells – were presented. By the end of 2010, approximately 150 people had viewed the webinar material. Questions concerned efforts to reduce the Group's carbon footprint, money spent on R&D and possible applications for stainless steel applications in the wind energy sector. The webinar is available on the Outokumpu website.

This section focuses on the dialogue with our external stakeholders. Additional information regarding Outokumpu employees is provided in the Our People section.

Outokumpu and our customers – a win-win relationship

In addition to top-quality stainless steel delivered on time, Outokumpu strives to provide its customers with an industry benchmark in technical service. With the aim of adding value to each customer's product or improving their manufacturing techniques, technical services offered by the Group range from assisting in the selection of the correct stainless grade for a particular application to providing detailed advice on the processing or forming of stainless steel when producing specific items.

Interaction with customers takes many forms. In addition to the everyday methods of communication, Outokumpu takes things much further. Webinars (web-based seminars) were organised throughout 2010 on many technical aspects relating to the selection of the correct grade of stainless steel for an application, with a particular focus on duplex stainless grades. In 2010, a total of five webinars were arranged in German, Portuguese and Spanish.

Customer days were organised by many of Outokumpu's more than 30 sales companies. Presentations at these events were typically given by the Group's application engineers, product specialists and industry experts.

Another popular form of interaction with customers is through mill visits. These occasions provide first-hand opportunities for witnessing how the stainless steel customers will be using is produced, together with the associated quality control routines. Mill visits also provide an ideal opportunity for in-depth discussions with Outokumpu's product, application and industry experts.

Customers are increasingly interested in the corporate responsibility of their suppliers. This is evident particularly in the form of detailed questionnaires or declarations on corporate practices to be signed. Some ten such questionnaires and declarations were completed and signed during 2010.

Read more about Outokumpu and the customer here.

Outokumpu's suppliers

The majority of Outokumpu's costs are associated with the purchase of raw materials. The primary raw materials used in stainless steel production – nickel, ferrochrome, recycled stainless and carbon steel – are purchased on the open market, but a proportion of the Group's ferrochrome needs are sourced internally. In 2010, Outokumpu's delivery volumes increased to 1 315 000 tonnes, 28% up compared with 2009 (1 030 000 tonnes). Also metal prices increased during the reporting period, nickel by some 50% to an average of 21 809 USD/tonne (2009: 14.655 USD/tone) and ferrochrome by some 45% to an average of 1.24 USD/lb (2009: 0.85 USD/lb). The increases in delivery volumes with increased metal prices led to a significant increase in the cost of goods and services purchased, which amounted to EUR 3 599 million (2009: EUR 2 413 million).

Read more about our business with suppliers.

Cost of goods and services

€ million	**2010**	2009	2008
Raw material and merchandise	**2 414**	1 541	3 643
Fuels and supplies	**344**	245	364
Energy expenses	**269**	162	222
Freights	**165**	134	194
Maintenance	**106**	77	115
Hire processing	**32**	27	38
Rents and leases	**26**	25	26
Other expenses	**243**	202	274
	3 599	2 413	4 875

See developments of metal prices.

Current and future employees

Both current and future employees are crucial stakeholders for Outokumpu, as their enthusiasm and commitment is a fundamental part of the Group's business. Input from employees is an essential feature in Outokumpu's goal of making corporate responsibility an integral part of all its business operations. The provision of updates and active discussions and debates on corporate responsibility issues continued in 2010 in business unit management team meetings and in Group functions meetings.

To support this work, a new internal channel for handling corporate responsibility issues – the Outokumpu Corporate Responsibility Ambassador Network – has been established for individuals with a particular interest in such matters. Consisting of employees from different Group units and different organisational levels who wish to promote sustainability, members of the network receive regular news on Outokumpu's progress in the field of corporate responsibility.

Sustainability is of interest to potential employees

It appears that sustainability is becoming an issue of increasing importance among students. Contacts and requests for information in connection with surveys and thesis work on sustainability issues have been received at Group locations in Finland and Sweden. Feedback received following some of these student enquiries indicates that within its peer group, Outokumpu acts as a benchmark for good reporting, successful stakeholder dialogue practices and responsible corporate responsibility management.

In 2010, the Group participated, together with other companies and students, in a workshop at which employers' and employees' expectations were discussed. Factors associated with students' expectations regarding potential employers included respect, development opportunities, openness, a good working atmosphere, commitment and integrity. As Outokumpu wants to be the employer of choice, dialogue with students and other potential employees provides important guidance for continuous development.

Economic impact

Salary payments including pensions and other benefits paid by Outokumpu in 2010 increased compared to the previous year by some 10% to EUR 445 million (2009: EUR 404 million). This was mainly due to increased production levels compared to 2009. Also the increase in the number of personnel resulted in increased salary payments. Bonuses received by Group personnel in 2010 amounted to EUR 16 million (2009: EUR 10 million). The Group's benefit plans are mainly based on operational or financial targets. The benefit plans vary by country.

Wages and benefits by country

€ million	**2010**	2009	2008
Finland	**171**	147	169
Sweden	**145**	128	170
The UK	**25**	37	49
Other Europe	**65**	63	70
Other countries	**39**	31	33
	445	404	490

Read more about Outokumpu's employees.

Active dialogue with investors and analysts continues

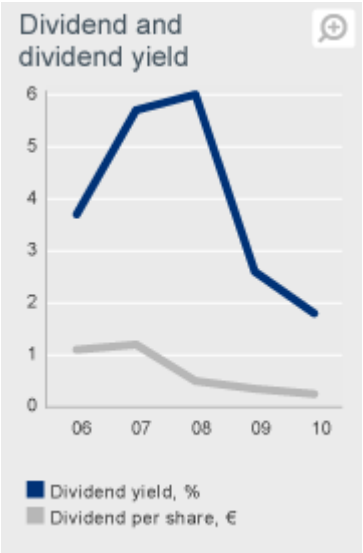
Regular contact with the Group's global investor and analyst networks was maintained in 2010. Outokumpu's annual Capital Markets Day for analysts, investors and bankers was held for the third time in London, with the main focus on the Group's revised strategy and latest investments. A presentation concerning ferrochrome markets was made by an outside expert. The Outokumpu Annual General Meeting was held in March in Helsinki, Finland.

Other major events during the year included 17 roadshows in Canada, Europe and the US in connection with announcements of the Group's quarterly results. A live webcast was arranged at each announcement event. Cities visited by the roadshows were Amsterdam, Boston, Copenhagen, Edinburgh, Frankfurt, London, Madrid, Milan, New York, Oslo, Paris, Stockholm and Toronto. Fifteen breakfasts and luncheons for institutional investors were held in connection with the roadshows. Outokumpu also attended seven industry seminars during 2010.

Two site visits for analysts and institutional investors to the Group's chromite mine in Kemi and stainless steel plant in Tornio (both in Finland) were arranged. Close to 300 one-on-one meetings, conference calls and video conferences with investors were held during the year.

To improve the Group's investor relations performance, surveys of Outokumpu's IR work, executed by external research organisations, are monitored on a regular basis. A survey of investor relations carried out in 2010 by Regi Research & Strategi Ab which evaluated areas such as content, functionality, openness and trustworthiness ranked Outokumpu as number ten among Finnish listed companies. There was also increasing interest from the financial markets regarding sustainability issues. Reports and ratings by analysts provide valuable feedback to Outokumpu also in this regard.

Our shareholders



The two largest shareholders in Outokumpu are the Finnish state (30.8% through Solidium Oy) and the Finnish Social Insurance Institution (8.0%). During the financial year, Outokumpu's share price increased by a moderate 5% with the closing share price at the end of the year at EUR 13.88 and a market capitalisation at EUR 2 540 million. During 2010 the Nasdaq OMX Helsinki index increased by 16%. The still fairly weak market situation for stainless steel, especially in

our home market Europe, resulted in continuous weak financial performance having an impact on Outokumpu's share price development. The dividend of EUR 0.35 per share for 2009 resulted in a total dividend payment of EUR 64 million in 2010. The dividend proposal for 2010 is EUR 0.25 per share with an effective dividend yield of 1.8%. Over the last five years, the dividend payout ratio has been some 65%.

More investor information can be found here.

See a list of analysts covering Outokumpu here.

Indices and initiatives

Outokumpu is included in many indices and initiatives:

- Nasdaq OMX
- DJSI Europe and World
- Kempen SRI
- ASPI Eurozone index
- Carbon Disclosure Leadership Index (CDLI)
- Ethibel Excellence and Ethibel Pioneer Investment Registers
- SAM Sector Mover 2010
- UN Global Compact

Cooperation with local communities is important

Outokumpu is an important member of the community in many of the locations in which the Group has industrial operations. We are a major employer in Avesta, Degerfors, Långshyttan (Kloster) and Storfors in Sweden, in Sheffield in the UK, in New Castle in the US, and in the Kemi-Tornio region in Finland. A continuing dialogue is maintained with community officials and representatives, other commercial companies, and with schools and universities. In addition to joint activities involving the local community, visits to Outokumpu production sites are organised for employees' relatives.

Outokumpu's most significant impacts on local communities include direct and indirect employment as well as environmental and energy issues. These are also key topics in discussions with local community representatives. Emissions from the Group's plants are measured and strictly monitored, and effective corrective action is taken if deviations from permitted limits occur. Both vigilance and a responsive attitude to issues that affect local communities and their concerns are important.

As a large employer, decisions to either invest or close Group operations have a major impact on communities, not only on Outokumpu personnel and their families, but also on local goods suppliers and service providers. Two strategic investment decisions announced in 2010 will have a positive impact on the surrounding districts: the EUR 440 million investment to expand the Group's ferrochrome plant in Tornio, and the EUR 100 million investment to increase stainless quarto plate production capacity in Degerfors. Completion of the ferrochrome plant expansion will result in the addition of some 120 permanent jobs in the Kemi-Tornio region.

The Group's Kemi Mine collaborates with several educational establishments in the training of engineers, miners and supervisors. In Sheffield in the UK, apprenticeships have been offered to local colleges and student placements have been made available in the form of one-year programmes. Outokumpu employees have given presentations in local schools and universities and have worked with local employment agencies to find people jobs. Schoolchildren and local students have been introduced to the Group's working environment through tours and discussions with employees.

Managing impacts on local communities

Traffic loads have an impact on local communities, with the Kemi-Tornio region and Sheffield being good examples. In Sheffield, Outokumpu is located very close to the UK's M1 motorway, so steps are taken to ensure that our operations have minimal impact on this primary transportation route. As the effects associated with the transportation of goods and raw materials can be major, the Group's general logistical arrangements are carefully planned to avoid road congestion and minimise impacts on other road users. In recent years, increased transportation of alloys by rail has had a positive impact in connection with road traffic densities.

In Sheffield in the UK, representatives of the local police force, fire and emergency services and National Health organisations have attended a number of health and safety days organised for Outokumpu's employees. Local stakeholders are also taken into account in the Group's emergency planning.

Communication with employees on sites

Maintaining employee well-being is Outokumpu's aim, and productive dialogue is the key element in achieving this. Avesta, Sheffield and Tornio, Outokumpu's largest industrial sites, have many similarities. In addition to regular meetings with personnel representatives, employees are met once or twice every year or at special events. Daily operational meetings include the reporting of health and safety and environmental issues. Action to resolve these is usually taken immediately after completing a risk assessment. Management team members are encouraged to walk through Group facilities, including production plants, and to converse with employees engaged in manufacturing operations.

Production employees are represented by their unions in plant management discussions at both Avesta and Sheffield. In Avesta, both formal and informal meetings are held at plant level and on site on a regular basis. In the UK, trade union engagement at Outokumpu sites is active, with work on many issues including health and safety, salaries, working hours, shift patterns and other mutually beneficial issues being conducted in close co-operation. Dialogue between the management team and an employee forum, a cross-functional group, takes place monthly. Issues raised are debated and action plans instituted. The Group's 'one team' approach does not distinguish between white-collar and blue-collar workers. Nominated safety and union representatives are able to engage in direct and open dialogue with members of the plant management team. In Tornio, individuals heading large departments are members of the management team. Three personnel representatives are appointed as members of the Board of Directors of the legal entity, Outokumpu Stainless Oy.

Outokumpu's UK sites arrange open days for employees' relatives, enabling them to become familiar with the locations in which their family members work. Quarterly health and safety and well-being sessions are organised for employees and these incorporate family-related aspects of their occupations. Close work with Fitness First Gym, which visits the Group's UK sites on a quarterly basis, reinforces well-being and fitness programmes. At Avesta in Sweden, a recreation committee organises a wide variety of events for both employees and their families such as lectures and family days. Participation in sports such as biking, skiing and swimming is sponsored. At Tornio in Finland, sporting events involving employees' children are organised in both summer and winter. Personnel clubs, which reduce the costs associated with enjoying cultural and other events, are supported.

Networking with industry and business associations

Outokumpu is an active and responsible actor in society. As the world's sixth-largest stainless steel producer, the Group's opinion is voiced in many forums. In 2010, Outokumpu experts and top management continued to maintain effective liaisons with the authorities and numerous organisations. Top management participated in dialogue concerning issues such as the challenges presented by climate change, the global financial situation and the future of the stainless steel business. Juha Rantanen, Outokumpu's CEO, was an active participant in energy-related discussions, especially those regarding energy supply and the issue of nuclear power plants in Finland. He also presented corporate – and particularly Outokumpu's – views on corporate responsibility. Within the Group, comprehension of approaches to corporate responsibility is expanded through active engagement with a variety of companies and organisations.

Outokumpu is a member of international organisations and confederations including the World Economic Forum, Eurofer, EuroInox, EuroSlag and the International Chromium Development Association. Outokumpu is also an associate member of the World Steel Association (worldsteel) and a member of the International Stainless Steel Forum (ISSF), a stainless-steel-specific sub-organisation.

As a member of Eurofer, worldsteel and ISSF, Outokumpu participates in different Policy Groups whose aim is to exert influence in connection with issues such as the global mitigation of greenhouse gas emissions by the iron and steel industry. In these forums, members share best practices, obtain benchmark data relating to, among other subjects, the environment, R&D, product lifecycles, product and chemical safety, and occupational safety. Members also contribute their own data for use in official industry or authority reports such as the *World Steel Association Sustainability Report*.

In Europe, Outokumpu is member of several federations and associations in Finland, France, Germany, Italy, Sweden, The Netherlands and the UK. National cooperation organisations advance industry views and contribute to legislation in Europe through national representatives in EU governing bodies. Outokumpu is also a member of business associations in North America and Australia.

Eurofer and EuroSlag are collaborative organisations within the European iron and steel industry. Outokumpu contributes to Eurofer commercial and trade issues at presidency level, in committees which handle statistics, research and the environment, and in working groups which focus on issues such as climate change, air quality, water and waste. Eurofer conveys opinions to EU governing bodies (the European Commission, the European Parliament and the European Council), and promotes measures such as renewal of the Integrated Pollution Prevention and Control IPPC Directive, the implementation of REACH (the Registration, Evaluation and Authorisation of Chemicals) and continuation of the European Emissions Trading Scheme (EU ETS) after 2013. EuroSlag performs a similar role in issues related to slag and by-products.

Outokumpu is also active in corporate responsibility networks. To develop our expertise in corporate responsibility and improve Group performance, Outokumpu belongs to both the Finnish Business & Society company network and CSR Europe. To combat corruption and bribery, we are a participant in Transparency Finland, a national chapter of Transparency International. Outokumpu is a signatory to the International Chamber of Commerce (ICC) charter, follows and supports the United Nations Global Compact, and is an active member of the UN Global Compact Nordic Network. To demonstrate the Group's support for sustainability, Outokumpu has signed the Worldsteel *Sustainable Development Charter* and the ISSF's *Sustainable Stainless Charter*.

Public sector support, sponsoring activities and NGOs

Outokumpu contributes to the well-being of local, national and international communities through tax payments, through direct and indirect employment and by participating in other societal activities. In 2010, taxes and social security contributions paid by the Group totalled EUR 53 million (2009: EUR 47 million). In 2010, Outokumpu posted a loss and thus also the amount of taxes paid remained low, some EUR 2 million for the financial year (2009 result included some EUR 1 million positive tax).The impact of taxes on societal well-being is both direct and indirect.

Taxes and social dues by country

€ million	**2010**	2009	2008
Finland	**8**	10	12
Sweden	**27**	24	30
Other Europe	**15**	16	24
Other countries	**2**	3	0
	53	47	66

Public sector support received

In 2010, Outokumpu received some EUR 0.7 million (2009: EUR 0.7 million) from public sector to support Group research and development of new technologies, products and applications. In addition, in relation to investment in energy efficient centralised district cooling system in Tornio, Finland, Outokumpu was granted EUR 2 million by the Finnish Government.

More information on the investment can be found here.

Grants and community support given

Outokumpu supports higher education and research by donating funds to universities. In 2010 the biggest donation was granted to Aalto University in Finland, amounting to EUR 1 million. Aalto University is a new multidisciplinary science and art community in the fields of science, economics, and art and design. Cooperation with Aalto University offers Outokumpu the chance to harness top-level know-how and a multidisciplinary approach. Aalto's core research fields – materials research and design – will round out Outokumpu's in-house R&D, offering new opportunities for innovation and exchanging know-how. Outokumpu gave a smaller donation also to the University of Lapland in Finland.

Outokumpu is one of the founders of the Technology Industries of Finland Centennial Foundation Fund for the Association of Finnish Steel and Metal Producers, established by five Finnish steel and metal producing companies. The fund was founded to promote university-level research and teaching of technology and business opportunities in metals production. In 2010, the fund awarded grants of some EUR 0.3 million.

As defined in Outokumpu's communications policy, the Group sponsors research and environmental programmes, sporting activities, culture and a variety of events at local level, as well as charity work. We also offer scholarships to students. Organisations that arrange activities for children are supported. In the UK, for example, The 'Help for Heroes' charity event at Sheffield United Football Club raised funds from Outokumpu's internal sources for several local charities,

including Bluebell Wood and the Children's Hospice. In 2010, funds were also donated to victims of the Haiti earthquake. In 2010, new groupwide sponsoring and donations guidelines were prepared. They will be taken into use during 2011.

Total grants and community support in 2010 amounted to some EUR 1.2 million.

Outokumpu does not take part in or otherwise support political activities whether they are local, communal or national. Outokumpu does not make donations to any political parties or groups.

Dialogue with environmental NGOs continued

In 2009, Outokumpu initiated a dialogue with environmental NGOs in Finland. In 2010, the meetings with NGOs continued at corporate level including also a visit to the Tornio Works. Issues that were discussed included the carbon dioxide emissions and electricity sources of Outokumpu. Suggestions that were made from the part of the NGOs included procurement of ecolabel electricity and joining the Green Office environmental programme developed by WWF in Finland. A similar dialogue with NGOs will be started in Sweden.

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.

The Corporate Governance Statement is presented as a separate report.

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 on-going. 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.

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

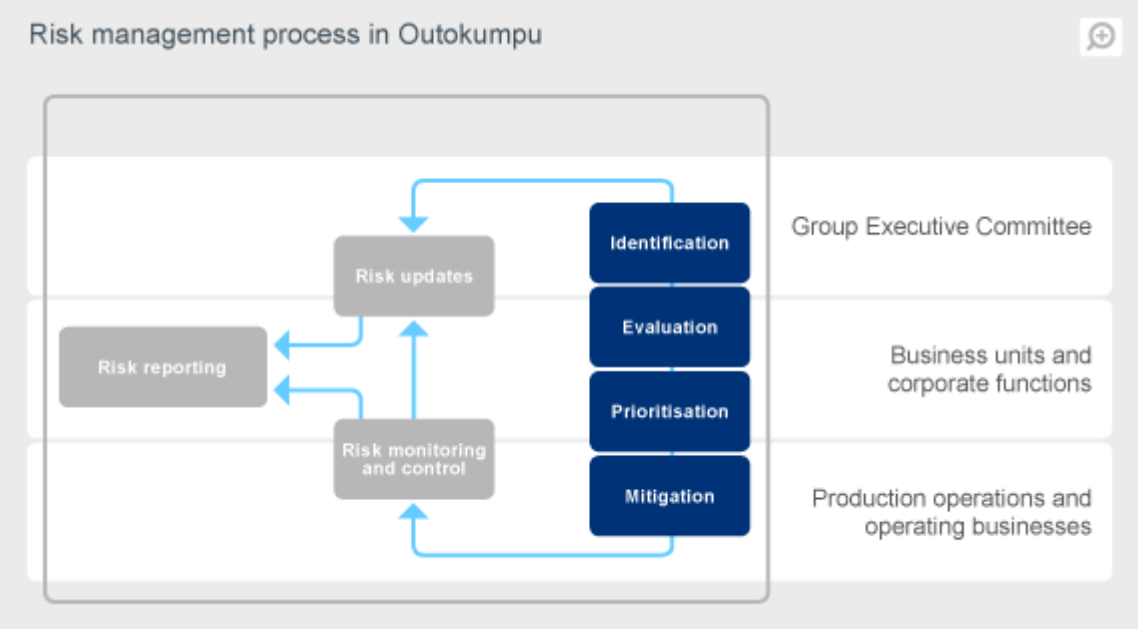
The Outokumpu Board of Directors carries ultimate responsibility for risk management within the Group. Outokumpu's CEO and the Group Executive Committee are responsible for defining and implementing risk management procedures, and for ensuring that risks are both properly addressed and taken into account 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.

The stakeholder perspective

To widen general appreciation of risks within Outokumpu and to help in mitigating possible impacts, the Group also monitors potential risks from a corporate responsibility perspective. Typically these are operational risks.

The following tables provide some examples of risks which could, if realised, also have a significant impact on Outokumpu's stakeholders.

Key risks

Key risks (examples)
■ Strategic and business risks, such as overcapacity in stainless steel production and eurocentricity
■ Risks associated with investment projects
■ Radical changes in environmental legislation
■ Major fire or accident

Possible impacts
■ Impacts on communities if Outokumpu is not able to achieve its financial targets and is therefore forced into actions such as reductions to the Group workforce, layoffs and reduced orders to suppliers.
■ Impacts on communities if major investment projects are postponed or severely delayed: Outokumpu will not be able to provide the expected levels of employment and tax revenues.
■ Possible impacts on communities and on Outokumpu's ability to provide employment if demand for stainless steel is dramatically weakened by radical changes in legislation or regulation regimes.
■ Major catastrophes and severe interruptions to Outokumpu's business may affect employees, contractors, suppliers and downstream businesses. Possible impacts on nearby communities if toxic emissions result from a fire or accident.

Actual and planned responses
■ Strategy update completed in Q3 2010. ■ Developments in supplier audits and business continuity management to reduce supplier dependency.
■ Outokumpu manages project risks by providing dedicated resources for overall project support and management.

- Good level of environmental management within Outokumpu, full compliance with new legislation.
- Proactive coordination with industrial organisations allows Outokumpu to monitor and respond to emerging legislation.
- Development of more environmentally friendly businesses and products.

- Maintaining good levels of risk management at different organisational levels in accordance with Outokumpu's Enterprise Risk Management concept.
- Comprehensive fire safety audit programme.
- Operational excellence programmes and continuous improvement in levels of quality and safety, ensuring that safe operational procedures are employed.
- Development of Outokumpu's crisis management and business continuity management processes.

Other risks

Other risks (examples)

- Security risks
- Risks related to health and safety
- Environmental risks
- Risks associated with climate change

Possible impacts

- Security threats, including terrorism, could have a severe impact on contractors, employees and local communities. Theft or the loss of sensitive information concerning stakeholders, as well as economic or other losses.
- A significant increase in lost-time or fatal accidents would affect Outokumpu's employees and contractors and also have an adverse effect on the Group's reputation.
- Leakages of toxic or dangerous chemicals or other substances would pollute land, natural water systems or the air.
- Greenhouse gas emissions contribute to global warming.

Actual and planned responses

- Implementation and updating of security instructions within all Group operations and businesses.
- Adequate crisis management process to ensure good levels of co-operation between internal and external stakeholders.
- Global co-operation and the sharing of best practices through the Outokumpu Security Working Group.

- Maintaining high levels of safety with the targeted rate of lost-time accidents.
- Development of integrated management systems to maintain certified levels of safety management throughout Outokumpu.
- Continuous development of safety standards and actions to support their implementation.
- See detailed description of Health and Safety

- Establishment of principles for regular risk identification and reporting.
- Implementation of integrated management systems to maintain certified levels of environmental management throughout Outokumpu.
- Co-operation with global associations.
- Co-operation and the sharing of information with different communities.

- Emissions management within the EU Emissions Trading System.
- Implementation of integrated management systems to maintain certified levels of environmental management throughout Outokumpu.
- Development and continuous monitoring of annual targets in connection with climate change. Targets in Outokumpu's Energy and low-carbon programme (published in 2010) include a 20% reduction in CO_2 emissions by 2020.

Climate change is taken seriously

The subject of climate change and its possible consequences has attracted increasing attention within Outokumpu in recent years. Both our response to the challenges set by emission reduction targets and incorporating these into the Group's long-term strategic planning are important. Outokumpu views the possible consequences of climate change as a matter of serious concern and wishes to make a contribution to global efforts aimed at mitigating any associated effects. While preparations have to be made for future commercial challenges that the Group may face in connection with reducing emissions of carbon dioxide, new situations which may arise as a result of climate change could also present opportunities.

Regulatory risks

The greatest uncertainty for Outokumpu in connection with emissions-related regulatory measures stems from the EU Emissions Trading Scheme (EU ETS) and its possible business consequences. One potential result is that Outokumpu could be placed at a competitive disadvantage in relation to stainless steel producers located outside Europe. As emission allowances that remain unused can be sold on financial markets, the system creates a financial incentive for companies to restrict their emissions of carbon dioxide. Conversely, if the level of a company's emissions of carbon dioxide exceeds the rights in its possession, corresponding allowances have to be purchased. Five Group sites in Finland, Sweden and the UK fall within the EU ETS scheme.

While the Group has been granted allowances at no cost in the current trading period (2008–2012), the EU ETS will become a more restricting system in the third emission trading period (2013–2020). Both the cap on total annual emissions in Europe and the amount of emissions allowances allocated at no cost will gradually be reduced and auctions will become the main method for issuing allowances. To dissuade companies currently operating inside the EU from moving to countries without emission reduction targets, industries within the EU that are exposed to high carbon leakage will continue to receive free emission allowances. As the iron and steel industry has been identified as one of the sectors that is vulnerable to a high risk of carbon leakage, Outokumpu sites will continue to receive free emissions allowances during the 2013–2020 period, the amount of which will be based on historical activity and efficiency-based benchmarks.

In the future, emission reduction targets will become more stringent and Outokumpu will have to begin making preparations for operating in a more restrictive environment in connection with carbon dioxide emissions. To manage such risks and to prepare for expected developments in connection with emissions trading, an Emission Management Committee has been established which includes representatives from different Group functions and production locations. Responsibilities of the committee include assisting in the definition of Outokumpu's emissions management strategy and coordinating its implementation.

Cost-related risks

From a Group perspective, identifying and controlling the cost of compliance with emission allowance schemes is very important. Both forecast and realised emissions as well as allowances granted are monitored regularly. Outokumpu has also taken action to reduce the costs associated with compliance by entering into financial transactions such as swapping EU emission allowances for Certified Emissions Reductions (CERs) and investing in a carbon fund.

As production of steel and ferrochrome is energy-intensive, the Group's operations are sensitive to changes in the price of electricity. Power companies transfer the costs associated with their emission allowances to the prices they charge for supplying electrical power, and marginal cost pricing means that all forms of power production are therefore affected by the price of these allowances. Even though electricity purchased by Outokumpu is mostly of the low-carbon variety, costs of this type have a negative impact on the Group and this effect is not mitigated by allocations of emission allowances at no cost. Risks connected with the future cost of emission allowances also adds an element of uncertainty to the planning of new investments and may affect future investment decisions.

Physical risks

Extreme weather events associated with climate change could also have a less direct impact on Outokumpu's operations since physical risks such as property damage or loss of production through floods, hurricanes and/or drought may be exacerbated. Normal measures intended to mitigate this type of risk have however been incorporated into the Group's risk management and associated policies. Currently, only one of Outokumpu's production facilities, a tube mill in Florida, is located in an area defined as a "regional hotspot".

Opportunities

Even though the unpredictable consequences of climate change represent a significant challenge for Outokumpu, they also open up new business opportunities. As it is a sustainable material, stainless steel helps both the Group's customers and society in constructing low-carbon solutions. The remarkable properties of stainless steels make a significant contribution to achieving improved efficiency in the transportation, construction and manufacturing sectors, as well as in the household goods segment. Outokumpu products also assist in tackling global challenges such as the need for clean water.

In 2010, Outokumpu's production remained at a lower level than normally, and this resulted in the Group having a surplus of emission allowances. Outokumpu sold 500 000 EU Allowance Units (EUAs) during 2010. To optimise the cost of compliance within the EU Emissions Trading Scheme, Outokumpu has invested EUR 1.5 million in the Testing Ground Facility (TGF), a carbon fund managed by the Nordic Environmental Finance Corporation. The aims of the TGF fund include purchasing Emission Reduction Units for its investors at financially attractive terms from projects which achieve verified reductions in emissions of carbon dioxide. Similar types of carbon fund investments were assessed by the Group in late 2010 but a decision was made to refrain from investing at that time.

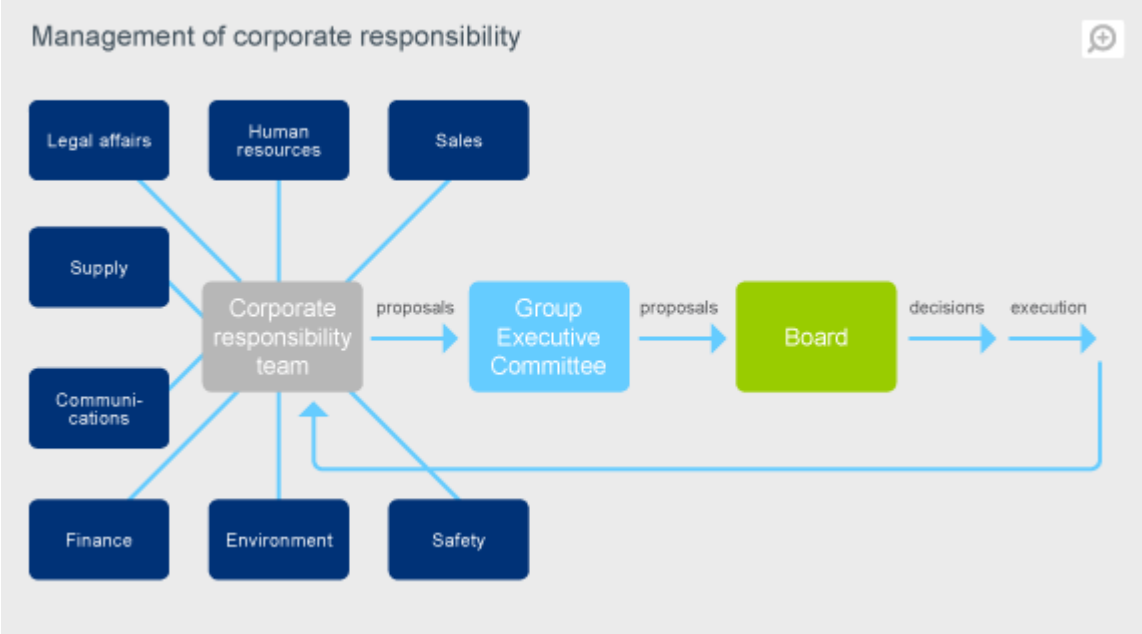
Ethics, corporate responsibility and business conduct

Outokumpu is strongly committed to the highest ethical standards. Company management and all company personnel are expected to comply with the Group's ethical principles. The Ethics Statement, Corporate Responsibility Policy and Code of Conduct define our approach, which includes:

- People must be treated equally and fairly irrespective of their ethnic origin, nationality, religion, political views, gender, sexual orientation or age. Outokumpu is completely opposed to the use of forced and child labour.
- Outokumpu observes the laws and other regulations of the countries it operates in and complies with the agreements and commitments it has made. Outokumpu condemns corruption and bribery, and complies strictly with competition legislation.

Outokumpu's CEO is charged by the Board of Directors with formulating and implementing any measures necessary to safeguard systematic compliance with the Group's Ethical Principles, Corporate Responsibility Policy and Code of Conduct. At least once each year, based on a report by the CEO, the Board of Directors carries out an assessment of corporate responsibility issues within Outokumpu.
Outokumpu's internal audit monitors compliance with our policies, including the Code of Conduct.

Read more about internal audit and Helpline here.



Honouring the rules of competition

Outokumpu expects all its employees to honour and respect the rules associated with competition. Since the mid 1990's the Legal Affairs function has trained sales and marketing personnel on competition rules and legislation. The aim of this training is to alert participants to problematic situations to make sure they will seek professional advice and guidance to avoid possibly illegal arrangements. Training sessions are organised when they are needed.

An e-learning EU competition compliance programme was launched in 2009 and is currently in progress within Outokumpu Group. The main purpose of the programme is to train the personnel in competition law. Upon completion of

the programme in the end of 2010, some 50 participants in the commercial organisation will have been reached and are participating in the training. The follow-up system ascertains that each participant is able to complete the course successfully.

Significant fines and ongoing disputes and litigations

Outokumpu was not imposed with any new significant fines or sanctions in 2010. Outokumpu is involved in legal cases relating to non-compliance with competition legislation in its divested copper businesses during 1988–2001 as well as in an alleged misconduct relating to Outokumpu's sales to Russia during 2004–2006. The current status of these cases is described in further detail in the Review by the Board of Directors.

Internal audit monitors compliance

The mission of the Group's internal audit remained unchanged in 2010: providing consultative auditing on both targets and individual issues identified by either the Board Audit Committee or the Group Executive Committee. The focus is twofold: on the distribution of information and on the identification and control of potential business risks. Internal audits are carried out in close cooperation with the Group's finance and risk management functions, with financial administration bodies and with external auditors. The Internal audit function reports to the Board Audit Committee, which approves its operational plan.

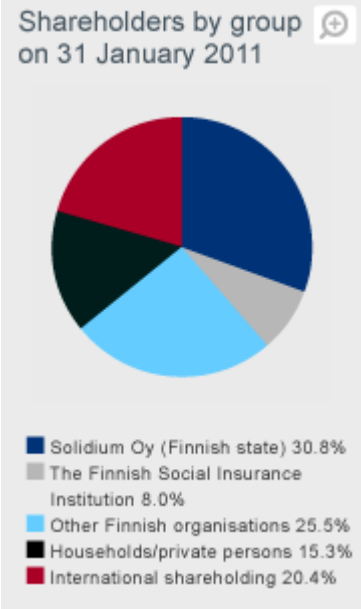
In 2010, 27 individual units, functions or IT systems were audited either independently or in cooperation with external service providers. Internal audit monitors compliance with Outokumpu's Ethical Principles, the Group's Corporate Responsibility Policy and the Group's Code of Conduct, and the ways in which these principles and policies are incorporated into general operational procedures in Group companies and units. While no major risks were identified, one case of suspected malpractice within the Group was investigated and the police were notified. Current understanding of this case indicates that the scale of any possible wrongdoing was not significant.

A confidential Helpline has been set up on the company intranet and also on the Internet. This can be used anonymously to report to internal audit any action that contravenes the Group's Corporate Responsibility principles. Four cases of possible wrongdoing were reported during 2010. In one of these cases, the employment of an employee who was found to have misused private personal data was terminated. Charges in the other three cases were found to be groundless. Four cases of possible misconduct were reported through other channels and were handled at local level. One of these cases involved the breaking of Outokumpu's Leadership Principles and led to disciplinary procedures.

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.

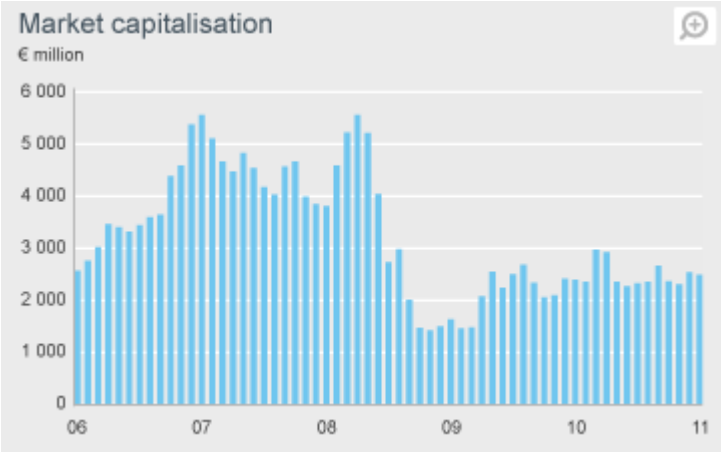
Dividend proposal

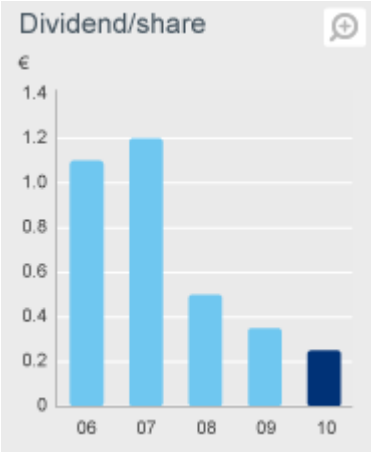
Outokumpu's Board of Directors is proposing a dividend of EUR 0.25 per share for the financial year 2010. The effective dividend yield is 1.8% and the average dividend payout ratio over the past five years is 65%.

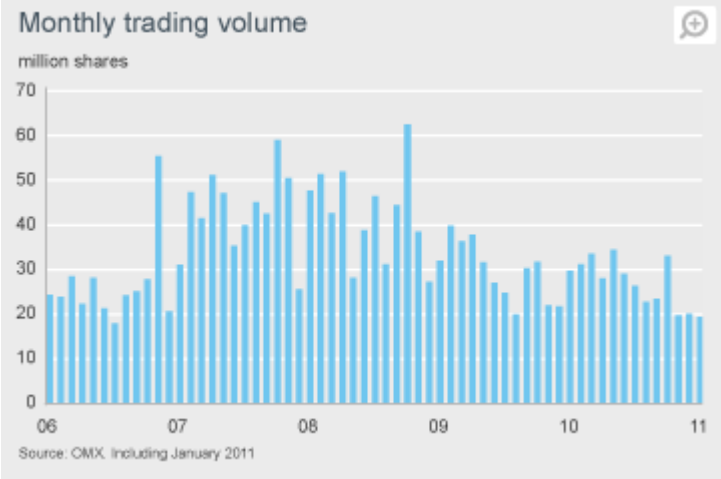
Outokumpu share price development

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).


Market capitalisation
€ million
6 000
5 000
4 000
3 000
2 000
1 000
0
06
07
08
09
10
11


Dividend/share
€
1.4
1.2
1.0
0.8
0.6
0.4
0.2
0
06
07
08
09
10


Monthly trading volume
million shares
70
60
50
40
30
20
10
0
06
07
08
09
10
11
Source: OMX. Including January 2011


Peer group share price performance
Index
350
300
250
200
150
100
50
0
06
07
08
09
10
11
Outokumpu
ArcelorMittal
Posco
Acerinox
ThyssenKrupp

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–7July 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.

Information for shareholders

Annual General Meeting 2011

Outokumpu Oyj's 2011 Annual General Meeting (AGM) will be held on Thursday, 24 March 2011 at 12 pm (EET) at the Marina Congress Center in Helsinki, Finland. To attend the Annual General Meeting, shareholders must be registered in the company's shareholder register maintained by Euroclear Finland Ltd on 14 March 2011.

Nominee-registered shareholders who wish to attend the AGM should temporarily re-register the shares under their own name. Such re-registration must be made no later than 21 March 2011, at 10 am (EET). In order to arrange a temporary re-registration, nominee registered shareholders should contact their bank or other custodian.

Shareholders who wish to attend the AGM must notify Outokumpu no later than 18 March 2011 at 4 pm (EET). Notifications can be made via the internet at www.outokumpu.com/agm, by e-mail to agm@outokumpu.com, by telephone to +358 9 421 5519 or by fax to +358 9 421 2223. Notifications can also be made in person or by a letter addressed to:

Outokumpu Oyj
Share Register, PO. Box 140
02201 Espoo
Finland.
Letters must reach Outokumpu no later than 18 March 2011.

Shareholders may attend and vote at the AGM in person or by proxy. In accordance with Finnish practice, Outokumpu does not send proxy forms to its shareholders. Shareholders wishing to vote by proxy should therefore submit their own proxy forms to Outokumpu during the registration period.

The complete notice to the AGM and additional information concerning the AGM is available on the Outokumpu website at: www.outokumpu.com/agm.

Dividends in 2011

The Board of Directors is proposing to the AGM 2011 that a dividend of EUR 0.25 per share be paid for the financial year 2010.

Financial reports in 2011

Investor information can be obtained from the Outokumpu website at: www.outokumpu.com/Investors. Material available includes annual reports and interim reports, as well as stock exchange and press releases, most of which are published in English and Finnish. Financial reports can also be obtained from:

Outokumpu Oyj/Corporate Communications
Riihitontuntie 7 b, PO Box 140
02201 Espoo
Finland

tel. +358 9 421 4070 or e-mail corporate.comms@outokumpu.com.

Subscriptions to the e-mailing list for stock exchange and press releases can be made at: www.outokumpu.com/Investors/Downloads/Subscribe. Shareholder mailings are executed using contact information in the shareholders'

register maintained by Euroclear Finland Oy. Shareholders should inform their account operator of changes in contact details, nominee-registered shareholder should inform their bank or other custodian.

Investor Relations

The primary task of the Outokumpu Investor Relations function is to support correct valuation of the Outokumpu share by providing adequate information about the Group's business, strategy, activities and financial position, enabling markets to form an accurate and fair view of Outokumpu as an investment candidate.

Our aim is to communicate in an open, timely and clear manner and to treat all parties equally. Outokumpu observes a three-week silent period prior to the publication of financial statements and interim reports. During these periods, we do not arrange meetings with investors and analysts or comment on performance and market developments.

If you require further information about Outokumpu, please contact one of the following:

Päivi Laajaranta
IR Assistant
Tel. +358 9 421 4070,
Send e-mail to Päivi Laajaranta
Päivi Laajaranta coordinates meeting requests.

Ingela Ulfves
Vice President – Investor Relations and Financial Communications
Tel. +358 9 421 2438,
Send e-mail to Ingela Ulfves

Päivi Lindqvist
Senior Vice President – Communications and IR
Tel. +358 9 421 2432,
Send e-mail to Päivi Lindqvist

AGM and dividend

Annual General Meeting 24 March
Ex-dividend date 25 March
Record date for dividend 29 March
Dividend payout 5 April

Financial calendar

Financial Statements Bulletin 2 February
Annual Report Week 7
First-quarter interim report 20 April
Second-quarter interim report 20 July
Third-quarter interim report 20 October

Stock exchange releases 2010

- 2 Nov 2010 Outokumpu Oyj – shares subscribed with the 2003C stock options and the increase in share capital
- 21 Oct 2010 Outokumpu's third quarter 2010 – seasonally lower demand resulted in a loss-making quarter
- 11 Oct 2010 Outokumpu Oyj – publishing of the third-quarter 2010 financial results
- 22 Sept 2010 Outokumpu's Capital Markets Day – strategic priorities adjusted
- 3 Aug 2010 Outokumpu Oyj – shares subscribed with the Outokumpu Oyj 2003C stock options and the increase in share capital
- 22 July 2010 Outokumpu's second quarter 2010 – return to profits in improved markets
- 7 July 2010 Outokumpu Oyj - publishing of the second-quarter 2010 financial results
- 17June 2010 Outokumpu Oyj issues an EUR 250 million domestic bond
- 9 June 2010 Outokumpu to double ferrochrome production
- 9 June 2010 Outokumpu to invest over EUR 100 million in Degerfors, Sweden
- 4 June 2010 Outokumpu Oyj – changes in Executive Committee's responsibilities
- 19 May 2010 Outokumpu Oyj – the fine related to copper sanitary tube cartel remains unchanged
- 11 May 2010 Outokumpu Oyj – shares subscribed with the Outokumpu Oyj 2003C stock options and the increase in share capital
- 7 May 2010 Outokumpu – financial reporting schedule for the year 2011
- 27 April 2010 Outokumpu Oyj – demand for stainless recovering, return to profit in sight
- 14 April 2010 Outokumpu – publishing of the first-quarter 2010 financial results
- 30 March 2010 Resolutions of Outokumpu Oyj's Annual General Meeting 2010
- 30 March 2010 Outokumpu Board decisions at their first meeting
- 29 March 2010 Outokumpu to re-evaluate ferrochrome production expansion
- 19 March 2010 Outokumpu Oyj – the operations in the harbour in Tornio back to normal after the stevedores' strike
- 12 March 2010 Outokumpu Oyj – Operations in Röyttä harbour in Tornio restarted
- 9 March 2010 Outokumpu Oyj – shares subscribed with the 2003B stock options and the increase in share capital
- 8 March 2010 Outokumpu Oyj – Outokumpu affected by stevedores strike in Finland
- 4 March 2010 Outokumpu Oyj – the Finnish harbour workers' strike does not impact the private harbour in Tornio
- 25 Feb 2010 Outokumpu Oyj – publishing of the Annual Report 2009
- 16 Feb 2010 Outokumpu Oyj – shares subscribed with the 2003B stock options and the increase in share capital
- 3 Feb 2010 Outokumpu Annual Accounts Bulletin 2009 – exceptional year with heavy losses but strong cash flow
- 3 Feb 2010 Notice of Annual General Meeting – Outokumpu's AGM to convene on 30 March 2010
- 3 Feb 2010 Outokumpu Oyj – share-based incentive programmes 2006–2010 and 2009–2013
- 15 Jan 2010 Outokumpu – publishing of the 2009 Annual Accounts

- 4 Jan 2010 Outokumpu's Pekka Erkkilä to join Outotec

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

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

Based on its own assessment, Outokumpu has followed the B+ application level of the GRI guidelines. The application level has been checked by a third party, PricewaterhouseCoopers Oy.

Global Compact principles		GRI Content	Included	Section(s)	Comment
	1.	**Strategy and Analysis**			
	1.1	CEO's statement	Yes	CEO's review	
	1.2	Key impacts, risks and opportunities	Yes	Impact on the environment Strategic themes Risk management	
	2.	**Organizational Profile**			
	2.1	Name of the organization	Yes	Outokumpu	
	2.2	Primary brands, products and services	Yes	Outokumpu	
	2.3	Operational structure	Yes	Regulatory framework Outokumpu's business and business units	
	2.4	Location of organization's headquarters	Yes	Outokumpu	
	2.5	Number of countries and location of operations	Yes	Outokumpu International presence	
	2.6	Nature of ownership and legal form	Yes	Regulatory framework Shares and shareholders	
	2.7	Markets served	Yes	Market position	
	2.8	Scale of the reporting organization	Yes	Key figures and highlights	
	2.9	Significant changes regarding size, structure or ownership	Yes	Review by the Board of Directors	
	2.10	Awards received in the reporting period	Yes	Highlights 2010 Investors and analysts	Outokumpu was also awarded again for good corporate responsibility reporting (3rd prize in a ranking in Finland)
	3.	**Report Parameters**			
	3.1	Reporting period	Yes	Reporting principles	
	3.2	Date of most recent report	Yes	Reporting principles	
	3.3	Reporting cycle	Yes	Reporting principles	

	3.4	Contact point for questions regarding the report	Yes	Contact Outokumpu	
	3.5	Process for defining report content	Yes	Materiality analysis	
	3.6	Boundary of the report	Yes	Reporting principles	
	3.7	Limitations on the report's scope or boundary	Yes	Reporting principles	
	3.8	Basis for reporting subsidiaries and joint ventures	Yes	Reporting principles	
	3.9	Data measurement techniques and bases of calculations	Yes	Reporting principles	Information on accounting principles is also reported in connection with the figures in question
	3.10	Explanation of re-statements	Yes	Reporting principles	
	3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods	Yes	Reporting principles	
	3.12	GRI content index	Yes	GRI and UN global compact	
	3.13	Assurance policy and practice	Yes	Assurance report	
	4.	**Governance, Commitments and Engagement**			
		Governance			
	4.1	Governance structure of the organisation	Yes	Governance 2010	
	4.2	Position of the Chairman of the Board	Yes	Board of Directors	
	4.3	Independence of the Board members	Yes	Board of Directors	
	4.4	Mechanism for shareholder and employee consultation	Yes	General Meeting of Shareholders	
				The Nomination Board	
	4.5	Executive compensation and linkage to organization's performance	Yes	Remuneration	
	4.6	Processes for avoiding conflicts of interest	Yes	Board of Directors	
	4.7	Processes for determining expertise	Yes	Board of Directors	
	4.8	Implementation of mission and values statements, code of conduct and other principles	Yes	Compliance	
				Internal audit	
	4.9	Procedures of the Board for overseeing management of sustainability performance, including risk management	Yes	Compliance	

				Risk management	
	4.10	Processes for evaluating the Board's performance	Yes	Board of Directors	
		Commitments to External Initiatives			
7	**4.11**	Addressing precautionary approach	Yes	Impact on the environment Risk management	
1-10	**4.12**	Voluntary charters and other initiatives	Yes	Associations and federations	
1-10	**4.13**	Memberships in associations	Yes	Associations and federations	
		Stakeholder Engagement			
	4.14	List of stakeholder groups	Yes	Outokumpu and society	
	4.15	Identification and selection of stakeholders	Yes	Outokumpu and society	
	4.16	Approaches to stakeholder engagement	Yes	Outokumpu and society	
	4.17	Key topics raised through stakeholder engagement	Yes	Outokumpu and society	
		Economic Performance Indicators			
1, 4, 6, 7		**Management approach to economic responsibility**	Yes	Strategic themes	
		Economic Performance			
	EC1*	Direct economic value generated and distributed	Yes	Outokumpu and society Research and development	
7	**EC2***	Risks and opportunities due to climate change	Yes	Climate change risks	
	EC3*	Coverage of defined benefit plan obligations	Yes	Remuneration	Group Executive Committee
	EC4*	Significant subsidies received from government	Yes	Public sector, sponsoring and NGOs	
		Market presence			
1	EC5	Entry level wage compared to minimum wage	No		
	EC6*	Spending on local suppliers	Partly	Supply Chain Management	Raw material procurement described
6	**EC7***	Local hiring	No		
		Indirect Economic Impacts			
	EC8*	Infrastructure investments provided for public benefit	No		

	EC9	Significant indirect economic impacts	Yes	Local communities	
		Environmental Performance Indicators			
7, 8, 9		**Management approact to environmental responsibility**	Yes	Impact on the environment	
				Environmental Goals and Results	
		Materials			
8	**EN1***	Materials used by weight or volume	Yes	Material balance	
8,9	**EN2***	Recycled materials used	Yes	Materials efficiency	
		Energy			
8	**EN3***	Direct energy consumption	Yes	Material balance	
				Energy efficiency	
8	**EN4***	Indirect energy consumption	Partly	Material balance	Electricity consumption and origin of electricity reported
8, 9	EN5	Energy saved due to conservation and efficiency improvements	Yes	Energy efficiency	
				Environmental investments	
				Environmental Goals and Results	
8	EN6	Initiatives to provide energy-efficient or renewable energy based products and services	Yes	Energy efficiency	
				Environmental investments	
8	EN7	Initiatives to reduce indirect energy consumption	Yes	Energy efficiency	
		Water			
8	**EN8***	Total water withdrawal	Yes	Water	
				Emissions and effluents	
8	EN9	Water sources significantly affected by withdrawal of water	Yes	Water	
8, 9	EN10	Percentage and total volume of water recycled and reused	Yes	Water	
		Biodiversity			
8	**EN11***	Location and size of land holdings in areas of high biodiversity	Yes	Biodiversity	
8	**EN12***	Description of significant impact of activities, products, and services on biodiversity	Yes	Biodiversity	
8	EN13	Habitats protected or restored	Yes	Biodiversity	
8	EN14	Managing impacts on biodiversity	Yes	Biodiversity	

8	EN15	Species with extinction risk with habitats in areas affected by operations	Yes	Biodiversity	
		Emissions, Effluents and Waste			
8	**EN16***	Total direct and indirect greenhouse gas emissions	Yes	Material balance Energy efficiency Transport	
8	**EN17***	Other relevant indirect greenhouse gas emissions	Yes	Energy efficiency	
7, 8, 9	EN18	Initiatives to reduce greenhouse gas emissions	Yes	Energy efficiency	
8	**EN19***	Emissions of ozone-depleting substances	Yes	Material balance	
8	**EN20***	NOx, SOx, and other significant air emissions	Yes	Material balance Emissions and effluents	
8	**EN21***	Total water discharge	Yes	Water	
8	**EN22***	Total amount of waste	Yes	Material balance Waste Materials efficiency	
8	**EN23***	Significant spills	Yes	Emissions and effluents	
8	EN24	Transported, imported, exported, or treated hazardous waste	No		
8	EN25	Water bodies and habitats affected by discharges of water	Yes	Biodiversity	
		Products and Services			
7, 8, 9	**EN26***	Mitigating environmental impacts of products and services	Yes	Climate change	
8, 9	**EN27***	Reclaimable products and reuse	No		
		Compliance			
8	**EN28***	Significant fines and sanctions for non-compliance with environmental regulations	Partly	Emissions and effluents	
		Transport			
8	EN29	Environmental impacts of transportation	Yes	Transport	CO2 emissions of transportation
		Overall			
7, 8, 9	EN30	Total environmental protection expenditures and investments	Yes	Environmental investments	
		Social Performance Indicators			

1, 3, 6		**Management approach to social responsibility**	Yes	People & Society Our People Supply Chain Management	
		Labor Practices and Decent Work			
		Employment			
	LA1*	Total workforce by employment type, employment contract and region	Yes	Personnel figures	
6	**LA2***	Total number and rate of employee turnover	Yes	Personnel figures	
	LA3	Employee benefits	No		
		Labor/Management Relations			
1, 3	**LA4***	Coverage of collective bargaining agreements	Yes	Diversity and equal rights	
3	**LA5***	Minimum notice period regarding operational changes	Yes	Our People	Outokumpu follows local laws and regulations also in job reductions and lay-offs
		Occupational Health and Safety			
1	LA6	Representation in joint health and safety committees	Partly	Local communities	Communication with employees on sites
1	**LA7***	Rates of injury, occupational diseases, lost days, fatalities and absenteeism	Yes	Safety	
1	**LA8***	Education and prevention programmes regarding serious diseases	Yes	Health	
1	LA9	Health and safety topics covered in formal agreements with trade unions	No		
		Training and Education			
	LA10*	Average training hours per year	Yes	Developing our people	Training days per employee
	LA11	Programmes for skills management and lifelong learning	Yes	Developing our people	Description of development and training programmes
	LA12	Employees receiving regular performance and career development reviews	Yes	Performance management	
		Diversity and Equal Opportunity			
1, 6	**LA13***	Composition of governance bodies and breakdown of employees	Yes	Diversity and equal rights	Breakdow of total workforce by gender, age and education. Composition of governance bodies by gender
1, 6	**LA14***	Ratio of basic salary of men to women by employee category	No		

		Human Rights			
1-6	**HR1***	Investment agreements with human rights clauses or that have undergone human rights screening	No		
1-6	**HR2***	Suppliers and contractors that have undergone human rights screening	Partly	Supply Chain Management	Survey of strategic suppliers
1-6	HR3	Human rights related training for employees	No		
1, 2, 6	**HR4***	Incidents of discrimination and actions taken	Yes	Internal audit	
1, 2, 3	**HR5***	Supporting right to freedom of association and collective bargaining in risk areas	Partly	Diversity and equal rights	Outokumpu maintains a consistent policy of freedom of association
1, 2, 5	**HR6***	Measures taken to eliminate child labour in risk areas	Partly	Our people	Ethics Statement, Corporate Responsibility Policy and Code of Conduct
1, 2, 4	**HR7***	Measures taken to eliminate forced labour in risk areas	Partly	Our people	Ethics Statement, Corporate Responsibility Policy and Code of Conduct
				Compliance	
1, 2	HR8	Human rights related training for security personnel	No		
1, 2	HR9	Incidents involving rights of indigenous people and actions taken	No		
		Society			
		Community			
	SO1*	Managing impacts of operations on communities	Partly	Local communities	Local community impacts and procedures described. Including issues of GRI Mining and Metals Sector Supplement notes
		Corruption			
10	**SO2***	Business units analyzed for corruption risks	Partly	Compliance	Ethics Statement, Corporate Responsibility Policy and Code of Conduct
				Our people	
10	**SO3***	Anti-corruption training	Partly	Compliance	Ethics Statement, Corporate Responsibility Policy and Code of Conduct
				Our people	

10	**SO4***	Actions taken in response to incidents of corruption	Partly	Compliance Our people	Ethics Statement, Corporate Responsibility Policy and Code of Conduct
		Public Policy			
1-10	**SO5***	Public policy positions and participation in public policy development and lobbying	Partly	Public sector, sponsoring and NGOs	
10	SO6	Contributions to political parties and related institutions	Yes	Public sector, sponsoring and NGOs	
	SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly	Yes	Compliance Review by the Board of Directors	
		Compliance			
	SO8*	Fines and sanctions for non-compliance with laws and regulations	Yes	Compliance Review by the Board of Directors	
		Product Responsibility			
		Customer Health and Safety			
1	**PR1***	Assessment of health and safety impacts of products	Yes	Research and development	
1	PR2	Non-compliance with regulations concerning health and safety impacts of products	No		
		Product and Service Labeling			
8	**PR3***	Product information required by procedures	Yes	Research and development	
8	PR4	Non-compliance with regulations concerning product information and labelling	No		
	PR5	Customer satisfaction	Yes	Group sales and marketing	
		Marketing Communications			
	PR6*	Adherence to marketing communications laws, standards and voluntary codes	No		
	PR7	Non-compliance with marketing communications regulations and voluntary codes	No		
		Customer Privacy			
1	PR8	Complaints regarding breaches of customer privacy	No		
		Compliance			

	PR9*	Fines for non-compliance concerning the provision and use of products and services	No		
		GRI Mining and Metals Sector Supplement			
	MM4	Number of strikes and lock-outs exceeding one week's duration, by country.	Yes	Diversity and equal rights	
	MM11	Programs and progress relating to materials stewardship	Yes	Impact on the environment Research and development	

* GRI Core indicator

Reporting provides information for stakeholders

The objective in Outokumpu's corporate responsibility reporting is to support an open dialogue between the Group and its stakeholders. Our aim is to address the needs of our current and future personnel, shareholders, customers and other parties who are interested in Outokumpu and its business. We utilise reporting as an opportunity to illustrate what Outokumpu has done to ensure the sustainability of its business operations, and what actions we hope to take in the future to enhance the well-being of people and the natural environment that surrounds us. The Group has a long history of responsible business practices and we hope to make our operations even more sustainable. We report on matters considered important and relevant to our business operations, and also cover current global themes that have an effect on us, our operations and our stakeholders.

Contact details for questions regarding the contents of this report can be found here.

Scope of the report

Outokumpu's corporate responsibility report is published annually. The reporting period is the same as our financial reporting period, i.e. a calendar year. Our previous report was published online on 25 February 2010, within the 2009 Annual Report.

This 2010 report is Outokumpu's second online report, and the first report in which our Corporate Responsibility report has been completely integrated with our Annual Report.

Since 2004, Outokumpu's reporting has been based on the widely recognised and applied Global Reporting Initiative (GRI) guidelines (G3 from 2007). This year with the new integrated reporting, Outokumpu's does not follow the tripartite division into economic, social and environmental responsibility suggested by GRI in reporting.

A comparison of Outokumpu reporting with the GRI guidelines and the 10 principles of the UN Global Compact can be found here.

Economic and social information covers entire Outokumpu Group. Environmental indicators include all Outokumpu stainless steel production plants.

Comparability of statistics

Outokumpu's brass rod operations, which have previously been classified as discontinued operations, have been reclassified to Other operations in 2010. Following the reclassification, Outokumpu does not any more present continuing and discontinued operations separately in its financial information or in the Annual/Corporate responsibility report. The comparable financial and social responsibility figures for 2009 have been restated accordingly. Financial and social responsibility figures for periods before 2009 have been restated only regarding the remaining brass operations.

Any corrections made to figures reported in previous years are indicated in conjunction with the corrected figures. Since 2007, Outokumpu's reports have included an assurance report that has been submitted by independent external assurance providers. This independent assurance report is available here. The data based on the financial statements has been audited.

Measurement techniques

Economic responsibility

The majority of the figures presented on economic responsibility are based on the consolidated financial statements of Outokumpu Group and collected through Outokumpu's consolidation system. Financial figures have been prepared in accordance with International Financial Reporting Standards (IFRS). Outokumpu's accounting principles for the consolidated accounts are available here.

Based on GRI guidelines, the economic responsibility figures have been calculated as follows:

Generation of value added

Sales invoiced to customers during the financial year is used when calculating generated value added. Any discounts or indirect taxes are deducted from the sales figure.

The cost of goods and services purchased by Outokumpu during the financial year are deducted from sales in order to calculate the value added generated by Outokumpu.

Distribution of value added

Value added distributed to employees consists of wages and salaries paid to Outokumpu employees during the financial year. Pension payments and related accruals are also included in the figure.

Distribution to public sector includes taxes, social fees and other payments of tax nature. No deferred taxes have been included in the figure.

For creditors' share of the value added, the interest expenses on debt booked during the financial year is presented. Capitalised interest is deducted from the figure.

Distribution of value added to shareholders is the total dividend the Board of Directors is proposing to be distributed to the shareholders from the parent company's distributable funds.

Environmental responsibility

Financial information related to environmental investments is collected according to group wide unified guidance in line with the GRI and World Steel Association principles.

Environmental data is aggregated through our Energy and Environment Reporting System, which has group guidance integrated.

Social responsibility

Lost Time Injury (LTI) - Injuries per million hours worked (World Steel Association's principle)

A lost time accident is an injury or accident that has taken place during working hours at the workplace and caused at least one sick leave of one day (excl. the day of the injury or accident). A sick leave of one day means that an Outokumpu employee or a third party contractor employee has not been able to return to work the next scheduled working day. Returning to work with work restrictions does not constitute lost time injury status, no matter how minimal or severe the restrictions.

EU average LTI

From statistics supplied by World Steel Association. Member companies follow the definition of Lost Time Injury of the World Steel Association in their reporting.

Near miss incidents

Near miss incidents refer to incidents that could have led to an accident, but no injury took place. The number of incidents is collected for all Group companies in the financial consolidation system. The source of information is Outokumpu's safety reporting system.

Sick leave days

Sick leave days reported are total sick leave days during the reporting period. Reporting units report data on sickness absence and occupational diseases on a monthly basis together with financial reporting. In the future, sick leave days will be reported per million hours worked, not in percentages.

Personnel figures

Similarly with previous years, the full-time equivalent (FTE) is used to calculate personnel figures. An FTE 1.0 equals to one person working full-time hours per week. Usually it means 37.5 hours per week, but this differs by country. No subcontractors or outsourced persons are included. Individuals on Outokumpu's payroll but not working due to, for example, military service or maternity leave, are not included in the figure. As of 2011, Outokumpu will start to report actual headcount figures, as recommended by assurance providers.

Total personnel costs

The figure includes wages, salaries, bonuses, social costs or other personnel expenses and fringe benefits paid and accrued for during the reporting period.

Training costs

Training costs include external training related expenses like participation fees. Wages and salaries and daily allowances of the participant are not included in the figure. Salaries of internal trainers are included.

Training days per employee

The number of actual training days in which 8 hours equals one day.

Incentive bonuses

Bonus is an extra payment due to good performance. The figure is reported without social costs or fringe benefits.

Personnel turnover (termination and recruitment turnover separately)

(Newly hired + leavers)/(2x year end headcount)

Based on the recommendation from assurance providers, we have changed the divider to 2x the year end headcount, instead of 2x average headcount. (Full-time equivalent on December 31, 2010).

Days lost due to strikes

Days lost due to strikes is calculated by multiplying the number of employees, who have been on strike by scheduled working days. The count begins the day that the strike has started.

Independent Assurance Report
17 February 2011

To Outokumpu Oyj's Management

We have been engaged by the Management of Outokumpu Oyj to perform a limited assurance engagement on the information on economic, social and environmental responsibility disclosed in Outokumpu Oyj's corporate responsibility reporting for 2010 for the reporting period of January 1st to December 31st, 2010. The corporate responsibility reporting for 2010 consists of corporate responsibility information (CR information) disclosed in the online Annual Report 2010 (the Report) of Outokumpu Oyj.

Management's Responsibility

Outokumpu Oyj's Management has prepared the Report, and is responsible for the collection and presentation of CR information within the Report in accordance with the reporting criteria as set out in Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G3 version together with Outokumpu Oyj's own reporting guidelines (Criteria).

Practitioner's Responsibility

Our responsibility is to express an independent conclusion on the CR information based on our limited assurance engagement. Our assurance report has been made in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Outokumpu Oyj for our work, for this report, or for the conclusions that we have reached.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 applicable to assurance engagements other than audits or reviews of historical financial information. This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that causes us to believe that the Subject Matter does not provide a balanced and reasonable representation of Outokumpu Oyj's corporate responsibility performance based on the Criteria.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. We have planned and performed our evidence gathering procedures to obtain sufficient appropriate evidence on which to base our conclusion. We have performed amongst others the following procedures:

• Interviewed persons in Group Management in order to ascertain the current targets for Outokumpu Oyj's corporate responsibility as part of the business strategy and operations;
• Interviewed persons responsible for corporate responsibility at Outokumpu Group;
• Reviewed management and reporting systems relating to CR information disclosed in the Report;
• Assessed the data management procedures used in compiling and reporting the quantitative data;
• Interviewed persons responsible for the practices and procedures used for data generation, recording, compilation and consolidation both at the Group Head Office and at site level;
• Tested existency of reported CR information on a sample basis from primary documentation at site level;

• Tested the completeness, accuracy and comparability of the quantitative data presented in the Report on a sample basis of primary documentation at site level as well as performing recalculations at Group level;
• Reviewed the content and quality of CR information presented in the Report.

Conclusion
Based on our work described above, nothing has come to our attention that causes us to believe that the CR information in all material respects, based on the aforementioned Criteria, is not providing a balanced and reasonable presentation of Outokumpu Oyj's corporate responsibility performance.

Our assurance report should be read in conjunction with the inherent limitations of accuracy and completeness for corporate responsibility information. This independent assurance report should not be used on its own as a basis for interpreting Outokumpu Oyj's performance in relation to its policies of corporate responsibility.

Helsinki, 17 February 2011
PricewaterhouseCoopers Oy

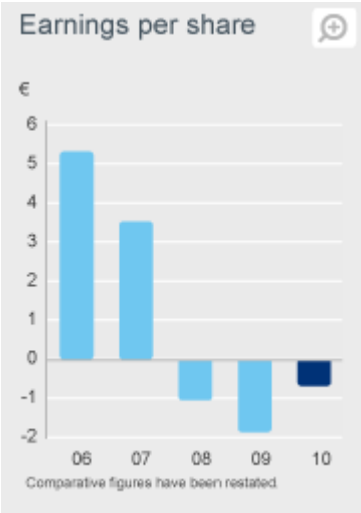
Sirpa Juutinen
Partner, Sustainability & Climate Change

Review by the Board of Directors for 2010

Reduced operating loss in recovering markets for stainless steel

After a very weak 2009, recovery in demand for stainless steel started from the beginning of 2010, mainly in consumer-driven end-use segments. Recovery was also supported by restocking and increasing metal prices during the first half of the year. Increased volatility in metal prices and destocking held back consumption during the second half of the year.

Outokumpu's strategy was reviewed and remained unchanged but some adjustments to short-term priorities were made to restore profitability – these primarily concerned the loading of Tornio Works and increased production of special grades and products in Sweden. In June, Outokumpu decided to continue two projects



in the Group's postponed investment programme: doubling ferrochrome production capacity and investing in increased quarto plate production capacity.

Group sales for the whole of 2010 totalled EUR 4 229 million (2009: EUR 2 641 million) and stainless steel deliveries totalled 1 315 000 tonnes, 28% up on the level in 2009. Operating profit totalled EUR -83 million (2009: EUR -441 million) and the underlying operational result was EUR -91 million (2009: EUR −343 million). Net cash from operating activities totalled EUR -497 million (2009: EUR 201 million).

Return on capital employed in 2010 was -2.1% (2009:
-11.7%) and gearing was 77.3% (2009: 48.6%). Earnings per share totalled EUR -0.68 (2009: EUR -1.86). The Board of Directors is proposing to the 2011 Annual General Meeting that a dividend of EUR 0.25 per share be paid for 2010 (2009: EUR 0.35).

Stainless steel markets in 2010

After a very weak year 2009, demand for stainless steel began recovering from the beginning of 2010 supported by improving consumption, primarily in consumer-driven industries. Demand from investment-driven end-use segments, such as process industry, remained soft. During the first half of the year, recovery was also supported by restocking and increasing metal prices but volatility in metal prices and destocking slowed consumption during the second half. Compared to 2009, apparent consumption of stainless steel in 2010 is estimated to have increased by 20% globally and by 25% in Europe. The average German base price for 2mm 304 cold rolled sheet in 2010 was 1 252 EUR/tonne, up by

8% from 2009. The clearly higher metal prices in 2010 resulted in the transaction price for stainless steel averaging 2 780 EUR/tonne, 37% higher than it was in 2009. (CRU)

Sales and deliveries

Sales

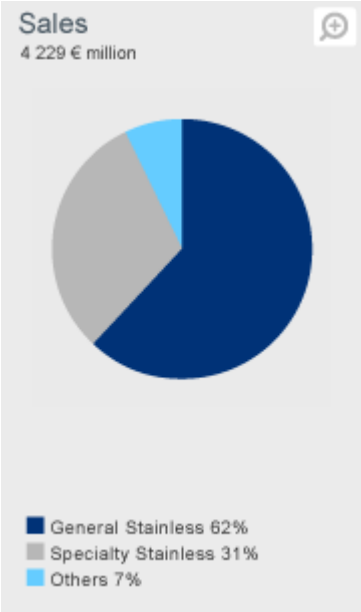
€ million	**2010**	2009	2008
General Stainless	**3 503**	2 065	4 147
Specialty Stainless	**1 710**	1 239	2 705
Other operations	**401**	273	317
Intra-group sales	**-1 384**	-935	-1 636
The Group	**4 229**	2 641	5 533

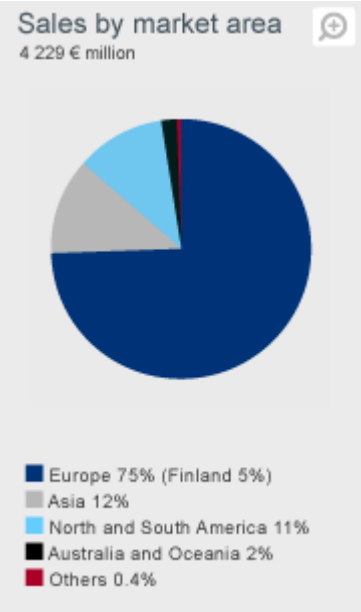
Stainless steel deliveries

1 000 tonnes	**2010**	2009	2008
Cold rolled	**698**	545	739
White hot strip	**312**	263	330
Quarto plate	**83**	67	120
Tubular products	**51**	53	70
Long products	**58**	40	55
Semi-finished products	**114**	63	109
Total deliveries	**1 315**	1 030	1 423

Group sales in 2010 increased to EUR 4 229 million (2009: EUR 2 641 million) as a result of higher delivery volumes and higher transaction prices for stainless steel. Delivery volumes increased by 28% to 1 315 000 tonnes (2009: 1 030 000 tonnes). Capacity utilisation in the Group's operations in 2010 was approximately 75%. Sales by General Stainless in 2010 were up by 70% and sales by Specialty Stainless were up by 38%.

Europe's share of Group's sales was 75% in 2010 (2009: 74%), while Asia and the Americas accounted for 11% (2009: 14%) and 11% (2009: 10%), respectively.





Operating profit

Profitability

€ million	**2010**	2009	2008
Operating profit			
General Stainless	**14**	-259	-6
Specialty Stainless	**-76**	-149	-101
Other operations	**-15**	-34	33
Intra-group items	**-7**	1	6
Operating profit	**-83**	-441	-68
Share of results in associated companies	**-10**	-13	-4
Financial income and expenses	**-50**	-25	-69
Profit before taxes	**-143**	-479	-141
Income taxes	**19**	143	24
Net profit, discontinued operations	**-**	-	-72
Net profit for the financial year	**-124**	-336	-189
Operating profit margin, %	**-2.0**	-16.7	-1.2
Return on capital employed, %	**-2.1**	-11.7	-1.7

Profitability

Earnings per share, EUR	**-0.68**	-1.86	-1.05

Outokumpu's operating profit in 2010 totalled EUR -83 million (2009: EUR -441 million). In 2010, net non-recurring items of EUR -17 million of write-downs related to cancelled investments in Avesta Works in Sweden are included in the operating loss (2009: EUR -20 million of restructuring provisions and write-downs). Raw material-related inventory gains of some EUR 26 million are included in the operating profit (2009: losses of some EUR 78 million). Underlying operational result for 2010 was some EUR -91 million (2009: EUR -343 million). Higher delivery volumes, higher base prices and better contribution from ferrochrome production than occurred in 2009 were the main causes for the improved result. A somewhat weaker geographical and product mix partly offset the improvement. Profit before tax totalled EUR -143 million (2009: EUR -479 million).

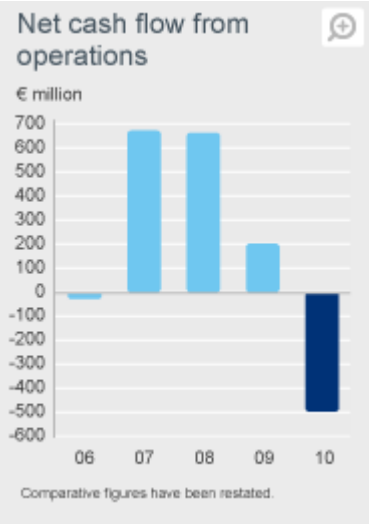
Net financial income and expenses in 2010 totalled EUR -50 million (2009: EUR -25 million). Interest expenses increased due to the higher amount of net debt and an increased proportion of fixed-rate financing in the Group's loan portfolio as well as commitment fees for unutilised credit facilities. A non-recurring gain of EUR 8.5 million related to the sale of the Group's holding in Okmetic Oyj is included in the financial income. The Group's net profit for the year totalled EUR -124 million (2009: EUR -336 million) and earnings per share totalled EUR -0.68 (2009: EUR -1.86). Return on capital employed during the year was -2.1% (2009: -11.7%).

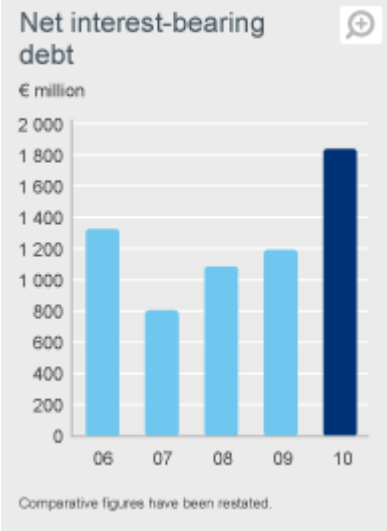
Capital structure

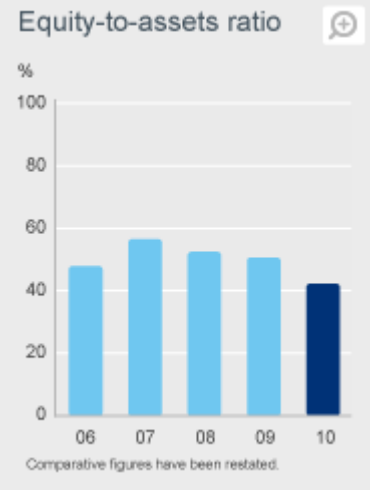
Key financial indicators on financial position

€ million	**2010**	2009	2008
Net interest-bearing debt			
Long-term debt	**1 529**	1 038	1 219
Current debt	**980**	703	581
Total interest-bearing debt	**2 509**	1 741	1 800
Interest-bearing assets	**-672**	-550	-714

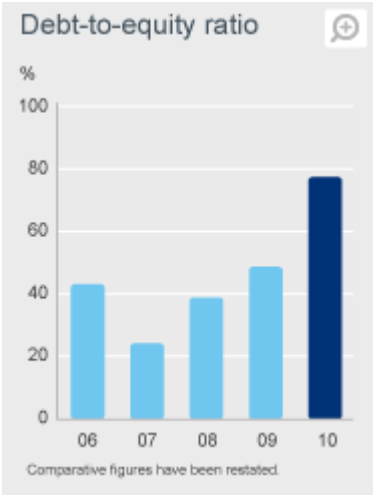
Key financial indicators on financial position			
Net interest-bearing debt	**1 837**	1 191	1 085
Shareholders' equity	**2 376**	2 451	2 795
Return on equity, %	**-5.1**	-12.8	-6.2
Debt-to-equity ratio, %	**77.3**	48.6	38.8
Equity-to-assets ratio, %	**42.2**	50.6	52.4
Net cash generated from operating activities	**-497**	201	662
Net interest expenses	**38**	22	55







Net cash generated from operating activities in 2010 was negative and totalled EUR -497 million (2009: EUR 201 million). The increase in working capital that resulted from increased delivery volumes and higher metal prices totalled EUR 476 million (2009: EUR 552 million released from working capital). Cash and cash equivalents totalled EUR 150 million (2009: EUR 112 million) at the end of 2010.



During 2010, Outokumpu's net interest-bearing debt increased by EUR 647 million and totalled EUR 1 837 million at the end of 2010 (31 Dec 2009: EUR 1 191 million). Outokumpu's gearing at the end of the year was at 77.3% (31 Dec 2009: 48.6%), somewhat above the Group's stated target of less than 75%. At the end of 2010, Outokumpu's equity-to-assets ratio was 42.2% (31 Dec 2009: 50.6%).

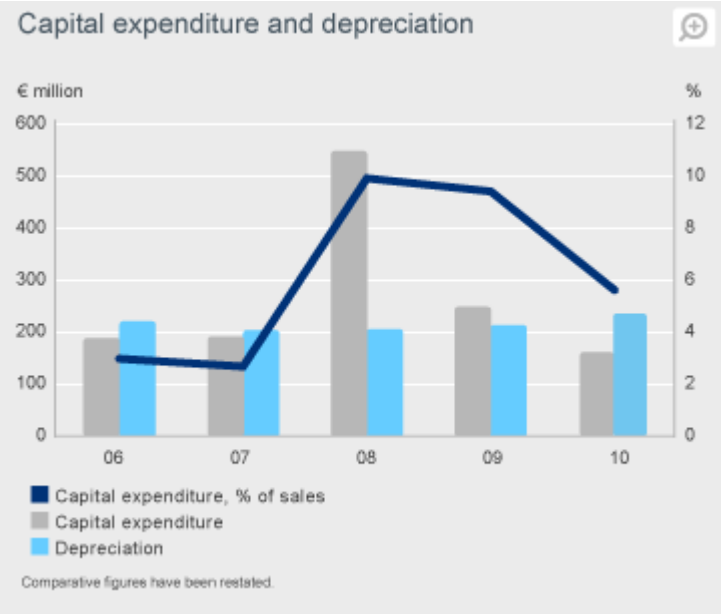
In June, Outokumpu issued a EUR 250 million five-year domestic bond. The funds are used for general corporate purposes. The bond is listed on the NASDAQ OMX Helsinki stock exchange. At the end of 2010, Outokumpu had committed undrawn credit facilities totalling approximately EUR 1 billion. Committed credit facilities include a three-year EUR 900 million revolving credit facility signed in June 2009.

Capital expenditure and investment projects

Capital expenditure

€ million	**2010**	2009	2008
General Stainless	**73**	129	332
Specialty Stainless	**69**	93	170
Other operations	**19**	26	45
The Group	**161**	248	547
Depreciation and amortisation	**235**	214	206

Capital expenditure by the Group in 2010 totalled EUR 161 million (2009: EUR 248 million) and covered both maintenance and ongoing investment projects. The largest investments were connected with the Group's quarto plate investment at New Castle in the US, a new acid regeneration plant at Avesta Works in Sweden, a new service centre in China and the investment in Long Products' finishing facilities at Sheffield in the UK.



In June, Outokumpu opened a new service centre in China, the world's fastest-growing market for stainless steel. The new Kunshan service centre represents an investment by the Group of some EUR 20 million, has an annual processing capacity of some 30 000 tonnes of stainless steel and employs approximately 50 people. It supports Outokumpu's

strategy of expanding operations in Asia and serving end-user and project customers with value-added special products. In the main, Outokumpu's offering to the Chinese market consists of special grades, especially duplex grades, employed in the most demanding applications in the energy, petrochemical, transportation and pulp and paper sectors.

Also in June, a new stainless steel bar and rebar facility was opened at Sheffield in the UK. This new facility expands the Group's product range, allowing stainless steel rebar to be offered in straight lengths or as formed components while also enabling the production of cold-drawn bar. Outokumpu can now serve the Group's long products customers from a fully-integrated production route in Sheffield. This investment totalled some EUR 10 million.

In June, based on the results of an updated feasibility study, the decision was made to invest EUR 440 million in doubling ferrochrome production capacity at Tornio in Finland. The original decision on this investment was made in June 2008 but was subsequently postponed. Annual ferrochrome production in Tornio will be doubled to 530 000 tonnes enabling the Group to meet its internal needs while also supplying the global market with more than 200 000 tonnes of ferrochrome annually. The additional production capacity resulting from this investment is expected to be operational in 2013 with ramp-up in 2015. The main capital expenditure cash outflows will take place in 2011 and 2012. By the end of 2010, the project organisation had been established, detailed design planning had been initiated, construction work had began and some technology and equipment supply contracts signed.

Also in June, the decision to invest EUR 104 million in increasing quarto plate production capability and capacity in Degerfors in Sweden was made. This investment strengthens Outokumpu's position as a world-leading producer of these thick, wide and individually rolled plates and will increase annual quarto plate production capacity in Degerfors by 40 000 tonnes to 150 000 tonnes. The majority of this new production capacity is scheduled to be available in 2014. Capital expenditure will be spread over five years with the majority of cash out-flows taking place in 2012 and 2013. Initial stages in related project work were undertaken in 2010. Including the completed investment in expanding capacity in New Castle in the US, the Group's total production capacity in quarto plate will eventually increase to more than 200 000 tonnes annually.

In August, the investment project increasing quarto plate production capability and capacity at New Castle in Indiana, in the US was completed. This EUR 45 million investment increased annual production capacity at this Outokumpu facility by 20 000 tonnes to a total of 70 000 tonnes.

In December 2010, the decision was made to cancel an investment project originally intended to expand Outokumpu's production capacity in special grades at Avesta Works as no requirement for such additional capacity is expected in the medium-term. In this connection, a EUR 17 million write-down was booked in 2010.

Capital expenditure by the Group in 2011 is expected to be approximately EUR 300 million. This figure includes annual capital expenditure on maintenance as well as expenditure on ongoing investment projects such as the doubling of the ferrochrome production capacity at Tornio Works and the expansion of quarto plate capacity and capability at Degerfors.

Operational Excellence Programmes

Outokumpu's Operational Excellence Programme was launched in 2005 and originally comprised Production and Commercial Excellence. In 2007, the programme was expanded to include Supply Chain Excellence. In 2010, compared to 2005, the Operational Excellence programmes delivered benefits totalling EUR 172 million. The original target of benefits totalling EUR 300 million in 2010 was not achieved primarily because both capacity utilisation and delivery volumes of stainless steel were lower than originally anticipated. The major foundations for Operational Excellence have been established with the ongoing development work focusing on leveraging the benefits of sharing best practices and fostering a culture of continuous improvement in daily work contributing to safety, customer service and cost efficiency.

Outokumpu's strategic priorities adjusted

Outokumpu's strategy was reviewed during the Group's annual strategy process with the conclusion that the Group's overall strategic direction remains unchanged. Outokumpu's vision of being the undisputed number one in stainless steel also remained unchanged. The primary meaning of "number one" is for the Group to record the best financial performance in the industry.

Some adjustments to both strategic priorities and strategy implementation were however made. The focus of the Group's adjusted priorities is on improving the performance of current operations (loading Tornio Works with high-volume products, transforming rapidly to special grades and products, excelling in sales and customer service and ensuring excellence in operations) and investing additional effort in developing future growth opportunities (the expansion of ferrochrome production and growth outside Europe).

The Fennovoima nuclear power initiative

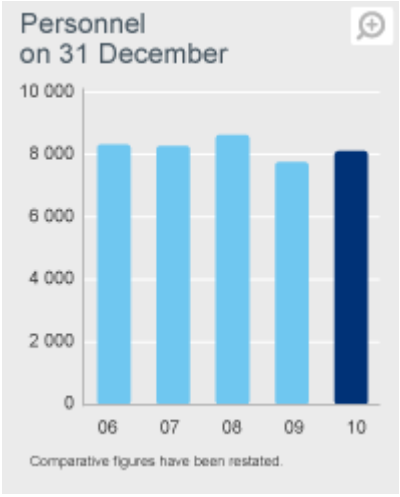
At the beginning of July, Finland's Parliament voted on decisions-in-principle related to the construction of two new nuclear power plants in Finland. The Fennovoima proposal, in which Outokumpu holds a stake of some 10%, received a positive response. Plans call for the new nuclear power plant to be operational in 2020, and Outokumpu will then be able to obtain approximately one third of its current electricity needs at the cost of production.

People and the environment

Personnel

31 Dec	**2010**	2009	2008
General Stainless	**4 029**	3 753	3 938
Specialty Stainless	**3 388**	3 361	4 006
Other operations	**687**	640	684
The Group	**8 104**	7 754	8 628

During 2010, Outokumpu's operations employed an average of 8 148 people (2009: 8 091) in some 30 countries. At the end of 2010, the number of people employed by the Group was 8 104 (2009: 7 754). The net increase in the number of people employed totalled 350 (2009: decrease of 874). Personnel costs in 2010 totalled EUR 496 million (2009: EUR 453 million, 2008: EUR 530 million).



The Group provides its employees with a variety of development opportunities using different methods: growing within one's current role or taking on new challenging tasks (job rotation); learning from others (mentoring); supporting individuals in realising their potential (coaching); and by providing formal training opportunities.

Performance management supports the achievement of Outokumpu's strategic goals and Performance and Development Dialogues (PDD) are an important part of the performance management process. The majority of the Group's employees participated in PDD's during 2010. Outokumpu's target is for every employee to have at least one formal PDD each year. In 2010, 76% of all Outokumpu employees participated in PDD discussions.

The 2010 Outokumpu Personnel Forum (OPF) was held in Willich, Germany. While the primary focus of this event was safety, Outokumpu's reviewed People Strategy was also discussed. The working committee appointed by the OPF held six meetings in 2010.

The O'People employee survey was conducted for the sixth time in 2010. The response rate achieved was 69%, somewhat lower than previous year (2009: 72%). The overall O'People index for 2010 was 665 (2009: 617), slightly higher than the target of 660.

The lost-time injury rate (lost-time accidents per million working hours) in 2010 was 4.7 (2009: 5.9), and the Group's 2010 target of less than four was not therefore achieved. In the fourth quarter, however, the lost-time injury rate was 3.0 - a new quarterly record at Group level. No severe accidents were reported in 2010. The lost-time injury rate target for 2011 is less than 3.5.

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

Emissions trading activities have been conducted by Outokumpu in accordance with obligations, with agreed procedures and with the Group's financial risk policy. Emissions under the EU Emission Trading Scheme during 2010 totalled approximately 795 000 tonnes (2009: 540 000 tonnes). The main reasons for the low emissions figure recorded in 2009 were the temporary closure of ferrochrome production and cut-backs in stainless steel production. Outokumpu sold 500 000 emissions allowances for EUR 8 million in 2010 (2009: 454 000 allowances sold for EUR 6 million).

Outokumpu is investing in an energy-savings project at Tornio Works in Finland. A total of 50 individual electrically-powered cooling units in the cold rolling mill will be replaced by a new centralised district-cooling system. The result will be a reduction of 11 GWh in the Group's annual electricity consumption and a corresponding decrease in carbon dioxide emissions.

Outokumpu is participating in the construction of a wind farm at Tornio in Finland. Rajakiiri, a company specialising in wind power technology, has decided to invest in a 30 MW wind farm at Röyttä, close to the Tornio Works site. Outokumpu will be allocated 20% of the electrical energy produced. This new wind power project will meet approximately 0.5% of Outokumpu's total energy needs.

The Life Cycle Inventory Study on Stainless Steel Production in the EU shows that Outokumpu products have the smallest carbon footprint in the EU, 10–20% less than the EU average for stainless steel products, an achievement based on improved processes, the optimised use of recycled steel and pursued low-carbon electricity mix. To further develop the Group's operations in the area of sustainability, Outokumpu published a new Energy and Low-carbon Programme. Over the past ten years, direct CO_2 emissions per tonne of stainless steel produced by the Group have been reduced by 25% and Outokumpu's target is a further 20% reduction by 2020.

In 2010, for the second time, Outokumpu was awarded 'Sector Mover' status by Sustainable Asset Management (SAM) for having the largest proportional annual improvement in sustainability performance within the steel industry compared to the previous year. Outokumpu was also included in the DJSI Europe and World indices as well as in the Carbon Disclosure Leadership Index in 2010.

100 years of Outokumpu

16 March 2010 marked the centenary of the discovery of a rich copper ore deposit in Outokumpu in eastern Finland. The discovery led to the establishment of Outokumpu Oy and a booming national mining industry in Finland. Over the years, Outokumpu has undergone a major transformation, evolving from a mining and multi-metal company into one of the world's leading producers of stainless steel.

Research and Development

Outokumpu invested EUR 22 million in research and development in 2010 (2009: EUR 19 million and 2008: EUR 20 million). The Group's two research centres are located in Tornio, Finland and Avesta, Sweden, and Group R&D operations employ almost 200 professionals. R&D is also carried out at Outokumpu production sites.

Outokumpu's R&D operations involve process development, product development and application development. In process development, the aim is improved energy-efficiency and cost-efficiency in the Group's production processes while ensuring high-quality and consistent products and ongoing reductions in the environmental impact of production operations. In product development, the focus is on cost-efficient low-nickel and no-nickel stainless steel grades and on added-value special products such as high-corrosion-resistance, heat-resistant and high-strength stainless steels. Other important areas in R&D include applications development and providing Outokumpu's customers with comprehensive technical support. The Group's R&D function operates in close co-operation with Outokumpu's commercial organisation and is a source of valuable advice regarding material selection, properties and fabrication techniques. Outokumpu R&D personnel are involved in joint projects connected with customers' product-development activities. Outokumpu also has an extensive network of external research partners, including universities and research institutes. The development of methods to increase internal efficiency in R&D activities was also promoted in 2010, as was an initiative on the subject of Innovation Management in which the aim is increased R&D output.

At the Tornio Research Centre, the focus is on the continuous improvement of production processes and the development of non-nickel ferritic steel grades. One important recent development is the bright-pickled 2BB ferritic material produced at Tornio Works on the recently-modernised annealing-and-pickling line. The surface finish of 2BB is a perfect choice in applications that require a bright surface combined with good mechanical properties. Typical applications for 2BB grades are found in the Catering & Appliances and in the Architecture, Building & Construction segments.

At the Avesta Research Centre, special stainless steel grades under development include high-alloyed corrosion-resistant and heat-resistant grades and high-strength, corrosion-resistant duplex steel grades. In 2010, Outokumpu launched LDX 2404®, a new duplex stainless steel grade which features higher levels of mechanical strength than other major duplex grades currently on the market. LDX 2404® is well suited for applications in which its excellent mechanical properties and good corrosion resistance can be utilised – in storage tanks and, in road and rail tankers, in building and construction projects and in a variety of industrial processes. Reduced-weight, lighter designs enable cost-efficient projects as less material is required, and ongoing benefits include savings in transport and maintenance costs as well as reduced energy consumption.

Outokumpu's research and development organisation has extensive, in-depth experience and knowledge of the properties and use of stainless steels. This knowledge is utilised in both application development and in the technical support offered to our customers, helping them to select optimum steel grades and optimise their manufacturing processes. Areas of particular interest are lightweight structures which exploit the high strength of stainless steels and the materials' low lifecycle costs, as well as applications connected with green energy and clean water solutions. As a part of the Group's technical support activities, the first edition of the *Outokumpu Welding Handbook* was published in August 2010.

Risks and uncertainties

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.

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

Risk workshops covering risk identification, evaluation and mitigation were successfully implemented with management teams in most Outokumpu 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.

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 currencies important to the Group. All of these had a negative impact on Outokumpu's profitability and gearing.

Strategic and business risks

The most important strategic and business risks faced by Outokumpu include structural overcapacity and weak markets for stainless steel, competition in stainless steel markets, Eurocentricity in the Group's operations, Outokumpu's ability to implement its chosen strategy and risks associated with increased input costs.

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. Growth prospects for stainless steel demand are better in Asia than in Europe and much new production capacity has been constructed in that region. To mitigate these strategic risks, Outokumpu adjusted its corporate strategy during the second half of 2010. Strategic priorities are now focused on improving the performance of current operations as well as on putting additional effort into achieving future growth. In 2010, the Group expanded its operations in China by opening a new coil and plate service centre facility in Kunshan, Shanghai. The focus at this new facility is on special grades and products.

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 raw materials and electrical power, other conversion costs such as fuel purchases, 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. Progress towards excellence in raw materials was also achieved through the company's Supply Chain Management function in 2010.

Operational risks

Operational risks include inadequate or failed internal processes, employee actions, systems, or other events such as natural catastrophes and misconduct/crime. These types of risk are often connected with production operations, logistics, financial processes, projects or information technology and, should they materialise, can lead to personal injury, liabilities, loss of property, interrupted operations or environmental impacts. Key operational risks for the Group are a major fire or accident, security risks, environmental risks, and risks associated with investment projects and company personnel.

To minimise possible damages to property and business interruptions that could result from fire at some of its major production sites, Outokumpu has instituted systematic fire and security audit programmes. A proportion of such risks is covered by insurances. Some 30 fire-safety and security audits were carried using the Group's own resources in 2010, technical experts from Outokumpu's insurers and insurance brokers often taking part. Development of the Group's corporate security measures also continued.

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 as ferrochrome production in particular consumes large quantities of electrical power could therefore also affect the Group's business. The risk that a high price for emissions allowances will increase the market price of electricity is significant, but Outokumpu's stake in the Fennovoima nuclear power project should help in mitigating this. The Group also attempts to mitigate all types of environment-related risks through systematic risk management and emissions trading routines, by launching environmental initiatives and by maintaining a proactive dialogue with stakeholders and parties involved in the framing of environmental legislation.

Outokumpu's objective is to achieve a strong and unified corporate and performance culture throughout the Group. Developments of this type take time and Outokumpu's ability to achieve financial and other targets could be adversely affected if progress in related areas is not achieved. Measures to mitigate possible shortcomings include improvements in productivity and the development of enhanced leadership skills among Group personnel. In 2010, the focus was on leadership development through internal programmes and associated training.

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

Financial risks

Key financial risks for Outokumpu are: volatility in the nickel, molybdenum and fuel prices; currency risks associated with the euro, the Swedish krona and the US dollar; limitations on financial flexibility; risks associated with specific a loan receivable; other credit risks; and liquidity and financing risk. The Group's Financial Risk Policy was reviewed in 2010, and some minor changes were introduced including measures related to hedging of fuel costs.

The strengthening of the Swedish krona during 2010 had a somewhat negative impact on the Group's earnings and gearing. Nickel and molybdenum prices rose during 2010 and increased working capital significantly, consequently having a negative impact on gearing. Actions aimed at maintaining financial flexibility – such as the enhanced management of inventory levels – were given priority.

The availability of insured credit limits improved, and Outokumpu's exposure to customer credit risks was reduced. Improvements in the rate of overdue receivables were also achieved during 2010.

Liquidity and refinancing risks are taken into account in capital management decisions and, when necessary, in making investment and other business decisions. In 2010, Outokumpu issued a EUR 250 million bond. At the end of the year the Group's EUR 900 million syndicated credit facility was fully undrawn. Outokumpu seeks to avoid having financial covenants in its debt. Despite of this principle, the Revolving Credit Facility and some other loans include a financial covenant, which is tied to gearing. The definition of the covenant gearing differs to some degree from the definition of the reported gearing. The difference between the covenant maximum and actual gearing decreased during the year but there was still a decent gap between these at the end of the year.

During 2010, Outokumpu took action to hedge part of the forecasted cash flows related to business operations in Sweden and also continued nickel risk hedging to reduce the impacts of nickel price changes on earnings. Outokumpu also adjusted its interest rate position by deciding to leave the EUR 250 million bond fixed interest rate-based.

Civil actions regarding Outokumpu's divested fabricated copper products business

Since 2004, Outokumpu has been in the process of addressing several civil complaints, including class actions, raised in the US against the company and its former fabricated copper products business in the US. The last remaining class action was one brought in the federal court of Tennessee on behalf of certain indirect purchasers of industrial copper tubing. Outokumpu considered the allegations in the proceedings to lack merit, but settled with the claimants in August 2010 by paying a nominal sum. The action was subsequently dismissed by a federal judge.

A pending civil complaint in the US, an individual action filed in 2006 in the federal district court in Memphis, Tennessee, seeks an unstated amount of damages in connection with an alleged world-wide price-fixing and market-allocation cartel. The court dismissed this complaint in 2007, and an appeal against that dismissal is currently pending.

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

No provisions have been booked in connection with these claims.

Customs investigation of Tornio Work's exports to Russia

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

completed in November 2010 and the public prosecutor concluded that the Customs authorities' suspicions regarding possible accounting offences and forgery were groundless.

The case will nevertheless go to court as charges have been pressed against Outokumpu and five of its employees for alleged money laundering in connection with the Russian export practices by Tornio Works during 2004–2006. The prosecutor, on behalf of the state, has also presented a claim for the forfeiture of the funds subject to money laundering (according to the prosecutor an unspecified amount between EUR 69 000 and EUR 13 714 000). Outokumpu has stated that neither the Group nor its personnel have committed the alleged offences. Court proceedings are scheduled to commence in March 2011.

Organisational changes and appointments

Some responsibilities members of Outokumpu's Executive Committee were changed with effect from1 August 2010:

Karri Kaitue, Deputy CEO, was given responsibility for the Tornio Works business unit and Hannu Hautala, SVP – Tornio Works now reports to Kaitue. Legal Affairs and IPR, previously part of Kaitue's responsibilities, now report to Juha Rantanen, CEO, and the Group's remaining brass operations report to Esa Lager, CFO.

At the beginning of April 2010, Hannu Hautala, SVP – Tornio Works, took up his duties as head of Tornio Works. Kari Parvento, EVP – Group Sales and Marketing, and a member of Outokumpu's Executive Committee, took up his position in Outokumpu at the beginning of April 2010. Pekka Erkkilä, EVP – General Stainless, left Outokumpu at the beginning of April 2010.

As announced in January 2011, Outokumpu's Specialty Stainless operations will have a new organisation with effect from 1 March 2011. New Special Coil and Special Plate business units will replace the former Special Coil & Plate and Thin Strip units. The Special Coil business unit will include the Group's Flat Products production unit at Avesta in Sweden and the former Thin Strip unit at Nyby in Sweden. The Special Plate business unit will consist of the quarto plate production units at Degerfors in Sweden and New Castle in the US, the Nordic Plate Service Centre at Degerfors and the Special Plate unit at Willich in Germany.

Shares and shareholders

According to the Nordic Central Securities Depository, Outokumpu's largest shareholders by group at the end of 2010 were Finnish corporations (35.0%), foreign investors (19.9%), Finnish public sector institutions (19.6%), Finnish private households (15.7%), Finnish financial and insurance institutions (7.3%), and Finnish non-profit organisations (2.7%). The list of largest shareholders is updated daily on Outokumpu's website: www.outokumpu.com

Shareholders that have more than 5% of the shares and votes in Outokumpu Oyj are Solidium Oy, owned by the Finnish State, (30.85%) and the Finnish Social Insurance Institution (8.01%).

At the year-end, Outokumpu's closing share price was EUR 13.88 (2009: EUR 13.26), up 5%. The average share price during the year was EUR 13.84 (2009: EUR 11.49) with EUR 17.88 (2009: EUR 15.67) as the year's highest price and EUR 12.03 (2009: EUR 7.72) as the year's lowest price. At the year-end, the market capitalisation of Outokumpu Oyj shares totalled EUR 2 540 million (2009: EUR 2 413 million). Share turnover during 2010 was somewhat lower than in 2009, with 331.4 million shares (2009: 355.1 million) being traded on the Nasdaq OMX Helsinki Ltd exchange. The total value of shares traded in 2010 was EUR 4 586 million (2009: EUR 4 079 million).

Outokumpu's fully paid-up share capital totalled EUR 311.1 million at the year-end 2010 and consisted of 182 978 249 shares. The average number of shares outstanding during 2010 was 181 751 107. Outokumpu Oyj held 1 040 888 treasury shares on 31 December 2010. This corresponded to 0.6% of the share capital and the total voting rights of the Company on 31 December 2010.

Annual General Meeting 2010

The 2010 Annual General Meeting (AGM) approved a dividend of EUR 0.35 per share for 2009. Dividends totalling EUR 64 million were paid on 13 April 2010.

The AGM authorised the Board of Directors to decide to repurchase the Group's own shares. The maximum number of shares to be repurchased is 18 000 000, currently representing 9.89% of the total number of registered shares. Based on earlier authorisations Outokumpu currently holds 1 040 888 of its own shares. The AGM also authorised the Board of Directors to decide to issue shares and to grant special rights entitling to shares. The maximum number of new shares to be issued through the share issue and/or by granting special rights entitling to shares is 18 000 000, and, in addition, the maximum number of treasury shares to be transferred is 18 000 000. The authorisation includes the right to resolve upon directed share issues. The AGM's authorisations are valid for 12 months or until the next AGM, however no longer than 31 May 2011. To date the authorisations have not been used.

The 2010 Annual General Meeting also decided that Outokumpu would make a donation to the Aalto University Foundation. The maximum aggregate amount of Outokumpu Group's donations to the Aalto University Foundation in 2010 is EUR 1 million.

The AGM decided that the number of Board members, including the Chairman and Vice Chairman, should be eight. Evert Henkes, Ole Johansson, Victoire de Margerie, Anna Nilsson-Ehle, Jussi Pesonen, Leena Saarinen and Anssi Soila were re-elected as members of the Board of Directors, and Olli Vaartimo was elected as a new member. The AGM re-elected Ole Johansson as Chairman of the Board and Anssi Soila as Vice Chairman of the Board. The AGM also resolved to form a Shareholders' Nomination Committee to prepare proposals on the composition and remuneration of the Board of Directors for presentation to the next AGM.

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

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

Outokumpu's Nomination Board

Outokumpu's Annual General Meeting (AGM) of 30 March 2010 decided to establish a Nomination Board to prepare proposals on the composition of the Board of Directors along with director remuneration for the following AGM.

The AGM also decided that the Nomination Board should consist of the representatives of Outokumpu's three largest shareholders, registered in the Finnish book-entry securities system on 1 November 2010, which accept the assignment.

The Nomination Board consists of the following three shareholders: Solidium Oy, The Social Insurance Institution of Finland and Ilmarinen Mutual Pension Insurance Company. These shareholders have nominated Kari Järvinen, CEO (Solidium Oy); Liisa Hyssälä, Director General (The Finnish Social Insurance Institution) and Harri Sailas, CEO (Ilmarinen Mutual Pension Insurance Company) as their representatives on the Nomination Board. Ole Johansson, Chairman of the Outokumpu Board of Directors, serves as an expert member and the Nomination Board elected Kari Järvinen as Chairman among its members. The Nomination Board was required to submit its proposals to Outokumpu's Board of Directors no later than 1 February 2011.

Short-term outlook

Following the softer market situation that characterised late 2010, demand for standard grades of stainless steel began to pick-up in the new-year. The increase in the nickel price supported buying by distributors and lead times for standard grades are currently somewhat above the usual 6–8 weeks. Distributor inventories in Europe are estimated to be approximately at normal level. Demand from investment-driven end-use segments has not yet shown any major recovery.

Outokumpu's order intake has been encouraging from the beginning of 2011. After the decline in base prices in late 2010, Outokumpu has been able to increase prices, but this will only have an impact on average prices towards the end of the first quarter.

Based on current order intake, Outokumpu estimates that delivery volumes in the first quarter of 2011 will be some 10–20% higher than in the fourth quarter of 2010. Outokumpu's operating profit in the first quarter is expected to be around break-even or slightly positive with some positive impact from raw material-related timing gains (at current metal prices).

Board of Directors' proposal for profit distribution

In accordance with the Board of Directors' established dividend policy, the payout ratio over a business cycle should be at least one-third of the Group's profit for the period with the aim to have stable annual payments to shareholders. In its annual dividend proposal, the Board of Directors will, in addition to financial results, take into consideration the Group's investment and development needs.

The Board of Directors is proposing to the Annual General Meeting to be held on 24 March 2011 that a dividend of EUR 0.25 per share be paid from the parent company's distributable funds on 31 December 2010 and that any remaining distributable funds be allocated to retained earnings. The suggested ex-dividend date is 25 March, dividend record date is 29 March and the dividend will be paid on 5 April 2011.

According to the Group's financial statements on 31 December 2010, distributable funds of the parent company totalled EUR 850 million. No material changes have taken place in the company's financial position after the balance sheet date and the proposed dividend does not compromise the company's financial standing.

In Espoo, 1 February 2011

Board of Directors

Ole Johansson
Anssi Soila
Evert Henkes
Victoire de Margerie
Anna Nilsson-Ehle
Jussi Pesonen
Leena Saarinen
Olli Vaartimo

Auditor's Report

To the Annual General Meeting of Outokumpu Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Outokumpu Oyj for the year ended 31 December 2010. The financial statements comprise the consolidated statement of financial position, statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Chief Executive Officer shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Chief Executive Officer are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Chief Executive Officer be discharged from liability for the financial period audited by us.

Espoo, 1 February 2011
KPMG OY AB

Mauri Palvi
Authorised Public Accountant

Consolidated statement of income

€ million	Note	2010	2009
Sales	3	**4 229**	2 641
Cost of sales	7	**-4 051**	-2 796
Gross margin		**178**	-154
Other operating income	6	**45**	28
Selling and marketing expenses	7	**-135**	-136
Administrative expenses	7	**-122**	-128
Research and development expenses	7	**-22**	-19
Other operating expenses	6, 7	**-28**	-32
Operating profit		**-83**	-441
Share of results in associated companies	14	**-10**	-13
Financial income and expenses	9		
Interest income		**16**	16
Interest expenses		**-53**	-38
Market price gains and losses		**4**	-2
Other financial income		**13**	5
Other financial expenses		**-29**	-6
Total financial income and expenses		**-50**	-25
Profit before taxes		**-143**	-479
Income taxes	10	**19**	143
Net profit for the financial year		**-124**	-336
Attributable to			
Equity holders of the Company		**-123**	-336
Non-controlling interests		**-0**	-0
Earnings per share for result attributable to the equity holders of the Company			
Earnings per share, €	11	**-0.68**	-1.86

Diluted earnings per share, €	11	**-0.68**	-1.86

Consolidated statement of comprehensive income

€ million	**2010**	2009
Net profit for the financial year	**-124**	-336
Other comprehensive income		
Exchange differences on translating foreign operations	**26**	29
Available-for-sale financial assets		
Fair value changes during the financial year	**49**	34
Reclassification adjustments from other comprehensive income to profit	**-10**	-
Income tax relating to available-for-sale financial assets	**-8**	-9
Cash flow hedges		
Fair value changes during the financial year	**59**	23
Reclassification adjustments from other comprehensive income to profit	**2**	1
Income tax relating to cash flow hedges	**-16**	-6
Net investment hedges		
Fair value changes during the financial year	**-**	1
Income tax relating to net investment hedges	**-**	-0
Share of other comprehensive income of associated companies	**-3**	5
Other comprehensive income for the financial year, net of tax	**99**	77
Total comprehensive income for the financial year	**-24**	-259
Attributable to		
Equity holders of the Company	**-24**	-259
Non-controlling interests	**1**	-1

Consolidated statement of financial position

€ million	Note	2010	2009
ASSETS			
Non-current assets			
Intangible assets	12	**589**	566
Property, plant and equipment	13	**2 054**	2 099
Investments in associated companies [1)]	14	**148**	154
Available-for-sale financial assets [1)]	17	**147**	98
Derivative financial instruments [1)]	20	**17**	7
Deferred tax assets	10	**30**	42
Trade and other receivables	22		
Interest-bearing [1)]		**161**	140
Non interest-bearing		**55**	55
Total non-current assets		**3 202**	3 160
Current assets			
Inventories	21	**1 448**	1 027
Available-for-sale financial assets [1)]	17	**7**	14
Derivative financial instruments [1)]	20	**34**	16
Trade and other receivables	22		
Interest-bearing [1)]		**8**	9
Non interest-bearing		**785**	513
Cash and cash equivalents [1)]	23	**150**	112
Total current assets		**2 431**	1 690
TOTAL ASSETS		**5 633**	4 850

[1)] Included in net interest-bearing debt.

€ million	Note	2010	2009
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company			
Share capital		**311**	309
Premium fund		**713**	706
Other reserves		**107**	37

Retained earnings		**1 365**	1 735
Net profit for the financial year		**-123**	-336
		2 374	2 451
Non-controlling interests		**2**	0
Total equity	24	**2 376**	2 451
Non-current liabilities			
Long-term debt [1)]	27	**1 488**	997
Derivative financial instruments [1)]	20	**41**	41
Deferred tax liabilities	10	**90**	101
Pension obligations	25	**66**	65
Provisions	26	**21**	19
Trade and other payables	28	**3**	1
Total non-current liabilities		**1 709**	1 224
Current liabilities			
Current debt [1)]	27	**930**	651
Derivative financial instruments [1)]	20	**34**	45
Income tax liabilities	10	**5**	3
Provisions	26	**19**	26
Trade and other payables	28		
Interest-bearing [1)]		**16**	7
Non interest-bearing		**545**	443
Total current liabilities		**1 549**	1 176
TOTAL EQUITY AND LIABILITIES		**5 633**	4 850

[1)] Included in net interest-bearing debt.

Consolidated statement of cash flows

€ million	Note	2010	2009
Cash flow from operating activities			
Net profit for the financial year		**-124**	-336
Adjustments for			
Taxes	10	**-19**	-143
Depreciation and amortisation	12, 13	**235**	214
Impairments	12, 13	**20**	15
Change in net realisable value in inventory	21	**-21**	-97
Share of results in associated companies	14	**10**	13
Gain/loss on sale of intangible and tangible assets	6	**-20**	-13
Gain/loss on sale of available-for-sale financial assets	9, 17	**-10**	-0
Interest income	9	**-16**	-16
Dividend income	9	**-2**	-3
Interest expense	9	**50**	29
Exchange rate differences	9	**-94**	-29
Other non-cash adjustments		**9**	25
		143	-4
Change in working capital			
Change in trade and other receivables		**-269**	256
Change in inventories		**-339**	289
Change in trade and other payables		**141**	45
Change in provisions		**-10**	-38
		-476	552
Dividends received		**2**	3
Interest received		**2**	7
Interest paid		**-42**	-57
Income taxes paid		**-2**	36
Net cash from operating activities		**-497**	201
Cash flow from investing activities			
Purchases of available-for-sale financial assets	17	**-2**	-2
Purchases of property, plant and equipment	13	**-159**	-212
Purchases of intangible assets	12	**-12**	-21

Proceeds from sale of property, plant and equipment	13	**14**	10
Proceeds from sale of intangible assets	12	**9**	7
Change in other long-term receivables		**1**	-2
Net cash from investing activities		**-147**	-219
Cash flow before financing activities		**-645**	-18
Cash flow from financing activities			
Share options exercised	24	**10**	4
Borrowings of long-term debt		**694**	69
Repayments of long-term debt		**-181**	-346
Change in current debt		**209**	212
Borrowings of finance lease liabilities		**1**	61
Repayments of finance lease liabilities		**-7**	-5
Dividends paid	24	**-64**	-90
Proceeds from the sale of financial assets	17	**16**	0
Other financing cash flow		**-1**	-1
Net cash from financing activities		**677**	-97
Net change in cash and cash equivalents		**32**	-115
Cash and cash equivalents at the beginning of the financial year		**112**	224
Foreign exchange rate effect on cash and cash equivalents		**6**	3
Net change in cash and cash equivalents		**32**	-115
Cash and cash equivalents at the end of the financial year	23	**150**	112

Consolidated statement of changes in equity

	Attributable to the equity holders of the Company								
€ million	Share capital	Premium fund	Other reserves	Fair value reserves	Treasury shares	Cumulative translation differences	Retained earnings	Non-controlling interests	Total equity
Equity on 1 Jan 2009	**308**	**702**	**15**	**-28**	**-27**	**-138**	**1 961**	**1**	**2 795**
Total comprehensive income for the financial year	-	-	-	50	-	28	-336	-0	-259
Transfers within equity	-	-	-0	-	-	-	0	-	-
Dividends	-	-	-	-	-	-	-90	-	-90
Share-based payments	-	-	-	-	2	-	-1	-	1
Share options exercised	1	3	-	-	-	-	-	-	4
Equity on 31 Dec 2009	**309**	**706**	**15**	**22**	**-25**	**-110**	**1 534**	**0**	**2 451**
Total comprehensive income for the financial year	-	-	-	78	-	21	-124	1	-24
Transfers within equity	-	-	-8	-	-	-	8	-	-
Dividends	-	-	-	-	-	-	-64	-	-64
Share-based payments	-	-	-	-	-	-	2	-	2
Share options exercised	2	8	-	-	-	-	-	-	10
Other changes	-	-	-	-	-	-	-	1	1
Equity on 31 Dec 2010	**311**	**713**	**7**	**100**	**-25**	**-89**	**1 356**	**2**	**2 376**

Key financial figures of the Group

		2010	2009	2008	2007	2006
Scope of activity						
Sales	€ million	**4 229**	2 641	5 533	7 003	6 246
- change in sales	%	**60.1**	-52.3	-21.0	12.1	23.4
- exports from and sales outside Finland, of total sales	%	**94.3**	94.6	95.6	95.2	94.7
Capital employed on 31 Dec	€ million	**4 213**	3 642	3 880	4 140	4 395
Operating capital on 31 Dec	€ million	**4 273**	3 701	4 060	4 356	4 577
Capital expenditure	€ million	**161**	248	547	191	188
- in relation to sales	%	**3.8**	9.4	9.9	2.7	3.0
Depreciation and amortisation	€ million	**235**	214	206	204	221
Research and development costs	€ million	**22**	19	20	18	17
- in relation to sales	%	**0.5**	0.7	0.4	0.3	0.3
Personnel on 31 Dec		**8 104**	7 754	8 628	8 270	8 317
- average for the year		**8 148**	8 091	8 717	8 433	8 720
Profitability						
Operating profit	€ million	**-83**	-441	-68	591	821
- in relation to sales	%	**-2.0**	-16.7	-1.2	8.4	13.1
EBITDA	€ million	**172**	-212	147	793	1 046
Share of results of associated companies	€ million	**-10**	-13	-4	4	7
Profit before taxes	€ million	**-143**	-479	-141	800	778
- in relation to sales	%	**-3.4**	-18.1	-2.6	11.4	12.5
Net profit for the period from continuing operations	€ million	**-124**	-336	-117	661	600
Net profit for the period from discontinued operations	€ million	**-**	-	-72	-20	363
Net profit for the financial year	€ million	**-124**	-336	-189	641	963

- in relation to sales	%	**-2.9**	-12.7	-3.4	9.2	15.4
Return on equity	%	**-5.1**	-12.8	-6.2	20.0	37.5
Return on capital employed	%	**-2.1**	-11.7	-1.7	13.9	20.5
Return on operating capital	%	**-2.1**	-11.4	-1.6	13.2	19.6
Financing and financial position						
Liabilities	€ million	**3 258**	2 399	2 547	2 531	3 286
Net interest-bearing debt	€ million	**1 837**	1 191	1 085	803	1 324
- in relation to sales	%	**43.4**	45.1	19.6	11.5	21.2
Net financial expenses	€ million	**50**	25	69	-205	49
- in relation to sales	%	**1.2**	0.9	1.3	-2.9	0.8
Net interest expenses	€ million	**38**	22	55	58	63
- in relation to sales	%	**0.9**	0.8	1.0	0.8	1.0
Interest cover		**-2.8**	-21.2	-1.6	14.7	13.3
Share capital	€ million	**311**	309	308	308	308
Other equity	€ million	**2 065**	2 142	2 486	3 029	2 763
Equity-to-assets ratio	%	**42.2**	50.6	52.4	56.5	47.9
Debt-to-equity ratio	%	**77.3**	48.6	38.8	24.1	43.1
Net cash generated from operating activities [1)]	€ million	**-497**	201	662	671	-29
Dividends	€ million	**45** [2)]	64	90	216	199

[1)] Cash flows for years 2006–2008 presented for continuing operations.

[2)] The Board of Directors' proposal to the Annual General Meeting.

Quarterly information

Income statement by quarter [1)]

€ million	I/09	II/09	III/09	IV/09	2009	I/10	II/10	III/10	IV/10	2010
Sales										
General Stainless	476	501	496	592	2 065	**754**	**962**	**860**	**926**	**3 503**
- of which intersegment sales	97	100	107	117	421	**138**	**214**	**189**	**160**	**702**
Specialty Stainless	371	278	258	332	1 239	**367**	**469**	**397**	**477**	**1 710**
- of which intersegment sales	75	67	64	87	293	**91**	**122**	**86**	**118**	**417**
Other operations	75	64	64	70	273	**102**	**100**	**99**	**99**	**401**
- of which intersegment sales	61	52	52	55	221	**65**	**70**	**67**	**62**	**265**
Intra-group sales	-233	-220	-224	-259	-935	**-295**	**-407**	**-342**	**-340**	**-1 384**
The Group	688	623	595	736	2 641	**929**	**1 125**	**1 014**	**1 162**	**4 229**
Operating profit										
General Stainless	-157	-52	-38	-12	-259	**-2**	**75**	**-52**	**-6**	**14**
Specialty Stainless	-82	-37	-21	-10	-149	**-21**	**22**	**-14**	**-62**	**-76**
Other operations	-12	-6	-5	-11	-34	**2**	**-14**	**10**	**-13**	**-15**
Intra-group items	2	-0	-3	2	1	**-1**	**-10**	**8**	**-4**	**-7**
The Group	-249	-96	-66	-31	-441	**-21**	**72**	**-49**	**-85**	**-83**
Share of results in associated companies	-3	-1	-6	-3	-13	**-7**	**-2**	**-5**	**5**	**-10**
Financial income and expenses	0	-11	-11	-4	-25	**-4**	**-6**	**-34**	**-6**	**-50**
Profit before taxes	-251	-107	-82	-38	-479	**-32**	**64**	**-88**	**-86**	**-143**
Income taxes	64	20	26	32	143	**12**	**-20**	**32**	**-5**	**19**
Net profit for the period	-187	-87	-56	-6	-336	**-21**	**44**	**-56**	**-91**	**-124**
Attributable to:										
Equity holders of the Company	-187	-87	-55	-7	-336	**-21**	**44**	**-56**	**-91**	**-123**
Non-controlling interests	-0	-0	-0	0	-0	**-0**	**0**	**-0**	**-0**	**-0**

Stainless steel deliveries by quarter [2)]

1 000 tonnes	I/09	II/09	III/09	IV/09	2009	I/10	II/10	III/10	IV/10	2010
Cold rolled	133	145	124	143	545	**171**	**182**	**167**	**178**	**698**
White hot strip	59	69	66	69	263	**82**	**75**	**69**	**86**	**312**
Quarto plate	19	18	14	16	67	**21**	**21**	**20**	**21**	**83**
Tubular products	16	13	12	12	53	**13**	**14**	**12**	**12**	**51**
Long products	10	9	11	10	40	**13**	**15**	**15**	**14**	**58**

Semi-finished products	10	14	12	27	63	**33**	**32**	**24**	**24**	**114**
Total deliveries	247	268	238	277	1 030	**333**	**339**	**307**	**336**	**1 315**

1) Full year figures are audited.

2) Figures are not audited.

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 0.00 euros on earnings per share in 2010.

Definitions of key financial figures

Capital employed = Total equity + net interest-bearing debt

Operating capital = Capital employed + net tax liability

Research and development costs = Research and development expenses in the income statement (including expenses covered by grants received)

EBITDA = Operating profit before depreciation, amortisation and impairments

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

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

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

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

Interest cover = $\frac{\text{Profit before taxes + net interest expenses}}{\text{Net interest expenses}}$

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

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

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

Cash flow per share = $\frac{\text{Net cash generated from operating activities}}{\text{Adjusted average number of shares during the period}}$

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

Dividend per share = $\frac{\text{Dividend for the financial year}}{}$

		Adjusted number of shares at the end of the period	
Dividend payout ratio	=	Dividend for the financial year / Net profit for the financial year attributable to the equity holders	× 100
Dividend yield	=	Dividend per share / Adjusted trading price at the end of the period	× 100
Price/earnings ratio (P/E)	=	Adjusted trading price at the end of the period / Earnings per share	
Average trading price	=	EUR amount traded during the period / Adjusted number of shares traded during the period	
Market capitalisation at end of the period	=	Number of shares at the end of the period × Trading price at the end of the period	
Trading volume	=	Number of shares traded during the period, and in relation to the weighted average number of shares during the period	

Income statement of the parent company

€ million	2010	2009
Sales	**320**	216
Cost of sales	**-230**	-122
Gross margin	**90**	94
Other operating income	**70**	1
Selling and marketing expenses	**-58**	-55
Administrative expenses	**-58**	-51
Research and development expenses	**-2**	-2
Other operating expenses	**-11**	-350
Operating profit	**31**	-364
Financial income and expenses	**32**	379
Profit before extraordinary items	**63**	15
Extraordinary items	**0**	-
Profit before appropriations and taxes	**64**	15
Appropriations		
Change in depreciation difference	**-0**	-0
Income taxes	**-0**	1
Profit for the financial year	**63**	16

The parent company's financial statements have been prepared in accordance with Finnish accounting standards (FAS). The parent company's complete financial statements (available only in Finnish) can be read on the company's internet pages www.outokumpu.com.

Balance sheet of the parent company

€ million	2010	2009
ASSETS		
Non-current assets		
Intangible assets	**55**	19
Property, plant and equipment	**16**	55
Financial assets		
Shares in Group companies	**3 370**	3 380
Loan receivables from Group companies	**718**	488
Shares in associated companies	**18**	18
Other shares and holdings	**19**	21
Other financial assets	**167**	137
	4 292	4 044
Total non-current assets	**4 363**	4 118
Current assets		
Current receivables		
Interest-bearing	**586**	175
Non interest-bearing	**152**	89
	738	264
Cash and cash equivalents	**81**	64
Total current assets	**818**	329
TOTAL ASSETS	**5 181**	4 447

€ million	2010	2009
EQUITY AND LIABILITIES		
Shareholders' equity		

Share capital	**311**	309
Premium fund	**720**	712
Retained earnings	**786**	834
Profit for the financial year	**63**	16
	1 881	1 872

Untaxed reserves

Accumulated depreciation difference	**1**	1

Liabilities

Non-current liabilities

Interest-bearing	**1 399**	903
Non interest-bearing	**1**	1
	1 400	904

Current liabilities

Interest-bearing	**1 775**	1 558
Non interest-bearing	**125**	113
	1 900	1 670

Total liabilities	**3 300**	2 574
TOTAL EQUITY AND LIABILITIES	**5 181**	4 447

Cash flow statement of the parent company

€ million	2010	2009
Cash flow from operating activities		
Profit for the financial year	**63**	16
Adjustments for		
Taxes	**0**	-1
Depreciation and amortisation	**13**	7
Impairments	**10**	346
Profit and loss on sale of intangible assets, property, plant and equipment	**-0**	0
Interest income	**-42**	-33
Dividend income	**-57**	-411
Interest expenses	**57**	56
Change in provisions	**-1**	0
Group contributions	**-0**	-
Exchange gains and losses	**30**	25
Other adjustments	**-2**	1
	9	-9
Change in working capital		
Change in trade and other receivables	**-71**	80
Change in trade and other payables	**10**	-57
	-60	22
Dividends received	**57**	411
Interest received	**28**	27
Interest paid	**-50**	-80
Income taxes paid	**-1**	24
	34	381
Net cash from operating activities	**46**	410
Cash flow from investing activities		
Acquisition of subsidiaries and other shares and holdings	**-2**	-2
Purchases of property, plant and equipment	**-4**	-2
Purchases of intangible assets	**-21**	-26
Proceeds from disposal of subsidiaries and other disposals	**0**	320
Proceeds from disposal of other shares and holdings	**12**	-
Disposals of property, plant and equipment	**-**	7

Disposals of intangible assets	**9**	0
Change in loan receivables	**-230**	-30
Net cash from investing activities	**-235**	267
Cash flow before financing activities	**-189**	677
Cash flow from financing activities		
Borrowings of long-term debt	**626**	61
Repayments of long-term debt	**-96**	-683
Change in current debt	**137**	-352
Dividends paid	**-64**	-90
Cash flow from group contributions	**0**	326
Shares subscribed with options	**10**	4
Other financing cash flow	**-408**	-42
Net cash from financing activities	**205**	-776
Net change in cash and cash equivalents	**16**	-99
Net change in cash and cash equivalents in the balance sheet	**16**	-99

Statement of changes in equity of the parent company

€ million	Share capital	Premium fund	Retained earnings	Total equity
Equity on 1 Jan 2009	**308**	**709**	**924**	**1 942**
Profit for the financial year	-	-	16	16
Dividends	-	-	-90	-90
Shares subscribed with options	1	3	-	4
Equity on 31 Dec 2009	**309**	**712**	**850**	**1 872**
Profit for the financial year	-	-	63	63
Dividends	-	-	-64	-64
Shares subscribed with options	2	8	-	10
Equity on 31 Dec 2010	**311**	**720**	**850**	**1 881**

Distributable funds on 31 Dec

€ million	**2010**	2009
Retained earnings	**786**	834
Profit for the financial year	**63**	16
Distributable funds on 31 Dec	**850**	850

Outokumpu is a global leader in stainless steel with the vision to be the undisputed number one. Customers in a wide range of industries use our stainless steel and services worldwide. Being fully recyclable, maintenance-free, as well as very strong and durable material, stainless steel is one of the key building blocks for sustainable future.