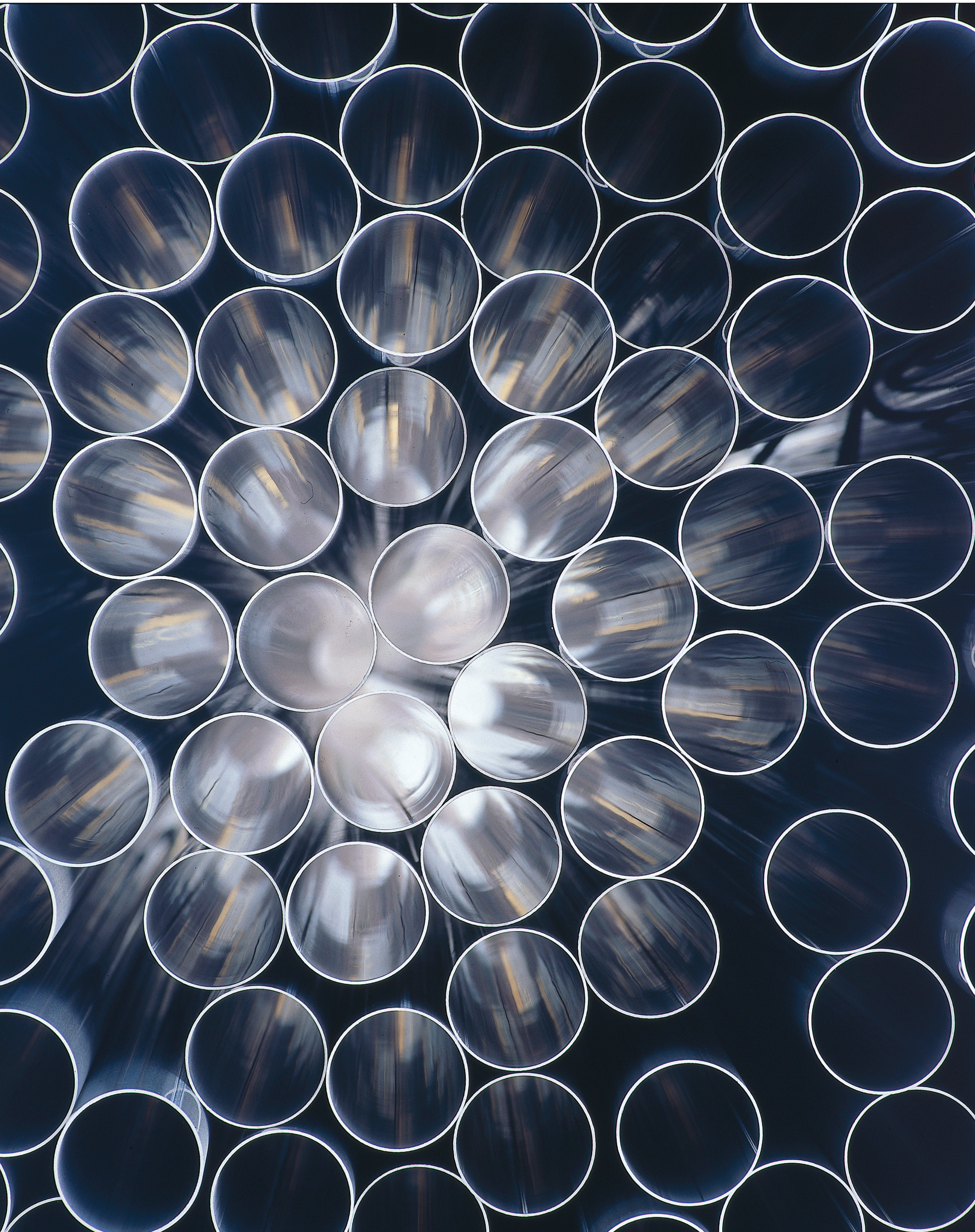
OUTO KUMPU

Financial Statements 2010



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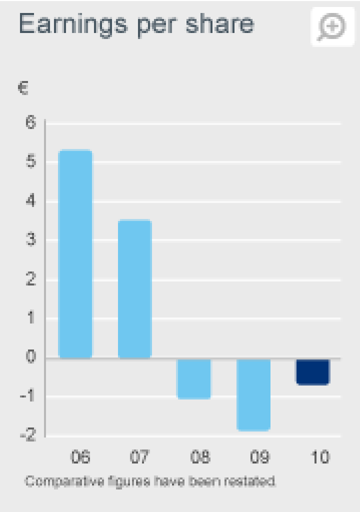
Review by the Board of Directors for 2010

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

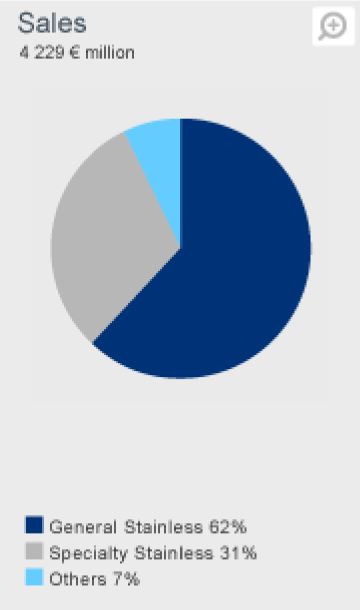
€ million	**2010**	2009	2008
General Stainless	**3 503**	2 065	4 147
Specialty Stainless	**1 710**	1 239	2 705
Other operations	**401**	273	317
Intra-group sales	**-1 384**	-935	-1 636
The Group	**4 229**	2 641	5 533

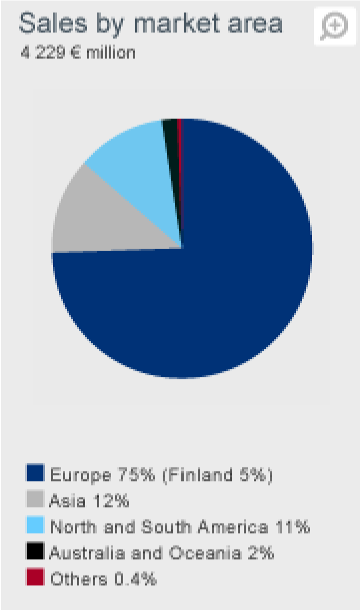
Stainless steel deliveries

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.





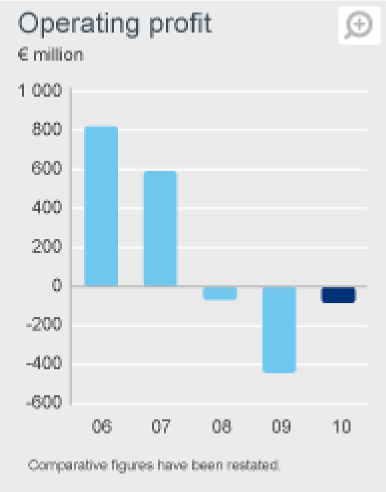
Operating profit

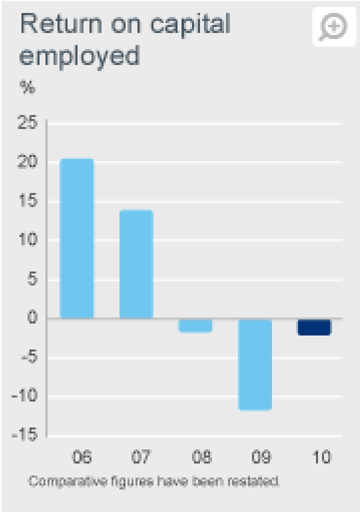
Profitability

€ 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).

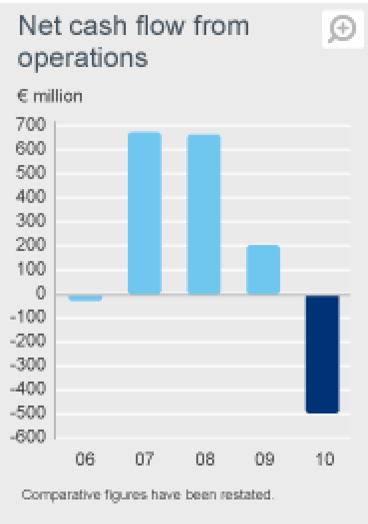
Net financial income and expenses in 2010 totalled EUR -50 million (2009: EUR -25 million). Interest expenses increased due to the higher amount of net debt and an increased proportion of fixed-rate financing in the Group's loan portfolio as well as commitment fees for unutilised credit facilities. A 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%).

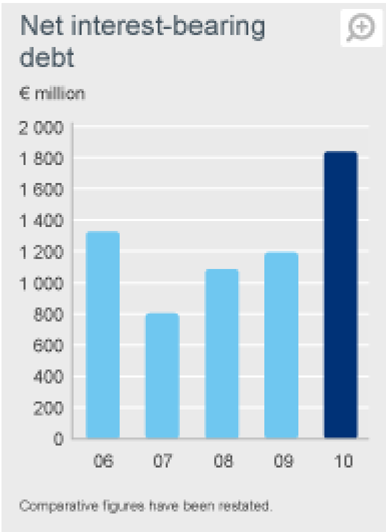
Capital structure

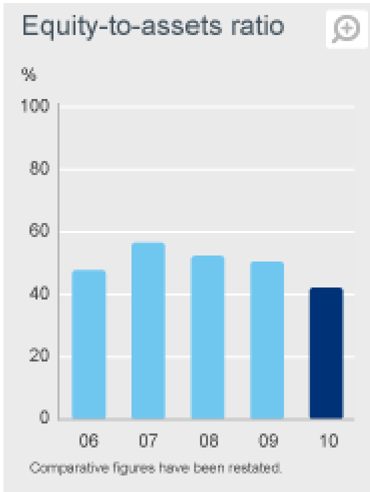
Key financial indicators on financial position

€ 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

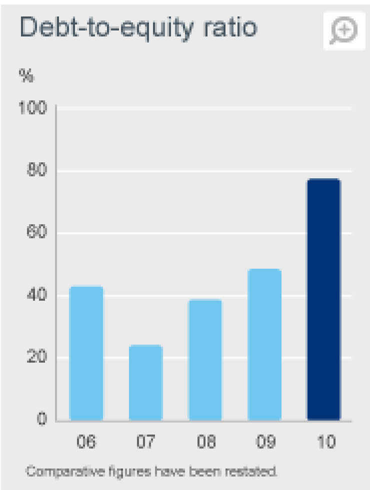
Key financial indicators on financial position			
Net interest-bearing debt	**1 837**	1 191	1 085
Shareholders' equity	**2 376**	2 451	2 795
Return on equity, %	**-5.1**	-12.8	-6.2
Debt-to-equity ratio, %	**77.3**	48.6	38.8
Equity-to-assets ratio, %	**42.2**	50.6	52.4
Net cash generated from operating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

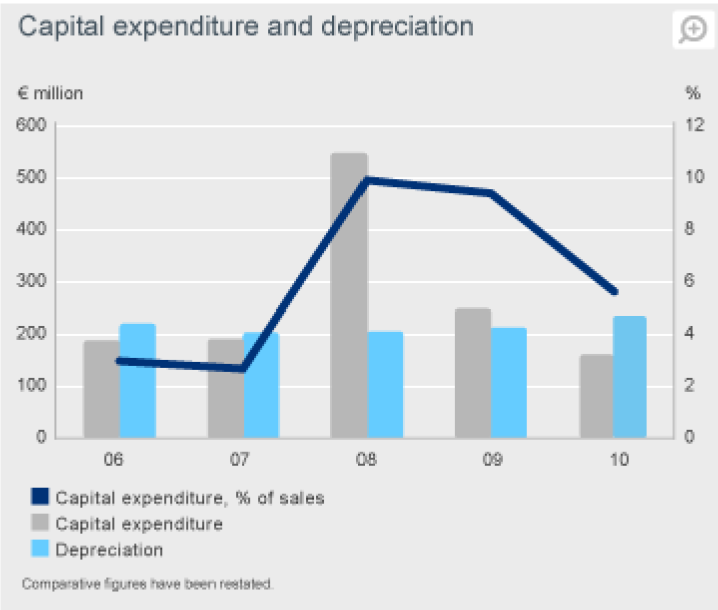
In June, Outokumpu issued a EUR 250 million five-year domestic bond. The funds are used for general corporate purposes. The bond is listed on the NASDAQ OMX Helsinki stock exchange. At the end of 2010, Outokumpu had committed undrawn credit facilities totalling approximately EUR 1 billion. Committed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

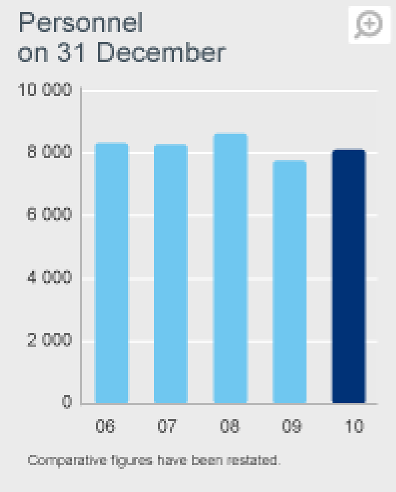
At the beginning of July, Finland's Parliament voted on decisions-in-principle related to the construction of two new nuclear power plants in Finland. The Fennovoima proposal, in which Outokumpu holds a stake of some 10%, received a positive response. Plans call for the new nuclear power plant to be 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**

1. Corporate information

Outokumpu Oyj is a Finnish public limited liability company organised under the laws of Finland and domiciled in Espoo. The parent company, Outokumpu Oyj, has been listed on the NASDAQ OMX Helsinki since 1988. A copy of the consolidated financial statements is available at the Group's website www.outokumpu.com, from Outokumpu Oyj / Corporate Communications, Riihitontuntie 7 B, P.O. Box 140, 02201 Espoo, Finland or via e-mail corporate.comms@outokumpu.com.

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.

In 2010, Outokumpu Oyj and its subsidiaries (together "the Outokumpu Group" or "the Group") have been organised into two business segments: General Stainless and Specialty Stainless. In 2010, Outokumpu operated in more than 30 countries and employed some 8 100 employees. The Group's sales amounted to EUR 4.2 billion, of which 94% was generated outside Finland.

2. Accounting principles for the consolidated accounts

Basis of preparation

The consolidated financial statements of Outokumpu have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union. The consolidated financial statements are presented in millions of euros and have been prepared under the historical cost conventions, unless otherwise stated in the accounting principles. All figures presented have been rounded and consequently the sum of individual figures can deviate from the presented sum figure. Key figures have been calculated using exact figures.

The consolidated financial statements of Outokumpu for 2010 have been prepared on a going concern basis.

As of 1 January 2010, Outokumpu has adopted the following amended standards and interpretations. These changes did not have material impact on the consolidated accounts of 2010. Amended IFRS 3 and IAS 27 will affect Outokumpu's future business combinations.

Amended IFRS 3 Business Combinations: Changes extended the scope of IFRS 3 and have an impact on the outcome of the business combinations, for example to the amount of goodwill to be recognised. Contingent purchase price is valued at fair value and any subsequent changes in it will be booked to statement of income. Expenses relating to the acquisition should not be capitalised but to be recognised directly to statement of income.

Amended IAS 27 Consolidated and Separate Financial Statements: Amendments in the standard have changed the accounting treatment of acquisitions and disposals, which take place in stages.

Amended IFRS 2 Share-based payments: Amended standard provides additional guidance on how share-based payments between Group companies should be recognised in the separate or individual financial statements. This amendment did not have effect on the consolidated financial statements.

Amended IAS 39 Financial Instruments, Recognition and measurement: The amendment provides clarification in relation to hedge accounting. It clarifies the hedging of one-sided risk and the inflation risk of financial assets and liabilities.

Amended IFRIC 9 Reassessment of Embedded Derivatives and Amended IAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives

IFRIC 17: Distribution of Non-cash Assets to Owners

IFRIC 18: Transfer of Assets from Customers

In addition, Outokumpu has applied annual improvements to IFRSs (issued in 2009), which have been mandatorily effective and adopted by the EU for the financial periods beginning latest on 1 January 2010.

Adoption of new and amended IFRS standards and interpretations

In 2011 the Group will adopt the following amended standards and interpretations issued by the IASB:

Amended IAS 24 Related Party Disclosures: The amended standard clarifies the definition of related party in order to simplify the identification of related party relationships particularly in relation to significant influence and joint control. A partial exemption from the disclosures has been included for government-related entities. Outokumpu estimates this amendment does not have material impact on the disclosures of the financial statements.

Amended IAS 32 Financial instruments: Presentation – Classification of Rights Issue: The amended standard classifies rights issue as equity instrument instead of a derivative with fair value changes through profit or loss if certain criteria are met. The standard may have impact in the future financial statements in case Outokumpu will have these kinds of rights issues in the future.

Amended IFRIC 14 Prepayments of a Minimum Funding Requirement: The amended interpretation includes guidance on assessing the recoverable amount of a net pension asset. The amendment allows the prepayments of a minimum funding requirement to be treated as assets. The Group estimates that this change does not have material impact in Outokumpu Financial Statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments: The interpretation gives clarity how equity instruments issued to a creditor to extinguish a financial liability are valued and recognised. At reporting date, Outokumpu did not have any such arrangements in place.

In addition, Outokumpu will apply annual improvements to IFRSs (issued in 2010), which will be mandatorily effective and adopted by the EU for the financial periods beginning latest on 1 January 2011.

New standard IFRS 9 Financial Instruments will be prepared in three stages and the new standard is planned to replace currently used IAS 39 Financial Instruments: recognition and measurement. Outokumpu estimates the effects of the new standard on the financial statements and expects the standard to have major impacts on the accounting treatment of financial instruments. IFRS 9 becomes effective for the financial periods beginning on or after 1 January 2013. It is still subject to endorsement by the EU.

Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting period. Accounting estimates are employed in the financial statements to determine reported amounts, including how realisable certain assets are, the useful lives of tangible and intangible assets, income taxes, inventories, provisions, pension obligations, impairment of goodwill and other items. The basis for the estimates is described in more detail in these accounting principles and in connection with the relevant disclosure to the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates.

Principles of consolidation

The consolidated financial statements include the parent company Outokumpu Oyj and all subsidiaries where over 50% of the subsidiary's voting rights are controlled directly or indirectly by the parent company, or the parent company is otherwise in control of the company. Associated companies, where Outokumpu holds voting rights of 20–50% and in which Outokumpu has significant influence, but not control, over the financial and operating policies, are included in the consolidated financial statements using the equity method. When Outokumpu's share of losses exceeds the interest in the associated company, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associated companies. The interest in an associated company is the carrying amount of the investment under the equity method together with any long-term interest that, in substance, forms part of the investor's net investment in the associated company. Companies acquired during the financial year are included in the consolidated financial statements from the date of their acquisition and disposed companies are included up to their date of sale.

All intra-group transactions, receivables, liabilities and unrealised margins, as well as distribution of profits within the Group, are eliminated. Acquired companies are accounted for, and intra-group ownership is eliminated, using the acquisition method. The cost of goodwill is the excess of the consideration transferred in the business combination over the net fair value of the identifiable assets acquired and the liabilities assumed and non-controlling interest in the acquired entity, if any. Non-controlling interest is measured at fair value or at value, which equals to the proportional share of the non-controlling interest in the identifiable net assets acquired. Non-controlling interest is presented separately from the net profit and disclosed as a separate item in the equity.

The consideration transferred in a business combination is measured at fair value and is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquired entity and the equity interests issued by the acquirer. The acquisition-date fair value of contingent consideration is recognised as part of the consideration transferred in exchange for the acquired entity. The acquisition-related costs are recognised as expenses in the periods in which the costs are incurred.

The result of the financial period and items recognised in other comprehensive income are allocated to the owners of the parent company and non-controlling interest and presented in the statement of income and other comprehensive income. Non-controlling interest is presented separately from the equity allocated to the owners of the parent. Other comprehensive income is allocated to the owner of the parent company and to non-controlling interest even in situations where the allocation would lead the non-controlling interest to be negative, unless non-controlling interest has an exemption not meet obligations which exceed non-controlling interest's investment into the company.

In the parent company the changes in the ownership of subsidiaries, which do not lead to loss of control, are accounted as equity transactions.

To the business combinations, which have taken place before 1 January 2010, accounting principles valid at that time have been applied.

Discontinued operations

A discontinued operation results from a decision, pursuant to a single disposal plan, to divest an operation comprising a separate major line of business for which the assets, liabilities and net financial results may be distinguished physically, operationally and for financial reporting purposes. The result from discontinued operations is presented in the statement of income as a separate item after the profit from continuing operations. Comparative figures in statement of income are restated accordingly. Comparative financial position items are not restated but presented separately from the assets and liabilities of continuing operations from the date they have been classified as discontinued operations. At the reporting date, Outokumpu did not present discontinued operations.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, and for which discrete financial information is available. Outokumpu's operating segments are General Stainless and Specialty Stainless. Pricing of inter-segment transactions is based on arm's length prices. Operating segments are determined based on differences in product range and information provided internally to the Chief Executive Officer (CEO) who is Outokumpu's Chief Operating Decision Maker. Due to Outokumpu's integrated operating model, the revenues and expenses of operating segments are strongly linked with each other. Operating profit of the operating segments is reported to the CEO regularly in order for him to review their performance and make decisions about resources to be allocated to the segments. Operating profit is defined in management reporting in similar way as in these accounting principles.

Other operations consist mainly of such business development and Corporate Management expenses that are not allocated to the businesses as well as remaining brass business.

Foreign currency transactions

Transactions of each subsidiary included in the consolidated financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that subsidiary ("the functional currency"). The consolidated financial statements are presented in euros, which is the functional currency of the parent company. Group companies' foreign currency transactions are translated into functional currencies using the exchange rates prevailing at the dates of the transactions. Receivables and liabilities in foreign currencies are translated into functional currencies at the exchange rates prevailing at the reporting date. Foreign exchange gains and losses resulting from the settlement or translation of monetary interest-bearing assets and liabilities denominated in foreign currencies to the functional currency and related derivatives are recognised in financial income and expenses in the statement of income. Foreign exchange differences arising in respect of other financial instruments are included in operating profit under sales, purchases or other income and expenses. Statement of income and statement of cash flows in subsidiaries, whose functional and reporting currencies are not the euro, are translated into euro at the average exchange rates during the financial period. Their assets and liabilities are translated at the exchange rates prevailing at the reporting date and the translation differences are entered in other comprehensive income. When a subsidiary is sold, accumulated translation differences are reclassified from other comprehensive income to income statement as part of the gain or loss on the sale.

Revenue recognition

Sales are recognised after the significant risks and rewards that are connected with ownership have been transferred to the buyer, and the Group retains neither a continuing managerial involvement to the degree usually associated with ownership, nor effective control of those goods. Usually this means that sales are recorded upon delivery of goods to customers in accordance with agreed terms of delivery.

Outokumpu ships stainless steel products to customers under a variety of delivery terms. The used terms are based on Incoterms 2000, terms of trade published and defined by the International Chamber of Commerce Terms of Trade.

The most common delivery terms used by Outokumpu are "C" terms, whereby the Group arranges and pays for the carriage and certain other costs, though the Group ceases to be responsible for the goods once they have been handed over to the carrier in accordance with the relevant term. Sale is recognised when goods are handed to the carrier.

Less frequently used are "D" terms, under which the Group is obliged to deliver the goods to the buyer at the agreed destination, usually the buyer's premises, in which case sales are recognised when the goods are delivered to the buyer. Also "F" terms are less frequently used, where the buyer arranges and pays for the carriage. In these cases, sale is recognised when the goods are handed over to the carrier contracted by the buyer.

Research and development

Research and development costs are expensed as they are incurred, except for qualifying development costs, which are capitalised when it is probable that a development project will generate future economic benefits, and certain criteria, including commercial and technological feasibility, have been met. Capitalised development expenses, comprising materials, supplies, direct labour and related overhead costs, are amortised on a systematic basis over their expected useful lives.

Income taxes

The Group income tax expense includes taxes of the Group companies based on taxable profit for the period, together with tax adjustments for previous periods and the change in deferred income taxes. The income tax effects of items included in other comprehensive income are recognised. The share of results in associated companies is reported in the statement of income as calculated from net profit and thus including the income tax charge. Deferred income taxes are stated using the balance sheet liability method, as measured with enacted tax rates, to reflect the net tax effects of all temporary differences between the financial reporting and tax bases of assets and liabilities. The main temporary differences arise from the depreciation difference on property, plant and equipment, fair valuation of net assets in acquired companies, fair valuation of available-for-sale financial assets and derivatives, intra-group inventory profits, pension and other provisions, untaxed reserves and tax losses and credits carried forward. Deductible temporary differences are recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available, against which the deductible temporary difference can be utilised.

Goodwill and other intangible assets

Goodwill arising on an acquisition represents the excess of the consideration transferred in an acquisition over the fair value of the net identifiable assets acquired, liabilities assumed and non-controlling interest in the acquired entity, if any. Goodwill is stated at cost and is not amortised, but tested annually for impairment. In respect of associated companies, the carrying amount of goodwill is included in the carrying amount of the investment. Other intangible assets include customer relations, capitalised development expenses, patents, licenses and software. Other intangible assets are stated at cost. Other intangible assets acquired in a business combination are valued at fair value at the acquisition date.

Development costs or acquisition costs of new software clearly associated with an identifiable product, which will be controlled by the Group and has probable economic benefit beyond one year, are recognised as an intangible asset and amortised over the software's expected useful life. An intangible asset is recognised only if it is probable that the future economic benefits that are attributable to the asset will flow to the Group, and the cost of the asset can be measured reliably. All other expenditure is expensed as incurred.

Other intangible assets are amortised on a straight line basis over their expected useful lives. Periods of amortisation used for intangible assets are the following:

- Intangible rights up to 20 years
- Software up to 10 years

Other intangible assets with indefinite useful life are not amortised but tested annually for impairment. At the reporting date, Outokumpu did not have such intangible assets.

Property, plant and equipment

Property, plant and equipment acquired by the Group companies are stated at historical cost, except the assets of acquired companies that were stated at their fair values at the acquisition date. The carrying value of the property, plant and equipment in the statement of financial position represents the cost less accumulated depreciation and any impairment charges. Borrowing costs that are directly attributable to the acquisition, construction or production of major property, plant and equipment, so called qualifying assets, are capitalised during the period of time that is required to prepare and complete the asset for its intended use.

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives, which are the following:

- Buildings 25–40 years
- Heavy machinery 15–20 years
- Light machinery and equipment 3–15 years

Land is not depreciated. Mine properties are depreciated using the units-of-production method based on the depletion of ore reserves. Expected useful lives of non-current assets are reviewed at the end of reporting period and, should they differ significantly from previous estimates, depreciation periods are changed accordingly. Ordinary repairs and maintenance costs are charged to the statement of income during the financial year in which they are incurred. The cost of major renovations is included in the asset's carrying amount when it is probable that the Group will derive future economic benefits in excess of the originally assessed standard of performance of the existing asset. Major renovations are depreciated on a straight line basis over the useful lives of the related assets. Gains and losses on sales and disposals on property, plant and equipment are determined by comparing the received proceeds with the carrying amount and are presented in other operating income or expenses and thus included in operating profit.

Government grants

Government or other grants are recognised as income on a systematic basis over the periods necessary to match them with the related costs, which they are intended to compensate. Investment grants are deducted from the acquisition value of the asset they relate to in the statement of financial position. Investment grants are recognised as income on a systematic basis over the useful life of the asset as a reduced depreciation expense.

Impairments

Property, plant and equipment and other non-current assets, including goodwill and intangible assets, are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Goodwill and intangible assets with indefinite useful lives are tested at least annually. For the purposes of assessing impairment, goodwill is allocated on operating segment level. An impairment loss is the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is the asset's value in use. The value in use is determined by reference to discounted future net cash flows expected to be generated by the asset. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount. However, the reversal must not cause that the adjusted value is higher than the carrying amount that would have been determined if no impairment loss had been recognised in prior years. Impairment losses recognised for goodwill are not reversed.

Leases

Leases of property plant and equipment, in which the Group has substantially all the rewards and risks of ownership, are classified as finance leases. Finance lease liabilities are capitalised at the commencement of the lease term at the lower of the fair value of the leased property or the estimated present value of the underlying lease payments. Each lease payment is allocated between the capital liability and finance charges, so as to achieve a constant interest rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities with the interest element of the finance charge being recognised in the statement of income over the lease period. Property, plant and equipment acquired under finance lease contracts are depreciated over the shorter of the useful life of the asset or lease period. Leases of assets where the lessor retains all the risks and benefits of ownership are classified as operating leases. Payments made there under, and under rental agreements, are expensed on a straight-line basis over the lease periods.

Leases of property, plant and equipment where the Group has substantially transferred all the rewards and risks of ownership to the lessee are classified as finance leases. Upon initial recognition, the finance lease asset is measured at the lower of the fair value of the leased property or the estimated present value of the underlying lease payments and recognised in interest-bearing receivables. Interest income from the finance lease asset is booked to the statement of income so as to achieve a constant interest rate on the finance balance outstanding.

Financial instruments

Financial instruments are classified as financial assets and liabilities at fair value through profit and loss, loans and receivables and available-for-sale financial assets. Outokumpu does not have financial instruments which are classified as held-to-maturity investments at the reporting date.

Financial assets and liabilities at fair value through profit and loss

Financial assets and liabilities at fair value through profit and loss are recognised at the trade date and measured at fair value. The fair valuation is based on quoted rates and market prices as well as appropriate valuation methodologies and models. Convertible loan receivables are classified as financial assets at fair value through profit and loss.

Loans and receivables

Loans and receivables as well as all financial liabilities, except for derivatives, are recognised at the settlement date and measured at amortised cost using the effective interest rate method. Material transaction costs are included in the initially recognised amount. Material expenses relating to revolving credit facilities are recognised as expenses during the expected maturity of the loan arrangement. The need for impairment is assessed separately for each loan receivable and when realised, it is deducted from the carrying value. The impairment shall be based on evidence that it is probable that the Group will not be able to collect the loan receivable according to the initial terms.

Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value and fair value changes are recognised in other comprehensive income. The fair valuation is based on quoted rates and market prices as well as appropriate valuation methodologies and models. Unlisted equity securities for which fair value cannot be reliably measured are recognised at cost less impairment, if any. Significant or prolonged decline in the fair value of available-for-sale financial assets will lead to an impairment write-down in profit and loss, if the fair value has been below the acquisition value by more than predefined percentage during last three quarters. In the event available-for-sale asset is disposed of, the accumulated fair value changes are reclassified from other comprehensive income to the statement of income. Purchases and sales of available-for-sale financial assets are recognised at the trade date. Equity securities are classified as available-for-sale financial assets.

Derivative instruments

All derivatives, including embedded derivatives are initially recognised at fair value on the trade date, and are subsequently measured at fair value. The fair values of derivatives are based on quoted market prices and rates as well as discounted cash flows.

Fair values of currency forwards, cross-currency and interest rate swaps, metal forwards and emission allowance derivatives are determined by discounting the future nominal cash flows with relevant interest rates and then converting the discounted cash flows to the base currency using spot rates prevailing at the reporting date. Fair values of electricity forwards are determined by discounting the base currency denominated values with relevant interest rates. The fair value of currency, interest rate and metal options is determined by utilising commonly applied option valuation models.

Part of derivatives and other financial instruments may be designated as hedging instruments, in which case hedge accounting is applied. If hedge accounting is not applied, fair value changes of derivatives are recognised in other income and expenses in the statement of income. However, if the derivative is assigned to financing activities, the fair value changes are recognised in financial income and expenses in the statement of income.

Hedge accounting

Hedging programmes are documented according to the requirements in IAS 39 and designated hedging instruments are subject to prospective and retrospective testing of effectiveness. Fair value changes of derivatives, which are assigned to hedge forecast transactions (cash flow hedging), are recognised in other comprehensive income to the extent that the hedge is effective. Such accumulated fair value changes are reclassified into statement of income in the period when the hedged cash flow is recognised in the statement of income. The ineffective portion of the hedging instrument is recognised immediately in the statement of income.

Fair value changes of financial instruments, which are assigned to hedge translation risk related to net investments in foreign operations, are recognised in other comprehensive income to the extent that the hedge is effective. Accumulated gains and losses from hedges are recognised in the statement of income only if the hedged subsidiary is sold or liquidated. The ineffective portion of the gain or loss of the hedging instrument is recognised in financial income and expenses in the statement of income.

Fair value hierarchy

Financial assets and liabilities valued at fair value are divided into three levels in fair value hierarchy. Fair value hierarchy is based on the source of inputs used in defining fair values. In level one, fair values are based on public quotations. In level two, fair values are based on market rates and prices, discounted future cash flows and, in respect of options, on evaluation models. For assets and liabilities in level three, there is no reliable market source available and thus fair value measurement cannot be based on observable market data. Therefore the valuation methods are chosen so that information available for the valuation and the characteristics of the valuation object can be adequately taken into account.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less. Bank overdrafts are included in current liabilities in the statement of financial position. Liquid interest-bearing securities are classified as financial assets at fair value and included in cash equivalents.

Emission allowances

Emission allowances are intangible assets. Purchased CO_2 allowances are recognised at cost, whereas allowances received free of charge are recognised at nominal value, i.e. at zero. A provision to cover the obligation to return emission allowances is recognised provided that emission allowances received free of charge will not cover the actual emissions. Revenues from the sale of excess allowances are recognised as other operating income in the statement of income.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Spare parts are carried as inventory and recognised in profit or loss as consumed. Major spare parts are recognised in property, plant and equipment when they are expected to be used over more than one period.

Trade receivables

Trade receivables are carried at their anticipated realisable value, which is the original invoice amount less an estimated valuation allowance for impairment of these receivables. A valuation allowance for impairment of trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Treasury shares

Where the company or its subsidiaries purchases the company's own shares, the consideration paid, including any attributable transaction costs net of income taxes, is deducted from equity as treasury shares until they are cancelled. When such shares are subsequently sold or reissued, any consideration received is included in equity.

Provisions

Provisions are recognised when Outokumpu has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions can arise from restructuring plans, onerous contracts and from environmental, litigation or tax risks. Long-term provisions are discounted to net present value at the reporting date using risk-free interest rates.

Employee benefits

Group companies in different countries have various pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. The contributions to defined contribution plans are charged to the statement of income in the year to which they relate. The present value of the obligation of defined benefit plans is determined using the projected unit credit method and the plan assets are measured at fair value at the measurement date. Actuarial gains and losses are recognised in the statement of income over the expected average remaining working lives of the employees participating in the plan. The amount recognised is the amount to which the cumulative unrecognised actuarial gain or loss exceeds the greater of the present value of the defined benefit obligation and the fair value of plan assets by more than 10%. For other long-term employee benefits the above described corridor-method is not used.

Share-based payment transactions

The stock options are valued at fair value on the grant date and recognised as an expense in the statement of income during the vesting period. The expense of the stock options determined at the grant date reflects the Group's estimate of the number of stock options that will ultimately vest. The fair value is determined at the grant date using the Black-Scholes-Merton option pricing model and relevant statistical methods. The non-market criteria are not included in the fair value of the option but taken into account in the number of options that are assumed to vest. Outokumpu updates on a quarterly basis the estimate of the final amount of the options that will vest. When the options are exercised, the proceeds received, net of any transaction costs, are credited to share capital and to share premium reserve. Outokumpu's stock options have been granted while previous Finnish Limited Liability Companies Act was enacted. Outokumpu has not granted stock options while current Finnish Limited Liability Companies Act has been enacted.

The share-based incentive programmes are accounted partly as equity-settled and partly as cash-settled. The equity and cash settled parts both include market and non-market based vesting criteria. Market prices and statistical models have been used in determining the fair value of the earning periods at the grant dates, and also at later dates in relation to the cash-settled part of the programme. The impact of non-market based vesting criteria is assessed at each annual and interim closing. The programmes include maximum limits for the payouts. The limits have also been taken into account in the valuation.

Operating profit

Operating profit is the net sum which is formed by adding other operating income to sales and then deducting the cost of purchase adjusted by change in the inventory and the cost of manufacture for own use, the cost of employee benefits, depreciation, amortisation, possible impairments, and other operating expenses. All other items of the income statement are presented below the operating profit. Exchange gains and losses and fair value changes in derivatives are included in operating profit, if they arise from business-related items. Otherwise they are recorded in financial items.

Non-recurring items

Non-recurring items are defined as items which are unusual because of their nature, size or incidence. Only material events are classified as non-recurring.

Dividends

The dividend proposed by the Board of Directors is not deducted from distributable equity until approved by the Annual General Meeting of Shareholders.

Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the equity holders of the company by the weighted average number of shares in issue during the year, excluding shares purchased by Outokumpu and held as treasury shares. Diluted earnings per share are calculated as if the warrants and options were exercised at the beginning of the period. In addition to the weighted average number of shares outstanding, the denominator includes the incremental shares obtained through the assumed exercise of the warrants and options. The assumption of exercise is not reflected in earnings per share when the exercise price of the warrants and options exceeds the average market price of the shares during the period. The warrants and options have a diluting effect only when the average market price of the share during the period exceeds the exercise price of the warrants and options.

3. Segment information

Outokumpu's business activities were organised into two reportable segments in 2010: General Stainless and Specialty Stainless. The performance of the segments is reviewed based on segment operating profit which is defined in the accounting principles for the consolidated accounts. The review is done regularly by the CEO based on internal management reports.

Demand and consumption of stainless steel grow faster than any other metal in the world. Outokumpu is one of the largest producers of stainless steel and widely recognised as a leader in technical support as well as research and development. End-user industries using stainless steel are, for example: architectural, building and construction industries, chemical, petrochemical and energy industries, process industries and resources, transportation as well as catering and appliances.

General Stainless

General Stainless comprises two business units: Tornio Works and Long Products. The main products are hot and cold rolled coil and sheet. Tornio Works is the largest stainless steel integrate in the world, including also the Kemi chromite mine and the ferrochrome smelter in Tornio in Finland. Long Products consists of a melt shop in Sheffield in the UK, a hot rolling mill for long products in Degerfors in Sweden as well as wire rod and bar production in Europe and in the US.

Specialty Stainless

Specialty Stainless comprises three business units: Special Coil and Plate, Thin Strip and Outokumpu Stainless Tubular Products (OSTP). The main products are hot and cold rolled sheet, quarto plate, tubes and various fittings and precision strip. Steel used by the Specialty Stainless units comes mostly from the melt shops in Avesta, Sweden and Sheffield, the UK, the latter being a part of the General Stainless segment. Specialty Stainless is strong in tailored solutions and demanding customer applications in stainless flat and tubular products. Specialty Stainless serves customers with high requirements on the stainless steel properties such as steel grade, shape, thickness or surface finish.

Other operations

Other operations consists of activities outside General Stainless and Specialty Stainless segments as well as industrial holdings. Such business development and Corporate Management expenses that are not allocated to the businesses are also reported under Other operations. In addition it contains Brass operations which do not belong to Outokumpu's main business. Sales of Other operations consist of sale of electricity and brass rod, internal commissions and services.

Operating segments

			Reconciliation			
2010 € million	General Stainless	Specialty Stainless	Reportable segments total	Other operations	Eliminations	Group
External sales	2 801	1 293	4 093	136	-	4 229
Inter-segment sales	702	417	1 119	265	-1 384	-
Sales	3 503	1 710	5 213	401	-1 384	4 229
Operating profit	14	-76	-62	-15	-7	-83
Share of results in associated companies	-	-	-	-10	-	-10
Financial income	-	-	-	-	-	33
Financial expenses	-	-	-	-	-	-83
Profit before taxes	-	-	-	-	-	-143

Income taxes	-	-	-	-	-	19
Net profit for the financial year	-	-	-	-	-	-124
Substantial non-cash items without payment transaction included in operating profit						
Write-down of expansion project in Avesta	-	-17	-17	-	-	-17
Depreciation	-134	-67	-201	-1	-	-202
Amortisation	-14	-7	-20	-12	-	-33
Non interest-bearing assets	3 421	1 661	5 082	325	-476	4 932
Investments in associated companies	-	-	-	148	-	148
Other interest-bearing assets	-	-	-	-	-	524
Deferred tax assets	-	-	-	-	-	30
Total assets	-	-	-	-	-	5 633
Non interest-bearing liabilities	659	384	1 043	75	-460	659
Interest-bearing liabilities	-	-	-	-	-	2 509
Deferred tax liabilities	-	-	-	-	-	90
Total liabilities	-	-	-	-	-	3 258
Operating capital	2 763	1 277	4 039	250	-16	4 273
Net deferred tax liability	-	-	-	-	-	-60
Capital employed	-	-	-	-	-	4 213
Capital expenditure	73	69	142	19	-	161
Average personnel for the period	4 070	3 410	7 480	668	-	8 148

			Reconciliation			
2009 € million	General Stainless	Specialty Stainless	Reportable segments total	Other operations	Eliminations	Group
External sales	1 643	946	2 589	52	-	2 641
Inter-segment sales	421	293	715	221	-935	-
Sales	2 065	1 239	3 304	273	-935	2 641
Operating profit	-259	-149	-408	-34	1	-441
Share of results in associated companies	-	-	-	-13	-	-13
Financial income	-	-	-	-	-	21
Financial expenses	-	-	-	-	-	-46
Profit before taxes	-	-	-	-	-	-479

Income taxes	-	-	-	-	-	143
Net profit for the financial year	-	-	-	-	-	-336
Substantial non-cash items without payment transaction included in operating profit						
Write-down of expansion project in Avesta	-	-15	-15	-	-	-15
Redundancy provision	-	-5	-5	-	-	-5
Depreciation	-127	-56	-184	-4	-	-188
Amortisation	-14	-6	-20	-6	-	-26
Non interest-bearing assets	2 952	1 326	4 278	321	-340	4 259
Investments in associated companies	-	-	-	154	-	154
Other interest-bearing assets	-	-	-	-	-	396
Deferred tax assets	-	-	-	-	-	42
Total assets	-	-	-	-	-	4 850
Non interest-bearing liabilities	530	291	821	71	-335	558
Interest-bearing liabilities	-	-	-	-	-	1 741
Deferred tax liabilities	-	-	-	-	-	101
Total liabilities	-	-	-	-	-	2 399
Operating capital	2 421	1 035	3 457	250	-5	3 701
Net deferred tax liability	-	-	-	-	-	-59
Capital employed	-	-	-	-	-	3 642
Capital expenditure	129	93	222	26	-	248
Average personnel for the period	3 834	3 588	7 422	668	-	8 091

Geographical information

€ million	Finland	Sweden	The UK	Other Europe	North America	Asia and Australia	Other countries	Inter-area	Group
2010									
Sales by destination [1)]	239	249	217	2 481	423	546	74	-	4 229
Sales by origin [2)]	2 580	1 554	720	1 024	331	122	14	-2 115	4 229
Operating profit [2)]	-0	-65	7	-11	-3	5	1	-16	-83
Non-current assets [2) 3)]	1 659	562	77	232	70	43	0	-	2 644
Operating capital [2)]	2 366	1 055	248	445	107	74	2	-24	4 273
Capital expenditure [2)]	74	45	5	11	15	10	-	-	161

Average personnel for the period	2 881	2 911	594	1 235	353	166	8	-	8 148

2009

Sales by destination [1]	142	154	149	1 505	255	408	28	-	2 641
Sales by origin [2]	1 449	1 102	457	715	217	85	6	-1 390	2 641
Operating profit [2]	-239	-111	-17	-57	-13	-7	0	2	-441
Non-current assets [2] [3]	1 719	535	76	244	60	31	0	-	2 665
Operating capital [2]	2 140	881	168	390	86	42	1	-6	3 701
Capital expenditure [2]	111	54	12	38	15	18	-	-	248
Average personnel for the period	2 716	2 938	623	1 282	389	134	9	-	8 091

[1] Sales by destination is presented for external sales.

[2] Sales, operating profit, non-current assets, operating capital and capital expenditure are presented by the locations of the Group companies.

[3] Excluding financial instruments, deferred tax assets and post-employment benefit assets.

4. Discontinued operations

The brass rod operations, which have previously been classified as discontinued operations (according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations), have been reclassified to Other operations in 2010. This is due to the marginal size of the business – the operations comprise two brass-producing units, one in Sweden and one in the Netherlands, and employ some 150 people.

Following the reclassification, Outokumpu does not any more present continuing and discontinued operations separately in its financial information. The comparable financial figures for 2009 have been restated accordingly. Financial figures for periods before 2009 have been restated only regarding the remaining brass operations.

5. Acquisitions and disposals

Acquisitions

Year 2010

Outokumpu's ownership in Outokumpu Industriunderhåll AB (previously ABB Industriunderhåll AB) increased from 49% to 51% on 1 March 2010 and since then the company has been consolidated as a subsidiary. Non-controlling interest is presented separately from the net profit and disclosed as a separate item in the equity. The acquisition price for the 2% increase in the ownership was 22 thousand euros.

Year 2009

In 2009 Outokumpu made no acquisitions.

Disposals

Year 2010

In 2010 Outokumpu made no disposals.

Year 2009

In September 2009, Outokumpu Stainless Tubular Products (OSTP) sold its square and rectangular tube business in Jakobstad to the Finnish company Stalatube Oy. The sale had no significant impact on Group's result and cash flow.

6. Other operating income and expenses

Other operating income

€ million	2010	2009
Gains on sale of intangible and tangible assets	**23**	14
Market price gains and losses from derivative financial instruments	**15**	-
Other income items	**7**	14
	45	28

Market price gains and losses from derivative financial instruments included a loss of EUR 8 million from ineffective cash flow hedges in 2010.

Other operating expenses

€ million	2010	2009
Impairment of intangible and tangible assets	**-20**	-15
Losses on sale of intangible and tangible assets	**-3**	-1
Market price gains and losses from derivative financial instruments	**-**	-13
Other expense items	**-5**	-3
	-28	-32

Market price gains and losses from derivative financial instruments included a loss of EUR 8 million from ineffective cash flow hedges in 2009.

7. Function expenses by nature

€ million	2010	2009
Raw materials and merchandise	**-2 747**	-1 327
Employee benefit expenses	**-496**	-453
Fuels and supplies	**-344**	-245
Change in inventories	**331**	-219
Depreciation and amortisation	**-235**	-214
Energy expenses	**-269**	-162
Freights	**-165**	-134
Maintenance	**-106**	-77
Hire processing	**-32**	-27
Rents and leases	**-26**	-25
Production for own use	**3**	5
Other expenses	**-243**	-202
	-4 329	-3 079

Expenses by function include cost of sales, selling and marketing, administrative as well as research and development expenses.

Auditor fees

KPMG

€ million	2010	2009
Auditing	**1.4**	1.3
Tax services	**0.0**	0.1
Other services	**0.3**	0.1
	1.7	1.5

Non-recurring items in operating profit

€ million	2010	2009
Write-down of expansion project in Avesta	**-17**	-15
Redundancy provision	**-**	-5
	-17	-20

Outokumpu has decided not to re-start the postponed expansion investments in Avesta, Sweden in the foreseeable future. The investments were originally decided in September 2007 and postponed in December 2008. Outokumpu recognised a EUR 17 million write-down related to the new annealing and pickling line in 2010 and EUR 15 million write-down in 2009 relating to melt shop expansion. The write-downs have been presented in other operating expenses.

Redundancy provision of EUR 5 million relates to OSTP restructuring in 2009. It has been booked to applicable expense accounts in the cost of sales, selling and marketing and in administrative expenses.

8. Employee benefit expenses

€ million	2010	2009
Wages and salaries	**-355**	-316
Termination benefits	**-1**	-9
Social security costs	**-51**	-48
Pension and other long-term employee benefits		
Defined benefit plans	**-14**	-19
Defined contribution plans	**-54**	-46
Other long-term employee benefits	**-2**	-3
Expenses from share-based payments	**-5**	-2
Other personnel expenses [1]	**-13**	-9
	-496	-453

[1] In 2010 no profit-sharing bonuses based on the Finnish Personnel Funds Act were recognised (2009: EUR - million).

9. Financial income and expenses

€ million	2010	2009
Dividend income on available-for-sale financial assets	**2**	3
Interest income		
Loans and receivables	**15**	13
Bank accounts and deposits	**1**	3
Gains on the sale of investments at fair value through profit and loss	**1**	1
Gains on the sale of available-for-sale financial assets	**10**	0
Other financial income	**0**	1
Total financial income	**28**	21
Interest expenses		
Financial liabilities at amortised cost	**-43**	-36
Finance lease arrangements	**-3**	-2
Derivatives	**-7**	-0
Capitalised interests	**2**	8
Other financial expenses	**-31**	-14
Total financial expenses	**-83**	-44
Exchange gains and losses		
Derivatives	**-90**	-17
Cash, loans and receivables	**93**	25
Other market price gains and losses		
Derivatives	**2**	-9
Other	**-1**	-0
Total market price gains and losses	**4**	-2
Total financial income and expenses	**-50**	-25

Exchange gains and losses in the consolidated statement of income

€ million	2010	2009
In sales	**-31**	-2
In purchases	**5**	6
In other income and expenses	**29**	-7
In financial income and expenses	**3**	8
	6	4

Exchange gains and losses include EUR 59 million net exchange loss on derivative financial instruments (2009: EUR 24 million net exchange loss). Market price gains and losses recognised in operating profit including also exchange gains and losses are presented in the note 6. Other operating income and expenses.

Non-recurring items in financial income and expenses

In 2010, a non-recurring gain of EUR 9 million on the sale of Okmetic Oyj shares is included in the financial items as gain on the sale of available-for-sale financial assets. In 2009, there were no non-recurring items in financial income and expenses.

10. Income taxes

Income taxes in the consolidated statement of income

€ million	**2010**	2009
Current taxes	**-2**	-3
Deferred taxes	**21**	146
	19	143

The difference between income taxes at the statutory tax rate of 26% in Finland and income taxes recognised in the consolidated statement of income is reconciled as follows:

€ million	**2010**	2009
Hypothetical income taxes at Finnish tax rate on consolidated profit before tax	**37**	125
Difference between Finnish and foreign tax rates	**14**	30
Tax effect of non-deductible expenses and tax exempt income	**1**	5
Tax effect of losses for which no deferred tax benefit is recognised	**-13**	-13
Changes in the carrying amounts of deferred tax assets from prior years	**-19**	1
Taxes for prior years	**2**	-1
Impact of the changes in the tax rates on deferred tax balances	**-**	-0
Tax effect of net results of associated companies	**-3**	-3
Effects of consolidation and eliminations	**-0**	-0
Other items	**-0**	-1
Income taxes in the consolidated statement of income	**19**	143

Deferred income taxes in the statement of financial position

€ million	**2010**	2009
Deferred tax assets	**30**	42
Deferred tax liabilities	**-90**	-101
Net deferred tax liability	**-60**	-59

Deferred taxes have been reported as a net balance of those group companies that file a consolidated tax return, or that may otherwise be consolidated for current tax purposes.

Movement in deferred tax assets and liabilities during the financial year

€ million	1 Jan	Translation differences	Recognised in profit or loss	Recognised in other comprehensive income	**31 Dec**
2010					
Deferred tax liabilities					
Depreciation difference and other untaxed reserves	-189	-2	13	-	**-178**

Fair value adjustments	-13	-0	1	-20	**-32**
Effects of consolidation and eliminations	-1	-	-0	-	**-2**
Other taxable temporary differences	-49	-0	-9	-	**-58**
	-252	-2	5	-20	**-269**
Deferred tax assets					
Tax losses carried forward	132	1	17	-	**150**
Fair value adjustments	-	-	2	-2	**0**
Pension obligations	12	1	1	-	**14**
Effects of consolidation and eliminations	3	-	6	-	**9**
Other tax deductible temporary differences	46	0	-10	-	**36**
	193	2	17	-2	**209**
Net deferred tax liability	-59	-1	21	-22	**-60**
2009					
Deferred tax liabilities					
Depreciation difference and other untaxed reserves	-198	-4	13	-	-189
Fair value adjustments	-16	-0	6	-2	-13
Effects of consolidation and eliminations	-1	-	-0	-	-1
Other taxable temporary differences	-67	-0	18	-	-49
	-283	-4	37	-2	-252
Deferred tax assets					
Tax losses carried forward	25	3	104	-	132
Fair value adjustments	8	-	13	-21	-
Pension obligations	9	-0	3	-	12
Effects of consolidation and eliminations	4	-	-1	-	3
Other tax deductible temporary differences	57	-0	-10	-	46
	103	2	108	-21	193
Net deferred tax liability	-180	-2	146	-23	-59

Aggregate deferred taxes recognised in other comprehensive income

€ million	**2010**	2009
Cashflow hedging	**-5**	10
Available-for-sale financial assets	**-12**	-4
Net investment hedging	**-6**	-6

Other comprehensive income in associated companies	**-**	-2
	-23	-1

Deferred tax assets of EUR 101 million (2009: EUR 83 million) have not been recognised in the consolidated financial statements because the realisation of the tax benefit included in these assets is not probable. Majority of these unrecognised deferred tax assets relate to tax losses amounting to EUR 341 million (2009: EUR 250 million), which can be carried forward in the future. EUR 63 million of these tax losses (2009: EUR 10 million) will expire within next five years and the rest earliest in 2016. The consolidated balance sheet includes deferred tax assets of EUR 58 million (31 Dec 2009: EUR 57 million) in subsidiaries, which have generated losses in current or in prior year. The recognition of these assets is based on result estimates, which indicate that the realisation of these deferred tax assets is probable.

11. Earnings per share

	2010	2009
Result attributable to the equity holders of the Company, € million	**-123**	-336
Weighted average number of shares, in thousands	**181 751**	180 826
Effect of 2003B share options, in thousands	**-**	137
Effect of 2003C share options, in thousands	**11**	7
Diluted average number of shares, in thousands	**181 762**	180 970
Earnings per share for result attributable to the equity holders of the Company, €	**-0.68**	-1.86
Diluted earnings per share, €	**-0.68**	-1.86

Diluted earnings per share is calculated by adjusting average number of shares outstanding to assume conversion of all diluting potential shares. The Group has diluting options (2003 option programme). The options have a diluting effect, when the exercise price with an option is lower than the market value of the Company share. The diluting effect is the number of shares that the Company has to issue gratuitously because the received funds from the exercised options do not cover the fair value of the shares. The fair value of the Company's share is determined as the average market price of the shares during the period.

12. Intangible assets

€ million	Intangible assets, acquired: Patents	Software	Customer relationships	Other	Goodwill	Total
Historical cost on 1 Jan 2010	4	41	48	119	488	700
Translation differences	-	2	0	8	2	11
Additions	0	4	-	8	-	12
Disposals	-	-0	-	-0	-	-0
Reclassifications [1)]	-	38	-	2	-	40
Historical cost on 31 Dec 2010	**4**	**84**	**49**	**136**	**490**	**763**
Accumulated amortisation and impairment on 1 Jan 2010	-2	-34	-16	-75	-6	-134
Translation differences	-	-2	-0	-5	-	-7
Disposals	-	0	-	0	-	0
Amortisation	-0	-8	-12	-12	-	-33
Accumulated amortisation and impairment on 31 Dec 2010	**-3**	**-43**	**-28**	**-93**	**-6**	**-173**
Carrying value on 31 Dec 2010	**1**	**41**	**21**	**43**	**483**	**589**
Carrying value on 1 Jan 2010	2	7	32	43	482	566
Historical cost on 1 Jan 2009	4	38	46	120	482	690
Translation differences	-	1	-	2	0	3
Additions	0	1	-	1	-	2
Disposals	-0	-0	-	-0	-	-1
Reclassifications [1)]	-	2	2	-5	5	5
Historical cost on 31 Dec 2009	4	41	48	119	488	700
Accumulated amortisation and impairment on 1 Jan 2009	-2	-31	-4	-63	-6	-106
Translation differences	-	-1	-	-2	-	-2
Disposals	0	0	-	0	-	0
Reclassifications	-	0	-	-0	-	-0
Amortisation	-0	-3	-12	-11	-	-26
Accumulated amortisation and impairment on 31 Dec 2009	-2	-34	-16	-75	-6	-134
Carrying value on 31 Dec 2009	2	7	32	43	482	566
Carrying value on 1 Jan 2009	2	7	42	57	476	584

[1)] Construction work in progress related to intangible assets is presented in the corresponding item of PPE. When the asset is taken into use, it is reclassified to the appropriate asset account.

Amortisation by function

€ million	**2010**	2009
Cost of sales	**-18**	-12
Selling and marketing expenses	**-12**	-12
Administrative expenses	**-3**	-2
Research and development expenses	**-0**	-0
	-33	-26

Goodwill allocation

€ million	**2010**	2009
General Stainless	**417**	417
Specialty Stainless	**66**	65
	483	482

Impairment testing of goodwill

Goodwill is allocated to the Group's operating units. The recoverable amount of a segment is determined based on value-in-use calculations. These calculations are based on the cash flow projections in the strategic plans approved by the management for 2011. The deliveries for 2011 are based on Outokumpu’s internal forecast. Projections for 2012–2015 are based on conservative price forecast. Delivery forecast for 2012–2015 is based on objective external view on market development. Fixed costs for 2011 are based on 2011 budget and they are planned to increase by inflation rate in the following years. The change in working capital is driven by volume. Cash flows beyond the five-year period are calculated using the terminal value method, in which the growth rate assumption is 1%.

Discount rate is the weighted average pre-tax cost of capital (WACC) as defined for Outokumpu. The components of WACC are risk-free yield rate, market risk premium, industry specific beta, cost of debt and targeted capital structure. The discount rate has been calculated using the same methodology as in 2009. The WACC used in the calculations was 8.4% in 2010 (2009: 9.4%).

The most important assumptions in value-in-use calculations are discount rate, the deliveries of stainless steel and margins. In sensitivity analyses, all these assumptions were tested. According to the performed sensitivity analysis, it does not appear probable that a decrease of five percent in stainless steel deliveries or margins for 2011–2015 would lead to impairment. Also, if used discount factor would be one percent point higher, it would not lead to impairment. If both deliveries and margins would decrease simultaneously by five percent for 2011–2015, the recoverable amounts would decrease somewhat below their carrying value as at 31 December 2010.

As a result of the performed impairment tests, no impairment losses have been recognised.

Emission allowances

Outokumpu’s sites covered by EU's Emissions Trading Scheme (ETS) are the production plants in Tornio (Finland), Avesta, Degerfors and Nyby (Sweden) as well as Sheffield (the UK). In the European Union, the on-going emission trading period started in 2008. Outokumpu will receive 1.3 million tonnes of emission allowances annually until 2012, which is estimated to be enough for the current production capacity within the Group's European production sites. Emissions trading continues also after 2012 and the next period is 2013–2020. Outokumpu follows closely the development of the EU Climate and Energy package, and the renewal of the ETS. In order to decrease the cost of compliance to ETS, Outokumpu has also invested in the Testing Ground Facility (TGF), a Nordic carbon fund managed by the Nordic Environmental Finance Corporation. States and companies can invest in the carbon fund, which purchases emission reduction units for its investors from projects that benefit the environment.

The actual carbon dioxide emissions in the units that belong to the Emissions Trading Scheme were some 795 000 tonnes in 2010 (2009: 540 000 tonnes). The emissions did not exceed the amount of allowances received free of charge in 2010 and Outokumpu sold 500 000 tonnes of emission allowances for EUR 8 million (2009: 6 million). In 2010 Outokumpu received 19 000 tonnes of emission reduction units from TGF.

See note 19 for information on the management of the emission allowance price risk.

13. Property, plant and equipment

€ million	Land	Mine properties	Buildings	Machinery and equipment	Other tangible assets	Advances paid and construction work in progress 1)	Total
Historical cost on 1 Jan 2010	50	35	894	2 989	106	250	4 325
Translation differences	3	-	23	132	2	19	179
Additions	0	0	15	62	7	60	144
Disposals	-	-	-12	-24	-0	-3	-40
Reclassifications	-3	-	23	100	6	-164	-39
Historical cost on 31 Dec 2010	**50**	**36**	**942**	**3 260**	**121**	**161**	**4 569**
Accumulated depreciation and impairment on 1 Jan 2010	-4	-3	-383	-1 777	-44	-15	-2 226
Translation differences	-0	-	-12	-83	-1	-3	-98
Disposals	-	-	12	20	0	-	32
Reclassifications	0	-	-4	4	-0	-	-0
Depreciation	-	-1	-32	-165	-5	-	-202
Impairments	-3	-	-	-	-	-17	-20
Accumulated depreciation and impairment on 31 Dec 2010	**-7**	**-5**	**-419**	**-2 000**	**-49**	**-35**	**-2 515**
Carrying value on 31 Dec 2010	**43**	**31**	**522**	**1 260**	**72**	**125**	**2 054**
Carrying value on 1 Jan 2010	47	32	511	1 212	63	235	2 099
Historical cost on 1 Jan 2009	42	33	841	2 755	100	263	4 034
Translation differences	1	-	9	52	1	7	70
Additions	7	1	22	105	0	113	249
Disposals	-	-	-1	-22	-0	-0	-23
Reclassifications	-0	1	22	100	6	-134	-4
Historical cost on 31 Dec 2009	50	35	894	2 989	106	250	4 325
Accumulated depreciation and impairment on 1 Jan 2009	-4	-3	-347	-1 612	-38	-1	-2 005
Translation differences	0	-	-5	-32	-0	-1	-38
Disposals	-	-	0	19	0	-	20
Reclassifications	-	-	0	-1	0	1	0
Depreciation	-	-0	-30	-151	-6	-	-188
Impairments	-	-	-1	-	-	-14	-15

Accumulated depreciation and impairment on 31 Dec 2009	-4	-3	-383	-1 777	-44	-15	-2 226
Carrying value on 31 Dec 2009	47	32	511	1 212	63	235	2 099
Carrying value on 1 Jan 2009	38	30	494	1 143	62	262	2 029

1) Advances paid and construction work in progress includes also intangible assets. When the asset is ready to be taken into use, it is reclassified to appropriate asset account either in property, plant and equipment or in intangible assets.

Depreciation by function

€ million	**2010**	2009
Cost of sales	**-192**	-180
Selling and marketing expenses	**-5**	-3
Administrative expenses	**-4**	-4
Research and development expenses	**-1**	-1
	-202	-188

Borrowing costs amounting to EUR 2 million was capitalised on investment projects during the financial year (2009: EUR 8 million). Total interest capitalised on 31 December 2010 was EUR 40 million (31 Dec 2009: EUR 50 million). Outokumpu determines separate capitalisation rates for each quarter. The average rate used during 2010 was 3.33%.

Assets leased by finance lease agreements

€ million	Buildings	Machinery and equipment	Total
Historical cost	9	134	143
Accumulated depreciation	-3	-35	-38
Carrying value on 31 Dec 2010	**6**	**99**	**105**
Historical cost	9	133	142
Accumulated depreciation	-3	-29	-32
Carrying value on 31 Dec 2009	5	104	110

14. Investments in associated companies

€ million	2010	2009
Investments in associated companies at cost		
Historical cost on 1 Jan	**145**	144
Translation differences	**2**	1
Additions	**6**	-
Other	**-0**	-
Historical cost on 31 Dec	**152**	145
Equity adjustment to investments in associated companies on 1 Jan	**10**	14
Change in translation differences	**2**	1
Dividends received during financial year	**-**	-0
Share of results in associated companies [1)]	**-10**	-13
Share of other comprehensive income in associated companies	**-5**	7
Other	**-1**	-
Equity adjustment to investments in associated companies on 31 Dec	**-4**	10
Carrying value of investments in associated companies on 31 Dec	**148**	154

Associated companies

	Domicile	Ownership, %
Fagersta Stainless AB	Sweden	50
KDAB i Västerås AB	Sweden	50
Nordic Brass Gusum AB [2)]	Sweden	50
Rapid Power Oy	Finland	33
Talvivaara Sotkamo Ltd.	Finland	20

Principal associated companies

€ million	Domicile	Assets	Liabilities	Sales	Profit	Ownership, %
2010						
Fagersta Stainless AB	Sweden	95	48	187	5	50
Rapid Power Oy [3)]	Finland	192	139	38	-0	33
Talvivaara Sotkamo Ltd. [4)]	Finland	872	809	92	-6	20
2009						
Fagersta Stainless AB	Sweden	68	29	93	-8	50
Rapid Power Oy	Finland	201	147	31	1	33
Talvivaara Sotkamo Ltd.	Finland	715	624	3	-22	20

[1] In principle, the consolidated results of the associated companies are based on a 12-month calendar-year period. However, in 2010 Outokumpu's share of Talvivaara Sotkamo Ltd's profits is consolidated from the 12-month period ending at 30 September 2010 (2009: 30 September 2009). In connection with the acquisition, a fair value of EUR 82 million was allocated to ore reserves. The depreciation of the fair value allocation was started in January 2009 applying a straight-line depreciation method over a period of 24 years, which is the expected excavation time of the proved ore reserves at the time of the acquisition. The depreciation is presented as part of the share of results in associated companies.

[2] Formerly Outokumpu Nordic Brass AB

[3] Rapid Power Oy's figures for 2010 are based on the information on 30 September 2010.

[4] Talvivaara Sotkamo Ltd's figures for 2010 are based on the information on 30 September 2010. These figures are included in Talvivaara Mining Ltd's consolidated accounts published for the period ending on 30 September 2010.

15. Carrying values and fair values of financial assets and liabilities by measurement category

2010 € million	Category in accordance with IAS 39	Measured at: Amortised cost	Measured at: Cost	Measured at: Fair value recognised in other comprehensive income	Measured at: Fair value recognised through profit or loss	Carrying amount 31 Dec 2010	Fair value 31 Dec 2010
Non-current financial assets							
Available-for-sale financial assets	a)	-	15	132	-	147	147
Trade and other receivables							
Interest-bearing	b), c)	160	-	-	1	161	77
Non interest-bearing	b)	55	-	-	-	55	55
Hedge accounted derivatives	e)	-	-	16	-	16	16
Derivatives held for trading	d)	-	-	-	1	1	1
Current financial assets							
Available-for-sale financial assets	a)	-	3	4	-	7	7
Trade and other receivables							
Interest-bearing	b)	8	-	-	-	8	8
Non interest-bearing	b)	766	-	-	-	766	766
Cash and cash equivalents	b), c)	141	-	-	9	150	150
Hedge accounted derivatives	e)	-	-	4	-	4	4
Derivatives held for trading	d)	-	-	-	30	30	30
		1 131	18	156	40	1 345	1 262
Non-current financial liabilities							
Long-term debt	f)	1 488	-	-	-	1 488	1 465
Trade and other payables	f)	3	-	-	-	3	3
Derivatives held for trading	d)	-	-	-	41	41	41
Current financial liabilities							
Current debt	f)	930	-	-	-	930	930
Trade and other payables							
Interest-bearing	f)	16	-	-	-	16	16

Non interest-bearing	f)	545	-	-	-	545	545
Derivatives held for trading	d)	-	-	-	34	34	34
		2 983	-	-	74	3 057	3 034

2009 € million	Category in accordance with IAS 39	Measured at Amortised cost	Cost	Fair value recognised in other comprehensive income	Fair value recognised through profit or loss	Carrying amount 31 Dec 2009	Fair value 31 Dec 2009
Non-current financial assets							
Available-for-sale financial assets	a)	-	13	85	-	98	98
Trade and other receivables							
Interest-bearing	b), c)	139	-	-	1	140	60
Non interest-bearing	b)	55	-	-	-	55	55
Hedge accounted derivatives	e)	-	-	0	-	0	0
Derivatives held for trading	d)	-	-	-	7	7	7
Current financial assets							
Available-for-sale financial assets	a)	-	3	11	-	14	14
Trade and other receivables							
Interest-bearing	b)	9	-	-	-	9	9
Non interest-bearing	b)	497	-	-	-	497	497
Cash and cash equivalents	b), c)	99	-	-	12	112	112
Hedge accounted derivatives	e)	-	-	0	-	0	0
Derivatives held for trading	d)	-	-	-	16	16	16
		800	17	96	35	947	868
Non-current financial liabilities							
Long-term debt	f)	997	-	-	-	997	958
Trade and other payables	f)	1	-	-	-	1	1
Hedge accounted derivatives	e)	-	-	25	-	25	25
Derivatives held for trading	d)	-	-	-	16	16	16

Current financial liabilities							
Current debt	f)	651	-	-	-	651	651
Trade and other payables							
Interest-bearing	f)	7	-	-	-	7	7
Non interest-bearing	f)	443	-	-	-	443	443
Hedge accounted derivatives	e)	-	-	8	-	8	8
Derivatives held for trading	d)	-	-	-	37	37	37
		2 100	-	33	53	2 185	2 146

Categories in accordance with IAS 39:

a) Available-for-sale financial assets

b) Loans and receivables

c) Financial assets at fair value through profit and loss

d) Derivatives held for trading

e) Hedge accounted derivatives

f) Other financial liabilities

Difference between the fair value and the carrying amount in non-current interest bearing trade and other receivables relates to a loan receivable from Luvata Fabrication Oy. In determining the fair value of the receivable, the priority position versus other financing, capitalisation of interest, market credit spreads, and level of market interest rates have been considered. Also the scenario of premature repayment has been taken into account in the valuation. Carrying amount on current receivables is a reasonable approximation of their fair value. The fair value of non-current interest-bearing liabilities are determinated by using discounted cash flow method taken into consideration market credit spread. Carrying amount on current interest-bearing liabilities is reasonable approximation of their fair value.

16. Hierarchy of financial assets and liabilities measured at fair value

2010 **€ million**	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	81	-	55	**136**
Trade receivables, other interest-bearing receivables	-	1	-	**1**
Cash and cash equivalents	-	9	-	**9**
Hedge accounted derivatives	-	20	-	**20**
Derivatives held for trading	-	31	-	**31**
	81	**61**	**55**	**196**
Liabilities				
Derivatives held for trading	-	74	-	**74**

2009 € million	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	60	-	36	96
Trade receivables, other interest-bearing receivables	-	1	-	1
Cash and cash equivalents	-	12	-	12
Hedge accounted derivatives	-	0	-	0
Derivatives held for trading	-	22	-	22
	60	35	36	131
Liabilities				
Hedge accounted derivatives	-	33	-	33
Derivatives held for trading	-	53	-	53
	-	86	-	86

Reconciliation of changes on level 3 [1)]

€ million	Available-for-sale financial assets
Carrying value 1 Jan 2010	36
Translation difference	5
Fair value changes	14
Disposal	-0
Carrying balance 31 Dec 2010	**55**

[1)] The calculation is based on closing rates.

Accounting principles contain information how fair values are defined on different levels in fair value hierarchy.

The fair value of the level three relates mainly to Swedish krona denominated investment to an unlisted company Tibnor AB and an investment to TGF carbon fund. Valuation of unlisted company is based on actual reported figures. The valuation consists of following parameters: earnings per share of the company (EPS), P/E ratio of the market, equity per share ratio and long-term average dividend per share ratio. The only parameter directly tied to any market value is the P/E-ratio, otherwise the value is affected by changes in earnings, equity and dividends in the company. Other parameters remaining unchanged, 10% change in P/E-ratio translates approximately 5% change in the fair value. 10% change in the other parameters do not have material effect on the fair value of the investment.

The fair value calculation of investment in the carbon fund is based on the estimated amounts of Kyoto credits received from the projects as well as estimated market prices of such credits. Main risk factors related to projects have been taken into account in the evaluation of amount of the credits received from the fund.

17. Available-for-sale financial assets

€ million	**2010**	2009
Carrying value on 1 Jan	**112**	75
Translation differences	**5**	2
Additions	**2**	2
Fair value changes	**50**	34
Disposals	**-5**	0
Gains from disposal reclassified to profit	**-10**	0
Carrying value on 31 Dec	**154**	112

Non-current listed equity securities	**77**	49
Non-current unlisted equity securities	**70**	50
Current available-for-sale financial assets	**7**	14
	154	112

Listed equity securities, at fair value	**81**	60
Unlisted equity securities and other investments, at fair value	**55**	36
Unlisted equity securities and other investments, at cost	**18**	17
	154	112

Fair value reserve of available-for-sale financial assets

€ million	**2010**	2009
Fair value	**154**	112
Acquisition value	**-59**	-61
Fair value reserve before tax	**95**	51
Deferred tax liability	**-12**	-4
Fair value reserve	**83**	46

The most significant ownership in listed equity securities is Talvivaara Mining Company Plc. During 2010 Outokumpu sold its holdings in Okmetic Oyj and booked a gain of EUR 9 million in the statement of income. Unlisted equity securities at fair value consists mainly holdings in Tibnor AB. Unlisted equity securities at cost included investments in energy producing companies totalling EUR 14 million (31 Dec 2009: EUR 12 million).

18. Share-based payment plans

Outokumpu has a stock option programme for management (2003 stock option programme) and two share-based incentive programmes. The stock option programme has three parts, 2003A, 2003B and 2003C and share-based incentive programmes are for years 2006–2010 and 2009–2013. Both stock option programme and share-based payment programmes are part of the Group's incentive and commitment-building system for key employees, and the objective is to encourage recipients to work in the long-term to increase shareholder value. The objective of the programmes is to reward for good performance, which supports the Group's strategy and at the same time to direct management's attention to increasing the Outokumpu's shareholder value over a longer period of time. In addition to the above mentioned schemes, Outokumpu has a small-scale share-based payment plan, which is targeted for encouraging long-term employee commitment to Outokumpu. The number of persons included in that scheme is 14 and a maximum amount of shares to be distributed is 14 000.

On 31 December 2010, only stock options 2003C had remaining share subscription period. In the below tables you can find information on all parts of the programme.

The second earning period for 2006–2010 incentive programme was ended on 31 December 2009. The set targets were not met, and therefore no reward was paid to the participants.

On 2 February 2010, the Board of Directors confirmed 134 people as participants in the programme for the second earning period (2010–2012) of the 2009–2013 incentive programme.

The total estimated value of all the above mentioned programmes is EUR 27 million at 31 December 2010. This value is recognised as an expense in the income statement during the vesting periods. By 31 December 2010, a total of EUR 21 million has been recognised as an expense in the income statement, of which EUR 5 million in 2010 (2009: EUR 2 million).

On 14 December 2010, 134 employees were approved to be in the scope of the third earning period (2011–2013) of the 2009–2013 incentive programme. A maximum amount of shares of 409 200 are to be distributed. Third earning period commenced on 1 January 2011.

More information on Outokumpu's options and share-based incentive programmes can be found in www.outokumpu.com.

Share-based payments included in employee benefit expenses

€ million	**2010**	2009
Equity-settled share-based payment transactions	**-2**	-1
Cash-settled share-based payment transactions	**-3**	-1
	-5	-2
Total carrying amount of liabilities for cash-settled arrangements on 31 Dec	**4**	2

Option programme

General terms and conditions of the option programme

	2003A	2003B	2003C
Grant date	12 June 2003	10 Feb and 15 Sept 2004	22 March 2005 and 1 April–1 Oct 2007
The number of options granted	742 988	1 148 820	1 205 000

The maximum number to be exercised on 31 Dec 2010	-	-	40 500
Exercise price, € [1]	7.25	9.81	10.09
Term of contract	12 June 2003–1 March 2009	10 Feb 2004–1 March 2010	22 March 2005–1 March 2011
Vesting period	12 June 2003–31 Aug 2006	10 Feb 2004–31 Aug 2007	22 March 2005–31 Aug 2008
Conditions of the agreement	The Group’s earnings per share in 2003 and share price performance outperforming the share price trend of peer companies. The additional earnings criterion for Group Executive Committee members was the Group’s gearing.	The Group’s earnings per share in 2004 and share price performance outperforming the share price trend of peer companies. The additional earnings criterion for Group Executive Committee members was the Group’s gearing.	The development of the Group’s operating profit (EBIT), and development of the Group's total shareholder return (TSR) compared to a peer group. The additional criterion for Group Executive Committee members was the Group's gearing.
Exercised	In shares	In shares	In shares

[1] Paid dividends have been deducted.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2010 was 0.2 years (2009: 0.2 years). In 2010 nor in 2009, no new options were granted.

The fair value of equity-settled share options granted is estimated at the grant date using the Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted.

Number of options and weighted average exercise prices of, and movements in, share options during the year

	2010		2009	
	Options	Weighted average exercise price €/share	Options	Weighted average exercise price €/share
Outstanding at the beginning of the year	**1 020 214**	**9.86**	1 587 294	9.28
Exercised during the year	**-967 707**	**9.82**	-558 659	7.34
Expired during the year	**-12 007**	**9.81**	-8 421	7.25
Outstanding at the end of the year	**40 500**	**10.09**	1 020 214	9.86
Exercisable at the end of the year	**40 500**	**10.09**	1 020 214	9.86

Share-based incentive programmes

The general terms and conditions of the share-based incentive programmes

	Share-based incentive programme for 2006–2010		Share-based incentive programme for 2009–2013
	Earning period 2008–2010	Earning period 2009–2011	Earning period 2010–2012
Grant date	31 Jan 2008	3 Feb 2009	2 Feb 2010
Vesting period	1 Jan 2008–31 Dec 2010	1 Jan 2009–31 Dec 2011	1 Jan 2010–31 Dec 2012
Vesting conditions			
Market	Share price outperforming peer companies.	Total shareholder return (TSR) ranking among peers and TSR outperforming a competitor.	Total shareholder return (TSR) ranking among peers and TSR outperforming a competitor.
Non-market	Achieving targets set for the Excellence programmes.	-	Outokumpu Group earnings per share -key figure (EPS).
Other relevant conditions	A salary-based limit for the maximum benefits.	A salary-based limit for the maximum benefits.	A salary-based limit for the maximum benefits.
Exercised	In shares and cash	In shares and cash	In shares and cash

The fair value of share-based incentive programmes are determined using statistical modelling.

Inputs of the model

	Share-based incentive programme for 2006–2010		Share-based incentive programme for 2009–2013
	Earning period 2008–2010	Earning period 2009–2011	Earning period 2010–2012
Share price at the grant date, €	21.01	8.54	13.51
Share price at the balance sheet date, €	13.88	13.88	13.88
Reference ratio annualised volatility at the grant date, % p.a.	28.1	52.3	27.5
Reference ratio annualised volatility at the reporting date, % p.a.	24.6	25.0	25.0
Estimated forfeit ratio at the grant date, % p.a.	8.0	6.0	5.0
Estimated forfeit ratio at the reporting date, % p.a.	5.0	5.0	5.0
Actual forfeit ratio, % p.a.	3.2	3.4	0.5

Estimated outcome of market criteria at the grant date, %	51.5	62.3	54.3
Estimated outcome of non-market criteria at the grant date, %	50.0	-	0.0
Estimated outcome of market criteria at the reporting date, %	0.0	71.3	40.3
Estimated outcome of non-market criteria at the reporting date, %	0.0	-	8.5

19. Financial risk management, capital management and insurances

The objective of financial risk management is to reduce the impact of price fluctuations and other factors of uncertainty in financial markets on earnings, cash flows and balance sheet, as well as to ensure sufficient liquidity. The objective of capital management is to secure the ability to continue as a going concern and to optimise the cost of capital in order to enhance value to shareholders. The main objective of insurance management is to provide protection against catastrophe risks and to reduce earnings variation caused by hazards.

The Board has approved the risk management policy, which defines responsibilities, risk management process and other main principles of risk management. The Board oversees risk management on a regular basis. In 2010 Group's Financial Risk Policy was reviewed and some minor changes were approved by the Chief Financial Officer. The CFO is responsible for implementation and development of financial risk management.

Financial risk consist of market, country, credit, liquidity and refinancing risks. Business units and functions hedge their currency and nickel price risk against Treasury and Risk Management function, which does most of the derivative contracts with banks and other financial institutions. The function is also responsible for managing liquidity and refinancing risk as well as interest rate risk and emission allowance price risk. Credit risk management is decentralised, but Treasury and Risk Management function monitors this risk as well. The Group’s energy function is responsible for managing electricity price risk.

The Treasury and Risk Management function purchases a substantial part of Group’s insurances. The most important insurance lines are property damage and business interruption, liability, transport and credit. The Group’s captive insurance company retains a selected part of risk.

Market risk

Market risk is caused by changes in foreign exchange and interest rates, as well as commodity, energy and security prices. These price changes may have a significant impact on the Group’s earnings, cash flows and balance sheet.

Outokumpu uses derivative contracts to mitigate the above-mentioned impacts of market price changes. Hedge accounting is applied to hedges of forecasted electricity purchases of Finnish production sites (electricity price risk) and committed currency denominated electricity purchases (EUR/SEK spot rate risk). The derivatives, for which hedge accounting is not applied, have been entered into for the purpose of reducing impacts of market price changes on earnings and/or cash flows related to business or financing activities. The use of non-hedge-accounted derivatives may cause timing differences between derivative gains/losses and the earnings impact of the underlying exposure. Nominal amounts and fair values of all derivatives are presented in note 20. Sensitivity of financial instruments to market risk is described in following table.

Sensitivity of financial instruments to market risks

	2010		2009	
€ million	In profit or loss	Other comprehensive income	In profit or loss	Other comprehensive income
+/-10% change in EUR/USD exchange rate	-7/+9	-	-5/+6	-

+/-10% change in EUR/SEK exchange rate	-9/+11	-23/+29	-5/+6	-23/+28
+/-10% change in USD nickel price	-2/+6	-	-4/+3	-
+/-10% change in electricity price	+0/-0	+1/-1	+0/-0	+2/-2
+/-10% change in share prices	-	+11/-11	-	+8/-8
+/-1% parallel shift in interest rates	+11/-11	-	+8/-8	-

This sensitivity analyses apply to financial instruments only. Other assets, liabilities and off-balance sheet items such as sales and purchase orders, are not in the scope of these analyses. The calculations are net of tax.

Foreign exchange rate risk

A major part of Group's sales is in euros and US dollars. A significant part of expenses arise in euros, US dollars and Swedish kronas. In Europe, Outokumpu's products are priced mainly in euros and therefore costs in Swedish krona (some 4 billion kronas a year) in particular gives rise to a significant foreign exchange risk impacting on profitability.

Outokumpu hedges most of its fair value risk, e.g. risks related to currency denominated accounts receivables, accounts payables, interest-bearing debt, cash and loan receivables. Cash flow risk related to firm commitments is hedged to a large extent, whereas forecasted and probable cash flows can be hedged selectively and with separate decisions only. In 2010 Outokumpu hedged part of the forecasted cash flows related to business operations in Sweden. The Group's fair-value currency position is presented on a more detailed level in table below.

Fair value exposures of EUR based companies

	2010				2009			
€ million	SEK	USD	GBP	Other	SEK	USD	GBP	Other
Trade receivables and payables	7	10	22	15	4	16	27	14
Loans and bank accounts [1)]	833	175	112	-83	801	119	44	-68
Derivatives [2)]	-463	-79	-139	77	-450	-66	-65	66
Net exposure	**378**	**105**	**-5**	**10**	355	69	5	12

Fair value exposures of SEK based companies

	2010				2009			
€ million	EUR	USD	GBP	Other	EUR	USD	GBP	Other
Trade receivables and payables	123	29	-6	16	60	30	1	11
Loans and bank accounts [1)]	25	12	1	2	23	12	5	2
Derivatives [2)]	-248	-90	2	-26	-141	-72	-15	-18
Net exposure	**-101**	**-49**	**-4**	**-9**	-58	-30	-8	-5

[1)] Includes cash, interest-bearing liabilities and receivables.

[2)] Includes derivatives assigned to hedge committed cash flows.

Outokumpu has not hedged income statement translation risk. The total non-euro-denominated equity of the Group's foreign subsidiaries was EUR 826 million on 31 December 2010 (2009: EUR 888 million). Some 52% of the total net investment exposure is denominated in Swedish krona, 17% in British pounds and 14% in Australian dollars. At the end of the year there were no hedges related to net investment exposure. The effective portion of gains and losses (EUR 15 million, net of tax) on earlier net investment hedges is recognised in other comprehensive income.

Interest rate risk

The Group's interest rate risk is monitored as cash flow risk (impact of rate changes on net interest expenses) and fair value risk (impact of rate changes on fair value of monetary assets and liabilities). In order to manage the balance between risk and cost in an optimal way, a significant part of loans have short-term interest rate as a reference rate. Cash flow risk is reduced with e.g. interest rate swaps, where Outokumpu pays fixed rate and receives variable rate. In 2010 the single adjustment to interest rate position was the decision to leave the EUR 250 million bond fixed interest based, i.e. no interest rate swap were made in connection with this bond issue.

Swedish krona and euro have substantial contribution to the overall interest rate risk. Approximately 75% of the Group's interest-bearing liabilities have an interest period of less than one year and the average interest rate of long-term interest bearing debt on 31 December 2010 was 2.9% (31 Dec 2009: 2.0%). Interest rate position is presented on a more detailed level in the table below.

Currency distribution and re-pricing of outstanding net debt

	31 Dec 2010				
€ million Currency	Net debt [1)]	Derivatives [2)]	Average rate, %	Duration, year	Rate sensitivity [3)]
EUR	1 721	-970	2.8	1.9	3.5
SEK	529	854	2.8	0.9	6.6
USD	-122	136	10.5	> 10	1.1
Others	-27	68	0.5	0.9	0.0
	2 100	**88**			**11.1**

	31 Dec 2009				
€ million Currency	Net debt [1)]	Derivatives [2)]	Average rate, %	Duration, year	Rate sensitivity [3)]
EUR	1 277	-692	2.3	1.1	2.5
SEK	251	660	2.2	1.5	5.2
USD	-111	102	10.5	> 10	0.8
Others	-29	-47	1.8	0.2	-0.6
	1 388	23			8.0

[1)] Includes cash and cash equivalents, interest-bearing liabilities and receivables.

[2)] Includes nominal value of interest rate and cross currency swaps, interest rate options and currency forwards earmarked to the interest-bearing net debt. Currency forwards are not included in average rate calculation.

[3)] The effect of one percentage point increase in interest rates to financial expenses over the following year.

Commodity and energy price risk

Outokumpu uses a substantial amount of raw materials and energy for which prices are determined in regulated markets, such as London Metal Exchange and NASDAQ OMX Commodities Europe. Timing differences between raw material purchase and pricing of products, changes in inventory levels and the capability to pass on changes in raw material and energy prices to end-product prices, all affect hedging requirements and activities.

Nickel price is the most important commodity price risk for Outokumpu. A majority of stainless steel sales contracts include an alloy surcharge clause, with the aim of reducing the risk arising from the time difference between raw material purchase and product delivery. The Group’s nickel position includes price fixed purchase orders, nickel-containing material in inventories, price fixed sales orders and forecasted but not yet ordered deliveries for the upcoming few weeks. This, typically long (surplus), position in nickel is partly reduced with derivatives so that the permanent amount of nickel in business activities (base stock) is being left mainly unhedged. Nickel derivatives are used to reduce the impacts of price changes on earnings. Metal price changes have a major impact on the Group’s working capital and thus cash flow from operations. This risk is not hedged with derivatives.

Many of Outokumpu’s main sites are participating in the EU Emissions Trading Scheme (ETS). Realised and forecasted carbon dioxide emissions and granted emission allowances are monitored and assessed also centrally. Emission allowance price risk is managed with the aim of securing the cost of compliance for the current trading period and reducing the cost of compliance e.g. by investing in a carbon fund and by swapping EUAs to Kyoto credits within the limits set in ETS.

The Group has energy intensive production processes using electricity, liquefied petroleum gas, natural gas and other fuels. In 2010 price risk related to fuels has been assessed, but no financial hedges have been made to secure future price of fuels. Electricity used by the Group’s Nordic production sites is purchased and managed centrally while at other sites electricity is purchased locally. Electricity price risk is reduced with fixed price supply contracts, ownerships in energy producers and with the use of derivatives. Electricity derivatives are used to manage short- and medium-term price risk and hedge accounting is applied to part of the contracts. Hedge accounted derivatives are presented in note 20. Fair values and nominal amounts of derivative instruments.

On 31 December 2010 the Group had electricity derivatives of 1.0 TWh (31 December 2009: 0.8 TWh). Electricity consumption of the Group’s Nordic production sites was 2.8 TWh (2009: 2.1 TWh).

Security price risk

Outokumpu has investments in equity securities, loan receivables and fixed income securities. On 31 December 2010 the biggest investment in listed equity securities was Talvivaara Mining Company Plc and the most significant loan receivable was from Luvata Fabrication Oy. Outokumpu has also a significant ownership in Talvivaara Sotkamo Oy, which is an unlisted subsidiary of Talvivaara Mining Company. Group's captive insurance company Visenta Försäkrings AB has some investments in highly rated fixed income securities. Apart from currency risk related to loan receivables, securities have not been hedged with derivatives.

Country and credit risk

All external sales must be covered by approved credit limits or secured payment terms. Most of the outstanding trade receivables have been secured by credit insurance policies, which typically covers some 85% of an insured credit loss. Part of the credit risk related to trade receivables is managed with bank guarantees, letters of credit and advance payments. Country risk related to Outokumpu’s business activities is monitored and reported at the Group-level.

On 31 December 2010 the maximum exposure to credit risk of trade receivables was EUR 706 million (2009: EUR 431 million). Some 90% (2009: 85%) of trade receivables are covered by insurance or secured payment terms. The Group's trade receivables are generated by a large number of customers. However, there have been some single customer credit risk concentrations during the last year. The Group had significant amount of receivables by country from Germany, Italy and the United States. Age analysis of accounts receivables is in note 22 Trade and other receivables.

Loan receivables are typically not insured or secured in any other way. A significant portion of all interest bearing loan receivables was a receivable from Luvata Fabrication Oy.

Treasury and Risk Management function monitors credit risk related to receivables, including receivables related to derivatives, from financial institutions. Outokumpu seeks to reduce these risks by limiting the counterparties to banks and other financial institutions with good credit standing. For the derivative transactions, Outokumpu prefers to have ISDA framework agreements in place. Investments related to liquidity management are made in short-term deposits and liquid financial instruments with low credit risk.

Liquidity and refinancing risk

Outokumpu raises most of its interest-bearing debt centrally. The Group seeks to reduce liquidity and refinancing risk by having sufficient amount of cash and credit lines available and by having balanced maturity profile of long-term debt. Efficient cash and liquidity management is also reducing liquidity risk.

In 2010, Outokumpu Oyj issued an EUR 250 million bond having five year's maturity. In addition to the bond Outokumpu agreed during 2010 on EUR 50 million pension loan, SEK 1 433 million committed credit facility and some EUR 30 million other long-term loans. At the end the year the EUR 900 million syndicated credit facility was fully undrawn. Other available and undrawn committed credit facilities totalled EUR 98 million at the end of the year. The domestic commercial paper programme was used actively during the year and EUR 601 million was outstanding on 31 December 2010.

The main funding programmes and standby credit facilities include the Finnish Commercial Paper Program totalling EUR 800 million, the Euro-Commercial Paper Program totalling USD 250 million, the committed Revolving Credit Facility of EUR 900 million (maturing in June 2012), a committed credit facility of EUR 100 million and two committed credit facilities totalling of SEK 2 933 million. More information on liquidity and refinancing risk is presented in the following table.

Contractual cash flows

2010 **€ million**	Balance 31 Dec	2011	2012	2013	2014	2015	2016–
Bonds	474	75	150	-	-	250	-
Loans from financial institutions	1 025	207	179	74	132	116	317
Pension loans	203	40	33	34	21	21	54
Finance lease liabilities	106	8	8	8	15	24	45
Commercial papers	601	601	-	-	-	-	-
Trade payables	395	395	-	-	-	-	-
Other liabilities	10	-	0	-	-	9	-
Interest payments and facility charges	16	68	44	30	27	23	15
Interest rate derivatives	40	5	22	1	11	0	-

Other derivative financial instruments	-17	-1	-11	-5	-	-	-
		1 398	**426**	**141**	**206**	**443**	**430**

On 31 December 2010 the Group had cash and cash equivalent marketable securities amounting to EUR 150 million and committed and available credit facilities, undrawn TyEL pension loans in Finland, and other agreed and undrawn loans totalling EUR 1 168 million.

2009 € million	Balance 31 Dec	2010	2011	2012	2013	2014	2015–
Bonds	225	-	75	150	-	-	-
Loans from financial institutions	615	108	81	157	65	73	130
Pension loans	182	29	40	30	27	15	41
Finance lease liabilities	111	6	8	8	8	14	67
Commercial papers	504	504	-	-	-	-	-
Trade payables	301	301	-	-	-	-	-
Other liabilities	12	5	1	-	-	-	7
Interest payments and facility charges	8	41	28	14	10	9	16
Interest rate derivatives	11	6	2	1	-1	3	-0
Other derivative financial instruments	52	28	9	11	5	-	-
		1 028	243	372	115	114	261

On 31 December 2009 the Group had cash and cash equivalent marketable securities amounting to EUR 112 million and committed and available credit facilities, undrawn TyEL pension loans in Finland, and other agreed and undrawn loans totalling EUR 1 341 million.

Capital management

The Group's capital management objective is to secure the ability to continue as a going concern and to optimise the cost of capital in order to enhance value to shareholders. As part of this objective the Group seeks to maintain access to loan and capital markets at all times despite the cyclical nature of the industry in which Outokumpu operates. The Board of Directors reviews the capital structure of the Group on a regular basis.

Capital structure and debt capacity are taken into account when deciding new investments. Practical tools to manage capital include application of dividend policy, share buybacks and share issues. Debt capital is managed considering the requirement to secure liquidity and the capability to refinance maturing debt. 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.

The Group's internal capital structure is reviewed on a regular basis with an aim to optimise the structure e.g. by applying internal dividends and equity adjustments. Net investment in foreign entities is monitored and the Group has capability to hedge related translation risk.

Outokumpu’s captive insurance company, Visenta Försäkrings Ab, has to comply with capital adequacy requirements set by authority. During the reporting period Visenta has been well capitalised to meet externally imposed requirements.

The management monitors capital structure on the basis of gearing ratio, which is calculated as net debt divided by total equity. Net debt is calculated as total borrowings, including all interest-bearing liabilities, less interest-bearing assets, all marked with [1)] in the consolidated balance sheet.

The Group’s financial target is to maintain the gearing ratio below 75%. Financial objectives include also a return on capital employed of over 13% and always the best among peers. Weighted average cost of capital (WACC) is defined and applied to monitor efficiency of capital use and to provide market driven guidance for managing capital structure and for making capital allocation decisions.

On 31 December 2010 net interest-bearing debt was EUR 1 837 million (2009: EUR 1 191 million), total equity EUR 2 376 million (2009: EUR 2 451 million) and debt-to-equity ratio 77.3% (2009: 48.6%). The increase in net interest-bearing debt and debt-to-equity ratio during 2010 resulted primarily from significant increase in working capital and low profitability.

Insurances

Outokumpu’s business is capital intensive and key production processes are rather tightly integrated and have other interdependences, as well. Property damage and business interruption is the most important insurance line and substantial part of the insurance premiums relate to these types of risks. Other significant insurance lines include transport, credit and liability.

Visenta Försäkrings AB can act as direct insurer and as reinsurer. The company is registered in Sweden and it has assets worth some EUR 30 million. Visenta underwrites e.g. property and business interruption insurance policies for Group companies.

20. Fair values and nominal amounts of derivative instruments

€ million	2010 Positive fair value	2010 Negative fair value	2010 Net fair value	2009 Net fair value	2010 Nominal amounts	2009 Nominal amounts
Currency and interest rate derivatives						
Currency forwards	**42**	**24**	**18**	-42	**2 032**	1 784
Interest rate swaps	**-**	**2**	**-2**	-3	**107**	199
Cross-currency swaps	**-**	**37**	**-37**	-8	**228**	212
Currency options, bought	**-**	**-**	**-**	1	**-**	30
Currency options, sold	**-**	**-**	**-**	-0	**-**	31
Interest options, bought	**1**	**-**	**1**	2	**89**	78
Interest options, sold	**-**	**2**	**-2**	-2	**89**	78
					Tonnes	Tonnes
Metal derivatives						
Nickel options, bought	**1**	**-**	**1**	2	**3 120**	13 290
Nickel options, sold	**-**	**3**	**-3**	-4	**3 120**	13 290
Forward and futures nickel contracts	**-**	**1**	**-1**	-	**852**	-
Forward and futures molybdenum contracts	**-**	**0**	**-0**	-	**100**	-
Forward and futures copper contracts	**1**	**1**	**-1**	-0	**2 325**	1 275
Forward and futures zinc contracts	**0**	**0**	**0**	-0	**1 425**	400
Emission allowance derivatives	**0**	**0**	**0**	0	**353 000**	404 000
					TWh	TWh
Electricity derivatives	**6**	**4**	**2**	-8	**1.0**	0.8
Total derivatives	**51**	**74**	**-23**	-63		
Less long-term derivatives						
Currency forwards	**15**	**-**	**15**	-20		
Interest rate swaps	**-**	**2**	**-2**	-2		
Cross currency swaps	**-**	**37**	**-37**	-8		
Interest options, bought	**1**	**-**	**1**	2		
Interest options, sold	**-**	**1**	**-1**	-1		
Emission allowance derivatives	**0**	**0**	**0**	0		
Electricity derivatives	**1**	**0**	**1**	-5		
Short-term derivatives	**34**	**34**	**0**	-29		

Fair values are estimated based on market rates and prices, discounted future cash flows and, in respect of options, on evaluation models.

Hedge accounted electricity derivatives

	2010			2009		
€ million	Nominal amounts, TWh	Fair value	Other compre-hensive income	Nominal amounts, TWh	Fair value	Other compre-hensive income
Remaining maturity < 1 year	**0.0**	**1**	**1**	0.2	-4	-3
Remaining maturity 1–2 years	**0.2**	**1**	**1**	0.3	-5	-4
	0.2	**2**	**2**	0.6	-8	-6

Forecast purchases of electricity for the Finnish production sites are hedged with electricity forwards. The effective portion of unrealised gains and losses on hedges, net of tax is recognised in other comprehensive income. The effective portion of realised gains and losses on hedges is recognised in income as adjustment to purchases in the period when the hedged cash flow affects income. Ineffective portion of hedges is recognised in other operating income and expenses.

Hedge accounted cash flow hedges

	2010			2009		
	Nominal amounts, SEK million	Fair value, € million	Other compre-hensive income, € million	Nominal amounts, SEK million	Fair value, € million	Other compre-hensive income, € million
Maturity < 1 year	**284**	**2**	**1**	-	-	-
Maturity 1–5 years	**1 555**	**8**	**6**	1 449	-10	-9
Maturity 5–10 years	**1 595**	**8**	**6**	2 047	-13	-14
Maturity > 10 years	**-**	**-**	**-**	36	0	0
	3 434	**18**	**13**	3 532	-23	-23

Outokumpu has hedged currency spot price risk related to SEK denominated long-term electricity supply agreement for the Finnish production sites. The currency derivatives, which hedge the currency risk, mature in other periods (years 2011–2013) than the underlying cash flows of electricity purchases. The derivatives will be prolonged later to mature with the underlying cash flows. The effective portion of hedges is recognised in other comprehensive income net of tax and will be recognised in income at the same period as the underlying hedged cash flows affect income. The ineffective portion of the hedges (2010: loss of EUR 8 million, 2009: loss of EUR 8 million) is recognised in other operating income and expenses. Part of the currency hedges have been closed and hedging relationship terminated as the underlying forecasted cash flow was not expected to occur to the degree originally estimated. After changes in hedging relationship EUR 1 million loss was transferred from other comprehensive income to other operating expenses.

21. Inventories

€ million	**2010**	2009
Raw materials and consumables	**328**	270
Work in progress	**527**	342
Finished goods and merchandise	**606**	448
Net realisable value reserve	**-13**	-34
Advance payments	**0**	0
	1 448	1 027

The most important commodity price risk for Outokumpu is caused by fluctuation in nickel and other alloy prices. Majority of stainless steel sales contracts include an alloy surcharge clause, with the aim of reducing the risk arising from the time difference between raw material purchase and product delivery. However, the risk is remarkable, because the delivery cycle in production is longer than the alloy surcharge mechanism expects. Thus, only the price for the products to be sold in near future is known. That is why a significant part of the coming prices for the products to be sold is estimated according to management's best knowledge in net realisable value (NRV) calculations. Due to fluctuation in nickel and other alloy prices the realised prices can deviate significantly from what has been used in NRV calculations on the closing date.

22. Trade and other receivables

€ million	2010	2009
Non-current		
Interest-bearing		
Loans receivable	160	139
Financial assets at fair value through profit and loss	1	1
	161	140
Non interest-bearing		
Trade receivables	0	1
Defined benefit pension assets	51	53
Other receivables	4	1
	55	55
Current		
Interest-bearing		
Loans receivable	8	9
Accrued interest income	0	0
	8	9
Non interest-bearing		
Trade receivables	706	431
Income tax receivable	18	15
Prepaid insurance expenses	7	7
VAT receivable	29	20
Grants and subsidies receivable	1	1
Other accruals	20	30
Other receivables	3	9
	785	513
Allowance for impairment of trade receivables		
Allowance on 1 Jan	13	6
Additions	2	10
Deductions	-4	-3
Recovery of doubtful receivables	-2	-0
Allowance on 31 Dec	10	13
Age analysis of trade receivables		
Neither impaired, nor past due	632	370

Past due 1–30 days	**53**	45
Past due 31–60 days	**14**	8
More than 60 days	**7**	7
	706	431

The maximum exposure to credit risk at the reporting date is the carrying amount of the loan and trade receivables. Risks related to trade receivables are presented in more detail in note 19.

23. Cash and cash equivalents

€ million	2010	2009
Cash at bank and in hand	**139**	98
Short term bank deposits	**2**	1
Cash equivalent marketable securities	**9**	12
	150	112
Bank overdrafts [1)]	**-18**	-12
	132	99

[1)] Presented in current interest-bearing debt on the balance sheet.

Fair value of cash and cash equivalents does not significantly differ from the carrying value. The effective interest rate of cash and cash equivalents at the end of 2010 was 0.8% (31 Dec 2009: 0.9%) and the average maturity 2 days (2009: 2 days).

24. Equity

Share capital and premium fund

€ million	Number of shares, 1 000	Share capital	Premium fund	Total
On 1 Jan 2009	180 233	308	702	1 011
Shares subscribed with 2003A option rights	542	1	3	4
Shares subscribed with 2003B option rights	6	0	0	0
Shares subscribed with 2003C option rights	10	0	0	0
Distribution of treasury shares	178	-	-	-
On 31 Dec 2009	180 970	309	706	1 015
Shares subscribed with 2003B option rights	928	2	8	9
Shares subscribed with 2003C option rights	40	0	0	0
On 31 Dec 2010	**181 937**	**311**	**713**	**1 024**
Treasury shares	1 041			
Total number of shares on 31 Dec 2010	**182 978**			

According to the Articles of Association, the maximum number of Outokumpu Oyj shares is 706 million. Account equivalent value of a share is EUR 1.70, and the maximum share capital is EUR 1.2 billion. The company has not acquired treasury shares in 2010 nor in 2009.

Fair value reserves

€ million	**2010**	2009
Available-for-sale financial assets reserve	**83**	46
Cash flow hedge reserve	**15**	-30
Reserve of other comprehensive income in associated companies	**2**	5
	100	22

Fair value reserves include movements in the fair values of available-for-sale financial assets and derivative instruments used for cash flow hedging and the Outokumpu Group's proportionate share of other comprehensive income in associated companies. The figures are presented net of tax.

Other reserves

€ million	**2010**	2009
Reserve fund	**4**	12
Other reserves	**3**	3
	7	15

Reserve fund includes amounts transferred from the distributable equity under the Articles of Association or by a decision by General Meeting of Shareholders. Other reserves include other items based on the local regulations of the Group companies.

Distributable funds

On 31 December 2010 the distributable funds of the parent company totalled EUR 850 million.

Dividend per share

The dividends paid in 2011 will be decided at the Annual General Meeting on 24 March 2011. This dividend payable is not reflected in the financial statements.

	2011 1)	2010	2009
Dividend per share, €	**0.25**	0.35	0.50
Total dividends, € million	**45**	64	90

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

25. Employee benefit obligations

Outokumpu has established several defined benefit and defined contribution pension plans in various countries. The most significant defined benefit plans are in the UK and in Germany. A defined benefit plan for salaried employees in the US has been changed to a defined contribution plan. As a result, an additional expense of EUR 7 million has been recorded in 2010.

ITP-pension plans operated by Alecta in Sweden and plans operated by Stichting Bedrijfspensioenfonds voor de metaalindustrie in the Netherlands are multi-employer defined benefit pension plans. However, it has not been possible to get sufficient information for the calculation of obligations and assets by employer from the plan operators, and therefore these plans have been accounted for as defined contribution plans in the financial statements.

Other long-term employee benefits relate to retirement medical arrangements in the US for retirees and their families and on long-term employment benefits in Finland. In Finland the employees are entitled to receive an one time indemnity after 20 years of service.

Pension and other long-term employee benefits

Amounts recognised in the consolidated statement of income

€ million	**2010**	2009
Defined benefit pension plans	**-14**	-19
Defined contribution pension expenses	**-54**	-46
Other long-term employee benefits	**-2**	-3
	-71	-68

By function	Defined benefit pension plans		Other long-term employee benefits	
€ million	**2010**	2009	**2010**	2009
Cost of sales	**-5**	-5	**-2**	-3
Selling and marketing expenses	**-3**	-2	**-0**	-0
Administrative expenses	**-6**	-13	**-0**	-0
	-14	-19	**-2**	-3

Defined benefit cost	Defined benefit pension plans		Other long-term employee benefits	
€ million	**2010**	2009	**2010**	2009
Current service cost	**-5**	-5	**-2**	-1
Interest cost	**-21**	-19	**-2**	-2
Expected return on plan assets	**22**	19	**-**	-
Recognised net actuarial gains (+) and losses (-)	**-4**	-1	**1**	0
Employee contributions	**1**	1	**-**	-
Past service cost	**-0**	-0	**0**	0
Gains (+) and losses (-) on curtailments and settlements	**-7**	-14	**-**	0

	-14	-19	**-2**	-3

Actual return on plan assets	**29**	39	**-**	-

Amounts recognised in the consolidated statement of financial position	Defined benefit pension plans		Other long-term employee benefits	
€ million	**2010**	2009	**2010**	2009
Present value of funded obligations	**346**	354	**0**	-
Present value of unfunded obligations	**34**	24	**39**	38
Fair value of plan assets	**-354**	-334	**-**	-
Unrecognised actuarial gains (+) and losses (-)	**-47**	-67	**-4**	-4
Unrecognised past service cost	**-0**	-0	**1**	1
Net liability (+) / Net asset (-)	**-22**	-22	**36**	34

€ million	**2010**	2009
Defined benefit pension and other long-term employee benefits	**66**	65
Defined benefit pension assets	**-51**	-53
Net liability (+) / Net asset (-)	**15**	12

Change in defined benefit obligations

€ million	**2010**	2009
Defined benefits obligation on 1 Jan	**416**	341
Translation differences	**13**	13
Current service cost	**7**	6
Interest cost	**23**	21
Actuarial gains (-) and losses (+)	**-5**	61
Employee contributions	**0**	0
Curtailments and settlements	**-16**	-0
Benefits paid	**-19**	-26
Defined benefits obligation on 31 Dec	**419**	416

Change in plan assets

€ million	**2010**	2009
Fair value of plan assets on 1 Jan	**334**	288
Translation differences	**10**	15
Expected return on plan assets	**22**	19
Actuarial gains (+) and losses (-)	**8**	20
Contributions paid into the plans	**14**	14
Employee contributions	**1**	-
Curtailments and settlements	**-15**	-2

Benefits paid by the plans	**-19**	-21
Fair value of plan assets on 31 Dec	**354**	334

The expected contributions to be paid to the plans in 2011 are EUR 11 million.

Historical information

€ million	**2010**	2009	2008	2007	2006
Present value of the defined benefit obligations	**419**	416	341	426	485
Fair value of plan assets	**-354**	-334	-288	-398	-414
Deficit in the plan	**65**	83	53	28	71
Experience adjustments					
Actuarial gain (-) and loss (+) on obligation	**16**	1	1	-25	-1
Actuarial gain (+) and loss (-) on plan assets	**-6**	3	3	21	0

Allocation of plan assets

%	**2010**	2009
Equity securities	**16**	41
Debt securities	**9**	3
Real estate	**2**	4
Bonds	**0**	41
Other (insured plans)	**73**	11
	100	100

Most of the funds are managed by insurance companies, hence, the allocation profile of plan assets has not been received from all plans. Therefore the table above includes only part of the assets.

Actuarial assumptions

	Discount rate		Future salary increase		Inflation rate		Future benefit increase		Expected return on plan assets		Medical cost trend rate	
%	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
The US	**5.50**	5.50	**3.50**	3.50	**-**	-	**-**	-	**7.50**	7.50	**7.20**	7.20
Finland	**4.25**	5.00	**3.50**	3.50	**2.00**	2.00	**2.10**	2.10	**4.25**	5.00	**-**	-
The UK	**5.45**	5.65	**4.90**	4.95	**3.65**	3.70	**3.55**	2.95	**6.06**	6.42	**-**	-
Germany	**4.25**	5.37	**3.00**	2.00	**2.00**	2.00	**2.50**	1.00	**-**	-	**-**	-
Italy	**4.50**	4.80	**-**	-	**2.00**	2.00	**-**	4.05	**-**	-	**-**	-
Sweden	**4.00**	3.70	**3.50**	3.50	**2.00**	2.00	**2.00**	2.00	**-**	-	**-**	-
Austria	**4.25**	5.00	**2.50**	3.00	**-**	-	**-**	-	**-**	-	**-**	-
Netherlands	**-**	5.00	**-**	-	**-**	1.90	**-**	-	**-**	-	**-**	-

The expected return on plan assets is based on long-term yields estimated for the assets in question. The expected yields reflect long-term actual yields on the markets concerned.

Effect of one percentage point change in medical cost trend rate

(other factors remaining unchanged)

€ million	Increase	Decrease
On defined benefit obligation	5	-4
On service cost and interest cost	1	-0

26. Provisions

€ million	Restructuring provisions	Environmental provisions	Other provisions
Provisions on 1 Jan 2010	19	15	12
Translation differences	1	0	1
Increases in provisions	1	5	2
Utilised during the financial year	-5	-1	-3
Unused amounts reversed	-3	-2	-2
Provisions on 31 Dec 2010	**12**	**18**	**10**

€ million	**2010**	2009
Non-current provisions	**21**	19
Current provisions	**19**	26
	40	46

Provisions are based on best estimates on the reporting date. The restructuring provisions relate to the closures of Coil Products Sheffield and Sheffield Special Strip and restructuring of Stainless Tubular business. The restructuring provisions in the UK are partly non-current, and the outflow of economic benefits related to these provisions is expected to take place mainly within 2 to 4 years. The provisions related to Stainless Tubular business restructuring are mainly current. Majority of environmental provisions are for closing costs of landfill areas and removal of problem waste in facilities in Finland and in the UK, and the outflow of economic benefits related to these provisions is expected to take place mainly over a period of more than 10 years. Due to the nature of these provisions, there are uncertainties regarding both the amount and the timing of the outflow of economic benefits related to the provisions. Other provisions comprise mainly of provisions for litigations as well as for onerous contracts and claims. These are mainly current provisions.

27. Interest-bearing liabilities

€ million	2010	2009
Non-current		
Bonds	**399**	225
Loans from financial institutions	**818**	507
Pension loans	**163**	153
Finance lease liabilities	**98**	105
Other long-term liabilities	**10**	7
	1 488	997

Current		
Bonds	**75**	-
Loans from financial institutions	**207**	108
Pension loans	**40**	29
Finance lease liabilities	**8**	6
Commercial paper	**601**	504
Other current liabilities	**0**	5
	930	651

Part of the loans include a financial covenant.

Finance lease liabilities

Minimum lease payments

€ million	2010	2009
Not later than 1 year	**10**	10
Between 1 and 5 years	**37**	39
Later than 5 years	**73**	79
Future finance charges	**-15**	-16
Present value of minimum lease payments	**106**	111

Present value of minimum lease payments

€ million	2010	2009
Not later than 1 year	**8**	7
Between 1 and 5 years	**28**	30
Later than 5 years	**70**	75
Present value of minimum lease payments	**106**	111

Finance lease liabilities include lease payments on a building, which has been subleased with a finance lease agreement. Finance lease receivable relating to this agreement is EUR 7 million (2009: EUR 7 million).

Bonds

€ million	Interest rate, %	Notional amount	**2010**	2009
Fixed interest rate				
2004–2011	5.000	75	**75**	75
2010–2015	5.125	250	**249**	-
Floating interest rate				
2007–2012	1.441	150	**150**	150
			474	225

28. Trade and other payables

€ million	2010	2009
Non-current		
Other non interest-bearing liabilities	**3**	1
Current		
Interest-bearing		
Accrued interest expenses	**16**	7
Non interest-bearing		
Trade payables	**395**	304
Accrued employee-related expenses	**81**	65
Withholding tax and social security liabilities	**12**	15
VAT payable	**10**	3
Advances received	**4**	2
Other accruals	**31**	41
Other payables	**12**	13
	545	443

29. Commitments and contingent liabilities

	Group		Parent company	
€ million	**2010**	2009	**2010**	2009
Mortgages and pledges on 31 Dec				
Mortgages on land	**209**	185	**-**	-
Other pledges	**12**	1	**-**	-
Guarantees on 31 Dec				
On behalf of subsidiaries				
For financing	**-**	-	**107**	93
For commercial and other guarantees	**37**	22	**37**	19
On behalf of associated companies				
For financing	**1**	1	**1**	1
Other commitments	**45**	53	**45**	53

The Group has pledged real estate mortgages created in the Tornio production plant for a value of EUR 182 million as security for its pension loans.

Outokumpu Oyj is, in relation to its shareholding in Kymppivoima Tuotanto Oy and Etelä-Pohjanmaan Voima Oy, liable for the costs, commitments and liabilities relating to electricity provided by Rapid Power Oy. The net debt of Rapid Power Oy at the year end 2010 amounted to approximately EUR 109 million (2009: EUR 126 million), out of which Outokumpu is liable for one third. Outokumpu Oyj is, in relation to its shareholding in Etelä-Pohjanmaan Voima Oy, liable for the costs, commitments and liabilities relating to electricity provided by Tornion Voima Oy. The net debt of Tornion Voima Oy at the year end 2010 amounted to approximately EUR 43 million (2009: EUR 52 million), out of which Outokumpu is liable for under one fifth. These liabilities are reported under other commitments.

Present value of minimum lease payments on operating leases

€ million	**2010**	2009
Not later than 1 year	**11**	11
Between 1 and 5 years	**29**	26
Later than 5 years	**39**	25
	79	62

Operating leases include lease agreements on Group companies' premises. The current duration of these agreements vary between 4–13 years.

Group's off-balance sheet investment commitments totalled EUR 125 million on 31 December 2010 (31 Dec 2009: EUR 62 million).

The Group has entered into long-term (15 years) supply agreements of industrial gases for the production facilities in Tornio, Avesta and Sheffield. These agreements do not qualify as finance lease agreements.

30. Disputes and litigations

In the cartel investigations in the sanitary copper tube sector, the European Commission has given its decision in September 2004 and imposed Outokumpu an aggregate fine of EUR 36 million on participation to a cartel. Outokumpu lodged an appeal in the matter in 2004 to the Court of First Instance for Europe regarding the amount of the fine. In August 2009, Outokumpu paid the fine of EUR 36 million in advance. According to the Court's decision issued in May 2010 the fine remained unchanged.

In connection with the industrial copper tubes EU-cartel investigation, completed in May 2009, Outokumpu has since 2004 been in the process of addressing several civil complaints, 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 with a nominal settlement amount and subsequently the action was dismissed by the Federal Judge.

Based on the above-mentioned EU cartel investigations, Carrier Corporation also filed a lawsuit against Outokumpu Oyj and Outokumpu Copper Franklin, Inc. i.a. in April 2006. The complaint alleges a worldwide price fixing and market allocation cartel with respect to copper tubing for air conditioning and heat exchangers and related applications (ACR Tube) for at least the period from 1989 to 2001. The complaint requests damages due to alleged overcharges (without specifying a particular amount of damages). In July 2007, Carrier's complaint was dismissed. Carrier filed an appeal which is still pending in the Court of Appeals.

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

No provisions have been booked in connection with these Carrier related claims.

Outokumpu exited from the copper fabrication business by divesting a major part of the business in 2005 and the remainder in 2008. In connection with the transaction to sell the fabricated copper products business to Nordic Capital, Outokumpu has agreed to indemnify and hold harmless Nordic Capital with respect to the above referred lawsuits.

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. Public prosecutor concluded that the suspicions by the Customs authorities as to accounting offences and forgery were groundless. The case will nevertheless proceed 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 some EUR 0.1 and 13.7 million). Outokumpu states that neither the Group nor its personnel have committed the alleged crimes. The suspicion of money laundering is based on the company having done business with parties that apparently have conducted crimes when importing company's products into Russia. The court proceedings are scheduled to begin in March 2011.

In addition to the litigations described above, some Group companies are involved in disputes incidental to their business. Management believes that the outcome of such disputes will not have a material effect on the Group's financial position.

31. Related party transactions

Outokumpu has related party transactions with key management of the company and associated companies. These transactions are presented in the tables below. The principal associated companies are listed in Note 14. Investments in associated companies. Subsidiaries are presented in note 32. Subsidiaries on 31 December 2010.

Transactions and balances with associated companies

€ million	**2010**	2009
Sales	**0**	0
Purchases	**-3**	-8
Dividends received	**-**	0
Interest income	**0**	0
Long-term loans receivable	**-**	2
Current receivables	**7**	9
Current liabilities	**0**	1
Loans receivable on 1 Jan	**11**	7
Withdrawals	**-**	4
Other movement	**-4**	-1
Loans receivable on 31 Dec	**7**	11

The interest rates of loans granted to associated companies are based on market rates. The loans mature by the end of 2011.

Outokumpu's ownership in Outokumpu Industriunderhåll AB (previously ABB Industriunderhåll AB) increased from 49% to 51% on 1 March 2010 and since then the company has been consolidated as a subsidiary.

Employee benefits for key management

	2010				2009			
€ thousand	Salaries and other short-term benefits	Bonuses	Share-based payments and options	Total	Salaries and other short-term benefits	Bonuses	Share-based payments	Total
Board of Directors								
Chairman	**23**	**-**	**70**	**93**	77	-	-	77
Deputy chairman	**14**	**-**	**43**	**57**	48	-	-	48
Other members	**95**	**-**	**204**	**299**	253	-	-	253
Executive Committee								
CEO	**767**	**166**	**7**	**939**	740	183	286	1 209
Deputy CEO	**383**	**83**	**79**	**545**	377	102	143	622

Other members	**1 612**	**320**	**41**	**1 972**	1 595	303	373	2 271

There were no outstanding loans receivable from key management on 31 December 2010 (31 Dec 2009: EUR - million). More information on key management's employee benefits can be found in the Outokumpu annual report.

32. Subsidiaries on 31 December 2010

		Country	Group holding, %
General Stainless			
Eurotec N.V.		Belgium	100
Outokumpu AS		Norway	100
Outokumpu A/S		Denmark	100
Outokumpu Asia Pacific Ltd		China	100
Outokumpu Baltic Oü		Estonia	100
Outokumpu Benelux B.V.		The Netherlands	100
Outokumpu Brasil Comercio de Metais Ltda.		Brazil	100
Outokumpu B.V.		The Netherlands	100
Outokumpu Chrome Oy		Finland	100
Outokumpu Distribution Oy		Finland	100
Outokumpu Gebouwen B.V.		The Netherlands	100
Outokumpu Ges.m.b.H		Austria	100
Outokumpu GmbH		Germany	100
Outokumpu India Private Limited		India	100
Outokumpu Istanbul Dis Ticaret Limited Sirketi	*)	Turkey	100
Outokumpu Kft.		Hungary	100
Outokumpu K.K.		Japan	100
Outokumpu, Lda.	*)	Portugal	100
Outokumpu Ltd		Ireland	100
Outokumpu Middle East FZCO		UAE	100
Outokumpu Nordic AB		Sweden	100
Outokumpu N.V.		Belgium	100
Outokumpu Pty Ltd		Australia	100
Outokumpu (Pty) Ltd		South Africa	100
Outokumpu Rossija Oy	*)	Finland	100
Outokumpu S.A.S.		France	100
Outokumpu S.A.		Spain	100
Outokumpu (S.E.A.) Pte. Ltd.		Singapore	100
Outokumpu Shipping Oy		Finland	100
Outokumpu S.p.A.		Italy	100
Outokumpu Sp. z o.o.		Poland	100
Outokumpu S.R.L.		Romania	100
Outokumpu s.r.o.		Czech Republic	100
Outokumpu Stainless B.V.		The Netherlands	100
Outokumpu Stainless Coil, Inc.		The US	100
Outokumpu Stainless Holding GmbH		Germany	100

Outokumpu Stainless Ltd		The UK	100
Outokumpu Stainless Oy		Finland	100
Outokumpu UAB		Lithuania	100
Sogepar Ireland Limited		Ireland	100
Sogepar UK Limited		The UK	100
ZAO Outokumpu		Russia	100

Specialty Stainless

Avesta Klippcenter AB		Sweden	100
Outokumpu Armetal Stainless Pipe Co. Ltd.		Saudi Arabia	51
Outokumpu Industriunderhåll AB	1) 2)	Sweden	51
Outokumpu Prefab AB		Sweden	100
Outokumpu Press Plate AB		Sweden	100
Outokumpu PSC Benelux B.V.		The Netherlands	100
Outokumpu PSC Germany GmbH		Germany	100
Outokumpu Stainless AB		Sweden	100
Outokumpu Stainless Bar, Inc.		The US	100
Outokumpu Stainless Pipe, Inc.		The US	100
Outokumpu Stainless Plate, Inc.		The US	100
Outokumpu Stainless Steel (China) Co. Ltd.		China	100
Outokumpu Stainless Trading (Shanghai) Co Ltd		China	100
AS Outokumpu Stainless Tubular Products		Estonia	100
Outokumpu Stainless Tubular Products AB		Sweden	100
Outokumpu Stainless Tubular Products Ltd.		Canada	100
Outokumpu Stainless Tubular Products Oy Ab		Finland	100
Polarit Welding, Inc.		The US	100
Rullformningscentrum i Fagersta AB		Sweden	80
SH-Trade Oy		Finland	100
AB Örnsköldsviks Mekaniska Verkstad		Sweden	100

Other operations

2843617 Canada Inc.		Canada	100
AvestaPolarit Pension Trustees Ltd		The UK	100
GKAB i Västerås Aktiebolag		Sweden	100
Granefors Bruk AB	*)	Sweden	100
Gusums Industrifastighets AB	1)	Sweden	100
LDM B.V.	1)	The Netherlands	100
LDM Nonferro GmbH	1)	Germany	100
Orijärvi Oy	*)	Finland	100
Outokumpu Copper Brass SA		France	100

Outokumpu Copper Fabrication AB	*)	Sweden	100
Outokumpu Exploration Ventures Pty. Ltd.		Australia	100
Outokumpu Holding UK Limited		The UK	100
Outokumpu Metals Off-Take Oy	*)	Finland	100
Outokumpu Mines Inc.	*)	Canada	100
Outokumpu Mining Australia Pty. Ltd.		Australia	100
Outokumpu Mining Oy		Finland	100
Outokumpu Nickel Resources B.V.		The Netherlands	100
Outokumpu Stainless Holdings Ltd		The UK	100
Outokumpu Stainless, Inc.		The US	100
Outokumpu Stainless Steel Oy	*)	Finland	100
Outokumpu Treasury Belgium N.V./SA	*)	Belgium	100
Outokumpu Zinc Australia Pty. Ltd.		Australia	100
Outokumpu Zinc B.V.	*)	The Netherlands	100
Pancarelian Ltd.	*)	Bermuda	100
Princeton Gamma-Tech, Inc.		The US	100
Viscaria AB	*)	Sweden	100
Visent Invest AB		Sweden	100
Visenta Försäkrings AB		Sweden	100

Foreign branches

Outokumpu Asia Pacific Ltd., branch office in Republic of Korea

Outokumpu Asia Pacific Ltd., agencies in China and Taiwan

Outokumpu Baltic Oü, branch office in Latvia

Outokumpu (S.E.A.) Pte. Ltd., agency in Vietnam

This list does not include all dormant companies or all holding companies.

The Group holding corresponds to the Group's share of voting rights.

1) Name change

2) Ownership increased

*) Shares and stock held by the parent company

33. Events after the balance sheet date

Outokumpu management does not have knowledge of any significant events after the balance sheet date, which would have had an impact on the financial statements.

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 = 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