Annual Report 2011
Financial Performance

OUTO
KUMPU

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FINANCIAL PERFORMANCE

This section includes the review by the Board of Directors on Outokumpu's activities in 2011.

Consolidated financial statements, notes to the consolidated financial statements, key financial figures, parent company financial statements and the auditor's report can also be found in this section.

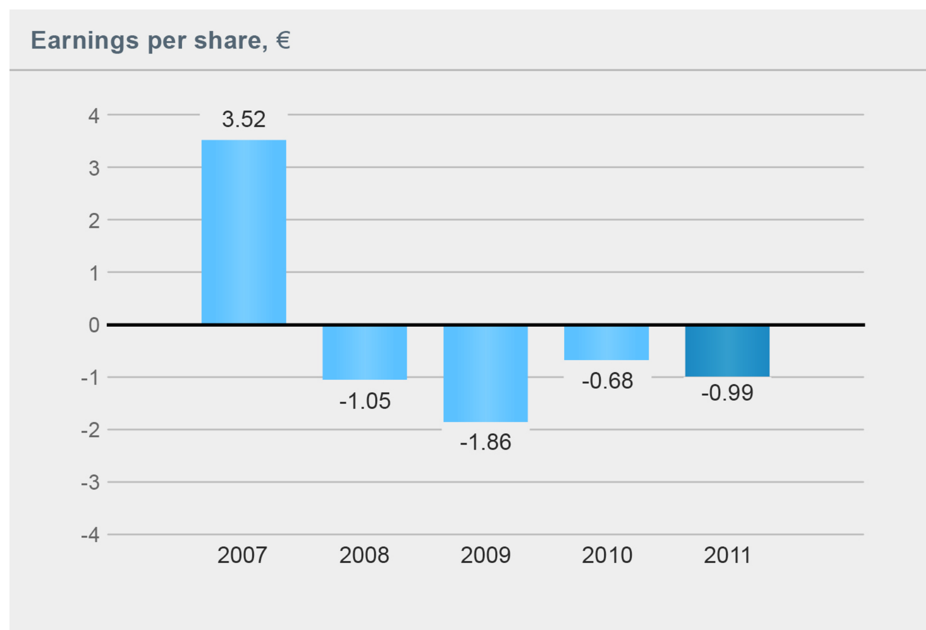
REVIEW BY THE BOARD OF DIRECTORS FOR 2011

A year of restructuring

Following a volatile 2010, demand for stainless steel began to improve somewhat from the beginning of 2011. Recovery was supported by increasing metal prices and restocking by distributors, but turned into destocking when metal prices began to decline in the spring. Demand weakened further after the summer period, and remained soft for the remainder of the year, primarily as a result of increasing global economic uncertainty.

Mr Mika Seitovirta was appointed as Outokumpu's new CEO in the spring of 2011. After he joined the Group, a short-term agenda to improve cash flow, strengthen Outokumpu's balance sheet and address the most critical factors burdening profitability was launched. Actions were taken to cut costs, divest non-core assets, restructure loss-making units and secure reserves of liquidity.

Group sales for the whole of 2011 was up by 18% and totalled EUR 5 009 million (2010: EUR 4 229 million) and stainless steel deliveries totalled 1 391 000 tonnes, an increase of 6% compared to deliveries in 2010. The Group's underlying operational result was EUR -66 million (2010: EUR -91 million) and operating loss totalled EUR 260 million (2010: EUR -83 million). The Group's cash flow improved clearly from 2010 and was strong. Net cash from operating activities totalled EUR 338 million (2010: EUR -497 million). Return on capital employed in 2011 was -6.5% (2010: -2.1%) and gearing was 82.5% (2010: 77.3%). Earnings per share totalled EUR -0.99 (2010: EUR -0.68). The Board of Directors will be proposing to the 2012 Annual General Meeting that no dividend be paid for 2011 (2010: EUR 0.25).



Stainless steel markets in 2011

In the beginning of the year, demand for stainless steel improved supported by restocking among distributors and increasing metal prices. In the spring, volatile metal prices resulted in destocking by distributors and weaker consumption of stainless. Following the summer period, increased global economic uncertainty resulted in further softening in demand. The average German base price for 2mm 304 cold rolled sheet in 2011 was 1 181 EUR/tonne, down by 6% from 2010. Higher metal prices in 2011 resulted in the transaction price for stainless steel averaging 2 871 EUR/tonne, 3% higher than the average in 2010. (CRU)

Sales and stainless steel deliveries

Sales

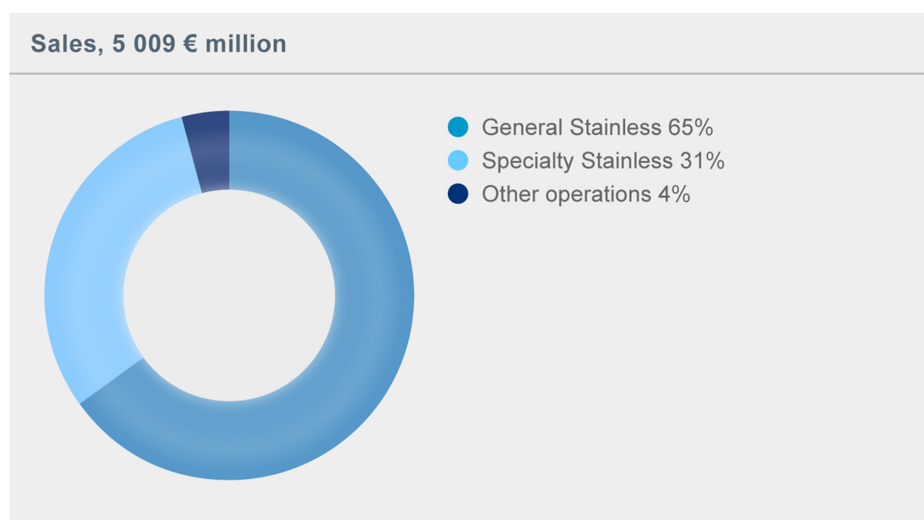
EUR million	**2011**	2010	2009
General Stainless	**4 053**	3 582	2 121
Specialty Stainless	**2 081**	1 679	1 218
Other operations	**471**	401	273
Intra-group sales	**-1 596**	-1 433	-971
The Group	**5 009**	4 229	2 641

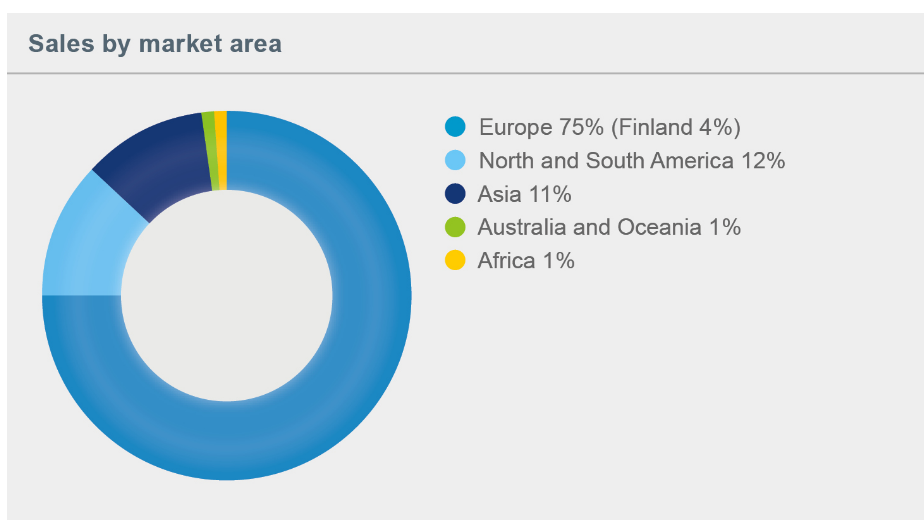
Stainless steel deliveries

1 000 tonnes	**2011**	2010	2009
Cold rolled	**740**	698	545
White hot strip	**309**	312	263
Quarto plate	**106**	83	67
Tubular products	**48**	51	53
Long products	**60**	58	40
Semi-finished products	**129**	114	63
Total deliveries	**1 391**	1 315	1 030

Group sales in 2011 increased by 18% to EUR 5 009 million (2010: EUR 4 229 million) as a result of higher transaction prices for stainless steel and higher delivery volumes. Outokumpu's stainless steel deliveries increased to 1 391 000 tonnes (2010: 1 315 000 tonnes). Capacity utilisation in the Group's operations in 2011 was 75–80%. Sales by General Stainless in 2011 were up by 13% and sales by Specialty Stainless were up by 24%.

The proportion of Outokumpu sales delivered to European destinations was 75% in 2011 (2010: 75%), deliveries to Asia and the Americas accounted for 11% (2010: 11%) and 12% (2010: 11%), respectively.

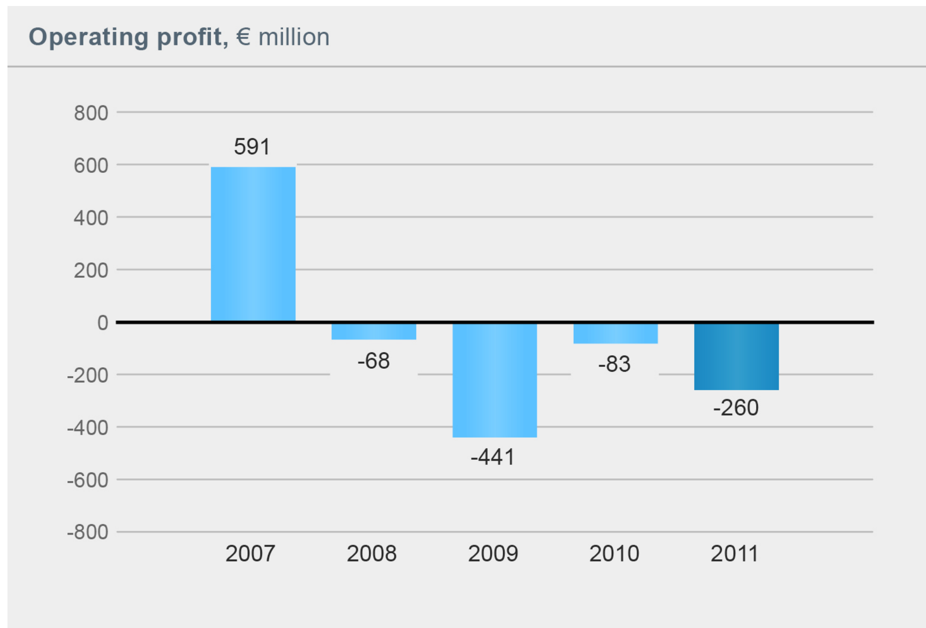


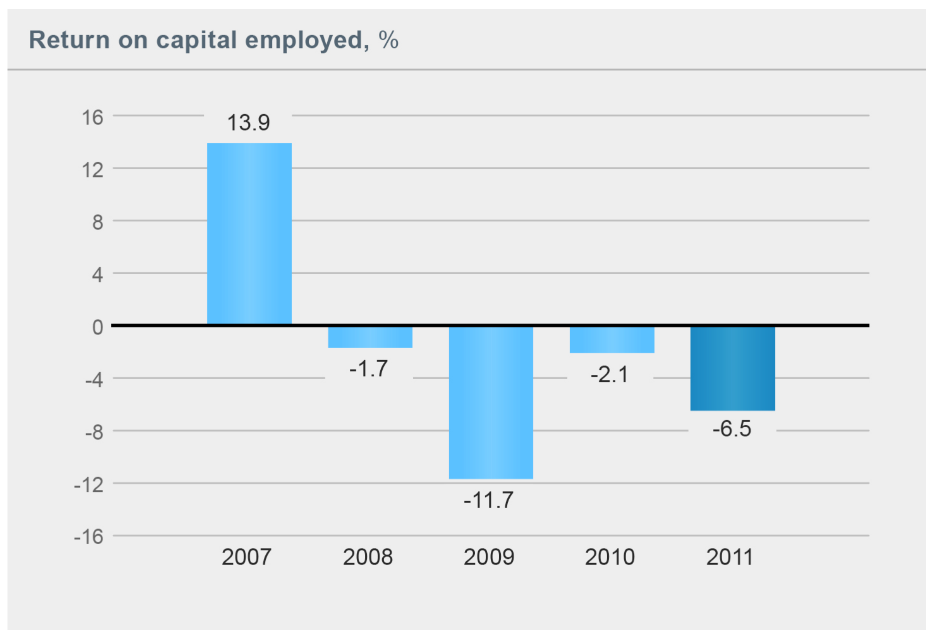


Operating result

Profitability

EUR million	**2011**	2010	2009
Operating profit			
General Stainless	**-128**	1	-271
Specialty Stainless	**-140**	-63	-137
Other operations	**3**	-15	-34
Intra-group items	**4**	-7	1
Operating profit	**-260**	-83	-441
Share of results in associated companies	**-5**	-10	-13
Financial income and expenses	**12**	-50	-25
Profit before taxes	**-253**	-143	-479
Income taxes	**67**	19	143
Net profit for the financial year	**-186**	-124	-336
Operating profit margin, %	**-5.2**	-2.0	-16.7
Return on capital employed, %	**-6.5**	-2.1	-11.7
Earnings per share, EUR	**-0.99**	-0.68	-1.86





Outokumpu's underlying operational result in 2011 totalled some EUR -66 million (2010: some EUR -91 million). The positive impact of higher delivery volumes and an improved mix was partly offset by higher costs. Outokumpu's operating loss in 2011 totalled EUR 260 million (2010: EUR -83 million) and included some EUR 43 million of raw material-related inventory losses (2010: gains of some EUR 26 million) and EUR -151 million of net non-recurring items (2010: EUR -17 million). The non-recurring items include EUR 125 million of impairments related to OSTP and the Kloster thin strip unit, EUR 48 million of provisions related to ongoing restructuring and EUR 23 million gain from divestment of royalty rights.

Net financial income and expenses in 2011 totalled EUR 12 million (2010: EUR -50 million) including net non-recurring items of EUR 216 million (2010: EUR 9 million). Financial expenses includes an impairment of EUR 13 million on a loan receivable from Luvata and a EUR 13 million capital loss from the divestment of Nordic Brass Gusum. Financial income includes EUR 242 million of capital gains from the divestment of the Group's shareholdings in Tibnor AB (EUR 36 million) and Talvivaara (EUR 206 million) and the initial fair valuation of financial assets.

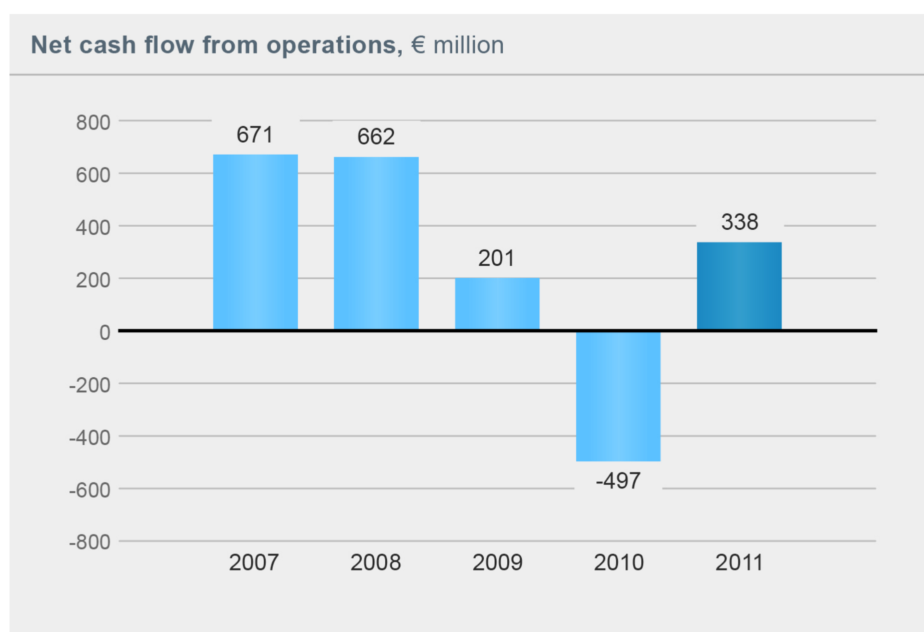
Outokumpu's remaining 16% stake in Talvivaara Sotkamo Ltd is classified as financial asset and valued at fair value through profit and loss. As a result of the decline in the Talvivaara share price following the transaction in June 2011, the initial fair value of this holding was reduced by EUR 135 million and this was booked as financial expenses.

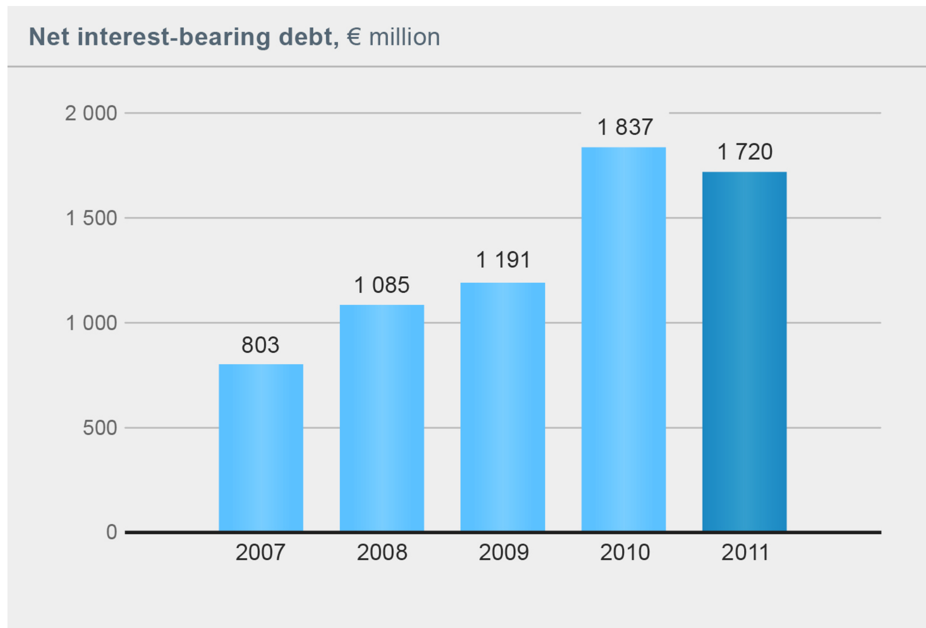
The Group's loss before tax totalled EUR 253 million (2010: EUR -143 million). Net loss for the year was EUR 186 million (2010: EUR -124 million) and earnings per share totalled EUR -0.99 (2010: EUR -0.68). Earnings per share excluding non-recurring items totalled -1.31 (2010: EUR -0.63). Return on capital employed during 2011 was -6.5% (2010: -2.1%).

Capital structure

Key financial indicators on financial position

EUR million	**2011**	2010	2009
Net interest-bearing debt			
Long-term debt	**1 197**	1 529	1 038
Current debt	**1 061**	980	703
Total interest-bearing debt	**2 258**	2 509	1 741
Interest-bearing assets	**-538**	-672	-550
Net interest-bearing debt	**1 720**	1 837	1 191
Shareholders' equity	**2 084**	2 376	2 451
Return on equity, %	**-8.3**	-5.1	-12.8
Debt-to-equity ratio, %	**82.5**	77.3	48.6
Equity-to-assets ratio, %	**39.8**	42.2	50.6
Net cash generated from operating activities	**338**	-497	201
Net interest expenses	**64**	38	22

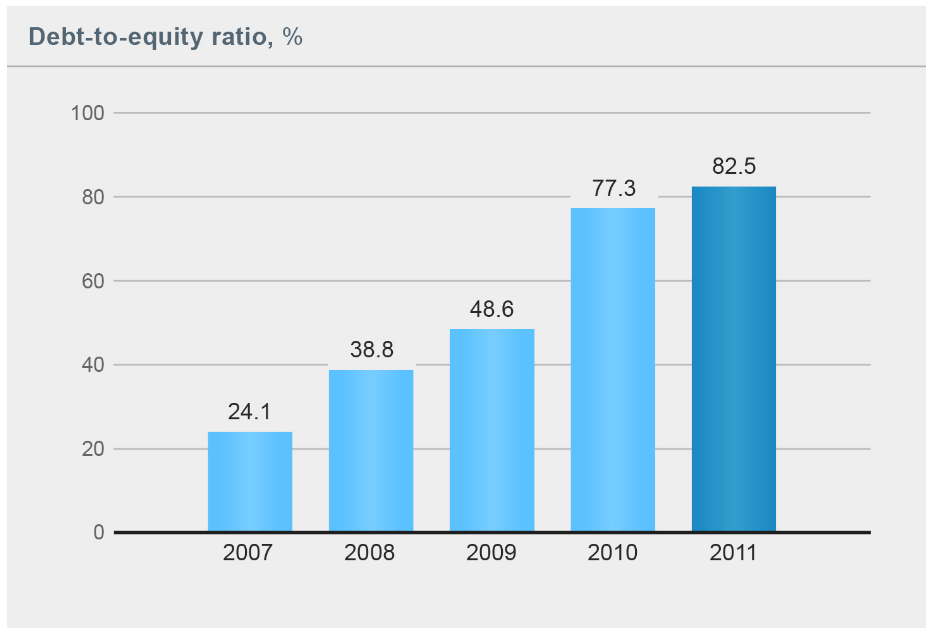




Net cash generated from the operating activities in 2011 improved significantly and totalled EUR 338 million (2010: EUR -497 million) with the main cause being significant reduction in working capital as a result of clearly lower inventories and lower metal prices. In 2011, EUR 310 million of cash was released from working capital (2010: EUR 476 million tied up in working capital). In the second quarter, cash flow from financing activities – the divestment of financial assets consisting of holdings in Tibnor and Talvivaara – had a positive impact of EUR 162 million. At the end of 2011, cash and cash equivalents totalled EUR 168 million (2010: EUR 150 million).

Net interest-bearing debt declined by EUR 118 million and totalled EUR 1 720 million at the end of 2011 (31 Dec 2010: EUR 1 837 million). Gearing increased to 82.5% (31 Dec 2010: 77.3%), above the Group's target maximum of 75%. The positive impact of reduced working capital and the capital gains resulting from divestments of financial assets was mainly offset by fair valuation of the Group's remaining stake in Talvivaara Sotkamo Ltd, impairments related to OSTP and Kloster thin strip unit and capital expenditure in 2011. At the end of 2011, Outokumpu's equity-to-assets ratio was 39.8% (31 Dec 2010: 42.2%).

In June, Outokumpu signed a three-year EUR 750 million revolving credit facility, with options to extend this by one year in June 2012 and June 2013. This committed credit facility replaces the comparable three-year facility signed in June 2009 and will be used for general corporate purposes. The loan agreement includes a financial covenant based on gearing at the level of 115%.



Capital expenditure and investment projects

Capital expenditure

EUR million	**2011**	2010	2009
General Stainless	**186**	75	136
Specialty Stainless	**61**	67	90
Other operations	**7**	19	26
The Group	**255**	161	248
Depreciation and amortisation	**235**	235	214

Capital expenditure by the Group in 2011 totalled EUR 255 million (2010: EUR 161 million) and included both annual maintenance and ongoing investment projects: the expansion of ferrochrome production in Tornio and Kemi in Finland and increased production capacity and capability of quarto plate at Degerfors in Sweden.

The EUR 440 million investment project to double ferrochrome production capacity at Tornio Works is on schedule and on budget and proceeding as planned. In 2011, detailed design planning and construction work made good progress and several equipment supply contracts were signed. Installation of equipment began in the autumn and first long-term customer sales agreements have been finalised. Capital expenditure on the ferrochrome expansion project in 2011 totalled EUR 129 million, with EUR 137 million since the beginning of the project. Capital expenditure for this project in 2012 is expected to total approximately EUR 200 million.

The EUR 104 million investment project to increase quarto plate production capability and capacity at Degerfors in Sweden is on budget and proceeding as planned. Completion is expected in 2014. Capital expenditure on this project in 2011 totalled EUR 36 million and capital expenditure in 2012 is expected to total approximately EUR 40 million.

In June, a new acid regeneration plant at Avesta in Sweden was inaugurated. This EUR 28 million investment project was launched in 2009. Very energy-efficient equipment to reduce acids is being employed in the facility's annealing and pickling line, significantly reducing the amounts of new acid used in the stainless steel production process.

Capital expenditure in 2012 is expected to total approximately EUR 300 million. In addition to annual maintenance-related capital expenditure, primary cash outflows will be connected with the Group's ongoing ferrochrome and quarto plate investment projects.

Implementation of Outokumpu's short-term agenda

In April 2011, Outokumpu launched a short-term agenda in which the focus was on improving cash flow, improving balance sheet flexibility and addressing the most critical factors burdening Group profitability.

Functional efficiency improvement

In April, Outokumpu initiated statutory personnel negotiations to improve profitability, gain more efficiency as well as remove overlapping activities in the Group's sales, supply chain and supporting functions in Europe. As a result, a total of approximately 300 jobs were reduced in these functions by the end of 2011. The outsourcing of some IT-services was further developed and an agreement with Tieto on the supply of IT infrastructure services was signed by the year-end. As a result of this agreement, approximately 20 Outokumpu employees transfer to Tieto by 1 March 2012. The outsourcing of additional IT infrastructure services is ongoing and the finalisation of related agreements is expected in the first quarter of 2012. Annual cost savings totalling EUR 29 million resulting from these actions are expected in 2012 and onwards and related non-recurring provisions of EUR 13 million were booked in the second quarter of 2011.

Disposal of non-core financial assets

In May, Outokumpu sold the Group's 15% holding in Tibnor AB to SSAB. The total consideration for this divestment was EUR 44 million in cash and a tax-free capital gain of some EUR 36 million was booked as financial income in the second quarter.

In June, Outokumpu sold the whole of the Group's stake in Talvivaara Mining Company Plc, 4.3% of total shares, to Solidium Oy for a total consideration of EUR 60 million in cash, recording a capital gain of EUR 28 million as financial income in the second quarter. Outokumpu also sold one-fifth of its 20% holding in the unlisted company Talvivaara Sotkamo Ltd to Talvivaara Mining Company Plc for a total consideration of EUR 60 million. Talvivaara Mining Company Plc was also granted an option to purchase the Group's remaining 16% holding in Talvivaara Sotkamo Ltd by the end of the first quarter of 2012. Should this option be exercised in full, the total consideration will amount to EUR 240 million. Outokumpu's 20% stake in Talvivaara Sotkamo Ltd was earlier classified in the Group's accounts under Associated companies. Following the change of ownership, Outokumpu no longer has significant influence in Talvivaara Sotkamo Ltd and the remaining 16% holding is classified in Outokumpu's financial statements as a financial asset valued at fair value through profit or loss.

In November, Outokumpu sold its 50% stake in Nordic Brass Gusum, a brass rod mill in Sweden, to the operative management. A capital loss of EUR 13 million was booked by the Group in the fourth quarter with only marginal impact from consideration and cash flow.

In December, Outokumpu sold the Group's rights to royalties from the Forrestania nickel and precious metals resources to Western Areas NL, the Australian company, for EUR 23 million. As these royalties were valued at zero on the Outokumpu balance sheet, a non-recurring gain (no tax impact) of EUR 23 million was booked in the Group's fourth quarter operating results. The transaction had a positive impact of EUR 11.5 million on Outokumpu's cash flow in the fourth quarter of 2011 and will have a similar impact in the fourth quarter of 2012.

Outokumpu also intends to divest both the Group's remaining brass operations in the Netherlands and its 50% holding in Fagersta Stainless AB, a company in Sweden produces wire and wire rod.

Turnaround of the Kloster thin strip unit in Sweden

In June, a turnaround plan was designed to return Outokumpu's loss-making thin and precision strip mill in Kloster to sustainable profitability. Measures being taken include the simplification and optimisation of both production and the unit's product mix, re-segmentation of the customer base, overall cost reduction and the provision of internal material feeds primarily from the Group's Tornio Works in Finland. In 2011, the operating loss at the Kloster thin strip unit totalled EUR 86 million, including impairments of EUR 60 million. Outokumpu will evaluate whether the turnaround plan is delivering adequate results by mid-2012.

Joint venture for OSTP, Outokumpu's tubular products business

In July, Outokumpu and Tubinoxia, an Italian company controlled by Andrea Gatti, signed a letter of intent regarding a joint venture arrangement for OSTP, Outokumpu's tubular business unit. The final agreement on the joint venture was signed by Outokumpu and Tubinoxia in September. Tubinoxia now owns 36% of the shares in OSTP and has an option to acquire additional shares up to 51% over a three-year time period. Outokumpu has an option to redeem any shares acquired by Tubinoxia at their original value if Tubinoxia does not eventually purchase a majority holding. It has also been agreed that Outokumpu will continue to be the primary supplier of raw materials to OSTP. Outokumpu will initially be responsible for financing the business.

OSTP is managed through a board of directors. While Outokumpu is the majority shareholder, the majority of the board's members, including the chairman, will be appointed by Outokumpu. Andrea Gatti is OSTP's managing director and Kalle Luoto is OSTP's Chief Financial Officer.

According to OSTP's corporate strategy and plans for improving the company's performance, the focus will be on process pipes and butt-weld fittings, on consolidating production structure and reducing costs by streamlining OSTP's organisation. Production of process pipes and heat exchanger tubes at OSTP's Nyby site in Sweden was closed during 2011 with the loss of approximately 100 jobs.

The planned measures are expected to result in a visible turnaround in OSTP's financial performance in 2012 and an operating profit in 2013. In 2011, OSTP's operating loss was EUR 79 million (2010: EUR -30 million) and included impairments and restructuring provisions of EUR -52 million. OSTP will continue to be consolidated into Outokumpu's financial accounts as a subsidiary, with Tubinoxia's non-controlling stake presented separately from net profit and disclosed as a separate item in equity.

Planned reduction in costs and working capital

In October, Outokumpu announced further steps in the Group's transition to sustainable profitability, improved cash generation and building a solid platform for future growth. The target is a reduction of EUR 100 million in Group costs by the end of 2012 and a reduction of EUR 250 million in working capital by mid-2013.

1. Cost reductions and ongoing job reductions

To achieve sustainable profitability, annual achieving savings of EUR 100 million by the end of 2012 are being targeted by the cost-reduction programme initiated by Outokumpu in October. Measures include reducing the number of production shifts, restructuring the organisation, and the outsourcing of some support functions as well as improvements in overall efficiency. The planned measures correspond to a reduction of up to 1 300 jobs in global terms, with most of the reductions taking place in Finland (up to 300) and in Sweden (up to 600).

Negotiations with personnel representatives began immediately in all the affected units and functions. The majority of these negotiations in Finland and Sweden were concluded in the fourth quarter and resulted in a reduction of approximately 200 jobs in Finland and approximately 450 in Sweden. Negotiations in other countries are on-going with finalisation expected during the first half of 2012. Outokumpu is planning additional measures to improve cost efficiency in certain support functions. Total costs related to these personnel reductions are estimated to exceed EUR 50 million and EUR 30 million was booked in this connection in the Group's fourth quarter accounts. The outcome of ongoing negotiations might result in some additional negative financial impact on Outokumpu's operating result in coming quarters.

2. Reductions in working capital

Outokumpu's aim is to reduce working capital by EUR 250 million primarily through improved Group-level inventory turnover – lowering inventory days from earlier levels of 110 days to a figure closer to 90 days by mid-2013. Good progress was achieved during the second half and the figure for inventory days was close to 100 days at the end of the year. While working capital reductions of more than EUR 480 million achieved in 2011 were partly a result of lower metal prices and lower inventories, improved management of accounts receivable and accounts payable also made a significant contribution.

Streamlining of the Outokumpu's distribution network and stock locations in Europe is expected to contribute to the Group's inventory reduction target and facilitate identification of the most cost-efficient routes to market. Outokumpu's plans include reduction of its stocking operations in Europe, serving markets from these key locations, and utilising existing processing capacity efficiently. Outokumpu currently maintains stocks in more than 20 European countries and has coil-processing capability at six locations. The Group also has six plate service centres in Europe.

In parallel with the Group's own distribution network, Outokumpu has strong relationships with independent distributors whose role is of growing importance in delivering Group products to end-use customers. Streamlining captive stocking operations could generate opportunities for deepening cooperation with independent distributors in some markets.

Maintenance functions at Tornio Works

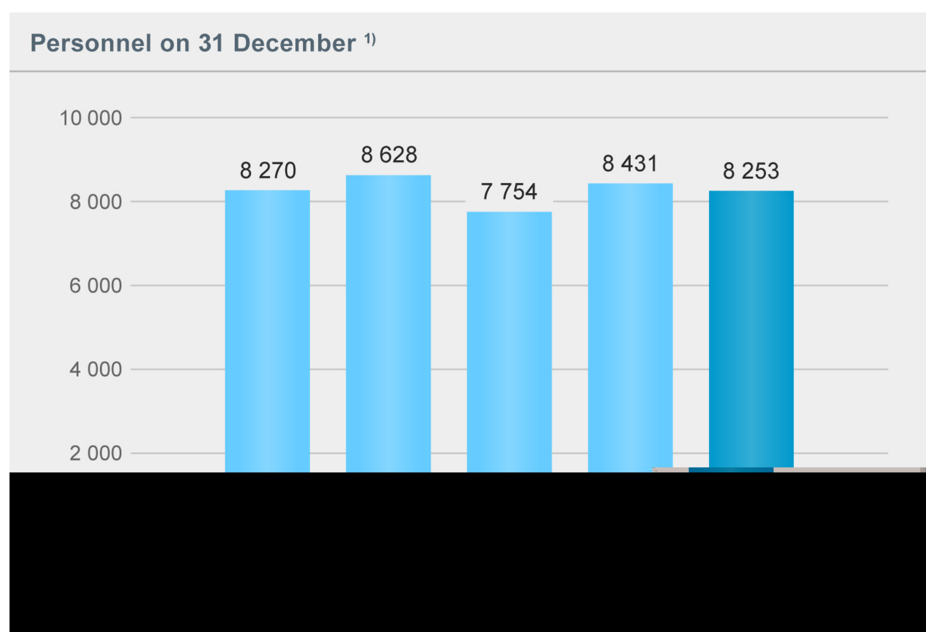
In June, a study focusing on the possible outsourcing of sections of the maintenance functions at Tornio Works was concluded. The results indicated that only marginal levels of outsourcing would be possible and development of maintenance functions as an internal Group resource will therefore continue. The target – improvements in cost efficiency exceeding 10% – corresponds to total savings of approximately EUR 30 million in 2012–2014.

People and the environment

Personnel *)

31 Dec	**2011**	2010	2009
General Stainless	**4 393**	4 454	3 978
Specialty Stainless	**3 217**	3 263	3 135
Other operations	**643**	714	641
The Group	**8 253**	8 431	7 754

*) 2011 and 2010 personnel reported as headcount. 2009 personnel reported as full-time equivalent.



Outokumpu's cost reduction and efficiency improvement programmes affected Group personnel through both announced and implemented job reductions in 2011. The efficiency improvement programme announced in April resulted in the loss of approximately 300 jobs in non-production and among white collar functions in Europe. The target of the ongoing cost reduction programme announced in October is aiming at reducing some 1 300 jobs by the end of 2012. By the end of 2011, statutory negotiations already concluded resulted in the loss of approximately 200 jobs in Finland and approximately 450 in Sweden. Negotiations in other countries are on-going with finalisation expected during the first quarter of 2012.

At the end of 2011, Outokumpu's headcount totalled 8 253 (31 Dec 2010: 8 431) and averaged 8 651 during 2011 (2010: 8 475). Full-time employees of the Group totalled 7 886 (31 Dec 2010: 8 104) at the end of 2011 and averaged 8 299 (2010: 8 148) during the year. The net decrease in the number of full-time employees in 2011 totalled 218 (2010: increase of 350). Personnel-related costs in 2011 totalled EUR 538 million (2010: EUR 496 million, 2009: EUR 453 million). In reporting the number of company personnel, Outokumpu changed from full-time equivalent to headcount reporting in 2011. Both figures are provided in 2011 reports.

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. A majority of the Group's employees participated in PDD's during 2011. Outokumpu's target is for every employee to have at least one formal PDD each year. In 2011, the participation rate in PDD discussions was 87%.

The 2011 Outokumpu Personnel Forum (OPF) was held in Tornio in Finland. The focus of this event was on the implementation of Outokumpu's short-term agenda aimed at improving cash flow, profitability and strengthening the Group's balance sheet. The working committee appointed by the OPF held four meetings in 2011.

The lost-time injury rate (lost-time accidents per million working hours) in 2011 was 5.6 (2010: 4.7), and the Group's 2011 target of less than 3.5 was not achieved. In the fourth quarter, the lost-time injury rate was 5.9 (III/2011: 6.1). The lost-time injury rate target for 2012 is 4.0.

Emissions to air and discharges to water courses 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 the Group aware of any realised environmental risks that could have a material adverse effect on the Outokumpu's financial position.

Emissions trading activities have been conducted by Outokumpu in accordance with obligations, agreed procedures and with the Group's financial risk policy. Emissions under the EU Emission Trading Scheme (EU ETS) during 2011 totalled approximately 802 000 tonnes (2010: 795 000 tonnes). No external trading of EUA's (EU emission allowances) was carried out during the year (2010: 500 000 allowances sold for EUR 8 million). Outokumpu's carbon dioxide allowances in Finland, Sweden and the UK are sufficient for the Group's planned production in 2012. Outokumpu has applied for emissions allowances for the period 2013–2020.

Outokumpu qualified in 2011 for the OMX GES Sustainability Finland index, which consists of 40 leading companies listed on the NASDAQ OMX Helsinki stock exchange. The index criteria are based on international guidelines for environmental, social and governance (ESG) issues.

In May, the International Stainless Steel Forum (ISSF) granted its first ISSF Sustainability Award to Outokumpu in recognition of Outokumpu's determined actions and substantial achievements in increasing material efficiency in Sheffield and reducing the quantities of waste sent to landfill.

In September, the results of the annual review carried by the Sustainable Asset Management Group (SAM) for the Dow Jones World and Dow Jones STOXX Sustainability indexes were published. Outokumpu retained its membership in both. Outokumpu also received the metal sector's highest scores in the environmental dimension by achieving the highest possible scores in connection with two sustainability criteria: Climate Strategy and Environmental Policy and Management.

In October, Outokumpu was commended by the Carbon Disclosure Project (CDP) and the Group features in the CDP's "Carbon Disclosure Leadership Index" for the third time. The CDP index highlights companies listed in the Nordic stock exchanges, which have displayed the most professional approach to corporate governance in respect of climate change disclosure practices.

In 2011, Oekom Research AG described Outokumpu as a pioneer in achieving improved level of energy efficiency in the metals sector.

Research and Development

Outokumpu invested EUR 21 million in research and development in 2011 (2010: EUR 22 million). The Group's R&D operations employ approximately 200 professionals and Outokumpu's two research centres are located at Tornio in Finland and Avesta in Sweden. R&D is also carried out locally at the Group's other production sites.

Outokumpu's R&D operations involve process, product and application development. Process development work supports the Group's Business Areas in improving energy and cost efficiency and the environmental profile of the production technologies employed and in securing high-quality and consistent stainless steel products. In product development, Outokumpu has identified global challenges such as securing adequate energy supplies and the need for clean water and clean air as major drivers of product innovation.

In many applications, life-cycle analyses and life-cycle cost considerations support the use of stainless solutions. Outokumpu's focus is on developing low-nickel and no-nickel stainless grades, such as duplex and ferritic stainless steels, and on differentiation through the development of value-added special products such as high-corrosion-resistance, heat-resistant and high-strength stainless steels. Outokumpu 654 SMO®, a high-performance stainless steel grade, was launched in 2011. As well as offering superior corrosion resistance and superior mechanical properties, this new grade is a cost-effective alternative for applications in which nickel alloys and titanium are presently employed.

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’s 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 the Group's objectives. Risks can therefore be threats, uncertainties or lost opportunities connected with current or future operations. During 2011 the Group’s risk tolerance and key risks were reviewed and updated by the Group Executive Committee and risk workshops were arranged for some functions and sites, for example at the Group’s Tornio Works in Finland. In the workshops held at Tornio Works, the goal was to identify, evaluate and mitigate the operational risks, including hazard risks.

No major damage to property or business interruptions occurred in 2011. The most significant risks realised in 2011 were associated with overcapacity in stainless steel markets, global economic uncertainty, the deepening financial crisis in Europe and the negative impact on Outokumpu's profitability and gearing resulting from the decline in nickel and molybdenum prices.

Strategic and business risks

Strategic risks for Outokumpu are mainly associated with the Group's business portfolio and strategic decision making. Business risks relate to the economic outlook markets for stainless steel and to the behaviour of customers, suppliers and competitors. Important risks which Outokumpu currently faces include structural overcapacity and weak markets for stainless steel; Outokumpu's ability to implement its chosen strategy; risk of a steeper economic downturn in Europe; business risks connected with special products; the future of growth markets and ferrochrome production; adverse trade political actions or changes affecting environmental legislation and the increased cost of inputs.

To ensure Outokumpu’s cost-competitiveness and a return to profitability, the Group has taken action to cut costs and reduce working capital. A lack of success in strategy implementation could prevent the Outokumpu from achieving its vision and objectives. Key actions in connection with achieving the Group’s strategic objectives include: increasing capacity utilisation at Tornio Works; capacity and cost adjustments as well as product differentiation in Specialty Stainless; and the ongoing investment to expand ferrochrome production. To secure future growth, Outokumpu recently specified APAC (Asia Pacific) as a Focus Area.

Operational risks

Operational risks include inadequate or failed internal processes, employee actions, systems, or events such as natural catastrophes and misconduct or crime. Risks of these types are often connected with production operations, logistics, financial processes, major investment projects, other projects or information technology and, should they materialise, can lead to personal injury, liabilities, loss of property, interrupted operations or environmental impacts. Outokumpu's operational risks are partly covered by insurances. The Group aims to identify and mitigate possible risks and any resulting impact on stakeholders. Key operational risks for Outokumpu are: a major fire or accident, IT dependency, lack of harmonised business processes and information systems; project implementation risks and personnel-related risks.

To minimise possible damages to property and business interruptions which could result from fire at some of its major production sites, Outokumpu has instituted systematic fire and security audit programmes. Fire risks are to some extent covered by insurances. Some 30 fire safety audits have now been carried out using the Group’s own resources and expertise in co-operation with external advisors. People-related risks are associated with weak performance and leadership cultures, the poor utilisation of talent and Outokumpu’s possible lack of attractiveness as an employer. To mitigate such risks, the focus in personnel development within the Group is on the resources and competences required to meet the changing needs of the business and the environment where Outokumpu operates.

Financial risks

Key financial risks for Outokumpu include changes in price of nickel, molybdenum, electricity and fuels; currency risks associated with the euro, the Swedish krona and the US dollar; interest rate risks connected with the Swedish krona and the euro; risks related to certain equity prices; risks associated with a loan receivable from Luvata; other credit risks; limitations on financial flexibility and the risk of financial distress.

In 2011, declining prices for nickel and molybdenum had a negative impact on the Group's overall financial performance but the resulting losses were partly offset by hedging activity. The Group's sourcing of fuels is only partly based on fixed-price contracts and Outokumpu used hedging to partly mitigate these risks. Part of the forecast cash flows connected with the Group's business operations in Sweden were also hedged in 2011.

Credit risk insurances were renewed in 2011 through long-term agreements negotiated at lower premiums than in the preceding agreements. A changed policy structure resulted in an improvement in the Group's utilisation of credit limit capacity. Both liquidity and refinancing risks are taken into account in capital management decisions and, when necessary, in making investment and other business decisions. In 2011, Outokumpu signed a three-year EUR 750 million multi-currency committed revolving credit facility which will be used for general corporate purposes. This revolving credit facility includes a financial covenant based on gearing at the level of 115%.

Civil actions regarding the divested fabricated copper products business

In connection with the EU investigation into an industrial copper tubes cartel that was completed in May 2009, Outokumpu has since 2004 addressed several civil complaints raised against the company and its former fabricated copper products business.

The last pending civil complaint in the United States, filed by Carrier Corporation in 2006 against Outokumpu Oyj and Outokumpu Copper Franklin, Inc. in the federal district court in Memphis, Tennessee, seeks an unstated amount of damages. 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. In July 2007, the complaint raised by Carrier Corporation was dismissed. Carrier subsequently filed an appeal, and this is still pending in the Court of Appeals.

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. In October 2011, the High Court of Justice has rendered its decision and rejected the applications to contest jurisdiction. All the defendants have filed applications for permission to appeal against this judgment in the Court of Appeal. The decision is expected in early 2012.

No provisions have been booked by Outokumpu in connection with these claims.

Customs investigation of exports to Russia by Tornio Works

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 was nevertheless taken to court in March 2011 as charges were pressed against Outokumpu and five of its employees for alleged money laundering in connection with export practices to Russia by Tornio Works during 2004–2006. On behalf of the Finnish State, the prosecutor also presented a claim for forfeiture of the funds subject to money laundering. In a judgement delivered in June 2011, the Court dismissed all claims and the Finnish State was ordered to pay a total of EUR 1.2 million in compensation. In August, Finland's State Prosecutor lodged an appeal against the District Court verdict and legal proceedings are expected to commence in the Kouvola Court of Appeal in February 2012.

Organisational changes and appointments

In February, Outokumpu's Board of Directors appointed Mr Mika Seitovirta as the Group's new Chief Executive Officer. He joined Outokumpu in March and assumed the position of CEO on 1 April 2011. Mr Juha Rantanen, Outokumpu's former CEO, left his position as CEO on 31 March 2011.

In June, it was agreed that Mr Bo Annvik, EVP – Specialty Stainless, would leave his position and resign from the Group Executive Committee by the end of June 2011. Mr Annvik's employment by Outokumpu ended on 31 December 2011. In July, Mr Jarmo Tonteri was appointed to the position of EVP – Specialty Stainless and became a member of the Group Executive Committee on 1 August 2011.

In October, Outokumpu announced its new business model and organisation based on three Business Areas, each fully accountable for sales, profit and assets, and with full effect from 1 January 2012. Outokumpu specified APAC (Asia Pacific) as a Focus Area for future growth. The aims of the new organisation are simplicity, clarity, accountability, and cost efficiency. The three Business Areas are:

- **General Stainless**: stainless steel operations in Tornio and the finishing plant in Terneuzen in the Netherlands.
- **Specialty Stainless**: Special Coil, Special Plate, Kloster and Long Products in Sweden and the UK including the Sheffield melt shop in the UK, and
- **Ferrochrome**: the Kemi chromite mine and ferrochrome production in Tornio in Finland.

In October, it was agreed that Karri Kaitue, Outokumpu's Deputy CEO, would resign his position on the Group Executive Committee with effect from 1 November 2011. Mr Kaitue's employment by Outokumpu will end on 30 June 2012. Hannu Hautala was appointed EVP – General Stainless and member of the Group Executive Committee with effect from 1 November 2011. Mr Hautala has been in charge of Tornio Works since April 2010. Jamie Allan, EVP – Supply Chain Management, resigned his position on the Group Executive Committee on 31 December 2011. Mr Allan will act as Senior Advisor and report to Outokumpu's CEO until the end of 2012.

In October, Mr Austin Lu was appointed to the position of Senior Vice President, APAC Focus Area. Mr Lu joined Outokumpu on 1 January 2012.

From 1 January 2012, members of Outokumpu's Executive Committee are as follows:

- Mika Seitovirta, CEO and Chairman of the Executive Committee, APAC
- Hannu Hautala, Executive Vice President – General Stainless
- Jarmo Tonteri, Executive Vice President – Specialty Stainless
- Kari Parvento, Executive Vice President – Ferrochrome, Group R&D
- Esa Lager, Executive Vice President and CFO
- Pii Kotilainen, Executive Vice President – Human Resources

Shares and shareholders

Information regarding shares and shareholders is updated daily on Outokumpu's Internet pages: www.outokumpu.com/Investors.

Largest shareholders

%	31 Dec 2011
Finnish corporations	35.9
Foreign investors	17.2
Finnish public sector institutions	18.2
Finnish private households	18.4
Finnish financial insurance institutions	7.8
Finnish non-profit organisations	2.5
Shareholders with over 5% shareholding	
Solidium Oy (owned by the Finnish State)	30.84
Finnish Social Insurance Institution	8.01

Share information

		Jan–Dec 2011	Jan–Dec 2010
Fully paid share capital at the end of the period	EUR million	311.1	311.1
Number of shares at the end of the period		183 018 749	182 978 249
Average number of shares outstanding [1]		181 970 316	181 751 107
Diluted average number of shares [1], [2]		181 970 316	181 762 074
Number of shares outstanding at the end of the period [1]		181 977 861	181 937 361
Number of treasury shares held at the end of the period		1 040 888	1 040 888
Share price at the end of the period	EUR	5.08	13.88
Average share price	EUR	8.61	13.84
Highest price during the period	EUR	14.57	17.88
Lowest price during the period	EUR	4.60	12.03
Market capitalisation at the end of period	EUR million	930	2 540
Share turnover	million shares	337.9	331.4
Value of shares traded	EUR million	2 910.9	4 585.5

Source of share information: NASDAQ OMX Helsinki (only includes OMX Helsinki trading)

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

[2] Outokumpu's stock option programme ended on 1 March 2011.

2011 Annual General Meeting

The 2011 Annual General Meeting (AGM) approved a dividend of EUR 0.25 per share for 2010. Dividends totalling EUR 45 million were paid on 5 April 2011.

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 9.84% of the total number of registered shares. Based on earlier authorisations, Outokumpu currently holds 1 040 888 of its own shares. The AGM 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. These authorisations are valid for 12 months or until the next AGM, however no longer than 31 May 2012. To date the authorisations have not been used.

The AGM decided that the number of Board members, including the Chairman and Vice Chairman, should be seven. Evert Henkes, Ole Johansson, Anna Nilsson-Ehle, Jussi Pesonen and Olli Vaartimo were re-elected as members of the Board of Directors, and Elisabeth Nilsson and Siv Schalin were elected as new members. The AGM re-elected Ole Johansson as Chairman and elected Olli Vaartimo as Vice Chairman of the Board. The AGM also resolved to form a Nomination Board 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 and Jussi Pesonen were elected as members of the Board Audit Committee. Ole Johansson (Chairman), Evert Henkes, Elisabeth Nilsson and Siv Schalin were elected as members of the Board Remuneration 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

The Annual General Meeting (AGM) held on 24 March 2011 decided to establish a Nomination Board to prepare proposals on the composition of Outokumpu's Board of Directors and directors' remuneration for the following AGM.

The AGM also decided that the Nomination Board consists of representatives of Outokumpu's three largest shareholders, as registered in the Finnish book-entry securities system on 1 October 2011, which accept the assignment.

Outokumpu's Nomination Board consists of representatives if the following three shareholders: Solidium Oy, The Social Insurance Institution of Finland and Ilmarinen Mutual Pension Insurance Company. Representatives nominated by these shareholders are 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, the Chairman of the Outokumpu Board of Directors, serves as an expert member and 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 31 January 2012.

Events after the review period

On January 31 2012, Outokumpu announced the plan to combine of Outokumpu and Inoxum. Please see separate release published by Outokumpu: "Outokumpu and ThyssenKrupp to combine their stainless steel businesses to create a new global leader in stainless steel".

Short-term outlook

Following a softening in demand for stainless steel in the fourth quarter of 2011, demand for standard grades began to show signs of improvement in the new-year with distributor purchasing supported by a slight increase in the nickel price. However, no significant change has been seen in underlying demand. Lead times are currently normal at 6–8 weeks. As a result of the destocking that occurred during the fourth quarter of 2011, distributor inventories in Europe are estimated to be below normal levels.

Outokumpu's order intake has been encouraging in the beginning of the year. Based on current levels of order intake, Outokumpu's delivery volumes in the first quarter of 2012 are expected to be clearly above levels seen in the fourth quarter of 2011.

Following the decline in base prices in the fourth quarter, Outokumpu has been able to increase prices slightly in both standard and special grades. The resulting impact on the Group's average base prices will be visible towards the end of the first quarter.

Higher delivery volumes and slightly higher base prices are expected to lead to Outokumpu's underlying operational result[*)] being around break-even or slightly positive in the first quarter of 2012. At current metal prices, marginal raw-material related inventory gains are expected. Outokumpu's operating result in the first quarter of 2012 might be impacted by non-recurring items associated with the Group's ongoing efficiency improvement programmes.

[*)] Underlying operational result=operating profit/loss excluding raw material-related inventory gains/losses and non-recurring items.

Board of Directors' proposal for profit distribution

In accordance with the Board of Directors' established dividend policy, the pay-out 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 scheduled for 14 March 2012 that no dividend be paid from the parent company's distributable funds per 31 December 2011 and that all distributable funds be allocated to retained earnings.

According to the Group's financial statements on 31 December 2011, distributable funds of the parent company totalled EUR 747 million. No material changes have taken place in the company's financial position after the end of the reporting period.

In Espoo, 31 January 2012

Ole Johansson
Olli Vaartimo
Evert Henkes
Anna Nilsson-Ehle
Elisabeth Nilsson
Jussi Pesonen
Siv M. Schalin

OUTOKUMPU OYJ

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 2011. 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 as well as the President and CEO

The Board of Directors and the President and CEO 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 President and CEO 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 or the President and CEO 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 President and CEO be discharged from liability for the financial period audited by us.

Espoo 31 January 2012

KPMG OY AB

Mauri Palvi

Authorized Public Accountant

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

Consolidated statement of income

€ million	Note	2011	2010
Sales	3	**5 009**	4 229
Cost of sales	6	**-4 882**	-4 051
Gross margin		**127**	178
Other operating income	5, 6	**47**	45
Selling and marketing expenses	6	**-147**	-135
Administrative expenses	6	**-153**	-122
Research and development expenses	6	**-21**	-22
Other operating expenses	5, 6	**-113**	-28
Operating profit		**-260**	-83
Share of results in associated companies	13	**-5**	-10
Financial income and expenses	8		
Interest income		**13**	16
Interest expenses		**-77**	-53
Market price gains and losses		**-120**	4
Other financial income		**248**	13
Other financial expenses		**-52**	-29
Total financial income and expenses		**12**	-50
Profit before taxes		**-253**	-143
Income taxes	9	**67**	19
Net profit for the financial year		**-186**	-124
Attributable to			
Equity holders of the Company		**-181**	-123
Non-controlling interests		**-5**	-0

Earnings per share for result attributable to the equity holders of the Company			
Earnings per share, €	10	**-0.99**	-0.68
Diluted earnings per share, €	10	**-0.99**	-0.68

Consolidated statement of comprehensive income

€ million	Note	**2011**	2010
Net profit for the financial year		**-186**	-124
Other comprehensive income			
Exchange differences on translating foreign operations		**12**	26
Available-for-sale financial assets	16		
Fair value changes during the financial year		**-23**	49
Reclassification adjustments from other comprehensive income to profit or loss		**-65**	-10
Income tax relating to available-for-sale financial assets	9	**11**	-8
Cash flow hedges	20		
Fair value changes during the financial year		**-4**	59
Reclassification adjustments from other comprehensive income to profit or loss		**1**	2
Income tax relating to cash flow hedges	9	**1**	-16
Share of other comprehensive income of associated companies	13	**-2**	-3
Other comprehensive income for the financial year, net of tax		**-68**	99
Total comprehensive income for the financial year		**-255**	-24
Attributable to			
Equity holders of the Company		**-249**	-24
Non-controlling interests		**-5**	1

Consolidated statement of financial position

€ million	Note	2011	2010
ASSETS			
Non-current assets			
Intangible assets	11	**554**	589
Property, plant and equipment	12	**2 005**	2 054
Investments in associated companies [1]	13	**39**	148
Available-for-sale financial assets [1]	16	**16**	147
Investments at fair value through profit or loss [1]	17	**1**	1
Derivative financial instruments [1]	20	**12**	17
Deferred tax assets	9	**63**	30
Trade and other receivables	22		
Interest-bearing [1]		**162**	160
Non interest-bearing		**61**	55
		2 914	3 202
Current assets			
Inventories	21	**1 264**	1 448
Available-for-sale financial assets [1]	16	**7**	7
Investments at fair value through profit or loss [1]	17	**105**	-
Derivative financial instruments [1]	20	**26**	34
Trade and other receivables	22		
Interest-bearing [1]		**2**	8
Non interest-bearing		**761**	785
Cash and cash equivalents [1]	23	**168**	150
		2 333	2 431
TOTAL ASSETS		**5 247**	5 633

[1] Included in net interest-bearing debt.

€ million	Note	**2011**	2010
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company			
Share capital		**311**	311
Premium fund		**714**	713
Other reserves		**26**	107
Retained earnings		**1 200**	1 365
Net profit for the financial year		**-181**	-123
		2 070	2 374
Non-controlling interests		**14**	2
Total equity	24	**2 084**	2 376
Non-current liabilities			
Long-term debt [1]	27	**1 161**	1 488
Derivative financial instruments [1]	20	**35**	41
Deferred tax liabilities	9	**38**	90
Defined benefit and other long-term employee benefit obligations	25	**62**	66
Provisions	26	**22**	21
Trade and other payables	28	**45**	3
		1 364	1 709
Current liabilities			
Current debt [1]	27	**998**	930
Derivative financial instruments [1]	20	**46**	34
Income tax liabilities	9	**1**	5
Provisions	26	**42**	19
Trade and other payables	28		
Interest-bearing [1]		**17**	16
Non interest-bearing		**694**	545
		1 799	1 549
TOTAL EQUITY AND LIABILITIES		**5 247**	5 633

[1] Included in net interest-bearing debt.

Consolidated statement of cash flows

€ million	Note	2011	2010
Cash flow from operating activities			
Net profit for the financial year		**-186**	-124
Adjustments for			
Taxes	9	**-67**	-19
Depreciation and amortisation	11, 12	**235**	235
Impairments	11, 12	**126**	20
Change in net realisable value in inventory	21	**6**	-21
Share of results in associated companies	13	**5**	10
Gain/loss on sale of intangible and tangible assets	5	**-24**	-20
Gain/loss on sale of available-for-sale financial assets	8, 16	**-65**	-10
Interest income	8	**-13**	-16
Dividend income	8	**-5**	-2
Interest expense	8	**74**	50
Exchange rate differences	8	**-17**	-94
Other non-cash adjustments		**33**	9
		287	143
Change in working capital			
Change in trade and other receivables		**31**	-269
Change in inventories		**165**	-339
Change in trade and other payables		**135**	141
Change in provisions		**-22**	-10
		310	-476
Dividends received		**5**	2
Interest received		**3**	2
Interest paid		**-75**	-42
Income taxes paid		**-6**	-2
Net cash from operating activities		**338**	-497

Cash flow from investing activities			
Purchases of available-for-sale financial assets	16	**-2**	-2
Purchases of property, plant and equipment	12	**-197**	-159
Purchases of intangible assets	11	**-4**	-12
Proceeds from sale of property, plant and equipment	12	**78**	14
Proceeds from sale of intangible assets	11	**12**	9
Change in other long-term receivables		**0**	1
Net cash from investing activities		**-114**	-147
Cash flow before financing activities		**224**	-645
Cash flow from financing activities			
Share options exercised	24	**0**	10
Borrowings of long-term debt		**178**	694
Repayments of long-term debt		**-371**	-181
Change in current debt		**-123**	209
Repayments of finance lease liabilities		**-7**	-7
Dividends paid	24	**-45**	-64
Proceeds from the sale of Talvivaara and Tibnor shares	16, 17	**162**	-
Other financing cash flow		**1**	16
Net cash from financing activities		**-206**	677
Net change in cash and cash equivalents		**19**	32
Cash and cash equivalents at the beginning of the financial year		**150**	112
Foreign exchange rate effect on cash and cash equivalents		**0**	6
Net change in cash and cash equivalents		**19**	32
Cash and cash equivalents at the end of the financial year	23	**168**	150

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 2010	**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**
Total comprehensive income for the financial year	-	-	-	-81	-	13	-181	-5	-255
Dividends	-	-	-	-	-	-	-45	-	-45
Share-based payments	-	-	-	-	-	-	1	-	1
Share options exercised	0	0	-	-	-	-	-	-	0
OSTP reorganisation	-	-	-	-	-	-	-11	13	3
Other changes	-	-	-	-	-	-	-	4	4
Equity on 31 Dec 2011	**311**	**714**	**7**	**19**	**-25**	**-76**	**1 121**	**14**	**2 084**

Notes to the consolidated financial statements

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 at 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, extremely strong and durable material, stainless steel is one of the key building blocks for sustainable future.

In 2011, Outokumpu Oyj and its subsidiaries (together "the Outokumpu Group" or "the Group") have been organised into two operating segments: General Stainless and Specialty Stainless.

In 2011, Outokumpu operated in more than 30 countries and employed some 8 000 employees. The Group's sales amounted to EUR 5.0 billion, of which 96% was generated outside Finland.

In its meeting on 31 January 2012 the Board of Directors of Outokumpu Oyj approved the publishing of these consolidated financial statements. According to the Finnish Limited Liability Companies Act, shareholders have the right to approve or reject the financial statements in the Annual General Meeting held after the publication of the financial statements. The Annual General Meeting also has the right to make a decision to amend the financial statements.

2. Accounting principles for the consolidated financial statements

Basis of preparation

The consolidated financial statements of Outokumpu have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union. The consolidated financial statements have been prepared in compliance with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on 31 December 2011. The consolidated financial statements also comply with the regulations of Finnish accounting and company legislation complementing the IFRSs.

The consolidated financial statements are presented in millions of euros and have been prepared under the historical cost convention, unless otherwise stated in the accounting principles. All figures presented have been rounded and consequently the sum of individual figures may deviate from the presented aggregate figure. Key figures have been calculated using exact figures.

The consolidated financial statements of Outokumpu for 2011 have been prepared on a going concern basis.

As from 1 January 2011, Outokumpu has applied the following amended standards and interpretations. These amendments did not have a material impact on the consolidated financial statements for 2011.

- Revised IAS 24 Related Party Disclosures: The revised standard clarifies the definition of a 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.
- Amendment to IAS 32 Financial instruments: Presentation – Classification of Rights Issue: The amended standard classifies a certain rights issue as an equity instrument instead of a derivative with the fair value changes through profit or loss if certain criteria are met.
- Amendments to IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction—Prepayments of a Minimum Funding Requirement: The amended interpretation allows certain voluntary prepayments of a minimum funding requirement to be accounted for as assets.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments: The interpretation clarifies accounting treatment in cases where equity instruments are issued to a creditor to extinguish a financial liability.
- In addition, Outokumpu has applied the Improvements to IFRSs (issued in May 2010), which concern in total seven standards. The amendments are mandatorily effective and adopted by the EU for the reporting periods beginning on 1 January 2011.

Adoption of new and amended IFRS standards and interpretations

Outokumpu has not yet applied the following new and amended standards and interpretations already issued. The Group will adopt them as of the effective date or, if the date is other than the first day of the reporting period, from the beginning of the subsequent reporting period (* = not yet endorsed by the European Union).

- Amendment to IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 July 2011). The amendment promotes transparency in the reporting of transfer transactions of financial instruments and enables the users of financial statements to better evaluate the risk exposures related to transfers of financial instruments and the effect of those on the entity’s financial position, particularly when securitisation of financial assets is in question. Outokumpu estimates that the amended standard has no significant impact on the disclosures.
- Amendment to IAS 12 Income Taxes* (effective for annual periods beginning on or after 1 January 2012). The amendment relates to the presumption used in the recognition of deferred taxes. According to the amendment, the carrying amount of certain assets measured at fair value, such as investment properties, is assumed to be mainly recovered through the sale of the asset in future instead of through continuing use. The amendment is not expected to have any impact on Outokumpu’s financial statements.

- Amendment to IAS 1 Presentation of Financial Statements* (effective for annual periods beginning on or after 1 July 2012). The key change is the requirement to group items of other comprehensive income by whether they will subsequently be reclassified through profit or loss if certain conditions are met. After the amendment comes into effect, Outokumpu will present items of other comprehensive income grouped in accordance with the amended standard.
- Amendment to IAS 19 Employee Benefits* (effective for annual periods beginning on or after 1 January 2013). In future, all actuarial gains and losses are immediately recognised in other comprehensive income, thus eliminating the so-called corridor approach, and finance costs are calculated on a net funding basis. The amendment will affect Outokumpu's future financial statements as the corridor approach is waived. Outokumpu estimates that the amendment has approximately EUR 49 million negative impact on the Group's equity in 2012. The impact on the statement of income is limited to grouping of expenses.
- IFRS 10 Consolidated Financial Statements* (effective for annual periods beginning on or after 1 January 2013): IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard may affect Outokumpu's future financial statements as the standard comes into effect. The impact has not yet been quantified.
- IFRS 11 Joint Arrangements* (effective for annual periods beginning on or after 1 January 2013): In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future jointly controlled entities are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. The new standard is not expected to have a material impact on Outokumpu's future financial statements as the standard comes into effect.
- IFRS 12 Disclosures of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2013): IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard will have an impact on the disclosures of Outokumpu's future financial statements.
- IFRS 13 Fair Value Measurement* (effective for annual periods beginning on or after 1 January 2013): IFRS 13 establishes a single source of all fair value measurements and disclosure requirements for use across IFRSs. The new standard also provides a precise definition of fair value. IFRS 13 does not extend the use of fair value accounting, but it provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. Outokumpu estimates that the new standard will have no material impact on the financial statements.
- IAS 27 (revised 2011) Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2013): The revised standard includes the provisions on separate financial statements that are left after the control provisions have been included in the new IFRS 10. The revised standard is not expected to have a significant impact on Outokumpu's financial statements.
- IAS 28 (revised 2011) Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2013): Following the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted. The revised standard is not expected to have a significant impact on Outokumpu's financial statements.
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine* (effective for annual periods beginning on or after 1 January 2013): The interpretation provides guidance to the accounting treatment of stripping costs in the production phase of a surface mine, when benefit from the stripping activity is realised in two ways: in the form of mineral ores to the production of inventory, and on the other hand in the form of improved access to further quantities of material that will be mined in future periods. The new interpretation is not expected to have a significant impact on Outokumpu's future financial statements.
- Amendments to IFRS 7 Financial Instruments: Disclosures* (effective for annual periods beginning on or after 1 January 2013): The amended standard requires the presentation of information that will allow evaluation of the effects of netting arrangements on the entity's financial position. The disclosures required by those amendments are to be provided retrospectively. The amendments are not expected to have a significant impact on Outokumpu's financial statements.
- Amendments to IAS 32 Financial Instruments: Presentation* (effective for annual periods beginning on or after 1 January 2014): The amendments provide clarifications on the application of requirements for offsetting financial assets and financial liabilities on the statement of financial position. The amended standard is to be applied retrospectively. The amendments are not expected to have a significant impact on Outokumpu's financial statements.

- IFRS 9 Financial Instruments* and subsequent amendments (effective for annual periods beginning on or after 1 January 2015): IFRS 9 is the first step of the IASB's three-phase project to replace the current IAS 39 Financial Instruments: Recognition and Measurement. The amendments resulting from the first phase address the classification, measurement and recognition of financial assets and financial liabilities. Different ways of measurement for financial assets have been retained, but simplified. Based on measurement, financial assets are classified into two main groups: financial assets at amortised cost and financial assets at fair value. Classification depends on a company's business model and the characteristics of contractual cash flows. For financial liabilities, the standard retains most of the IAS 39 requirements. IFRS 9 is estimated to have a significant impact on the Group's accounting for financial instruments.

Use of estimates and management judgements

The preparation of the financial statements in accordance with IFRSs requires management to make judgements and make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and contingent liabilities at the reporting date, as well as the reported amounts of income and expenses during the reporting period. Accounting estimates and assumptions 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. These are those financial statement items that are mostly affected by management judgements made. The basis of 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 at the end of the reporting period, actual results may differ from the estimates and assumptions. The management estimates and judgements are continuously monitored and they are based on prior experience and other factors, such as future expectations assumed to be reasonable considering the circumstances.

Principles of consolidation

Subsidiaries

The consolidated financial statements include the parent company Outokumpu Oyj and all those 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 at the end of the reporting period. Control is the power to govern the financial and operational policies of an entity so as to obtain benefits from its activities. The existence of potential control is also taken into account if the instruments entitling to potential voting rights are currently exercisable. Acquired subsidiaries are consolidated from the date that control was obtained by the Group, and disposed subsidiaries until control ceases.

Acquired or established subsidiaries are accounted for by using the acquisition method. The consideration transferred and the identifiable assets acquired and liabilities assumed in the acquired company are measured at fair value at the acquisition date. The consideration transferred includes any assets transferred by the acquirer, liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. Also contingent liabilities or contingent assets measured at fair value are included in the consideration transferred. Any contingent consideration related to the business combination is measured at fair value at the acquisition date and it is classified as either liability or equity. Contingent consideration classified as liability is remeasured at its fair value at the end of each reporting period and the subsequent changes to fair value are recognised in profit or loss. Contingent consideration classified as equity is not subsequently remeasured. The consideration transferred does not include any transactions accounted for separately from the acquisition, which is accounted for in profit or loss in conjunction with the acquisition. All acquisition-related costs, with the exception of costs to issue debt or equity securities, are recognised as expenses in the periods in which costs are incurred and services rendered.

Goodwill arising on an acquisition is recognised as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interests or previously held equity interests in the acquiree, over the Group's share of the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. Non-controlling interest in the acquiree is measured acquisition-by-acquisition either at fair value or at value, which equals to the proportional share of the non-controlling interest in the identifiable net assets acquired. Changes in the parent company's ownership interest in a subsidiary are accounted for as equity transactions if the parent company retains control of the subsidiary.

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

All intra-group transactions, receivables, liabilities and unrealised margins, as well as distribution of profits within the Group, are eliminated in the preparation of consolidated financial statements. The result for the period and items recognised in other comprehensive income are allocated to the owners of the parent company and non-controlling interests and presented in the statement of income and other comprehensive income. Non-controlling interests are presented separately from the equity allocated to the owners of the parent. Comprehensive income is allocated to the owners of the parent company and to non-controlling interests even in situations where the allocation would result in the non-controlling interests' share being negative, unless non-controlling interests have an exemption not to meet obligations which exceed non-controlling interests' investment in the company.

Associated companies

Companies, where Outokumpu generally holds voting rights of 20–50% and in which Outokumpu otherwise has significant influence, but not control, over the financial and operating policies, are included in the consolidated financial statements as associated companies. Associated companies are consolidated by using the equity method from the date that significant control was obtained until control ceases.

The Group's share of the associated company's profit for the period is separately disclosed after operating profit or loss in the consolidated statement of income. Outokumpu's share of changes recognised in associated company's other comprehensive income is recognised in the Group's other comprehensive income. When Outokumpu's share of the associated company's losses exceeds the carrying amount of the investment, the investment is recognised at zero value in the statement of financial position and recognition of further losses is discontinued, except to the extent that the Group has incurred obligations in respect of the associated company. The interest in an associated company comprises the carrying amount of the investment under the equity method together with any long-term interest that, in substance, forms a part of the net investment in the associated company.

Non-current assets held for sale

Non-current assets held for sale (or disposal groups) are classified as held for sale if their carrying amounts are expected to be recovered primarily through sale rather than through continuing use. Classification as held for sale requires that the following criteria are met: the sale is highly probable, the asset is available for immediate sale in its present condition subject to usual and customary terms, the management is committed to the sale and the sale is expected to be completed within one year from the date of classification. Prior to classification as held for sale, the assets or assets and liabilities related to a disposal group in question are measured according to the respective IFRS standards. From the date of classification, non-current assets (or a disposal group) held for sale are measured at the lower of the carrying amount and the fair value less the costs to sell, and the recognition of depreciation is discontinued. Assets included in disposal groups but not in the scope of the measurement requirements in IFRS 5, as well as liabilities, are measured according to the related IFRS standards also after the date of classification. Assets held for sale, disposal groups, items recognised in other comprehensive income related to assets held for sale, and liabilities included in disposal groups are presented in the statement of financial position separately from other items.

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 intersegment 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 correspondingly in management reporting as in these accounting principles.

Other operations mainly consist of such business development and Corporate Management expenses that are not allocated to the businesses as well as the 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 local 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 end of the reporting period. Foreign exchange differences arising from interest-bearing assets and liabilities and related derivatives are recognised in finance 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 operating income and expenses. The effective portion of exchange differences arisen from instruments designated as hedges of the net investments in foreign operations is recognised in other comprehensive income.

For those subsidiaries whose functional and presentation currency is not the euro, the income and expenses for statement of comprehensive income and items for statement of cash flows, are translated into euro at the average exchange rates during the reporting period. The assets and liabilities for the statement of financial position are translated using the exchange rates prevailing at the reporting date. The translation differences arising from the use of different exchange rates are recognised in Group’s other comprehensive income. Any goodwill arising on the acquisition of foreign operations and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of those foreign operations are treated as assets and liabilities of those foreign operations. They are translated into euro using the exchange rates prevailing at the reporting date. When a foreign operation is sold, or is otherwise partially or completely disposed of, the translation differences accumulated in equity related to the disposed part are reclassified in profit or loss as part of the gain or loss on the sale.

Revenue recognition

Revenue is recognised after the significant risks and rewards of ownership of the sold products 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 revenue is recognised 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 2010 collection of delivery terms, 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. The Group ceases to be responsible for the goods and revenue is recognised once the goods have been handed over to the carrier to be delivered to the agreed destination.

Less frequently used are “D” terms, under which the Group is obliged to deliver the goods to the buyer at the agreed destination, in which case revenue is recognised when the goods are delivered to the buyer. Also “F” terms are less frequently used, under which the buyer arranges and pays for the carriage, and revenue is recognised when the goods are handed over to the carrier contracted by the buyer.

Income taxes

The Group’s income tax expense in the statement of income 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. Tax effects related to transactions recognised in profit or loss or other events are recognised in profit or loss. If the taxes are related to items of other comprehensive income or to transactions or other events recognised directly in equity, income taxes are recognised within the respective items. 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 effect.

Deferred income taxes are stated using the liability method, as measured with enacted tax rates or substantially enacted tax rates for the following financial year, to reflect the net tax effects of generally all temporary differences between the carrying amounts for financial reporting and tax bases of assets and liabilities at the reporting date. The main temporary differences arise from the depreciation difference on property, plant and equipment, fair value measurement of net assets in acquired companies, fair value measurement of available-for-sale financial assets and hedging instruments, intra-group inventory margins, pension obligations, provisions, appropriations 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. Deferred tax liabilities are recognised in the statement of financial position in full.

Research and development costs

Research costs are expensed in the reporting period in which they are incurred. Development costs are capitalised when it is probable that the development project will generate future economic benefits for the Group, and certain criteria related to commercial and technological feasibility are met. These projects relate to the development of new or substantially improved products or production processes. Capitalised development costs mainly comprise materials and supplies and direct labour costs as well as related overhead costs. Development costs recognised as expenses are not subsequently capitalised.

Subsequent to initial recognition, capitalised development costs are measured at cost less accumulated depreciation and impairment losses. Capitalised development costs are recognised as expenses on a straight-line basis over their estimated useful lives which is generally five years. Recognition of depreciation is commenced as the asset is ready for use. The accounting treatment of the government grants received for research and development activities is described below under Government grants.

Goodwill and other intangible assets

Goodwill arising on a business combination is recognised at the acquisition date at an amount representing the excess of the consideration transferred in an acquisition over the fair value of the identifiable assets acquired, liabilities assumed and any non-controlling interest and any previously held equity interests in the acquiree, if any. Goodwill is not amortised, but tested annually for impairment. In respect of associated companies, goodwill is included in the carrying amount of the investment. Goodwill is measured at cost less accumulated impairment losses.

The Group's other intangible assets include customer relations, capitalised development costs, patents, licenses and software. An intangible asset is recognised only if it is probable that the future economic benefits 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 measured at cost less accumulated impairment losses. Cost comprises the purchase price and all costs directly attributable to bringing the asset ready for its intended use. Other intangible assets acquired in a business combination are measured at fair value at the acquisition date. Development and acquisition costs of software projects clearly associated with an identifiable computer programme controlled by the Group, are recognised as an intangible asset and amortised over the expected useful life. Such computer programme should generate probable economic benefits to the Group beyond one year.

Intangible assets are amortised on a straight-line basis over their expected useful lives. Intangible assets tied to a certain fixed period are amortised over the contract term. Amortisation periods used for intangible assets are the following:

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

Recognition of amortisation is discontinued when the intangible asset is classified as held for sale. The estimated useful lives and residual values are reviewed at least at the end of each financial year. If they differ substantially from previous estimates, the amortisation periods are adjusted accordingly.

Intangible assets with indefinite useful lives are not amortised but tested annually for impairment. At the end of the reporting period or the previous period, Outokumpu did not have such intangible assets.

Gains and losses on disposal of intangible assets are included in other operating income and expenses.

Emission allowances

Emission allowances are intangible assets measured at cost. Allowances received free of charge are recognised at nominal value, i.e. at zero carrying amount. A provision to cover the obligation to return emission allowances is recognised at fair value at the end of the reporting period provided that the emission allowances received free of charge will not cover the actual emissions. The purchased emission allowance quotas recognised in intangible rights are derecognised as they have been offset against the obligation or, when the emission allowances are sold. The obligation to deliver allowances equal to emissions is recognised under other operating expenses. Gains from the sale of excess allowances are recognised as other operating income in the statement of income.

Property, plant and equipment

Property, plant and equipment acquired by the Group companies are measured at cost. The cost includes all expenditure directly attributable to the acquisition of the asset. Government grants received are reduced from the cost. Property, plant and equipment acquired in business combinations are measured at fair value at the acquisition date. Borrowing costs (mainly interest costs) directly attributable to the acquisition or construction of a qualifying asset are capitalised in the statement of financial position as part of the carrying amount of the asset. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised as expenses in the period in which they are incurred. Property, plant and equipment are carried in the statement of financial position at cost less accumulated depreciation and impairment losses.

Property, plant and equipment are depreciated on a straight-line basis over their expected useful lives. Depreciation is based on the following estimated useful lives:

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

Land is not depreciated as the useful life of land is assumed to be indefinite. Mine properties are depreciated using the units-of-production method based on the depletion of ore reserves over their estimated useful lives. Recognition of depreciation on an item of property, plant and equipment is discontinued when the item is classified as held for sale. Expected useful lives and residual values are reviewed at least at the end of each financial year and, if they differ significantly from previous estimates, the depreciation periods are revised accordingly.

Ordinary repairs and maintenance costs are recognised as expenses during the reporting period 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 and the cost can be reliably measured. Costs arising on such major renovations are accounted for as capital expenditure and depreciated on a straight-line basis over their estimated useful lives.

Gains and losses on sale and disposal of property, plant and equipment are determined by the difference between the received net proceeds and the carrying amount of the asset. Gains and losses on sale are presented in other operating income or expenses, 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 related to acquisitions of property, plant and equipment are deducted from the cost of the asset in question in the statement of financial position and recognised as income on a systematic basis over the useful life of the asset in the form of reduced depreciation expense.

Impairment of property, plant and equipment and intangible assets

Carrying amounts of assets are regularly reviewed to determine whether there is any evidence of impairment. If any such evidence of impairment emerges, the asset’s recoverable amount is estimated. Goodwill is tested at least annually, irrespective of whether there is any evidence of impairment.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. For goodwill testing purposes the recoverable amount is based on value in use which is determined by reference to discounted future net cash flows expected to be generated by the asset. In Outokumpu goodwill is tested on operating segment level. The discount rate used is a pre-tax rate that reflects the current market view on the time value of money and the asset-specific risks. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. An impairment loss is recognised immediately in profit or loss. The estimated useful life of the asset that is subject to depreciation or amortisation is also reassessed.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. However, the reversal must not cause that the adjusted carrying amount 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

Group as a lessee

Leases of property plant and equipment, in which the Group has substantially all the rewards and risks of ownership, are classified as finance leases. An asset acquired through finance lease is recognised as property, plant and equipment in the statement of financial position, within a group determined by the asset's characteristics, at the commencement of the lease term at the lower of fair value and the present value of minimum lease payments. Respective lease liabilities less finance charges are included in other interest-bearing financial liabilities. Each lease payment is allocated between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Property, plant and equipment acquired under finance lease contracts are depreciated over the shorter of the useful life of the asset or the lease term.

Leases of assets where the lessor retains substantially all the risks and benefits of ownership are classified as operating leases. Payments made under operating lease contracts are expensed on a straight-line basis over the lease terms.

Group as a lessor

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. Assets leased through such contracts are recognised as interest-bearing receivables and measured at the lower of the fair value of the leased asset and the present value of minimum lease payments. Interest income from finance lease is recognised in the statement of income so as to achieve a constant periodic rate of return on the net investment in the finance lease.

Rental income received from property, plant and equipment leased out by the Group under operating leases is recognised on a straight-line basis over the lease term.

Financial instruments

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Outokumpu did not hold financial instruments classified as held-to-maturity investments in the current or previous reporting period. Classification is made upon initial recognition based on the purpose of use of the financial asset.

If an item is not measured at fair value through profit or loss, significant transaction costs are included in the initial carrying amount of the financial asset. Financial assets are derecognised when the Group loses the rights to receive the contractual cash flows on the financial asset or it transfers substantially all the risks and rewards of ownership outside the Group.

At the end of the reporting period, the Group estimates whether there is objective evidence on impairment of items other than financial assets measured at fair value through profit or loss. A financial asset is assumed to be impaired if there is objective evidence on impairment and the effect on the estimated future cash flows generated by the financial assets can be reliably measured. Objective evidence on impairment may be e.g. a significant deterioration in the counterparty's results, a contract breach by the debtor and, in case of equity instruments (available-for-sale financial assets), a significant or long-term decrease in the value of an instrument below its carrying amount. In such situations, the fair value development of equity instruments is reviewed for the past three quarters of the reporting period. The Group has determined percentual limits for the review, the breach of which will result in the recognition of an impairment loss. An impairment loss is recognised immediately in profit or loss.

Financial assets at fair value through profit or loss

The category of financial assets at fair value through profit or loss includes derivatives, to which hedge accounting is not applied, as well as other financial items at fair value through profit or loss held for trading purposes. A financial asset is classified in this category if it has been acquired with the main purpose of selling the asset within a short period of time.

These financial assets are recognised at the trade date at fair value and subsequently remeasured at fair value at the end of each reporting period. The fair value measurement is based on quoted rates and market prices as well as on appropriate valuation methodologies and models. Realised and unrealised gains and losses arising from changes in fair values are recognised in profit or loss in the reporting period in which they are incurred.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Loans and receivables arise when the Group gives out a loan or delivers goods or services directly to a debtor.

Loans and receivables are recognised at the settlement date and measured at amortised cost by using the effective interest rate method.

Outokumpu uses factoring for working capital management. Sold trade receivables have been derecognised when risks and rewards of ownership have been transferred.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are either designated in this category or not classified in any other category of financial assets. The purchases and sales of these items are recognised at the trade date. Available-for-sale financial assets are included in non-current assets, unless the Group has the intention to dispose of the investment within 12 months from the reporting date.

This category includes share investments both in listed and unlisted companies. Investments in shares are measured at fair value, or if fair value cannot be reliably measured, at cost less any impairment losses. The fair value measurement is based on quoted rates and market prices at the end of the reporting period, as well as on appropriate valuation techniques, such as recent transaction prices and cash flow discounting. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. Fair value changes of share instruments measured at fair value are recognised in other comprehensive income and presented in equity within fair value reserve, net of tax, until the shares in question are disposed of or impaired, in which case, the accumulated changes in fair value are transferred from equity to be recognised in profit or loss as reclassification adjustments.

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.

Financial liabilities

The Group’s financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities (financial liabilities recognised at amortised cost). A financial liability (or part of the liability) is not derecognised until the liability has ceased to exist, that is, when the obligation identified in a contract has been fulfilled or cancelled or is no longer effective.

Financial liabilities at fair value through profit or loss

In Outokumpu Group, the category of financial liabilities at fair value through profit or loss includes derivates that do not meet the criteria of hedge accounting. Realised and unrealised gains and losses arising from changes in fair value of derivatives are recognised in profit or loss in the reporting period in which they are incurred.

Other financial liabilities

Financial liabilities recognised at amortised cost include the loans of the Group. They are recognised at the settlement date and are carried at amortised cost using the effective interest rate method in the statement of financial position. Significant transaction costs are included in the original carrying amount.

Significant costs related to revolving credit facilities are amortised over the expected loan term.

Derivative instruments and hedge accounting

Derivatives

All the Group's derivatives, including embedded derivatives, are initially recognised at fair value on the trade date, on which the Group becomes a contractual counterparty, and are subsequently measured at fair value. Gains and losses arising on fair value measurement are accounted for depending on the purpose of use of the derivative contract. The gains and losses arising from fair value changes of derivative contracts, to which hedge accounting is applied and which are effective hedging instruments, are presented congruent with the hedged item. Changes in fair value of derivative contracts not qualifying for hedge accounting are recognised in operating profit in other operating income and expenses. If a derivative is designated for financing activities, the profit or loss effects arising from the instrument are recognised within financial income and financial expenses.

The fair value measurement of derivatives is based on quoted market prices and rates as well as on discounted cash flows at the end of the reporting period. The fair value of currency, interest rate and metal options is determined by utilising commonly applied option valuation models, such as Black-Scholes-Merton model.

Hedge accounting

Some derivatives and other financial instruments can be designated as hedging instruments, in which case, hedge accounting is applied to the instruments. Hedge accounting in accordance with IAS 39 refers to the method of accounting, which aims to assign one or several hedging instruments so that their fair value compensates completely or partly for the fair value or changes in cash flows of the hedged item. Outokumpu applies hedge accounting to the hedging of forecast electricity purchases in the Finnish production plants and to currency hedges of foreign currency denominated electricity purchase agreements. Derivatives, to which hedge accounting is not applied, have been acquired to reduce the profit or loss and/or cash flow effects of operations or financing activities.

In the beginning of each hedging arrangement, the Group documents the relationship between the hedging instrument and the hedged item, as well as the objectives of risk management and strategy of the hedging arrangement based on the requirements of IAS 39. Hedging instruments are subject to prospective and retrospective effectiveness testing. Hedge effectiveness is the degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument. The hedging relationship is considered to be highly effective if the fair value changes of the hedging instrument offset the cash flow changes of the hedged item by 80–125%. Hedge accounting is discontinued when the requirements of hedge accounting are no longer met.

Cash flow hedges

In cash flow hedging, the Group is hedging against changes in cash flows, which result from the realisation of a risk associated with a recognised asset or liability or a highly probable forecast transaction. Fair value changes of derivatives designated to hedge forecast cash flows are recognised in other comprehensive income and presented within the fair value reserve in equity to the extent that the hedge is effective. Such fair value changes accumulated in equity are reclassified in profit or loss in the period in which the hedged cash flows affect profit or loss. The fair value changes related to the ineffective portion of the hedging instrument are recognised immediately in profit or loss.

Net investment hedges

The equities of the subsidiaries located outside the euro area are hedged against changes in exchange rates with the aim to reduce the effects of changes in exchange rates on the Group's equity. Fair value changes of qualifying financial instruments, which are designated as hedges for translation risk related to net investments in foreign operations, are recognised in other comprehensive income to the extent that the hedge is effective. The ineffective portion of the fair value changes of the hedging instrument is immediately recognised in financial income and financial expenses. When a foreign operation is sold or otherwise disposed of, partly or in full, the fair value changes accumulated in equity are transferred to profit or loss as part of the gain or loss on disposal.

Fair value hierarchy

Financial assets and financial liabilities measured at fair value are divided into three levels in fair value hierarchy. Fair value hierarchy is based on the source of inputs used in determining 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 valuation 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 measurement methods are chosen so that the information available for the measurement and the characteristics of the measured objects can be adequately taken into account.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of self-produced finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production and procurement overheads, but excludes borrowing costs. Cost of purchased products includes all purchasing costs including direct transportation, handling and other 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 their cost is 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.

Treasury shares

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

Provisions and contingent liabilities

A provision is 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. The Group's provisions mainly relate to restructuring plans, onerous contracts, environmental liabilities, litigation and tax risks. The amount recognised as a provision corresponds to the management's best estimate of the costs required to fulfil an existing obligation at the end of the reporting period. If part of the obligation may potentially be compensated by a third party, the compensation is recognised as a separate asset when it is virtually certain that the compensation will be received. Non-current provisions are discounted to net present value at the end of the reporting period using risk-free discount rates.

The cost of an item of property, plant and equipment also comprises the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located at the end of the useful life of the item on a present value basis. Such a liability may exist for decommissioning a plant, rehabilitating environmental damage or removing equipment. A provision presenting the asset retirement obligation is recognised in the same amount at the same date. Adjustments to the provision due to subsequent changes in the estimated timing or amount of the outflow of resources, or in the change in the discount rate are deducted from or added to the cost of the corresponding asset in a symmetrical manner. The costs will be depreciated over the asset's remaining useful life.

Environmental provisions are based on the interpretation of the effective environmental laws and regulations related to the Group at the end of the reporting period. Such environmental expenditure, that arises from restoring the conditions caused by prior operations are recognised as expenses in the period in which they are incurred. A restructuring provision is recognised when a detailed restructuring plan has been prepared and its implementation has been started or the main parts of the plan have been communicated to those, who are impacted by the plan. Restructuring provision mainly comprise termination costs of employees.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of uncertain future events not wholly within the control of the entity. Such present obligation that probably does not require settlement of a payment obligation and the amount of which cannot be reliably measured is also considered to be a contingent liability. Contingent liabilities are disclosed in the notes to the financial statements.

Employee benefits

Post-employment and other long-term employee benefits

Group companies in different countries have various post-employment benefit plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans.

The fixed contributions to defined contribution plans are recognised as expenses in the period to which they relate. The Group has no legal or constructive obligation to pay further contributions if the receiving party is not able to pay the benefits in question. All such arrangements that do not meet these requirements are defined benefit plans.

Defined benefit plans are funded with payments to the pension insurance companies. The present value of the defined benefit obligations is determined separately for each plan by using the projected unit credit method. The plan assets are measured at fair value at the end of the reporting period. The fair value of the plan assets at the end of the reporting period, unrecognised actuarial gains and losses and unvested past service costs are deducted from the defined benefit liability recognised at present value in the statement of financial position. The Group recognises actuarial gains and losses according to the corridor approach. Actuarial gains and losses exceeding certain limits are recognised in the statement of income over the expected average remaining working lives of the employees participating in the plan. The limit is equal to the higher 10% of the pension liability and 10% of the plan assets at fair value. For other long-term employee benefits the above described corridor method is not used.

Share-based payment transactions

The share options are measured at fair value on the grant date and recognised as an expense in the statement of income over the vesting period. The expense of the share options determined at the grant date reflects the Group's estimate of the number of share options that will ultimately vest. The fair value is determined using the Black-Scholes-Merton option pricing model and relevant statistical methods. The effects of 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 number of the options that will vest at the end of the reporting period. When the options are exercised, the proceeds received, net of any transaction costs, based on share subscriptions are recognised in share capital (par value, nowadays the counter-book value) and in share premium reserve. Outokumpu's share options have been granted while the previous Finnish Limited Liability Companies Act was enacted. Outokumpu has not granted share options while the current Finnish Limited Liability Companies Act has been enacted.

The share-based incentive programmes are accounted for partly as equity-settled and partly as cash-settled. The equity and cash-settled parts both include market and non-market based vesting conditions. The fair values of programmes over vesting periods are determined at the grant date and the portion paid in cash is remeasured based on market conditions at the end of each reporting period. Market prices and applicable statistical models are used in determining the fair values. The impact of non-market vesting conditions is assessed at the end of each reporting period. The programmes include maximum limits for the payouts and the limits have been taken into account in the fair value measurement of the benefits.

Operating profit

In Outokumpu Group, 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 statement of income are presented below the operating profit. Exchange gains and losses and fair value changes of derivatives are included in operating profit, if they arise from business-related items. Otherwise they are recognised 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 period, excluding shares purchased by Outokumpu and held as treasury shares. Diluted earnings per share are calculated by using the treasury stock method. In addition to the weighted average number of shares outstanding, the denominator includes the incremental shares obtained through the assumed exercise of options. The assumption of exercise is not reflected in earnings per share when the exercise price of the shares subscribed using options exceeds the average market price of the shares during the period. The options have a diluting effect only when the fair value of the share is lower than the exercise price of the options.

3. Segment information

Outokumpu's business activities were organised into two reportable segments in 2011: 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 reporting.

Outokumpu is one of the world's 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 three business units: Tornio Works, Long Products and Kloster. The main products are cold and hot 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, alloy steel rods and bar finishing facilities 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. Kloster is a cold rolling mill in Långshyttan in Sweden.

Specialty Stainless

Specialty Stainless comprises three business units: Special Coil, Special Plate and Outokumpu Stainless Tubular Products (OSTP). The main products of the segment 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 remaining Brass operations which do not belong to Outokumpu's main business. Sales of Other operations consist of electricity, nickel warrants, and brass rod sales, internal commissions and services.

New organisation from 1 January 2012 onwards

From 1 January 2012 onwards, Outokumpu's new organisation is based on three Business Areas: General Stainless, Specialty Stainless and Ferrochrome. The new Business Areas consist of:
- General Stainless: stainless steel operations in Tornio and the finishing plant in Terneuzen,
- Specialty Stainless: Special Coil (Avesta Works and Nyby), Special Plate, Kloster and Long Products including the Sheffield melt shop, and
- Ferrochrome: the Kemi Chrome Mine and ferrochrome production in Tornio.

The Business Areas are strongly linked both operationally and financially, with significant internal material flows between the Areas and as announced in December 2011, Outokumpu intends to report its business based on one single segment as of 1 January 2012.

Outokumpu does not have individual significant customers as defined in IFRS 8.

Operating segments

2011 € million	General Stainless	Specialty Stainless	Reportable segments total	Other operations	Eliminations	Group
			Reconciliation			
External sales	3 249	1 577	4 826	183	-	5 009
Inter-segment sales	804	504	1 308	288	-1 596	-
Sales	4 053	2 081	6 134	471	-1 596	5 009
Operating profit	-128	-140	-268	3	4	-260
Share of results in associated companies	-	-	-	-5	-	-5
Financial income	-	-	-	-	-	261
Financial expenses	-	-	-	-	-	-249
Profit before taxes	-	-	-	-	-	-253
Income taxes	-	-	-	-	-	67
Net profit for the financial year	-	-	-	-	-	-186
Substantial non-cash items included in operating profit						
Impairments	-61	-44	-105	-0	-	-106
OSTP provision and working capital write-down	-	-26	-26	-	-	-26
Redundancy provisions	-23	-14	-37	-6	-	-43
Gain on the sale of Forrestania resources royalty rights	-	-	-	23	-	23
Depreciation	-138	-62	-200	-1	-	-201
Amortisation	-14	-7	-21	-13	-	-33
Non interest-bearing assets	3 324	1 368	4 692	333	-380	4 645
Investments in associated companies	-	-	-	39	-	39
Other interest-bearing assets	-	-	-	-	-	499
Deferred tax assets	-	-	-	-	-	63
Total assets	-	-	-	-	-	5 247
Non interest-bearing liabilities	755	386	1 141	93	-367	866
Interest-bearing liabilities	-	-	-	-	-	2 258
Deferred tax liabilities	-	-	-	-	-	38
Total liabilities	-	-	-	-	-	3 163
Operating capital	2 569	982	3 551	240	-11	3 779
Net deferred tax asset	-	-	-	-	-	25
Capital employed	-	-	-	-	-	3 804

Capital expenditure	186	61	248	7	-	255
Average personnel for the period 1)	4 651	3 309	7 960	691	-	8 651

			Reconciliation			
2010 *) € million	General Stainless	Specialty Stainless	Reportable segments total	Other operations	Eliminations	Group
External sales	2 885	1 208	4 093	136	-	4 229
Inter-segment sales	697	471	1 168	265	-1 433	-
Sales	3 582	1 679	5 261	401	-1 433	4 229
Operating profit	1	-63	-62	-15	-6	-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 included in operating profit						
Write-down of expansion project in Avesta	-	-17	-17	-	-	-17
Depreciation	-140	-61	-201	-1	-	-202
Amortisation	-14	-7	-21	-12	-	-33
Non interest-bearing assets	3 538	1 554	5 092	325	-485	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	675	378	1 052	75	-469	659
Interest-bearing liabilities	-	-	-	-	-	2 509
Deferred tax liabilities	-	-	-	-	-	90
Total liabilities	-	-	-	-	-	3 258
Operating capital	2 863	1 176	4 039	250	-16	4 273
Net deferred tax liability	-	-	-	-	-	-60
Capital employed	-	-	-	-	-	4 213

Capital expenditure	75	67	142	19	-	161
Average personnel for the period [1]	4 506	3 271	7 777	698	-	8 475

[1] Personnel reported as headcount. Up to 31 December 2010 reported as full-time equivalent, comparative figures restated.

[*] Kloster operations, in 2010 under Specialty Stainless, are now reported under General Stainless. Comparative figures restated.

Geographical information

€ million	Finland	Sweden	The UK	Other Europe	North America	Asia and Australia	Other countries	Inter-area	Group
2011									
Sales by destination [1]	218	272	341	2 916	524	642	97	-	5 009
Sales by origin [2]	2 851	1 853	910	1 142	395	152	22	-2 316	5 009
Operating profit [2]	-59	-183	22	-49	-0	23	1	-15	-260
Non-current assets [2) 3]	1 695	466	78	213	61	47	0	-	2 559
Operating capital [2]	2 149	837	224	412	97	96	3	-38	3 779
Capital expenditure [2]	181	54	5	6	2	5	-	-	255
Average personnel for the period [4]	3 067	3 081	662	1 296	345	191	9	-	8 651
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 [4]	2 992	3 041	606	1 306	354	167	9	-	8 475

[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] Personnel reported as headcount. Up to 31 December 2010 reported as full-time equivalent, comparative figures restated.

4. Acquisitions and disposals

Acquisitions

Year 2011

In 2011 Outokumpu made no 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.

Disposals

Year 2011

Tubular joint venture, OSTP

On 30 September 2011, Outokumpu and Tubinoxia signed an agreement in which Tubinoxia acquired a non-controlling shareholding in Outokumpu's tubular unit (OSTP) receiving significant influence in the unit.

Outokumpu continues to hold control in OSTP being the majority shareholder. OSTP continues to be consolidated in Outokumpu financial accounts as subsidiary and Tubinoxia's non-controlling shareholding is presented separately from the net profit and disclosed as a separate item in the equity.

In the first phase Tubinoxia owns 36% of the shares in OSTP but has an option to acquire shares up to 51% in a three years' time period. Outokumpu has an option to redeem the shares initially acquired, at original value, if Tubinoxia will not acquire the majority.

Outokumpu manages OSTP through a board of directors. The majority of the members including the chairman will be appointed by Outokumpu as long as Outokumpu is the majority shareholder.

Nordic Brass Gusum AB

In November 2011, Outokumpu has sold its 50% holding in Nordic Brass Gusum AB, a brass rod mill in Sweden, to the operative management. Nordic Brass Gusum AB had been classified as an associated company in Outokumpu's financial statements.

In connection with the sale of Nordic Brass Gusum AB, Outokumpu also sold its subsidiary Gusums Industrifastighets AB, a company owning an area of land in Gusum, Sweden.

The consideration and cash flow impact of this transaction were marginal, however, Outokumpu booked a loss of EUR 13 million in the 2011 financial statements. In 2010, the turnover of Nordic Brass Gusum amounted to EUR 110 million and the business currently employs some 150 people.

Year 2010

In 2010 Outokumpu made no disposals.

5. Other operating income and expenses

Other operating income

€ million	**2011**	2010
Market price gains and losses from commodity derivatives	**14**	-16
Exchange gains and losses from foreign exchange derivatives	**-2**	31
Market price gains and losses from derivative financial instruments	**12**	15
Gain on the sale of Forrestania resources royalty rights	**23**	-
Gains on sale of other intangible and tangible assets	**7**	23
Other income items	**6**	7
	47	45

In 2011 the market price gains and losses from derivative financial instruments included a gain of EUR 4 million (2010: loss of EUR 8 million) from ineffective portion of cash flow hedges .

Other operating expenses

€ million	**2011**	2010
Impairment of intangible and tangible assets	**-106**	-20
Losses on sale of intangible and tangible assets	**-5**	-3
Other expense items	**-2**	-5
	-113	-28

6. Function expenses by nature

€ million	**2011**	2010
Raw materials and merchandise	**-2 974**	-2 747
Employee benefit expenses	**-538**	-496
Fuels and supplies	**-387**	-344
Energy expenses	**-254**	-269
Depreciation and amortisation	**-235**	-235
Change in inventories	**-191**	331
Freights	**-168**	-165
Maintenance	**-108**	-106
Hire processing	**-37**	-32
Rents and leases	**-28**	-26
Other expenses	**-284**	-241
	-5 203	-4 329

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

Auditor fees

KPMG

€ million	**2011**	2010
Auditing	**-1.4**	-1.4
Tax services	**-0.0**	-0.0
Other services	**-1.8**	-0.3
	-3.2	-1.7

Non-recurring items in operating profit

€ million	**2011**	2010
OSTP impairment and redundancy provision	**-71**	-
Kloster impairment	**-60**	-
Redundancy provisions	**-43**	-
Gain on the sale of Forrestania resources royalty rights	**23**	-
Write-down of expansion project in Avesta	**-**	-17
	-151	-17

During 2011 a total of EUR 71 million impairment and redundancy provision was booked relating to OSTP, Outokumpu's tubular business, impairment of EUR 60 million connected with the Kloster thin strip unit in Sweden, and redundancy provisions of EUR 43 million relating to the functional efficiency improvements and ongoing cost-cutting programme.

Also in 2011 Outokumpu sold the Group's rights to royalties from Forrestania nickel and precious metals resources to the Australian company Western Areas NL for EUR 23 million (USD 30 million). As these royalties were valued at zero in the Outokumpu statement of financial position, non-recurring gain of EUR 23 million was booked in the Group's 2011 operating results.

In 2010 Outokumpu decided not to re-start the postponed expansion investments in Avesta, Sweden in the foreseeable future. Therefore Outokumpu recognised a EUR 17 million write-down related to the new annealing and pickling line. The investment had originally been decided in September 2007 and postponed in December 2008. The write-down was presented in other operating expenses in 2010.

7. Employee benefit expenses

€ million	**2011**	2010
Wages and salaries	**-379**	-355
Termination benefits	**-31**	-1
Social security costs	**-56**	-51
Post-employment and other long-term employee benefits [1)]		
Defined benefit plans	**-9**	-17
Defined contribution plans	**-54**	-54
Other long-term employee benefits	**-0**	0
Expenses from share-based payments	**3**	-5
Other personnel expenses [2)]	**-13**	-13
	-538	-496

[1)] Post-employment and other long-term employee benefits in 2010 have been restated as a result of reclassification in the reporting between defined benefit plans and other long-term employee benefits. The plans are presented in more detail in Note 25. Employee benefit obligations.

[2)] In 2011 no profit-sharing bonuses based on the Finnish Personnel Funds Act were recognised (2010: EUR - million).

8. Financial income and expenses

€ million	2011	2010
Dividend income on available-for-sale financial assets	**5**	2
Interest income		
Loans and receivables	**12**	15
Bank accounts and deposits	**1**	1
Gains on the sale of investments at fair value through profit or loss	**-**	1
Gains on the sale of available-for-sale financial assets	**65**	10
Gains on the sale and initial fair valuation of Talvivaara Sotkamo Ltd [1)]	**178**	-
Other financial income	**1**	0
Total financial income	**261**	28
Interest expenses		
Financial liabilities at amortised cost	**-66**	-43
Finance lease arrangements	**-4**	-3
Derivatives	**-6**	-7
Capitalised interests	**3**	2
Impairment of financial assets	**-20**	-
Fees related to committed credit facilities	**-17**	-24
Other financial expenses	**-18**	-7
Total financial expenses	**-129**	-83
Exchange gains and losses		
Derivatives	**-10**	-90
Cash, loans and receivables	**9**	93
Other market price gains and losses		
Derivatives	**-11**	2
Subsequent fair valuation of Talvivaara Sotkamo Ltd [1)]	**-107**	-
Other	**0**	-1
Total market price gains and losses	**-120**	4
Total financial income and expenses	**12**	-50

[1)] Includes the valuation of the granted option.

Exchange gains and losses in the consolidated statement of income

€ million	**2011**	2010
In sales	**8**	-31
In purchases [2)]	**-11**	5
In other income and expenses [2)]	**-2**	29
In financial income and expenses [2)]	**-2**	3
	-6	6

[2)] Includes exchange gains and losses on elimination of intra-group transactions.

Exchange gains and losses include EUR 11 million net exchange loss on derivative financial instruments (2010: EUR 59 million net exchange loss) of which EUR 2 million loss on derivatives has been recognised in other operating income and expenses, EUR 2 million gain as adjustment to purchases and EUR 10 million loss in financial items.

Non-recurring items in financial income and expenses

€ million	**2011**	2010
Gain on the sale and fair valuation of Talvivaara shares [3)]	**206**	-
Gain on the sale of Tibnor shares	**36**	-
Loss from the sale of Nordic Brass Gusum shares	**-13**	-
Impairment of Luvata loan receivable	**-13**	-
Gain on the sale of Okmetic shares	**-**	9
	216	9

[3)] Includes the valuation of the granted option.

Gain on the sale and initial fair valuation of Talvivaara Sotkamo Ltd is presented separately in the above disclosure. Gain on the sale of Talvivaara Mining Company Plc is included in the gains on the sale of available-for-sale financial assets.

9. Income taxes

Income taxes in the consolidated statement of income

€ million	**2011**	2010
Current taxes	**-6**	-2
Deferred taxes	**72**	21
	67	19

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	**2011**	2010
Hypothetical income taxes at Finnish tax rate on consolidated profit before tax	**66**	37
Difference between Finnish and foreign tax rates	**13**	14
Tax effect of non-deductible expenses and tax exempt income	**19**	1
Tax effect of losses for which no deferred tax asset is recognised	**-49**	-13
Changes in the carrying amounts of deferred tax assets from prior years	**17**	-19
Taxes for prior years	**0**	2
Impact of the changes in the tax rates on deferred tax balances [1)]	**2**	-
Tax effect of net results of associated companies	**-1**	-3
Effects of consolidation and eliminations	**1**	-0
Other items	**-1**	-0
Income taxes in the consolidated statement of income	**67**	19

[1)] Majority of the impact of the changes in the tax rates was attributable to the decrease in the Finnish tax rate from 26% to 24.5% on 1 January 2012.

Deferred income taxes in the statement of financial position

€ million	**2011**	2010
Deferred tax assets	**63**	30
Deferred tax liabilities	**-38**	-90
Net deferred tax asset	**25**	-60

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**
2011					
Deferred tax liabilities					
Depreciation difference and other untaxed reserves	-178	0	53	-	**-124**
Fair value adjustments	-32	-	8	12	**-12**
Effects of consolidation and eliminations	-2	-	1	-	**-1**
Other taxable temporary differences	-58	0	11	-	**-47**
	-269	0	73	12	**-184**
Deferred tax assets					
Tax losses carried forward	150	0	-23	-	**127**
Fair value adjustments	0	0	16	1	**17**
Pension obligations	14	0	-1	-	**12**
Effects of consolidation and eliminations	9	-	-5	-	**4**
Other tax deductible temporary differences	36	0	12	-	**48**
	209	1	-1	1	**208**
Net deferred tax asset	-60	1	72	13	**25**
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

Aggregate deferred taxes recognised in other comprehensive income

€ million	**2011**	2010
Cash flow hedging	**-4**	-5
Available-for-sale financial assets	**-1**	-12
Net investment hedging	**-5**	-6
	-11	-23

Deferred tax assets of EUR 108 million (2010: EUR 101 million) have not been recognised in the consolidated financial statements because the realisation of the tax benefit included in these assets is not probable in the foreseeable future. Majority of these unrecognised deferred tax assets relate to tax losses amounting to EUR 387 million (2010: EUR 341 million), which can be carried forward in the future. EUR 21 million of these tax losses (2010: EUR 63 million) will expire within next five years and the rest earliest in 2017. The consolidated statement of financial position includes deferred tax assets of EUR 99 million (31 Dec 2010: EUR 58 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 in the foreseeable future.

10. Earnings per share

	2011	2010
Result attributable to the equity holders of the Company, € million	**-181**	-123
Weighted average number of shares, in thousands	**181 970**	181 751
Effect of share options, in thousands	**-**	11
Diluted average number of shares, in thousands	**181 970**	181 762
Earnings per share for result attributable to the equity holders of the Company, €	**-0.99**	-0.68
Diluted earnings per share, €	**-0.99**	-0.68

Diluted earnings per share is calculated by adjusting average number of shares outstanding to assume conversion of all diluting potential shares. 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.
Outokumpu had diluting options in the beginning of 2011. The last options of 2003 option programme were subscribed in March 2011. New option programmes were not started in 2011.

11. Intangible assets

€ million	Customer relationships	Other intangible assets [1)]	Goodwill	Total
Historical cost on 1 Jan 2011	49	225	490	763
Translation differences	0	1	0	1
Additions	-	4	-	4
Disposals	-	-2	-	-2
Reclassifications [2)]	-	2	-	2
Historical cost on 31 Dec 2011	**49**	**231**	**490**	**769**
Accumulated amortisation and impairment on 1 Jan 2011	-28	-139	-6	-173
Translation differences	-0	-0	-	-1
Disposals	-	1	-	1
Amortisation	-12	-21	-	-33
Impairments	-	-3	-5	-9
Accumulated amortisation and impairment on 31 Dec 2011	**-40**	**-163**	**-12**	**-215**
Carrying value on 31 Dec 2011	**9**	**67**	**478**	**554**
Carrying value on 1 Jan 2011	21	86	483	589
Historical cost on 1 Jan 2010	48	164	488	700
Translation differences	0	10	2	11
Additions	-	12	-	12
Disposals	-	-0	-	-0
Reclassifications [2)]	-	40	-	40
Historical cost on 31 Dec 2010	49	225	490	763

Accumulated amortisation and impairment on 1 Jan 2010	-16	-112	-6	-134
Translation differences	-0	-7	-	-7
Disposals	-	0	-	0
Amortisation	-12	-21	-	-33
Accumulated amortisation and impairment on 31 Dec 2010	-28	-139	-6	-173
Carrying value on 31 Dec 2010	21	86	483	589
Carrying value on 1 Jan 2010	32	52	482	566

[1)] Other intangible assets include capitalised development expenses, patents, licenses and software.

[2)] 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.

Intangible assets mainly comprise acquired assets.

Amortisation by function

€ million	**2011**	2010
Cost of sales	**-19**	-18
Selling and marketing expenses	**-12**	-12
Administrative expenses	**-3**	-3
Research and development expenses	**-0**	-0
	-33	-33

Goodwill allocation

€ million	**2011**	2010
General Stainless	**417**	417
Specialty Stainless	**61**	66
	478	483

Impairment testing of goodwill

Goodwill is allocated to the Group's cash-generating units which are determined according to the business organisation. The recoverable amount of a cash-generating unit 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 2012. The deliveries for 2012 are based on Outokumpu's internal forecast. Projections for 2013–2016 are based on conservative price forecast. Delivery forecast for 2013–2016 is based on objective external view on market development. Fixed costs for 2012 are based on 2012 budget and, in addition, the already started efficiency improvement projects have been taken into account conservatively during 2012–2014. Fixed costs are planned to increase by inflation rate in the following years. Investments which are already started have also been included in the cash flow projections with conservative ramp-up plan during 2012–2014. 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 was calculated using the same methodology as in 2010. However, when using the same method, the WACC does not reflect current economic circumstances and therefore based on prudency principle, the 2010 WACC was used in the 2011 calculations. WACC used in 2011 was therefore 8.4% (2010: 8.4%).

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 four percent in stainless steel deliveries or margins for 2012–2016 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 four percent for 2012–2016, the recoverable amounts would decrease somewhat below their carrying value as at 31 December 2011.

As a result of the performed impairment test to Group's cash-generating units, no impairment losses have been recognised. In connection with Outokumpu Tubular business' (OSTP) asset valuation, a EUR 5 million goodwill which could be allocated to OSTP, has been impaired in income statement in 2011.

Emission allowances

Outokumpu's sites covered by EU's Emissions Trading Scheme (ETS) are the production plants in Tornio in Finland, Avesta, Degerfors and Nyby in Sweden as well as Sheffield in 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 802 000 tonnes in 2011 (2010: 795 000 tonnes). The emissions did not exceed the amount of allowances received free of charge in 2011. However, Outokumpu did not sell any emission allowances in 2011 (2010: 500 000 tonnes for EUR 8 million). In 2011 Outokumpu received 10 000 tonnes of emission reduction units from TGF (2010: 19 000 tonnes). The TGF emission reduction units received in 2010 have been delivered to authorities in 2011 to cover the actual carbon dioxide emission in 2010.

See Note 19. Financial risk management, capital management and insurances for information on the management of the emission allowance price risk.

12. 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 2011	50	36	942	3 260	121	161	4 569
Translation differences	0	-	3	15	0	1	20
Additions	0	0	17	102	1	199	320
Disposals	-1	-	-7	-113	-0	-1	-122
Reclassifications	0	-	10	73	-1	-86	-5
Historical cost on 31 Dec 2011	**49**	**36**	**965**	**3 336**	**121**	**274**	**4 782**
Accumulated depreciation and impairment on 1 Jan 2011	-7	-5	-419	-2 000	-49	-35	-2 515
Translation differences	-0	-	-2	-10	-0	-0	-12
Disposals	-	-	6	43	0	-	49
Reclassifications	-	-	-0	-1	0	1	0
Depreciation	-	-1	-32	-164	-4	-	-201
Impairments	-0	-	-16	-73	-1	-7	-98
Accumulated depreciation and impairment on 31 Dec 2011	**-7**	**-6**	**-462**	**-2 206**	**-55**	**-41**	**-2 777**
Carrying value on 31 Dec 2011	**42**	**30**	**503**	**1 130**	**66**	**233**	**2 005**
Carrying value on 1 Jan 2011	43	31	522	1 260	72	125	2 054
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

[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	**2011**	2010
Cost of sales	**-192**	-192
Selling and marketing expenses	**-4**	-5
Administrative expenses	**-5**	-4
Research and development expenses	**-1**	-1
	-201	-202

Borrowing costs amounting to EUR 3 million was capitalised on investment projects during the financial year (2010: EUR 2 million). Total interest capitalised on 31 December 2011 was EUR 37 million (31 Dec 2010: EUR 40 million). Outokumpu determines separate capitalisation rates for each quarter. The average rate used during 2011 was 4.11%.

Assets leased by finance lease agreements

€ million	Buildings	Machinery and equipment	Total
Historical cost	9	203	212
Accumulated depreciation	-3	-44	-48
Carrying value on 31 Dec 2011	**6**	**159**	**165**
Historical cost	9	134	143
Accumulated depreciation	-3	-35	-38
Carrying value on 31 Dec 2010	6	99	105

13. Investments in associated companies

€ million	**2011**	2010
Investments in associated companies at cost		
Historical cost on 1 Jan	**152**	145
Translation differences	**0**	2
Additions	**-**	6
Disposals [1), 2)]	**-36**	-
Reclassification of Talvivaara Sotkamo Ltd to investments at fair value through profit or loss [2)]	**-93**	-
Other	**-**	-0
Historical cost on 31 Dec	**23**	152
Equity adjustment to investments in associated companies on 1 Jan	**-4**	10
Change in translation differences	**0**	2
Share of results in associated companies	**-5**	-10
Share of other comprehensive income in associated companies	**-2**	-5
Disposals [1), 2)]	**9**	-
Reclassification of Talvivaara Sotkamo Ltd to investments at fair value through profit or loss [2)]	**18**	-
Other	**-**	-1
Equity adjustment to investments in associated companies on 31 Dec	**16**	-4
Carrying value of investments in associated companies on 31 Dec	**39**	148

[1)] Outokumpu sold its 50% holding in Nordic Brass Gusum AB in 2011. The consideration and cash flow of the disposal were marginal and resulted in a capital loss of EUR 13 million in financial statements.

[2)] Outokumpu sold one fifth of its 20% ownership, representing 4% of shares, in Talvivaara Sotkamo Ltd in 2011. The remaining 16% holding is classified as an investment valued at fair value through profit or loss. Proceeds from the disposal totaled EUR 60 million and resulted in a capital gain of EUR 178 million of the sale of shares and the fair-value accounting of the remaining shares.

Associated companies

	Domicile	Ownership, %
Fagersta Stainless AB	Sweden	50
KDAB i Västerås AB	Sweden	50
Rapid Power Oy	Finland	33

Principal associated companies

€ million	Domicile	Assets	Liabilities	Sales	Profit	Owner-ship, %
2011						
Fagersta Stainless AB	Sweden	85	42	198	-5	50
Rapid Power Oy	Finland	164	111	41	-0	33
2010						
Fagersta Stainless AB	Sweden	95	48	187	5	50
Rapid Power Oy	Finland	206	152	54	-0	33

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

2011 € 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 2011	Fair value 31 Dec 2011
Non-current financial assets							
Available-for-sale financial assets	a)	-	7	9	-	16	16
Investments at fair value through profit or loss	c)	-	-	-	1	1	1
Trade and other receivables							
Interest-bearing	b)	162	-	-	-	162	152
Non interest-bearing	b)	61	-	-	-	61	61
Hedge accounted derivatives	e)	-	-	7	-	7	7
Derivatives held for trading	d)	-	-	-	4	4	4
Current financial assets							
Available-for-sale financial assets	a)	-	3	4	-	7	7
Investments at fair value through profit or loss	c)	-	-	-	105	105	105
Trade and other receivables							
Interest-bearing	b)	2	-	-	-	2	2
Non interest-bearing	b)	752	-	-	-	752	752
Cash and cash equivalents	b), c)	161	-	-	7	168	168
Hedge accounted derivatives	e)	-	-	13	-	13	13
Derivatives held for trading	d)	-	-	-	13	13	13
		1 140	10	33	130	1 312	1 302
Non-current financial liabilities							
Long-term debt	f)	1 161	-	-	-	1 161	1 131
Trade and other payables	f)	45	-	-	-	45	45
Derivatives held for trading	d)	-	-	-	35	35	35

Current financial liabilities							
Current debt	f)	998	-	-	-	998	998
Trade and other payables							
Interest-bearing	f)	17	-	-	-	17	17
Non interest-bearing	f)	694	-	-	-	694	694
Hedge accounted derivatives	e)	-	-	2	-	2	2
Derivatives held for trading	d)	-	-	-	45	45	45
		2 916	-	2	80	2 998	2 967

		Measured at					
2010 € million	Category in accordance with IAS 39	Amortised cost	Cost	Fair value recognised in other comprehensive income	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
Investments at fair value through profit or loss	c)	-	-	-	1	1	1
Trade and other receivables							
Interest-bearing	b), c)	160	-	-	-	160	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

Categories in accordance with IAS 39:

a) Available-for-sale financial assets

b) Loans and receivables

c) Financial assets at fair value through profit or 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, subordination to bank and certain other debt, 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 determined by using discounted cash flow method taken into consideration the market credit spread applied for Outokumpu. Carrying amount of current interest-bearing liabilities is reasonable approximation of their fair value.

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

2011

€ million	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	5	-	8	**13**
Investments at fair value through profit or loss	-	-	106	**106**
Cash and cash equivalents	-	7	-	**7**
Hedge accounted derivatives	-	21	-	**21**
Derivatives held for trading	-	17	-	**17**
	5	**45**	**114**	**163**
Liabilities				
Hedge accounted derivatives	-	2	-	**2**
Derivatives held for trading	-	80	0	**80**
	-	**82**	**0**	**82**

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

Reconciliation of changes on level 3

€ million	Available-for-sale financial assets	Investment at fair value through profit or loss	Derivatives held for trading
Carrying value 1 Jan	55	-	-
Transfers and additions to level 3	10	241	-27
Fair value changes	-6	-135	27
Impairments	-7	-	-
Disposals	-45	-	-
Carrying balance 31 Dec	**8**	**106**	**0**

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

The fair value of the level three relates mostly to ownerships in energy producing companies, investments in Talvivaara Sotkamo Ltd and to the option granted to Talvivaara Mining Company Plc. The valuation model of energy producing companies is based on discounted cash flow model, which takes into account the future prices of electricity, discount rate and inflation rate, the estimated amount of electricity to be received and estimated production costs. The valuation model is very sensitive to electricity price, +/- 10% change in electricity price leads to an increase of EUR 11 million or decrease of EUR 3 million in valuation. Valuation of the investment to Talvivaara Sotkamo Ltd is based on the share value of Talvivaara Mining Company Plc. Change of +/- 10% in the share price of Talvivaara Mining Company Ltd leads to an increase of EUR 11 million or decrease of EUR 11 million in the value. Valuation of granted option is based on the price and volatility of Talvivaara Mining Company Plc share and on current interest rate level.

16. Available-for-sale financial assets

€ million	**2011**	2010
Carrying value on 1 Jan	**154**	112
Translation differences	**0**	5
Additions	**3**	2
Fair value changes	**-23**	50
Disposals	**-39**	-5
Impairments	**-7**	-
Gains from disposal reclassified to profit or loss	**-65**	-10
Carrying value on 31 Dec	**23**	154

Non-current listed equity securities	**1**	77
Non-current unlisted equity securities	**15**	70
Current available-for-sale financial assets	**7**	7
	23	154

Listed equity securities, at fair value	**5**	81
Unlisted equity securities and other investments, at fair value	**8**	55
Unlisted equity securities and other investments, at cost	**10**	18
	23	154

Fair value reserve in equity

€ million	**2011**	2010
Fair value	**23**	154
Acquisition value	**-16**	-59
Fair value reserve before tax	**7**	95
Deferred tax liability	**-1**	-12
Fair value reserve	**6**	83

During 2011 Outokumpu sold its holdings in Tibnor Ab and Talvivaara Mining Company Plc and booked a gain of EUR 36 million and EUR 29 million respectively in the statement of income. Unlisted equity securities at fair value consist mainly of holdings in energy producing companies, whose valuation method was changed from at cost to fair value in 2011. The valuation method of energy producing companies is described in Note 15. Hierarchy of financial assets and liabilities measured at fair value. During 2011 EUR 7 million was recognised as an impairment in the statement of income as the fair value of the energy producing companies decreased below the acquisition value due to lower electricity price.

17. Investments at fair value through profit or loss

€ million	**2011**	2010
Carrying value on 1 Jan	**1**	1
Translation differences	**0**	0
Additions	**0**	0
Reclassification of Talvivaara Sotkamo Ltd from associated companies	**75**	-
Initial fair valuation of Talvivaara Sotkamo Ltd	**165**	-
Subsequent fair value changes of Talvivaara Sotkamo Ltd	**-135**	-
Carrying value on 31 Dec	**106**	1

On 1 June 2011 Outokumpu sold one fifth of its 20% holding in the unlisted Talvivaara Sotkamo Ltd to Talvivaara Mining Company Plc. The total consideration of this transaction was EUR 60 million. Simultaneously, Outokumpu granted an option to Talvivaara Mining Company Plc to purchase the remaining 16% ownership in Talvivaara Sotkamo Ltd. The option is valid until the end of the first quarter 2012 and can be executed at the same price per share entirely or partially and in one or several instalments. If fully exercised, it would result in a total consideration of EUR 240 million. Consequently, the total transaction price if divesting the whole 20% holding in Talvivaara Sotkamo Ltd would be EUR 300 million.

Outokumpu's 20% holding in Talvivaara Sotkamo Ltd had been classified in Outokumpu's books as associated companies. After the change in ownership, Outokumpu will no longer have a significant influence in Talvivaara Sotkamo Ltd and thus the remaining 16% holding, is classified as an investment valued at fair value through profit or loss on Outokumpu's financial statements. As a result of the sale of shares in Talvivaara Sotkamo Ltd and the initial fair valuation of the remaining shares, reduced by the valuation of the granted option, Outokumpu recorded a capital gain of EUR 178 million as financial income.

On 1 June 2011 Outokumpu also sold its entire holding of 10 522 366 shares, representing 4.3% of total shares, in Talvivaara Mining Company Plc to Solidium Oy. The total consideration of this transaction was EUR 60 million. Outokumpu recorded a capital gain of EUR 28 million as financial income for the transaction. The holding in the Talvivaara Mining Company Plc had been classified as available-for-sale financial assets in Outokumpu's accounts.

Subsequent valuation of the 16% ownership in Talvivaara Sotkamo Ltd reflects the share price of Talvivaara Mining Company Plc, which on 31 December 2011 was 2.49 euros per share.

18. Share-based payment plans

On 31 December 2011 Outokumpu had an active share-based incentive programme for years 2009–2013, which is part of the Group's incentive and commitment-building system for key employees. The objective of the programme 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 programme, Outokumpu has a small-scale restricted share plan, which has been targeted for encouraging long-term employee commitment to Outokumpu.

The first vesting period of the 2009–2013 programme ended on 31 December 2011. The set performance targets were not met and therefore no reward will be paid to the participants.

The total estimated value of share-based incentive programme 2009–2013 and restricted share plan is EUR 5 million on 31 December 2011. This value is recognised as an expense in the income statement during the vesting periods.

On 31 January 2012, the Board of Directors confirmed a new share-based incentive programme (Performance Share Plan 2012). The first vesting period covers years 2012–2014. The number of persons included in the first vesting period is 98 and the maximum amount of shares to be distributed is 1 300 000. In addition, the Board of Directors confirmed a small-scale Restricted Share Pool programme, which enables long-term retaining and rewarding of selected key employees of Outokumpu Group. These programmes are not reflected in 2011 financial statements.

The last subscription period of Outokumpu's 2003 stock option programme ended on 1 March 2011 and the remaining 40 500 shares were subscribed during the first quarter in 2011. No new stock option programmes were started in 2011.

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

Share-based payments included in employee benefit expenses

€ million	**2011**	2010
Equity-settled share-based payment transactions	**-1**	-2
Cash-settled share-based payment transactions	**4**	-3
	3	-5

Total carrying amount of liabilities for cash-settled arrangements on 31 Dec	**1**	4

Option programme

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

	2011		2010	
	Options	Weighted average exercise price €/share	Options	Weighted average exercise price €/share
Outstanding at the beginning of the year	**40 500**	**10.09**	1 020 214	9.86
Exercised during the year	**-40 500**	**10.09**	-967 707	9.82
Expired during the year	-	-	-12 007	9.81
Outstanding at the end of the year	-	-	40 500	10.09
Exercisable at the end of the year	-	-	40 500	10.09

Share-based incentive programmes

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

	Share-based incentive programme for 2009–2013		
	Vesting period 2009–2011	Vesting period 2010–2012	Vesting period 2011–2013
Grant date	3 Feb 2009	2 Feb 2010	31 Jan 2011
Vesting period	1 Jan 2008–31 Dec 2010	1 Jan 2009–31 Dec 2011	1 Jan 2010–31 Dec 2012
Vesting conditions			
Market	Total shareholder return (TSR) ranking among peers and TSR outperforming a competitor.	Total shareholder return (TSR) ranking among peers and TSR outperforming a competitor.	Total shareholder return (TSR) ranking among peers.
Non-market	-	Outokumpu Group earnings per share (EPS) and operating profit (EBIT).	Outokumpu Group earnings per share (EPS) and operating profit (EBIT).
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.

Number of shares to be distributed within share-based incentive programmes

Number of shares	**2011**	2010
At 1 Jan	**831 850**	663 530
Shares granted	**433 200**	425 150
Shares cancelled	**-229 900**	-256 830
At 31 Dec	**1 035 150**	831 850

The figures include share-based incentive programme 2009–2013 and restricted share plan.

Inputs of the model

	Share-based incentive programme for 2009–2013		
	Vesting period 2009–2011	Vesting period 2010–2012	Vesting period 2011–2013
Share price at the grant date, €	8.54	13.51	13.61
Share price at the end of the reporting period, €	5.08	5.08	5.08
Reference ratio annualised volatility at the grant date, % p.a.	52.3	27.5	-
Reference ratio annualised volatility at the end of the reporting period, % p.a.	28.8	35.6	-
Estimated forfeit ratio at the grant date, % p.a.	6.0	5.0	5.0
Estimated forfeit ratio at the end of the reporting period, % p.a.	8.0	8.0	8.0
Actual forfeit ratio, % p.a.	20.0	19.7	16.5
Estimated outcome of market criteria at the grant date, %	62.3	54.3	44.8
Estimated outcome of non-market criteria at the grant date, %	-	0.0	27.0
Estimated outcome of market criteria at the end of the reporting period, %	0.0	4.5	17.9
Estimated outcome of non-market criteria at the end of the reporting period, %	-	0.0	0.0

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 statement of financial position, 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 and the Chief Financial Officer is responsible for implementation and development of financial risk management. In 2011 the Group's Financial Risk Policy was reviewed and changes to it were approved by the Chief Executive Officer. Based on the reviewed policy Outokumpu discontinued all internal hedging of metal price risk and currency denominated forecasted cash flow risk during 2011.

Financial risks consist of market, country, credit, liquidity and refinancing risks. Business units hedge their currency 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, metal, fuel and emission allowance price risk. Credit risk management is decentralised but Treasury and Risk Management function monitors the risk. The Group's Energy function is responsible for managing electricity price risk.

The Treasury and Risk Management function purchases a substantial part of the 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.

Exposure to financial risk is identified as part of the Group's risk management process. This approach aims to secure, that any emerging risk is identified early and each significant risk is quantified, managed and communicated properly. In risk quantification, both likelihood of an adverse event and the impact on that event are assessed. For market risk, the adverse scenario is based on a predefined price change in a risk factor, e.g. in exchange rate or metal price. Furthermore, the impact analysis is based on measured underlying exposure, e.g. the amount of forecasted currency cash flow or the amount of net debt by currency. The likelihood of the adverse scenario is based on the market volatility of the underlying risk factor. Eventually, the impacts of key risks are quantified in terms of changes in net earnings, cash flows and gearing.

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 statement of financial position.

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.

Stainless steel business is highly cyclical, which in many cases result in significant changes in the underlying exposures to different market risk factors. Consequently applying hedging policies in a consistent way may, from time to time, lead to rather big changes in the amounts of outstanding and reported derivate contracts. Nominal amounts and fair values of all derivatives are presented in Note 20. Sensitivity of financial instruments to market prices is described in the following table.

Sensitivity of financial instruments to market risks

	2011		2010	
€ million	In profit or loss	Other comprehensive income	In profit or loss	Other comprehensive income
+/-10% change in EUR/USD exchange rate	-5/+7	-	-7/+9	-
+/-10% change in EUR/SEK exchange rate	-7/+8	-24/+29	-9/+11	-23/+29
+/-10% change in USD nickel price	+0/-0	-	-2/+6	-
+/-10% change in electricity price	+0/-0	+8/-3	+0/-0	+1/-1
+/-10% change in share prices	+8/-8	+1/-1	-	+11/-11
+/-1% parallel shift in interest rates	-7/+7	-	-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. During the year the volatility for nickel has been in the range 30–43%. With +/-40% change in USD nickel price, the effect in profit or loss is about EUR 1 million gain for open nickel derivatives, due to used option structures.

Foreign exchange rate risk

A major part of the 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 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 2011 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

	2011				2010			
€ million	SEK	USD	GBP	Other	SEK	USD	GBP	Other
Trade receivables and payables	15	-63	22	18	7	10	22	15
Loans and bank accounts [1]	781	185	-12	-65	833	175	112	-83
Derivatives [2]	-446	-42	-15	63	-463	-79	-139	77
Net exposure	**350**	**79**	**-5**	**16**	378	105	-5	10

Fair value exposures of SEK based companies

	2011				2010			
€ million	EUR	USD	GBP	Other	EUR	USD	GBP	Other
Trade receivables and payables	89	42	-6	17	123	29	-6	16
Loans and bank accounts [1]	3	21	6	4	25	12	1	2
Derivatives [2]	-188	-202	-7	-27	-248	-90	2	-26
Net exposure	**-95**	**-139**	**-7**	**-6**	-101	-49	-4	-9

[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 842 million on 31 December 2011 (2010: EUR 826 million). Some 38% of the total net investment exposure is denominated in Swedish krona, 29% in British pounds and 18% 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 i.e. impact of rate changes on net interest expenses, and fair value risk i.e. 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. This approach typically helps to reduce average interest rate of debt while it may also provide some mitigation against a risk of adverse changes in business environment, which tend to result in quick decrease in short-term interest rates.

Cash flow risk related to financial instruments is reduced with interest rate swaps, where Outokumpu pays fixed rate and receives variable rate. In 2011 Outokumpu entered into some SEK 1.5 billion fixed rate payer swap transactions in order to increase duration of Swedish krona debt. Duration of the euro denominated debt was somewhat reduced by entering into a fixed rate receiver swap transaction.

Swedish krona and euro have substantial contribution to the overall interest rate risk. Approximately 80% 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 2011 was 3.5% (31 Dec 2010: 2.9%). 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 2011				
€ million Currency	Net debt [1)]	Derivatives [2)]	Average rate, %	Duration, year	Rate sensitivity [3)]
EUR	1 633	-768	3.3	2.1	3.1
SEK	381	719	3.8	1.0	5.6
USD	-144	165	5.3	> 10	1.0
Others	-44	-62	1.9	1.4	0.0
	1 826	**54**			**9.7**

	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

[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 exposure 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 and LME warehouse warrants are used to manage 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. Outokumpu manages molybdenum risk with similar type of principles which applied in managing nickel price risk. However, the financial market for molybdenum is far less liquid compared with nickel, which in many cases has led to decision not to use derivatives in managing this particular risk. The underlying exposure to changes in metal prices varies a lot due to the cyclical nature of stainless steel business. Consequently, the amount of nickel derivatives tends to change quite much over time.

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 electrical energy, liquefied petroleum gas, natural gas and other fuels. In 2011 the Group begun hedging propane price risk with derivative contracts. Electricity used by the Nordic production sites is purchased and managed centrally while at other sites electrical energy is purchased locally. Electricity price risk is reduced with fixed price supply contracts, ownerships in energy producing companies 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 2011 the Group had electricity derivatives of 0.2 TWh (31 December 2010: 1.0 TWh). Electricity consumption of the Group’s Nordic production sites was 2.6 TWh (2010: 2.8 TWh).

Security price risk

Outokumpu has investments in equity securities and loan receivables. On 31 December 2011 the biggest investment in equity securities was Talvivaara Sotkamo Ltd. Outokumpu has granted Talvivaara Mining Company Plc. a call option on the shares of Talvivaara Sotkamo Ltd it owns. The option expires as at 31 March 2012. Outokumpu Oyj has a USD 197 million subordinated loan receivable from Luvata Fabrication Oy. This loan agreement was amended in 2011 and in connection with these changes an impairment of EUR 13 million was recorded. The captive insurance company Visenta Försäkrings AB has investments in highly rated and liquid fixed income securities, such as bonds issued by the Governments of Sweden and Germany.

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 cover some 90% 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 on the Group level.

On 31 December 2011 the maximum exposure to credit risk of trade receivables was EUR 654 million (2010: EUR 706 million). Large part of trade receivables is 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. 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 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. Finance plans are prepared and reviewed quarterly with a particular focus on the Group's forecasted cash flows, projected funding requirements in following years and planned funding transactions during the next few quarters. The amount and adequacy of liquidity reserves, the amounts of scheduled annual repayments of long-term debt as well as forecasted gearing levels are key targets and outcomes of the planning. Due to low profitability, high gearing and uncertainties in the European financial markets, the Group's financial flexibility remained limited during the year 2011.

In June 2011, Outokumpu Oyj entered into a three-year EUR 750 million committed revolving credit facility agreement available for general corporate purposes, with options to extend it by one year in June 2012 and June 2013. In addition, Outokumpu entered into EUR 50 million ten-year pension loan agreement; an eight-year EUR 66 million sales and lease back agreement; a seven-year EUR 75 million term loan agreement having annual instalments starting from 2013; and a three-year EUR 50 million committed revolving credit facility. The domestic commercial paper programme was used actively during the year and EUR 495 million was used on 31 December 2011.The scope a sale of receivables program was increased during the year to include units of Outokumpu Stainless AB, in addition to Outokumpu Stainless Oy. The Group also assisted a key supplier to agree forfaiting of receivables from Outokumpu, which helped to extend payment terms and to reduce net working capital.

The main funding programmes and standby credit facilities include a Finnish Commercial Paper Program totalling EUR 800 million, a committed revolving credit facility of EUR 750 million, a committed revolving credit facility of EUR 100 million, a committed revolving credit facility of EUR 50 million and two committed revolving credit facilities totalling of SEK 2 933 million. More information on liquidity and refinancing risk is presented in the following table.

Contractual cash flows

2011 € million	Balance 31 Dec	2012	2013	2014	2015	2016	2017–
Bonds	400	150	-	-	250	-	-
Loans from financial institutions	875	304	90	158	155	69	98
Pension loans	213	33	37	27	27	23	66
Finance lease liabilities	168	12	12	19	28	9	87
Commercial papers	495	495	-	-	-	-	-
Trade payables	568	527	40	-	-	-	-
Other liabilities	9	3	0	-	6	-	-
Interest payments and facility charges	17	65	50	44	31	14	17
Interest rate derivatives	53	27	3	16	0	0	-
Other derivative financial instruments	-9	-4	-7	0	-	-	-
		1 612	**225**	**264**	**497**	**115**	**268**

On 31 December 2011 the Group had cash and cash equivalent marketable securities amounting to EUR 168 million and committed and available credit facilities, available and undrawn TyEL pension loans in Finland, and other agreed and undrawn loans totalling EUR 1 168 million.

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.

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 but as at 31 December 2011 the new Revolving Credit Facility as well as some other loan facilities and term loans included a covenant which requires Outokumpu to maintain a level of gearing that is equal to or lower than 115% prior to and including 30 June 2013 and a level of gearing that is equal or lower than 95% following 30 June 2013.

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 2011 net interest-bearing debt was EUR 1 720 million (2010: EUR 1 837 million), total equity EUR 2 084 million (2010: EUR 2 376 million) and debt-to-equity ratio 82.5% (2010: 77.3%). The increase in debt-to-equity ratio during 2011 resulted primarily from impairments on assets.

Insurances

Outokumpu's business is capital intensive and key production processes are rather tightly integrated and have other interdependencies, 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 25 million. Visenta underwrites e.g. property and business interruption insurance policies for Group companies.

20. Fair values and nominal amounts of derivative instruments

	2011			2010	**2011**	2010
€ million	Positive fair value	Negative fair value	Net fair value	Net fair value	Nominal amounts	Nominal amounts
Currency and interest rate derivatives						
Currency forwards	**32**	**22**	**10**	18	**1 605**	2 032
Interest rate swaps	**4**	**15**	**-11**	-2	**335**	107
Cross-currency swaps	**-**	**38**	**-38**	-37	**229**	228
Currency options, bought	**0**	**-**	**0**	-	**10**	-
Currency options, sold	**-**	**0**	**-0**	-	**10**	-
Interest options, bought	**0**	**-**	**0**	1	**190**	89
Interest options, sold	**-**	**3**	**-3**	-2	**90**	89
					Tonnes	Tonnes
Metal derivatives						
Nickel options, bought	**0**	**-**	**0**	1	**1 200**	3 120
Nickel options, sold	**-**	**0**	**-0**	-3	**900**	3 120
Forward and futures nickel contracts	**-**	**1**	**-1**	-1	**750**	852
Forward and futures molybdenum contracts	**-**	**0**	**-0**	-0	**60**	100
Forward and futures copper contracts	**0**	**0**	**0**	-1	**2 375**	2 325
Forward and futures zinc contracts	**0**	**0**	**0**	0	**825**	1 425
Emission allowance derivatives	**0**	**1**	**-0**	0	**226 000**	353 000
Fuel derivatives	**-**	**0**	**-0**	-	**5 000**	-
					TWh	TWh
Electricity derivatives	**1**	**2**	**-1**	2	**0.2**	1.0
Granted share options	**-**	**0**	**-0**	-		
Total derivatives	**38**	**82**	**-44**	-23		

Less long-term derivatives				
Currency forwards	**7**	**-**	**7**	15
Interest rate swaps	**4**	**15**	**-11**	-2
Cross currency swaps	**-**	**16**	**-16**	-37
Interest options, bought	**0**	**-**	**0**	1
Interest options, sold	**-**	**3**	**-3**	-1
Emission allowance derivatives	**0**	**1**	**-1**	0
Electricity derivatives	**0**	**2**	**-2**	1
Short-term derivatives	**26**	**46**	**-20**	0

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

Hedge accounted electricity derivatives

	2011			2010		
€ million	Nominal amount, TWh	Fair value	Other compre-hensive income	Nominal amount, TWh	Fair value	Other compre-hensive income
Remaining maturity < 1 year	**0.1**	**-1**	**-1**	0.0	1	1
Remaining maturity 1–2 years	**-**	**-**	**-**	0.2	1	1
	0.1	**-1**	**-1**	0.2	2	2

Forecasted 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 (2011: EUR - million, 2010: EUR - million) of hedges is recognised in other operating income and expenses.

Hedge accounted cash flow hedges

	2011			2010		
	Nominal amount, SEK million	Fair value, € million	Other compre-hensive income, € million	Nominal amount, SEK million	Fair value, € million	Other compre-hensive income, € million
Maturity < 1 year	**391**	**2**	**2**	284	2	1
Maturity 1–5 years	**1 562**	**10**	**7**	1 555	8	6
Maturity 5–10 years	**1 171**	**8**	**5**	1 595	8	6
	3 124	**20**	**14**	3 434	18	13

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 2012–2013) than the underlying cash flows of electricity purchases. The derivatives will be prolonged later to mature at the same period as the underlying cash flows. The effective portion of hedges is recognised in other comprehensive income net of tax and will be recognised in income as adjustment to purchases at the same period as the underlying hedged cash flows affect income. During 2011 effective portion of EUR 2 million gain was recognised in income as adjustment to purchases (2010: EUR - million). The ineffective portion of the hedges, gain of EUR 4 million, (2010: loss of EUR 8 million) is recognised in other operating income and expenses.

21. Inventories

€ million	**2011**	2010
Raw materials and consumables	**299**	328
Work in progress	**443**	527
Finished goods and merchandise	**541**	606
Net realisable value reserve	**-20**	-13
Advance payments	**0**	0
	1 264	1 448

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 future 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	**2011**	2010
Non-current		
Interest-bearing		
Loans receivable	**162**	160
Non interest-bearing		
Trade receivables	**0**	0
Defined benefit pension assets	**55**	51
Other receivables	**6**	4
	61	55
Current		
Interest-bearing		
Loans receivable	**2**	8
Accrued interest income	**0**	0
	2	8
Non interest-bearing		
Trade receivables	**654**	706
VAT receivable	**49**	29
Income tax receivable	**9**	18
Prepaid insurance expenses	**7**	7
Grants and subsidies receivable	**1**	1
Other accruals	**18**	20
Other receivables	**24**	3
	761	785
Allowance for impairment of trade receivables		
Allowance on 1 Jan	**10**	13
Additions	**2**	2
Deductions	**-2**	-4
Recovery of doubtful receivables	**-0**	-2
Allowance on 31 Dec	**10**	10

Age analysis of trade receivables		
Neither impaired, nor past due	**566**	632
Past due 1–30 days	**67**	53
Past due 31–60 days	**13**	14
More than 60 days	**7**	7
	654	706

The maximum exposure to credit risk at the reporting date is the carrying amount of the loan and trade receivables. Most of the outstanding trade receivables have been secured by credit insurance policies, which typically covers some 90% of an insured credit loss. Risks related to trade receivables are presented in more detail in Note 19. Financial risk management, capital management and insurances.

23. Cash and cash equivalents

€ million	**2011**	2010
Cash at bank and in hand	**159**	139
Short term bank deposits	**2**	2
Cash equivalent marketable securities	**7**	9
	168	150
Bank overdrafts [1)]	**-2**	-18
	166	132

[1)] Presented in current interest-bearing debt in the statement of financial position.

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 2011 was 1.0% (31 Dec 2010: 0.8%).

24. Equity

Share capital and premium fund

€ million	Number of shares, 1 000	Share capital	Premium fund	Total
On 1 Jan 2010	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
Shares subscribed with 2003C option rights	41	0	0	0
On 31 Dec 2011	**181 978**	**311**	**714**	**1 025**
Treasury shares	1 041			
Total number of shares on 31 Dec 2011	**183 019**			

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 2011 nor in 2010.

Fair value reserves

€ million	**2011**	2010
Available-for-sale financial assets reserve	**6**	83
Cash flow hedge reserve	**13**	15
Reserve of other comprehensive income in associated companies	**-**	2
	19	100

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	**2011**	2010
Reserve fund	**4**	4
Other reserves	**3**	3
	7	7

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 2011 the distributable funds of the parent company totalled EUR 747 million.

Dividend per share

The dividend per share in 2012 will be decided at the Annual General Meeting on 14 March 2012.

	2012 [1)]	2011	2010
Dividend per share, €	-	0.25	0.35
Total dividends, € million	-	45	64

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

25. Employee benefit obligations

Outokumpu has established several defined benefit and defined contribution plans in various countries. The most significant defined benefit plans are in the UK and in Germany.

The employee benefit obligation disclosure has been changed from the previous year. Post-employment medical plans in the US previously classified as other long-term employee benefits have now been reported as defined benefit plans. The 2010 comparison data has been restated accordingly. As a result, other long-term employee benefits mainly relate to long-service remunerations in Finland. In Finland the employees are entitled to receive a one time indemnity every fifth year after 20 years of service.

A post-employment medical plan in the US has been curtailed resulting in a release of obligation of EUR 4 million, which has been recorded as an additional gain in 2011. In the UK, a curtailment loss of EUR 6 million resulting from redundancies has been booked as an additional expense in 2011. Futhermore, minor gains and losses on curtailments and settlements were recorded in various plans. In 2010 a defined benefit plan for salaried employees in the US had been changed to a defined contribution plan, and an additional expense of EUR 7 million had been recorded in 2010 as a result.

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.

Post-employment and other long-term employee benefits

Amounts recognised in the consolidated statement of income

€ million	**2011**	2010
Defined benefit plans	**-9**	-17
Defined contribution plans	**-54**	-54
Other long-term employee benefits	**-0**	0
	-62	-71

Defined benefit cost by function

€ million	**2011**	2010
Cost of sales	**1**	-7
Selling and marketing expenses	**-6**	-3
Administrative expenses	**-4**	-7
	-9	-17

Defined benefit cost

€ million	2011	2010
Current service cost	**-5**	-5
Interest cost	**-21**	-23
Expected return on plan assets	**21**	22
Recognised net actuarial gains (+) and losses (-)	**-1**	-4
Past service cost	**1**	0
Gains (+) and losses (-) on curtailments and settlements	**-3**	-7
	-9	-17
Actual return on plan assets	**25**	29

Amounts recognised in the consolidated statement of financial position

€ million	2011	2010
Present value of funded defined benefit obligations	**363**	346
Present value of unfunded defined benefit obligations	**64**	64
Fair value of plan assets	**-379**	-354
Unrecognised actuarial gains (+) and losses (-)	**-49**	-51
Unrecognised past service cost	**1**	1
Net liability (+) / Net asset (-)	**0**	6
Net liability (+) of other long-term employee benefits	**7**	9

€ million	2011	2010
Defined benefit and other long-term employee benefit liabilities	**62**	66
Defined benefit pension assets	**-55**	-51
Net liability (+) / Net asset (-)	**7**	15

Change in defined benefit obligations [1)]

€ million	2011	2010
Defined benefits obligation on 1 Jan	**411**	408
Translation differences	**11**	14
Current service cost	**5**	5
Interest cost	**21**	23
Actuarial gains (-) and losses (+)	**9**	-6
Employee contributions	**1**	1
Past service cost	**-1**	-
Curtailments and settlements	**-17**	-16
Benefits paid	**-16**	-18
Other change	**3**	-
Defined benefits obligation on 31 Dec	**427**	411

Change in plan assets [1)]

€ million	2011	2010
Fair value of plan assets on 1 Jan	**354**	334
Translation differences	**11**	10
Expected return on plan assets	**21**	22
Actuarial gains (+) and losses (-)	**4**	8
Employer contributions	**14**	13
Employee contributions	**1**	1
Curtailments and settlements	**-12**	-15
Benefits paid by the plans	**-16**	-18
Other change	**3**	-
Fair value of plan assets on 31 Dec	**379**	354

The expected contributions to be paid to the plans in 2012 are EUR 6 million.

Historical information [1)]

€ million	2011	2010	2009	2008	2007
Present value of the defined benefit obligations	**427**	410	407	332	417
Fair value of plan assets	**-379**	-354	-334	-288	-398
Deficit in the plan	**48**	56	73	44	20
Experience adjustments [2)]					
Actuarial gain (+) and loss (-) on obligation	**-7**	16	-3	8	12
Actuarial gain (+) and loss (-) on plan assets	**4**	6	15	-55	-20

Allocation of plan assets [2)]

%	2011	2010
Equity securities	**32**	37
Debt securities	**1**	1
Real estate	**3**	3
Bonds	**54**	49
Other (insured plans)	**10**	10
	100	100

[1)] Reported only for defined benefit plans. Previously both defined benefit plans and other long-term employee benefits were included. Comparison data has been restated accordingly.

[2)] Historical experience adjustment information and 2010 allocation of plan assets have been updated regarding information on plans that had not been included earlier.

Principal actuarial assumptions

	Discount rate		Future salary increase		Inflation rate		Future benefit increase		Expected return on plan assets		Medical cost trend rate	
%	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
The US	**4.68**	5.50	**2.00**	3.50	**-**	-	**-**	-	**7.00**	7.50	**6.70**	7.20
Finland	**4.75**	4.25	**3.70**	3.50	**2.00**	2.00	**2.00**	2.10	**4.75**	4.25	**-**	-
The UK	**4.75**	5.45	**4.25**	4.90	**3.00**	3.65	**2.90**	3.55	**4.75**	6.06	**-**	-
Germany	**4.75**	4.25	**3.00**	3.00	**2.00**	2.00	**2.00**	2.50	**-**	-	**-**	-
Italy	**4.75**	4.50	**-**	-	**2.00**	2.00	**-**	-	**-**	-	**-**	-
Sweden	**2.30**	4.00	**-**	3.50	**1.50**	2.00	**1.50**	2.00	**-**	-	**-**	-
Austria	**4.25**	4.25	**2.50**	2.50	**2.00**	2.00	**-**	-	**-**	-	**-**	-
The Netherlands	**4.50**	5.00	**-**	-	**2.00**	1.90	**0.00**	-	**4.50**	5.00	**-**	-

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	Total
Provisions on 1 Jan 2011	12	18	10	40
Translation differences	0	0	0	0
Increases in provisions	45	2	2	49
Utilised during the financial year	-14	-3	-2	-18
Unused amounts reversed	-4	-1	-2	-7
Provisions on 31 Dec 2011	**39**	**16**	**8**	**64**

€ million	**2011**	2010
Non-current provisions	**22**	21
Current provisions	**42**	19
	64	40

Provisions are based on management's best estimates at the end of the reporting period. The increase in restructuring provisions relates to the group-wide restructuring measures as announced in April and October, 2011 and they are mainly current. Previous restructuring provisions in the UK relating to the closures of Coil Products Sheffield and Sheffield Special Strip 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.

Majority of the environmental provisions are for closing costs of landfill areas and removal of problem waste in facilities in Finland and in the UK. The outflow of economic benefits related to environmental 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 these provisions.

Other provisions comprise mainly provisions for litigations and claims. These are mainly current provisions.

27. Interest-bearing liabilities

€ million	**2011**	2010
Non-current		
Bonds	**250**	399
Loans from financial institutions	**570**	818
Pension loans	**180**	163
Finance lease liabilities	**156**	98
Other long-term liabilities	**6**	10
	1 161	1 488
Current		
Bonds	**150**	75
Loans from financial institutions	**304**	207
Pension loans	**33**	40
Finance lease liabilities	**12**	8
Commercial paper	**495**	601
Other current liabilities	**3**	0
	998	930

Part of the loans include a financial covenant.

Bonds

€ million	Interest rate, %	Notional amount	**2011**	2010
Fixed interest rate				
2004–2011	5.000	75	**-**	75
2010–2015	5.125	250	**250**	249
Floating interest rate				
2007–2012	1.860	150	**150**	150
			400	474

Finance lease liabilities

Minimum lease payments

€ million	**2011**	2010
Not later than 1 year	**18**	10
Between 1 and 5 years	**59**	37
Later than 5 years	**119**	73
Future finance charges	**-28**	-15
Present value of minimum lease payments	**168**	106

Present value of minimum lease payments

€ million	**2011**	2010
Not later than 1 year	**13**	8
Between 1 and 5 years	**42**	28
Later than 5 years	**113**	70
Present value of minimum lease payments	**168**	106

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 6 million (2010: EUR 7 million).

28. Trade and other payables

€ million	**2011**	2010
Non-current		
Non interest-bearing		
Trade payables	**40**	-
Other payables	**5**	3
	45	3
Current		
Interest-bearing		
Accrued interest expenses	**17**	16
Non interest-bearing		
Trade payables	**527**	395
Accrued employee-related expenses	**81**	81
VAT payable	**17**	10
Withholding tax and social security liabilities	**8**	12
Advances received	**7**	4
Other accruals	**44**	31
Other payables	**11**	12
	694	545

29. Commitments and contingent liabilities

	Group		Parent company	
€ million	**2011**	2010	**2011**	2010
Mortgages and pledges on 31 Dec				
Mortgages on land	**247**	209	**-**	-
Other pledges	**9**	12	**-**	-
Guarantees on 31 Dec				
On behalf of subsidiaries				
For financing	**-**	-	**225**	107
For commercial and other guarantees	**34**	37	**34**	37
On behalf of associated companies				
For financing	**0**	1	**-**	1
Other commitments	**38**	45	**38**	45

The Group has pledged real estate mortgages created in the Tornio production plant for a value of EUR 228 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 2011 amounted to approximately EUR 92 million (2010: EUR 109 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 2011 amounted to approximately EUR 37 million (2010: EUR 43 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	**2011**	2010
Not later than 1 year	**11**	11
Between 1 and 5 years	**28**	29
Later than 5 years	**37**	39
	76	79

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 169 million on 31 December 2011 (31 Dec 2010: EUR 125 million).

Outokumpu has through Voimaosakeyhtiö SF approximately 10% ownership in nuclear power company Fennovoima Oy. Outokumpu is liable for Fennovoima's operating costs in share of its ownership.

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. In October 2011 the High Court of Justice has rendered its decision and rejected the applications to contest jurisdiction. All the defendants have filed applications for permission to appeal this judgment in the Court of Appeal. Court of Appeal's decision is expected in early 2012.

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 nevertheless proceeded to court as charges were 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, also presented a claim for the forfeiture of the funds subject to money laundering, which claim however, was dropped by the prosecutor during the court proceedings. Kymenlaakso District Court dismissed the rest of the claims and ordered the Finnish State to pay a total of EUR 1.2 million in compensation for legal costs in its judgment handed down on 22 June 2011. In August 2011 the State Prosecutor appealed against the District Court judgment with respect to Outokumpu and three of the charged employees as well as the order to compensate for legal costs against all defendants. The legal proceedings in Kouvola Court of Appeal are scheduled to begin in February 2012. 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.

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 mainly 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 13. Investments in associated companies. Subsidiaries are presented in Note 32. Subsidiaries on 31 December 2011.

Transactions and balances with associated companies

€ million	**2011**	2010
Sales	**0**	0
Purchases	**-5**	-3
Interest income	**0**	0
Current receivables	**0**	7
Current liabilities	**-**	0
Loans receivable on 1 Jan	**7**	11
Repayments	**-7**	-
Other movement	**0**	-4
Loans receivable on 31 Dec	**-**	7

Other related party items

On 31 December 2011 the related party transactions included also a purchase price receivable of EUR 2 million. The receivable relates to the sale of 36% of the Outokumpu Stainless Tubular Products (OSTP) business on 30 September 2011 to Tubinoxia, a company controlled by the managing director of OSTP.

Employee benefits for key management

€ thousand	**2011**				2010			
	Salaries and other short-term benefits	Bonuses	Share-based payments and options	Total	Salaries and other short-term benefits	Bonuses	Share-based payments and options	Total
Board of Directors								
Chairman	**10**	**-**	**80**	**90**	23	-	70	93
Deputy Chairman	**8**	**-**	**46**	**54**	14	-	43	57
Other members	**71**	**-**	**180**	**251**	95	-	204	299
Executive Committee								
CEO Seitovirta	**452**	**-**	**-**	**452**	-	-	-	-
CEO Rantanen	**2 323**	**150**	**-**	**2 473**	767	166	7	939
Deputy CEO	**339**	**68**	**-**	**406**	383	83	79	545
Other members	**2 136**	**247**	**-**	**2 383**	1 612	320	41	1 972

There were no outstanding loans receivable from key management on 31 December 2011 (31 Dec 2010: EUR - million). More information on key management's employee benefits can be found on the page Remuneration.

32. Subsidiaries on 31 December 2011

		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
OSTP Holding Oy	2)	Finland	64
OSTP Italy S.r.l.	2)	Italy	64
Outokumpu Armetal Stainless Pipe Co. Ltd.	1)	Saudi Arabia	33
Outokumpu Industriunderhåll AB		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	1)	Estonia	64
Outokumpu Stainless Tubular Products AB	1)	Sweden	64
Outokumpu Stainless Tubular Products Ltd.	1)	Canada	64
Outokumpu Stainless Tubular Products Oy Ab	1)	Finland	64
Polarit Welding, Inc.		The US	100
Rullformningscentrum i Fagersta AB	1)	Sweden	51
SH-Trade Oy	1)	Finland	64
AB Örnsköldsviks Mekaniska Verkstad	1)	Sweden	64

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
LDM B.V.		The Netherlands	100
LDM Nonferro GmbH		Germany	100
Orijärvi Oy	*)	Finland	100
Outokumpu Copper Brass SA		France	100
Outokumpu Copper Fabrication AB	*)	Sweden	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
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 Thailand

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) Ownership change

2) Established company

*) Shares and stock held by the parent company

33. Events after the end of the reporting period

On 31 January 2012, the Board of Directors of Outokumpu approved the proposed combination of Outokumpu and Inoxum, the stainless steel unit of ThyssenKrupp AG. Based on Outokumpu's share price of 7.36 euros per share as of close on 30 January 2012, the transaction valued Inoxum at an enterprise value of EUR 2.7 billion. The consideration for Inoxum will comprise a cash payment of EUR 1 billion, new Outokumpu shares issued to ThyssenKrupp, a loan note of EUR 235 million to be issued to ThyssenKrupp and the assumption by Outokumpu of certain liabilities of Inoxum of EUR 422 million. In connection with the transaction, Outokumpu will conduct a rights issue of EUR 1 billion to fund the cash payment payable by Outokumpu in connection with the transaction.

The transaction has been approved by the Board of Directors of Outokumpu and the Supervisory Board of ThyssenKrupp, and is expected to be completed during 2012. The completion of the transaction is subject to certain closing conditions, including regulatory approvals. In addition, shareholders of Outokumpu will have to authorise the Board of Directors of Outokumpu to issue new shares in the rights issue and, at closing of the transaction, in the directed issue to ThyssenKrupp.

Key financial figures of the Group

		2011	2010	2009 [4)]	2008 [4)]	2007 [4)]
Scope of activity						
Sales	€ million	**5 009**	4 229	2 641	5 533	7 003
- change in sales	%	**18.4**	60.1	-52.3	-21.0	12.1
- exports from and sales outside Finland, of total sales	%	**95.7**	94.3	94.6	95.6	95.2
Capital employed on 31 Dec	€ million	**3 804**	4 213	3 642	3 880	4 140
Operating capital on 31 Dec	€ million	**3 779**	4 273	3 701	4 060	4 356
Capital expenditure	€ million	**255**	161	248	547	191
- in relation to sales	%	**5.1**	3.8	9.4	9.9	2.7
Depreciation and amortisation	€ million	**235**	235	214	206	204
Impairments	€ million	**106**	20	15	8	-2
Research and development costs	€ million	**21**	22	19	20	18
- in relation to sales	%	**0.4**	0.5	0.7	0.4	0.3
Personnel on 31 Dec [1)]		**8 253**	8 431	7 754	8 628	8 270
- average for the year		**8 651**	8 475	8 091	8 717	8 433
Profitability						
Operating profit	€ million	**-260**	-83	-441	-68	591
- in relation to sales	%	**-5.2**	-2.0	-16.7	-1.2	8.4
EBITDA	€ million	**80**	172	-212	147	793
Share of results of associated companies	€ million	**-5**	-10	-13	-4	4
Profit before taxes	€ million	**-253**	-143	-479	-141	800
- in relation to sales	%	**-5.1**	-3.4	-18.1	-2.6	11.4
Net profit for the financial year	€ million	**-186**	-124	-336	-189	641
- in relation to sales	%	**-3.7**	-2.9	-12.7	-3.4	9.2

Return on equity	%	**-8.3**	-5.1	-12.8	-6.2	20.0
Return on capital employed	%	**-6.5**	-2.1	-11.7	-1.7	13.9
Return on operating capital	%	**-6.5**	-2.1	-11.4	-1.6	13.2

Financing and financial position

Liabilities	€ million	**3 163**	3 258	2 399	2 547	2 531
Net interest-bearing debt	€ million	**1 720**	1 837	1 191	1 085	803
- in relation to sales	%	**34.3**	43.4	45.1	19.6	11.5
Net financial expenses	€ million	**-12**	50	25	69	-205
- in relation to sales	%	**-0.2**	1.2	0.9	1.3	-2.9
Net interest expenses	€ million	**64**	38	22	55	58
- in relation to sales	%	**1.3**	0.9	0.8	1.0	0.8
Interest cover		**-3.0**	-2.8	-21.2	-1.6	14.7
Share capital	€ million	**311**	311	309	308	308
Other equity	€ million	**1 773**	2 065	2 142	2 486	3 029
Equity-to-assets ratio	%	**39.8**	42.2	50.6	52.4	56.5
Debt-to-equity ratio	%	**82.5**	77.3	48.6	38.8	24.1
Net cash generated from operating activities [2)	€ million	**338**	-497	201	662	671
Dividends	€ million	**-** [3)	45	64	90	216

[1) Personnel reported as headcount. Years 2007–2009 reported as full-time equivalent.

[2) Cash flows for years 2007 and 2008 presented for continuing operations.

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

[4) Years 2007–2009 restated in 2010 regarding the reclassification of Brass operations.

Quarterly information

Sales and operating profit [1)]

€ million	I/10	II/10	III/10	IV/10	2010	I/11	II/11	III/11	IV/11	2011
Sales										
General Stainless [*)]	771	983	878	951	3 582	**1 172**	**1 072**	**954**	**856**	**4 053**
of which intersegment sales [*)]	136	212	188	161	697	**241**	**246**	**170**	**146**	**804**
Specialty Stainless [*)]	362	456	394	468	1 679	**558**	**564**	**495**	**465**	**2 081**
of which intersegment sales [*)]	105	132	102	132	471	**149**	**146**	**105**	**104**	**504**
Other operations [**)]	102	100	99	99	401	**105**	**110**	**130**	**126**	**471**
of which intersegment sales	65	70	67	62	265	**72**	**73**	**72**	**71**	**288**
Intra-group sales [*)]	-306	-415	-357	-355	-1 433	**-463**	**-465**	**-348**	**-321**	**-1 596**
Total sales [**)]	929	1 125	1 014	1 162	4 229	**1 371**	**1 281**	**1 231**	**1 125**	**5 009**
Operating profit										
General Stainless [*)]	-5	74	-56	-11	1	**38**	**-82**	**-30**	**-55**	**-128**
Specialty Stainless [*)]	-18	23	-11	-57	-63	**-2**	**-71**	**-41**	**-25**	**-140**
Other operations [**)]	2	-14	10	-13	-15	**-2**	**-20**	**17**	**7**	**3**
Intra-group items [*)]	-0	-10	8	-4	-7	**-1**	**4**	**1**	**1**	**4**
Total operating profit [**)]	-21	72	-49	-85	-83	**33**	**-169**	**-53**	**-71**	**-260**

Non-recurring items in operating profit [1)]

	I/10	II/10	III/10	IV/10	2010	I/11	II/11	III/11	IV/11	2011
General Stainless										
Kloster impairment	-	-	-	-	-	**-**	**-60**	**-**	**-**	**-60**
Redundancy provisions	-	-	-	-	-	**-**	**-8**	**-**	**-15**	**-23**
Specialty Stainless										
OSTP impairment and redundancy provision	-	-	-	-	-	**-**	**-65**	**-**	**-5**	**-71**
Redundancy provisions	-	-	-	-	-	**-**	**-1**	**-**	**-13**	**-14**
Write-down of expansion project in Avesta	-	-	-	-17	-17	**-**	**-**	**-**	**-**	**-**
Other operations										
Gain on the sale of Forrestania resources royalty rights	-	-	-	-	-	**-**	**-**	**-**	**23**	**23**
Redundancy provisions	-	-	-	-	-	**-**	**-3**	**-**	**-3**	**-6**
	-	-	-	-17	-17	**-**	**-138**	**-**	**-13**	**-151**

€ million	I/10	II/10	III/10	IV/10	2010	**I/11**	**II/11**	**III/11**	**IV/11**	**2011**
Non-recurring items in financial income and expenses [1]										
Gain on the sale and fair valuation of Talvivaara shares	-	-	-	-	-	**-**	**206**	**-**	**-**	**206**
Gain on the sale of Tibnor shares	-	-	-	-	-	**-**	**36**	**-**	**-**	**36**
Impairment of Luvata loan receivable	-	-	-	-	-	**-**	**-13**	**-**	**-**	**-13**
Loss from the sale of Nordic Brass Gusum shares	-	-	-	-	-	**-**	**-**	**-**	**-13**	**-13**
Gain on the sale of Okmetic shares	-	-	-	9	9	**-**	**-**	**-**	**-**	**-**
	-	-	-	9	9	**-**	**229**	**-**	**-13**	**216**
Operating capital at the end of the period [1]										
General Stainless [*]	2 583	2 824	2 924	2 863	2 863	**2 932**	**2 847**	**2 684**	**2 569**	**2 569**
Specialty Stainless [*]	1 009	1 139	1 141	1 176	1 176	**1 149**	**1 121**	**995**	**982**	**982**

Deliveries of main products [2]

1 000 tonnes	I/10	II/10	III/10	IV/10	2010	**I/11**	**II/11**	**III/11**	**IV/11**	**2011**
General Stainless										
Cold rolled [*]	156	165	155	158	634	**186**	**162**	**172**	**159**	**678**
White hot strip	81	72	63	75	291	**79**	**74**	**67**	**63**	**283**
Semi-finished products	70	76	67	56	268	**88**	**93**	**66**	**65**	**311**
Total deliveries of the division [*]	307	313	284	289	1 193	**354**	**328**	**304**	**286**	**1 272**
Specialty Stainless										
Cold rolled [*]	28	29	20	29	106	**29**	**31**	**26**	**29**	**116**
White hot strip	37	40	32	39	148	**45**	**43**	**40**	**41**	**168**
Quarto plate	21	22	21	22	87	**30**	**29**	**26**	**25**	**110**
Tubular products	12	12	10	10	43	**12**	**11**	**10**	**9**	**42**
Long products	13	14	14	14	55	**18**	**14**	**14**	**12**	**57**
Total deliveries of the division [*]	111	117	98	114	440	**133**	**129**	**117**	**116**	**495**

[1] Full year figures are audited.

[2] Figures are not audited.

[*] Kloster operations, in 2010 under Specialty Stainless, are now reported under General Stainless. Comparative figures restated.

[**] Quarters I–III in 2010 have been restated regarding the reclassification of Brass operations.

Share-related key figures

		2011	2010	2009	2008	2007
Earnings per share	€	**-0.99**	-0.68	-1.86	-1.05	3.52
Cash flow per share	€	**1.86**	-2.74	1.11	3.64	3.74
Equity per share	€	**11.38**	13.05	13.54	15.50	18.53
Dividend per share	€	**-** [1]	0.25	0.35	0.50	1.20
Dividend payout ratio	%	**0.0**	neg.	neg.	neg.	33.9
Dividend yield	%	**0.0**	1.8	2.6	6.0	5.7
Price/earnings ratio		**neg.**	neg.	neg.	neg.	6.0
Development of share price						
Average trading price	€	**8.61**	13.84	11.49	18.99	24.94
Lowest trading price	€	**4.60**	12.03	7.72	6.33	18.48
Highest trading price	€	**14.57**	17.88	15.67	33.99	31.65
Trading price at the end of the period	€	**5.08**	13.88	13.26	8.28	21.21
Change during the period	%	**-63.4**	4.7	60.1	-61.0	-28.5
Change in the OMXH index during the period	%	**-30.1**	18.7	19.5	-53.4	20.5
Market capitalisation at the end of the period	€ million	**930**	2 540	2 413	1 502	3 846
Development in trading volume						
Trading volume [2]	1 000 shares	**337 942**	331 397	355 102	511 080	516 489
In relation to weighted average number of shares	%	**185.7**	182.3	196.4	283.6	285.5
Adjusted average number of shares [3]		**181 970 316**	181 751 107	180 825 569	180 184 845	180 922 336
Number of shares at the end of the period [3]		**181 977 861**	181 937 361	180 969 654	180 233 280	180 103 193

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

[2] Includes only NASDAQ OMX Helsinki trading.

[3] Excluding treasury shares.

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)

Underlying operational result = Operating profit excluding raw material-related inventory and non-recurring items

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

Dividend per share $= \dfrac{\text{Dividend for the financial year}}{\text{Adjusted number of shares at the end of the period}}$

Dividend payout ratio $= \dfrac{\text{Dividend for the financial year}}{\text{Net profit for the financial year attributable to the equity holders}} \times 100$

Dividend yield $= \dfrac{\text{Dividend per share}}{\text{Adjusted trading price at the end of the period}} \times 100$

Price/earnings ratio (P/E) $= \dfrac{\text{Adjusted trading price at the end of the period}}{\text{Earnings per share}}$

Average trading price $= \dfrac{\text{EUR amount traded during the period}}{\text{Adjusted number of shares traded during the period}}$

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

PARENT COMPANY FINANCIAL STATEMENTS, FAS

Income statement of the parent company

€ million	**2011**	2010
Sales	**366**	320
Cost of sales	**-275**	-230
Gross margin	**91**	90
Other operating income	**10**	70
Selling and marketing expenses	**-59**	-58
Administrative expenses	**-68**	-58
Research and development expenses	**-2**	-2
Other operating expenses	**-8**	-11
Operating profit	**-37**	31
Financial income and expenses	**-49**	32
Profit before extraordinary items	**-86**	63
Extraordinary items	**30**	0
Profit before appropriations and taxes	**-56**	64
Appropriations		
Change in depreciation difference	**-0**	-0
Income taxes	**-1**	-0
Profit for the financial year	**-57**	63

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	**2011**	2010
ASSETS		
Non-current assets		
Intangible assets	**44**	55
Property, plant and equipment	**14**	16
Financial assets		
Shares in Group companies	**2 722**	3 370
Loan receivables from Group companies	**712**	718
Shares in associated companies	**18**	18
Other shares and holdings	**15**	19
Other financial assets	**164**	167
	3 631	4 292
Total non-current assets	**3 689**	4 363
Current assets		
Current receivables		
Interest-bearing	**590**	586
Non interest-bearing	**140**	152
	730	738
Cash and cash equivalents	**107**	81
Total current assets	**837**	818
TOTAL ASSETS	**4 526**	5 181

€ million	2011	2010
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	**311**	311
Premium fund	**720**	720
Retained earnings	**804**	786
Profit for the financial year	**-57**	63
	1 779	1 881
Untaxed reserves		
Accumulated depreciation difference	**1**	1
Liabilities		
Non-current liabilities		
Interest-bearing	**969**	1 399
Non interest-bearing	**1**	1
	970	1 400
Current liabilities		
Interest-bearing	**1 630**	1 775
Non interest-bearing	**146**	125
	1 776	1 900
Total liabilities	**2 746**	3 300
TOTAL EQUITY AND LIABILITIES	**4 526**	5 181

Cash flow statement of the parent company

€ million	**2011**	2010
Cash flow from operating activities		
Profit for the financial year	**-57**	63
Adjustments for		
Taxes	**1**	0
Depreciation and amortisation	**13**	13
Impairments	**20**	10
Profit and loss on sale of intangible assets, property, plant and equipment	**7**	-0
Interest income	**-55**	-42
Dividend income	**-16**	-57
Interest expenses	**81**	57
Change in provisions	**-1**	-1
Group contributions	**-30**	-0
Exchange gains and losses	**-1**	30
Other adjustments	**3**	-2
	22	9
Change in working capital		
Change in trade and other receivables	**35**	-71
Change in trade and other payables	**11**	10
	46	-60
Dividends received	**16**	57
Interest received	**44**	28
Interest paid	**-82**	-50
Income taxes paid	**-1**	-1
	-23	34
Net cash from operating activities	**-12**	46

Cash flow from investing activities		
Acquisition of subsidiaries and other shares and holdings	**-11**	-2
Purchases of property, plant and equipment	**-1**	-4
Purchases of intangible assets	**-5**	-21
Proceeds from disposal of subsidiaries and other disposals	**2**	0
Capital recovery from subsidiaries	**652**	-
Proceeds from disposal of other shares and holdings	**1**	12
Disposals of property, plant and equipment	**0**	-
Disposals of intangible assets	**3**	9
Change in loan receivables	**18**	-230
Net cash from investing activities	**659**	-235
Cash flow before financing activities	**647**	-189
Cash flow from financing activities		
Borrowings of long-term debt	**123**	626
Repayments of long-term debt	**-366**	-96
Change in current debt	**-329**	137
Dividends paid	**-45**	-64
Cash flow from group contributions	**0**	0
Shares subscribed with options	**0**	10
Other financing cash flow	**-4**	-408
Net cash from financing activities	**-621**	205
Net change in cash and cash equivalents	**26**	16
Net change in cash and cash equivalents in the balance sheet	**26**	16

Statement of changes in equity of the parent company

€ million	Share capital	Premium fund	Retained earnings	Total equity
Equity on 1 Jan 2010	**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**
Profit for the financial year	-	-	-57	-57
Dividends	-	-	-45	-45
Shares subscribed with options	0	0	-	0
Equity on 31 Dec 2011	**311**	**720**	**747**	**1 779**

Distributable funds on 31 Dec

€ million	**2011**	2010
Retained earnings	**804**	786
Profit for the financial year	**-57**	63
Distributable funds on 31 Dec	**747**	850