Financial Report 2012

Outokumpu's Annual Report 2012 is published online at www.outokumpu.com/reports

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CEO's foreword

In 2012, we went a good deal further on many fronts.

We made great progress in our cost-saving efforts and completed our P100 and P250 programs. The 100 million euros savings from P100 started to materialize in full from the beginning of 2012. In a very challenging market environment we managed to keep a strong and positive cash flow; the full-year net operating cash flow was 266 million euros. The P250 working capital reduction program exceeded its targets before the end of 2012. Cash released from inventories totaled some 600 million euros, clearly higher than the targeted 250 million euros. At the end of 2012, we had released a total of 886 million euros from working capital since June 2011, which included a significant positive contribution from the efficient handling of accounts payable and receivable.

However, 2012 was also tainted by the weak global economy and stainless steel market demand, which deteriorated towards the end of the year, especially in Europe. Declining stainless steel base prices, a weaker product mix and the downward slide of the nickel price all burdened our performance. Combined with the costs related to the ferrochrome expansion, our results remained unsatisfactory and for the full year 2012 we reported an underlying operating result of -168 million euros for Outokumpu.

The highlight of the year, and I believe a starting point to the turnaround of the company was the closing of the Inoxum transaction. Inoxum is a perfect fit for Outokumpu: the complementary product portfolio, customer base and geographic presence have made us a clear global leader. We can now serve our customers around the world with the widest product offering from stainless steel to high performance alloys, with a global sales and service network. Our knowledge and expertise in these advanced materials are second to none. Feedback from our customers reflects this: they see this as a combination of two companies that both offer excellent quality, technical expertise and delivery reliability.

This acquisition is also the answer to the challenges we face – challenges that we must tackle in order to return to sustainable profitability. Together we can reach annual synergy savings of 200 million euros; concrete, significant savings that neither company could have reached alone. We can increase our capacity utilization rates through mill closures. And while gaining Outokumpu an approximate 40% market share in Europe, the acquisition also creates a much stronger foothold in North America and Mexico and strengthens our presence in Asia, and makes inroads into markets that have stronger growth potential than Europe.

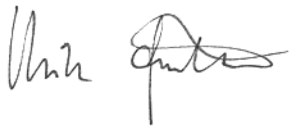
Unfortunately, the starting point for the new Outokumpu is more challenging than we anticipated at the beginning of 2012 due to the continued weakness of the stainless steel market both in Europe and globally. In 2013, our immediate priority is to ensure we maintain and expand our customer base around the world. At the same time, we are taking decisive action towards the synergy savings already this year through measures in raw material and general procurement, and by closing Krefeld melt shop in Germany.

Furthermore, we will leverage the successful P100 and P250 programs with new initiatives, P150 and P300. The P150 program is set to achieve 150 million euros annual cost savings and the P300 program targets a reduction of working capital by 300 million euros. We expect both programs to be fully implemented by the end of 2014 and show the first positive effects already in 2013.

We will also finalize our ongoing key investments. We will substantially increase ferrochrome production during this year, and we have already started the ramp up of the state-of-the-art, fully integrated Calvert stainless steel mill in Alabama, USA. Finalizing these key investments will radically lower our capital expenditure.

We believe that our customers will greatly benefit from our expertise which spans over 100 years, and today creates advanced materials that help build a more sustainable future. This expertise lies in our highly skilled employees, whose commitment is key to our success. To ensure we provide a safe working place everywhere we operate, we continue to implement efficient safety systems and processes, and strive for full employee engagement. We are very proud that in 2012, the prestigious Dow Jones Sustainability Index gave Outokumpu the highest scores in the industry in the occupational health and safety category.

Finally, I am confident that our new position as global leader, combined with decisive actions to turn us back to profitability, gives us a solid foundation for creating value for our shareholders.



Mika Seitovirta

Review by the Board of Directors for 2012

Update on strategic initiatives

Outokumpu bought Inoxum from ThyssenKrupp for a consideration of EUR 3 160 million (EUR 2 720 total consideration transferred and EUR 440 million assuming pension and other financial debt of Inoxum). As part of the transaction, ThyssenKrupp became a major shareholder in the new Outokumpu through the directed share issue, holding 29.9% of shares in the combined entity, and Guido Kerkhoff, CFO of ThyssenKrupp, joined the Outokumpu Board of Directors.

The new Outokumpu started operations on December 29, 2012 with a new structure and leadership team. The new Outokumpu Leadership Team consists of:

- Mika Seitovirta, CEO
- Esa Lager, CFO
- Ulrich Albrecht-Früh, President, Stainless Coil EMEA
- Kari Parvento, President, Stainless Coil Americas
- Jarmo Tonteri, President, High Performance Stainless and Alloys
- Austin Lu, President, Stainless APAC
- Reinhard Florey, EVP, Strategy and Integration
- Kari Tuutti, EVP, Marketing, Communications and IR
- Johann Steiner, EVP, Human Resources (appointed)

The company is the new global leader in stainless steel and high performance alloys with close to 40% market share in Europe and 12% globally. Company plans to achieve significant annual synergy benefits of EUR 200 million, with EUR 50 million expected in 2013 and up to EUR 150 million in 2014. These benefits will be achieved through mill closures, savings in procurement and improved capacity utilization as well as streamlining of the sales organization and support functions. These restructuring efforts are expected to result in an overall reduction of up to 2 000 jobs over the next four years. The new Outokumpu has the industry's broadest product portfolio, a wide customer base covering all industry segments and an extensive local presence in Europe, APAC and the Americas.

Approval of the Inoxum transaction by the European Commission was conditional on the divesture of certain remedy assets, including the Terni stainless steel mill in Italy and a service center in Willich, Germany. Outokumpu initiated the divesture process in November 2012 and negotiations with prospective buyers are ongoing. The signing of contracts for the divestment of remedy assets is expected during the second quarter of 2013.

Integration of the two companies began immediately after closing of the transaction on December 28, 2012 and significant resources are being invested to ensure the smooth and efficient integration of key activities. Integration will continue to be an important part of Outokumpu's route forward, with a particular focus on realizing synergies and the creation of a new Outokumpu culture that emphasizes profitability, our customer approach, working together and speed.

Ongoing value-enhancing and cost-saving projects

Ferrochrome expansion project finalized

Outokumpu finalized the EUR 410 million Ferrochrome investment program in the fourth quarter of 2012 ahead of schedule and below budget. By the end of fourth quarter, all of the expansion project from the underground mine and concentrating plant in Kemi to sintering and smelting in Tornio had been started up. The ramp-up of new capacity has progressed as planned, with ferrochrome production of approximately 400 000 tonnes expected in 2013 and full production capacity of 530 000 tonnes in 2015.

Calvert integrated mill ramp-up progressed as planned

Construction of the new integrated stainless steel mill in Calvert, USA was largely finalized by end of 2012. The plant has been constructed in accordance with the planned schedule and within the overall budget of USD 1 600 million. Ramp-up of the melt shop with its 900 000 tonnes annual capacity began in December 2012 with the first successful melts. Ramp-up to full capacity is expected to take some 18 months and the company's target for both melt shop and cold rolling is a minimum of 200 000 tonnes production in 2013. Ramp-up of the Calvert mill is expected to significantly improve Outokumpu's competitiveness in the NAFTA market, enabling the company to increase both its market share and profitability in 2013 and thereafter.

OSTP restructuring progressed satisfactorily

Restructuring actions at OSTP (Outokumpu tubular operations' joint venture) continued. Cost savings had a gradual impact throughout 2012. Please also see the 'Events after the end of the reporting period' section.

P100 and P250 programs were finalized according to plan...

Initiated in October 2011, actions to reach sustainable profitability, improve cash generation and strengthen the balance sheet were completed at the end of 2012. Compared to the situation in June 2011, Group targets included reducing annual costs by EUR 100 million by the end of 2012 (the P100 cost-savings program) and reducing the amount of working capital tied up in inventories by EUR 250 million by mid-2013 (the P250 working capital reduction program), together with a focus on accounts payable and accounts receivable. The P100 program was completed as planned in the end of 2012. The targeted cost-savings of EUR 100 million were achieved in part in 2012 and with full effect from the beginning of 2013. Related cost-saving actions resulted in the reduction of more than 1 200 jobs globally.

The P250 working capital reduction program exceeded its targets before the end of 2012. Efficiency in the Group's supply chain clearly improved in a sustainable manner. Inventory days stood at 87, some 20% better than in the reference period (the second quarter of 2011). Cash released from inventories totaled some EUR 600 million, clearly higher than the targeted EUR 250 million. At the end of 2012, the amount of cash released from working capital since June 2011 totaled EUR 886 million and included a significant positive contribution from the efficient handling of accounts payable and accounts receivable.

As part of the P250 program, Outokumpu divested part of its European stock operations to Amari, a privately-owned group of companies focusing on multi-metal distribution. The transaction was completed in September 2012. As part of this transaction, 10 of Outokumpu's stock operations units and 100 employees transferred to Amari. Actions to return Outokumpu's precision strip mill in Kloster in Sweden to sustainable profitability continued. The mill operated at lower production levels and continued to optimize both the product mix and material flows and focused on maintaining reduced cost levels. In addition, further price increases were implemented. The operating loss at the Kloster thin strip unit in 2012 totaled EUR 10 million, excluding a non-recurring impairment loss of EUR 16 million. Cost efficiency and working capital management will also be areas of high focus in 2013, learning from the completed Outokumpu stand-alone programs and building on their success.

... and will be followed by a new P150 and a new P300 for the combined entity

The new Outokumpu will continue its strict focus on cost management by implementing a new P150 cost reduction program. The aim of this program is to reduce Outokumpu's annual costs by EUR 150 million with the first effects being seen in 2013 and full implementation by the end of 2014. Cash flow and working capital management will continue to be given strong priority, with a new P300 program being established to achieve a EUR 300 million release in working capital for the combined entity. Finalization of this program is also scheduled by the end of 2014.

Market development

Continued growth in global demand for stainless steel, decline in Europe

Global demand for cold-rolled stainless steel flat products rose to 20.4 million tonnes in 2012, up by 2% compared to 2011. Growth was mainly driven by increased consumption in China (from 8.5 to 8.7 million tonnes) and in the NAFTA region (from 1.6 to 1.9 million tonnes). In Europe, cold-rolled demand fell slightly in 2012 from 3.3 to 3.2 million tonnes. While the first quarter of 2012 started with a high level of total shipments by European stainless steel producers, the second quarter and especially the second half of 2012 were characterized by shipments at very low levels caused by economic weakness and declining raw material prices. Shipments of stainless steel in 2012 by producers based in the NAFTA region remained stable in 2012 compared to 2011. (Source: SMR January 2013)

Rates of growth in demand in all end-use segments were lower in 2012 than in 2011. Annual growth in real demand in the Automotive and Chemical, Petrochemical & Energy segments were 6% and 3%, respectively. Consumer goods & Medical and Architecture, Building & Construction grew both by 2% from the previous year. Heavy Industries segment was up by only 1% compared to 2011.

Average imports from non-EU countries are estimated to represent approximately 18% of total demand in the EU in 2012. Largest countries in terms of imports to EU included Taiwan, USA, China, South Korea and India. Average imports from non-NAFTA countries are estimated as having represented approximately 19% of total demand in the NAFTA region in 2012, similar to the level in 2011.

Business areas

The new Outokumpu is organized into the following four Business Areas with responsibility for sales, profitability, production and supply chain management:

- Stainless Coil EMEA
- Stainless Coil Americas
- Stainless APAC
- High Performance Stainless and Alloys

Stainless Coil EMEA

Stainless Coil EMEA produces high-volume and tailored standard stainless steel grades and is the largest of Outokumpu's Business Areas. Going forward, it will account for more than half of Outokumpu sales. The standard stainless steel grades produced by Stainless Coil EMEA are primarily used in automotive, heavy transport, white goods, building and construction, as well as in process industries. Outokumpu's operations in Stainless Coil EMEA include stainless steel production in Tornio, Finland; Krefeld, Bochum, Dillenburg, Dahlerbrück and Benrath, Germany, a finishing unit in Terneuzen, the Netherlands as well as an extensive sales network across the EMEA region. As part of the Stainless Coil EMEA Business Area, the new combined Group also operates its own chromite mine in Kemi, Finland and ferrochrome operations in Tornio, Finland.

The key focus of Stainless Coil EMEA in 2013 is to maintain and expand Outokumpu's very strong European Stainless Coil position through customer, product and operational leadership, to increase capacity utilization through closure of the Krefeld melt shop and to drive cost efficiency by leveraging the new company's own chromite mine and Ferrochrome production.

Stainless Coil Americas

The new Outokumpu has a well-established presence in the Americas with production units located in Mexico and the US, a service center in Argentina and sales offices in the US, Mexico and Brazil. Stainless Coil Americas' customers include distributors, automotive and transport, consumer appliances, oil and gas, food and beverage processing as well as building and construction industries. Outokumpu is well positioned to further expand its market share in the Americas with the ramp-up of the new integrated production facility in Calvert, USA, which will be one of the lowest cost stainless steel production facilities in North America and the only US producer to be able to provide 72"-wide steel.

Stainless Coil Americas' key focus for 2013 is to establish a strong market position in the Americas market through the Calvert mill ramp-up and continued strong performance with the Mexican operations.

Stainless APAC

Asia-Pacific (APAC) is the region where growth is highest and currently accounts for some 60% of global stainless steel consumption. Stainless APAC has the mission of strengthening the new Outokumpu's presence in the region with profitable growth. The company's ambitions in the region are well served by the combination of Outokumpu's and Inoxum's existing presence: local manufacturing of cold-rolled stainless steel through the 60% stake in the SKS Shanghai mill and fully-owned service centers in China and Australia; a wide product portfolio, especially in high performance stainless and alloys; and an expanded network of sales offices, service centers and localized stock locations. The service centers will expand their scope from cutting, polishing, slitting and testing to become solutions partners, thereby differentiating Outokumpu from the competition.

Stainless APAC's key focus for 2013 is to contribute to growth of the Outokumpu by establishing a profitable foothold in APAC and by focusing on selected customer and product segments where the Outokumpu offering differentiates and adds value compared to its competitors.

High Performance Stainless and Alloys (HPSA)

Combining of Inoxum's high performance alloys VDM business and Outokumpu's specialty stainless steel activities creates a very strong operation in this market. Outokumpu has a very strong selection of high-performance stainless and alloys which can be used in the most demanding applications, offering attractive business opportunities. Materials solutions include special grades such as duplex, high performance austenitic and heat-resistant stainless grades as well as nickel, titanium, cobalt and zirconium alloys. These materials are tailored to customer specifications to build long-lasting solutions that can withstand the harshest conditions. Production of high-performance stainless is located in Avesta and Nyby (Special Coil), Kloster (Thin Strip) and Degerfors (Special Plate) in Sweden; in Sheffield (Long products) in the UK and in New Castle (Special Plate), Wildwood and Richburg (Long Products), USA. High performance alloys are produced in Werdohl, Altona, Siegen, Essen and Unna in Germany and in Florham Park and Reno in USA (Outokumpu VDM).

The key focus of High Performance Stainless and Alloys in 2013 is to identify new customers and sales opportunities to drive higher profitability, as well as identifying opportunities for synergy benefits in the high performance stainless and alloys businesses.

Financial performance

For the full year, delivery volumes were slightly above 2011 level. Underlying operational result [1] was EUR -168 million, a clear deterioration from EUR -61 million in 2011. The positive contribution from the P100 cost savings project was more than offset by negative impacts from weaker product mix, extra costs related to the ferrochrome project and lower prices.

Full year results were impacted by non-recurring costs, which are discussed below in more detail. Also, reduced market prices and the expansion project and subsequent ramp up of the ferrochrome production led to reduced profitability.

[1] Underlying operational result=operating result excluding raw material-related inventory gains/losses and non-recurring items, unaudited.

Slight increase in stainless steel deliveries

Full-year stainless steel deliveries in 2012 increased by 3% to 1 428 000 tonnes (FY 2011: 1 391 000 tonnes). Product mix weakened in 2012 as share of semi-finished products increased and share of specialty products decreased compared to 2011. External ferrochrome deliveries were 68 000 tonnes in 2012 (FY 2011: 58 000 tonnes). Capacity utilization of Group operations in 2012 was at the level of 75–80%.

External deliveries

1 000 tonnes	2012	2011	2010
Cold rolled	728	740	698
White hot strip	315	309	312
Quarto plate	88	106	83
Long products	59	60	58
Semi-finished products	261	187	182
Stainless steel [1]	193	129	114
Ferrochrome	68	58	68
Tubular products	44	48	51
Total external deliveries	1 495	1 449	1 383
Stainless steel external deliveries	1 428	1 391	1 315

[1] Black hot rolled, slabs, billets and other stainless steel products

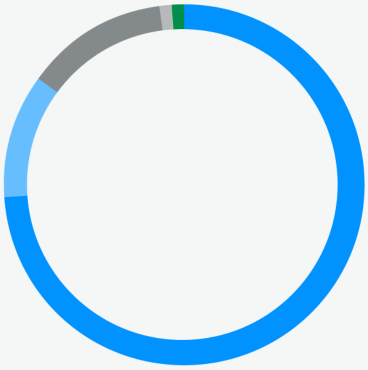
Sales and earnings declined in a challenging environment

Compared to 2011, Group sales in 2012 were down by 9% at EUR 4 538 million (FY 2011: EUR 5 009 million) because of lower transaction prices and a weaker product mix.

Sales

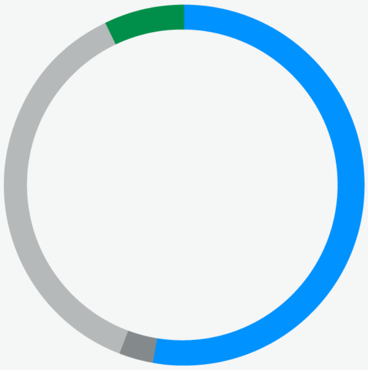
EUR million	2012	2011	2010
Stainless Coil EMEA	2 648	3 042	2 940
Stainless Coil Americas	2	1	1
Stainless APAC	128	137	112
High Performance Stainless and Alloys	1 934	2 304	2 015
Other operations	569	702	589
Intra-group sales	-743	-1 178	-1 428
The Group	4 538	5 009	4 229

Sales by market area



- Europe 74% (Finland 4%)
- North and South America 11%
- Asia 13%
- Australia and Oceania 1%
- Africa 1%

Sales, 4 538 € million



- Stainless Coil EMEA 53%
- Stainless Coil Americas 0%
- Stainless APAC 3%
- High Performance Stainless and Alloys 37%
- Other operations 7%

In 2012, Outokumpu's average base prices realized for all flat products were 1 172 EUR/tonne.

The lower level of sales had a negative impact on EBITDA and weakened to EUR -50 million (FY 2011: EUR 89 million) for 2012. Depreciation and amortization totaled EUR 230 million in 2012 (FY 2011: EUR 235 million).

The operating result for 2012 deteriorated to EUR -385 million (FY 2011: EUR -251 million). In addition to non-recurring items, the weak result was driven by declining stainless steel base prices, a weaker product mix and the decline in nickel prices. Costs connected with finalization of the ferrochrome expansion project also contributed to the losses. The underlying operational result for 2012 was EUR -168 million (FY 2011: EUR -61 million) before non-recurring items of EUR -200 million (FY 2011: EUR -146 million) and raw material related inventory losses of EUR 17 million (FY 2011: EUR -43 million).

Non-recurring items totaling EUR -200 million in 2012 include EUR 64 million of costs related to the Inoxum transaction and EUR 50 million in costs connected with the cost-cutting and working capital reduction programs. The total also includes impairment costs of EUR 86 million relating to the company's production facilities in Sweden. In 2011, non-recurring items totaled EUR -146 million and included mainly impairments related to OSTP and Kloster.

Negative net result for the period

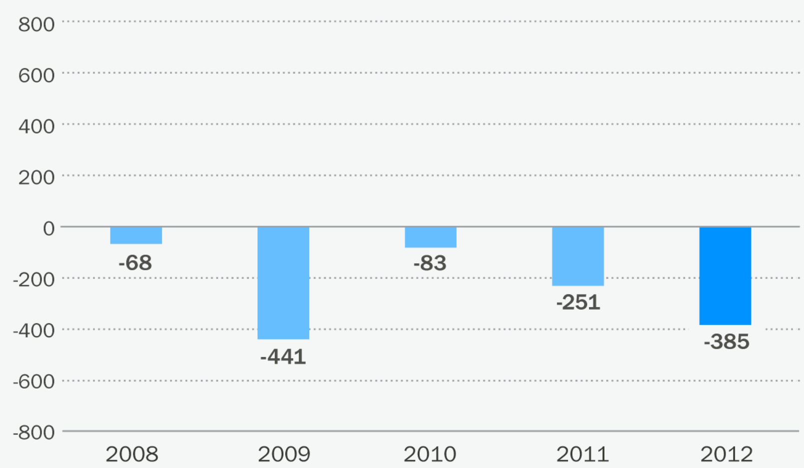
The net result for 2012 was EUR -535 million (FY 2011: EUR -180 million) and earnings per share totaled EUR -0.46 (FY 2011: EUR -0.62).

Profitability

EUR million	2012	2011 Restated [1]	2010 Restated [1]
Operating result			
Stainless Coil EMEA	-112	-84	2
Stainless Coil Americas	0	0	0
Stainless APAC	-8	-3	2
High Performance Stainless and Alloys	-135	-106	-41
Other operations	-130	-72	-40
Intra-group items	-1	14	-7
Operating result	-385	-251	-83
Share of results in associated companies and joint ventures	-0	-5	-10
Financial income and expenses	-138	11	-50
Result before taxes	-523	-244	-143
Income taxes	-12	65	19
Net result for the financial year	-535	-180	-124
Operating result margin, %	-8.5	-5.0	-2.0
Return on capital employed, %	-8.2	-6.3	-2.1
Earnings per share, EUR [2]	-0.46	-0.62	-0.68

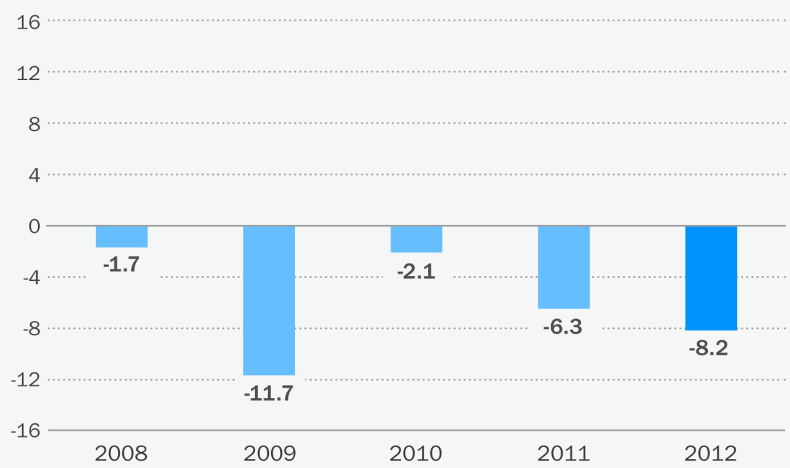
[1] Figures for 2011 and 2010 have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits.
[2] 2012 calculated based on the rights-issue-adjusted weighted average number of shares. Comparative figure for 2011 adjusted accordingly. 2010 not adjusted.

Operating result, € million



Year 2011 restated due to change in accounting principle of defined benefit plans and other long-term employee benefits.

Return on capital employed, %



Years 2010 and 2011 restated due to change in accounting principle of defined benefit plans and other long-term employee benefits.

Cash flow continues positive, net debt and gearing deteriorate

The main contributor to the Group's good cash flow was further reductions in levels of working capital. This led to overall positive net cash of EUR 266 million (FY 2011: EUR 338 million) being generated by operating activities in 2012.

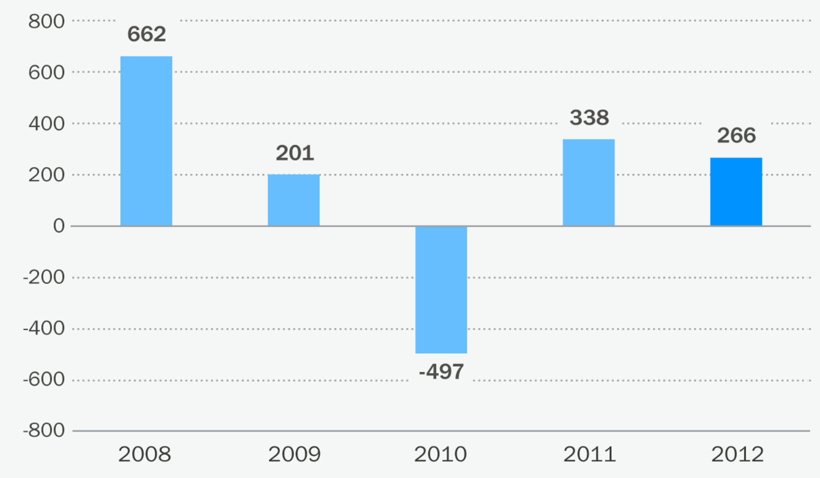
Net interest-bearing debt (including the impacts of the Inoxum acquisition) at the end of 2012 totaled EUR 2 620 million, an increase of EUR 900 million compared to the end of 2011 (December 31, 2011: EUR 1 720 million). Outokumpu's gearing was 88.7% on December 31, 2012 (December 31, 2011: 83.9%), above the Group's target maximum of 75%. Net proceeds totaling EUR 972 million from the EUR 1 000 million rights offering conducted in March-April were booked in the first half of 2012. Costs of EUR 34 million connected with the rights offering were booked in equity.

Key financial indicators on financial position

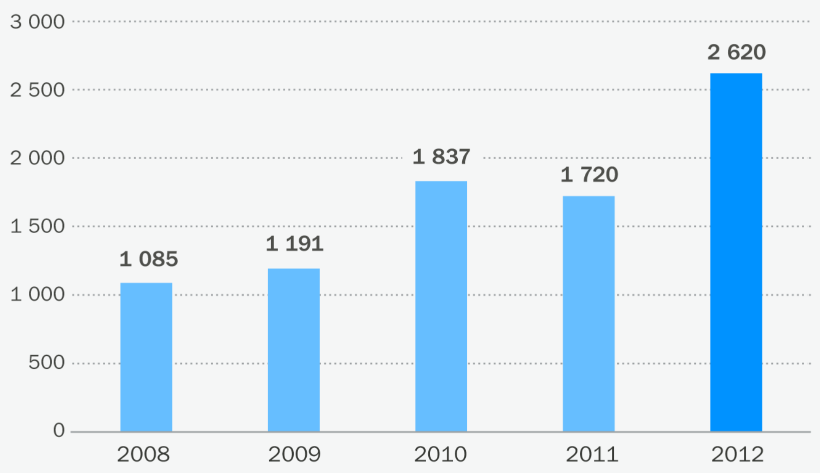
EUR million	2012	2011 Restated [1]	2010 Restated [1]
Net interest-bearing debt			
Long-term liabilities	2 974	1 197	1 529
Current liabilities	763	1 061	980
Total interest-bearing debt	3 737	2 258	2 509
Interest-bearing assets	-577	-538	-672
Net assets held for sale	-539	-	-
Net interest-bearing debt	2 620	1 720	1 837
Shareholders' equity	2 953	2 050	2 339
Return on equity, %	-21.4	-8.2	-5.2
Debt-to-equity ratio, %	88.7	83.9	78.6
Equity-to-assets ratio, %	30.6	39.3	41.7
Net cash generated from operating activities	266	338	-497
Net interest expenses	66	65	38

[1] Figures for 2011 and 2010 have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits.

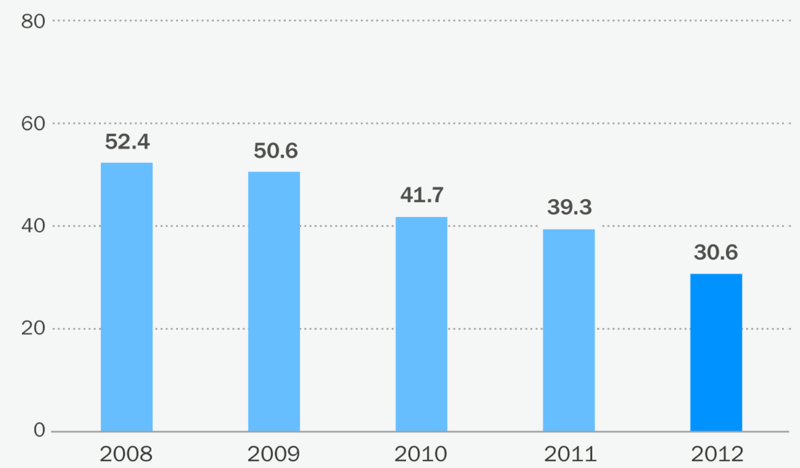
Net cash flow from operations, € million



Net interest-bearing debt, € million

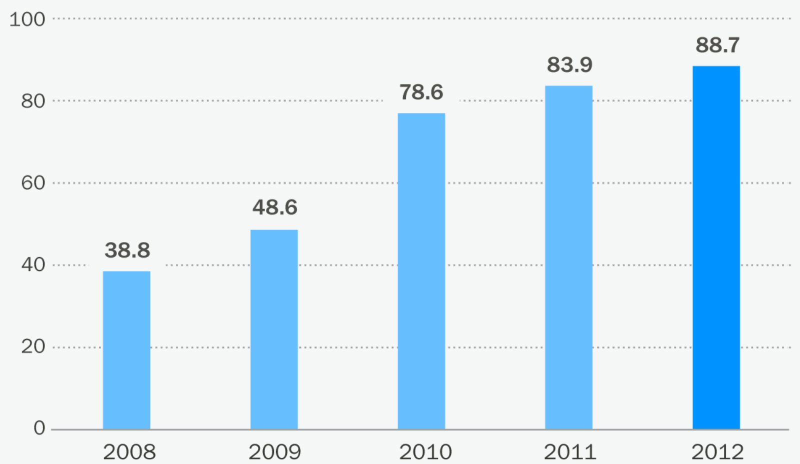


Equity-to-assets ratio, %



Years 2010 and 2011 restated due to change in accounting principle of defined benefit plans and other long-term employee benefits.

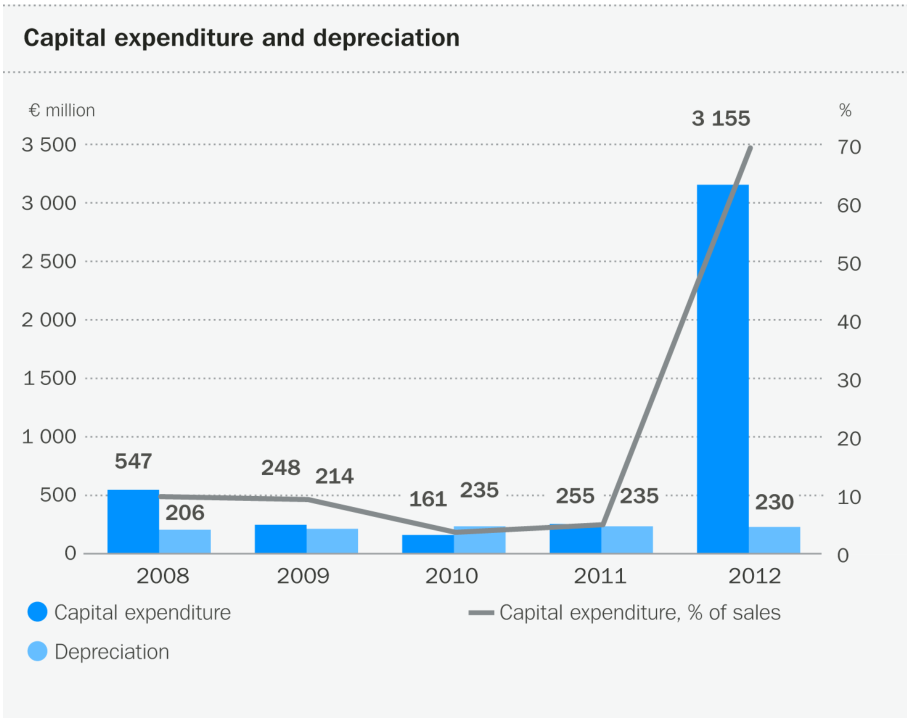
Debt-to-equity ratio, %



Years 2010 and 2011 restated due to change in accounting principle of defined benefit plans and other long-term employee benefits.

Capital expenditure was high during 2012

Capex (excluding the Inoxum acquisition of EUR 2 720 million as well as finance lease and asset purchase agreement connected with the Inoxum acquisition of EUR 79 million) was EUR 356 million in 2012 (FY 2011: EUR 255 million) with the majority of costs being connected with the Group's project to expand ferrochrome production capacity at Tornio in Finland. Further details can be found in the "Update on strategic initiatives" section.



Balance sheet reflects the Inoxum transaction

The balance sheet at the year-end shows major changes compared to the end of 2011 due to the inclusion of Inoxum, with December 28, 2012 being the effective acquisition date. Following inclusion of the Inoxum assets, total assets increased from EUR 5 227 million to EUR 9 671 million, with EUR 4 658 million non-current, mainly property, plant and equipment. Current assets, mainly inventories and trade and other receivables, increased by EUR 1 354 million to EUR 3 687 million.

The goodwill arising from the preliminary purchase price allocation is EUR 7 million. Further information regarding the business combination is presented in the Consdolidated financial statements in Note 4. Acquisitions and disposals.

Assets held for sale and liabilities directly attributable to assets held for sale including the remedy assets and related liabilities are EUR 1 326 million and EUR 786 million, respectively. These figures stem from the net value of EUR 539 million for Terni and Willich in the balance sheet.

Total non-current interest bearing liabilities increased from EUR 1 197 million to EUR 2 974 million and include the ThyssenKrupp loan note of EUR 1 229 million. Total pension liabilities and other long-term employee benefits are EUR 434 million (FY 2011: EUR 78 million).

Outokumpu has 12 months from closing of the Inoxum transaction for further PPA adjustments in the opening balance sheet.

Personnel

In response to the challenging market situation, Outokumpu initiated further actions during 2012 to reduce costs and enable the Group to achieve sustainable profitability. To respond to the challenging business situation, a P100 cost-reduction program was initiated at the end of 2011 with the aim of achieving savings totaling EUR 100 million by the end of 2012. As part of this cost-reduction program, job reductions were required during 2012. Further details of the implications of the cost-reduction program for Outokumpu personnel can be found under the headline "P100 and P250 programs were finalized according to plan".

At the end of 2012, Outokumpu's headcount for continued operations (excluding Terni operations) totaled 16 649 (December 31, 2011: 8 253) and averaged 7 853 during 2012 (FY 2011: 8 651) for Outokumpu stand-alone. Personnel-related costs were EUR 473 million in 2012 (FY 2011: EUR 529 million).

No severe accidents occurred during 2012. The lost-time injury rate (lost-time accidents per million working hours) in 2012 was 7.2 (FY 2011: 5.6), and the Group's 2012 target of less than 4.0 was not achieved. The lost-time injury rate target for the first six months of 2013 is 4.5.

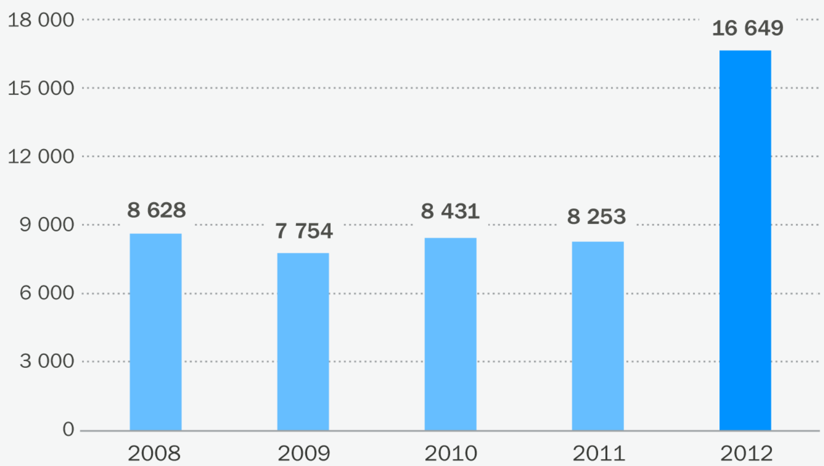
Within Human Resources, the focus during 2012 was largely on the upcoming integration process. In 2012, the number of permanent employees who had worked for Outokumpu for more than 30 years was 1 115 and the number of people employed for less than five years was 1 339. The average length of service of the Group's permanent employees was 17 years and the average age was 45 years.

Personnel, continuing operations [1)]

Dec 31	2012	2011	2010
Stainless Coil EMEA	7 977	3 582	3 512
Stainless Coil Americas	1 974	5	6
Stainless APAC	662	121	113
High Performance Stainless and Alloys	4 764	3 063	2 955
Other operations	1 272	1 482	1 518
The Group	16 649	8 253	8 104

[1)] Excluding Terni operations.

Personnel on December 31, 2012



Years 2008 and 2009 reported as full-time equivalent.

Environment

In 2012, Outokumpu was rated Prime Company by oekom research AG, a German research company that evaluates share and bond issuers as sustainable investments. Prime rating means that Outokumpu shares and bonds qualify for investments which take ecological and social consideration into account. Oekom research analyses in total some 3 000 large companies. In the metals and mining sector the total of 133 companies were screened, and only 12 were awarded oekom Prime status. Outokumpu's approach to climate change disclosure was also recognized by the Carbon Disclosure Project (CDP) and company was included in the Nordic Leadership Index as the best among steel sector for the third consecutive year.

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

EU Emissions trading activities have been conducted in accordance with obligations, agreed procedures and the Group's financial risk policy. Total emissions under EU Emission Trading Scheme (ETS) in 2012 were some 759 000 tonnes (802 000 tonnes in 2011). Outokumpu's carbon dioxide allowances in Europe are sufficient for the Group's planned production in 2013.

Outokumpu's strong sustainability performance was recognized once again in the 2012 Dow Jones Sustainability Index (DJSI). This is the sixth consecutive year that Outokumpu has maintained its membership in the DJSI World. In the 2012 review, Outokumpu is among the four best steel companies worldwide included in the DJSI World index.

Research and development

The main strategic target of research and development (R&D) is to support Outokumpu's current and future competitiveness and profitable growth. Increasing our customers' competitiveness and supporting the differentiation of Outokumpu products and services are the other key elements of Outokumpu's R&D strategy.

Outokumpu continued to invest in R&D and innovation. Related expenditure in 2012 totaled EUR 18 million (2011: EUR 21 million). The Group's two research centers are located at Tornio in Finland and at Avesta in Sweden. R&D activity also takes place at the Group's production sites. Outokumpu's R&D operations employ a total of almost 200 professionals.

Since the completion of the Inoxum transaction in December 2012, Outokumpu R&D activity increases with Inoxum's R&D operations. Inoxum has R&D centers for both stainless steel and high performance alloys in Germany, and as in Outokumpu, R&D is also carried out in the production sites.

Risks and uncertainties

Outokumpu operates in accordance with the risk management policy approved by the company's Board of Directors. This policy defines the objectives, approaches and areas of responsibility in the Group's risk management activities. As well as supporting Outokumpu strategy, the aim of risk management is identifying, evaluating and mitigating 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. Outokumpu's appetite for risk and risk tolerance are defined in relation to Group earnings, cash flows and capital structure. The risk management process is an integral part of overall management processes and is divided into four stages: risk identification, risk evaluation, risk prioritization and risk mitigation.

The Inoxum transaction was announced in January 2012. Implementation of the transaction and integration planning for the combined entity were important focus areas for risk management during 2012. Risks associated with different phases of the transaction were identified, assessed, mitigated and reported according to the Group's risk management policy.

The Group's management of credit risks was another important focus area during 2012, and was steered towards a decentralized model to gain more flexibility and provide better support for local sales organizations. Negative impacts on the outlook connected with increasing insolvency rates in Europe and reduced credit limit availability from major credit risk insurers are likely if the European economic crisis continues. This challenging situation, particularly in Europe, resulted in credit risks being closely monitored and analyzed in 2012.

No material damage to Outokumpu property or significant business interruptions occurred in 2012. The most significant risks to the Group's operations during the year were associated with overcapacity in stainless steel markets, the continuing negative influence of global economic uncertainty, and declining prices for nickel, molybdenum and the Talvivaara share. Demand for stainless steel declined as a result of the deepening economic crisis in Europe, with negative impacts on Outokumpu's profitability and gearing.

Strategic and business risks

Strategic risks for Outokumpu are mainly associated with the Group's business portfolio and strategic decision making. A new strategic risk relates to successful integration of the acquired Inoxum operations into Outokumpu and full materialization of the targeted synergy benefits. Business risks relate to the economic outlook in markets for stainless steel and to the behavior of customers, suppliers and competitors. Important risks which Outokumpu currently faces include: weak markets and structural overcapacity for stainless steel; Outokumpu's ability to implement its chosen strategy; the risk of a steeper economic downturn in Europe; business risks connected with specialty products; the ability to increase Outokumpu's presence in growth markets; the ramp-up of ferrochrome production to targeted levels; adverse trade political actions or changes affecting environmental legislation and the increased cost of inputs. Also, Outokumpu faces risks concerning the successful achievement of the planned synergy cost savings as well as the risks related to the remedy asset sale.

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 materialize, can lead to personal injury, liabilities, loss of property, interrupted operations or environmental impacts. Outokumpu's operational risks are partly covered by insurances. Key operational risks for Outokumpu are: a major fire or accident; IT dependency; project implementation risks and personnel-related risks.

To minimize possible damage to property and business interruptions which could result from a fire occurring at some of its major production sites, Outokumpu has systematic fire and security audit programs in place. Fire risks are to some extent covered by insurances. Some 20 fire safety audits were carried out in 2012 using the Group's own resources and expertise in co-operation with external advisors.

Financial risks

Key financial risks for Outokumpu include:

- changes in price of nickel, molybdenum, electricity and fuels;
- currency risks associated with the EUR, the US dollar and the Swedish krona;
- interest rate risks connected with the EUR, the US dollar and Swedish krona;
- risks related to Talvivaara share price;
- risks associated with a loan receivable from Luvata;
- other credit risks;
- limitations on financial flexibility and
- the risk of financial distress.

In 2012, interest rates continued to decline, having positive impact on Group's financing cost. On the other hand, the amount of debt and the margins increased by the end of the year. The decline in the share price of Talvivaara led into significant negative impact on earnings. The price of nickel remained rather stable during 2012. Higher nickel price may eventually lead to an increase in working capital.

The challenging situation in Europe, related to the continuing economic crisis, resulted in Group exposure to credit risks being closely monitored and analyzed in 2012. The Inoxum acquisition also increased Group's exposure to country risks.

Both liquidity and refinancing risks are taken into account in capital management decisions and, when necessary, in making investment and other business decisions. In 2012, Outokumpu arranged two share issues, net proceeds totaling EUR 1 462 million, signed a EUR 400 million syndicated loan facility, signed a EUR 250 million forward starting facility, issued a EUR 150 million four-year bond, agreed with ThyssenKrupp Nederland BV EUR 1 229 million loan note and two back-up facilities, totaling EUR 332 million.

Outokumpu's balance sheet will be stretched after the acquisition of Inoxum and it may have an impact on Outokumpu's access to the debt market. Successful management of working capital, tight control of capital expenditures and turnaround in Outokumpu's financial performance will be essential in securing funding when going forward.

Significant legal proceedings

Customs investigation of exports to Russia by Outokumpu's Tornio site

In March 2007, Finnish Customs authorities initiated a criminal investigation into export practices to Russia by Outokumpu's Tornio site. 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 case involved charges against Outokumpu and five of its employees for alleged money laundering in connection with export practices to Russia. In a District Court judgment released in June 2011, all the claims were dismissed and the Finnish State was ordered to pay a total of EUR 1.2 million in compensation. In August 2011, the State Prosecutor lodged an appeal against the District Court judgment. Legal proceedings in the Kouvola Court of Appeal were initiated in February 2012 and all charges against Outokumpu and its employees were dismissed in April 2012. In June 2012, Finland's state prosecutor filed a petition for leave to appeal to the Finnish Supreme Court.

Civil actions regarding the divested fabricated copper products business

In connection with the EU investigation into an industrial copper tubes cartel, completed in May 2009, Outokumpu has since 2004 been in the process of addressing several civil complaints raised against the company and its former fabricated copper products business. The last pending civil complaint in the USA, filed by Carrier Corporation in 2006 against Outokumpu Oyj and Outokumpu Copper Franklin, Inc. i.e. in the federal district court in Memphis, Tennessee, seeks an unstated amount of damages.

This complaint by Carrier Corporation alleges a world-wide 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. Following dismissal of the complaint in July 2007, Carrier subsequently filed an appeal. In March 2012, the United States Court of Appeals for the Sixth Circuit reversed the decision dismissing the complaint and referred the case to the United States District Court for the Western District of Tennessee. Outokumpu believes that the related allegations are groundless and intends to defend itself in these proceedings.

In 2010, certain companies in the Carrier Group brought a civil action in the UK courts against Outokumpu (and two other defendant groups). The claimants maintain that they suffered losses across Europe as a result of alleged cartel activities 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 challenged the jurisdiction of courts in England and Wales to hear the claim. The High Court of Justice, Chancery Division, rejected Outokumpu's application to contest jurisdiction. All defendants applied for permission to appeal to the Court of Appeal. In January 2012, the Court of Appeal granted permission to appeal. In March 2012, the Court announced that Carrier had reached a settlement with one defendant group. Details of this settlement have not been made public. The Court of Appeal hearing in connection with Outokumpu's application to contest the jurisdiction of UK courts took place in June 2012. In September 2012, the Court of Appeal has dismissed the appeals and Outokumpu together with another defendant filed an application for permission to appeal to Supreme Court. The proceedings will be in a stay until a decision on the applications for permission to appeal is made by the Supreme Court. Outokumpu believes that the allegations regarding damages caused by the alleged cartel activities are groundless and, if pursued, Outokumpu will defend itself in any proceedings.

Damages contribution claim in the English court related to old sanitary copper tube cartel

In October 2012, Outokumpu was served with a damages contribution claim in the English court related to old sanitary copper tube cartel by Boliden AB and IMI (IMI Plc and IMI Kynoch Ltd), after Boliden AB and IMI were served claims on financial loss by the members of Travis Perkins Group. These claims are related to a 2004 ruling by the European Commission which concluded that a number of companies – among others Boliden, IMI, KME Group, Wieland Werke, Outokumpu and Outokumpu Copper Products (now Luvata) – were involved in price fixing and market sharing in the sanitary copper tube sector in Europe between June 1988 and March 2001. Outokumpu defends itself against this contribution claim and further potential contribution claims that may be served against it by other companies who were involved in the cartel activities relating to sanitary copper tubing in the UK. Outokumpu exited the copper fabrication business by divesting the majority of it in 2005 and the remainder in 2008.

Legal dispute over invention rights

In January 2013, Outokumpu and Outotec entered into a legal dispute over invention rights. Further details can be found in the section titled "Events after the end of the reporting period".

In addition, Outokumpu has on December 28, 2012 published listing particulars related to the Inoxum- transaction which include detailed information on pending governmental, legal or arbitration proceedings. The paragraphs below set forth an overview of these proceedings.

Lawsuits regarding a fire in ThyssenKrupp Acciai Speciali Terni S.p.A's (AST) Turin production facility

In December 2007, a fire in line 5 at AST's production facility in Turin, Italy caused the death of seven AST employees. In May 2008, the public prosecutor of Turin brought charges against AST and six of its employees. Oral hearings took place between January 2009 and April 2011, when the court announced its verdict. All of the individual defendants were found guilty and given prison sentences ranging from 10 years and 10 months to 16 years and 6 months. To date, the verdict has not become final as the defendants have the right to appeal. The appeal proceedings commenced in November 2012. A judgment by the appellate court is expected for end of February/beginning of March 2013. Should AST be found guilty, it could be subject to fines that are not expected to be material.

Cartel fine imposed by the European Commission

In March 2011, the European Court of Justice upheld a EUR 3.2 million cartel fine imposed on ThyssenKrupp Stainless AG, a legal predecessor of Nirosta, in a decision of the European Commission from December 2006. The decision from 2006 is based on a 1998 European Commission finding that between 1993 and 1998, certain stainless steel producers, including Inoxum and certain of its legal predecessors, had violated Article 65(1) of the European Coal and Steel Community Treaty by participating in a price-fixing arrangement with other stainless steel producers. The finding of 1998 was appealed and subsequently annulled on procedural grounds with respect to Inoxum's liability for one of its legal predecessors. Subsequent to this annulment, the European Commission opened new proceedings, which resulted in the decision of 2006. Inoxum's appeals were unsuccessful, and in April 2011, Inoxum filed a complaint with the German Constitutional Court requesting that the Court declare the decision from 2006 incompatible with certain fundamental rights under the German Constitution. To date, the German Constitutional Court has not decided whether it will to accept the constitutional complaint.

Criminal proceeding relating to air emissions at Inoxum's stainless steel plant in Krefeld, Germany, in 2010

In November 2010, the air in the vicinity of Inoxum's Krefeld production facility was found to have particulate matter with high levels of nickel and chromium. In March 2011, the prosecuting attorney's office in Krefeld initiated criminal proceedings against a member of Nirosta's executive board alleging unlawful operation of facilities in connection with these air emissions. The criminal proceedings were dismissed on June 27, 2012.

Proceedings regarding AST's electricity tariff

In 2007, the Commission ruled that the extension until 2010 of preferential electricity tariffs that were granted to AST in 1963 as compensation for the expropriation of hydroelectric assets in the course of the nationalization of the Italian energy sector constituted unlawful state aid since 2005. AST, two other beneficiaries of the preferential electricity tariff and the Republic of Italy challenged this decision at the European Court of First Instance. On July 1, 2010, the European Court of First Instance rejected the claim. AST appealed this judgment before the European Court of Justice. On October 6, 2011, the European Court of Justice rejected AST's appeal in a final decision and confirmed the decision of the European Court of First Instance.

December 27, 2011, AST lodged an appeal at the Italian Council of State against its decision, which is currently pending. In addition, AST is preparing an appeal against the decision of the Italian Council of State before the Italian Supreme Court of Cassation.

Lawsuit claiming injuries from exposure to asbestos

ThyssenKrupp VDM GmbH (VDM) is one of many defendants in a lawsuit filed in the courts of the State of New York, United States, in which the plaintiff claims injuries from exposure to aerospace asbestos-containing products allegedly made from VDM steel. ThyssenKrupp USA has already been dismissed from the case. It is expected that the trial of the matter will start within the next few months, but VDM is working to get the claims against it dismissed as it is believed that the action is without merit.

Lawsuit between Shanghai Pudong Iron & Steel Co., Ltd. (SPS) and Shanghai Krupp Stainless Co. Ltd. (SKS) regarding capital contributions

SKS, Inoxum's cold rolling facility joint venture with SPS, has a total registered capital of USD 428.9 million. As the authorized share capital of SKS had not been fully paid up, on November 3, 2011, the Board of Directors of SKS passed a resolution declaring that the outstanding share capital of SKS, USD 112.5 million, should be paid by Inoxum and SPS pro rata to their respective shareholdings (60% by Inoxum and 40% by SPS).

In February 2012, SKS and SPS filed a joint application to stay the proceedings to facilitate settlement discussions. On May 12, 2012, Inoxum and SPS reached an agreement that SPS recognized the capital contribution made by Inoxum and that SPS may pay in its capital contribution share of USD 45 million by the end of 2015. Until that date, the shareholding percentages in SKS will remain unchanged notwithstanding the unmatched paid-in capital ratio between Inoxum and SPS. In light of the foregoing, in May 2012, SPS withdrew its challenge against the board resolution and its obligation to pay the capital contribution.

US antidumping order on stainless steel strip and sheet from Mexico, Germany and Italy

On July 27, 1999, the US Department of Commerce (the "USDOC") issued antidumping duty orders on imports of stainless steel strip and sheet from Mexico, Germany and Italy, among other countries. US antidumping and countervailing duty laws permit an imposition of special additional duties on imports that are determined to be sold at less than fair value or to be subsidized by foreign government actions. Mexinox USA, AST and Nirosta have been Inoxum's importers of record for stainless steel strip and sheet imported into the United States since the antidumping duty order was issued. The antidumping duty orders on stainless steel strip and sheet from Mexico, Germany and Italy were revoked effective July 25, 2011 due to a negative determination by the USITC. On November 15, 2012, the court dismissed the appeal by the plaintiffs. In January 2013 two of the three petitioners appealed the judgment by the US Court of International Trade to the US Court of Appeals. If the petitioners are successful, the antidumping duty order on imports from Mexico may be reinstated as of the date of the court's decision. In addition, if the petitioners were to obtain a preliminary injunction to prevent liquidation of entries, then Mexinox USA's entries after the injunction is granted would be subject to cash deposits during the appeal proceedings and to possible assessment if the appeal is successful.

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

Share development and shareholders

Outokumpu completed two rights issues in 2012, increasing the number of its shares. As a result of the public rights offering completed in April, the number of shares increased from 183 018 749 to 1 457 038 776. As a result of the directed share issue made to ThyssenKrupp AG as part of the consideration for Inoxum, the number of Outokumpu shares further increased to 2 078 081 348.

In the beginning of 2012, Outokumpu held 1 040 888 of its own shares. In February, the Board of Directors approved the granting of 25 000 shares as a special incentive scheme to the Group's CEO, Mika Seitovirta. The reward shares consisted of Outokumpu treasury shares and therefore had no diluting effect. Preceding the grant, Outokumpu held 1 015 888 of its own shares for the rest of 2012. The company's share capital did not increase in 2012 and was EUR 311 131 873.30 throughout the year.

Outokumpu's shareholder structure changed substantially after completion of the Inoxum transaction. Information regarding shares and shareholders is updated daily on Outokumpu's Internet pages.

According to its Articles of Association, Outokumpu has only one single class of shares and all shares have equal voting power at General Meetings of Shareholders.

The following table sets forth the largest shareholders as per December 31, 2012 and December 31, 2011.

Shareholders

%	Dec 31 2012	Dec 31 2011
Foreign investors	43.2	17.2
Finnish corporations	25.2	35.9
Finnish private households	14.4	18.4
Finnish public sector institutions	11.3	18.2
Finnish financial and insurance institutions	4.7	7.8
Finnish non-profit organizations	1.2	2.5
Shareholders with over 5% of shares and voting rights		
ThyssenKrupp AG	29.90	-
Solidium Oy (owned by the Finnish State)	21.84	30.84
Nominee registered (excluding ThyssenKrupp AG)	12.90	16.88
Finnish Social Insurance Institution	3.01	8.01

Share information

		Jan–Dec 2012	Jan–Dec 2011
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 [1]		2 078 081 348	183 018 749
Average number of shares outstanding [2]		1 130 421 112	181 970 316
Average number of shares outstanding, rights-issue-adjusted [2]		1 156 005 029	280 526 501
Number of shares outstanding at the end of the period [1] [2]		2 077 065 460	181 977 861
Number of treasury shares held at the end of the period		1 015 888	1 040 888
Share price at the end of the period [3]	EUR	0.79	1.33
Average share price [3]	EUR	0.97	1.44
Highest price during the period [3]	EUR	2.10	1.72
Lowest price during the period [3]	EUR	0.64	1.21
Market capitalization at the end of period	EUR million	1 650	930
Share turnover [4]	million shares	1 297.7	337.9
Value of shares traded [4]	EUR million	1 773.9	2 910.9

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

[1] The rights-issue-adjusted number of shares on Dec 31, 2011 is 281 579 021 shares of which 280 538 133 shares are outstanding.
[2] The number of own shares repurchased is excluded. There are currently no programs with diluting effect in place.
[3] Comparative share prices adjusted regarding the effect of the rights issue.
[4] Jan–Dec 2012 figures include the effect of share subsciption rights traded during March 15–28, 2012.

Extraordinary General Meeting

In connection with the Inoxum transaction, an Extraordinary General Meeting (EGM) was held in Helsinki on March 1, 2012. The EGM authorized the Board of Directors to decide on both a share issue and a directed share issue. The EGM authorized the Board of Directors to decide to issue a maximum of 500 000 000 new shares through a share issue pursuant to shareholders' pre-emptive subscription right. Valid until December 31, 2012, this authorization revoked the share issue authorization given by the preceding AGM. Based on the authorization, a EUR 1 000 million rights offering was conducted and successfully completed in March-April 2012 and was oversubscribed by 22%.

The EGM also authorized the Board of Directors to decide on a directed share issue to ThyssenKrupp AG. Pursuant to this authorization, the Board of Directors is entitled to decide on the issuance of a maximum of 2 200 000 000 new shares in such manner that ThyssenKrupp AG or its order is entitled to subscribe for new shares in deviation from shareholders' pre-emptive subscription right of the shareholders and as a result, will hold a maximum of 29.9% of Outokumpu's issued and outstanding shares after completion of the directed share issue. The authorization for the directed share issue remains in force until December 31, 2013 and does not revoke the above-mentioned share issue authorization relating to the rights offering.

Annual General Meeting

The Annual General Meeting (AGM) was held on March 14, 2012 in Helsinki. In accordance with a proposal by the Board of Directors, the AGM decided that no dividend shall be paid for the financial year 2011. The AGM authorized 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. Based on earlier authorizations Outokumpu currently holds 1 015 888 of its own shares.

The AGM also authorized the Board of Directors to decide on the issuance of shares as well as other special rights entitling to shares. The AGM authorized the Board of Directors to resolve to issue a maximum of 36 000 000 shares through one or several share issues and/or by the granting of special rights entitling to shares, excluding option rights granted to the company's management and personnel under incentive plans. Pursuant to this authorization, the maximum number of new shares to be issued through any 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.

These authorizations are valid until the end of the next AGM, but no longer than May 31, 2013. To date the authorizations have not been used.

The AGM decided that the number of Board members, including the Chairman and Vice Chairman, be seven. Ole Johansson, Olli Vaartimo, Elisabeth Nilsson and Siv Schalin were re-elected as members of the Board of Directors, and Iman Hill, Harri Kerminen and Heikki Malinen were elected as new members. The AGM re-elected Ole Johansson as Chairman and Olli Vaartimo as Vice Chairman of the Board. As a complementary measure to the above, the AGM also decided that, based on a proposal from Solidium Oy, the number of Board members would be eight and Guido Kerkhoff would be elected as the eighth Board member from the day following the completion of the transaction to combine Outokumpu and Inoxum.

The AGM also resolved to establish a Nomination Board for an indefinite period to prepare proposals on the composition and remuneration of the Board of Directors for the next AGM. The AGM also adopted a charter for the Shareholders' Nomination Board.

At its first meeting, the Outokumpu Board of Directors appointed two permanent committees consisting of Board members. Olli Vaartimo (Chairman), Heikki Malinen, Iman Hill and Siv Schalin were elected as members of the Board Audit Committee. Ole Johansson (Chairman), Elisabeth Nilsson and Harri Kerminen were elected as members of the Board Remuneration Committee.

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

Nomination Board

Outokumpu's Annual General Meeting of March 14, 2012 decided to establish a Nomination Board to annually prepare proposals on the composition of the Board of Directors along with director remuneration for the Annual General Meeting. According to the Charter of the Nomination Board, the Nomination Board consists of the representatives of Outokumpu's four largest shareholders, registered in the Finnish book-entry securities system on October 1, 2012 who accept the assignment.

The Nomination Board of Outokumpu for the Annual General Meeting 2013 consists of the following four shareholders: Solidium Oy, The Social Insurance Institution of Finland, Ilmarinen Mutual Pension Insurance Company and Varma Mutual Pension Insurance Company. These shareholders have nominated the following persons as their representatives on the Nomination Board: Kari Järvinen (CEO, Solidium Oy); Liisa Hyssälä (Director General, The Finnish Social Insurance Institution); Harri Sailas (CEO, Ilmarinen Mutual Pension Insurance Company) and Risto Murto (Executive Vice-President, Varma Mutual Pension Insurance Company). The Chairman of the Outokumpu Board of Directors Ole Johansson serves as an expert member. Further, according to a resolution of Outokumpu's Annual General Meeting of March 14, 2012, the composition of the Shareholders' Nomination Board for the Annual General Meeting 2013 would include one expert member nominated by ThyssenKrupp AG. This resolution took effect on the day following completion of the Inoxum transaction and Guido Kerkhoff was selected as the expert member.

On October 3, 2012 at its first meeting, the Nomination Board elected among its members Kari Järvinen as Chairman. Please also see the "Events after the end of the reporting period" section.

Events after the end of the reporting period

Tubinoxia becomes majority shareholder in the OSTP tubular joint venture

On January 18, 2013, Outokumpu announced that Tubinoxia S.r.l., Outokumpu's partner in the OSTP tubular joint venture, had exercised its call option and acquired an additional 15% of shares in the joint venture from Outokumpu. Tubinoxia thus increased its stake in OSTP from 36% to 51%. The OSTP joint venture was formed in July 2011 when Outokumpu decided to exit the tubular business as part of its restructuring program. Outokumpu maintains a non-controlling interest of 49% in the joint venture. Both the consideration and the impact of the transaction on Outokumpu's cash flow were marginal.

Outokumpu and Outotec entered into a legal dispute over invention rights

On January 24, 2013 Outokumpu and Outotec entered into a legal dispute over invention rights related to a ferrochrome production method. Outokumpu has made the invention and has filed the patent applications related to this invention regarding the production of ferrochrome nickel. Outotec is alleging to have rights to the invention and has submitted an application for summons at the District Court of Helsinki. Outokumpu finds these allegations to be completely without merit.

Proposal for changes to the Board

On January 28, 2013 Outokumpu's Shareholder's Nomination Board delivered its proposal regarding the election of members of the Board of Directors and their remuneration to the Annual General Meeting to be held on March 18, 2013. Further details can be found in the stock exchange release titled "Outokumpu – Proposal by the Nomination Board to the Annual General Meeting" published on January 28, 2013.

Market outlook

The global economic environment is expected to remain subdued during 2013. Global growth in GDP is expected to be around 3.5% in 2013 (3.2% in 2012). In Europe, the uncertainties regarding high levels of sovereign debt and the need for further fiscal consolidation have eased in recent months but these issues will still have a negative influence on European economic activity in 2013. GDP in Europe is therefore expected to decline by 0.2% during the year. In the US, moderate growth of 2.0% is expected in 2013 mainly driven by increased consumer and business spending. China's growth dip appeared to reach a turning point in the fourth quarter of 2012 and GDP growth of around 8.2% is forecasted for 2013.

Global demand for cold rolled stainless steel is predicted to increase by approximately 4.4% to 21.3 million tonnes in 2013, whereby growth is predicted in China by 7.0% and in the NAFTA region by 2.0%. European demand for cold rolling is expected to decline by 1.0% in 2013. Overall growth is expected to be weaker in the beginning of 2013 and accelerate during the second half of the year.

For the high performance alloys market, management expects a more difficult market environment for the first quarter of 2013 for all regions due to the generally weakened economic outlook. The second, third and fourth quarter should show improved market conditions.

The long-term outlook for stainless steel demand remains positive. Key global megatrends such as urbanization, modernization and increased mobility combined with growing global demand for energy, food and water are expected to support the future growth of stainless steel demand. SMR forecasts an average annual growth rate of 4.3% for global stainless steel consumption between 2012 and 2015, with growth mainly attributable to increased demand from the Chemical, Petrochemical & Energy (5.7%), Metal Processing (5.5%) and Architecture, Building and Construction (5.3%) segments. Between 2012 and 2015, the Heavy Industries, Automotive and Consumer Goods & Medical segments are expected to grow at average annual growth rates of 4.9%, 3.7% and 3.4%, respectively.

(Sources: IMF, SMR, January 2013)

Business outlook for 1st quarter 2013

Outokumpu's stainless steel delivery volumes in the first quarter of 2013 are expected to be in the range 680 000–750 000 tonnes. Stainless steel prices are expected to remain at the same level or slightly higher than in the fourth quarter of 2012, but remain below the levels achieved in the first quarter of 2012. In January, Outokumpu introduced price increases which are expected to take effect towards the end of the first quarter.

Outokumpu expects the first quarter underlying operational result to be slightly worse than the stand-alone Outokumpu fourth quarter 2012 underlying operational result.

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 March 18, 2013 that no dividend be paid from the parent company's distributable funds per December 31, 2012 and that all distributable funds be allocated to retained earnings.

According to the Group's financial statements on December 31, 2012 distributable funds of the parent company totaled EUR 2 059 million of which retained earnings EUR 600 million. No material changes have taken place in the company's financial position since the end of the reporting period.

In Espoo, February 13, 2013

Board of Directors

Ole Johansson
Olli Vaartimo
Iman Hill
Harri Kerminen
Heikki Malinen
Elisabeth Nilsson
Siv M. Schalin
Guido Kerkhoff

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 December 31, 2012. The financial statements comprise the consolidated statement of financial position, statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the 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, February 13, 2013

KPMG Oy Ab

Virpi Halonen
Authorized Public Accountant

Consolidated financial statements, IFRS

Consolidated statement of income

€ million	Note	2012	2011 restated [1]
Sales	3	4 538	5 009
Cost of sales		-4 503	-4 879
Gross margin		35	130
Other operating income	6	23	47
Selling and marketing expenses		-115	-143
Administrative expenses		-181	-150
Research and development expenses		-19	-21
Other operating expenses	6	-128	-113
Operating result		-385	-251
Share of results in associated companies and joint ventures	13	-0	-5
Financial income and expenses	8		
Interest income		31	33
Interest expenses		-97	-98
Market price gains and losses		-64	-120
Other financial income		2	248
Other financial expenses		-10	-52
Total financial income and expenses		-138	11
Result before taxes		-523	-244
Income taxes	9	-12	65
Net result for the financial year		-535	-180
Attributable to			
Equity holders of the Company		-533	-174
Non-controlling interests		-2	-5
Earnings per share for result attributable to the equity holders of the Company, € [2]	10	-0.46	-0.62

[1] 2011 figures have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits. Restatement had an effect on the following notes: 6. Other operating income and expenses and non-recurring items, 7. Employee benefit expenses, 8. Financial income and expenses, 9. Income taxes, 10. Earnings per share, and 25. Employee benefit obligations.
[2] Calculated based on the rights-issue-adjusted weighted average number of shares. Comparative figures adjusted accordingly.

Consolidated statement of comprehensive income

€ million	Note	2012	2011 restated [1]
Net result for the financial year		-535	-180
Other comprehensive income			
Exchange differences on translating foreign operations		-6	12
Actuarial gains and losses on defined benefit obligation plans	25		
Changes during the accounting period		-44	-5
Income tax relating to actuarial gains and losses	9	11	2
Available-for-sale financial assets	16		
Fair value changes during the financial year		-5	-23
Reclassification adjustments from other comprehensive income to profit or loss		-1	-65
Income tax relating to available-for-sale financial assets	9	1	11
Cash flow hedges	20		
Fair value changes during the financial year		14	-4
Reclassification adjustments from other comprehensive income to profit or loss		-3	1
Income tax relating to cash flow hedges	9	-3	1
Share of other comprehensive income of associated companies	13	-	-2
Other comprehensive income for the financial year, net of tax		-36	-72
Total comprehensive income for the financial year		-571	-252
Attributable to			
Equity holders of the Company		-569	-246
Non-controlling interests		-2	-5

[1] 2011 figures have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits. Restatement had an effect on the following notes: 9. Income taxes and 25. Employee benefit obligations.

Consolidated statement of financial position

€ million	Note	2012	2011 restated [1]	Jan 1, 2011 restated [1]
ASSETS				
Non-current assets				
Intangible assets	11	629	554	589
Property, plant and equipment	12	3 697	2 005	2 054
Investments in associated companies and joint ventures [2]	13	51	39	148
Available-for-sale financial assets [2]	16	16	16	147
Investments at fair value through profit or loss [2]	17	2	1	1
Derivative financial instruments [2]	20	2	12	17
Deferred tax assets	9	89	76	42
Trade and other receivables	22			
Interest-bearing [2]		164	162	160
Non interest-bearing		8	28	19
		4 658	2 893	3 178
Current assets				
Inventories	21	2 308	1 264	1 448
Available-for-sale financial assets [2]	16	5	7	7
Investments at fair value through profit or loss [2]	17	59	105	-
Derivative financial instruments [2]	20	54	26	34
Trade and other receivables	22			
Interest-bearing [2]		2	2	8
Non interest-bearing		1 037	761	785
Cash and cash equivalents [2]	23	222	168	150
		3 687	2 333	2 431
Assets held for sale [2]	5	1 326	-	-
TOTAL ASSETS		9 671	5 227	5 609

[1] 2011 figures have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits. Restatement had an effect on the following notes: 9. Income taxes, 14. Carrying values and fair values of financial assets and liabilities by measurement category, and 22. Trade and other receivables.
[2] Included in net interest-bearing debt.

€ million	Note	2012	2011 restated 1)	Jan 1, 2011 restated 1)
EQUITY AND LIABILITIES				
Equity attributable to the equity holders of the Company				
Share capital		311	311	311
Premium fund		714	714	713
Other reserves		1 492	26	107
Retained earnings		943	1 159	1 328
Net result for the financial year		-533	-174	-123
		2 926	2 036	2 337
Non-controlling interests		26	14	2
Total equity	24	2 953	2 050	2 339
Non-current liabilities				
Long-term debt 2)	27	2 935	1 161	1 488
Derivative financial instruments 2)	20	39	35	41
Deferred tax liabilities	9	90	37	88
Defined benefit and other long-term employee benefit obligations	25	434	78	81
Provisions	26	109	22	21
Trade and other payables	28	5	45	3
		3 611	1 378	1 722
Current liabilities				
Current debt 2)	27	718	998	930
Derivative financial instruments 2)	20	24	46	34
Income tax liabilities	9	4	1	5
Provisions	26	36	42	19
Trade and other payables	28			
Interest-bearing 2)		21	17	16
Non interest-bearing		1 518	694	545
		2 321	1 799	1 549
Liabilities directly attributable to assets held for sale 2)	5	786	-	-
TOTAL EQUITY AND LIABILITIES		9 671	5 227	5 609

1) 2011 figures have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits. Restatement had an effect on the following notes: 9. Income taxes, and 25. Employee benefit obligations.
2) Included in net interest-bearing debt.

Consolidated statement of cash flows

€ million	Note	2012	2011
Cash flow from operating activities			
Net result for the financial year 1)		-535	-180
Adjustments for			
Taxes 1)	9	12	-65
Depreciation and amortization	11, 12	230	235
Impairments	11, 12	106	126
Change in net realizable value in inventory	21	-8	6
Share of results in associated companies and joint ventures	13	0	5
Gain/loss on sale of intangible and tangible assets	6	-1	-24
Gain/loss on sale of available-for-sale financial assets	8, 16	-1	-65
Gain/loss on divestments	4	19	-
Interest income	8	-12	-13
Dividend income	8	-0	-5
Interest expense	8	67	74
Exchange rate differences	8	65	-17
Other non-cash adjustments 1)		1	24
		477	280
Change in working capital			
Change in trade and other receivables		683	31
Change in inventories		277	165
Change in trade and other payables		-535	135
Change in provisions		-31	-22
		394	310
Dividends received		0	5
Interest received		3	3
Interest paid		-72	-75
Income taxes paid		-1	-6
Net cash from operating activities		266	338

Cash flow from investing activities			
Acquisition of subsidiaries, net of cash	4	-915	-
Purchases of available-for-sale financial assets	16	-5	-2
Purchases of property, plant and equipment	12	-295	-197
Purchases of intangible assets	11	-2	-4
Disposal of businesses, net of cash	4	19	0
Proceeds from sale of property, plant and equipment	12	1	78
Proceeds from sale of intangible assets	11	0	12
Change in other long-term receivables		1	0
Net cash from investing activities		-1 196	-114
Cash flow before financing activities		-929	224
Cash flow from financing activities			
Rights issue	24	972	-
Share options exercised	24	-	0
Borrowings of long-term debt		611	178
Repayments of long-term debt		-384	-371
Change in current debt		-188	-123
Repayments of finance lease liabilities		-12	-7
Dividends paid	24	-	-45
Proceeds from the sale of Talvivaara and Tibnor shares	16, 17	-	162
Other financing cash flow		-3	1
Net cash from financing activities		994	-206
Net change in cash and cash equivalents		65	19
Cash and cash equivalents at the beginning of the financial year		168	150
Foreign exchange rate effect on cash and cash equivalents		-11	0
Net change in cash and cash equivalents		65	19
Cash and cash equivalents at the end of the financial year	23	222	168

[1)] 2011 figures have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits.

Consolidated statement of changes in equity

€ million	Share capital	Premium fund	Invested unrestricted equity reserve	Other reserves	Fair value reserves	Actuarial gains and losses	Treasury shares	Cumulative translation differences	Other retained earnings	Non-controlling interests	Total equity
	Attributable to the equity holders of the Company										
Equity on Jan 1, 2011 [1)]	311	713	-	7	100	-37	-25	-89	1 356	2	2 339
Result for the period	-	-	-	-	-	-	-	-	-174	-5	-180
Other comprehensive income	-	-	-	-	-81	-4	-	13	-	-	-72
Total comprehensive income for the financial year	-	-	-	-	-81	-4	-	13	-174	-5	-252
Dividends	-	-	-	-	-	-	-	-	-45	-	-45
Share-based payments	-	-	-	-	-	-	-	-	1	-	1
Share options exercised	0	0	-	-	-	-	-	-	-	-	0
OSTP reorganization	-	-	-	-	-	-	-	-	-11	13	3
Other changes	-	-	-	-	-	-	-	-	-	4	4
Equity on Dec 31, 2011 [1)]	311	714	-	7	19	-41	-25	-76	1 127	14	2 050
Result for the period	-	-	-	-	-	-	-	-	-533	-2	-535
Other comprehensive income	-	-	-	-	3	-34	-	-5	-	0	-36
Total comprehensive income for the financial year	-	-	-	-	3	-34	-	-5	-533	-2	-571
Share issues [2)]	-	-	1 462	-	-	-	-	-	-	-	1 462
Share-based payments	-	-	-	-	-	-	-0	-	1	-	1
OSTP reorganization	-	-	-	-	-	-	-	-	-4	4	-
Non-controlling interest in Inoxum	-	-	-	-	-	-	-	-	-	11	11
Equity on Dec 31, 2012	311	714	1 462	7	22	-75	-25	-81	591	26	2 953

[1)] Figures from January 1 to December 31, 2011 have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits.
[2)] Shares issued in the Outokumpu rights issue in March–April 2012 and in the directed share issue to ThyssenKrupp AG in connection with the Inoxum acquisition.

Notes to the consolidated financial statements

1. Corporate information

Outokumpu Oyj is a Finnish public limited liability company organized 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 the leader in the advanced materials with the strongest technical expertise and widest range of products across all our customer segments. Our offering covers stainless steel and high performance alloys, including titanium and zirconium for very demanding industrial applications. Our world-wide network of production, service- and sales centers enable competitive delivery times and customized solutions for our customers globally.

In its meeting on February 13, 2013 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 December 31, 2012. 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 2012 have been prepared on a going concern basis.

As from January 1, 2012 Outokumpu has applied the following amended standards and interpretations. These amendments did not have a material impact on the consolidated financial statements for 2012.

- Amendment to IFRS 7 *Financial Instruments: Disclosures* (effective for annual periods beginning on or after July 1, 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 securitization of financial assets is in question.
- Amendment to IAS 12 *Income Taxes* (effective for annual periods beginning on or after January 1, 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.

Change in accounting policy related to defined benefit and other long-term employee benefit obligations

Outokumpu has changed its accounting policy related to defined benefit and other long-term employee benefit obligations after the closure of the Inoxum transaction. The change is due to the difference in accounting policy compared to that of Inoxum. Previously, Outokumpu applied the so-called corridor method for recognizing actuarial gains and losses arising from defined benefit arrangements, while Inoxum recognized such actuarial gains and losses in other comprehensive income and thus, followed already the principles that are according to the revised IAS 19 Employee Benefits standard, which will come effective January 1, 2013. Outokumpu has now waived the corridor approach and thus recognizes all actuarial gains and losses from defined benefit arrangements directly in other comprehensive income as presented in the consolidated statement of comprehensive income of the Group. Additionally, Outokumpu now recognizes interest costs and expected returns on plan assets in financial items under interest expense and interest income, respectively. Current service costs continue to be recognized in functional costs above operating result. Comparative figures have been restated accordingly.

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 IAS 1 *Presentation of Financial Statements* (effective for annual periods beginning on or after July 1, 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 January 1, 2013). In future, all actuarial gains and losses are immediately recognized in other comprehensive income, thus eliminating the so-called corridor approach, and finance costs are calculated on a net funding basis. Based on the current IAS 19, Outokumpu has already eliminated the corridor approach in 2012. The impact of the IAS 19 amendments that will become effective in 2013 is thus limited to the restatement of the expected return on assets assumption. In addition, in the future, all past service costs are recognized immediately and are no longer amortized. These amendments are not expected to have a material effect on Outokumpu's future financial statements.
- IFRS 13 *Fair Value Measurement* (effective for annual periods beginning on or after January 1, 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 not have a material impact on its future financial statements.
- *Annual Improvements** (effective for annual periods beginning on or after January 1, 2013). Through the Annual Improvements process, minor and non-urgent amendments are grouped together and carried out once a year. The improvements affect a total of five standards. The amendments vary by standard but they are not significant.
- Amendments to IFRS 7 *Financial Instruments: Disclosures* (effective for annual periods beginning on or after January 1, 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 future financial statements.
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (effective for annual periods beginning on or after January 1, 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 realized 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 an impact on Outokumpu's future financial statements.
- IFRS 10 *Consolidated Financial Statements* and related amendments (effective in the EU for annual periods beginning on or after January 1, 2014): 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. Based on Outokumpu's evaluation, the new standard does not affect significantly Outokumpu's future financial statements.
- IFRS 11 *Joint Arrangements* and related amendments (effective in the EU for annual periods beginning on or after January 1, 2014): 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. Based on Outokumpu's evaluation, the new standard does not have material impact on Outokumpu's future financial statements.
- IFRS 12 *Disclosures of Interests in Other Entities* and related amendments (effective in the EU for annual periods beginning on or after January 1, 2014): 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.

- IAS 27 (revised 2011) *Separate Financial Statements* and related amendments (effective in the EU for annual periods beginning on or after January 1, 2014): 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 an impact on Outokumpu's future financial statements.
- IAS 28 (revised 2011) *Investments in Associates and Joint Ventures* (effective in the EU for annual periods beginning on or after January 1, 2014): 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 future financial statements.
- Amendments to IAS 32 *Financial Instruments: Presentation* (effective for annual periods beginning on or after January 1, 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 future financial statements.
- IFRS 9 *Financial Instruments** and subsequent amendments (effective for annual periods beginning on or after January 1, 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 amortized 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.

Management judgements and use of estimates

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. 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. Although these estimates are based on management's best knowledge of the circumstances at the end of the reporting period, actual results may differ from the estimates and assumptions. Management believes that the following accounting principles represent those matters requiring the exercise of judgement where a different opinion could result in significant changes to reported results.

Intangible and tangible assets in a business combination

In significant business combinations, the Group has used external advisor in evaluating the fair values of intangible and tangible assets as well as their useful lives. For tangible assets, comparisons to market prices of similar assets have been made and their economic obsolescence due to life, wear and tear and other similar factors has been estimated. The fair valuation of intangible assets is based on cash flow estimates since information about transactions of similar assets has not been available in the market.

Management believes that the estimates and assumptions used are reasonable for determining fair values, although different estimates and assumptions could significantly affect the amounts reported.

Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The most important commodity price risk for Outokumpu is caused by fluctuation in nickel and other alloy prices. The 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 significant because the delivery cycle in production is longer than the alloy surcharge mechanism provides for. Thus, only the price for the products to be sold in near future is known. That is why a significant part of the future price for each product to be sold is estimated according to management's best knowledge in NRV calculations. Due to fluctuations in nickel and other alloy prices, the realized prices can deviate significantly from what has been used in NRV calculations on the closing date.

Property, plant and equipment and intangible assets

Management estimates relate to values and useful lives of assets as well as underlying assumptions. Different assumptions and assigned lives could have a significant impact on the reported amounts.

Management estimates in relation to goodwill relate to the estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. The future projections of cash flows include, among other estimates, projections of future prices and delivery volumes, production costs and maintenance capital expenditures.

Impairments

Carrying amounts of assets are regularly reviewed to determine whether there is any evidence of impairment as described in these accounting principles. Preparation of the estimated future cash flows and discount rate requires management to make assumptions relating to future expectations (e.g., future product pricing, production levels, production costs, market supply and demand, projected maintenance capital expenditure and weighted average cost of capital). A pre-tax discount rate used for the net present value calculation of projected cash flows reflects the weighted average cost of capital. The key assumptions used in the impairment testing, including sensitivity analysis, are explained further in Note 11. Intangible assets.

Income taxes

In calculating the deferred tax items, Outokumpu is required to make certain assumptions and estimates regarding the future tax consequences attributable to differences between the carrying amounts of assets and liabilities as recorded in the financial statements and their tax basis. Assumptions made include among others that recoverability periods for tax loss carry-forwards will not change, and that existing tax laws and tax rates will remain unchanged into foreseeable future.

Derivative instruments

All of Outokumpu's derivatives are initially recognized at fair value. If the fair value cannot be determined based on quoted market prices and rates at the end of the reporting period, the valuation is done by utilizing commonly applied option valuation models, such as the Black-Scholes-Merton model. The most important valuation criteria include among others future cash flows, credit risk and volatility. Changes in the assumptions regarding these factors could affect the reported fair value of derivatives.

Employee benefits

The present value of pension obligations is subject to actuarial assumptions which actuaries use in calculating these obligations. Actuarial assumptions include, among others, discount rate, expected rate of return on plan assets, the annual rate of increase in future compensation levels and inflation rate. The assumptions used are presented in Note 25. Employee benefit obligations.

Share-based payment transactions

Share options are measured at fair value on the grant date. The fair value is determined using the Black-Scholes-Merton option pricing model and other relevant statistical methods. Changes in the assumptions used in the model may affect the fair value of share options. The assumptions used are presented in Note 18. Share-based payment plans.

Environmental provisions

The Group has made provisions for known environmental liabilities based on management's best estimate of the remediation costs. The precise amount and timing of these costs could differ significantly from the estimate.

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 recognized 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 recognized as expenses in the periods in which costs are incurred and services rendered.

Goodwill arising on an acquisition is recognized 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 January 1, 2010 accounting principles effective at that time have been applied.

All intra-group transactions, receivables, liabilities and unrealized 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 recognized 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 and joint ventures

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 result for the period is separately disclosed after operating result in the consolidated statement of income. Outokumpu's share of changes recognized in associated company's other comprehensive income is recognized 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 recognized 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.

Joint ventures in which Outokumpu has a contractual based joint control with a third party are also accounted for by using the equity method described above.

Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) and assets and liabilities related to discontinued operations 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 (or disposal group) 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 costs to sell, and the recognition of depreciation is discontinued.

Assets included in disposal groups but not in the scope of the measurement requirements of IFRS 5, as well as liabilities, are measured according to the related IFRS standards also after the date of classification.

Discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Result from discontinued operations is shown separately in the consolidated statement of comprehensive income and the comparative figures are restated accordingly. Assets held for sale, disposal groups, items recognized 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. The comparatives for statement of financial position items are not restated.

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 has four reportable operating segments which represent the strategic business areas of the Group. The business areas are located in different geographical areas, they are managed separately and they are separately reported in internal management reporting to CEO who is Outokumpu's chief operating decision maker. Outokumpu's segment information is based on internal management reporting which accounting principles are based on IFRSs.

Outokumpu's reportable operating segments are: Stainless Coil EMEA, Stainless Coil Americas, Stainless APAC and High Performance Stainless and Alloys (HPSA). Pricing of intersegment transactions is based on arm's length prices. Operating result 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 result 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 Tubular joint venture.

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 and presentation 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 recognized in finance income and expenses in the statement of income. Foreign exchange differences arising in respect of other financial instruments are included in operating result 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized in profit or loss or other events are recognized in profit or loss. If the taxes are related to items of other comprehensive income or to transactions or other events recognized directly in equity, income taxes are recognized within the respective items. The share of results in associated companies is reported in the statement of income as calculated from net result 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 recognized as a deferred tax asset to the extent that it is probable that future taxable profits will be available, against which the deductible temporary difference can be utilized. The ability to recognize deferred tax assets is reviewed at the end of each reporting period. Deferred tax liabilities are usually recognized in the statement of financial position in full except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Research and development costs

Research costs are expensed in the reporting period in which they are incurred. Development costs are capitalized 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. Capitalized development costs mainly comprise materials and supplies and direct labour costs as well as related overhead costs. Development costs recognized as expenses are not subsequently capitalized.

Subsequent to initial recognition, capitalized development costs are measured at cost less accumulated depreciation and impairment losses. Capitalized development costs are recognized 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 recognized 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 amortized, 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 land-use rights, customer relations, capitalized development costs, patents, licenses and software. An intangible asset is recognized 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 recognized initially at cost. After initial recognition, other intangible assets are measured at cost less accumulated impairment losses and amortizations if the intangible asset has a finite useful life. 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 program controlled by the Group, are recognized as an intangible asset and amortized over the expected useful life. Such computer program should generate probable economic benefits to the Group beyond one year.

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

Intangible rights up to 20 years

Software up to 10 years

Recognition of amortization 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 amortization periods are adjusted accordingly.

Intangible assets with indefinite useful lives are not amortized 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 recognized at nominal value, i.e. at zero carrying amount. A provision to cover the obligation to return emission allowances is recognized 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 recognized in intangible rights are derecognized as they have been offset against the obligation or, when the emission allowances are sold. The obligation to deliver allowances equal to emissions is recognized under other operating expenses. Gains from the sale of excess allowances are recognized 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 capitalized 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 recognized 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 recognized 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 result.

Government grants

Government or other grants are recognized as income on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate. Investment grants 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 recognized 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 recognized immediately in profit or loss. The estimated useful life of the asset that is subject to depreciation or amortization is also reassessed.

A previously recognized 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 recognized in prior years. Impairment losses recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 derecognized 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 recognized 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 recognized 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. Realized and unrealized gains and losses arising from changes in fair values are recognized 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 recognized at the settlement date and measured initially at fair value. After initial recognition, loans and receivables are measured at amortized cost by using the effective interest rate method.

Outokumpu uses factoring for working capital management. Sold trade receivables have been derecognized when the related risks and rewards of ownership have been transferred in material respect.

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 recognized 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 maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates made by Outokumpu. Fair value changes of share instruments measured at fair value are recognized 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 recognized 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 and other highly liquid investments with original maturities of three months or less. These are readily convertible to a known amount of cash and the risk of changes in value is low. Bank overdrafts are included in current liabilities in the statement of financial position.

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 recognized at amortized cost). A financial liability (or part of the liability) is not derecognized 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. Realized and unrealized gains and losses arising from changes in fair value of derivatives are recognized in profit or loss in the reporting period in which they are incurred.

Other financial liabilities

Financial liabilities recognized at amortized cost include the loans of the Group. They are recognized at the settlement date and measured initially at fair value. After initial recognition they are carried at amortized cost using the effective interest rate method. Significant transaction costs are included in the original carrying amount.

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

Derivative instruments and hedge accounting

Derivatives

All the Group's derivatives, including embedded derivatives, are initially recognized 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 recognized in operating result in other operating income and expenses. If a derivative is designated for financing activities, the profit or loss effects arising from the instrument are recognized 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. Fair values of certain derivatives are based on valuations of external counterparties.

Hedge accounting

Hedge accounting 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 certain foreign exchange and commodity derivatives. 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. 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 realization of a risk associated with a recognized asset or liability or a highly probable forecast transaction. Fair value changes of derivatives designated to hedge forecast cash flows are recognized 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 recognized immediately in profit or loss.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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 recognized 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 recognized 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 realizable 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 realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Spare parts are carried as inventory and their cost is recognized in profit or loss as consumed. Major spare parts are recognized 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 recognized directly in equity.

Provisions and contingent liabilities

A provision is recognized 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 recognized 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 recognized 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, landscaping or removing equipment. A provision presenting the asset retirement obligation is recognized 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 recognized as expenses in the period in which they are incurred. A restructuring provision is recognized 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 recognized 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 and unvested past service costs are deducted from the defined benefit liability recognized at present value in the statement of financial position. Current service costs are recognized in functional costs above operating result. Interest costs and expected returns on plan assets are recognized in financial items under interest expense and interest income, respectively. All actuarial gains and losses are recognized directly in other comprehensive income as presented in the consolidated statement of comprehensive income of the Group. The previously used corridor method has been eliminated and the comparative figures have been restated accordingly.

For other long-term employee benefits, all current service costs and actuarial gains and losses are recognized immediately in the statement of income. Interest expenses are recognized in financial items under interest expenses.

Share-based payment transactions

The share options are measured at fair value on the grant date and recognized 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 recognized 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 programs 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 programs 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 programs include maximum limits for the payouts and the limits have been taken into account in the fair value measurement of the benefits.

Operating result

In Outokumpu Group, operating result 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, amortization, possible impairments, and other operating expenses. All other items of the statement of income are presented below the operating result. Exchange gains and losses and fair value changes of derivatives are included in operating result, if they arise from business-related items. Otherwise they are recognized 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 result 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

After the Inoxum transaction, Outokumpu implemented new organization structure. From December 29, 2012 onwards Outokumpu's business is divided into four business areas which are Stainless Coil EMEA, Stainless Coil Americas, Stainless APAC and High Performance Stainless and Alloys. In addition to the business area structure, Group Functions cover the CFO's office, HR and Health, Safety and Sustainability, Marketing, Communications and IR as well as Strategy, Integration Procurement, IT and Legal.

Business areas have responsibility for sales, profitability, production and supply chain management and they are Outokumpu's reportable segments under IFRS. The performance of the segments is reviewed based on segment's operating result which is defined in the accounting principles for the consolidated accounts. The review is done regularly by the CEO based on internal management reporting which is based on IFRS.

Outokumpu is the leader in the advanced materials with the strongest technical expertise and widest range of products across all our customer segments. Our offering covers stainless steel and high performance alloys, including titanium and zirconium for very demanding industrial applications. Below is the description of the activities of the four reportable segments:

Stainless Coil EMEA consists of stainless operations as well as ferrochrome production in Europe. The high-volume and tailored standard stainless steel grades are primarily used for example in architecture, building and construction, transportation, catering, appliances, chemical, petrochemical and energy sectors, as well as other process industries. The business area has production facilities in Finland and Germany as well as a finishing plant in the Netherlands.

Stainless Coil Americas produce standard austenitic and ferritic grades as well as tailored products. Its largest customer segments are automotive and transport, consumer appliances, oil and gas, chemical and petrochemical industries, food and beverage processing as well as building and construction industry. The business area has production units in the US and Mexico as well as a service center in Argentina.

Stainless APAC includes cold rolling facility and coil and plate service center in China as well as a coil service center in Australia. The production concentrates mainly on high quality stainless steel flat products for the consumer and automotive industries in China. The service center in China specializes in selling, processing and distributing high quality stainless steel products, including high performance stainless.

High Performance Stainless and Alloys (HPSA) consists of five business lines which are Special Coil, Thin Strip, Special Plate, Long Products and High Performance Alloys (Outokumpu VDM). The Special Coil and Thin Strip business lines offer wide range of high performance stainless steel special grades and products in a variety of dimensions, with manufacturing operations centered in Sweden. Special Plate is comprised of the quarto plate production facilities in Sweden and in the US. These units produce individually rolled thick and wide plates in standard and special stainless steel grades. Long products are used in a wide range of applications such as springs, wires, surgical equipment, automotive parts and construction. The manufacturing is concentrated in the integrated sites in the UK, Sweden and the US. Outokumpu VDM produces high performance alloy products, including a variety of nickel alloys as well as titanium, cobalt and zirconium for customers in the oil and gas, chemical processing, automotive, power production and distribution, electronics, and aerospace industries. Its production sites are located in Germany and the US.

Other operations consist of activities outside the four reportable segments described above as well as industrial holdings. Such business development and Corporate Management expenses that are not allocated to the business areas are also reported under Other operations. In addition, it contains the Tubular Products and remaining Brass operations up to the point of their disposal which do not belong to Outokumpu's main business. Sales of Other operations consist of tubular products and brass rod sales as well as electricity, nickel warrants, internal commissions and services.

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

Operating segments

2012 € million	Stainless Coil EMEA	Stainless Coil Americas	Stainless APAC	HPSA	Reconciliation Reportable segments total	Other operations	Eliminations	Group
External sales	2 341	-	119	1 764	4 223	315	-	4 538
Inter-segment sales	307	2	9	171	489	255	-743	-
Sales	2 648	2	128	1 934	4 712	569	-743	4 538
Operating result	-112	0	-8	-135	-255	-130	-1	-385
Share of results in associated companies and joint ventures	-	-	-	-	-	-	-	-0
Financial income	-	-	-	-	-	-	-	33
Financial expenses	-	-	-	-	-	-	-	-171
Result before taxes	-	-	-	-	-	-	-	-523
Income taxes	-	-	-	-	-	-	-	-12
Net result for the financial year	-	-	-	-	-	-	-	-535
Substantial items included in operating result								
Costs related to Inoxum acquisition	-	-	-	-	-	-64	-	-64
Losses from divestment of the Group's Brass operations	-	-	-	-	-	-18	-	-18
Impairment of stock locations divestment	-10	-	-	-	-10	-	-	-10
Aged inventory write-down	-4	-	-6	-7	-17	-2	-	-19
Redundancy provisions	-3	-	-	-	-3	-	-	-3
Kloster and Nyby impairments	-	-	-	-86	-86	-	-	-86
Depreciation	-128	-0	-1	-67	-197	-4	-	-201
Amortization	-10	-	-0	-7	-17	-12	-	-29
Non interest-bearing assets	3 985	1 488	274	2 085	7 831	252	-404	7 679
Investments in associated companies and joint ventures	-	-	-	-	-	-	-	51
Other interest-bearing assets	-	-	-	-	-	-	-	527
Deferred tax assets	-	-	-	-	-	-	-	89
Assets held for sale	-	-	-	-	-	-	-	1 326
Total assets	-	-	-	-	-	-	-	9 671
Non interest-bearing liabilities	1 457	305	67	662	2 492	174	-561	2 105
Interest-bearing liabilities	-	-	-	-	-	-	-	3 737
Deferred tax liabilities	-	-	-	-	-	-	-	90
Liabilities directly attributable to assets held for sale	-	-	-	-	-	-	-	786
Total liabilities	-	-	-	-	-	-	-	6 718
Operating capital	2 527	1 183	207	1 423	5 340	78	156	5 574
Net deferred tax asset	-	-	-	-	-	-	-	-1
Capital employed	-	-	-	-	-	-	-	5 573

2011 [1] € million	Stainless Coil EMEA	Stainless Coil Americas	Stainless APAC	HPSA	Reportable segments total	Reconciliation Other operations	Eliminations	Group
External sales	2 599	-	130	1 907	4 636	373	-	5 009
Inter-segment sales	443	1	7	397	849	329	-1 178	-
Sales	3 042	1	137	2 304	5 485	702	-1 178	5 009
Operating result	-84	0	-3	-106	-193	-72	14	-251
Share of results in associated companies and joint ventures	-	-	-	-	-	-	-	-5
Financial income	-	-	-	-	-	-	-	281
Financial expenses	-	-	-	-	-	-	-	-270
Result before taxes	-	-	-	-	-	-	-	-244
Income taxes	-	-	-	-	-	-	-	65
Net result for the financial year	-	-	-	-	-	-	-	-180
Substantial non-cash items included in operating result								
Impairments	-1	-	-	-68	-69	-37	-	-106
Tubular business provision and working capital write-down	-	-	-	-6	-6	-21	-	-26
Redundancy provisions	-17	-	-0	-17	-34	-5	-	-38
Gain on the sale of Forrestania resources royalty rights	-	-	-	-	-	23	-	23
Depreciation	-131	-0	-1	-64	-196	-5	-	-201
Amortization	-14	-	-0	-7	-20	-13	-	-33
Non interest-bearing assets	2 968	0	108	1 437	4 514	335	-237	4 612
Investments in associated companies and joint ventures	-	-	-	-	-	-	-	39
Other interest-bearing assets	-	-	-	-	-	-	-	499
Deferred tax assets	-	-	-	-	-	-	-	76
Total assets	-	-	-	-	-	-	-	5 227
Non interest-bearing liabilities	502	0	52	342	896	163	-178	881
Interest-bearing liabilities	-	-	-	-	-	-	-	2 258
Deferred tax liabilities	-	-	-	-	-	-	-	37
Total liabilities	-	-	-	-	-	-	-	3 177
Operating capital	2 467	-0	56	1 095	3 617	172	-60	3 730
Net deferred tax liability	-	-	-	-	-	-	-	39
Capital employed	-	-	-	-	-	-	-	3 770

[1] Comparative figures for the Business Areas have been restated. Group figures have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits.

Geographical information

€ million	Finland	Germany	Sweden	The UK	Other Europe	North America	Asia and Australia	Other countries	Inter-area	Group
2012										
Sales by destination [1]	197	741	196	300	1 926	466	629	83	-	4 538
Sales by origin [2]	2 666	294	1 445	697	684	359	142	25	-1 775	4 538
Non-current assets [2] [3]	1 853	629	378	81	175	1 002	205	4	-	4 326
2011										
Sales by destination [1]	218	828	272	341	2 088	524	642	97	-	5 009
Sales by origin [2]	2 851	374	1 853	910	862	395	152	22	-2 410	5 009
Non-current assets [2] [3]	1 695	37	466	78	176	61	46	0	-	2 559

[1] Sales by destination is presented for external sales.
[2] Sales and non-current assets are presented by the locations of the Group companies.
[3] Excluding financial instruments, deferred tax assets and post-employment benefit assets.

4. Acquisitions and disposals

Acquisitions

Year 2012

Inoxum
On January 31, 2012, Outokumpu entered into a business combination agreement with ThyssenKrupp AG for the purchase of the entire share capital of both Inoxum GmbH and ThyssenKrupp Nirosta GmbH ("Inoxum"), the parent companies of the group comprising the stainless steel business of ThyssenKrupp. Inoxum Group comprises activities in the area of premium-quality stainless steel flat products and high performance materials that provide high formability, corrosion and heat resistance quality. Inoxum has production sites in Germany, Italy, the US, Mexico and China. The ownership and control transferred to Outokumpu on December 28, 2012 which is the date of acquisition.

The combination of Outokumpu and Inoxum created a new global leader in stainless steel with a complementary and innovative product offering across key customer segments. The transaction is expected to create significant cost synergy benefits that neither company could have realized on its own, and Outokumpu is expected to have the scale and financial strength to take advantage of a range of global growth opportunities. The transaction is designed to enable a strategic optimization of production capacities, production locations and supply routes. Outokumpu and Inoxum are highly complementary in terms of product offering. This, coupled with its extensive network of local service centers, will enable the combined entity to supply a broad product offering with shorter delivery times and customized solutions for its customers globally. In addition, it will provide a strong diversification across different grades reducing volatility from any temporary shifts in demand between grades. Following completion of the transaction, Outokumpu also has a global and well-balanced customer base, covering key end-user segments. This well-balanced customer base provides the combined entity with reduced exposure to volatility of individual industries going forward. The transaction is also designed to enable the combined entity to take advantage of multiple growth opportunities.

Consideration
€ million

Cash	1 000
Shares to ThyssenKrupp	491
Loan note issued to ThyssenKrupp	1 229
Total consideration transferred	2 720

The fair value of the 621 042 573 Outokumpu Group's shares transferred to the sellers (EUR 491 million) was determined based on the share price of EUR 0.79 at the date of acquisition.

The principal amount of the loan note is the amount by which the balance of ThyssenKrupp's receivables against Inoxum and Inoxum's receivables against ThyssenKrupp exceeded the EUR 1 billion cash consideration at the acquisition date. Following the European Commission's demand for an industrial remedy related to the Inoxum transaction, Outokumpu committed to the divestiture of the Inoxum's stainless steel mill in Terni, Italy, and selected European service centers (Remedy assets), see more information in Note 5. Assets held for sale. The final amount of the loan note will be affected by the result of the sale of the Remedy assets and related synergy losses, and is therefore subject to changes. The EUR 1 229 million represents the estimated fair value of this liability at the date of acquisition.

Assets acquired and liabilities assumed at the date of acquisition are presented below. These include the assets and liabilities of Terni. The purchase price allocation (PPA) is still provisional pending finalization of valuation of the identifiable assets and liabilities. The provisional amounts recognized may be adjusted within 12 months after the date of acquisition, to reflect new information obtained about facts and circumstances that existed at the date of acquisition.

Identifiable assets acquired and liabilities assumed (provisional)
€ million

Intangible assets	108
Property, plant and equipment	2 166
Deferred tax assets	160
Inventories	1 781
Trade receivables	549
Other assets	190
Cash and cash equivalents	84
Total assets	5 038
Interest-bearing liabilities	250
Employee benefit obligations	376
Deferred tax liabilities	87
Trade and other liabilities	1 601
Total liabilities	2 314

Goodwill arising on acquisition (provisional)
€ million

Total consideration transferred	2 720
Non-controlling interests, based on their proportionate interest in the recognized amounts of assets and liabilities of Inoxum	11
Fair value of identifiable net assets acquired	2 724
Goodwill arising on acquisition	7

A marginal goodwill of EUR 7 million is attributable mainly to assembled workforce. None of the goodwill recognized is expected to be deductible for income tax purposes. As the PPA is still provisional, also goodwill is subject to changes.

Net cash outflow on acquisition
€ million

Consideration paid in cash	1 000
Cash and cash equivalent balances acquired	-84
Net cash outflow on acquisition	915

Had Inoxum been consolidated from January 1, 2012, management estimates that the consolidated statement of comprehensive income would show net sales of approximately EUR 9 400 million and net loss of approximately EUR 900 million.

Year 2011

In 2011 Outokumpu made no acquisitions.

Disposals

Year 2012

Brass
In June, Outokumpu sold its brass-rod plant in Drünen in the Netherlands, the last of the Group's brass operations. Resulting from this transaction, a loss of EUR 18 million was booked into other operating expenses.

Amari
In September, Outokumpu completed a transaction to divest part of the Group's stock operations in Europe to Amari, a privately owned group of companies focusing on multi-metal distribution. With the transaction, 10 of the Group's stock operations in nine countries were transferred to Amari, thereby halving the number of the Group's own stock locations. Furthermore, approximately 100 Outokumpu employees transferred to Amari. In connection to the transaction, Outokumpu booked a non-recurring impairment of EUR 10 million into other operating expenses.

Effect of disposal on the financial position of the Group
€ million

Non-current assets	23
Current assets	49
Non-current liabilities	-3
Current liabilities	-19
Net assets	49
Disposal-related losses and impairments	-28
Consideration received, satisfied in cash	21
Cash and cash equivalents disposed of	-2
Net cash inflow	19

Year 2011

Tubular joint venture, OSTP
In 2011, Tubinoxia acquired a non-controlling shareholding in Outokumpu’s tubular unit (OSTP). In the first phase, Tubinoxia acquired 36% of the shares in OSTP with an option to acquire shares up to 51% in a three year's time period. Outokumpu had an option to redeem the shares initially acquired, at original value, if Tubinoxia would not acquire the majority. Outokumpu has managed OSTP through a board of directors, in which the majority of the members, including the chairman, has been appointed by Outokumpu.

In 2012, Outokumpu continued to hold control in OSTP being the majority shareholder. OSTP is therefore consolidated in Outokumpu's 2012 financial statements as a subsidiary and Tubinoxia's non-controlling interest is presented separately from the net result and disclosed as a separate item in the equity. In the beginning of 2013, Tubinoxia used its option and acquired the additional 15% of OSTP. Outokumpu therefore lost the control over OSTP and in the future, OSTP will be consolidated as an associated company.

Nordic Brass Gusum AB
In 2011, Outokumpu 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.

5. Assets held for sale

Following the European Commission's demand for an industrial remedy related to the Inoxum transaction, Outokumpu committed to the divestiture of the Inoxum stainless steel mill in Terni, Italy, and selected European service centers (Remedy assets). The commitments took effect on November 7, 2012, and oblige Outokumpu to divest the assets within six months.

In the statement of financial position, the Remedy assets and related liabilities are presented separately on lines "Assets held for sale" and "Liabilities directly attributable to assets held for sale", respectively. These include Inoxum's stainless steel mill in Terni, Italy and Outokumpu's stainless steel service center in Willich, Germany.

Assets held for sale and liabilities directly attributable to assets held for sale include property, plant and equipment of EUR 29 million, inventories of EUR 33 million, current receivables of EUR 27 million, non-current liabilities of EUR 23 million and current liabilities of EUR 11 million related to Outokumpu's stainless steel service center in Willich, Germany.

In 2012, other comprehensive income includes EUR 4 million of actuarial losses from defined benefit plans related to Outokumpu's stainless steel service center in Willich, Germany.

In 2013, Terni will be reported as discontinued operation and therefore, its result will be separately presented in the consolidated statement of income as one line item.

6. Other operating income and expenses and non-recurring items

Other operating income

€ million	2012	2011
Exchange gains and losses from foreign exchange derivatives	20	-2
Market price gains and losses from commodity derivatives	-4	14
Market price gains and losses from derivative financial instruments	17	12
Gain on the sale of Forrestania resources royalty rights	-	23
Gains on sale of other intangible and tangible assets	1	7
Other income items	5	6
	23	47

In 2012, the market price gains and losses from derivative financial instruments included a gain of EUR 6 million (2011: EUR 4 million) from ineffective portion of cash flow hedges.

Other operating expenses

€ million	2012	2011
Losses from divestment of the Group's Brass operations	-18	-
Impairment of intangible and tangible assets	-105	-106
Losses on sale of intangible and tangible assets	0	-5
Other expense items	-5	-2
	-128	-113

Non-recurring items in operating result

€ million	2012	2011
Nyby and Kloster impairment	-86	-60
Costs related to Inoxum acquisition	-64	-
Aged inventory write-down	-19	-
Losses from divestment of the Group's Brass operations	-18	-
Impairment of stock locations divestment	-10	-
Redundancy provisions [1)]	-3	-38
OSTP impairment and redundancy provision	-	-71
Gain on the sale of Forrestania resources royalty rights	-	23
	-200	-146

[1)] 2011 has been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits.

As a result of impairment tests on assets of Nyby and Kloster business lines, an impairment loss of EUR 70 million related to Nyby and EUR 16 million related to Kloster was recognized in 2012. In 2011, an impairment of EUR 60 million connected with Kloster business line was recorded.

In 2012, Outokumpu booked EUR 64 million of non-recurring costs related to Inoxum acquisition. Out of these costs, EUR 12 million is related to real estate transfer taxes in Germany.

Aged inventories were written down in 2012 in connection with Outokumpu's P250 program aiming to reduce working capital. This amounted to a non-recurring cost of EUR 19 million.

In 2012, Outokumpu sold the remaining units of its Brass operations. The losses booked from divestment were approximately EUR 18 million. In 2012, Outokumpu also divested part of its European stock operations to Amari. Related to the transaction, impairment of EUR 10 million was booked.

P100 program-related cost savings resulted to non-recurring redundancy provisions of EUR 3 million in 2012. In 2011, non-recurring redundancy provisions relating to the functional efficiency improvements and ongoing cost-cutting program totaled EUR 38 million.

During 2011, a total of EUR 71 million impairment and redundancy provision was booked relating to OSTP, Outokumpu's tubular business.

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, a non-recurring gain of EUR 23 million was booked in the Group's 2011 operating result.

Auditor fees

KPMG

€ million	2012	2011
Audit	-1.9	-1.4
Audit related services	-0.3	-
Tax advisory	-0.1	-
Other services	-3.4	-1.8
	-5.7	-3.2

7. Employee benefit expenses

€ million	2012	2011
Wages and salaries	-340	-379
Termination benefits	-10	-31
Social security costs	-53	-56
Post-employment and other long-term employee benefits [1)]		
Defined benefit plans	-4	0
Defined contribution plans	-54	-54
Other long-term employee benefits	-1	0
Expenses from share-based payments	-0	3
Other personnel expenses	-10	-13
	-473	-529

[1)] Defined benefit plans and other long-term employee benefits in 2011 have been restated as a result of change in accounting principle in 2012. For defined benefit plans, all actuarial gains and losses are recognized in equity through other comprehensive income, and interest expenses and the expected return on plan assets are presented in financial income and expenses. For other long-term employee benefits, interest expenses are presented in financial expenses. The plans and the restatement effect are presented in more detail in Note 25. Employee benefit obligations.

Profit-sharing bonuses based on the Finnish Personnel Funds Act were not recognized in 2012 nor 2011.

8. Financial income and expenses

€ million	2012	2011
Dividend income on available-for-sale financial assets	0	5
Interest income		
Loans and receivables	11	12
Bank accounts and deposits	1	1
Expected return on defined benefit plan assets [1)]	19	21
Gains on the sale of investments at fair value through profit or loss	0	-
Gains on the sale of available-for-sale financial assets	1	65
Gains on the sale and initial fair valuation of Talvivaara Sotkamo Ltd [2)]	-	178
Other financial income	0	1
Total financial income	33	281
Interest expenses		
Financial liabilities at amortized cost	-66	-66
Finance lease arrangements	-5	-4
Derivatives	-6	-6
Interest expense on defined benefit obligations and other long-term employee benefits [1)]	-21	-21
Capitalized interests	8	3
Impairment of financial assets	-0	-20
Fees related to committed credit facilities	-11	-17
Other financial expenses	-7	-18
Total financial expenses	-107	-150
Exchange gains and losses		
Derivatives	-24	-10
Cash, loans and receivables	14	9
Other market price gains and losses		
Derivatives	-3	-11
Subsequent fair valuation of Talvivaara Sotkamo Ltd [2)]	-52	-107
Other	-0	0
Total market price gains and losses	-64	-120
Total financial income and expenses	-138	11

[1)] Due to change in accounting principle of defined benefit obligations and other long-term employee benefits, expected returns on plan assets and interest costs are recognized in financial items. Comparative figures have been restated accordingly.
[2)] Includes the valuation of the granted option.

Exchange gains and losses in the consolidated statement of income

€ million	2012	2011
In sales	-9	8
In purchases [3)]	7	-11
In other income and expenses [3)]	19	-2
In financial income and expenses [3)]	-10	-2
	7	-6

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

Exchange gains and losses include EUR 0 million net exchange loss on derivative financial instruments (2011: EUR 11 million net exchange loss) of which EUR 20 million gain on derivatives has been recognized in other operating expenses, EUR 3 million gain as adjustment to purchases and EUR 24 million loss in financial items.

Non-recurring items in financial income and expenses

In 2012, there were no non-recurring items in financial income and expenses. In 2011, a non-recurring gain of EUR 206 million on the sale and fair valuation of Talvivaara shares, a non-recurring gain of EUR 36 million on the sale of Tibnor shares, a non-recurring loss of EUR 13 million from the sale of Nordic Brass Gusum shares and EUR 13 million non-recurring loss from impairment of Luvata loan receivable were included in financial income and expenses.

9. Income taxes

December 31, 2011 and January 1, 2011 figures have been restated due to change in accounting principle of defined benefit obligations.

Income taxes in the consolidated statement of income

€ million	2012	2011
Current taxes	-4	-6
Deferred taxes	-8	70
	-12	65

The difference between income taxes at the statutory tax rate of 24.5% in Finland and income taxes recognized in the consolidated statement of income is reconciled as follows:

€ million	2012	2011
Hypothetical income taxes at Finnish tax rate on consolidated result before tax	128	66
Difference between Finnish and foreign tax rates	2	13
Tax effect of non-deductible expenses and tax exempt income	-6	19
Tax effect of losses for which no deferred tax asset is recognized	-109	-49
Changes in the carrying amounts of deferred tax assets from prior years	-30	17
Taxes for prior years	1	0
Impact of the changes in the tax rates on deferred tax balances [1)]	-1	2
Tax effect of net results of associated companies	0	-1
Effects of consolidation and eliminations	6	1
Other items	-2	-3
Income taxes in the consolidated statement of income	-12	65

[1)] Majority of the impact of the changes in the tax rates was attributable to the decrease in the Swedish and UK tax rates, in Sweden from 26.3% to 22.0% on January 1, 2013 and in the UK from 25.0% to 24.0% on April 1, 2013.

Deferred income taxes in the statement of financial position

€ million	2012	2011
Deferred tax assets	89	76
Deferred tax liabilities	-90	-37
Net deferred tax asset	-1	39

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.

Deferred tax assets were EUR 42 million and deferred tax liabilities EUR -88 million on January 1, 2011. Net deferred tax liability totaled EUR 46 million.

Recognized deferred tax assets and liabilities are attributable to the following:

	2012			2011		
€ million	Deferred tax asset	Deferred tax liability	Net	Deferred tax asset	Deferred tax liability	Net
Intangible assets	13	-6	7	0	-5	-5
Property, plant and equipment	25	-229	-204	23	-125	-102
Inventories	19	-59	-39	2	-12	-10
Trade and other receivables	6	-5	1	8	-25	-16
Interest-bearing debt	37	-0	37	7	-0	7
Derivative financial instruments	15	-24	-10	5	-4	1
Defined benefit and other long-term employee benefit obligations	72	-14	58	26	-0	26
Provisions	16	-5	11	13	-2	11
Trade and other payables	14	-4	10	2	-1	2
Other items	8	-2	6	8	-10	-1
Tax losses carried forward	123	-	123	127	-	127
	348	-349	-1	222	-184	39

Deferred tax assets relating to employee benefit obligation on January 1, 2011 were EUR 28 million. Consequently, total deferred tax assets and net deferred tax liabilities on January 1, 2011 were EUR 223 million and EUR -46 million, respectively.

Movement in deferred tax assets and liabilities during the financial year

	2012			2011		
€ million	Deferred tax asset	Deferred tax liability	Net	Deferred tax asset	Deferred tax liability	Net
On Jan 1	76	-37	39	42	-88	-46
Translation differences	0	0	0	1	0	1
Recognized in profit or loss	-43	35	-8	31	39	70
Recognized in other comprehensive income	13	-3	10	3	12	14
Companies acquired	43	-84	-41	-	-	-
Companies sold	-	-2	-2	-	-	-
On Dec 31	89	-90	-1	76	-37	39

Aggregate deferred taxes recognized in equity through other comprehensive income

€ million	2012	2011
Cash flow hedging	-7	-4
Available-for-sale financial assets	0	-1
Net investment hedging	-5	-5
Actuarial gains and losses	27	17
	15	6

Aggregate deferred taxes on actuarial gains and losses recognized in equity through other comprehensive income on January 1, 2011 were EUR 14 million. Consequently, the total aggregate deferred taxes recognized in equity through other comprehensive income on January 1, 2011 were EUR -9 million.

Deferred tax assets of EUR 427 million (2011: EUR 108 million) have not been recognized in the consolidated financial statements because the realization of the tax benefit included in these assets is not probable in the foreseeable future. Majority of these unrecognized deferred tax assets relate to tax losses of EUR 1 639 million (2011: EUR 387 million), which can be carried forward in the future. EUR 515 million of these tax losses (2011: EUR 21 million) will expire within next five years and the rest earliest in 2018. The consolidated statement of financial position includes deferred tax assets of EUR 291 million (Dec 31, 2011: EUR 99 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 realization of these deferred tax assets is probable in the foreseeable future.

10. Earnings per share

	2012	2011
Result attributable to the equity holders of the Company, € million	-533	-174
Weighted average number of shares, in thousands	1 156 005	280 527
Diluted average number of shares, in thousands	1 156 005	280 527
Earnings per share for result attributable to the equity holders of the Company, €	-0.46	-0.62

Result attributable to the equity holders in 2011 is restated relating to the change in accounting principle of defined benefit plans and other long-term employee benefits in 2012.

Earnings per share is calculated based on the rights-issue-adjusted weighted average number of shares. Comparative figures 2011 are adjusted accordingly.

Outokumpu did not have any diluting effect share options in 2011 nor 2012. The last options of 2003 option program were subscribed in March 2011.

11. Intangible assets

€ million	Customer relationships	Other intangible assets 1)	Goodwill	Total
Historical cost on Jan 1, 2012	49	231	490	769
Translation differences	-0	2	0	3
Additions	-	1	-	1
Acquired subsidiaries	-	104	7	111
Disposals	-	-1	-0	-1
Disposed subsidiaries	-	-0	-	-0
Reclassifications 2)	-	1	-	1
Historical cost on Dec 31, 2012	49	338	497	883
Accumulated amortization and impairment on Jan 1, 2012	-40	-163	-12	-215
Translation differences	0	-2	-	-2
Disposals	-	0	0	1
Disposed subsidiaries	-	0	-	0
Amortization	-8	-21	-	-29
Impairments	-	-3	-6	-9
Accumulated amortization and impairment on Dec 31, 2012	-48	-189	-17	-254
Carrying value on Dec 31, 2012	0	149	480	629
Carrying value on Jan 1, 2012	9	67	478	554
Historical cost on Jan 1, 2011	49	225	490	763
Translation differences	0	1	0	1
Additions	-	4	-	4
Disposals	-	-2	-	-2
Reclassifications 2)	-	2	-	2
Historical cost on Dec 31, 2011	49	231	490	769
Accumulated amortization and impairment on Jan 1, 2011	-28	-139	-6	-173
Translation differences	-0	-0	-	-1
Disposals	-	1	-	1
Amortization	-12	-21	-	-33
Impairments	-	-3	-5	-9
Accumulated amortization and impairment on Dec 31, 2011	-40	-163	-12	-215
Carrying value on Dec 31, 2011	9	67	478	554
Carrying value on Jan 1, 2011	21	86	483	589

1) Other intangible assets include capitalized land-use rights, 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.

Amortization by function

€ million	2012	2011
Cost of sales	-18	-19
Selling and marketing expenses	-8	-12
Administrative expenses	-3	-3
Research and development expenses	-0	-0
	-29	-33

Impairment testing of goodwill

As a result of the change in organizational structure in 2012, the goodwill has been reallocated to the new operating segments. Units to which the goodwill is related, are included in operating segments Stainless Coil EMEA and HPSA and the reallocation is made based on the previous allocation between General and Specialty Stainless. Also, goodwill related to Tubular business, previously part of Specialty Stainless, has been moved to Other operations. The carrying amount of goodwill is therefore allocated as follows:

€ million	2012	2011
Stainless Coil EMEA	416	417
High Performance Stainless and Alloys	63	56
Other operations	-	4
	480	478

The recoverable amounts of Stainless Coil EMEA and HPSA are based on value-in-use calculations which are estimated using discounted cash flow projections. Key assumptions used in the value-in-use calculations are discount rate, terminal value growth rate, average global growth in end-use consumption of stainless steel and base price development. The values assigned to the key assumptions are based on the strategic plans approved by the management for 2013 after which cash flows are projected for a period of 11 years, including terminal value based on conservative assumptions. The longer period is justified due to the integration of Inoxum and related synergies. Shorter period would not give fair view of the business and forecasts.

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, Outokumpu credit margin, market risk premium, equity beta and industry capital structure. The pre-tax WACC used is 11.4% (2011 pre-tax WACC used 8.4%). Primary reason for the increase from previous year is change in risk free rate used (30 year German bond instead of 10 year) and increase in market risk premium applied.

In the terminal value, growth rate assumption of 0.5% (2011: 1.0%) is used which management believes to be prudent based on current economic circumstances, although historical growth rates and forecasts of independent market analysts indicate higher long-term growth rates.

Assumed average global growth in end-use consumption of stainless steel of 3.4% (2013–2022) follows independent analysts' view on long-term market development.

Base price forecast is based on conservative assumptions, which are in line with expectations of general inflation.

In addition, committed investments and Inoxum transaction related synergies have been included in the cash flow projections.

The estimated recoverable amount of Stainless Coil EMEA exceeds its carrying amount by approximately EUR 900 million. Increase of 3 percentage point in WACC would cause the carrying amount to exceed the recoverable amount. Also, 9% decrease in annual delivery volumes or 4% decrease in base prices would cause the carrying amount to exceed the recoverable amount. Terminal growth rate of 0% would not lead to impairment.

The estimated recoverable amount of HPSA exceeds its carrying amount by approximately EUR 350 million. Increase of 1.5 percentage point in WACC would cause the carrying amount to exceed the recoverable amount. Also, 6% decrease in annual delivery volumes or 4% decrease in base prices would cause the carrying amount to exceed the recoverable amount. Terminal growth rate of 0% would not lead to impairment.

As a result of the performed impairment test to Group's cash-generating units, no impairment losses have been recognized. In connection with Outokumpu Tubular business' (OSTP) asset valuation, the remaining EUR 5 million goodwill has been impaired in the statement of income in 2012. The increase of EUR 7 million goodwill in HPSA segment is due to the Inoxum acquisition.

Emission allowances

Outokumpu’s sites covered by EU's Emissions Trading Scheme (ETS) in 2012 were the production plants in Tornio in Finland, Avesta, Degerfors and Nyby in Sweden as well as Sheffield in the UK. Outokumpu received 1.3 million tonnes of emission allowances for 2012. The pre-verified carbon dioxide emissions under ETS were approximately 759 000 tonnes in 2012 (2011: 802 000 tonnes). Outokumpu did not sell any emission allowances in 2012 (2011: -). For the trading period 2013–2020, Outokumpu has applied emission allowances of some 900 000 tonnes on average per annum (excl. Inoxum).

Following the Inoxum transaction, Outokumpu has 13 active sites (excl. Terni) operating under ETS. Inoxum sites in Krefeld and Bochum, Germany were covered in the trading period ending 2012. The ETS scope widenes for the trading period 2013–2020, and also 6 smaller VDM business line sites in Germany will come in to the system. Preliminary allocation for year 2013 is estimated to be some 1 200 000 tonnes in total (excl. Ferrochrome investment). This allocation is foreseen to be sufficient for the operations during the 2013.

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. In 2012, Outokumpu received 13 000 tonnes of emission reduction units from TGF (2011: 10 000 tonnes). The TGF emission reduction units received in 2011 have been delivered to authorities in 2012 to cover the actual carbon dioxide emission in 2011.

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 Jan 1, 2012	49	36	965	3 336	121	274	4 782
Translation differences	1	-	6	43	1	3	53
Additions	0	2	78	188	10	76	354
Acquired subsidiaries	133	-	235	1 145	8	133	1 654
Disposals	-0	-	-9	-23	-0	-0	-33
Disposed subsidiaries	-4	-	-1	-13	-1	-1	-19
Reclassifications	-6	8	27	120	3	-190	-38
Historical cost on Dec 31, 2012	173	46	1 301	4 796	142	295	6 754
Accumulated depreciation and impairment on Jan 1, 2012	-7	-6	-462	-2 206	-55	-41	-2 777
Translation differences	-0	-	-4	-31	-0	-1	-36
Disposals	0	-	9	23	0	0	32
Disposed subsidiaries	2	-	1	11	0	-	14
Reclassifications	0	-	3	5	-	0	8
Depreciation	-	-1	-33	-162	-5	-	-201
Impairments	-1	-	-20	-69	-3	-2	-96
Accumulated depreciation and impairment on Dec 31, 2012	-6	-7	-507	-2 429	-63	-45	-3 056
Carrying value on Dec 31, 2012	167	40	793	2 367	79	250	3 697
Carrying value on Jan 1, 2012	42	30	503	1 130	66	233	2 005
Historical cost on Jan 1, 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 Dec 31, 2011	49	36	965	3 336	121	274	4 782
Accumulated depreciation and impairment on Jan 1, 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 Dec 31, 2011	-7	-6	-462	-2 206	-55	-41	-2 777
Carrying value on Dec 31, 2011	42	30	503	1 130	66	233	2 005
Carrying value on Jan 1, 2011	43	31	522	1 260	72	125	2 054

[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	2012	2011
Cost of sales	-194	-192
Selling and marketing expenses	-2	-4
Administrative expenses	-4	-5
Research and development expenses	-1	-1
	-201	-201

Borrowing costs amounting to EUR 8 million were capitalized on investment projects during the financial year (2011: EUR 3 million). Total interest capitalized on December 31, 2012 was EUR 41 million (Dec 31, 2011: EUR 37 million). Outokumpu determines separate capitalization rates for each quarter. The average rate used during 2012 was 3.68%.

Impairments

As a result of poor performance and weaker than expected future outlook of Nyby and Kloster business lines, impairment test was carried out to their assets. These assets are used in the HPSA operating segment. The review led to the recognition of an impairment loss of EUR 70 million related to Nyby and EUR 16 million related to Kloster, mainly allocated to machinery and equipment. The recoverable amounts of these assets were determined on the basis of their value in use. The discount rate used in measuring value in use was 8.5%. The impairments have been recognized in other operating expenses in the statement of income. Additionally, an impairment of EUR 10 million was recognized related to the divested stock locations. The impairment, related mainly to buildings and machinery and equipment, was booked before the sale, in connection with reclassification of these assets to a disposal group held for sale.

Assets leased by finance lease agreements

€ million	Land	Buildings	Machinery and equipment	Total
Historical cost	27	34	212	272
Accumulated depreciation	-	-4	-57	-61
Carrying value on Dec 31, 2012	27	30	155	211
Historical cost	-	9	203	212
Accumulated depreciation	-	-3	-44	-48
Carrying value on Dec 31, 2011	-	6	159	165

13. Investments in associated companies and joint ventures

€ million	2012	2011
Investments in associated companies and joint ventures at cost		
Historical cost on Jan 1	23	152
Investments in associated companies and joint ventures in acquired subsidiaries [1]	6	-
Translation differences	0	0
Disposals [2], [3]	-	-36
Reclassification of Talvivaara Sotkamo Ltd to investments at fair value through profit or loss [3]	-	-93
Historical cost on Dec 31	30	23
Equity adjustment to investments in associated companies and joint ventures on Jan 1	16	-4
Translation differences	1	0
Share of results in associated companies and joint ventures	0	-5
Equity adjustments to investments in associated companies and joint ventures in acquired subsidiaries [1]	5	-
Share of other comprehensive income in associated companies	-	-2
Disposals [2], [3]	-	9
Reclassification of Talvivaara Sotkamo Ltd to investments at fair value through profit or loss [3]	-	18
Equity adjustment on Dec 31	21	16
Carrying value of investments in associated companies and joint ventures on Dec 31	51	39

[1] As part of Inoxum transaction in 2012 Outokumpu acquired Fischer Mexicana S.A. de C.V. in Mexico (50% ownership) and MOL Katalysatortechnik GmbH in Germany (20.46% ownership).
[2] 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.
[3] 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 from the sale and initial fair valuation of the remaining shares and the granted option.

Associated companies and joint ventures

	Domicile	Ownership, %
Fagersta Stainless AB	Sweden	50
Fischer Mexicana S.A. de C.V.	Mexico	50
KDAB i Västerås AB	Sweden	50
Ilserv S.r.l. [1]	Italy	35
Rapid Power Oy	Finland	33
Euroacciai S.r.l. Sarezzo (BS) [1]	Italy	30
Terni Frantumati S.p.A. [1]	Italy	21
MOL Katalysatortechnik GmbH	Germany	20

[1] Included in Terni remedy assets and classified to assets held for sale.

Information on associated companies and joint ventures

€ million	Domicile	Assets	Liabilities	Sales	Profit	Ownership, %
2012						
Fagersta Stainless AB	Sweden	64	28	157	-0	50
Fischer Mexicana S.A. de C.V. [1] [2]	Mexico	30	8	50	7	50
Rapid Power Oy	Finland	153	100	47	0	33
2011						
Fagersta Stainless AB	Sweden	85	42	198	-5	50
Rapid Power Oy	Finland	164	111	41	-0	33

[1] Company was acquired as part of the Inoxum transaction in December 28, 2012. The profit has not been consolidated to the statement of income in 2012.
[2] Figures are based on the information on September 30, 2012.

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

2012 € million	Category in accordance with IAS 39	Measured at Amortized cost	Cost	Fair value recognized in other comprehensive income	Fair value recognized through profit or loss	Carrying amount on Dec 31, 2012	Fair value on Dec 31, 2012
Non-current financial assets							
Available-for-sale financial assets	a)	-	11	5	-	16	16
Investments at fair value through profit or loss	c)	-	-	-	2	2	2
Trade and other receivables							
Interest-bearing	b)	164	-	-	-	164	166
Non interest-bearing	b)	8	-	-	-	8	8
Hedge accounted derivatives	e)	-	-	2	-	2	2
Derivatives held for trading	d)	-	-	-	0	0	0
Current financial assets							
Available-for-sale financial assets	a)	-	3	2	-	5	5
Investments at fair value through profit or loss	c)	-	-	-	59	59	59
Trade and other receivables							
Interest-bearing	b)	2	-	-	-	2	2
Non interest-bearing	b)	1 019	-	-	-	1 019	1 019
Cash and cash equivalents	b), c)	222	-	-	-	222	222
Hedge accounted derivatives	e)	-	-	16	-	16	16
Derivatives held for trading	d)	-	-	-	37	37	37
		1 416	14	25	98	1 554	1 556
Non-current financial liabilities							
Long-term debt	f)	2 935	-	-	-	2 935	2 883
Trade and other payables	f)	5	-	-	-	5	5
Hedge accounted derivatives	e)	-	-	0	-	0	0
Derivatives held for trading	d)	-	-	-	39	39	39
Current financial liabilities							
Current debt	f)	718	-	-	-	718	718
Trade and other payables							
Interest-bearing	f)	21	-	-	-	21	21
Non interest-bearing	f)	1 518	-	-	-	1 518	1 518
Hedge accounted derivatives	e)	-	-	3	-	3	3
Derivatives held for trading	d)	-	-	-	22	22	22
		5 196	-	3	61	5 260	5 208

2011 € million	Category in accordance with IAS 39	Measured at Amortized cost	Cost	Fair value recognized in other comprehensive income	Fair value recognized through profit or loss	Carrying amount on Dec 31, 2011	Fair value on Dec 31, 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), c)	162	-	-	-	162	152
Non interest-bearing [1)]	b)	28	-	-	-	28	28
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
		1 106	10	33	130	1 279	1 269
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

[1)] Non-current non interest-bearing receivables in 2011 have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits. Restated receivables on January 1, 2011 were EUR 19 million.

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, capitalization of interest, market credit spreads, and level of market interest rates have been considered. Also, the scenario of premature repayment has been taken into account in the valuation. Carrying amount on current receivables is a reasonable approximation of their fair value. The fair value of non-current interest-bearing liabilities are determinated by using discounted cash flow method taken into consideration 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

2012

€ million	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	3	-	4	7
Investments at fair value through profit or loss	6	-	55	61
Hedge accounted derivatives	-	19	-	19
Derivatives held for trading	-	37	-	37
	9	56	59	124
Liabilities				
Hedge accounted derivatives	-	3	-	3
Derivatives held for trading	-	60	-	60
	-	63	-	63

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

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 on Jan 1	8	106	0
Fair value changes	-4	-52	0
Disposals	-0	-	-
Carrying balance on Dec 31	4	55	-

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

The fair value of the level three relates mostly to ownerships in energy producing companies and investments in Talvivaara Sotkamo Ltd. Option granted to Talvivaara Mining Company Plc expired during 2012. 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 5 million or decrease of EUR 2 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 5 million or decrease of EUR 5 million in the value.

16. Available-for-sale financial assets

€ million	2012	2011
Carrying value on Jan 1	23	154
Translation differences	0	0
Additions	4	3
Available-for-sale assets from acquired subsidiaries	0	-
Fair value changes	-4	-23
Disposals	-0	-39
Impairments	-	-7
Gains and losses from disposals reclassified to profit or loss	-1	-65
Carrying value on Dec 31	21	23

Non-current listed equity securities	1	1
Non-current unlisted equity securities	15	15
Current available-for-sale financial assets	5	7
	21	23

Listed equity securities, at fair value	3	5
Unlisted equity securities and other investments, at fair value	4	8
Unlisted equity securities and other investments, at cost	14	10
	21	23

Fair value reserve in equity

€ million	2012	2011
Fair value	21	23
Acquisition value	20	-16
Fair value reserve before tax	1	7
Deferred tax liability	0	-1
Fair value reserve	1	6

Unlisted equity securities at fair value consist mainly of holdings in energy producing companies, of which valuation method is described in Note 15. Hierarchy of financial assets and liabilities measured at fair value.

17. Investments at fair value through profit or loss

€ million	2012	2011
Carrying value on Jan 1	106	1
Translation differences	0	0
Additions	1	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	-52	-135
Other movement	6	-
Carrying value on Dec 31	61	106

In 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 was valid until March 31, 2012 and expired unused.

Outokumpu's 20% holding in Talvivaara Sotkamo Ltd had been classified in Outokumpu's financial statements as an associated company. After the change in ownership, Outokumpu reclassified the remaining 16% holding as an investment valued at fair value through profit or loss in 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 in 2011.

In 2011, Outokumpu also sold its entire holding 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 asset in Outokumpu's financial statements.

Subsequent valuation of the 16% ownership in Talvivaara Sotkamo Ltd reflects the changes in the share price of Talvivaara Mining Company Plc, which on December 31, 2012 was EUR 1.24 per share.

18. Share-based payment plans

On December 31, 2012 Outokumpu had two active share-based incentive programs, the program for years 2009–2013 and The Performance Share Plan 2012 which started in 2012. Share-based incentive programs are part of the Group's incentive and commitment-building system for key employees. The objective of the programs is to reward selected employees for good performance which supports Outokumpu's strategy, to engage them and to form part of a competitive incentive package. The purpose of the programs is also to direct the employees' attention to achieving Outokumpu's financial targets and increasing shareholder value over a longer period of time.

In addition to the above mentioned programs, Outokumpu has two small-scale restricted share plans, which have been targeted for encouraging long-term employee commitment to Outokumpu.

The second vesting period of the 2009–2013 program ended on December 31, 2012. The set minimum performance targets were not met and therefore, no reward will be paid to the participants for the vesting period 2010–2012.

On January 31, 2012, the Board of Directors confirmed a new share-based incentive program, the Performance Share Plan 2012. The first plan covers years 2012–2014, has 98 people in the scope and the maximum amount of shares to be distributed is 4 328 400. In addition, the Board of Directors confirmed a small-scale Restricted Share Pool program, which enables long-term retaining and rewarding of selected key employees of Outokumpu Group. Applicable taxes will be deducted from the gross amount of shares to be delivered and the remaining net-value will be delivered to the participants as Outokumpu shares.

On February 28, 2012, the Board of Directors confirmed a separate share incentive scheme for CEO related to the Inoxum transaction. The program consists of 25 000 shares which were granted to him on February 29, 2012. Outokumpu paid the taxes and any social security contributions related to the reward shares. The reward shares are subject to a restriction according to which the reward shares may not be transferred or in any other manner disposed of before March 31, 2015.

On February 14, 2013, the Board of Directors confirmed the second plan for Performance Share Plan 2012, which is for years 2013–2015. 164 empoyees has confirmed to participate in the plan and maximum amount of shares to be distributed is 8 900 000.

The total estimated value of share-based incentive programs and restricted share plans is EUR 3 million on December 31, 2012. This value is recognized as an expense in the statement of income during the vesting periods.

Outokumpu has no new stock option programs started in 2011 or 2012.

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

Share-based payments included in employee benefit expenses

€ million	2012	2011
Equity-settled share-based payment transactions	-1	-1
Cash-settled share-based payment transactions	0	4
	-0	3
Total carrying amount of liabilities for cash-settled arrangements on Dec 31	0	1

Share-based incentive programs

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

	Share-based incentive program for 2009–2013		Performance Share Plan 2012
	Vesting period 2010–2012	Vesting period 2011–2013	Vesting period 2012–2014
Grant date	Feb 2, 2010	Jan 31, 2011	March 31, 2012
Vesting period	Jan 1, 2010– Dec 31, 2012	Jan 1, 2011– Dec 31, 2013	Jan 1, 2012– Dec 31, 2014
Vesting conditions			
Market	Total shareholder return (TSR) ranking among peers and TSR outperforming a competitor.	Total shareholder return (TSR) ranking among peers.	Total shareholder return (TSR) ranking among peers.
Non-market	Outokumpu Group earnings per share (EPS) and annual EBIT.	Outokumpu Group earnings per share (EPS) and annual EBITDA.	Annual EBITDA.
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.

The fair value of share-based incentive programs are determined using statistical modeling.

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

Number of shares [1)]	2012	2011
On Jan 1	4 140 600	3 327 400
Shares granted	4 650 523	1 732 800
Shares cancelled	-1 776 464	-919 600
On Dec 31	7 014 659	4 140 600

1) Figures restated according to Share issue exercised in March-April 2012.

The figures include share-based incentive Program 2009–2013, Performance Share Plan 2012 and restricted share plans.

Share values used in valuations

	Share-based incentive program for 2009–2013		Performance Share Plan 2012
	Vesting period 2010–2012	Vesting period 2011–2013	Vesting period 2012–2014
Incentive share fair value at the grant date, €	3.54	3.56	1.57
Share price at the end of the reporting period, €	0.79	0.79	0.79

Option program

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

	2012		2011 [1)]	
	Options	Weighted average exercise price €/share	Options	Weighted average exercise price €/share
Outstanding at the beginning of the year	-	-	40 500	10.09
Exercised during the year	-	-	-40 500	10.09
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

1) 2011 is not rights-issue-adjusted.

19. Financial risk management, capital management and insurances

The objectives of financial risk management are to reduce the impact of price fluctuations and other factors of uncertainty in financial markets on earnings, cash flows and capital structure, 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 optimize the cost of capital in order to enhance value to shareholders. The main objectives of insurance management are 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 2012, the Group's Financial Risk Policy was reviewed twice and changes to it were approved by the Chief Executive Officer. Main changes to the policy were related to decentralization of customer credit risk management and the acquisition and integration of Inoxum.

Financial risks consist of market, country, credit, liquidity and refinancing risks. Subsidiary companies 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, fuel and emission allowance price risk. Credit risk management is decentralized but Treasury and Risk Management function monitors the risk. Following the Inoxum acquisition, the function has a few local hubs e.g. in order to support Group's business operations outside Europe. Energy function is responsible for managing electricity price risk and as from the completion date of the Inoxum acquisition, Raw Material Procurement function has been responsible for managing Group's metal price risk.

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 Visenta Försäkrings AB 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 capital structure.

Outokumpu uses derivative contracts to mitigate the above-mentioned impacts of market price changes. Hedge accounting is applied to committed currency denominated electricity purchases (EUR/SEK spot rate risk), committed and forecasted sales and puchases of products and raw materials (EUR/USD spot rate) as well as sales of nickel-containing products and purchases of raw materials (nickel price). Hedge accounting related to forecasted electricity purchases of Finnish production sites was ceased during 2012. 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 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

€ million	2012 In profit or loss	2012 Other comprehensive income	2011 In profit or loss	2011 Other comprehensive income
+/-10% change in EUR/USD exchange rate	+9/-11	+0/-0	-5/+7	-
+/-10% change in EUR/SEK exchange rate	-6/+8	-22/+27	-7/+8	-24/+29
+/-10% change in USD nickel price	-1/+1	+4/-4	+0/-0	-
+/-10% change in electricity price	-	+4/-2	+0/-0	+8/-3
+/-10% change in share prices	+4/-4	+1/-1	+8/-8	+1/-1
+/-1% parallel shift in interest rates	-19/+19	-	-7/+7	-

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 20–35%. With +/-20% change in USD nickel price, the effect in profit or loss is about EUR -2/2 million for nickel derivatives.

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, Swedish kronas, Mexican pesos, Chinese yuans and British pounds. In Europe, Outokumpu's products are priced mainly in euros and therefore costs in Swedish krona 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. The Group's fair value currency position is presented on a more detailed level in the table below.

Fair value positions of EUR-based companies

€ million	2012 SEK	2012 USD	2012 GBP	2012 Other	2011 SEK	2011 USD	2011 GBP	2011 Other
Trade receivables and payables	6	-258	14	32	15	-63	22	18
Loans and bank accounts [1)]	456	976	-38	-96	781	185	-12	-65
Derivatives [2)]	-141	-852	-20	60	-446	-42	-15	63
Net position	321	-134	-44	-4	350	79	-5	16

Fair value positions of SEK-based companies

€ million	2012 EUR	2012 USD	2012 GBP	2012 Other	2011 EUR	2011 USD	2011 GBP	2011 Other
Trade receivables and payables	49	7	-4	12	89	42	-6	17
Loans and bank accounts [1)]	-15	21	1	2	3	21	6	4
Derivatives [2)]	-127	-37	1	-21	-188	-202	-7	-27
Net position	-93	-9	-3	-7	-95	-139	-7	-6

[1)] Includes cash, interest-bearing liabilities and receivables.
[2)] Includes derivatives assigned to hedge committed cash flows.

Outokumpu has not hedged translation risk of statement of income. The Group has significant currency denominated net investment positions e.g. in US dollars, Swedish kronas, British pounds, Chinese yuans and 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 financial year net investment hedges is recognized 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 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 2012, Outokumpu entered into SEK 500 million and EUR 240 million fixed rate payer swap transactions in order to increase duration of debt. The EUR 150 million four-year bond issued in June has a fixed interest rate and the loan note issued to ThyssenKrupp in December 2012 is floating rate based.

Euro, US dollar, Swedish krona and Chinese yuan 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 December 31, 2012 was 4.2% (Dec 31, 2011: 3.5%). Interest rate position is presented on a more detailed level in the table below.

Currency distribution and re-pricing of outstanding net debt

	Dec 31, 2012				
€ million Currency	Net debt [1]	Derivatives [2]	Average rate, %	Duration, year	Rate sensitivity [3]
EUR	2 804	-1 361	4.4	1.1	7.2
SEK	515	510	3.5	1.1	4.6
USD	-135	968	6.2	0.1	7.0
Others	80	-94	9.8	0.0	-0.2
	3 264	22			18.6

	Dec 31, 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

[1] Includes cash and cash equivalents, interest-bearing debt and receivables.
[2] Net derivative liabilities 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 exposure to nickel price is caused by 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 has been partly reduced with derivatives so that the permanent amount of nickel in business activities (base stock) has been left mainly unhedged. Following the Inoxum acquisition, the Raw Material Procurement function has been responsible for managing Group's metal price risk and metal hedging activities has been carried out by Outokumpu Nirosta, Outokumpu VDM, Acciai Speciali Terni and Outokumpu Oyj. Outokumpu will review its principles for managing metal price risk in 2013.

Nickel derivatives and LME warehouse warrants have been used to manage impacts of price changes on earnings. Metal prices have a major impact on the Group's working capital and thus cash flow from operations. This risk has not been hedged with derivatives. Outokumpu has managed molybdenum risk with similar type of principles, which have been 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 has changed quite much over time.

Many of Outokumpu's main sites are participating in the EU Emissions Trading Scheme (ETS). Realized 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 swapping EUAs to Kyoto credits within the limits set in ETS.

The Group has energy intensive production processes using electricity, propane, natural gas and other fuels. The Group continued hedging propane price risk with derivative contracts. Following the Inoxum acquisition, the Group has some local hedging activities related to natural gas as well. Electricity used by the Nordic production sites is purchased and managed centrally while at other sites electricity is purchased locally. Electricity price risk is reduced with fixed price supply contracts, ownerships in energy producing companies and with the use of derivatives. Electricity derivatives are used to manage short- and medium-term price risk. On December 31, 2012 the Group had no electricity derivatives (Dec 31, 2011: 0.2 TWh). Electricity consumption of the Group's Nordic production sites was 2.8 TWh (2011: 2.6 TWh).

Security price risk

Outokumpu has investments in equity securities and loan receivables. On December 31, 2012 the biggest investment in equity securities was Talvivaara Sotkamo Ltd. Outokumpu Oyj has USD 208 million subordinated loan receivable from Luvata Fabrication Oy. In 2012, the net proceeds from the rights issue were invested in highly rated short duration fixed income securities and bank deposits. 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, Finland and Austria.

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 insurances, which typically cover some 90% of an insured amounts. Part of the credit risk related to trade receivables is managed with bank guarantees, letters of credit and advance payments. Country risk related to business and financial activities is monitored and reported on Group level. The Inoxum acquisition has lead to an increase in country risk.

On December 31, 2012 the maximum exposure to credit risk of trade receivables was EUR 853 million (2011: EUR 654 million). Large part of trade receivables is covered by insurance or by secured payment terms, however there are also unsecured trade receivables based on separate decisions. For part of accounts receivable Outokumpu uses factoring, which transfers substancal part of all risks and rewards to the buyer of the receivables. The Group's trade receivables are generated by a large number of customers. However, there have been customer credit risk concentrations during the year 2012 and at the end of the 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 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. Following the Inoxum acquisition, Outokumpu's credit risk from financial institutions has increased e.g. due to increase in business operations in Asia and Latin America. 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 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. The Inoxum transaction required creation of significant amount of funding and new liquidity reserves in 2012. Due to low profitability, high gearing and uncertainties in European markets, the Group’s financial flexibility remained limited during the year 2012.

In April 2012, Outokumpu raised more than EUR 1 billion by arranging a share issue based on subscription rights. In April 2012, Outokumpu Oyj signed a EUR 400 million committed credit facility maturing in June 2013. This facility was reduced to EUR 250 million in connection with the issue of a EUR 150 million four-year domestic bond in June 2012. In December 2012, Outokumpu Oyj agreed a EUR 250 million forward starting credit facility to secure refinancing of the committed credit facilities. In December 2012, Outokumpu Oyj issued shares valued at EUR 491 million to ThyssenKrupp Nederland Holding B.V. against a contribution-in-kind. In December 2012, Outokumpu Oyj also signed the ThyssenKrupp loan note agreement having estimated amount of some EUR 1.2 billion with final maturity in 2021 as well as ThyssenKrupp revolving backup facility of EUR 250 million maturing in December 2013. In addition, ThyssenKrupp Nirosta GmbH and ThyssenKrupp VDM GmbH as borrowers, agreed with ThyssenKrupp Nederland Holding B.V. a EUR 82 million supplier finance backup facility maturing in December 2017. In 2012, Outokumpu agreed a factoring facility and supported creating new supplier financing arrangements, which were taken into use during the year. Following the Inoxum transaction, the Group has a significant amount of factoring arrangements in use.

The main funding programs and credit facilities are: a Finnish Commercial Paper Program totaling EUR 800 million, a committed revolving credit facility of EUR 750 million, a committed revolving credit facility of EUR 250 million, a committed revolving backup facility of EUR 250 million granted by ThyssenKrupp Nederland Holding B.V., a committed revolving credit facility of EUR 100 million, a committed revolving credit facility of EUR 50 million and two committed revolving credit facilities totaling of SEK 2 933 million. As at December 31, 2012 Outokumpu had a total amount of some EUR 1.7 billion committed credit facilities with more than 364 days of remaining maturity. Of these committed credit facilities some EUR 1.15 billion were unutilized in the end of 2012. The total amount of committed credit facilities having a more than 364 days of remaining maturity will decrease by some EUR 1.4 billion in 2013 and by some EUR 170 million in 2014. More information on liquidity and refinancing risk is presented in the following table.

Contractual cash flows

2012 € million	Balance Dec 31	2013	2014	2015	2016	2017	2018–
Bonds	399	-	-	250	150	-	-
Loans from financial institutions	1 286	362	366	200	75	209	75
Pension loans	210	37	31	35	30	26	51
Finance lease liabilities	218	14	21	30	10	88	55
Loans from related party	1 230	-	-	-	204	204	822
Commercial papers	301	301	-	-	-	-	-
Trade payables	1 210	1 210	-	-	-	-	-
Other liabilities	10	4	0	5	-	-	-
Interest payments and facility charges	21	77	59	62	68	40	421
Interest rate derivatives	39	10	25	4	2	1	-
Other derivatives	-32	-31	-2	-2	0	-	-
		1 983	500	584	540	568	1 423

On December 31, 2012, the Group had cash and cash equivalent marketable securities amounting to EUR 222 million and committed and available credit facilities, available and undrawn TyEL pension loans in Finland, and other agreed and undrawn loans totaling EUR 1 254 million. The future interest cash flows include interest payments of ThyssenKrupp loan note some EUR 260 million, which can be deferred.

2011 € million	Balance Dec 31	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 derivatives	-9	-4	-7	0	-	-	-
		1 612	225	264	497	115	268

On December 31, 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 totaling EUR 1 168 million.

Capital management

The objective of the capital management is to secure the ability to continue as a going concern and to optimize 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 stainless steel industry. 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 on 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. At December 31, 2012 the Revolving Credit Facilities as well as some other 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 June 30, 2013 and a level of gearing that is equal or lower than 95% following June 30, 2013.

The ThyssenKrupp loan note estimated amount of some EUR 1.2 billion is subordinated to defined priority debt, which as at December 31, 2012 included e.g. the bonds and commercial paper issued by Outokumpu Oyj as well as the revolving syndicated credit facilities of Outokumpu Oyj. The terms of the loan note allow Outokumpu to defer (PIK provision) interest payments 100% during the first 24 months of tranche A of the loan (some EUR 679 million) and during the first 60 months of tranche B of the loan (EUR 550 million). For tranche A, there is a possibility for Outokumpu to defer 50% of the interest payments during the months 25 to 36. The subordination of the loan note and the possibility to defer interest payments provide Outokumpu with additional flexibility to manage its liquidity and debt capital structure.

The Group's internal capital structure is reviewed on a regular basis with an aim to optimize it e.g. by applying internal dividends and equity adjustments. Net investment in foreign entities is monitored and the Group has capability to hedge this 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 capitalized 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 [2)] in the consolidated statement of financial position.

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, making capital allocation decisions and assesing actions on working capital management.

On December 31, 2012, net interest-bearing debt was EUR 2 620 million (2011: EUR 1 720 million), total equity EUR 2 953 million (2011: EUR 2 050 million) and debt-to-equity ratio 88.7% (2011: 83.9%). The increase in debt-to-equity ratio during 2012 resulted primarily from high amount of capital expenditure and low profitability. The two share issues limited the increase of gearing.

Insurances

The Group'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. Business operations, sales to aerospace and auto industries in particular, may cause significant liability risk. Outokumpu aims to partly mitigate liability risk by having reasonable insurances in place. Other significant insurance lines include transport and credit.

Visenta Försäkrings AB can act as direct insurer and as reinsurer. The company is registered in Sweden and it has assets worth some EUR 23 million. Visenta underwrites e.g. property and business interruption insurance policies.

20. Fair values and nominal amounts of derivative instruments

€ million	2012 Positive fair value	2012 Negative fair value	2012 Net fair value	2011 Net fair value	2012 Nominal amounts	2011 Nominal amounts
Currency and interest rate derivatives						
Currency forwards	33	17	15	10	3 099	1 605
Interest rate swaps	-	16	-16	-11	543	335
Cross-currency swaps	-	19	-19	-38	69	229
Currency options, bought	-	-	-	0	-	10
Currency options, sold	-	-	-	-0	-	10
Interest options, bought	0	-	0	0	193	190
Interest options, sold	-	4	-4	-3	93	90
Embedded derivatives	0	0	0	-	13	-
					Tonnes	Tonnes
Metal derivatives						
Nickel options, bought	-	-	-	0	-	1 200
Nickel options, sold	-	-	-	-0	-	900
Forward and futures nickel contracts	21	4	17	-1	21 432	750
Forward and futures molybdenum contracts	-	0	-0	-0	12	60
Forward and futures copper contracts	0	0	0	0	600	2 375
Forward and futures zinc contracts	-	-	-	0	-	825
Forward and futures cobolt contracts	0	0	-0	-	16	-
Forward and futures aluminium contracts	0	-	0	-	50	-
Emission allowance derivatives	0	1	-1	-0	250 000	226 000
Propane derivatives	1	0	1	-0	20 000	5 000
					MMBtu	MMBtu
Natural gas derivatives	-	1	-1	-	2 164 493	-
					TWh	TWh
Electricity derivatives	-	-	-	-1	-	0.2
Granted share options	-	-	-	-0		
Total derivatives	56	63	-8	-44		
Less long-term derivatives						
Currency forwards	2	1	1	7		
Interest rate swaps	-	16	-16	-11		
Cross currency swaps	-	19	-19	-16		
Interest options, bought	0	-	0	0		
Interest options, sold	-	2	-2	-3		
Forward and futures nickel contracts	0	0	0	-		
Emission allowance derivatives	-	0	-0	-1		
Natural gas derivatives	-	0	-0	-		
Electricity derivatives	-	-	-	-2		
Short-term derivatives	54	24	30	-20		

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 cash flow hedges

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 2013–2015) 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 recognized in other comprehensive income net of tax and will be reclassified to profit and loss as adjustment to purchases at the same period as the underlying hedged cash flows affect income. During 2012, effective portion of EUR 3 million gain was recognized in profit or loss as adjustment to purchases (2011: gain of EUR 2 million). The ineffective portion of the hedges, gain of EUR 6 million, (2011: gain of EUR 4 million) is recognized in other operating income and expenses.

	2012			2011		
	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	390	2	3	391	2	2
Maturity 1–5 years	1 562	8	11	1 562	10	7
Maturity 5–10 years	781	5	7	1 171	8	5
	2 733	15	21	3 124	20	14

Forecasted purhases of electricity for the Finnish production sites were hedged with electricity forwards and effective portion on hedges was recognized in other comprehensive income. All electricity forwards matured during the reporting period and effective portion of EUR 1 million loss was recognized in profit or loss.

Following the acquisition of Inoxum, Outokumpu has also some minor cash flow hedges mainly used to hedge future cash flows against foreign currency and commodity price risks arising from future sale and purchase transactions. Cash flows from future transactions are currently hedged for a maximun of 60 months. At the end of the reporting period, the fair value of these hedging instruments totaled EUR 1 million.

21. Inventories

€ million	2012	2011
Raw materials and consumables	566	299
Work in progress	962	443
Finished goods and merchandise	784	541
Net realizable value reserve	-10	-20
Advance payments	6	0
	2 308	1 264

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 realizable value (NRV) calculations. Due to fluctuation in nickel and other alloy prices, the realized prices can deviate significantly from what has been used in NRV calculations on the closing date.

22. Trade and other receivables

€ million	2012	2011
Non-current		
Interest-bearing		
Loans receivable	164	162
Non interest-bearing		
Trade receivables	0	0
Defined benefit pension assets [1)]	-	22
Other receivables	8	6
	8	28

[1)] Defined benefit pension assets in 2011 have been restated due to change in accounting principle of defined benefit plans. Restated defined benefit pension assets on January 1, 2011 were EUR 16 million.

€ million	2012	2011
Current		
Interest-bearing		
Loans receivable	2	2
Accrued interest income	1	0
	2	2
Non interest-bearing		
Trade receivables	853	654
VAT receivable	62	49
Income tax receivable	17	9
Prepaid insurance expenses	10	7
Grants and subsidies receivable	1	1
Other accruals	28	18
Other receivables	66	24
	1 037	761
Allowance for impairment of trade receivables		
Allowance on Jan 1	10	10
Acquired subsidiaries	12	-
Additions	6	2
Disposed subsidiaries	-2	-
Deductions	-1	-2
Recovery of doubtful receivables	-0	-0
Allowance on Dec 31	25	10
Age analysis of trade receivables		
Neither impaired, nor past due	721	566
Past due 1–30 days	94	67
Past due 31–60 days	16	13
More than 60 days	22	7
	853	654

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. Credit risks related to trade receivables are presented in more detail in Note 19. Financial risk management, capital management and insurances.

As at December 31, 2012 Outokumpu has derecognized sales receivables totaling EUR 242 million, which represents fair value of the assets. Net proceeds received totaled EUR 225 million. Underlying assets have maturity less than one year. The maximum amount of loss related to derecognized assets are estimated to be EUR 8 million. This estimation is based on insurance policies and contractual arrangements of factoring companies and Outokumpu. The analysis does not include impact of any operational risk related to Outokumpu's contractual responsibilities.

23. Cash and cash equivalents

€ million	2012	2011
Cash at bank and in hand	215	159
Short term bank deposits	7	2
Cash equivalent marketable securities	-	7
	222	168
Bank overdrafts [1)]	-0	-2
	222	166

[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 average effective interest rate of cash and cash equivalents at the end of 2012 was 0.7% (Dec 31, 2011: 1.0%).

24. Equity

Share capital, premium fund and invested unrestricted equity reserve

€ million	Number of shares, 1 000	Share capital	Premium fund	Invested unrestricted equity reserve	Total
On Jan 1, 2011	181 937	311	713	-	1 024
Shares subscribed with 2003C option rights	41	0	0	-	0
On Dec 31, 2011	181 978	311	714	-	1 025
Shares subscribed with CEO's share incentive plan [1]	25	-	-	-	-
Rights issue in March–April 2012	1 274 020	-	-	972	972
Directed share issue to ThyssenKrupp AG	621 043	-	-	491	491
On Dec 31, 2012	2 077 065	311	714	1 462	2 487
Treasury shares [1], [2]	1 016				
Total number of shares on Dec 31, 2012	2 078 081				

[1] Shares granted from treasury shares without effect to share capital.
[2] The company has not acquired treasury shares in 2011 nor in 2012.

According to the Articles of Association, the Outokumpu share does not have nominal value.

Fair value reserves

€ million	2012	2011
Available-for-sale financial assets reserve	1	6
Hedge reserves	21	13
	22	19

Fair value reserves include movements in the fair values of available-for-sale financial assets and derivative instruments used for cash flow hedging. The figures are presented net of tax.

Other reserves

€ million	2012	2011
Reserve fund	5	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 of the General Meeting of Shareholders. Other reserves include other items based on the local regulations of the Group companies.

Distributable funds

On December 31, 2012 the distributable funds of the parent company totaled EUR 2 059 million of which retained earnings totaled EUR 600 million.

Dividend per share

The dividend per share in 2013 will be decided at the Annual General Meeting on March 18, 2013.

	2013 [1]	2012	2011
Dividend per share, € [2]	-	-	0.16
Total dividends, € million	-	-	45

[1] The Board of Directors' proposal to the Annual General Meeting.
[2] 2011 dividend per share calculated based on rights-issue-adjusted number of shares.

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 Germany and in the UK.

Other long-term employee benefits mainly relate to long-service remunerations and early retirement provisions in Germany as well as long-service remunerations in Finland. In Germany, the employees are entitled to receive a one-time indemnity every ten years after 25 years of service. Under the early retirement agreements, employees work additional time prior to retirement, which is subsequently paid for in instalments after retirement. In Finland, the employees are entitled to receive a one time indemnity every fifth year after 20 years of service.

Outokumpu changed its accounting policy related to defined benefit and other long-term employee benefit obligations in 2012 after the closure of the Inoxum transaction in order to align accounting policy within the group. Previously, Outokumpu applied the so-called corridor method for recognizing actuarial gains and losses arising from defined benefit arrangements, while Inoxum recognized such actuarial gains and losses in other comprehensive income. Outokumpu has now waived the corridor approach and thus recognizes all actuarial gains and losses from defined benefit obligations directly in other comprehensive income. Additionally, Outokumpu now recognizes interest costs and expected returns on plan assets in financial items under interest expense and interest income, respectively. Current service costs continue to be recognized in functional costs above operating result. Comparative figures for December 31, 2011 and January 1, 2011 have been restated accordingly.

In 2012, only a minor loss on curtailment was recorded relating to other long-term employee benefits in Finland. In 2011, a post-employment medical plan in the US was curtailed resulting in a release of obligation of EUR 6 million, which was recorded as an additional gain. Futhermore, minor gains and losses on curtailments and settlements were recorded in various plans in 2011.

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 recognized in the employee benefit expenses

€ million	2012	2011
Defined benefit plans	-4	0
Defined contribution plans	-54	-54
Other long-term employee benefits	-1	0
	-59	-53

Defined benefit cost recognized in the consolidated statements of income and comprehensive income

€ million	2012	2011
In operating result		
Cost of sales	-4	3
Selling and marketing expenses	-1	-2
Administrative expenses	-0	-1
In financial income and expenses	-2	-0
Defined benefit cost recognized in the consolidated statement of income	-6	0
In other comprehensive income	-44	-5
Total defined benefit cost recognized	-51	-5

The cumulative amount of actuarial gains and losses recognized through other comprehensive income on Dec 31, 2012 and 2011 amounted to net loss of EUR 103 million and EUR 58 million, respectively. Cumulative amount for January 1, 2011 amounted to net loss of EUR 51 million. The accumulated amount does not include translation differences of previous years.

Defined benefit cost

€ million	2012	2011
Current service cost	-5	-5
Interest cost	-20	-21
Expected return on plan assets	19	21
Past service cost	0	1
Gains (+) and losses (-) on curtailments and settlements	-	5
Recognized net actuarial gains (+) and losses (-)	-44	-5
	-51	-5
Actual return on plan assets	28	25

Amounts recognized in the consolidated statement of financial position

€ million	2012	2011	Jan 1, 2011
Present value of funded defined benefit obligations	450	363	344
Present value of unfunded defined benefit obligations	327	64	67
Fair value of plan assets	-406	-379	-354
Unrecognized past service cost	1	1	1
Net liability (+) / Net asset (-)	372	49	57
Net liability (+) of other long-term employee benefits	61	7	9

€ million	2012	2011	Jan 1, 2011
Defined benefit and other long-term employee benefit liabilities	434	78	81
Defined benefit pension assets	-	-22	-16
Net liability (+) / Net asset (-)	434	56	66

Change in defined benefit obligations

€ million	2012	2011
Defined benefits obligation on Jan 1	427	411
Translation differences	6	11
Current service cost	5	5
Interest cost	20	21
Actuarial gains (-) and losses (+)	53	9
Employee contributions	1	1
Past service cost	-	-1
Curtailments and settlements	-	-17
Benefits paid	-19	-16
Acquired subsidiaries	308	-
Other change	-23	3
Defined benefits obligation on Dec 31	777	427

Change in plan assets

€ million	2012	2011
Fair value of plan assets on Jan 1	379	354
Translation differences	7	11
Expected return on plan assets	19	21
Actuarial gains (+) and losses (-)	9	4
Employer contributions	8	14
Employee contributions	1	1
Curtailments and settlements	-	-12
Benefits paid by the plans	-19	-16
Acquired subsidiaries	3	-
Other change	-1	3
Fair value of plan assets on Dec 31	406	379

The expected contributions to be paid to the plans in 2013 are EUR 20 million.

Historical information

€ million	2012	2011	2010	2009	2008
Present value of the defined benefit obligations	777	427	410	407	332
Fair value of plan assets	-406	-379	-354	-334	-288
Deficit in the plan	372	48	56	73	44

Experience adjustments					
Actuarial gain (+) and loss (-) on obligation	-4	-7	16	-3	8
Actuarial gain (+) and loss (-) on plan assets	9	4	6	15	-55

Allocation of plan assets

%	2012	2011
Equity securities	30	32
Debt securities	1	1
Real estate	3	3
Bonds	56	54
Other (insured plans)	11	10
	100	100

Principal actuarial assumptions

%		The US	Finland	The UK	Germany	Italy	Sweden	Austria	Mexico
Discount rate	2012	4.13	2.75	4.25	3.40	3.20	2.00	3.25	5.50
	2011	4.68	4.75	4.75	4.75	4.75	2.30	4.25	-
	2010	5.50	4.25	5.45	4.25	4.50	4.00	4.25	-
Future salary increase	2012	2.00	3.60	4.15	3.00	-	-	2.50	4.00
	2011	2.00	3.70	4.25	3.00	-	-	2.50	-
	2010	3.50	3.50	4.90	3.00	-	3.50	2.50	-
Inflation rate	2012	-	2.00	2.90	2.00	2.00	2.00	2.00	-
	2011	-	2.00	3.00	2.00	2.00	1.50	2.00	-
	2010	-	2.00	3.65	2.00	2.00	2.00	2.00	-
Future benefit increase	2012	-	2.00	2.80	1.22	-	2.00	-	-
	2011	-	2.00	2.90	2.00	-	1.50	-	-
	2010	-	2.10	3.55	2.50	-	2.00	-	-
Expected return on plan assets	2012	7.00	2.75	4.20	-	-	-	-	-
	2011	7.00	4.75	4.75	-	-	-	-	-
	2010	7.50	4.25	6.06	-	-	-	-	-
Medical cost trend rate	2012	6.50	-	-	-	-	-	-	-
	2011	6.70	-	-	-	-	-	-	-
	2010	7.20	-	-	-	-	-	-	-

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	6	-5
On service cost and interest cost	1	-1

26. Provisions

€ million	Restructuring provisions	Environmental provisions	Other provisions	Total
Provisions on Jan 1, 2012	39	16	8	64
Translation differences	1	0	0	1
Increases in provisions	5	6	1	12
Utilized during the financial year	-27	-2	-1	-30
Unused amounts reversed	-7	-	-0	-8
Acquired subsidiaries	80	20	8	107
Disposed subsidiaries	-	-2	-	-2
Provisions on Dec 31, 2012	91	39	15	145

€ million	2012	2011
Non-current provisions	109	22
Current provisions	36	42
	145	64

Restructuring provisions

In April and October, 2011 Outokumpu announced group-wide restructuring measures and booked a total of EUR 39 million provision for expected restructuring costs, including employee termination benefits, contract termination costs and legal fees. EUR 27 million of the provision was used in 2012 and EUR 7 million was reversed unused. 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 years.

In April 2012, Outokumpu announced further restructuring measures in order to improve the efficiency of its operations to reach sustainable profitability. A provision of EUR 3 million was booked for expected costs mainly relating to employee termination benefits.

In addition, in 2012, the restructuring provisions increased by EUR 80 million due to the acquired subsidiaries in the Inoxum transaction. These provisions mainly relate to employee termination benefits and exit costs due to the closure of Krefeld melt shop and reductions in Düsseldorf-Benrath production plant.

Environmental provisions

Majority of the environmental provisions are for closing costs of landfill areas, removal of problem waste and landscaping in facilities in Finland, in the UK, in the US and in Germany. Most of the EUR 6 million increase in 2012 relate to landscaping in Finland. The EUR 20 million increase related to acquired subsidiaries is due to the Inoxum transaction. Most of these provisions relate to decommissioning liabilities associated with recultivating landfills in Nirosta. In addition, EUR 2 million of the environmental provisions was reversed in connection to the sale of Brass operations in June, 2012.

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

Other provisions comprise mainly provisions for claims and bonuses. These are mainly current provisions. The EUR 8 million increase related to acquired subsidiaries is due to the Inoxum transaction and mainly relates to claims.

Provisions are based on management's best estimates at the end of the reporting period.

27. Interest-bearing debt

€ million	2012	2011
Non-current		
Bonds	399	250
Loans from financial institutions	924	570
Pension loans	173	180
Finance lease liabilities	204	156
Loans from related parties	1 230	-
Other long-term liabilities	6	6
	2 935	1 161

Current		
Bonds	-	150
Loans from financial institutions	362	304
Pension loans	37	33
Finance lease liabilities	14	12
Commercial paper	301	495
Other current liabilities	4	3
	718	998

Part of the loans include a financial covenant.

Bonds

€ million	Interest rate, %	Notional amount	2012	2011
Fixed interest rate				
2010–2015	5.125	250	250	250
2012–2016	5.875	150	150	-
Floating interest rate				
2007–2012		150	-	150
			400	400

Finance lease liabilities

Minimum lease payments

€ million	2012	2011
Not later than 1 year	20	18
Between 1 and 5 years	67	59
Later than 5 years	315	119
Future finance charges	-185	-28
Present value of minimum lease payments	218	168

Present value of minimum lease payments

€ million	2012	2011
Not later than 1 year	14	13
Between 1 and 5 years	46	42
Later than 5 years	158	113
Present value of minimum lease payments	218	168

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 (2011: EUR 6 million).

28. Trade and other payables

€ million	2012	2011
Non-current		
Non interest-bearing		
Trade payables	-	40
Other payables	5	5
	5	45
Current		
Interest-bearing		
Accrued interest expenses	21	17
Non interest-bearing		
Trade payables	1 210	527
Accrued employee-related expenses	111	81
VAT payable	24	17
Advances received	18	7
Withholding tax and social security liabilities	11	8
Other accruals	58	44
Other payables	85	11
	1 518	694

29. Commitments and contingent liabilities

€ million	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Mortgages and pledges on Dec 31				
Mortgages on land	320	247	-	-
Other pledges	9	9	-	-
Guarantees on Dec 31				
On behalf of subsidiaries				
For financing	-	-	264	225
For commercial and other guarantees	27	34	26	34
On behalf of associated companies				
For financing	0	0	-	-
Other commitments	32	38	32	38

The Group has pledged real estate mortgages created in the Tornio production plant for a value of EUR 258 million as security for its pension loans and other commitments.

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 end of 2012 amounted to approximately EUR 75 million (2011: EUR 92 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 end of 2012 amounted to approximately EUR 36 million (2011: EUR 37 million), out of which Outokumpu is liable for under one fifth. These liabilities are reported under other commitments.

All guarantees on behalf of Inoxum companies have not yet been transferred to Outokumpu Oyj as of December 31, 2012.

Present value of minimum lease payments on operating leases

€ million	2012	2011
Not later than 1 year	18	11
Between 1 and 5 years	38	28
Later than 5 years	47	37
	103	76

Operating leases include lease agreements on Group companies' premises.

Group's off-balance sheet investment commitments totaled EUR 163 million on December 31, 2012 (Dec 31, 2011: EUR 169 million).

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

30. Disputes and litigations

Civil Actions Regarding Outokumpu's Divested Fabricated Copper Products Business

European Commission cartel investigation in the sanitary copper tube sector

In September 2004, the European Commission imposed a fine on Outokumpu in relation to cartel investigations in the sanitary copper tube sector. The European Commission concluded that a number of companies, including Boliden AB ("Boliden"), IMI Plc, IMI Kynoch Ltd (together with IMI Plc, "IMI"), KME Group, Wieland Werke, Outokumpu and Outokumpu Copper Products (now Luvata), were involved in price fixing and market sharing in the sanitary copper tube sector in Europe between June 1988 and March 2001.

In October 2012, a damages contribution claim was brought in the courts of England and Wales against Outokumpu by Boliden and IMI after Boliden and IMI were served claims on financial loss related to the European Commission's 2004 conclusion regarding price fixing and market sharing in the sanitary copper tube sector in Europe by the members of Travis Perkins PLC. Outokumpu believes that the claim is without merit and plans to defend itself in any related proceedings.

European Commission cartel investigation in the industrial copper tube sector

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 related to the cartel investigations raised in the United States against Outokumpu and its former fabricated copper products business in the United States.

The last remaining pending civil complaint in the United States, which was filed by Carrier Corporation ("Carrier") in 2006 against Outokumpu Oyj and Outokumpu Copper Franklin, Inc. in the United States District Court for the Western District of Tennessee, alleges that Outokumpu Oyj and Outokumpu Copper Franklin, Inc. participated in a global price fixing and market allocation cartel with respect to copper tubing for air conditioning and heat exchangers and related applications (ACR Tube) between at least 1989 and 2001. The complaint seeks an undisclosed amount of damages. In July 2007, Carrier's complaint was dismissed. Carrier subsequently filed an appeal and, in March 2012, the United States Court of Appeals for the Sixth Circuit reversed the decision dismissing the complaint and remanded the case to the United States District Court for the Western District of Tennessee for further proceedings. Outokumpu believes that the allegations are without merit and intends to defend itself in the proceedings.

In 2010, a civil action was brought in the courts of England and Wales against Outokumpu (and two other defendant groups) by the same claimant group as that brought the actions in the United States. The claimants allege that they suffered losses across Europe because of the cartel and are seeking damages from the three main defendant groups, either jointly or jointly and severally. The initial claim for alleged losses is approximately GBP 20 million (excluding interest). Outokumpu challenged the jurisdiction of the courts of England and Wales to hear the claim and in October 2011, the High Court of Justice, Chancery Division rejected Outokumpu's applications to contest jurisdiction. All the defendants filed applications for permission to appeal this judgment to the Court of Appeal, Civil Division. In January 2012, the Court of Appeal, Civil Division granted permission to appeal. In March 2012, the Court of Appeal, Civil Division announced that Carrier has reached an undisclosed settlement with one defendant group. The Court of Appeal, Civil Division hearing in connection with Outokumpu's application to contest the jurisdiction of the courts took place in June 2012. The Court of Appeal, Civil Division dismissed the appeals in September 2012 and Outokumpu together with another defendant have filed an application for permission to appeal to the Supreme Court. The proceedings in the lower court will be stayed until a decision on the application to appeal is made by the Supreme Court. Outokumpu believes that the claimants' allegations are without merit and plans to defend itself in any proceedings.

No provisions have been booked in connection with these three claims. Outokumpu exited the copper fabrication business by divesting the majority of it in 2005 and the remainder in 2008. In connection with the sale of Outokumpu's former fabricated copper products business to Nordic Capital, Outokumpu has agreed to indemnify Nordic Capital with respect to above mentioned claims.

Customs Investigation of Exports to Russia by Tornio Works

In March 2007, Finnish Customs authorities initiated a criminal investigation into Outokumpu's Tornio Works' export practices to Russia. It was suspected that a forwarding agency based in Southeastern 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's 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 to the prosecution authorities for consideration of possible charges. In November 2010, the public prosecutor concluded that the Finnish Customs authorities' suspicions regarding possible accounting offences and forgery were groundless. Despite the public prosecutor's conclusion, in March 2011, charges were filed against Outokumpu and five of its employees for alleged money laundering in connection with the Russian export practices by Tornio Works between 2004 and 2006. On behalf of the Finnish State, the prosecutor also presented a claim for forfeiture of the funds subject to money laundering. In June 2011, all claims were dismissed and the Finnish State was ordered to pay Outokumpu EUR 1.2 million in compensation for legal costs. In August 2011, the Finnish State prosecutor appealed the District Court judgment with respect to Outokumpu and three of the charged employees and the order to compensate Outokumpu for its legal costs. The appeal proceedings commenced in the Kouvola Court of Appeal in February 2012 and on April 19, 2012, the Court issued a verdict dismissing all charges brought by the prosecutor. In June 2012, Finland's state prosecutor filed a petition for leave to appeal to the Finnish Supreme Court.

Dispute over invention rights, Outotec vs. Outokumpu

In January 2013, Outokumpu and Outotec entered into a legal dispute over invention rights. Further details can be found in the Note 33. Events after the end of the reporting period.

Lawsuits Regarding a Fire in AST's Turin Production Facility

In December 2007, a fire in line 5 at AST's production facility in Turin, Italy caused the death of seven AST employees. In May 2008, the public prosecutor of Turin brought charges against AST and six of its employees (three officers and three senior employees). AST was charged with negligent manslaughter and negligent causation of personal injury caused by the violation of workplace safety regulations. AST's CEO was charged with willful manslaughter, willful arson and malicious removal or omission of safety measures at the workplace. The remaining five AST employees were charged with negligent manslaughter, negligent arson and malicious removal or omission of safety measures at the workplace. Oral hearings took place between January 2009 and April 2011, when the court announced its verdict. All of the individual defendants were found guilty and given prison sentences ranging from 10 years and 10 months to 16 years and 6 months. The court also sentenced AST to a EUR 1 million fine; seizure of EUR 0.8 million worth of AST property (the amount of the investment in the Turin production facility that allegedly would have been necessary to prevent the fire); exclusion from public benefits, financings, subsidies and aids for six months; a ban on advertising its products or services for six months; and publication of the verdict in several nationwide newspapers and the Terni city hall. In addition, the defendants were found jointly and severally liable in criminal proceedings for compensation payments amounting to approximately EUR 5.8 million to 52 plaintiffs (namely, several institutions, former employees of the Turin production facility and relatives of the victims of the fire). The court ordered that line 5, which was seized as evidence immediately after the fire, remain seized until the verdict becomes final. In the end of the reporting period, the verdict has not become final as the defendants have the right to appeal. In January 2012, all of the defendants (including AST) filed an appeal. AST has entered into a settlement agreement with 50 of the 52 plaintiffs who were awarded compensation by the court in the criminal proceedings (the “Criminal Settlement Agreement”). Under the terms of the Criminal Settlement Agreement, the 50 plaintiffs waived any and all claims in connection with the incident and agreed not to pursue any further claims during the appeal. Pursuant to the Criminal Settlement Agreement, AST paid the 50 plaintiffs a settlement amount of EUR 7.4 million (including interests and legal expenses) in January 2012. Also in January 2012, Inoxum paid the remaining two plaintiffs their portion of the court-ordered settlement, which amounted to EUR 0.2 million. In 2008, prior to the commencement of the court proceedings, Inoxum reached a settlement agreement with the families of the deceased employees (the “Pre-trial Settlement Agreement”). Pursuant to the Pre-trial Settlement Agreement, Inoxum paid approximately EUR 13 million (including fees) to the families of the deceased employees. The settlement, which was paid in 2008, was fully covered by insurance and it is expected that insurance will also cover the settlements paid in January 2012. On October 10, 2012, one of the former employees of the Turin production facility who survived the accident filed a civil claim for reimbursement of damages totaling to approximately EUR 1.0 million plus revaluation, interests and expenses. While a settlement was reached with that former employee with regard to his claims in the criminal proceedings regarding damages for “fraudulent removal or omission of injury-prevention measures” (Art. 437 of the Italian Criminal Code), that employee explicitly reserved to file a separate claim for damages resulting from bodily harm in connection with the above-mentioned accident. The competent court in Turin has scheduled first hearings for February 2013. Criminal proceedings against the individuals and AST continue as the defendants have all filed an appeal. The appeal proceedings commenced in November 2012. A judgment by the appellate court is expected for end of February/beginning of March 2013. Should AST be found guilty, it could be subject to fines that are not expected to be material.

Cartel Fine Imposed by the European Commission

In March 2011, the European Court of Justice upheld a EUR 3.2 million cartel fine imposed on ThyssenKrupp Stainless AG, a legal predecessor of Nirosta, in a decision of the European Commission from December 2006 (the “2006 Decision”). The 2006 Decision is based on a 1998 European Commission finding (the “1998 Finding”) that between 1993 and 1998, certain stainless steel producers, including Inoxum and certain of its legal predecessors, had violated Article 65(1) of the European Coal and Steel Community Treaty by participating in a price-fixing arrangement with other stainless steel producers. The alleged price-fixing arrangement consisted of modifying and applying in a concerted fashion the reference values used to calculate the alloy surcharge to the base price of stainless steel. The 1998 Finding was appealed and subsequently annulled on procedural grounds with respect to Inoxum’s liability for one of its legal predecessors. Subsequent to this annulment, the European Commission opened new proceedings, which resulted in the 2006 Decision. Inoxum’s appeals of the 2006 Decision were unsuccessful. In April 2011, Inoxum filed a complaint (Verfassungsbeschwerde) with the German Constitutional Court (Bundesverfassungsgericht) requesting that the Court declare the 2006 Decision incompatible with certain fundamental rights under the German Constitution (Grundgesetz). As at the end of the reporting period, the German Constitutional Court has not decided whether it will to accept the constitutional complaint. With accrued interest, Inoxum would be liable to pay over EUR 4 million if its action with the German Constitutional Court is unsuccessful and the fine imposed by the 2006 Decision is enforced.

Criminal Proceeding Relating to Air Emissions at Inoxum’s Stainless Steel Plant in Krefeld, Germany, in 2010

In November 2010, the air in the vicinity of Inoxum’s Krefeld production facility was found to have particulate matter with high levels of nickel and chromium. In March 2011, the prosecuting attorney’s office in Krefeld initiated criminal proceedings against a member of Nirosta’s executive board alleging unlawful operation of facilities in connection with these air emissions. The criminal proceedings were dismissed on June 27, 2012.

Proceedings Regarding AST’s Electricity Tariff

In 2007, the European Commission ruled that the extension until 2010 of preferential electricity tariffs that were granted to AST in 1963 as compensation for the expropriation of hydroelectric assets in the course of the nationalization of the Italian energy sector constituted unlawful state aid since 2005. The Commission claimed that the preferential electricity tariffs from 2005 could no longer be seen as compensatory measure for the expropriation in 1963. AST, two other beneficiaries of the preferential electricity tariff and the Republic of Italy challenged this decision at the European Court of First Instance. On July 1, 2010, the European Court of First Instance rejected the claim. AST appealed this judgment before the European Court of Justice. On October 6, 2011, the European Court of Justice rejected AST’s appeal in a final decision and confirmed the decision of the European Court of First Instance. The rejection of the appeal did not have a financially adverse impact on AST as it already paid back the benefits received under the extended and modified preferential tariff from 2005 onwards.

Furthermore, there is a proceeding at the national level relating to the preferential electricity tariff. The Italian Authority for Electric Energy and Gas (Autorità per l’energia electrica e il gas) changed the method of how to calculate the tariff by a decision of August 8, 2004 with effect from September 2004. This reduced the benefits for AST between September 2004 and the end of 2007 under the preferential electricity tariff as modified and extended in 1991 by EUR 11 million. Due to the proceedings by the Commission against the modification and extension of 2005, the tariff as modified and extended in 1991 became applicable again. AST successfully challenged the decision of August 8, 2004, at the Administrative Court of Lombardy, Italy, in 2005. The Italian Authority for Electric Energy and Gas appealed the decision of the administrative court at the Italian Council of State (Consiglio di Stato). During the appeal proceedings in 2010, AST and the Italian Authority for Electric Energy and Gas agreed on a revised calculation method.

Notwithstanding this agreement, the Italian Council of State accepted the appeal with decision of December 2, 2011. On December 27, 2011, AST lodged an appeal at the Italian Council of State against its decision, which is currently pending. In addition, AST is preparing an appeal against the decision of the Italian Council of State before the Italian Supreme Court of Cassation (Corte Suprema di Cassazione). In case of a successful appeal, AST would potentially be entitled to up to EUR 11 million from the Republic of Italy. If AST’s appeals are rejected, no adverse financial impact on AST is expected. In addition, in March 2005, the authority responsible for paying out the compensation under the preferential electricity tariffs announced that it would review the compensation paid to AST between 2000 and 2004. This review is currently pending.

Lawsuit Claiming Injuries from Exposure to Asbestos

VDM is one of many defendants in a lawsuit filed in the courts of the State of New York, United States, in which the plaintiff claims injuries from exposure to aerospace asbestos-containing products allegedly made from VDM steel, to which the plaintiff has allegedly been exposed beginning at age 14 while performing brake repair work on autos, while in the Navy working around boilers, during the 1960s and 1970s performing other work including working with “pennies” used as shock absorber with pile-driver hammers. The plaintiff claims the pennies contained asbestos and that, while there is no claim that the pile-driver hammers contained asbestos, some of the pile-driver hammers were manufactured by “Krupp.” The plaintiff did not allege that VDM made the pennies. ThyssenKrupp USA has already been dismissed from the case. It is expected that the trial of the matter will start within the next few months, but VDM is working to get the claims against it dismissed as it is believed that the action is without merit.

Lawsuit between SPS and SKS Regarding Capital Contributions

SKS, Inoxum’s cold rolling facility joint venture with SPS, has a total registered capital of USD 428.9 million. As the authorized share capital of SKS had not been fully paid up, on November 3, 2011, the Board of Directors of SKS passed a resolution declaring that the outstanding share capital of SKS, USD 112.5 million, should be paid by Inoxum and SPS pro rata to their respective shareholdings (60 percent by Inoxum and 40 percent by SPS).

According to the resolution Inoxum had to pay a capital contribution of USD 67.5 million and SPS a capital contribution of USD 45 million. In addition, the resolution declared that in the event SPS does not agree to contribute its share, Inoxum would be entitled to pay SPS's share and dilute SPS's holding in SKS accordingly. The resolution was opposed by the directors from SPS, but was approved with the support of the directors appointed by Inoxum, who form the majority of SKS's Board of Directors. As at December 31, 2012, Inoxum had made its required capital contribution of USD 67.5 million to SKS and SPS had not made any capital contributions. SPS contends that the board resolution is invalid, and in January 2012, SPS filed a letter of complaint challenging the legal status of the board resolution and its obligation to pay the capital contribution. In February 2012, SKS and SPS filed a joint application to stay the proceedings to facilitate settlement discussions. On May 12, 2012, Inoxum and SPS reached an agreement that SPS recognized the capital contribution made by Inoxum and that SPS may pay in its capital contribution share of USD 45 million by the end of 2015. Until that date, the shareholding percentage in SKS will remain unchanged notwithstanding the unmatched paid-in capital ratio between Inoxum and SPS. In light of the foregoing, in May 2012, SPS withdrew its challenge against the board resolution and its obligation to pay the capital contribution.

U.S. Antidumping Order on Stainless Steel Strip and Sheet from Mexico, Germany and Italy

On July 27, 1999, the U.S. Department of Commerce (the “USDOC”) issued antidumping duty orders on imports of stainless steel strip and sheet from Mexico, Germany and Italy, among other countries. U.S. antidumping and countervailing duty laws permit an imposition of special additional duties on imports that are determined to be sold at less than fair value or to be subsidized by foreign government actions. Mexinox USA, AST and Nirosta have been Inoxum's importers of record for stainless steel strip and sheet imported into the United States since the antidumping duty order was issued. Therefore, Mexinox USA, AST and Nirosta were responsible for making cash deposits of estimated antidumping duties and would be liable for finally assessed antidumping duties. The USDOC assesses duties at annual reviews covering twelve-month periods. Mexinox USA has been finally assessed approximately USD 27 million in duties during the first five periods and will be automatically assessed amounts for two other periods. Mexinox USA has potential antidumping duty liability of approximately USD 36 million for the remaining five periods. The Government of Mexico brought actions before the World Trade Organization (“WTO”) Dispute Settlement Body with regard to these determinations. Mexico received a favorable decision and compliance proceedings are ongoing; however, WTO disputes normally are prospective in nature and do not result in refunds of finally-assessed duties. The antidumping duty orders on stainless steel strip and sheet from Mexico, Germany and Italy were revoked effective July 25, 2011 due to a negative determination by the USITC. Accordingly, any antidumping deposits made on entries after this date should be refunded with interest and no further antidumping duties should be assessed on imports of stainless steel strip and sheet from Mexico, Germany and Italy after that date, subject to the appeal proceedings regarding imports from Mexico discussed below. The U.S. petitioners in the antidumping case appealed the USITC's determination to the U.S. Court of International Trade in New York with regard to the revocation of the antidumping duty order on imports from Mexico. On November 15, 2012, the court dismissed the appeal by the plaintiffs.

31. Related party transactions

Outokumpu has related party transactions with key management of the company, ThyssenKrupp AG, associated companies and joint ventures. These transactions are presented in the tables below. The principal associated companies and joint ventures are listed in Note 13. Investments in associated companies and joint ventures. Subsidiaries are presented in Note 32. Subsidiaries on December 31, 2012.

Outokumpu is an associated company to ThyssenKrupp AG and Solidium Oy. ThyssenKrupp's ownership in Outokumpu was 29.9% and Solidium's 21.8% on December 31, 2012.

Transactions and balances with ThyssenKrupp AG

€ million	2012	2011
Interest expense	-1	-
Trade and other receivables	31	-
Interest-bearing assets	9	-
Loan note to ThyssenKrupp	1 230	-
Trade and other payables	41	-
Other interest-bearing liabilities	62	-

Transactions and balances with associated companies and joint ventures

€ million	2012	2011
Sales	0	0
Purchases	-3	-5
Interest income	-	0
Trade and other receivables	8	0
Trade and other payables	0	-

Other related party items

On December 31, 2012 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 September 30, 2011 to Tubinoxia, a company controlled by the managing director of OSTP.

In 2011, Outokumpu sold its holding in Talvivaara Mining Company Plc to Solidium Oy.

Employee benefits for key management

€ thousand	2012 Salaries and other short-term benefits	2012 Bonuses	2012 Share-based payments	2012 Total	2011 Salaries and other short-term benefits	2011 Bonuses	2011 Share-based payments and options	2011 Total
Board of Directors								
Chairman	13	-	80	93	10	-	80	90
Deputy Chairman	14	-	46	59	8	-	46	54
Other members	86	-	180	266	71	-	180	251
Leadership Team								
CEO Seitovirta [1)]	883	90	-	973	452	-	-	452
CEO Rantanen	-	-	-	-	2 323	150	-	2 473
Deputy CEO	300	71	-	371	339	68	-	406
Other members	1 390	194	-	1 584	2 136	247	-	2 383

[1)] 2012 salaries and other short-term benefits include the compensation of EUR 271 thousand for taxes and social security contributions related to the Inoxum transaction incentive scheme.

There were no outstanding loans receivable from key management on December 31, 2012 (Dec 31, 2011: EUR - million). More information on key management's employee benefits can be found on the page Remuneration.

32. Subsidiaries on December 31, 2012

		Country	Group holding, %
Stainless Coil EMEA			
Outokumpu A/S		Denmark	100
Outokumpu Benelux B.V.		The Netherlands	100
Outokumpu B.V.		The Netherlands	100
Outokumpu Chrome Oy		Finland	100
Outokumpu Distribution Oy		Finland	100
Outokumpu EMEA GmbH	2)	Germany	100
Outokumpu Gebouwen B.V.		The Netherlands	100
Outokumpu Istanbul Dis Ticaret Limited Sirketi	*)	Turkey	100
Outokumpu Kft.		Hungary	100
Outokumpu, Lda.	*)	Portugal	100
Outokumpu N.V.		Belgium	100
Outokumpu Rossija Oy	*)	Finland	100
Outokumpu S.A.S.		France	100
Outokumpu S.A.		Spain	100
Outokumpu Shipping Oy		Finland	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 Holding GmbH		Germany	100
Outokumpu Stainless Oy		Finland	100
Sogepar Ireland Limited		Ireland	100
Sogepar UK Limited		The UK	100
ThyssenKrupp Nirosta Präzisionsband GmbH	2)	Germany	100
ThyssenKrupp SILCO-INOX Szervizközpont Kft	2)	Hungary	100
ThyssenKrupp Stainless Benelux B.V.	2)	The Netherlands	100
ThyssenKrupp Stainless DVP, S.A.	2)	Spain	100
ThyssenKrupp Stainless France S.A.S.	2)	France	100
ThyssenKrupp Stainless International GmbH	2)	Germany	100
ThyssenKrupp Stainless Istanbul Çelik Servis Merkezi A.S.	2)	Turkey	100
ThyssenKrupp Stainless Polska Sp.z o o.	2)	Poland	100
ThyssenKrupp Stainless UK Ltd.	2)	The UK	100
Tubificio di Terni S.p.A.	2)	Italy	97
Stainless Coil Americas			
Mexinox Trading S.A. de C.V.	2)	Mexico	100
Mexinox USA Inc.	2)	The US	100
Outokumpu Brasil Comercio de Metais Ltda.		Brazil	100
ThyssenKrupp Fortinox S.A.	2)	Argentina	80
ThyssenKrupp Mexinox CreateIT, S.A. de C.V.	2)	Mexico	100
ThyssenKrupp Mexinox Participations, S.A. de C.V.	2)	Mexico	100
ThyssenKrupp Mexinox S.A. de C.V.	2)	Mexico	100
ThyssenKrupp Stainless USA, LLC	2)	The US	100
Stainless Asia Pacific			
Outokumpu Asia Pacific Ltd		China	100
Outokumpu India Private Limited		India	100
Outokumpu K.K.		Japan	100
Outokumpu Pty Ltd		Australia	100
Outokumpu (S.E.A.) Pte. Ltd.		Singapore	100
Outokumpu Stainless Steel (China) Co. Ltd.		China	100

Outokumpu Stainless Trading (Shanghai) Co Ltd		China	100
Shanghai Krupp Stainless Co., Ltd.	2)	China	60
ThyssenKrupp Stainless (GZ) Trading Company Ltd.	2)	China	100
ThyssenKrupp Stainless International (Guangzhou) Ltd.	2)	China	100

High Performance Stainless and Alloys

Avesta Klippcenter AB		Sweden	100
Outokumpu AS		Norway	100
Outokumpu Ges.m.b.H		Austria	100
Outokumpu GmbH		Germany	100
Outokumpu Industriunderhåll AB		Ruotsi	51
Outokumpu Middle East FZCO		UAE	100
Outokumpu Nordic AB		Sweden	100
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 (Pty) Ltd		South Africa	100
Outokumpu S.p.A.		Italy	100
Outokumpu Stainless AB		Sweden	100
Outokumpu Stainless Bar, Inc.		The US	100
Outokumpu Stainless Coil, Inc.		The US	100
Outokumpu Stainless Ltd		The UK	100
Outokumpu Stainless Pipe, Inc.		The US	100
Outokumpu Stainless Plate, Inc.		The US	100
Polarit Welding, Inc.		The US	100
ThyssenKrupp VDM Australia Pty. Ltd.	2)	Australia	100
ThyssenKrupp VDM Austria Ges.m.b.H	2)	Austria	100
ThyssenKrupp VDM Benelux B.V.	2)	The Netherlands	100
ThyssenKrupp VDM Canada Ltd.	2)	Canada	100
ThyssenKrupp VDM de Mexico S.A. de C.V.	2)	Mexico	100
ThyssenKrupp VDM GmbH	2)	Germany	100
ThyssenKrupp VDM (GZ) Trading Co., Ltd.	2)	China	100
ThyssenKrupp VDM High Performance Metals Trading Co., Ltd.	2)	China	100
ThyssenKrupp VDM Hongkong Ltd.	2)	China	100
ThyssenKrupp VDM Italia S.r.l.	2)	Italy	100
ThyssenKrupp VDM Japan K.K.	2)	Japan	100
ThyssenKrupp VDM Korea Co. Ltd.	2)	South Korea	100
ThyssenKrupp VDM S.A.S.	2)	France	100
ThyssenKrupp VDM (Schweiz) AG	2)	Switzerland	100
ThyssenKrupp VDM UK Ltd.	2)	The UK	100
ThyssenKrupp VDM USA, LLC	2)	The US	100
ZAO Outokumpu		Russia	100

Other operations

2843617 Canada Inc.		Canada	100
AvestaPolarit Pension Trustees Ltd		The UK	100
Granefors Bruk AB	*)	Sweden	100
Inoxum GmbH	*), 2)	Germany	100
Inoxum Holding USA, Inc.	2)	The US	100
Inoxum Italia S.p.A.	2)	Italy	100
Inoxum Nederland B.V.	2)	The Netherlands	100
Orijärvi Oy	*)	Finland	100
OSTP France SAS	1)	France	64
OSTP Holding Oy		Finland	64
OSTP Italy S.r.l.		Italy	64

Outokumpu Armetal Stainless Pipe Co. Ltd.		Saudi Arabia	33
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 Stainless Holdings Ltd		The UK	100
Outokumpu Stainless, Inc.		The US	100
Outokumpu Stainless Steel Oy	*)	Finland	100
AS Outokumpu Stainless Tubular Products		Estonia	64
Outokumpu Stainless Tubular Products AB		Sweden	64
Outokumpu Stainless Tubular Products Ltd.		Canada	64
Outokumpu Stainless Tubular Products Oy Ab		Finland	64
Outokumpu Treasury Belgium N.V./SA	*)	Belgium	100
Outokumpu Zinc Australia B.V.		The Netherlands	100
Outokumpu Zinc B.V.	*)	The Netherlands	100
Rullformningscentrum i Fagersta AB		Sweden	51
SH-Trade Oy		Finland	64
ThyssenKrupp Nirosta GmbH	2)	Germany	100
Viscaria AB	*)	Sweden	100
Visent Invest AB		Sweden	100
Visenta Försäkrings AB		Sweden	100
AB Örnsköldsviks Mekaniska Verkstad		Sweden	64

Discontinued operations

Aspasiel S.r.l.	2)	Italy	100
Società delle Fucine S.r.l.	2)	Italy	100
Terninox S.p.A.	2)	Italy	100
ThyssenKrupp Acciai Speciali Terni S.p.A.	2)	Italy	100

Foreign branches

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

Outokumpu Asia Pacific Ltd., agencies in China and Taiwan

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) Established company
2) Acquired company
*) Shares and stock held by the parent company

33. Events after the end of the reporting period

Outokumpu's ownership in OSTP decreased to 49%

Outokumpu’s partner in the OSTP tubular joint venture, Tubinoxia S.r.l. exercised its call option and acquired additional 15% of the joint venture’s shares from Outokumpu on January 18, 2013. Tubinoxia, an Italian company controlled by Andrea Gatti, thus increased its ownership in OSTP from 36% to 51%.

The OSTP joint venture was formed in July 2011 when Outokumpu decided to exit from the tubular business as part of its restructuring program. Outokumpu maintains a non-controlling interest of 49% in the joint venture.

The consideration and cash flow impact of this transaction are marginal.

Outokumpu and Outotec entered into a legal dispute over invention rights

On January 24, 2013 Outokumpu and Outotec entered into a legal dispute over invention rights related to a ferrochrome production method. Outokumpu has made the invention and has filed the patent applications related to this invention regarding the production of ferrochrome nickel. Outotec is alleging to have rights to the invention and has submitted an application for summons at the District Court of Helsinki. Outokumpu finds these allegations to be completely without merit.

Key financial figures of the Group

Group key figures

		2012	2011	2010	2009	2008
Scope of activity						
Sales	€ million	4 538	5 009	4 229	2 641	5 533
- change in sales	%	-9.4	18.4	60.1	-52.3	-21.0
- exports from and sales outside Finland, of total sales	%	95.7	95.7	94.3	94.6	95.6
Capital employed on Dec 31 [1)]	€ million	5 573	3 770	4 176	3 642	3 880
Operating capital on Dec 31 [1)]	€ million	5 574	3 730	4 222	3 701	4 060
Capital expenditure	€ million	3 155	255	161	248	547
- in relation to sales	%	69.5	5.1	3.8	9.4	9.9
Depreciation and amortization	€ million	230	235	235	214	206
Impairments	€ million	105	106	20	15	8
Research and development costs	€ million	18	21	22	19	20
- in relation to sales	%	0.4	0.4	0.5	0.7	0.4
Personnel on 31 Dec [2)]		16 649	8 253	8 431	7 754	8 628
- average for the year [3)]		7 853	8 651	8 475	8 091	8 717
Profitability						
Operating result [4)]	€ million	-385	-251	-83	-441	-68
- in relation to sales [4)]	%	-8.5	-5.0	-2.0	-16.7	-1.2
EBITDA [4)]	€ million	-50	89	172	-212	147
Share of results of associated companies and joint ventures	€ million	-0	-5	-10	-13	-4
Result before taxes [4)]	€ million	-523	-244	-143	-479	-141
- in relation to sales [4)]	%	-11.5	-4.9	-3.4	-18.1	-2.6
Net result for the financial year [4)]	€ million	-535	-180	-124	-336	-189
- in relation to sales [4)]	%	-11.8	-3.6	-2.9	-12.7	-3.4

Return on equity [1]	%	-21.4	-8.2	-5.2	-12.8	-6.2
Return on capital employed [1]	%	-8.2	-6.3	-2.1	-11.7	-1.7
Return on operating capital [1]	%	-8.3	-6.3	-2.1	-11.4	-1.6

Financing and financial position

Liabilities [1]	€ million	5 932	3 177	3 271	2 399	2 547
Net interest-bearing debt	€ million	2 620	1 720	1 837	1 191	1 085
- in relation to sales	%	57.7	34.3	43.4	45.1	19.6
Net financial expenses	€ million	138	-11	50	25	69
- in relation to sales	%	3.0	-0.2	1.2	0.9	1.3
Net interest expenses [4]	€ million	66	65	38	22	55
- in relation to sales [4]	%	1.5	1.3	0.9	0.8	1.0
Interest cover [4]		-6.9	-2.8	-2.8	-21.2	-1.6
Share capital	€ million	311	311	311	309	308
Other equity [1]	€ million	2 641	1 739	2 027	2 142	2 486
Equity-to-assets ratio [1]	%	30.6	39.3	41.7	50.6	52.4
Debt-to-equity ratio [1]	%	88.7	83.9	78.6	48.6	38.8
Net cash generated from operating activities [5]	€ million	266	338	-497	201	662
Dividends	€ million	- [6]	-	45	64	90

[1] Years 2010 and 2011 have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits. Restatement carried back to January 1, 2011, thus years 2008 and 2009 have not been restated accordingly.
[2] Personnel reported as headcount. Years 2008 and 2009 reported as full-time equivalent.
[3] Year 2012 average personnel does not include Inoxum personnel as it was on December 31, 2012.
[4] Year 2011 has been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits. Years 2008–2010 have not been restated accordingly.
[5] Cash flow for 2008 presented for continuing operations.
[6] The Board of Directors' proposal to the Annual General Meeting.

Share-related key figures

		2012	2011	2010	2009	2008
Earnings per share [1), 2)]	€	-0.46	-0.62	-0.68	-1.86	-1.05
Cash flow per share [1)]	€	0.23	1.20	-2.74	1.11	3.64
Equity per share [2), 3)]	€	1.41	11.19	12.84	13.54	15.50
Dividend per share	€	- [4)]	-	0.25	0.35	0.50
Dividend payout ratio	%	0.0	0.0	neg.	neg.	neg.
Dividend yield	%	0.0	0.0	1.8	2.6	6.0
Price/earnings ratio		neg.	neg.	neg.	neg.	neg.
Development of share price [5)]						
Average trading price	€	0.97	2.25	13.84	11.49	18.99
Lowest trading price	€	0.64	1.21	12.03	7.72	6.33
Highest trading price	€	2.10	3.78	17.88	15.67	33.99
Trading price at the end of the period	€	0.79	1.33	13.88	13.26	8.28
Change during the period [6)]	%	-40.3	-63.4	4.7	60.1	-61.0
Change in the OMXH index during the period	%	8.3	-30.1	18.7	19.5	-53.4
Market capitalization at the end of the period	€ million	1 650	930	2 540	2 413	1 502
Development in trading volume						
Trading volume [7)]	1 000 shares	1 297 738	337 942	331 397	355 102	511 080
In relation to weighted average number of shares [1)]	%	112.5	120.5	182.3	196.4	283.6
Adjusted average number of shares [8), 9)]		1 156 005 029	280 526 501	181 751 107	180 825 569	180 184 845
Number of shares at the end of the period [8), 10)]		2 077 065 460	181 977 861	181 937 361	180 969 654	180 233 280

1) 2012 and 2011 calculated based on the rights-issue-adjusted weighted average number of shares. 2010–2008 have not been restated.
2) 2011 earnings per share and 2011–2010 equity per share have been restated due to change in accounting principle for defined benefit plans and other long-term employee benefit obligations. Restatement carried back to January 1, 2011, thus years 2010–2008 have not been restated for earnings per share and years 2009–2008 for equity per share.
3) 2012 includes shares and equity effect of the March–April, 2012 rights issue and the directed share issue to ThyssenKrupp AG in connection with the Inoxum acquisition.
4) The Board of Directors' proposal to the Annual General Meeting.
5) 2011 share prices adjusted according to the effect of the rights issue. 2010–2008 have not been adjusted.
6) 2011 calculated based on the un-adjusted comparable share prices. 2012 calculated based on the adjusted comparable share prices.
7) Includes only NASDAQ OMX Helsinki trading.
8) Excluding treasury shares.
9) 2011 presented as rights-issue-adjusted weighted average. The actual number of shares was 181 970 316. 2010–2008 have not been adjusted.
10) Rights-issue-adjusted number of shares at the end of the period for 2011 is 280 538 133 and 2010 is 280 475 698. Figures for 2009–2008 are not available.

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 result excluding raw material-related inventory gains/losses and non-recurring items
EBITDA	= Operating result before depreciation, amortization and impairments
Return on equity	$= \dfrac{\text{Net result for the financial year}}{\text{Total equity (average for the period)}} \times 100$
Return on capital employed (ROCE)	$= \dfrac{\text{Operating result}}{\text{Capital employed (average for the period)}} \times 100$
Return on operating capital (ROOC)	$= \dfrac{\text{Operating result}}{\text{Operating capital (average for the period)}} \times 100$
Net interest-bearing debt	= Total interest-bearing debt – total interest-bearing assets
Interest cover	$= \dfrac{\text{Result before taxes + net interest expenses}}{\text{Net interest expenses}}$
Equity-to-assets ratio	$= \dfrac{\text{Total equity}}{\text{Total assets – advances received}} \times 100$
Debt-to-equity ratio	$= \dfrac{\text{Net interest-bearing debt}}{\text{Total equity}} \times 100$
Earnings per share	$= \dfrac{\text{Net result for the financial year attributable to the equity holders}}{\text{Adjusted average number of shares during the period}}$
Cash flow per share	$= \dfrac{\text{Net cash generated from operating activities}}{\text{Adjusted average number of shares during the period}}$
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	$= \dfrac{\text{Dividend for the financial year}}{\text{Net result for the financial year attributable to the equity holders}} \times 100$
Dividend yield	$= \dfrac{\text{Dividend per share}}{\text{Adjusted trading price at the end of the period}} \times 100$

Price/earnings ratio (P/E)	=	$\frac{\text{Adjusted trading price at the end of the period}}{\text{Earnings per share}}$
Average trading price	=	$\frac{\text{EUR amount traded during the period}}{\text{Adjusted number of shares traded during the period}}$
Market capitalization 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	2012	2011
Sales	300	366
Cost of sales	-230	-275
Gross margin	69	91
Other operating income	12	10
Selling and marketing expenses	-45	-59
Administrative expenses	-75	-68
Research and development expenses	-4	-2
Other operating expenses	-39	-8
Operating result	-83	-37
Financial income and expenses	-61	-49
Result before extraordinary items	-144	-86
Extraordinary items	-	30
Result before appropriations and taxes	-144	-56
Appropriations		
Change in depreciation difference	-0	-0
Income taxes	-0	-1
Result for the financial year	-144	-57

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	2012	2011
ASSETS		
Non-current assets		
Intangible assets	33	44
Property, plant and equipment	15	14
Financial assets		
Shares in Group companies	2 973	2 722
Loan receivables from Group companies	888	712
Shares in associated companies	18	18
Other shares and holdings	19	15
Other financial assets	159	164
	4 057	3 631
Total non-current assets	4 105	3 689
Current assets		
Current receivables		
Interest-bearing	2 851	590
Non interest-bearing	127	140
	2 978	730
Cash and cash equivalents	81	107
Total current assets	3 060	837
TOTAL ASSETS	7 165	4 526

€ million	2012	2011
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	311	311
Premium fund	720	720
Unrestricted equity	1 459	-
Retained earnings	744	804
Result for the financial year	-144	-57
	3 090	1 779
Untaxed reserves		
Accumulated depreciation difference	1	1
Liabilities		
Non-current liabilities		
Interest-bearing	2 678	969
Non interest-bearing	-	1
	2 678	970
Current liabilities		
Interest-bearing	1 266	1 630
Non interest-bearing	130	146
	1 396	1 776
Total liabilities	4 074	2 746
TOTAL EQUITY AND LIABILITIES	7 165	4 526

Cash flow statement of the parent company

€ million	2012	2011
Cash flow from operating activities		
Result for the financial year	-144	-57
Adjustments for		
Taxes	0	1
Depreciation and amortization	12	13
Impairments	59	20
Gain/loss on sale of intangible assets, property, plant and equipment	0	7
Interest income	-60	-55
Dividend income	-11	-16
Interest expense	73	81
Change in provisions	4	-1
Group contributions	-	-30
Exchange gains and losses	-12	-1
Rights issue expenses	35	-
Other adjustments	-0	3
	102	22
Change in working capital		
Change in trade and other receivables	28	35
Change in trade and other payables	14	11
	43	46
Dividends received	11	16
Interest received	37	44
Interest paid	-70	-82
Income taxes paid	-0	-1
	-23	-23
Net cash from operating activities	-22	-12
Cash flow from investing activities		
Acquisition of subsidiaries and other shares and holdings [1)]	-53	-11
Purchases of property, plant and equipment	-1	-1
Purchases of intangible assets	-5	-5
Proceeds from disposal of subsidiaries and other disposals	212	2
Capital recovery from subsidiaries	-	652
Proceeds from disposal of other shares and holdings	2	1
Proceeds from sale of property, plant and equipment	-	0
Proceeds from sale of intangible assets	3	3
Change in other long-term receivables	-170	18
Net cash from investing activities	-12	659
Cash flow before financing activities	-34	647

Cash flow from financing activities		
Rights issue	1 006	-
Rights issue expenses	-35	-
Share options exercised	-	0
Borrowings of long-term debt	611	123
Repayments of long-term debt	-378	-366
Change in current debt	-145	-329
Dividends paid	-	-45
Cash flow from group contributions	30	0
Other financing cash flow	-1 029	-4
Net cash from financing activities	60	-621
Net change in cash and cash equivalents	26	26
Net change in cash and cash equivalents in the balance sheet	26	26

[1)] Cash flow from investing activities includes the cash flow related to the acquisition of Inoxum subsidiary shares.

Statement of changes in equity of the parent company

€ million	Share capital	Premium fund	Invested unrestricted equity reserve	Retained earnings	Total equity
Equity on Jan 1, 2011	311	720	-	850	1 881
Result for the financial year [1]	-	-	-	-61	-61
Dividends	-	-	-	-45	-45
Share options exercised	0	0	-	-	0
Equity on Dec 31, 2011	311	720	-	744	1 775
Result for the financial year	-	-	-	-144	-144
Rights issues [2]	-	-	1 459	-	1 459
Equity on Dec 31, 2012	311	720	1 459	600	3 090

Distributable funds on Dec 31

€ million	2012	2011
Retained earnings [1]	744	804
Result for the financial year	-144	-57
Invested unrestricted equity reserve	1 459	-
Distributable funds on Dec 31	2 059	747

[1] Including amendment, amount of -3.5 EUR million, to the accounting principles related to the Employee Benefits.
[2] Shares issued in the Outokumpu rights issue in March–April 2012 and in the directed share issue to ThyssenKrupp AG in connection with the Inoxum acquisition.

Corporate Governance in 2012

Regulatory framework

Outokumpu Oyj, the Group's parent company, is a public limited liability company incorporated and domiciled in Finland. In its corporate governance and management, Outokumpu Oyj complies with Finnish legislation, the company's Articles of Association and the Corporate Governance Policy resolved and approved by the company's Board of Directors.

Outokumpu Oyj follows the Finnish Corporate Governance Code (available at http://cgfinland.fi/en/), effective as of October 1, 2010 issued by the Securities Market Association and adopted by the NASDAQ OMX Helsinki Stock Exchange. Outokumpu Oyj complies with all regulations and recommendations issued by NASDAQ OMX Helsinki.

Tasks and responsibilities of governing bodies

The governing bodies of the parent company Outokumpu Oyj, i.e. the General Meeting of Shareholders, the Board of Directors, and the President and Chief Executive Officer (CEO), have ultimate responsibility for Group management and Group operations. The Outokumpu Leadership Team (formerly the Group Executive Committee) reports to the CEO and is responsible for the efficient management of the Group's operations. Outokumpu's primary corporate governance information source is the Group's corporate governance website at http://www.outokumpu.com/Investors/Corporate-Governance/. Please visit the website for the latest Corporate Governance Statement and the latest corporate governance information.

Outokumpu's organizational structure

In 2012, the Outokumpu organization consisted of three Business Areas (General Stainless, Specialty Stainless and Ferrochrome) and one Focus area, APAC, all supported by Group level functions and with each Business Area fully accountable for sales, profit and assets.

As of December 29, 2012, Outokumpu's new organization is based on four Business Areas with sales, profit, production and supply chain management responsibility, while Group Functions with global processes ensure efficiency.

The Business Areas are:

- Stainless Coil EMEA
- Stainless Coil Americas
- Stainless APAC
- High Performance Stainless and Alloys

Read more about the new organization in the Our group section of the Outokumpu Annual Report 2012.

General Meeting of Shareholders

The General Meeting of Shareholders normally convenes once a year. Under the Finnish Companies Act, certain important decisions such as the approval of financial statements, decisions on dividends and increases or reductions in share capital, amendments to the Articles of Association, and election of the Board of Directors and auditors fall within the exclusive domain of the General Meeting of Shareholders.

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

Board of Directors

The general objective of the Board of Directors is to direct Outokumpu's business in a manner that secures a significant and sustained increase in the value of the company for its shareholders.

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

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

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

- To decide on Outokumpu's basic strategy and monitor its implementation;
- To decide on annual limits for the Group's capital expenditure, monitor related implementation, review quarterly plans and decide on changes;
- To decide on major and strategically important investments;
- To decide on major and strategically important business acquisitions and divestments;
- To decide on any significant financing arrangements; and
- To decide on any other commitments by any Group companies that are out of the ordinary in terms of either their value or nature, taking into account the size, structure and field of the Group's operations.

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

- To nominate and dismiss the CEO and his deputy, and to decide on their terms of service, including incentive schemes, on the basis of a proposal made by the Board's Remuneration Committee;
- To nominate and dismiss members of the Outokumpu Leadership Team, to define their areas of responsibility, and to decide on their terms of service, including incentive schemes, on the basis of a proposal made by the Board's Remuneration Committee;
- To monitor the adequacy and allocation of the Group's top management resources;
- To decide on any significant changes to the Group's business organization;
- To define the Group's ethical values and working methods;
- To ensure that policies outlining the principles of corporate governance are in place;
- To ensure that policies outlining the principles behind managing the company's insider issues are being observed; and
- To ensure that the company has guidelines for any other matters which the Board deems necessary and which fall within the scope of the Board's duties and authority.

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

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

With respect to financial control and risk management:

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

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

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

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

Under the company's Articles of Association, the Board shall have a minimum of five and a maximum of twelve members. The company's largest shareholders have confirmed that they are in favor of a principle according to which members of the company's Board of Directors should, as a rule, be qualified experts from outside the company. According to the Articles of Association, a person aged 68 years or older cannot be elected as a member of the Board of Directors. A Board consisting of seven members was elected at the 2012 Annual General Meeting. In addition to the seven members, the 2012 Annual General Meeting decided that following the completion of the transaction to combine Outokumpu Oyj and Inoxum announced by Outokumpu on January 31, 2012, the Board of Directors would consist of eight members and Mr. Guido Kerkhoff, would be elected as the eighth Board member. Mr. Kerkhoff's Board membership took effect as of December 29, 2012, following the completion of the Inoxum transaction. Seven members of the current Board of Directors are independent of the company and its main shareholders and Mr. Kerkhoff is independent of the company.

The Board of Directors meets at least five times each year. In 2012, the Board of Directors met 19 times and the average attendance rate was 92%.

See the Members of the Board of Directors section in this report.

Shares and options of the members of the Board of Directors on December 31, 2012

Member	Shares
Ole Johansson	80 990
Iman Hill	13 441
Elisabeth Nilsson	23 681
Harri Kerminen	13 441
Heikki Malinen	13 441
Siv Schalin	23 681
Guido Kerkhoff	-
Olli Vaartimo	36 756
	205 431

Board committees

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

The Audit Committee comprises four Board members. The task of the Audit Committee is to deal with matters relating to financial statements, auditing work, internal controls, the scope of internal and external audits, billing by auditors, the Group's tax position, the Group's financial policies and other procedures for managing Group risks. In addition, the Audit Committee prepares a recommendation for the Annual General Meeting concerning the election of an external auditor and auditing fees. The Audit Committee met six times during 2012 and the average attendance rate was 91%.

The Remuneration Committee comprises the Chairman of the Board and three other Board members. The task of the Remuneration Committee is to prepare proposals for the Board of Directors concerning appointment of the company's top management and principles relating to the compensation they receive. The Board of Directors has authorized the Remuneration Committee to determine the terms of service and benefits enjoyed by the Outokumpu Leadership Team members other than the company's CEO. The Remuneration Committee met three times during 2012 and the average attendance rate was 100%.

To handle specific tasks, the Board of Directors can also set up temporary working groups consisting of Board members. These working groups report to the Board of Directors. No such working groups were set up in 2012.

See the Board of Directors section in this report.

Nomination Board

The Outokumpu 2012 Annual General Meeting decided to establish a Nomination Board to annually prepare proposals on the composition of the Board of Directors along with director remuneration for the Annual General Meeting.

The Outokumpu 2012 Annual General Meeting also decided that according to the Charter of the Nomination Board, the Nomination Board consists of the representatives of Outokumpu's four largest shareholders, registered in the Finnish book-entry securities system on October 1, who accept the assignment and that the Chairman of the Board should act as an expert member of the Nomination Board.

Outokumpu's largest shareholders were determined on the basis of shareholdings registered in the Finnish book-entry system. Holdings by shareholders who have an obligation under the Finnish Securities Markets Act to disclose changes in shareholdings (the flagging obligation) are divided into several funds or registers and will be summed when calculating the related share of voting rights, provided that a written request to this effect was presented by the shareholder or shareholders concerned to the Board of Directors of the Company no later than September 30, 2012. Should a shareholder not wish to use the nomination right, the right to nominate is transferred to the next largest shareholder who would otherwise not have a right to nominate.

Shareholder representatives on the Nomination Board in 2012 were: Solidium Oy, The Social Insurance Institution of Finland, Ilmarinen Mutual Pension Insurance Company and Varma Mutual Pension Insurance Company. These shareholders chose the following individuals as their representatives on the Nomination Board: Kari Järvinen, Managing Director of Solidium Oy, Tuula Korhonen, Investment Director of The Finnish Social Insurance Institution, Harri Sailas, Chief Executive Officer of the Ilmarinen Mutual Pension Insurance Company and Risto Murto, Executive Vice-President, Varma Mutual Pension Insurance Company. Kari Järvinen was elected as Chairman of the Nomination Board and Ole Johansson, Chairman of the Outokumpu Board of Directors, served as an expert member. Furthermore, according to a resolution of the 2012 Outokumpu Annual General Meeting the composition of the Shareholders' Nomination Board for the Annual General Meeting 2013 would include one expert member nominated by ThyssenKrupp AG. This resolution would only take effect on the day following the completion of the Inoxum transaction. Following completion of the Inoxum transaction on December 28, 2012, Mr. Kerkhoff was nominated to serve on the Nomination Board.

The Nomination Board has submitted its proposals regarding Board composition and director remuneration to Outokumpu's Board of Directors, and the Board has incorporated these proposals into the notice announcing the Outokumpu 2013 Annual General Meeting of Shareholders.

CEO and Deputy to the CEO

The Chief Executive Officer (CEO) is responsible for the company's operational management, in which the objective is to secure significant and sustainable growth in the value of the company for its shareholders.

The CEO prepares matters on which decisions are to be made by the Board of Directors, develops the Group's operations in line with the targets agreed with the Board of Directors, and ensures the proper implementation of Board decisions. The CEO is also responsible for ensuring that existing legislation and applicable regulations are observed throughout the Group.

The CEO chairs meetings of the Outokumpu Leadership Team. The deputy to the CEO is responsible for attending to the CEO's duties in the event that the CEO is prevented from doing so. Since 2011, the Group's Chief Financial Officer has acted as deputy to the CEO.

Leadership Team

The task of the Outokumpu Leadership Team (previously the Group Executive Committee) is the overall management of Outokumpu's business. Members of the team have extensive authority in their individual areas of responsibility and their duty is to develop the Group's operations in line with the targets set by the Board of Directors and the CEO.

In 2012, the Group Executive Committee consisted of six members appointed by the Board of Directors. In 2012, the members of the Group Executive Committee held the following positions: Chief Executive Officer, Executive Vice President – Chief Financial Officer, Executive Vice President – General Stainless, Executive Vice President – Specialty Stainless, Executive Vice President – Ferrochrome, Group Research and Development and Executive Vice President – Human Resources and Health and Safety.

Since January 2013, the members of the Outokumpu Leadership Team hold the following positions: Chief Executive Officer, Executive Vice President – Chief Financial Officer, President – Stainless Coil EMEA, President – Stainless APAC, President – Stainless Coil Americas, President – High Performance Stainless and Alloys, Executive Vice President – Integration and Strategy, Executive Vice President – Communications, Marketing and IR, and Executive Vice President – HR and HSS. The Leadership Team typically meets at least once a month.

See the Members of the Leadership Team section in this report.

Shares and options of the Leadership Team members on December 31, 2012

Member	Shares	Share-based incentive program 2010–2012	Share-based incentive program 2011–2013	Performance Share Plan 2012–2014	Restricted Share Pool 2012–2014
Mika Seitovirta	200 000		96 000	544 000	
Esa Lager	224 000	36 000	36 000	170 000	
Ulrich Albrecht-Früh					117 284
Austin Lu				65 200*	
Jarmo Tonteri	144 282				
Reinhard Florey					117 284
Kari Tuutti	20 000			65 200	
Pii Kotilainen	12 000	36 000	36 000	170 000	
Kari Parvento	8 000	36 000	36 000	170 000	
Total	608 282	108 000	204 000	1 184 400	234 568
Board and Leadership Team	813 713				

*Due to local legislation, the possible LTI reward will be paid in cash instead of shares.

Group management

Outokumpu's corporate management consists of the Chief Executive Officer (CEO), members of the Outokumpu Leadership Team, and managers and experts who assist the CEO and members of the Leadership Team.

The task of corporate management is to manage the Group as a whole. Duties include the coordination and execution of strategy and corporate planning, integration, financial control, tax, internal audit, human resources, environment, energy, health and safety, communications and investor relations, corporate responsibility, R&D, legal affairs, corporate affairs and compliance and IPR, as well as treasury and risk management. Certain support functions have also been centralized at Group level. The Outokumpu Group is managed in accordance with the organization of its business, in which the Group's legal company structure also provides the legal framework for Outokumpu's operations. Clear financial and operational targets have been established for all the Group's operational businesses.

In 2012, Outokumpu's business model was based on three Business Areas, each fully accountable for sales, profit and assets, improving the Group's ability to respond rapidly to customer needs. The three Business Areas were:

- General Stainless: the Group's stainless steel operations in Tornio and a finishing plant in Terneuzen in the Netherlands,
- Specialty Stainless: Special Coil, Special Plate, Kloster and Long Products in Sweden and in the UK, including the Sheffield melt shop in the UK, and
- Ferrochrome: the Kemi Chrome Mine and ferrochrome production at Tornio in Finland.

Since 2011, OSTP, the Outokumpu's tubular products unit, in which Tubinoxia S.r.l. (an Italian company) is a majority owner, has been managed through OSTP's Board of Directors, on which Outokumpu has one seat.

As of December 29, 2012, Outokumpu's new organization is based on four Business Areas with sales, profit, production and supply chain management responsibility, with the focus being on improving the ability to respond rapidly to customer needs, while Group-level functions with global processes ensure efficiency.

The Business Areas are:

- Stainless Coil EMEA
- Stainless Coil Americas
- Stainless APAC
- High Performance Stainless and Alloys

As well as being responsible for their own sales, Business Areas are responsible for profit and operating cash flow and are supported by Group-level functions in key areas such as financial control, taxation, human resources, environment, energy, health and safety, communications, corporate responsibility, R&D, legal affairs, compliance and IPR, as well as treasury and risk management. The Business Areas are geared to achieve the Group's business and synergy targets while maintaining the focus on responding to customer needs.

Outokumpu Business Areas report directly to individual Leadership Team members.

Remuneration

As confirmed by the 2012 Outokumpu Annual General Meeting, annual remuneration for members of Outokumpu's Board of Directors are as follows: Chairman EUR 80 000, Vice Chairman EUR 45 500 and other members EUR 36 000, with 40% of this paid as Outokumpu shares purchased from the market and 60% paid in cash.

The annual fee is paid once a year and members of the Board are not entitled to any other share-based rewards. In addition to their annual remuneration, all members of the Board of Directors are paid a meeting fee of EUR 600 (EUR 1 200 for members of the Board of Directors residing outside Finland). The meeting fee is also payable for attending meetings of Board committees.

The service contract of Outokumpu's CEO is valid until further notice and may be terminated by Outokumpu with 12 months' notice or by the CEO with six months' notice. Upon termination by Outokumpu or a material change in ownership of Outokumpu, the CEO will receive additional compensation equivalent to his basic salary in the preceeding 12 months plus the monetary value of his employee benefits at the moment of termination provided that his employment is terminated for a reason unconnected with his performance or events interpreted as him having failed in his duties. For the Finnish members of the Leadership Team (former Group Executive Committee), the notice period is six months for both parties, in addition to which there will be additional compensation equivalent to their basic salary in the preceding 12 months plus the monetary value of their employee benefits at the moment of termination provided that their employment is terminated for another reason than one caused by the employee. Based on earlier contractual obligations, the termination benefits of the Germany based Leadership Team members include an additional 12 months' salary during a transition period of 1,5 years after which the termination benefits will be gradually reduced to six months' notice and 12 months' severance. In line with earlier contractual obligations, the severance amount is calculated based on base salary, benefits and incentives.

In the 2013 financial year, the level of the performance-related incentive payable to the Group CEO and members of the Leadership Team in addition to their salary and employee benefits will be based on: the Group's EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) target and operational targets and individual targets set separately. The maximum level of this incentive payment is 50% of annual base salary for the CEO and other members of the Leadership Team. The total amount of short-term and long-term incentives must not exceed 200% of an individual's annual salary. Should this limit be exceeded, the share-based element of the incentive reward will be reduced accordingly.

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

The retirement age for the members of the Leadership Team is 63 years, with the exception of members who were appointed to the Group Executive Committee before December 2009, who are thereby entitled to retire at the age of 60. For Finnish members of the Leadership Team appointed to the Group Executive Committee before January 1, 2007, pension benefits amount to 60% of the total average annual salary in the last five full years of service. For other Finnish members of the Leadership Team, the targeted pension is 60% of the annual salary at the age of either 60 or 63 depending on the date when the executive concerned was appointed to the Group Executive Committee or Leadership Team. Earnings calculated from the year of appointment, including fringe benefits and performance-related short-term incentives, are used as the basis for the insurance premium. The maximum premium is 25% of an individual's annual earnings. In line with Outokumpu's policy, the CEO's retirement age is 63 and the targeted pension is 60% of the annual salary at the age of 63. One member of the Leadership Team resides in Sweden and is covered by the Swedish ITP pension plan and two members reside in Germany and are entitled to pension benefits in accordance with Essener Verband.

Outokumpu did not provide any guarantees or other similar commitments on behalf of members of its Board of Directors in 2012. No members of the Board of Directors or the Leadership Team or closely-related persons or institutions have any significant business relationships with the Group.

Fees, salaries and employee benefits paid

2012

€	Salaries and fees with employee benefits	Performance/ project-related bonuses	Annual remuneration***	Options	Total
Board of Directors					
Chairman of the Board, Johansson	12 600	-	80 000	-	92 600
Vice Chairman of the Board, Vaartimo	13 800	-	45 500	-	59 300
Board member, Henkes*	8 400	-	-	-	8 400
Board member, Nilsson	21 600	-	36 000	-	57 600
Board member, Nilsson-Ehle*	9 600	-	-	-	9 600
Board member, Pesonen*	3 600	-	-	-	3 600
Board member, Schalin	12 600	-	36 000	-	48 600
Board member, Hill	13 200	-	36 000	-	49 200
Board member, Kerminen	7 800	-	36 000	-	43 800
Board member, Malinen	9 000	-	36 000	-	45 000
CEO, Seitovirta	882 692**	90 000	-	-	972 692
Deputy CEO, Lager	300 341	70 636	-	-	370 977
Other Leadership Team Members****	1 390 112	194 314	-	-	1 584 426

* March 1–31, 2012
** This figure includes the compensation of 271 223 euros for taxes and social security contributions related to the Inoxum transaction incentive scheme.
*** Annual remuneration: 40% is paid as Outokumpu shares purchased from the market and 60% paid in cash.
**** Hautala Jan 1–Dec 28, 2012, Lu, Tuutti, Albrecht-Früh and Florey Dec 29–31, 2012

2011

€	Salaries and fees with employee benefits	Performance/ project-related bonuses	Annual remuneration****	Options	Total
Board of Directors					
Chairman of the Board, Johansson	10 200	-	80 000	-	90 200
Vice Chairman of the Board, Vaartimo	8 400	-	45 500	-	53 900
Board member, Henkes	16 800	-	36 000	-	52 800
Board member, Nilsson	13 200	-	36 000	-	49 200
Board member, Nilsson-Ehle	20 400	-	36 000	-	56 400
Board member, Pesonen	9 000	-	36 000	-	45 000
Board member, Schalin	7 200	-	36 000	-	43 200
Board member, Saarinen	1 800	-	-	-	1 800
Board member, Soila	1 200	-	-	-	1 200
Board member, de Margerie	1 200	-	-	-	1 200
CEO, Seitovirta*	451 840	-	-	-	451 840
CEO, Rantanen**	2 323 074	149 648	-	-	2 472 722
Deputy CEO***	338 797	67 636	-	-	406 433
Other Group Executive Committee Members	2 136 405	246 582	-	-	2 382 987

* March 1–Dec 31, 2011
** Jan 1–Aug 17, 2011
*** Jan 1–Oct 31, 2011
**** Annual remuneration: 40% is paid as Outokumpu shares purchased from the market and 60% paid in cash.

Insider issues

Outokumpu's insider rules are based on and comply with the Guidelines for Insiders issued by the NASDAQ OMX Helsinki stock exchange. Permanent insiders with a duty to declare consist of members of the company's Board of Directors, the Auditor in Charge, the CEO, and other members of the Outokumpu Leadership Team.

Outokumpu maintains a public register of permanent insiders who have the duty to declare. Employees of the Group who receive inside information on a regular basis as a result of their position or the duties they perform are registered in a non-public register of permanent company-specific insiders. Permanent insiders must not purchase or sell securities issued by the company in the 14 days prior to the publication of interim reports or the company's annual accounts (the so-called "closed window").

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

Outokumpu's Head of Corporate Affairs and Compliance is responsible for the coordination and supervision of insider issues.

See the year-end 2012 shareholding of the Board of Directors in the Board of Directors section and Leadership Team in the Leadership Team section.

Up-to-date information on holdings by Outokumpu's permanent insiders who have a duty to declare see is available on Outokumpu's website.

Financial reporting

According to the Finnish Limited Liability Companies Act and the Finnish Code of Corporate Governance, the Board of Directors is responsible for a company's internal controls. The purpose of this chapter is to provide shareholders and other parties with a description of how internal control and risk management of financial reporting is organized in Outokumpu.

As a listed company, the Group has to comply with a variety of regulations. To ensure that all the stated requirements are met, Outokumpu has introduced principles for financial reporting and internal control and distributed these throughout the company's organization.

Control environment

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

Outokumpu operates in accordance with the risk management policy approved by the Group's Board of Directors. This policy defines the objectives of risk management activities, the approaches to be taken and areas of responsibility. As well as supporting Outokumpu strategy, risk management activities help in defining a balanced risk profile from the perspective of shareholders and other stakeholders such as customers, suppliers, personnel and lenders. More information on risk management within Outokumpu in the Risk management section.

Outokumpu's control process for financial reporting is based on Group policies, principles and instructions relating to financial reporting as well as on the responsibility and authorization structure within the Group. Policies relating to financial reporting are usually owned and approved by the CEO, the CFO or the Corporate Controller. Financial reporting in Outokumpu is carried out in a harmonized way using a common chart of accounts.

Financial reporting is prepared in accordance with International Financial Reporting Standards (IFRS). The Outokumpu Accounting Principles (OAP) are Outokumpu's application guidance as regards IFRS. The aim of the OAP and other financial reporting instructions is to ensure that unified financial processes and reporting practices are used throughout the Group. Financial statements by the parent company and stand-alone Finnish subsidiaries are prepared in accordance with generally accepted accounting principles in Finland, while foreign subsidiaries follow local accounting principles. Outokumpu also complies with regulations regarding financial reporting published by the Financial Supervisory Authority (FIN-FSA) and NASDAQ OMX Helsinki.

The Outokumpu Controller's Manual contains financial reporting policies and instructions. Policies and instructions for financial reporting are reviewed on a regular basis and revised when necessary. During the 2012 financial year, the instructions were updated with some minor changes and the language was revised. Also, as the corridor approach was eliminated, pension accounting instructions were updated to follow the new accounting policy. In 2013, Outokumpu will continue to follow changes in IFRS standards closely. No major implementations of new standards are expected.

Risk identification and assessment

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

Internal audit

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

The internal auditor reports to the Audit Committee and administratively to the CFO.

Control activities

In addition to the Board of Directors and Audit Committee, operational management teams in Outokumpu are responsible for ensuring that internal controls relating to financial reporting are in place at all Outokumpu units. The aim of control activities is to discover, prevent and correct potential errors and deviations in financial reporting. Control activities also aim to ensure that authorization structures are designed and implemented in a way that conflicting divisions of work do not exist (i.e. one person performing an activity and also being responsible for controlling that activity). Control activities consist of different kind of measures and include reviews of financial reports by Group management and in Business Area management teams, the reconciliation of accounts, analyses of the logic behind reported figures, forecasts compared to actual reported figures and analyses of the Group's financial reporting processes, among others. A key component is the monitoring of monthly performance against financial and operational targets. These control activities take place at different levels in the organization. The most important accounting items in Outokumpu are the valuation and reporting of inventories and other items of working capital. Also, in difficult market situations, asset impairment calculations and related sensitivity analyses are increasingly important. These items are carefully monitored and controlled both within Business Areas and at Group level.

Information technology and solutions play an important role in guaranteeing that the Group's internal controls have a solid foundation.

Information and communication

Group-wide policies and principles are available to all Outokumpu employees. Instructions relating to financial reporting are communicated to all the parties involved. The main communication channels employed are Outokumpu's intranet and other easily-accessible databases. Face-to-face controller meetings are also organized. Senior Controller meetings are organized on quarterly basis or more frequently when considered necessary to share information and discuss issues of topical interest to the Group.

Outokumpu has established different networks and communities in which financial reporting and internal control issues and related instructions are discussed and reviewed. These networks usually consist of personnel from the Business Areas and Group functions. The aim of these networks, communities and common instructions is to ensure that unified financial processes and reporting practices are used throughout the Group. The networks and communities play an important role in establishing the effectiveness of internal controls relating to financial reporting and in developing Outokumpu policies, instructions and processes.

Follow-up

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

Auditors

Under its Articles of Association, the company shall have a minimum of one and a maximum of two auditors who are qualified auditors or firms of independent public accountants authorized by the Central Chamber of Commerce of Finland.

The Annual General Meeting elects the auditors to a term of office ending at the close of the next Annual General Meeting. Proposals to the Annual General Meeting on the election of auditors, which have been made known to the Board of Directors prior to the Annual General Meeting, will be made public if the proposal is made by the Board Audit Committee or if it is supported by shareholders holding a minimum of 10% of all the company's shares and voting rights and the person or company proposed has consented to such nomination. The company's auditors submit the statutory auditor's report to the company's shareholders in connection with the company's financial statements. The auditors also report their findings to the Board Audit Committee on a regular basis and at least once a year to the full Board of Directors. The parent company, Outokumpu Oyj, is audited by KPMG Oy Ab, and the responsible auditor is Virpi Halonen, Authorized Public Accountant. KPMG Oy Ab is also responsible for overseeing and coordinating the auditing of all Group companies.

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

Outokumpu's Board Audit Committee continuously monitors non-audit services purchased by the Group from KPMG Oy Ab at a global level. In 2012, auditors were paid fees totaling EUR 5.7 million, of which non-auditing services accounted for EUR 3.8 million.

Members of the Leadership Team

On December 31, 2012

Mika Seitovirta

CEO

b. 1962, Finnish citizen
M.Sc. (Econ.)
CEO since 2011
Chairman of the Outokumpu Leadership Team (previously called the Group Executive Committee) since 2011
Responsibility: Group management
Employed by the Outokumpu Group since 2011

President and CEO: Glaston Corporation (former Kyro Corporation) 2007–2009
Managing Director: Hartwall Oy 2003–2006
Managing Director: Volvo Auto 1998–2003
Finance Director, Deputy to Sales Company President: Volvo Deutschland 1994–1998
Several positions at Volvo Auto and Aro-Yhtymä 1986–1994

Deputy Chairman of the Board of Directors: Shanghai Krupp Stainless Co. Ltd. 2013–
Board member: Federation of Finnish Technology Industries 2013–
Board member: Association of Finnish Steel and Metal Producers 2011–
Member of the Supervisory Board: Varma Mutual Pension Insurance Company 2011–
Board member: Are 2009–2011
Senior Advisor, Advisory Group: Ratos 2008–2011
Board member: Aro-Yhtymä 2006–2011
Board member: Handelsbanken Finland 2004–2011

Esa Lager

CFO

b. 1959, Finnish citizen
M.Sc. (Econ.), LL.M.
Executive Vice President – Chief Financial Officer (CFO) 2005–, deputy to the CEO 2011–
Member of the Outokumpu Leadership Team (previously called the Group Executive Committee) since 2001
Responsibility: Finance and Control, Finance Integration and Transformation, Taxation, Treasury and Risk Management, Internal Audit, Corporate Affairs and Compliance, and Energy
Employed by the Outokumpu Group since 1990

Executive Vice President – Finance and Administration 2001–2004, Corporate Treasurer 1996–2000 and Assistant Treasurer 1991–1995: Outokumpu Oyj
Manager, Head Office/London Branch: Kansallis Banking Group 1984–1990

Vice Chairman of the Board 2010–2011 and Board member 2003–2008: Okmetic Oyj
Vice Chairman of the Board: Olvi Plc 2002–
Board member: Ilkka-Yhtymä Oyj 2011–

Ulrich Albrecht-Früh

President – Stainless Coil EMEA

b. 1964, German citizen
Ph.D. (Eng.), Diploma in Process Engineering
President – Stainless Coil EMEA since 2012
Member of the Outokumpu Leadership Team since 2012
Responsibility: Stainless Coil EMEA
Employed by the Outokumpu Group since 2012

Member of the Executive Board, CTO: Inoxum GmbH (Germany), 2011–2012
CEO: ThyssenKrupp Stainless USA, LLC (USA), 2008–2012
Co-Head US-Site Selection Stainless, ThyssenKrupp Stainless GmbH (Germany) 2007
Director Meltshop: ThyssenKrupp Nirosta GmbH (Germany), 2004–2007
Head of Stripcasting: ThyssenKrupp Nirosta GmbH (Germany), 2002–2004
Project Leader EUROSTRIP (European R&D Consortium): ThyssenKrupp Nirosta GmbH (Germany), 1999–2002
Several Positions at ThyssenKrupp Nirosta GmbH (Germany), 1997–1999
Research Assistant/Group Leader: Technical University Aachen (Germany), 1992–1997

Board member (Associate Director): MSCI 2011–2012

Kari Parvento

President – Stainless Coil Americas

b. 1957, Finnish citizen
M.Sc. (Eng.)
President – Stainless Coil Americas since 2012
Member of the Outokumpu Leadership Team (previously called the Group Executive Committee) since 2010
Responsibility: Stainless Coil Americas
Employed by the Outokumpu Group since 2010

Executive Vice President – Ferrochrome, Group Research and Development and Environment and Quality: Outokumpu 2012
Executive Vice President – Group Sales and Marketing: Outokumpu Oyj 2010–2011
President, Underground Mining: Sandvik Group 2009–2010
President, Underground Hard Rock Mining: Sandvik Group 2007–2009
Managing Director, Sandvik Mining and Construction Oy ("SMC Oy"): Sandvik Group 2007–2010
Managing Director, Sandvik Mining and Construction Australia and Sandvik Materials Handling Pty Ltd. Australia: Sandvik Group 2005–2007
Business Development Manager, Sandvik Tamrock Finland: Sandvik Group 2004–2005
Managing Director, Kuusakoski Sverige AB: Kuusakoski Group 2003–2004
Country Manager, Scandinavia: Kuusakoski Group 2000–2004
Managing Director, Kuusakoski AB: Kuusakoski Group 2000–2003

Chairman of the Board: SMC Austria GmbH 2009–2010
Board member: SMC Oy 2007–2010

Austin Lu

President – Stainless APAC

b. 1971, Chinese citizen (People's Republic)
MBA, General Management, BS (Econ.)
President – Stainless APAC since 2012
Member of the Outokumpu Leadership Team since 2012
Responsibility: Stainless APAC
Employed by the Outokumpu Group since 2011

Senior Vice President, APAC Focus Area: Outokumpu Oyj 2011–2012
Member of China Executive Council, Vice President, Regional General Manager: General Electric, China 2009–2011
Member of China Executive Board, Business Leader, Life Science Ingredient: Lonza Group, China 2008–2009
Member of China Executive Board, Marketing Director: General Electric Plastics, China 2005–2008
Global Product Manager: General Electric Plastics, USA and China 2004–2005
Regional General Manager, Southern and Eastern China: General Electric Plastics, China 1999–2004
Commercial Specialist: General Electric Plastics, China 1999
Commercial Operations Manager, Eastern China: General Electric Plastics, China 1998–1999
Commercial Operations Specialist, Southern China: General Electric Plastics, China 1996–1998
Several positions in China MinMetals Co. 1993–1996

Jarmo Tonteri

President – High Performance Stainless and Alloys

b. 1952, Finnish citizen
M.Sc. (Econ.), M.Sc (Technology)
President – High Performance Stainless and Alloys since 2012
Member of the Outokumpu Leadership Team (previously called the Group Executive Committee) since 2011
Responsibility: High Performance Stainless and Alloys
Employed by the Outokumpu Group since 2011

Executive Vice President – Specialty Stainless: Outokumpu Oyj 2011–2012
Managing Director: Ovako Group, Sweden 2005–2011
Managing Director and member of Rautaruukki management Board: Fundia (Rautaruukki Group), Sweden 2000–2005
Managing Director: Gasell (Rautaruukki Group), Sweden 1992–2000
Managing Director: Lokomo Steel (Repola Group), USA 1990–1992
Director of the metallurgical division: Kuusakoski, Finland 1985–1990
Sales engineer on metallurgical process technology: Outokumpu, Finland 1978–1985

Board member: Dannemora Mineral AB 2012–
Board member: FN Steel Group 2010–

Reinhard Florey

Executive Vice President – Integration and Strategy

b. 1965, Austrian citizen
M.Sc. (Eng., Econ.), M.A. (Cultural Studies)
Executive Vice President – Integration and Strategy since 2012
Member of the Outokumpu Leadership Team since 2012
Responsibility: Integration Management, Strategy, M&A, IT/IS, Raw Materials, General Procurement, Legal
Employed by the Outokumpu Group since 2012

Member of the Executive Board, CFO: Inoxum GmbH (Germany) 2011–2012
Member of the Executive Board, CFO: ThyssenKrupp Nirosta GmbH (Germany) 2011–2012
Member of the Executive Board, CFO: ThyssenKrupp Steel Americas, LLC (USA) 2010–2011
Membro Efetivo do Conselho Deliberativo da Sociedade: ThyssenKrupp Companhia Siderúrgica do Atlântico (Brasil) 2010–2011
Member of the Executive Board: Business Area Steel Americas of the ThyssenKrupp AG (USA) 2009–2011
Member of Board of Managers: ThyssenKrupp Steel and Stainless USA, LLC. (USA) 2009
Head of Corporate Center Mergers and Acquisitions: ThyssenKrupp AG (Germany) 2005–2009
Head of Corporate Development/M and A: ThyssenKrupp Steel AG (Germany) 2002–2005
Several Positions at McKinsey & Company (Austria) 1995–2002

Chairman of the Board of Directors: Inoxum Italia S.p.A. (Italy) 2011–
Chairman of the Board of Directors: Inoxum Nederland B.V., (the Netherlands) 2011–
Board member: Shanghai Krupp Stainless Co. Ltd. 2011–
Board member: Inoxum Holding USA, Inc., 2011–
Board member: ThyssenKrupp Acciai Speciali Terni (Italy) 2011–2012
Board member: ThyssenKrupp Mexinox S.A. de C.V. (Mexico) 2011–2012

Kari Tuutti

Executive Vice President – Marketing, Communications and Investor Relations

b. 1970, Finnish citizen
M.Sc. (Econ.)
Executive Vice President – Marketing, Communications and IR since 2012
Member of the Outokumpu Leadership Team since 2012
Responsibility: Marketing, Communications and Investor Relations
Employed by the Outokumpu Group since 2011

SVP – Marketing, Communications and IR: Outokumpu Oyj 2011–2012
Director, Marketing Creation: Nokia Oyj 2009–2011
Vice President, Communications: Nokia Oyj 2008
Director, Communications, Multimedia Business Group: Nokia Oyj 2002–2007
Senior Manager, Investor Relations: Nokia Oyj 1999–2002
Manager, Treasury (Finland and Geneva): Nokia Oyj 1995–1999
Analyst, Treasury: Merita Bank 1994–1995

Pii Kotilainen

Executive Vice President – Human Resources and Health, Safety and Sustainability

b. 1960, Finnish citizen
M.Sc. (Econ.)
Executive Vice President – HR and Health, Safety and Sustainability (pro tem) since 2012
Member of the Outokumpu Leadership Team (previously called Group Executive Committee) since 2009
Responsibility: Human Resources and Health, Safety and Sustainability
Employed by the Outokumpu Group since 2009

Executive Vice President – Human Resources and Health and Safety: Outokumpu Oyj 2012
Executive Vice President – Human Resources: Outokumpu Oyj 2009–2011
Senior Vice President, Group Human Resources: Huhtamaki Oyj 2006–2008
Vice President, Human Resources, Technology Platforms: Nokia Oyj 2004–2006
Senior Vice President, Human Resources, Nokia Mobile Phones: Nokia Oyj 2000–2004
Head of Nokia Learning Center Network: Nokia Networks, Milan, Italy 1998–2000
Vice President, Human Resources: Nokia Oyj 1994–1998
Senior Manager, Nokia Treasury Center: Nokia Oyj 1991–1994

Board member: HSE Foundation 2012–
Board member: Componenta Oyj 2010–

Members of the Board of Directors

On December 31, 2012

Ole Johansson

Chairman

b. 1951, Finnish citizen
B.Sc. (Econ.)
Outokumpu Board member 2002–
Chairman of the Board 2008–
Vice Chairman of the Board 2004–2008
Chairman of the Remuneration Committee

President and CEO: Wärtsilä Corporation 2000–2011
President and CEO: Wärtsilä NSD Oy 1998–2000

Chairman of the Board: eQ Oyj 2011–
Chairman of the Board: Confederation of Finnish Industries EK 2011–2012
Chairman of the Board 2007–2009 and Board member 2010–2012: Federation of Finnish Technology Industries
Vice Chairman of the Board: Varma Mutual Pension Insurance Company 2005–2012
Vice Chairman of the Board: Confederation of Finnish Industries EK 2007–2009
Board member: Svenska Handelsbanken AB 2012–
Board member: The Research Institute of the Finnish Economy ETLA Supporters' Association 2011–2013
Board member: The Finnish Business and Policy Forum EVA 2011–2013
Board member: Wärtsilä Corporation 2010–2011
Independent of the company and its significant shareholders

Olli Vaartimo

Vice Chairman

b. 1950, Finnish citizen
M. Sc. (Econ.)
Outokumpu Board member 2010–
Vice Chairman of the Board 2011–
Chairman of the Audit Committee

CFO: Metso Oyj 2003–2011
Executive Vice President, Deputy to the President and CEO: Metso Oyj 2003–2010
Member of the Executive Team 1999–2011 and Vice Chairman of the Executive Team 2004–2010: Metso Oyj
President and CEO (acting): Metso Oyj 2003–2004
President and CEO: Metso Minerals Oy 1999–2003
President and CEO: Nordberg Group, Rauma Oyj 1993–1999
Executive Vice President: Rauma Oyj 1991–1998

Chairman of the Board: Valmet Automotive Oy 2003–
Chairman of the Board 2012– and Board member 2008–2012: Kuusakoski Oy
Board member: Kuusakoski Group Oy 2008–
Board member: Alteams Oy 2008–
Independent of the company and its significant shareholders

Iman Hill

b. 1963, British citizen
B.Sc. (Biochemistry), M.Sc. (Computer Science)
Outokumpu Board member 2012–
Member of the Audit Committee

General Manager – Technical and Operational Services Directorate: Sasol Petroleum International 2012–
Strategic Adviser: Aurelian Oil and Gas PLC 2012
Senior Vice President Group Well Risk: BG Group PLC 2010–2011
Senior Vice President Developments and Operations: BG Group PLC 2009–2010
Senior Vice President BG Brasil: BG Group PLC 2008–2009
Vice President & General Manager Developments: BG Group PLC 2005–2008
Managing Director: Shell Egypt and Chairwoman of Shell Companies in Egypt 2004–2005
Senior Adviser (Africa) to the Committee of Managing Directors: Shell International 2002–2004
General Manager Field Developments and Regional Exploration Africa and South America: Shell International 2001–2002
Business Interface Manager, Middle East: Shell International 1998–2001
Principal Reservoir Engineer Malaysia: Shell International 1997–1998
Chief Petroleum Engineer: Monument Oil and Gas 1996–1997
Independent of the company and its significant shareholders

Harri Kerminen

b. 1951, Finnish citizen
M.Sc. (Eng.), MBA
Outokumpu Board member 2012–
Member of the Remuneration Committee

President and CEO: Kemira Oyj, 2008–2012
President of the Kemira Pulp & Paper business area: Kemira Oyj 2006–2007
President of the Kemira Specialty business area: Kemira Oyj 2000–2006
Managing Director: Kemira Pigments Oy 2002–2003
Vice President, Human Resources: Kemira Chemicals Oy 1996–2000
Manager of Oulu plant: Kemira Oyj 1994–1996
Production Manager: Kemira Kemi AB 1990
Project Manager: Kemira Oy/Kemira Oyj, plant construction projects in Finland, Sweden, Belgium and the US 1989–1994

Chairman of the Board: MetGen Oy 2012–
Chairman of the Board: Finpro ry 2011–
Chairman of the Board: Finnish Industry Investment 2012
Chairman of the Board: Chemical Industry Federation of Finland 2011–2012
Vice Chairman of the Board: Chemical Industry Federation of Finland 2009–2011
Board member: Tikkurila Oyj 2012–
Board member: Achemos Grupe 2012–
Board member: Normet Oy 2012–
Board member: Finnair Oyj 2011–
Board member: Confederation of Finnish Industries and Employers TT-Foundation 2011–
Board member: Confederation of Finnish Industries EK 2011–2012
Board member: Formia Emissions Control 2012
Board member: CEFIC 2008–2012
Board member: Finpro ry 2010– 2011
Independent of the company and its significant shareholders

Heikki Malinen

b. 1962, Finnish citizen
M.Sc. (Econ.), MBA (Harvard)
Outokumpu Board member 2012–
Member of the Audit Committee

President and CEO: Itella Corporation 2012–
President and CEO: Pöyry PLC 2008–2012
Executive Vice President, Strategy, member of the UPM Executive Team: UPM-Kymmene Corporation, Helsinki, Finland 2006–2008
President: UPM North America, Chicago, USA 2004–2005
President of Sales: UPM North America, Chicago, USA 2002–2003
Managing Partner: Jaakko Pöyry Consulting, New York, USA 2000–2001
Engagement Manager: McKinsey & Co, Atlanta, USA 1997–1999
Director, Business Development UPM Paper Divisions, Helsinki, Finland 1994–1996

Chairman: American Chamber of Commerce (AmCham Finland) 2009–
Board member: The Federation of Finnish Technology Industries 2012–
Board member: Botnia Oy 2006–2008
Independent of the company and its significant shareholders

Elisabeth Nilsson

b. 1953, Swedish citizen
M.Sc. (Tech.)
Outokumpu Board member 2011–
Member of the Remuneration Committee

Governor: Östergötlands län 2010–
President: Jernkontoret (Swedish Steel Producers Association) 2005–2010
General Manager, Metallurgy Division: SSAB Oxelösund 2003–2005
Managing Director: SSAB Merox 2001–2003
Manager, Department for Environment, Health and Safety: SSAB 1996–2001
Manager, Continuous Casting Department: SSAB Oxelösund 1991–1996

Chairman of the Board: Göta Kanalbolaget 2011–
Chairman of the Board: Risbergska donationsfonden 2010–
Chairman of the Board: Tåkernfonden 2010–
Chairman of the Board: Övralidsstiftelsen 2010–
Chairman: Foundation Mefos 2005–2010
Chairman: Svenska Bergsmannaföreningen 2007–2009
Member: Royal Swedish Academy of Engineering Science IVA 2007–
Board member: Sveaskog AB 2010–2012
Board member: 4:e AP-fonden 2010–2011
Board member: Swerea AB 2008–2011
Board member: Euromaint AB 2004–2007
Board member: Swedish Maritime Administration 1996–2006
Independent of the company and its significant shareholders

Siv M. Schalin

b. 1962, Finnish citizen
M.Sc. (Econ.), MBA
Outokumpu Board member 2011–
Member of the Audit Committee

CEO: Docrates Oy 2012–
President and General Manager, Patient Care Solutions: GE Healthcare Finland Oy 2008–2012
Vice President, Service: GE Healthcare EMEA 2005–2008
General Manager: GE Healthcare Sweden 2004–2005
Director, Critical Care: Instrumentarium Oyj 2003–2004
Area Manager, Nordic Countries: Instrumentarium Oyj 2002
Vice President, Components Division: Össur hf. 2000–2001
President: Össur USA Inc. 1997–2000

Supervisory Board member, Arcada University of Applied Sciences 2009–
Chairman, Managing Director and member of the Board of several GE Healthcare group companies 2008–2012
Vice Chairman: FIHTA (Finnish Healthcare Technology Association) 2008–2012
Independent of the company and its significant shareholders

Guido Kerkhoff

b. 1967, German citizen
M.Sc. (Business Administration)
Outokumpu Board member 12/2012–
Member of the Remuneration Committee

Chief Financial Officer and Member of the Executive Board: ThyssenKrupp AG 2011–
Member of the Board of Management: Deutsche Telekom AG 2009–2011
Head of Group Accounting and Controlling: Deutsche Telekom AG 2006–2009
Senior Vice President Accounting and Controlling: Bertelsmann AG 1996–2002
Manager Group Accounting: VEW AG 1995–1996

Independent of the company

Risk management

Outokumpu operates in accordance with the risk management policy approved by the company's Board of Directors. This defines the objectives, approaches and areas of responsibility in the Group's risk management activities. As well as supporting Outokumpu strategy, the aim of risk management is identifying, evaluating and mitigating risks from the perspective of shareholders, customers, suppliers, personnel, creditors and other stakeholders.

Risk management organization

The Outokumpu Board of Directors carries ultimate responsibility for risk management within the Group.

Outokumpu's CEO and members of the Leadership Team are responsible for defining and implementing risk management procedures, and for ensuring that risks are both properly addressed and taken into account in strategic and business planning. Business Areas and Group functions are responsible for managing risks connected with their own operations.

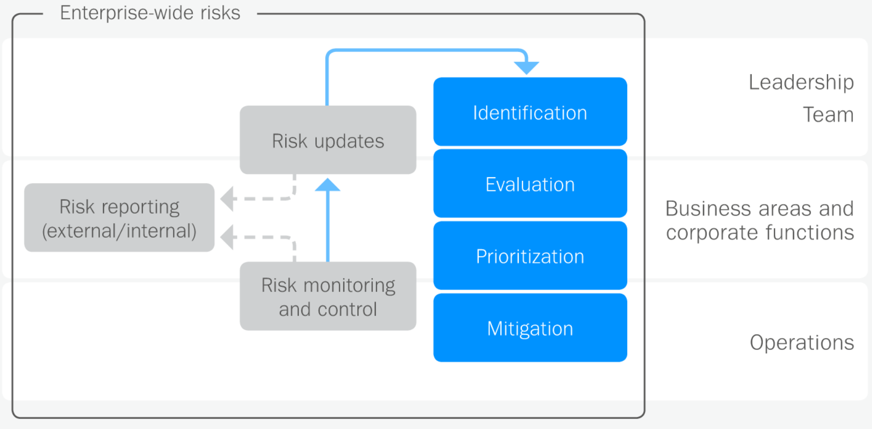
Auditors and Internal Audit monitor risk management processes, and the Leadership Team, the Board's Audit Committee and the Board of Directors review both key risks and actions taken to manage these risks on a regular basis. The Treasury & Risk Management function supports implementation of Outokumpu's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

Risk management process

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

Within Outokumpu, the risk management process is monitored and controlled at different organizational levels in a systematic manner. Regular risk updates are performed to make sure that the process is operating in an uninterrupted manner. The monitoring and analysis of results and risk updates also ensure that accurate information is provided both internally – to Business Area management teams and members of the Leadership Team – and externally to parties such as shareholders and other stakeholders.

Risk management process in Outokumpu



Focus areas 2012

Risk updates and reviews

In 2012, Outokumpu's risk management process was mainly carried out through quarterly risk updates and reviews by the Group Executive Committee and other senior management, but also through risk workshops at operational levels within Outokumpu production sites. The updates and reviews covered the subjects of risk identification, evaluation, prioritization and mitigation. In April 2012, the Group's risk management policy was updated, including risk tolerance and compliance with the ISO 31000 standard. Risk workshops held during 2012 focused mainly on departments and functions at the Group's Tornio site and continued a process initiated in 2011, providing guidance on identifying, evaluating and mitigating operational risks.

Inoxum transaction

The Inoxum transaction was announced in January 2012. Implementation of the transaction, integration planning for the combined entity and related tasks included risk management activities were important focus areas for risk management during 2012. Risks associated with different phases of the transaction were identified, assessed, mitigated and reported according to the Group's risk management policy.

Management of credit risks

All external sales contracted by Outokumpu must be covered by approved credit limits or secured payment terms. Most of the Group's current outstanding trade receivables have been secured by credit insurance which typically covers approximately 90% of an insured credit loss. Part of the credit risk which relates to trade receivables is managed through letters of credit, advance payments and bank guarantees. In 2012, because of changes in the centralized sales and marketing organization and related corporate resources, the Group's credit management was steered towards a decentralized model to gain more flexibility and also provide better support for local sales organizations.

Negative impacts on the outlook regarding increasing insolvency rates within Europe and credit limit availability from major credit risk insurers are likely if the European financial crisis continues. This would mean that Outokumpu will be exposed to increased credit risks as customers' liquidity and the credit limits available to them weaken. Country-specific actions by credit risk insurers may also expand in the future. This challenging situation, particularly in Europe, resulted in Group exposure to credit risks being closely monitored and analyzed in 2012.

Realized risks

No material damage to Outokumpu's property or significant business interruptions occurred in 2012. The most significant risks to the Group's operations during the year were associated with overcapacity in stainless steel markets, the continuing negative influence of global economic uncertainty, and declining prices for nickel, molybdenum and the Talvivaara share. The deepening debt crisis in Europe continued to have a negative impact on demand for stainless steel with a resultant negative effect on Outokumpu's profitability and gearing.

Outokumpu Oyj

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