OUTOKUMPU'S ANNUAL ACCOUNTS BULLETIN 2011 – A YEAR OF RESTRUCTURING

Year 2011 highlights

- Underlying operational result some EUR -66 million (2010: some EUR -91 million)
- Operating loss EUR 260 million (2010: EUR -83 million) including raw material-related inventory losses of some EUR 43 million (2010: gains of some EUR 26 million) and net non-recurring items of EUR -151 million (2010: EUR -17 million).
- Strong cash flow at EUR 338 million (2010: EUR -497 million).
- Stainless steel deliveries increased by 6% and totalled 1 391 000 tonnes (2010: 1 315 000 tonnes).
- Significant restructuring actions taken to improve cash flow, profitability and strengthen the balance sheet.
- The Board is proposing that no dividend be paid for 2011 (2010: EUR 0.25).

Fourth-quarter 2011 highlights

- Underlying operational result some EUR -34 million (III/2011: EUR -15 million).
- Operating loss EUR 71 million (III/2011: EUR -53 million) including raw material-related inventory losses of some EUR 24 million (III/2011: some EUR -38 million) and net non-recurring items of EUR -13 million (III/2011: none).
- Financial income and expenses include EUR -33 million expenses from the fair valuation of the Group's stake in Talvivaara Sotkamo and the sale of Nordic Brass.
- Strong cash flow at EUR 132 million (III/2011: EUR 282 million).
- Stainless steel deliveries at 323 000 tonnes (III/2011: 340 000 tonnes).

Group key figures

		IV/11	III/11	IV/10	2011	2010
Sales	EUR million	**1 125**	1 231	1 162	**5 009**	4 229
EBITDA	EUR million	**-13**	4	-4	**80**	172
Operating profit	EUR million	**-71**	-53	-85	**-260**	-83
excluding non-recurring items	EUR million	**-58**	-53	-68	**-109**	-66
underlying operational result [1]	EUR million	**-34**	-15	-68	**-66**	-91
Profit before taxes	EUR million	**-134**	-157	-86	**-253**	-143
excluding non-recurring items	EUR million	**-108**	-157	-78	**-318**	-135
Net profit for the period	EUR million	**-118**	-135	-91	**-186**	-124
excluding non-recurring items	EUR million	**-92**	-135	-83	**-244**	-115
Earnings per share	EUR	**-0.62**	-0.74	-0.50	**-0.99**	-0.68
excluding non-recurring items	EUR	**-0.48**	-0.74	-0.45	**-1.31**	-0.63
Return on capital employed	%	**-7.4**	-5.3	-8.0	**-6.5**	-2.1
excluding non-recurring items	%	**-6.1**	-5.3	-6.4	**-2.7**	-1.7
Net cash generated from operating activities	EUR million	**132**	282	18	**338**	-497
Capital expenditure	EUR million	**95**	67	48	**255**	161
Net interest-bearing debt at end of period	EUR million	**1 720**	1 730	1 837	**1 720**	1 837
Debt-to-equity ratio at end of period	%	**82.5**	79.7	77.3	**82.5**	77.3
Stainless steel deliveries	1 000 tonnes	**323**	340	336	**1 391**	1 315
Stainless steel base price [2]	EUR/tonne	**1 137**	1 150	1 213	**1 181**	1 252
Personnel at the end of period [3]		**8 253**	8 421	8 431	**8 253**	8 431

[1] Operating profit excluding raw material-related inventory gains/losses and non-recurring items, unaudited.

[2] Stainless steel: CRU - German base price (2 mm cold rolled 304 sheet).

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

SHORT-TERM OUTLOOK

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

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

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

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

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

CEO Mika Seitovirta:

"Outokumpu's business results continued to be unsatisfactory in the last quarter of 2011. The challenging economic environment continued to limit market demand. I am however pleased with the progress we have made in improving our cash flow and restructuring our organisation to enable sustainable profitability. The new management team and organisational structure now in place will accelerate the transformation of Outokumpu during 2012. Our two major investment projects – capacity expansions of ferrochrome and quarto plate are both on time and budget – and will prove the Group with a platform for long term growth."

The attachments present the Management analysis of the fourth quarter 2011 operating result and a summary of the Review by the Board of Directors for January–December 2011 as well as extracts from the financial statements.

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Investor and analyst call today at 10.00 am EET

PLEASE NOTE: The earlier announced combined news conference, conference call and live webcast today at 12.00 EET at restaurant Bank in Helsinki has been cancelled.

Outokumpu will host an investor and analyst conference call and live webcast concerning the transaction and the Outokumpu 2011 annual accounts on 1 February 2012 at 10.00 am EET (8.00 am GMT, 9.00 am CET). To participate, see further details at www.outokumpu.com/Investors.

To participate via conference call, please dial in 5–10 minutes before the beginning of the event:

Finland	+358 (0)9 2310 1619
Germany	+49 (0)69 2999 3285
UK	+44 (0)20 3106 7162
Sweden	+46 (0) 8 5593 6763
Participant code	9353419
Password	Outokumpu

Outokumpu and ThyssenKrupp joint press conference and live webcast today at 12.00 am EET

Outokumpu and ThyssenKrupp will hold a joint press conference, conference call and live webcast on 1 February 2012 at 12.00 noon EET (5.00 am EST, 10.00 am GMT, 11.00 am CET) at the Hilton Dusseldorf Hotel, address: Georg-Glock-Strasse 20, 40474 Düsseldorf, Germany.

To participate via conference call, please dial in 5-10 minutes before the beginning of the event:

Finland	+358 (0)9 2310 1618
Germany	+49 (0)30 3001 90531
UK	+44 (0)20 7660 0009
Sweden	+46 (0)8 5065 3933
Password	Outokumpu

If you wish to listen to the conference in English, please use the following confirmation code: 6345244
If you wish to listen to the conference in German, please use the following confirmation code: 4654948

The press conference can be viewed live via Internet at www.outokumpu.com/media or www.thyssenkrupp.com. An on-demand webcast of the press conference will be available as of 1 February 2012 at www.outokumpu.com/inoxum

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MANAGEMENT ANALYSIS – FOURTH QUARTER 2011 OPERATING RESULT

Group key figures

EUR million	I/10	II/10	III/10	IV/10	2010	I/11	II/11	III/11	**IV/11**	**2011**
Sales										
General Stainless *)	771	983	878	951	3 582	1 172	1 072	954	**856**	**4 053**
of which Tornio Works	481	653	565	635	2 334	766	643	603	**547**	**2 559**
Specialty Stainless *)	362	456	394	468	1 679	558	564	495	**465**	**2 081**
Other operations	102	100	99	99	401	105	110	130	**126**	**471**
Intra-group sales *)	-306	-415	-357	-355	-1 433	-463	-465	-348	**-321**	**-1 596**
The Group	929	1 125	1 014	1 162	4 229	1 371	1 281	1 231	**1 125**	**5 009**
Operating profit										
General Stainless *)	-5	74	-56	-11	1	38	-82	-30	**-55**	**-128**
of which Tornio Works	-7	63	-36	8	29	40	-14	-20	**-25**	**-19**
Specialty Stainless *)	-18	23	-11	-57	-63	-2	-71	-41	**-25**	**-140**
Other operations	2	-14	10	-13	-15	-2	-20	17	**7**	**3**
Intra-group items *)	0	-10	8	-4	-7	-1	4	1	**1**	**4**
The Group	-21	72	-49	-85	-83	33	-169	-53	**-71**	**-260**

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

Stainless steel deliveries

1 000 tonnes	I/10	II/10	III/10	IV/10	2010	I/11	II/11	III/11	**IV/11**	**2011**
Cold rolled	171	182	167	178	698	201	179	187	**172**	**740**
White hot strip	82	75	69	86	312	85	76	76	**72**	**309**
Quarto plate	21	21	20	21	83	28	29	26	**23**	**106**
Tubular products	13	14	12	12	51	13	13	11	**11**	**48**
Long products	13	15	15	14	58	18	14	15	**13**	**60**
Semi-finished products	33	32	24	24	114	34	37	25	**33**	**129**
Total deliveries	333	339	307	336	1 315	380	348	340	**323**	**1 391**

Market prices and exchange rates

		I/10	II/10	III/10	IV/10	2010	I/11	II/11	III/11	**IV/11**	**2011**
Market prices *)											
Stainless steel											
Base price	EUR/t	1 235	1 317	1 245	1 213	1 252	1 215	1 223	1 150	**1 137**	**1 181**
Alloy surcharge	EUR/t	1 094	1 701	1 621	1 696	1 528	1 900	1 839	1 601	**1 418**	**1 690**
Transaction price	EUR/t	2 329	3 018	2 866	2 909	2 780	3 115	3 063	2 751	**2 555**	**2 871**
Nickel	USD/t	19 959	22 476	21 191	23 609	21 809	26 903	24 298	22 069	**18 307**	**22 894**
	EUR/t	14 433	17 686	16 415	17 382	16 451	19 666	16 884	15 614	**13 582**	**16 440**
Ferrochrome (Cr-content)	USD/lb	1.01	1.36	1.30	1.30	1.24	1.25	1.35	1.20	**1.20**	**1.25**
	EUR/kg	1.61	2.36	2.22	2.11	2.07	2.01	2.07	1.88	**1.96**	**1.98**
Molybdenum	USD/lb	16.19	16.45	15.15	15.86	15.91	17.43	16.70	14.61	**13.41**	**15.53**
	EUR/kg	25.81	28.53	25.86	25.74	26.46	28.08	25.58	22.86	**21.94**	**24.62**
Recycled steel	USD/t	323	346	346	375	348	447	432	439	**402**	**430**
	EUR/t	234	272	268	276	262	327	300	311	**298**	**309**
Exchange rates											
EUR/USD		1.383	1.271	1.291	1.358	1.326	1.368	1.439	1.413	**1.348**	**1.392**
EUR/SEK		9.946	9.631	9.380	9.214	9.537	8.864	9.015	9.145	**9.091**	**9.030**
EUR/GBP		0.888	0.852	0.833	0.859	0.858	0.854	0.883	0.878	**0.857**	**0.868**

*) Sources of market prices:
Stainless steel: CRU - German base price, alloy surcharge and transaction price (2 mm cold rolled 304 sheet), estimates for deliveries during the period; Nickel: London Metal Exchange (LME) cash quotation; Ferrochrome: Metal Bulletin - Quarterly contract price, Ferrochrome lumpy chrome charge, basis 52% chrome; Molybdenum: Metal Bulletin - Molybdenum oxide - Europe; Recycled steel: Metal Bulletin - Steel scrap HMS 1&2 fob Rotterdam

Stainless steel markets in the fourth quarter of 2011

Markets for stainless steel remained soft in the fourth quarter. Continued global economic uncertainty and low and fluctuating nickel prices had an adverse effect on demand and distributors were hesitant about placing orders. According to CRU, the average base price for 2mm cold rolled 304 stainless steel sheet in Germany decreased to 1 137 EUR/tonne in the fourth quarter (III/2011: 1 150 EUR/tonne). Primarily as a result of the decline in the nickel price, the alloy surcharge declined to 1 418 EUR/tonne (III/2011: 1 601 EUR/tonne) in the review period. The average transaction price during the fourth quarter declined to 2 555 EUR/tonne (III/2011: 2 751 EUR/tonne). Compared to the third quarter, the difference between Chinese and European transaction prices diminished somewhat primarily as a result of the appreciation of the US dollar against the euro. (CRU)

The nickel price fluctuated in the range 17 000–20 000 USD/tonne during the fourth quarter and was at the level of 18 500 USD/tonne at the end of the quarter. The average nickel price in the fourth quarter was 18 307 USD/tonne (III/2011: 22 069 USD/tonne), down by 17% compared to the third quarter. It has increased somewhat since then and it stood at approximately 20 000 USD/tonne in mid-January. Ferrochrome consumption in the fourth quarter was 7% higher compared to the third quarter. The quarterly contract price for ferrochrome in the fourth quarter was unchanged at 1.20 USD/lb (III/2011: 1.20 USD/lb) and has preliminarily been settled at 1.15 USD/lb for the first quarter of 2012. The price of molybdenum in the fourth quarter was down by 8% compared to the third quarter and averaged 13.41 USD/lb (III/2011: 14.61 USD/lb). The price of recycled steel in the fourth quarter was lower than in the preceding quarter and averaged 402 USD/tonne (III/2011: 439 USD/tonne).

Operating loss but positive cash flow

Group sales in the fourth quarter totalled EUR 1 125 million, down by 9% (III/2011: EUR 1 231 million). Deliveries of stainless steel were down by 5% and totalled 323 000 tonnes (III/2011: 340 000 tonnes). Demand in Europe was adversely affected by declining metal prices and normal seasonality towards the end of the year. Capacity utilisation in Group operations was at the level of 70–75% in the fourth quarter of 2011.

The Group's underlying operational result in the fourth quarter weakened to some EUR -34 million (III/2011: EUR -15 million) primarily as a result of lower delivery volumes and slightly lower base prices. The positive impact of an improved mix was offset by costs being somewhat higher. Operating loss in the fourth quarter was EUR 71 million (III/2011: EUR -53 million). This figure includes some EUR 24 million of raw material-related inventory losses (III/2011: some EUR -38 million) and net non-recurring items of EUR -13 million (III/2011: none). Non-recurring items in the fourth quarter included EUR 30 million of restructuring provisions connected with the ongoing cost-cutting programme which is expected to yield annual savings of EUR 100 million, EUR 5 million of restructuring provisions related to the Group's tubular business, OSTP. and EUR 23 million gain from the divestment of royalty rights in Australia.

Outokumpu's average base prices for all flat products realised in the fourth quarter were 20 EUR/tonne lower than in the third quarter, and below the base prices reported by CRU for German 304 sheet.

Net financial income and expenses in the fourth quarter totalled EUR -62 million (III/2011: EUR -102 million). This figure includes a capital loss of EUR 13 million connected with the sale of Nordic Brass Gusum. Also, as a result of a decline in the Talvivaara share price in the fourth quarter, the fair valuation of Outokumpu's remaining 16% holding in Talvivaara Sotkamo Ltd had a EUR -20 million impact on financial income and expenses (III/2011: EUR -77 million). As a consequence, the Group's net loss in the fourth quarter totalled EUR 118 million (III/2011: EUR -135 million) and earnings per share totalled EUR -0.62 (III/2011: EUR -0.74). Excluding non-recurring items, earnings per share totalled EUR -0.48 (III/2011: EUR -0.74). Return on capital employed in the fourth quarter was -7.4% (III/2011: -5.3%).

Net cash from operating activities in the fourth quarter remained strong and totalled EUR 132 million (III/2011: EUR 282 million). The main contributor to this strong cash flow was further reductions in working capital which resulted in the main from reduced inventories and lower metal prices. EUR 161 million of cash was released from working capital (III/2011: EUR 331 million) in the fourth quarter.

Outokumpu's gearing at the end of the year increased to 82.5% (30 Sept 2011: 79.7%). The positive impact of strong cash flow was offset by capital expenditure and the net loss. Net interest-bearing debt was relatively unchanged and totalled EUR 1 720 million (30 Sept 2011: EUR 1 730 million) at the end of the fourth quarter.

Capital expenditure in the fourth quarter totalled EUR 95 million (III/2011: EUR 67 million) with the majority of costs being connected with the Group's ferrochrome expansion project at Tornio Works in Finland.

Sales by General Stainless in the fourth quarter totalled EUR 856 million (III/2011: EUR 954 million), and deliveries declined to 286 000 tonnes (III/2011: 304 000 tonnes). Operating loss for the fourth quarter was EUR 55 million (III/2011: EUR -30 million) and included approximately half of the Group's raw material-related inventory losses. The operating loss posted by Tornio Works in the fourth quarter of 2011 totalled EUR 25 million (III/2011: EUR -20 million) and the operating loss posted by the Kloster thin strip unit totalled EUR 9 million (III/2011: EUR -5 million).

Sales by Specialty Stainless in the fourth quarter totalled EUR 465 million (III/2011: EUR 495 million) and deliveries totalled 116 000 tonnes (III/2011: 117 000 tonnes). Operating loss in the fourth quarter was EUR 25 million (III/2011: EUR -41 million). The operating loss in the fourth quarter posted by OSTP totalled EUR 12 million (III/2011: EUR -7 million).

Other operations posted an operating profit of EUR 7 million (III/2011: EUR 17 million) in the fourth quarter, with EUR 23 million gain from the sale of royalty rights offset by restructuring and general costs.

Ongoing cost cutting and working capital reduction programmes

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

The cost cutting programme is proceeding according to plan. Measures include reducing the number of production shifts, streamlining Outokumpu's organisation and outsourcing some support functions as well as improvements in overall efficiency corresponding to a reduction of up to 1 300 jobs in global terms.

Statutory personnel negotiations began in the fourth quarter. The majority of these negotiations in Finland and Sweden were concluded by the end of the year and resulted in a reduction of approximately 200 jobs in Finland and approximately 450 jobs in Sweden. Costs totalling EUR 30 million connected to these personnel reductions were booked in the Group's fourth quarter 2011 accounts. Negotiations in many parts of Outokumpu's organisation are ongoing with finalisations expected during the first half of 2012. The outcomes of these negotiations could result in further negative impact on Outokumpu's operating result in coming quarters.

Outokumpu's aim is to achieve a reduction of EUR 250 million in the Group's working capital by mid-2013. The target is to bring inventory days in the Outokumpu's supply chain closer to 90 days, a significant reduction compared to earlier level of 110 days. Good progress in managing working capital was made during the fourth quarter with inventory days down to just over 100 at the end of the year.

Sale of holding in Nordic Brass

In November, Outokumpu sold its 50% holding in Nordic Brass Gusum, a brass rod mill in Sweden, to the operative management and Outokumpu booked a capital loss of EUR 13 million as financial expenses in the Group's fourth quarter 2011 accounts. In 2010, turnover in the Nordic Brass Gusum totalled EUR 110 million and the business employed some 150 people. Outokumpu also intends to divest the remaining brass rod plant in Drünen in The Netherlands. In 2011, this unit recorded sales of approximately EUR 60 million and employed approximately 170 people.

Divestment of rights to royalties from Forrestania resources

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

OSTP turnaround plan progressing well

The turnaround plan for OSTP, Outokumpu's tubular business, is progressing well. OSTP's new strategy include a focus on process pipes and butt-weld fittings, consolidation of the company's production structure and reduction of costs by streamlining OSTP's organisation. In the fourth quarter, production of process pipes and heat exchanger tubes at OSTP's Nyby site in Sweden was shut down with the loss of approximately 100 jobs. Associated non-recurring restructuring provisions of EUR 5 million were booked by Outokumpu in the fourth quarter.

Events after the review period

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

SUMMARY OF THE REVIEW BY THE BOARD OF DIRECTORS FOR 2011

A year of restructuring

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

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

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

Stainless steel markets in 2011

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

Sales and stainless steel deliveries

Sales

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

Stainless steel deliveries

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

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

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

Operating result

Profitability

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

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

Net financial income and expenses in 2011 totalled EUR 12 million (2010: EUR -50 million) including net non-recurring items of EUR 216 million (2010: EUR 9 million). Financial expenses includes an impairment of EUR 13 million on a loan receivable from Luvata and a EUR 13 million capital loss from the divestment of Nordic Brass Gusum. Financial income includes EUR 242 million of capital gains from the divestment of the Group's shareholdings in Tibnor AB (EUR 36 million) and Talvivaara (EUR 206 million) and the initial fair valuation of financial assets. Outokumpu's remaining 16% stake in Talvivaara Sotkamo Ltd is classified as financial asset and valued at fair value through profit and loss. As a result of the decline in the Talvivaara share price following the transaction in June 2011, the initial fair value of this holding was reduced by EUR 135 million and this was booked as financial expenses.

The Group's loss before tax totalled EUR 253 million (2010: EUR -143 million). Net loss for the year was EUR 186 million (2010: EUR -124 million) and earnings per share totalled EUR -0.99 (2010: EUR

-0.68). Earnings per share excluding non-recurring items totalled -1.31 (2010: EUR -0.63). Return on capital employed during 2011 was -6.5% (2010: -2.1%).

Capital structure

Key financial indicators on financial position

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

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

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

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

Capital expenditure and investment projects

Capital expenditure

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

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

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

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

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

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

Implementation of Outokumpu’s short-term agenda

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

Functional efficiency improvement

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

Disposal of non-core financial assets

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

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

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

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

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

Turnaround of the Kloster thin strip unit in Sweden

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

Joint venture for OSTP, Outokumpu's tubular products business

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

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

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

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

Planned reduction in costs and working capital

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

1. Cost reductions and ongoing job reductions

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

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

2. Reductions in working capital

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

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

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

Maintenance functions at Tornio Works

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

People and the environment

Personnel *)

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

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

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

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

Performance management supports the achievement of Outokumpu's strategic goals and Performance and Development Dialogues (PDD) are an important part of the performance management process. A majority of the Group's employees participated in PDD's during 2011. Outokumpu's target is for every employee to have at least one formal PDD each year. In 2011, the participation rate in PDD discussions was 87%.

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

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

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

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

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

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

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

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

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

Research and Development

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

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

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

Risks and uncertainties

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

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

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

Strategic and business risks

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

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

Operational risks

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

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

Financial risks

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

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

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

Civil actions regarding the divested fabricated copper products business

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

The last pending civil complaint in the United States, filed by Carrier Corporation in 2006 against Outokumpu Oyj and Outokumpu Copper Franklin, Inc. in the federal district court in Memphis, Tennessee, seeks an unstated amount of damages. The complaint alleges a worldwide price fixing and market allocation cartel with respect to copper tubing for air conditioning and heat exchangers and related applications (ACR Tube) for at least the period from 1989 to 2001. In July 2007, the complaint raised by Carrier Corporation was dismissed. Carrier subsequently filed an appeal, and this is still pending in the Court of Appeals.

In 2010, certain companies in the Carrier Group brought a civil action in the UK courts against Outokumpu Oyj (and two other defendant groups). The claimants allege that they suffered losses across Europe as a result of the cartel and are seeking recovery from the three main defendant groups either jointly or jointly and severally. The claimants' initial claim for alleged losses is some GBP 20 million excluding interest. Outokumpu will be challenging the jurisdiction of the UK courts to hear this claim. In any event, Outokumpu believes that the allegations regarding damages caused by the cartel are groundless and, if pursued, Outokumpu will defend itself in any proceedings. In October 2011, the High Court of Justice has rendered its decision and rejected the applications to contest jurisdiction. All the defendants have filed applications for permission to appeal against this judgment in the Court of Appeal. The decision is expected in early 2012.

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

Customs investigation of exports to Russia by Tornio Works

In March 2007, Finnish Customs authorities initiated a criminal investigation into the Group's Tornio Works' export practices to Russia. It was suspected that a forwarding agency based in south-eastern Finland had prepared defective and/or forged invoices regarding the export of stainless steel to Russia. The preliminary investigation focused on possible complicity by Outokumpu Tornio Works in the preparation of defective and/or forged invoices by the forwarding agent. In June 2009, the Finnish Customs completed its preliminary investigation and forwarded the matter for consideration of possible charges to the prosecution authorities. The process of considering possible charges was completed in November 2010 and the public prosecutor concluded that the Customs authorities' suspicions regarding possible accounting offences and forgery were groundless.

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

Organisational changes and appointments

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

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

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

- General Stainless: stainless steel operations in Tornio and the finishing plant in Terneuzen in The Netherlands.

- Specialty Stainless: Special Coil, Special Plate, Kloster and Long Products in Sweden and the UK including the Sheffield melt shop in the UK, and
- Ferrochrome: the Kemi chromite mine and ferrochrome production in Tornio in Finland.

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

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

From 1 January 2012, members of Outokumpu's Executive Committee as of 1 January 2012 are as follows:
- Mika Seitovirta, CEO and Chairman of the Executive Committee, APAC
- Hannu Hautala, Executive Vice President – General Stainless
- Jarmo Tonteri, Executive Vice President – Specialty Stainless
- Kari Parvento, Executive Vice President – Ferrochrome, Group R&D
- Esa Lager, Executive Vice President and CFO
- Pii Kotilainen, Executive Vice President – Human Resources

Shares and shareholders

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

Largest shareholders

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

Share information

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

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

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

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

2011 Annual General Meeting

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

The AGM authorised the Board of Directors to decide to repurchase the Group's own shares. The maximum number of shares to be repurchased is 18 000 000, currently representing 9.84% of the total number of registered shares. Based on earlier authorisations, Outokumpu currently holds 1 040 888 of its own shares. The AGM authorised the Board of Directors to decide to issue shares and to grant special rights entitling to shares. The maximum number of new shares to be issued through the share issue and/or by granting special rights entitling to shares is 18 000 000, and, in addition, the maximum number of treasury shares to be transferred is 18 000 000. The authorisation includes the right to resolve upon directed share issues. These authorisations are valid for 12 months or until the next AGM, however no longer than 31 May 2012. To date the authorisations have not been used.

The AGM decided that the number of Board members, including the Chairman and Vice Chairman, should be seven. Evert Henkes, Ole Johansson, Anna Nilsson-Ehle, Jussi Pesonen and Olli Vaartimo were re-elected as members of the Board of Directors, and Elisabeth Nilsson and Siv Schalin were elected as new members. The AGM re-elected Ole Johansson as Chairman and elected Olli Vaartimo as Vice Chairman of the Board. The AGM also resolved to form a Nomination Board to prepare proposals on the composition and remuneration of the Board of Directors for presentation to the next AGM.

At its first meeting, the Board of Directors of Outokumpu appointed two permanent committees consisting of Board members. Olli Vaartimo (Chairman), Anna Nilsson-Ehle and Jussi Pesonen were elected as members of the Board Audit Committee. Ole Johansson (Chairman), Evert Henkes, Elisabeth Nilsson and Siv Schalin were elected as members of the Board Remuneration Committee. KPMG Oy Ab, Authorised Public Accountants, was re-elected as the Company's auditor for the period ending at the close of the next AGM.

Outokumpu's Nomination Board

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

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

Outokumpu's Nomination Board consists of representatives if the following three shareholders: Solidium Oy, The Social Insurance Institution of Finland and Ilmarinen Mutual Pension Insurance Company. Representatives nominated by these shareholders are Kari Järvinen, CEO (Solidium Oy); Liisa Hyssälä, Director General (The Finnish Social Insurance Institution) and Harri Sailas, CEO (Ilmarinen Mutual Pension Insurance Company) as their representatives on the Nomination Board. Ole Johansson, the Chairman of the Outokumpu Board of Directors, serves as an expert member and Kari Järvinen as Chairman among its members. The Nomination Board was required to submit its proposals to Outokumpu's Board of Directors no later than 31 January 2012.

Events after the review period

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

SHORT-TERM OUTLOOK

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

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

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

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

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

Board of Directors’ proposal for profit distribution

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

The Board of Directors is proposing to the Annual General Meeting scheduled for 14 March 2012 that no dividend be paid from the parent company’s distributable funds per 31 December 2011 and that all distributable funds be allocated to retained earnings.

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

In Espoo, 31 January 2012

Board of Directors

OUTOKUMPU OYJ

CONDENSED FINANCIAL STATEMENTS (unaudited)

Condensed statement of comprehensive income

Condensed income statement

EUR million	**Oct–Dec 2011**	July–Sept 2011	Oct–Dec 2010	**Jan–Dec 2011**	Jan–Dec 2010
Sales	**1 125**	1 231	1 162	**5 009**	4 229
Cost of sales	**-1 126**	-1 237	-1 154	**-4 882**	-4 051
Gross margin	**-1**	-6	8	**127**	178
Other operating income	**31**	16	8	**47**	45
Costs and expenses	**-95**	-63	-78	**-321**	-279
Other operating expenses	**-6**	0	-23	**-113**	-28
Operating profit	**-71**	-53	-85	**-260**	-83
Share of results in associated companies	**-0**	-2	5	**-5**	-10
Financial income and expenses					
Interest income	**4**	3	4	**13**	16
Interest expenses	**-20**	-20	-16	**-77**	-53
Market price gains and losses	**-26**	-82	2	**-120**	4
Other financial income	**0**	0	11	**248**	13
Other financial expenses	**-20**	-3	-7	**-52**	-29
Profit before taxes	**-134**	-157	-86	**-253**	-143
Income taxes	**16**	22	-5	**67**	19
Net profit for the period	**-118**	-135	-91	**-186**	-124
Attributable to:					
Equity holders of the Company	**-113**	-134	-91	**-181**	-123
Non-controlling interests	**-5**	-0	-0	**-5**	-0
Earnings per share for result attributable to the equity holders of the Company:					
Earnings per share, EUR	**-0.62**	-0.74	-0.50	**-0.99**	-0.68
Diluted earnings per share, EUR	**-0.62**	-0.74	-0.50	**-0.99**	-0.68

Consolidated statement of other comprehensive income

EUR million	**Oct–Dec 2011**	July–Sept 2011	Oct–Dec 2010	**Jan–Dec 2011**	Jan–Dec 2010
Net profit for the period	**-118**	-135	-91	**-186**	-124
Other comprehensive income:					
Exchange differences on translating foreign operations	**17**	10	8	**12**	26
Available-for-sale financial assets					
Fair value changes during the period	**-3**	-3	18	**-23**	49
Reclassification adjustments from other comprehensive income to profit or loss	**-**	-	-10	**-65**	-10
Income tax relating to available-for-sale financial assets	**1**	1	-4	**11**	-8
Cash flow hedges					
Fair value changes during the period	**12**	-5	15	**-4**	59
Reclassification adjustments from other comprehensive income to profit or loss	**1**	1	-1	**1**	2
Income tax relating to cash flow hedges	**-3**	1	-4	**1**	-16
Share of other comprehensive income of associated companies	**-**	-	-1	**-2**	-3
Other comprehensive income for the period, net of tax	**26**	4	21	**-68**	99
Total comprehensive income for the period	**-92**	-130	-70	**-255**	-24
Attributable to:					
Equity holders of the Company	**-87**	-130	-70	**-249**	-24
Non-controlling interests	**-5**	-0	0	**-5**	1

Condensed statement of financial position

EUR million	**31 Dec 2011**	30 Sept 2011	31 Dec 2010
ASSETS			
Non-current assets			
Intangible assets	**554**	559	589
Property, plant and equipment	**2 005**	1 944	2 054
Loan receivables and other interest-bearing assets	**230**	230	473
Other receivables	**61**	60	55
Deferred tax assets	**63**	65	30
Total non-current assets	**2 914**	2 858	3 202
Current assets			
Inventories	**1 264**	1 298	1 448
Loan receivables and other interest-bearing assets	**140**	177	49
Trade and other receivables	**761**	788	785
Cash and cash equivalents	**168**	253	150
Total current assets	**2 333**	2 515	2 431
TOTAL ASSETS	**5 247**	5 373	5 633
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company			
Equity attributable to the equity holders of the Company	**2 070**	2 157	2 374
Non-controlling interests	**14**	14	2
Total equity	**2 084**	2 171	2 376
Non-current liabilities			
Interest-bearing liabilities	**1 196**	1 224	1 529
Deferred tax liabilities	**38**	59	90
Defined benefit and other long-term embloyee benefit obligations	**62**	68	66
Provisions	**22**	21	21
Trade and other payables	**45**	28	3
Total non-current liabilities	**1 364**	1 399	1 709
Current liabilities			
Interest-bearing liabilities	**1 061**	1 166	980
Provisions	**42**	21	19
Trade and other payables	**695**	616	550
Total current liabilities	**1 799**	1 803	1 549
TOTAL EQUITY AND LIABILITIES	**5 247**	5 373	5 633

Statement of changes in equity

EUR million	Attributable to the owners of the parent								
	Share capital	Share premium fund	Other reserves	Fair value reserves	Treasury shares	Cumulative translation differences	Retained earnings	Non-controlling interests	Total equity
Equity on 1 Jan 2010	**309**	**706**	**15**	**22**	**-25**	**-110**	**1 534**	**0**	**2 451**
Total comprehensive income for the period	-	-	-	78	-	21	-124	1	-24
Transfers within equity	-	-	-8	-	-	-	8	-	-
Dividends	-	-	-	-	-	-	-64	-	-64
Share-based payments	-	-	-	-	-	-	2	-	2
Share options exercised	2	8	-	-	-	-	-	-	10
Other change	-	-	-	-	-	-	-	1	1
Equity on 31 Dec 2010	**311**	**713**	**7**	**100**	**-25**	**-89**	**1 356**	**2**	**2 376**
Total comprehensive income for the period	-	-	-	-81	-	13	-181	-5	-255
Dividends	-	-	-	-	-	-	-45	-	-45
Share-based payments	-	-	-	-	-	-	1	-	1
Share options exercised	0	0	-	-	-	-	-	-	0
OSTP reorganisation	-	-	-	-	-	-	-11	13	3
Other change	-	-	-	-	-	-	-	4	4
Equity on 31 Dec 2011	**311**	**714**	**7**	**19**	**-25**	**-76**	**1 121**	**14**	**2 084**

Condensed statement of cash flows

EUR million	**Oct–Dec 2011**	July–Sept 2011	Oct–Dec 2010	**Jan–Dec 2011**	Jan–Dec 2010
Net profit for the period	**-118**	-135	-91	**-186**	-124
Adjustments					
Depreciation, amortisation, and impairments	**63**	57	81	**360**	255
Other non-cash adjustments	**41**	46	-18	**-73**	-112
Change in working capital	**161**	331	44	**310**	-476
Dividends received	**-**	-	-	**5**	2
Interests received	**1**	1	1	**3**	2
Interests paid	**-15**	-17	-8	**-75**	-42
Income taxes paid	**-3**	-1	9	**-6**	-2
Net cash from operating activities	**132**	282	18	**338**	-497
Purchases of assets	**-70**	-45	-47	**-204**	-173
Proceeds from the sale of assets	**12**	72	6	**90**	24
Net cash from other investing activities	**-**	-	0	0	1
Net cash from investing activities	**-58**	26	-41	**-114**	-147
Cash flow before financing activities	**73**	309	-23	**224**	-645
Share options exercised	**-**	-	0	**0**	10
Borrowings of long-term debt	**84**	6	-	**178**	695
Repayment of long-term debt	**-111**	-128	-77	**-378**	-188
Change in current debt	**-133**	-63	90	**-123**	209
Dividends paid	**-**	-	-	**-45**	-64
Proceeds from the sale of Talvivaara and Tibnor shares	**-**	-	-	**162**	-
Other financing cash flow	**0**	0	16	**1**	15
Net cash from financing activities	**-159**	-184	29	**-206**	677
Net change in cash and cash equivalents	**-86**	124	6	**19**	32
Cash and cash equivalents at the beginning of the period	**253**	125	142	**150**	112
Foreign exchange rate effect	**1**	4	2	**0**	6
Net change in cash and cash equivalents	**-86**	124	6	**19**	32
Cash and cash equivalents at the end of the period	**168**	253	150	**168**	150

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

This annual accounts bulletin is prepared in accordance with IAS 34 (Interim Financial Reporting). The same accounting policies and methods of computation have been followed in this bulletin as in the financial statements for 2010.

All presented figures in this annual accounts bulletin have been rounded and consequently the sum of individual figures can deviate from the presented sum figure. Key figures have been calculated using exact figures.

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. Accounting estimates and assumptions are employed in the financial statements to determine reported amounts, including how realisable certain assets are, the useful lives of tangible and intangible assets, income taxes, inventories, provisions, pension obligations, impairment of goodwill and other items. These are those financial statement items that are mostly affected by management judgements made. The basis of the estimates is described in more detail in these accounting principles and in connection with the relevant disclosure to the financial statements. Although these estimates are based on management's best knowledge of current events and actions at the end of the reporting period, actual results may differ from the estimates and assumptions. The management estimates and judgements are continuously monitored and they are based on prior experience and other factors, such as future expectations assumed to be reasonable considering the circumstances.

Changes in segment information

As of March, Outokumpu's Specialty Stainless has had a new organisation. New Special Coil and Special Plate business units replaced the former Special Coil & Plate and Thin Strip units. The Special Coil business unit includes the Group's Flat Products production unit at Avesta in Sweden and the former Thin Strip unit at Nyby in Sweden. The Special Plate business unit consists of the quarto plate production units at Degerfors in Sweden and New Castle in the US, the Nordic Plate Service Centre at Degerfors and the Special Plate unit at Willich in Germany. Special Coil and Special Plate units are reported in Specialty Stainless and the Kloster plant in Sweden is included in General Stainless. All comparative segment figures have been restated accordingly.

From 1 January 2012 onwards, Outokumpu's new organisation is based on three Business Areas: General Stainless, Specialty Stainless and Ferrochrome. The new Business Areas consist of:

- General Stainless: stainless steel operations in Tornio and the finishing plant in Terneuzen,
- Specialty Stainless: Special Coil (Avesta Works and Nyby), Special Plate, Kloster and Long Products including the Sheffield melt shop, and
- Ferrochrome: the Kemi Chrome Mine and ferrochrome production in Tornio.

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

Valuation of investments in energy producing units

Outokumpu has valued its investments in energy producing companies at fair value in 2011 according to IAS 39. Previously the investments have been valued at cost. The fair valuation is based on the discounted cash flow resulting from the difference between the market price of electricity and the price Outokumpu pays for the electricity. The fair value of these assets at 31 December 2011 was EUR 6 million (book value of EUR 10 million). From the difference between the fair value and book value a positive fair valuation of EUR 3 million was recognised in other comprehensive income and EUR 7 million was recognised as impairment in income statement during January–December, 2011.

Share based payment and stock option programmes

Outokumpu's stock option programme for management ended on 1 March 2011. A total of 1 768 194 Outokumpu Oyj shares were subscribed on the basis of the option programme during the 2006–2011 period.

Outokumpu's share-based incentive programme for years 2006–2010 was ended on 31 December 2010. The set targets for its last earnings period were not met and thus no reward was paid to the participants.

Outokumpu's share-based incentive programme for years 2009–2013 is on-going. If persons covered by the share-based incentive programme were to receive the number of shares in accordance with the maximum reward, currently a total of 1 021

150 shares, their shareholding obtained via the programme would amount to 0.6% of the Company’s shares and voting rights. The first vesting period of the 2009–2013 programme ended on 31 December 2011. The set performance targets were not met and therefore no rewards were paid to the participants.

Detailed information on the option programme and of the share-based incentive programmes can be found in the annual report of Outokumpu from http://www.outokumpu.com/annualreport2010.

Sale of Talvivaara shares and reclassification of remain ownership

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

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

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

Tubular joint venture, OSTP

On 30 September 2011, Outokumpu and Tubinoxia signed an agreement in which Tubinoxia acquired a non-controlling shareholding in Outokumpu’s tubular unit (OSTP) receiving significant influence in the unit. Outokumpu continues to hold control in OSTP being the majority shareholder. OSTP continues to be consolidated in Outokumpu financial accounts as subsidiary and Tubinoxia's non-controlling shareholding is presented separately from the net profit and disclosed as a separate item in the equity.

In the first phase Tubinoxia owns 36% of the shares in OSTP but has an option to acquire shares up to 51% in a three years’ time period. Outokumpu has an option to redeem the shares initially acquired, at original value, if Tubinoxia will not acquire the majority. Outokumpu manages OSTP through a board of directors. The majority of the members including the chairman will be appointed by Outokumpu as long as Outokumpu is the majority shareholder.

Sale of holding in Nordic Brass

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

In connection with the sale of Nordic Brass Gusum AB, Outokumpu also sold its subsidiary Gusums Industrifastighets AB, a company owning an area of land in Gusum, Sweden. The consideration and cash flow impact of this transaction were marginal, however, Outokumpu booked a loss of EUR 13 million in the 2011 financial statements. In 2010, the turnover of Nordic Brass Gusum amounted to EUR 110 million and the business currently employs some 150 people.

Sale of Forrestania royalties

In December Outokumpu sold the Group's rights to royalties from Forrestania nickel and precious metals resources to the Australian company Western Areas NL. The price of transaction was EUR 23 million (USD 30 million).

As these royalties were valued at zero on the Outokumpu balance sheet, non-recurring gain of EUR 23 million has booked in the Group's fourth quarter 2011 operating results. The transaction had a positive impact of EUR 11.5 million on Outokumpu's cash flow in the fourth quarter of 2011 and a positive impact of EUR 11.5 million on cash flow in the fourth quarter of 2012.

Property, plant and equipment

EUR million	**1 Jan– 31 Dec 2011**	1 Jan– 31 Dec 2010
Carrying value at the beginning of the period	**2 054**	2 099
Translation differences	**9**	80
Additions	**320**	144
Disposals	**-73**	-7
Reclassifications	**-5**	-39
Depreciation and impairments	**-301**	-222
Carrying value at the end of the period	**2 005**	2 054

Commitments

EUR million	**31 Dec 2011**	31 Dec 2010
Mortgages and pledges		
Mortgages on land	**247**	209
Other pledges	**9**	12
Guarantees		
On behalf of subsidiaries for commercial commitments	**34**	37
On behalf of associated companies for financing	**0**	1
Other commitments	**38**	45
Minimum future lease payments on operating leases	**76**	79

Group's off-balance sheet investment commitments totalled EUR 169 million on 31 December 2011 (31 December 2010: EUR 125 million).

Related party transactions

Material related party transactions during January–December 2011 comprise of purchases from associated companies totalling EUR 5 million (January–December 2010: purchases totalling EUR 3 million and at 31 December 2010: loan receivables from associated companies totalling EUR 7 million).

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

On 1 June 2011 Outokumpu sold its entire holding of Talvivaara Mining Company Plc, representing 4.3% of total shares, to Solidium Oy, which is Outokumpu's most significant shareholder. The total consideration of the transaction was EUR 60 million and as a result of the transaction Outokumpu recordeded a capital gain of EUR 28 million as financial income in its second quarter 2011 accounts. The holding in the Talvivaara Mining Company Plc was classified as available-for-sale financial asset in Outokumpu's accounts.

Fair values and nominal amounts of derivative instruments

EUR million	**31 Dec 2011 Net fair value**	31 Dec 2010 Net fair value	**31 Dec 2011 Nominal amounts**	31 Dec 2010 Nominal amounts
Currency and interest rate derivatives				
Currency forwards	**10**	18	**1 605**	2 032
Currency options, bought	**0**	-	**10**	-
Currency options, sold	**-0**	-	**10**	-
Interest rate swaps	**-11**	-2	**335**	107
Cross-currency swaps	**-38**	-37	**229**	228
Interest rate options, bought	**0**	1	**190**	89
Interest rate options, sold	**-3**	-2	**90**	89
			Tonnes	Tonnes
Metal derivatives				
Nickel options, bought	**0**	1	**1 200**	3 120
Nickel options, sold	**-0**	-3	**900**	3 120
Forward and futures nickel contracts	**-1**	-1	**750**	852
Forward and futures molybdenum contracts	**-0**	-0	**60**	100
Forward and futures copper contracts	**0**	-1	**2 375**	2 325
Forward and futures zinc contracts	**0**	0	**825**	1 425
Emission allowance derivatives	**-0**	0	**226 000**	353 000
Fuel derivatives	**-0**	-	**5 000**	-
			TWh	TWh
Electricity derivatives	**-1**	2	**0.2**	1.0
Granted share options	**-0**	-		
	-44	-23		

Segment information

EUR million	I/10	II/10	III/10	IV/10	2010	I/11	II/11	III/11	**IV/11**	**2011**
Sales										
General Stainless *)	771	983	878	951	3 582	1 172	1 072	954	**856**	**4 053**
of which intersegment sales *)	136	212	188	161	697	241	246	170	**146**	**804**
Specialty Stainless *)	362	456	394	468	1 679	558	564	495	**465**	**2 081**
of which intersegment sales *)	105	132	102	132	471	149	146	105	**104**	**504**
Other operations	102	100	99	99	401	105	110	130	**126**	**471**
of which intersegment sales	65	70	67	62	265	72	73	72	**71**	**288**
Intra-group sales *)	-306	-415	-357	-355	-1 433	-463	-465	-348	**-321**	**-1 596**
Total sales	929	1 125	1 014	1 162	4 229	1 371	1 281	1 231	**1 125**	**5 009**
Operating profit										
General Stainless *)	-5	74	-56	-11	1	38	-82	-30	**-55**	**-128**
Specialty Stainless *)	-18	23	-11	-57	-63	-2	-71	-41	**-25**	**-140**
Other operations	2	-14	10	-13	-15	-2	-20	17	**7**	**3**
Intra-group items *)	-0	-10	8	-4	-7	-1	4	1	**1**	**4**
Total operating profit	-21	72	-49	-85	-83	33	-169	-53	**-71**	**-260**
Non-recurring items in operating profit										
General Stainless										
Kloster impairment	-	-	-	-	-	-	-60	-	**-**	**-60**
Redundancy provisions	-	-	-	-	-	-	-8	-	**-15**	**-23**
Specialty Stainless										
OSTP impairment and redundancy provision	-	-	-	-	-	-	-65	-	**-5**	**-71**
Redundancy provisions	-	-	-	-	-	-	-1	-	**-13**	**-14**
Write-down of expansion project in Avesta	-	-	-	-17	-17	-	-	-	**-**	**-**
Other operations										
Gain on the sale of Forrestania resources royalty rights	-	-	-	-	-	-	-	-	**23**	**23**
Redundancy provisions	-	-	-	-	-	-	-3	-	**-3**	**-6**
	-	-	-	-17	-17	-	-138	-	**-13**	**-151**
Non-recurring items in financial income and expenses										
Gain on the sale and fair valuation of Talvivaara shares	-	-	-	-	-	-	206	-	**-**	**206**
Gain on the sale of Tibnor shares	-	-	-	-	-	-	36	-	**-**	**36**
Impairment of Luvata loan receivable	-	-	-	-	-	-	-13	-	**-**	**-13**
Loss from the sale of Nordic Brass Gusum shares	-	-	-	-	-	-	-	-	**-13**	**-13**
Gain on the sale of Okmetic shares	-	-	-	9	9	-	-	-	**-**	**-**
	-	-	-	9	9	-	229	-	**-13**	**216**
Operating capital at the end of the period										
General Stainless *)	2 583	2 824	2 924	2 863	2 863	2 932	2 847	2 684	**2 569**	**2 569**
Specialty Stainless *)	1 009	1 139	1 141	1 176	1 176	1 149	1 121	995	**982**	**982**

Deliveries of main products

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

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

Key figures

EUR million	I/10	II/10	III/10	IV/10	2010	I/11	II/11	III/11	**IV/11**	**2011**
EBITDA	35	129	12	-4	172	93	-4	4	**-13**	**80**
Operating profit margin, %	-2.3	6.4	-4.8	-7.3	-2.0	2.4	-13.2	-4.3	**-6.3**	**-5.2**
Return on capital employed, %	-2.3	7.3	-4.6	-8.0	-2.1	3.1	-16.1	-5.3	**-7.4**	**-6.5**
Return on equity, %	-3.4	7.2	-9.1	-15.1	-5.1	2.8	8.7	-24.1	**-22.1**	**-8.3**
Long-term debt	1 059	1 541	1 558	1 488	1 488	1 527	1 300	1 196	**1 161**	**1 161**
Current debt	716	684	841	930	930	928	1 122	1 108	**998**	**998**
Other interest-bearing payables	7	6	11	16	16	20	11	12	**17**	**17**
Derivative financial instruments	70	48	23	23	23	-2	28	31	**44**	**44**
Investments in associated companies	-154	-149	-144	-148	-148	-146	-49	-46	**-39**	**-39**
Available-for-sale financial assets	-127	-128	-151	-154	-154	-152	-33	-30	**-23**	**-23**
Investments at fair value though profit and loss [1)]	-6	-6	-1	-1	-1	-1	-219	-126	**-106**	**-106**
Other interest-bearing receivables [1)]	-164	-177	-164	-168	-168	-162	-150	-161	**-164**	**-164**
Cash and cash equivalents	-100	-123	-142	-150	-150	-139	-125	-253	**-168**	**-168**
Net interest-bearing debt at end of period	1 302	1 696	1 831	1 837	1 837	1 873	1 885	1 730	**1 720**	**1 720**
Capital employed at end of period	3 719	4 187	4 275	4 213	4 213	4 202	4 184	3 902	**3 804**	**3 804**
Equity-to-assets ratio at end of period, %	47.3	43.6	42.8	42.2	42.2	39.9	40.4	40.4	**39.8**	**39.8**
Debt-to-equity ratio at end of period, %	53.9	68.1	74.9	77.3	77.3	80.4	82.0	79.7	**82.5**	**82.5**
Earnings per share, EUR	-0.11	0.24	-0.31	-0.50	-0.68	0.09	0.28	-0.74	**-0.62**	**-0.99**
Equity per share at end of period, EUR	13.28	13.68	13.43	13.05	13.05	12.79	12.62	11.85	**11.38**	**11.38**
Capital expenditure	28	45	40	48	161	42	50	67	**95**	**255**
Depreciation and amortisation	56	57	61	61	235	60	59	58	**57**	**235**
Average personnel for the period [2)]	8 077	8 669	8 740	8 414	8 475	8 437	9 011	8 860	**8 296**	**8 651**

[1)] Investments at fair value through profit and loss presented separately in reporting from 31 December 2011 onwards. Previously included in other interest-bearing receivables, comparative figures restated.

[2)] Personnel reported as head count. Up to 31 December 2010 reported as full-time equivalent, comparative figures restated.

Definitions of key financial figures

EBITDA = Operating profit before depreciation, amortisation and impairments

Capital employed = Total equity + net interest-bearing debt

Operating capital = Capital employed + net tax liability

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

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

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

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

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

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

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