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Corporate governance

REGULATORY FRAMEWORK

The Group's parent company, Outokumpu Oyj, is a public limited liability company incorporated and domiciled in Finland.

In its corporate governance and management, Outokumpu Oyj complies with Finnish legislation, the Company's Articles of Association and the Corporate Governance Policy resolved and approved by the Board of Directors. Outokumpu follows the Finnish Corporate Governance Code, which was published on October 20, 2008 by the Securities Market Association and approved by the NASDAQ OMX Helsinki to be a part of their regulations. As one exception to this code, Outokumpu has both a Board Nomination and Compensation Committee and a Shareholders' Nomination Committee appointed by the Annual General Meeting of Shareholders. Furthermore, Outokumpu complies with the other regulations and recommendations issued by the NASDAQ OMX Helsinki.

TASKS AND RESPONSIBILITIES OF GOVERNING BODIES

The ultimate responsibility for the Group management and Group operations lies with the governing bodies of the parent company Outokumpu Oyj: the General Meeting of Shareholders, the Board of Directors and the President and Chief Executive Officer (CEO). The Group Executive Committee operates within the authorities of the CEO and has been formed for the efficient management of the Group.

GENERAL MEETING OF SHAREHOLDERS

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

The Board of Directors convenes a General Meeting of Shareholders. The Board can decide to convene a General Meeting on its own initiative, but is obliged to convene a General Meeting if the auditor or shareholders holding at least 10% of the Company's shares so request. Furthermore, each shareholder has the right to bring a matter that falls within the domain of the General Meeting before a General Meeting of Shareholders, provided that a written request to do this has been received by the Board of Directors

early enough to allow the matter to be placed on the agenda included in the notice announcing that a General Meeting is being convened. According to its Articles of Association, Outokumpu has only a single class of shares. All shares therefore have equal voting power at General Meetings of Shareholders.

SHAREHOLDERS' NOMINATION COMMITTEE

Outokumpu's Annual General Meeting 2008 decided, based on a proposal by the Company's largest shareholder, the Finnish State, to establish a Shareholders' Nomination Committee to prepare proposals for the following General Meeting of Shareholders on the composition of the Board of Directors and director remuneration. The Annual General Meeting 2008 also decided that the Shareholders' Nomination Committee should consist of the representatives of Outokumpu's four largest registered shareholders in the Finnish book-entry securities system on November 3, 2008, who accept the assignment. The Chairman of Outokumpu's Board of Directors acts as an expert member of the Committee.

The largest shareholders are determined based on their registered shareholdings in the Finnish book-entry system. However, holdings by a shareholder, who under the Finnish Securities Markets Act has the obligation to disclose changes in shareholdings (flagging obligation), e.g. divided into a number of funds, may be combined provided that the owner presents a written request to that effect to the Board of Directors

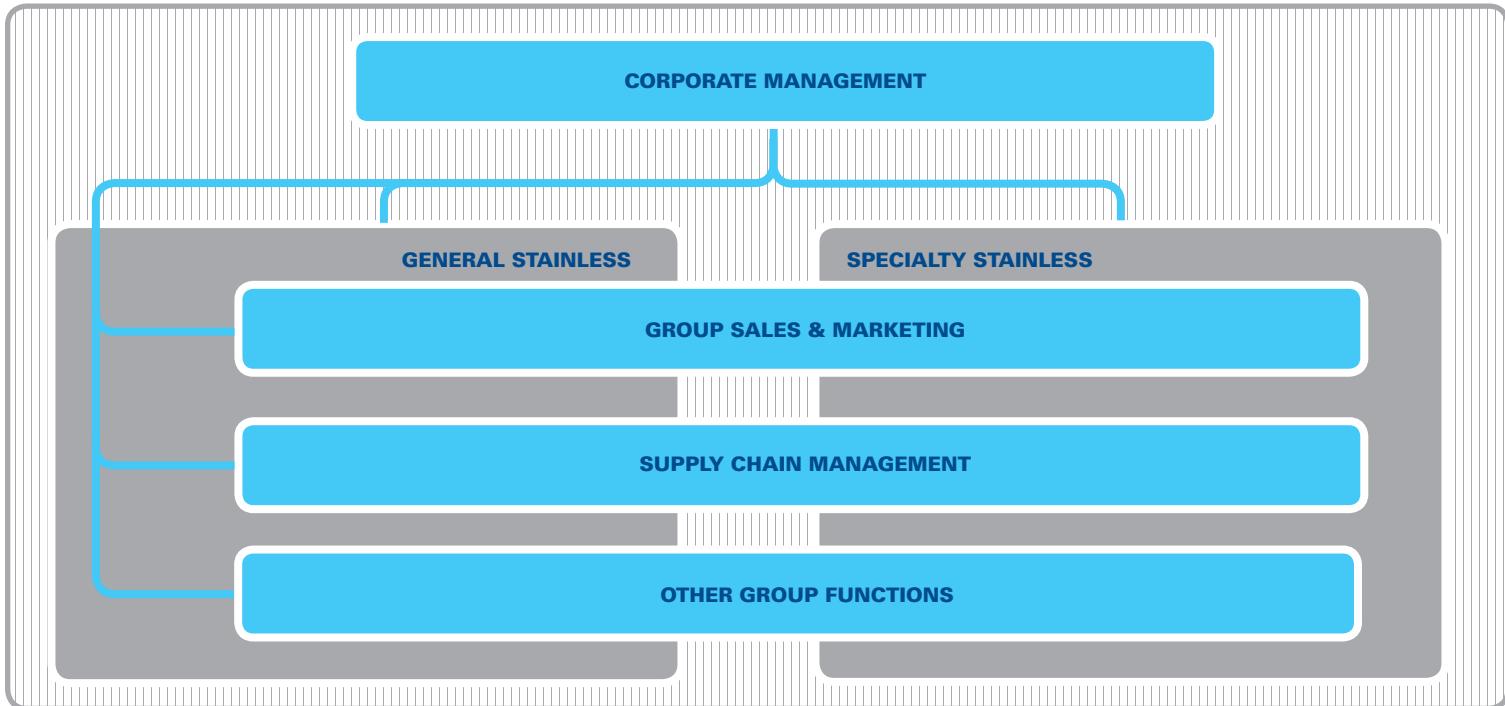
of the Company no later than on October 31, 2008.

The representatives of the shareholders in the committee were: The Finnish State, The Finnish Social Insurance Institution, Ilmarinen Mutual Pension Insurance Company and OP-Delta Mutual Fund. These shareholders chose the following persons as their representatives on the Shareholders' Nomination Committee: Jarmo Väistönen, Senior Financial Counsellor, Prime Minister's Office (The Finnish State); Jorma Huuhwanen, Director General (The Finnish Social Insurance Institution); Harri Sailas, Chief Executive Officer (Ilmarinen Mutual Pension Insurance Company) and Reijo Karhinen, Executive Chairman, OP-Pohjola Group (OP-Delta Mutual Fund).

The Chairman of Outokumpu's Board Ole Johansson served as an expert member and Jarmo Väistönen as the Chairman of the Committee. The Committee submitted its proposals on Board composition and director remuneration to the Board of Directors. The Outokumpu Board has incorporated these proposals into the notice announcing the Annual General Meeting of Shareholders 2009.

BOARD OF DIRECTORS

The general objective of the Board of Directors is to direct the Company's business in a manner that secures a significant and sustained increase in the value of the Company for its shareholders. To this end the members of the Board offer their expertise and experience for the benefit of the Company. The tasks and respon-

ORGANIZATION

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

The Board of Directors has established rules of procedure, which define its tasks and operating principles. The main duties of the Board

of Directors are as follows:

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

- To decide on the Group's basic strategies and monitor their implementation;
- To decide on annual authority frames for the Group's capital expenditure, monitor their implementation, review such plans quarterly and decide on changes;
- To decide on individual investments or items of expenditure that are included in the authorized cap-

ital expenditure frames and have a value exceeding EUR 20 million, as well as on other major and strategically important investments;

- To decide on any individual business acquisitions and divestments within the current scope of business, having a value exceeding EUR 10 million;
- To decide on any financing arrangements by any Group company which either exceed EUR 150 million, are organized by way of public offerings, or which are otherwise out of the Group's normal course of business; and

- To decide on any other commitments by any of the Group companies that are out of the ordinary either in terms of value or nature, taking into account the size, structure and field of operation of the Group.

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

- To nominate and dismiss the CEO and his deputy, and to decide on their terms of service, including incentive schemes, on the basis of a proposal made by the Board Nomination and Compensation Committee;

- To nominate and dismiss members of the Group Executive Committee, to define their areas of responsibility, and to decide on terms of service, including incentive schemes, on the basis of a proposal by the Board Nomination and Compensation Committee;
- To monitor the adequacy and allocation of the Group's top management resources;
- To decide on any significant changes to the Group's business organization;
- To define the Group's ethical values and methods of working;
- To ensure that policies outlining the principles of corporate governance are in place;
- To ensure that policies outlining the principles of managing the Company's insider issues are in use; and
- To ensure that the Company has other guidelines concerning matters which the Board deems necessary and fall within the scope of the Board's duties and authority.

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

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

With respect to financial control and risk management:

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

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

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

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

Under the Articles of Association, the Board shall have a minimum of five and a maximum of twelve members. The Company's largest shareholders have confirmed that they are in favor of a principle according to which members of the Company's Board of Directors should, as a rule, be qualified experts from outside the Company. According to the Articles of Association, a person who has reached the age of 68 years cannot be elected as a member to the Board of Directors. In the Annual General Meeting 2008 a board consisting of eight members was elected. Seven of the members are independent of the Company and six are independent of both the Company and its main shareholders.

The Board of Directors shall meet at least five times a year. In 2008, the Board met ten times. The average attendance rate of members at board meetings was 96%.

See Board of Directors on page 60–61.

BOARD COMMITTEES

The Board of Directors has set up two permanent committees from among its members and confirmed rules of procedure for these committees. The committees report on their work to the Board of Directors.

The Audit Committee comprises four Board members, who are all independent of the Company and three members are independent of the main shareholders. See Board of Directors on page 60–61. The task of the Audit Committee is to deal with matters relating to financial statements, auditing work, internal controls, the scope of internal and external audits, billing by auditors, the Group's financial policies and other procedures for managing

the Group's risks. In addition, the Committee prepares a recommendation to the Company's largest shareholders concerning the election of an external auditor and auditing fees. The Audit Committee met two times during 2008 and the average attendance rate of the members was 100%.

The Nomination and Compensation Committee comprises the Chairman of the Board and two other Board members, who are all independent of the Company and the main shareholders. See Board of Directors on page 60–61. The tasks of the Committee do not comply in all respects with the Finnish Corporate Governance Code published by the Securities Market Association in co-operation with the Confederation of Finnish Industries (EK), NASDAQ OMX Helsinki and the Central Chamber of Commerce of Finland. The task of the Nomination and Compensation Committee is to prepare proposals for the Board of Directors concerning appointment of the company's top management – excluding the Board of Directors – and the principles of their compensation. The Committee is authorized to determine the terms of service and benefits of the Group Executive Committee members other than the CEO and the Deputy CEO. The Nomination and Compensation Committee met four times during 2008 and the average attendance rate of the members was 100%.

For attending to specific tasks, the Board of Directors can also set up temporary working groups from among its members. These working groups report to the Board. During 2008 no such working groups were set up.

FEES, SALARIES AND EMPLOYEE BENEFITS PAID

2008

€	Salaries and fees with employee benefits	Performance/project-related bonuses	Options	Total
Board of Directors				
Chairman of the Board, Johansson	67 800	-	-	67 800
Vice Chairman of the Board, Soila	37 050	-	-	37 050
Board member, Henkes	45 500	-	-	45 500
Board member, Härmälä	15 000	-	-	15 000
Board member, Kilpelä	29 700	-	-	29 700
Board member, de Margerie	44 300	-	-	44 300
Board member, Nilsson-Ehle	47 700	-	-	47 700
Board member, Oksanen	37 900	-	-	37 900
Board member, Saarinen	37 800	-	-	37 800
Board member, Turunen	8 200	-	-	8 200
CEO	758 573	402 052	930 512	2 091 137
Deputy CEO	390 774	162 512	-	553 286
Other Group Executive Committee members	1 516 205	585 052	394 428	2 495 685

2007

€	Salaries and fees with employee benefits	Performance/project-related bonuses	Options	Total
Board of Directors				
Chairman of the Board, Härmälä	61 000	-	-	61 000
Vice Chairman of the Board, Johansson	42 000	-	-	42 000
Board member, Henkes	40 300	-	-	40 300
Board member, Lohiniva	8 200	-	-	8 200
Board member, de Margerie	29 600	-	-	29 600
Board member, Nilsson-Ehle	41 300	-	-	41 300
Board member, Oksanen	25 600	-	-	25 600
Board member, Saarinen	35 300	-	-	35 300
Board member, Suonoja	8 200	-	-	8 200
Board member, Turunen	34 800	-	-	34 800
CEO	683 039	354 517	140 876	1 178 432
Deputy CEO	347 503	186 025	-	533 528
Other Group Executive Committee members	1 302 743	543 781	621 645	2 468 169

Shares and options received through share-related schemes are also included in the tables regarding shareholdings and options.

CEO AND DEPUTY CEO

The CEO is responsible for the Company's day-to-day operations with the objective of securing significant and sustainable growth in the value of the Company to its shareholders. The CEO prepares the matters for the Board of Directors' decision-making, develops the Group in line with the targets agreed with the Board and ensures proper implementation of the Board's decisions. It is further the CEO's responsibility to make sure that existing laws and regulations are observed throughout the Group. The CEO chairs meetings of the Group Executive Committee. The Deputy CEO is responsible for attending to the CEO's duties in the event that the CEO is prevented from attending to them.

GROUP EXECUTIVE COMMITTEE

The role of the Group Executive Committee is to manage Outokumpu's main business, stainless steel, as a whole. The committee members have extensive authorities in their individual areas of responsibilities and have the duty to develop the Group's operations in line with the targets set by the Board of Directors and the CEO. The Group Executive Committee consists of eight members appointed by the Board of Directors. The members of the committee are the CEO and his Deputy, Executive Vice President – General Stainless, Executive Vice President – Specialty Stainless, Executive Vice President – Supply Chain Management, Executive Vice President – Group Sales & Marketing, Executive Vice President – Chief Financial Officer, and Executive Vice President – Human Resources. The Group Executive Committee meets 1–2 times a month. See Executive Committee on pages 62–63.

GROUP MANAGEMENT

Outokumpu's Corporate Management consists of the Chief Executive Officer, members of the Group Executive Committee, and managers and experts who assist the CEO and the Group Executive Committee members. The task of Corporate Management is to manage the Group as a whole, and its duties include coordination and execution work in the areas of strategy and planning, business development, financial control, internal audit, human resources, environment, health and safety, communications and investor relations, legal affairs as well as treasury and risk management. In addition to the Corporate Management tasks, Outokumpu's functional steering across the businesses has been organized into Sales and Marketing functions and Supply Chain Management. Certain support functions have been centralized at Group level. The Outokumpu Group is managed in accordance with its business organization, in which the legal company structure of the Group provides the legal framework for operations. Clear financial and operational targets have been defined for all the Group's operational businesses.

Outokumpu's businesses are organized into five business units: Tornio Works, Special Coil and Plate, Thin Strip, OSTP (Outokumpu Stainless Tubular Products) and Long Products. The business units report directly to individual Group Executive Committee members. In the reporting, the busi-

SHARES AND OPTIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS

	Shares
February 3, 2009	
Member	
Ole Johansson	1 789
Anssi Soila	5 500
Victoire de Margerie	500
Evert Henkes	0
Jarmo Kilpelä	300
Anna Nilsson-Ehle	800
Leo Oksanen	2 387
Leena Saarinen	1 495
Total	12 771

ness units are consolidated into two divisions according to the types of product produced; General Stainless (Tornio Works and Long Products) and Specialty Stainless (Special Coil and Plate, Thin Strip and OSTP).

As a discontinued operation, Outokumpu Brass is managed separately from the Group through the Outokumpu Brass's Board of Directors.

REMUNERATION

Annual fees for members of the Board of Directors as confirmed by the Annual General Meeting 2008 are the following: Chairman EUR 70 000, Vice Chairman EUR 43 000, other members EUR 34 000. All members of the Board of Directors are to be paid a meeting fee of EUR 600 (EUR 1 200 for non-Finnish members). The meeting fee is also paid for meetings of Board committees.

The period of notice for the CEO is six months on both sides. If the Company terminates the CEO's employment for a reason or reasons unconnected with his performance or events interpreted as him having failed in his duties, the Company will make a compensation payment. The amount of this payment will total the CEO's basic salary in the preceding 24 months plus the monetary value of his employee benefits at the moment of termination. The performance-related bonus paid to the CEO and members of the Group Executive Committee in addition to their salary and employee benefits for the year 2009 is determined on the basis of achieving Group's ROCE (Return on capital employed) target, operating profit margin compared with a peer group, operational (safety and delivery reliability and increase of deliveries to projects and end-users customers) targets and separately set individual targets. The maximum amount of this bonus is for the CEO 75% and for the other members of the Group Executive Committee 60% of the annual base salary.

No separate remuneration is paid to the CEO or members of the Group Executive Committee for membership of the Committee or the other internal

SHARES AND OPTIONS OF THE GROUP EXECUTIVE COMMITTEE MEMBERS

February 3, 2009		Options 2003A	Options 2003B	Options 2003C	Shares-base incentive program 2006–2008	Shares-base incentive program 2007–2009	Shares-base incentive program 2008–2010
Member	Shares						
Juha Rantanen	20 000	-	-	17 500	30 000	15 500	16 500
Karri Kaitue	4 880	-	19 320	15 000	15 000	7 500	8 000
Jamie Allan	-	-	-	-	4 000	2 100	5 500
Bo Annvik	-	-	-	10 000	-	5 300	5 500
Pekka Erkkilä	9 000	-	-	15 000	10 000	5 300	5 500
Andrea Gatti	10 263	-	-	10 000	10 000	5 300	5 500
Esa Lager	13 000	-	-	10 000	10 000	5 300	5 500
Timo Vuorio	3 500	-	-	10 000	10 000	5 300	5 500
Total	60 643	-	19 320	87 500	89 000	51 600	57 500

governing bodies of the Group. Members of the Group Executive Committee are entitled to retire at the age of 60. Pension benefits of Finnish members of the Group Executive Committee amount to 60% of the total average annual salary in the last five full years of service. The Company has not given any guarantees or other similar commitments on behalf of the members of the Board of Directors or the Group Executive Committee. Neither members of the Board of Directors or the Group Executive Committee, or closely related persons or institutions, have any significant business relationships with the Company.

MANAGING OF INSIDER ISSUES

Outokumpu's Insider Rules are based on and comply with the Guidelines for Insiders by NASDAQ OMX Helsinki. The Company's permanent insiders with a duty to declare consist of the members of the Board of Directors, the Auditor in Charge, the CEO and his deputy, as well as the other members of the Group Executive Committee. Outokumpu maintains a public register on the permanent insiders with the duty to declare. Employees of the Group who receive inside information on a regular basis due to their positions or tasks are registered in a non-public register of permanent company specific insiders. Permanent insiders must not purchase or sell securities issued by the Company in the 14 days prior to publication of interim reports or annual accounts (the so called closed window).

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

Outokumpu's General Counsel is responsible for coordinating and supervising insider issues. Up-to-date information on holdings by Outokumpu's permanent insiders with a duty to declare can be found on the Outokumpu website, www.outokumpu.com.

AUDITORS

Under the Articles of Association, the Company shall have a minimum of one and a maximum of two auditors who are auditors or firms of independent public accountants authorized by the Central Chamber of Commerce of Finland. The Annual General Meeting elects the auditors to a term of office ending at the close of the next Annual General Meeting. Proposals to the Annual General Meeting concerning the election of auditors which have been made known to the Board prior to the Annual General Meeting will be made public if the proposal is supported by shareholders holding a minimum of 10% of all the Company's shares and voting rights and if the person or company proposed has consented to such nomination. The Company's auditors submit the statutory auditor's report to the Company's shareholders in connection with the Company's financial statements. The auditors also report their findings to the Board of Directors on a regular basis. The parent company, Outokumpu Oyj, is audited by KPMG Oy Ab, and the Auditor in charge is Mauri Palvi, Authorized Public Accountant. KPMG Oy Ab is also responsible for overseeing and coordinating the auditing of all Group companies.

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

Outokumpu's Board Audit Committee continuously monitors the global level of non-audit services purchased by the Group from KPMG Oy Ab. In 2008, auditors were paid fees totaling EUR 3 million, of which non-auditing services accounted for EUR 1 million.

Board of Directors

**Chairman****OLE JOHANSSON**

b. 1951, Finnish citizen
B.Sc. (Econ.)

Vice Chairman**ANSSI SOILA**

b. 1949, Finnish citizen
M.Sc. (Eng.), B.Sc. (Econ.)

EVERT HENKES

b. 1943, Dutch citizen
B.Sc. (Ag. Econ.)

JARMO KILPELÄ

b. 1957, Finnish citizen
M.Sc. (Econ.)

Outokumpu Board member 2002–
Chairman of the Board 2008–
Vice Chairman of the Board
2004–2008
Chairman of the Nomination and
Compensation Committee
Independent of the company and
its significant shareholders.

President and CEO: Wärtsilä
Corporation 2000–
Chairman of the Board:
Technology Industries of Finland
Vice Chairman of the Board:
Confederation of Finnish
Industries, Varma Mutual Pension
Insurance Company

Outokumpu Board member 2008–
Vice Chairman of the Board 2008–
Member of the Audit Committee
Independent of the company and
its significant shareholders.

CEO: Kone Corporation 1994–1999
Vice Chairman of the Board:
Normet Group Oy
Board member: Outotec Oyj,
Aspocomp Oyj, Lindström Oy, DNA
Oy, Attendo AB, Å & R Carton AB

Outokumpu Board member 2003–
Member of the Nomination and
Compensation Committee
Independent of the company and
its significant shareholders.

CEO: Shell Chemicals Ltd.
1998–2003
Board member: Tate & Lyle Plc,
SembCorp Industries Ltd,
Air Products and Chemicals Inc.
Member of International Advisory
Board: CNOOC Ltd

Outokumpu Board member 2008–
Member of the Audit Committee
Independent of the company.

Senior Financial Counsellor, Prime
Minister's Office, Ownership
Steering Department 2007–
Chairman of the Board: Hansel Ltd
Vice Chairman of the Board:
HAUS Finnish Institute of Public
Management Ltd

**VICTOIRE DE MARGERIE**

b. 1963, French citizen
Ph.D. (Management), LL.M.,
M.Pol.Sc.

Outokumpu Board member 2007–
Member of the Audit Committee
Independent of the company and
its significant shareholders.

Chairman of the Board: Rondol
Technology Ltd. (UK) 2008–
Board director and member of
the Audit Committee: Ciments
Français (France) 2006–
Professor of Strategic Management:
Grenoble Graduate School of
Business 2003–
General Manager Péchiney Plastic
Bottles 2000–2002
Vice President Sales & Marketing
Péchiney Aluminum Canstock
1998–2000

ANNA NILSSON-EHLE

b. 1951, Swedish citizen
Ph.D., M.Sc. (Eng.)

Outokumpu Board member 2005–
Member of the Nomination and
Compensation Committee
Independent of the company and
its significant shareholders.

Director: SAFER-National vehicle
and traffic safety research center
2006–
Consultant: Ohde & Co
2005–2006
Managing Director: Universeum AB
1999–2004
Board member: Svensk Bilprovning
AB, Swedish National Space Board

LEO OKSANEN

b. 1945, Finnish citizen
M.Sc. (Chem.)

Outokumpu Board member 2007–
Independent of the company's
significant shareholders.

Senior Advisor – Chemical Safety
and Occupational Hygiene
Employed by Outokumpu 1974–
Board member: Outokumpu
Stainless Oy 2004–2005, Avesta-
Polarit Stainless Oy 2001 and 2003,
Outokumpu Polarit Oy 1999–2001

LEENA SAARINEN

b. 1960, Finnish citizen
M.Sc. (Food technology)

Outokumpu Board member 2003–
Chairman of the Audit Committee
Independent of the company and
its significant shareholders.

President and CEO: Suomen
Lähikauppa Oy (formerly: Tradeka
Oy) 2007–
President and CEO: Altia
Corporation 2005–2007
Managing Director: Unilever
Bestfoods Nordic Foodsolution
2003–2005
National Manager 2002–2005;
Suomen Unilever Oy and board
member 1999 and 2001–2005



Outokumpu shareholding of
the members of the Board
of Directors is presented on
page 58.

Group Executive Committee

JUHA RANTANEN (1)

b. 1952, Finnish citizen,
M.Sc. (Econ.), MBA

CEO 2005–

Chairman of the Group Executive Committee 2005–
Outokumpu Board member and Vice Chairman 2003–2004
Responsibility: Group management, Communications and IR
and corporate social responsibility
Employed by the Outokumpu Group since 2004
Chairman of the Board of Directors: Fennovoima Oy, Finpro Association,
Association of Finnish Steel and Metal Producers
Vice Chairman of the Board: Moventas Oy
Board member: Technology Industries of Finland, Stora Enso Oyj
Vice President: European Confederation of Iron and
Steel Industries Eurofer
Supervisory Board member: Varma Mutual Pension Insurance Company

KARRI KAITUE (2)

b. 1964, Finnish citizen,
LL.Lic.

Deputy CEO 2005–

Vice Chairman of the Group Executive Committee 2005–
Member of the Group Executive Committee 2002–
Responsibility: Group strategy, business development and M&A,
new ventures, legal affairs & IPR and portfolio businesses
Employed by the Outokumpu Group since 1990
Vice Chairman of the Board: Okmetic Oyj, Outotec Oyj
Board member: Cargotec Oyj

JAMIE ALLAN (3)

b. 1956, British citizen

Executive Vice President – Supply Chain Management
Member of the Group Executive Committee 2008–
Responsibility: Production Excellence, Supply Chain Management
operations, procurement
Employed by the Outokumpu Group since 1978
Member of the British Stainless Steel Association

BO ANNVIK (4)

b. 1965, Swedish citizen,
M. Sc. (Econ.)

Executive Vice President – Specialty Stainless
Member of the Group Executive Committee 2007–
Responsibility: Special Coil and Plate, Thin Strip, OSTP
and investment projects
Employed by the Outokumpu Group since 2007
Board member: Scandinavian Automotive Suppliers, Jernkontoret –
the Swedish Steel Producers' Association, Employers' Association of
the Swedish Steel and Metal Industry
Temporary responsibility for Group Sales and Marketing from
February 24, 2009

PEKKA ERKKILÄ (5)

b. 1958, Finnish citizen,
M.Sc. (Eng.)

Executive Vice President – General Stainless
Member of the Group Executive Committee 2003–
Responsibility: Tornio Works, Long Products, R&D, energy, and safety,
environment and quality
Employed by the Outokumpu Group since 1983
Board member: Jernkontoret – the Swedish Steel Producers' Association

ANDREA GATTI (6)

b. 1962, Italian citizen,
M.Sc. (Econ.)

Executive Vice President – Group Sales and Marketing
Member of the Group Executive Committee 2005–
Responsibility: End-user and project sales, distributors and processors sales,
group marketing, European stock and processing development,
pricing office and sales company controlling
Employed by the Outokumpu Group since 2002
Member of the Group Executive Committee until February 23, 2009

ESA LAGER (7)

b. 1959, Finnish citizen,
M.Sc. (Econ.), LL.M.

Chief Financial Officer (CFO)
Member of the Group Executive Committee 2001–
Responsibility: Financial and business control, treasury and risk
management, IT, change management and projects and real estate
Employed by the Outokumpu Group since 1990
Vice Chairman of the Board: Olvi Oyj



Outokumpu shareholding and
options of the members of the
Group Executive Committee are
presented on page 59.

**TIMO VUORIO (8)**

b. 1949, Finnish citizen,
M.Sc. (Econ.)

Executive Vice President – Human Resources

Member of the Group Executive Committee 2005–

Responsibility: HR strategy and policy, and key HR processes:
performance management (incl. compensation), resource management

and HR Development and leadership, and head office administration

Employed by the Outokumpu Group since 2005

Member of the Group Executive Committee until February 28, 2009

PII KOTILAINEN (9)

b. 1960, Finnish citizen,
M.Sc. (Econ.)

Executive Vice President – Human Resources

Member of the Group Executive Committee 2009–

Responsibility: HR strategy and policy, and key HR processes:
performance management (incl. compensation), resource management

and HR Development and leadership, and head office administration

Employed by the Outokumpu Group since 2009

Member of the Group Executive Committee from March 1, 2009

Risk management

OUTOKUMPU operates in accordance with the risk management policy approved by the Board of Directors. The risk management policy defines the objectives, approaches and areas of responsibility of risk management. Risk management supports the Group's strategy and also helps to define a balanced risk profile from the perspective of shareholders as well as other stakeholders such as customers, suppliers, personnel and lenders. Outokumpu has defined risk to be anything that might have an adverse impact on activities that the company has undertaken to achieve its objectives. Risks can thus be threats, uncertainties or lost opportunities relating to present or future operations.

Outokumpu's appetite for risk and tolerance to it are defined in relation to Group's earnings, cash flows and capital structure. The risk management process is part of the Group's management system, and in practical terms is divided into four stages: the identification of risks; risk evaluation; control and mitigation; and reporting.

The Board of Directors is ultimately responsible for the Group's risk management. The CEO and the Group Executive Committee are responsible for defining and implementing risk management procedures, and for ensuring that risks are properly addressed and taken into account in strategic and business planning. Business units are responsible for managing the risks involved in their own operations.

External auditors and Internal Audit monitor the risk management process and Group Executive Committee, Audit Committee and the Board of Directors review key risks and risk management actions on a regular basis. Treasury and Risk Management (TRM) function supports the implementation of risk management policy and prepares quarterly risk report to the management and auditors of the company. The function is also responsible for facilitating and coordinating security and risk management within the Group. Among other things the role of TRM includes insurance management, corporate security, fire and security auditing and ownership of the Enterprise Risk Management process.

FOCUS AREAS IN RISK MANAGEMENT DURING 2008

In 2008 nickel risk management was reviewed and revised. Accordingly financial risk policy was updated to reflect changes in metal risk management. New hedging principles for nickel price risk were gradually implemented mainly during the last two quarters and consequently hedging gains helped to offset part of inventory related losses.

The Group Executive Committee updated key risks in a workshop during the second half of 2008. The results from the workshop were presented to the Audit Committee and the Board of Directors in the fourth quarter.

Security and fire safety were further improved at several sites during the reporting year. Development and change initiatives have been based on local self assessments at sites as well as systematic audits and specific Group-wide instructions. During 2008, there was also much co-operation between Internal Audit and Corporate Security, in order to implement actions to improve risk management and security at the sites.

Support for the monitoring of investment projects and project risk management were key focus areas in 2008. Foreseeable risks were identified, for example, by involving project management, insurance and security specialists already during the planning and design phases of projects.

In 2008, the realized, most significant risks were related to structural issues in stainless steel markets and to the global financial turmoil, which had an impact on steel markets, the availability of finance and also on

the Group's ability to implement its planned investment projects.

STRATEGIC AND BUSINESS RISKS

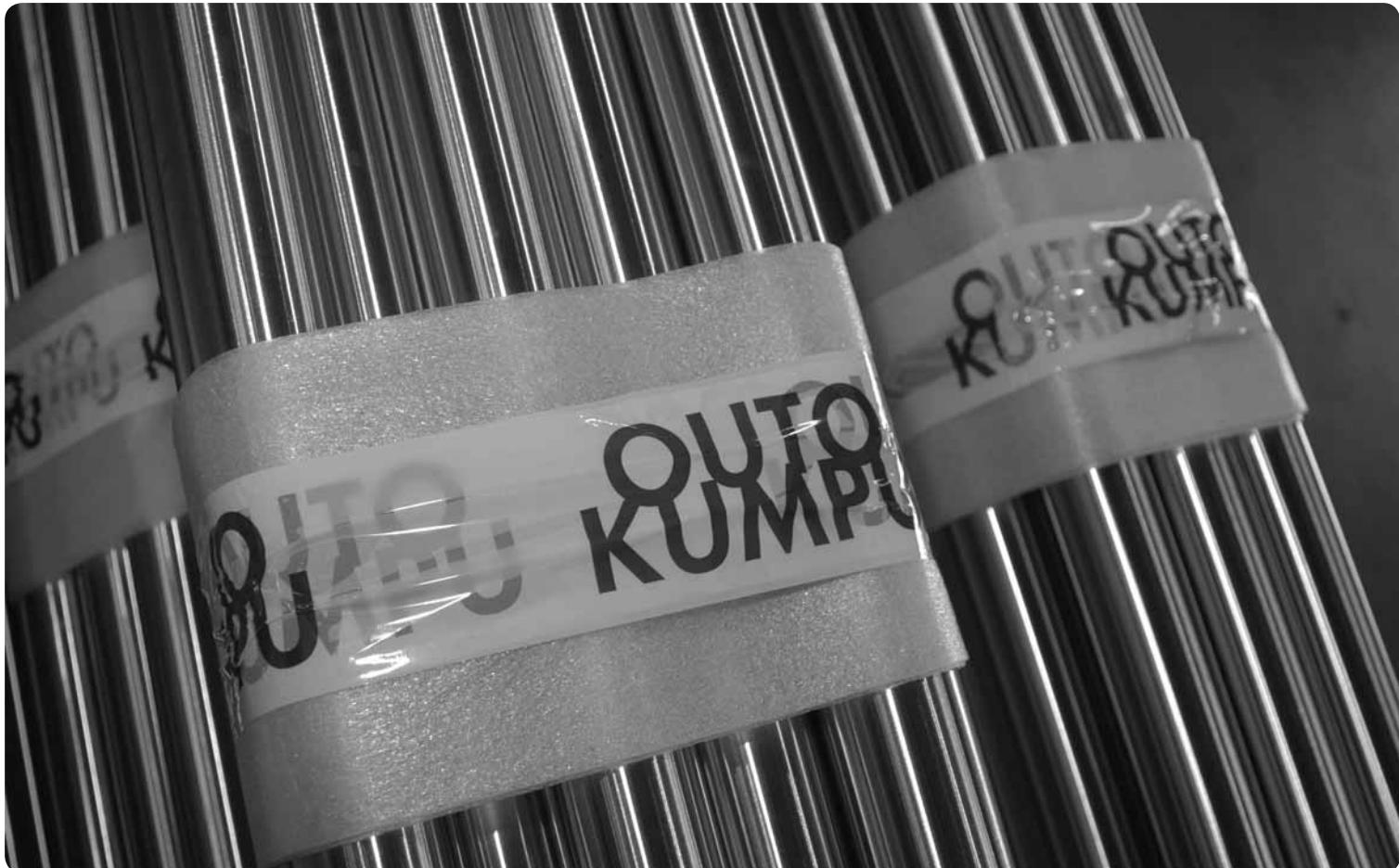
Strategic risks relate to Outokumpu's business portfolio, the market situation and major investments. Business risks are related to the operational environment, customer behavior and the economic outlook. In addition, the volatility in demand tends to be a factor, which impacts all or most of the strategic and business risks simultaneously. Outokumpu's key strategic and business risks are presented separately below.

Structural overcapacity in stainless markets

Stainless market demand growth seems to have slowed down in the Outokumpu's main served markets. Increased stainless production capacity, especially in China, has created a situation of gradually developing global overcapacity. There is a clear risk that this development results in increasing stainless production overcapacity globally and leads to lower prices and consequently, limits also Outokumpu's growth and success. Outokumpu has taken actions to address the overcapacity in production by developing distribution channels, aiming to increase sales to end-users and widening product offering. This strategy is supported by the new organization, which aims to ensure that customers are served in an optimal way, with an optimal product offering.

Eurocentricity in operations

Outokumpu's key production facilities are located in Europe, although



it has a global sales and distribution network. Outokumpu's main market area is Europe. The changes that occur in different market areas and regional differences – such as the prevailing levels of supply and demand, price levels, demand growth or currency rates – can have an impact on Outokumpu's competitive position and financial performance. Therefore, Outokumpu has identified possible risk of having too eurocentric operations to implement fully the current strategy. Nevertheless, eurocentricity could also be seen as an opportunity. To ensure profitable business operations in Europe, it is required that the company possesses a strong foothold with cost-efficient, local operations. In addition, Outokumpu will also study other ways of strengthening its position outside Europe in future years.

[Competition in stainless steel focused on the Asian market](#)

Because of better demand prospects for stainless steel in Asia than in Europe, a lot of new production capacity is being built there. However, due to significant investment in the region the capacity to produce cold rolled stainless steel in China is currently exceeding demand. The Asian producers' high stainless capacity at the moment seems too much for their domestic market and therefore the risk of impacts also to European markets currently exists. Whereas Asian producers are likely to be competitive in standard products and simple offerings, business opportunities for Outokumpu in special products and service offerings are likely to remain. By maintaining cost-efficient production, broadening the Group's product offering, improving delivery reliability and developing distribution channels, Outokumpu is

making preparations for tightening competition in the stainless market and also for a possible continuation of this overcapacity situation.

OPERATIONAL RISKS

Operational risks arise as a consequence of inadequate or failed internal processes, employees' actions, systems or other events such as natural catastrophes and misconduct/crime. Risks of this kind are often connected with production operations, logistics, financial processes, projects or information technology, and if they materialize, can lead to personal injury, liability, loss of property, suspension of operations or environmental impacts. Parts of Outokumpu's operational risks are covered by insurances.

[Corporate culture and One Company approach](#)

Outokumpu is aiming to achieve a strong and unified corporate cul-

ture throughout its organization. The approach for all personnel is the creation of "One Outokumpu", but this kind of a significant culture change can take time. This change can be seen as a great opportunity to increase operational effectiveness in operations by cross-cultural co-operation between people. Nevertheless, country based or too independent corporate cultures e.g. within the Business units can hold back the progress from an operational perspective and thus endanger the achievement of strategic goals to the matter. Outokumpu has taken some actions to strengthen the personnel to enhance the leadership in order to share common values throughout the Outokumpu Group.

[Investment projects](#)

Outokumpu's announced major investment program was postponed almost entirely due to the financial

market turmoil and the weakened stainless steel market at the end of 2008. However, some investments e.g. service center expansions in Willlich, Germany and an establishment of a new plate service center in China are being finalised. In preparation for the future, Outokumpu aims to further develop project management methods to support investment projects' implementation and to manage risks related to Group's whole project portfolio.

Variations in production performances

Outokumpu has been systematically developing the performance of its operations through excellence initiatives. Significant part of the company's employees has been trained to implement these methods of continuous improvement within the Group's commercial and production operations. Still, the risk of having too large variations in production performances between different production processes can have a serious impact on Outokumpu's business operations, for instance adverse financial effects can increase significantly when product outputs are delayed and delivery reliability decreases. To mitigate against such risks, Outokumpu is expanding the Operational Excellence programs and enhancing strategy implementation by building on strong Group-level functions such as Supply Chain Management and Group Sales and Marketing.

Major fire or accident

The majority of Outokumpu's production is located in large industrial

areas and comprises a number of separate buildings and production lines. Production of stainless steel also involves the integration of production and logistics between the Group's facilities in Tornio, Avesta, Sheffield and other locations. Production is capital intensive and a large part of the Group's operating capital is tied up in these facilities. For example, a fire or serious mechanical breakdown can lead to major damage to property or loss of production, or have other indirect adverse effects on Outokumpu's operations. The Group endeavors to guard against such risks by continually evaluating its production facilities and processes from a risk management perspective and by arranging reasonable insurance coverage for a large part of these risks.

Corporate security

Outokumpu continued developing the Group's corporate security culture to cover all Business units and sites in 2008. A systematic preventive action program was commenced in Outokumpu, covering especially person and material security. The systematic auditing of site security continued at numerous sites and the audit results generated many initiatives to enhance the sites' security levels. Outokumpu also has a significant fire-safety auditing program linked to insurances. During 2008, some forty such audits were carried out using the Group's own resources, and were often conducted jointly with the insurers' and insurance brokers' technical experts. Great part of the Group wide instructions such as physical security, travel security and

crisis management instructions were reviewed and updated during 2008 with the aim of harmonizing different practices within the Group. These instructions were prepared in co-operation with the newly-established Outokumpu Security Working Group (oswg), the operating body for security and safety responsible persons at Outokumpu sites. oswg's primary tasks are the enhancement of co-operation in security matters and knowledge transfer throughout the organization.

FINANCIAL RISKS

Financial risks consist of market, liquidity and default risks. One of the main market risks is the price of nickel, which is used as an alloying material in stainless steel production.

Financial risk management is further described in Note 20 to the consolidated financial statement.

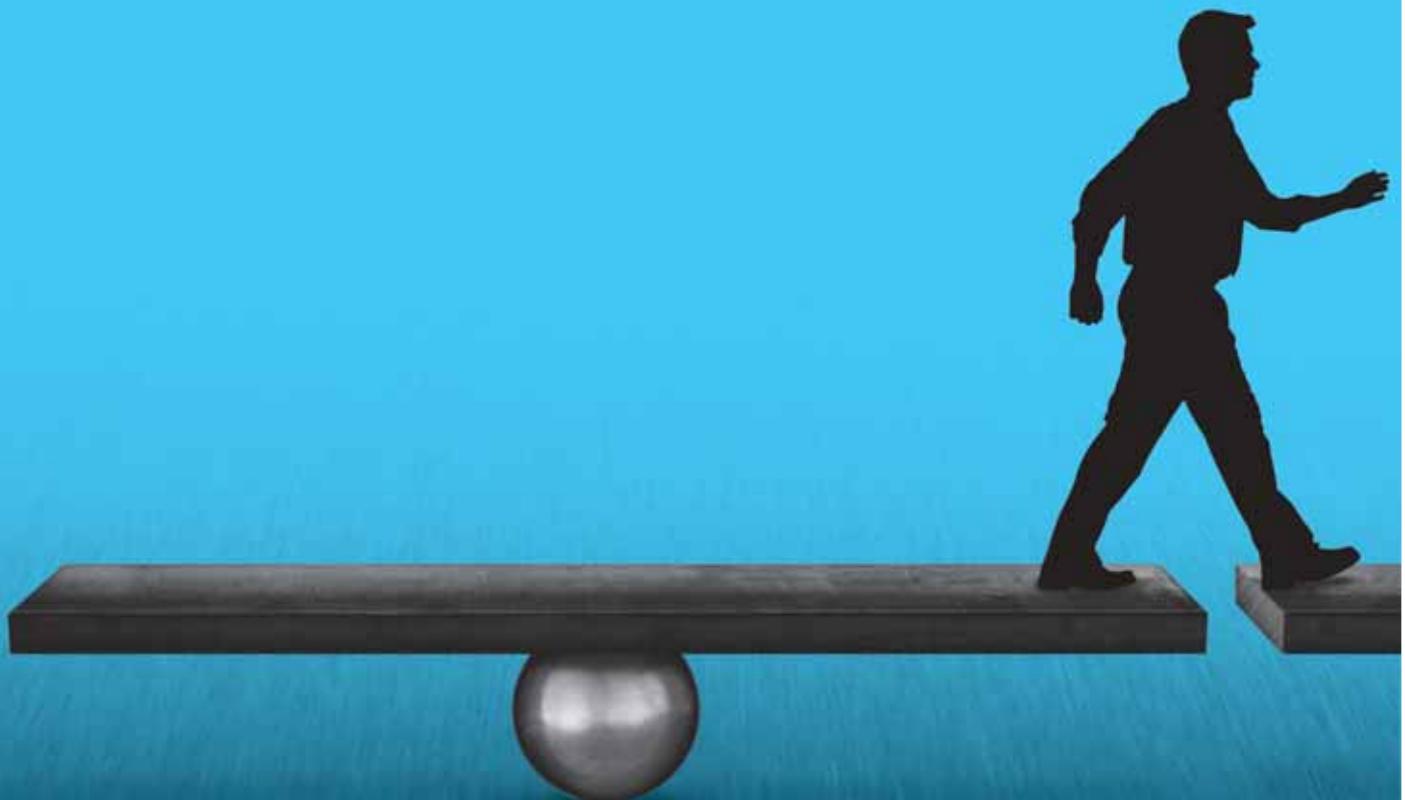


>> SHAREHOLDER INFORMATION

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Our move

GROWTH OUTSIDE OF EUROPE



Shares and shareholders

SHARES AND SHARE CAPITAL

On December 31, 2008, Outokumpu Oyj's fully paid and registered share capital totaled EUR 308 468 201.10 and it consisted of 181 451 883 shares. Each share entitles its holder to one vote at General Meetings of Shareholders.

LISTING OF SHARES

Outokumpu Oyj's shares are listed on the NASDAQ OMX Helsinki. The trading symbol is OUTIV. Outokumpu Oyj's stock options 2003A and 2003B are also listed on the NASDAQ OMX Helsinki, the trading symbol for the 2003A stock options is OUTIVEW103 and the trading symbol for the 2003B stock options is OUTIVEW203. The 2003C stock options are not listed.

TREASURY SHARES

At the end of 2008, the Company held 1 218 603 treasury shares. The repurchases have been made between April 9 and November 27, 2001 and November 1 and 6, 2007. The amount corresponds to 0.7% of the Company's shares and voting rights.

STATE OWNERSHIP

The Finnish State holds 31.1% of the Company's shares and voting rights through its wholly-owned company called Solidium Oy. According to an act passed by Finnish Parliament in December 2007, the state's shareholding in Outokumpu can be reduced down to 0%.

BOARD'S AUTHORIZATION TO DECIDE TO ISSUE SHARES AND GRANT SPECIAL RIGHTS ENTITLING TO SHARES

On March 27, 2008 the Annual General Meeting authorized the Board

of Directors to decide to issue shares and grant special rights entitling to shares, as follows:

Pursuant to the authorization the Board of Directors has the right to resolve to issue a maximum of 36 000 000 shares through one or several share issues or by granting special rights entitling to shares, as specified in Chapter 10, Section 1, of the Finnish Companies Act, excluding option rights to the Company's management and personnel under an incentive plan.

Through the share issue and/or by granting special rights entitling to shares, a maximum of 18 000 000 new shares may be issued, which at the time of the Annual General Meeting represented approximately 9.93% of the Company's total number of registered shares, and additionally a maximum of 18 000 000 treasury shares may be transferred, which at the time of the Annual General Meeting represented approximately 9.93% of the Company's total number of registered shares.

The authorization includes the right to resolve upon all other terms and conditions of the share issue and special rights entitling to shares, including the subscription price and to whom shares or special rights may be issued. Thereby, the Board of Directors have the authority to resolve upon the issue of shares and special rights in deviation of the pre-emptive subscription right of the shareholders. The authorization is valid until the next Annual General Meeting, however no later than May 31, 2009. The Board has not exercised the authorization.

BOARD'S AUTHORIZATION TO REPURCHASE THE COMPANY'S OWN SHARES

On March 27, 2008 the Annual General Meeting authorized the Board of Directors to repurchase the Company's own shares (treasury shares):

The maximum number of shares to be repurchased is 18 000 000, which at the time of the Annual General Meeting represented approximately 9.93% of the Company's total number of registered shares. Based on this and earlier authorizations the Company currently holds 1 218 603 of its own shares. The aggregate number of the treasury shares held by the Company and its subsidiaries may not, however, exceed 10% of the Company's total number of registered shares.

The price payable for the shares shall be based on the prevailing price of the Company's shares in public trading at the time of repurchase. The shares can be repurchased in deviation from the proportional shareholdings of the current shareholders. The Board of Directors is authorized to decide on other matters and measures related to the repurchasing of own shares.

The authorization is valid until the next Annual General Meeting, however no later than May 31, 2009. The Board has not exercised the authorization.

2003 STOCK OPTION PROGRAM

Please see the table on page 72. The Annual General Meeting held in 2003 passed a resolution on a stock option program for the management. Stock options are part of the Group's

incentive and commitment building system for key employees, and the objective is to encourage recipients to work in the long term to increase shareholder value. The reward system is based on both Group earnings and relative performance, with rewards geared to accomplishments.

The total amount of share options that may have been issued was 5 100 000, entitling holders of stock options to subscribe for 5 100 000 new shares in the Company in the period 2006–2011. Stock options have been marked 2003A, 2003B and 2003C and have been distributed by decision of the Board of Directors, without additional consideration, in 2004, 2005 and 2006, in deviation from shareholders' pre-emptive rights, to the key persons employed by the Outokumpu Group. In deciding on the number of stock options to be distributed annually in total and to each individual, the Board of Directors assessed the Group's earnings trend and performance by comparing, for example, the trend in earnings per share with the trend for the same key ratio in peer companies. In accordance with the share ownership plan of the program members of the Group Executive Committee are obligated to purchase Outokumpu shares with 10% of the income they obtain from stock options.

The subscription price for shares through the exercise of stock option 2003A is the trading volume-weighted average price of the Outokumpu Oyj share on the NASDAQ OMX Helsinki from December 1, 2003 to February 29, 2004 (EUR 7.25), with stock option 2003B it is the trading volume-weighted average price of the



Outokumpu Oyj share on the NASDAQ OMX Helsinki from December 1, 2004 to February 28, 2005 (EUR 10.31) and with stock options 2003C it is the trading volume-weighted average price of the Outokumpu Oyj share on the NASDAQ OMX Helsinki from December 1, 2005 to February 28, 2006 (EUR 10.94). On each dividend record date, the share subscription price of stock options will be reduced by the amount of dividends to be decided after the close of the period for determining the subscription price and prior to share subscription.

Following the subscriptions with 2003 stock options, Outokumpu Oyj's share capital may be increased by a maximum of EUR 2 698 400 and the number of shares by a maximum of 1 587 294. The number of shares that can be subscribed for on the basis of the stock options corresponds to 0.9% of the Company's shares and voting rights.

SHARE-BASED INCENTIVE PROGRAMS

Outokumpu's Board of Directors has confirmed share-based incentive programs as part of the key employee incentive and commitment system of the Company. The objective of the share-based incentive programs is to reward for good performance, which supports the Company's strategy and at the same time to direct the management's attention to increasing the Company's shareholder value over a longer period of time. The programs offer a possibility to receive Outokumpu shares and cash (equaling to the amount of taxes) as an incentive reward, if the targets set by the Board for each earning period are achieved.

SHARE-BASED INCENTIVE PROGRAM FOR 2006–2010

On February 2, 2006, Outokumpu's Board of Directors confirmed a share-based incentive program, which will

last five years, comprising three earning periods of three calendar years each.

The aggregate number of shares to be distributed for each of the earning periods cannot exceed 500 000 shares. In accordance with targets confirmed for the earning periods the reward is based on relative development of TSR (Total Shareholder Return) (50% of the maximum reward) and achieving targets set for Operational Excellence programs (50% of the maximum award).

On February 3, 2009, the Board of Directors confirmed that a total of 177 715 shares be distributed to 125 persons in management positions in Outokumpu for the earning period 2006–2008. The maximum number of shares was 355 430. The people in the scope received 50% of the maximum number of shares based on the achievement of earnings criteria established in February 2006. Under the program, entitled persons must keep the shares

in their possession for at least two years from their receipt. In addition, according to the share ownership plan of the Outokumpu Group the members of the Group Executive Committee are obliged to own Outokumpu shares received under the incentive programs for the value of their annual gross base salary.

If persons covered by the remaining two earning periods of the share-based incentive program 2006–2010 were to receive the number of shares in accordance with the maximum reward (a total of 823 760 shares), their shareholding obtained via the program would amount to 0.5% of the Company's shares and the voting rights.

SHARE-BASED INCENTIVE PROGRAM FOR 2009–2013

On February 3, 2009, Outokumpu's Board of Directors confirmed a new share-based incentive program, which will last five years, comprising

2003 STOCK OPTION PROGRAM

Stock Option	Number of participants Dec 31, 2008	Subscription period	Dividend adjusted Share Subscription Price Dec 31, 2008	The number of shares subscribed by Dec 31, 2008	An aggregate maximum of shares that can be subscribed with the remaining stock options	The number of stock options annulled by Dec 31, 2008
2003 A	13	Sep. 1, 2006–Mar. 1, 2009	7.25 €	627 854	31 448	1 040 698
2003 B	48	Sep. 1, 2007–Mar. 1, 2010	10.31 €	758 107	270 713	671 180
2003 C	8	Sep. 1, 2008–Mar. 1, 2011	10.94 €	8 200	90 500	1 601 300

INCREASES IN SHARE CAPITAL 2004–2008

	Number of shares	Share capital, €
Share capital on Jan. 1, 2004	178 574 165	303 576 080.50
Share subscription under 1998 option warrants Dec. 20–31, 2003, registered on Jan. 12, 2004	+2 195	303 579 812.00
Share subscription under 1998 option warrants Jan. 1–Mar. 31, 2004	+2 174 244	307 276 026.80
Share subscriptions under 1999 convertible bond Jan. 1–Apr. 5, 2004	+499 951	308 125 943.50
Shares subscribed with 2003A options		
Oct. 14, 2006–Dec. 29, 2006, registered on Jan. 11, 2007	+33 323	308 182 592.60
Shares subscribed with 2003A options		
Dec. 30, 2006–Oct. 29, 2007, registered on Nov. 9, 2007	+23 539	308 222 608.90
Shares subscribed with 2003B options		
Sep. 8, 2007–Oct. 29, 2007, registered on Nov. 9, 2007	+14 379	308 247 053.20
Shares subscribed with 2003A options		
Oct. 30, 2007–Jan. 2, 2008, registered on Jan. 15, 2008	+400	308 247 733.20
Shares subscribed with 2003B options		
Oct. 30, 2007–Jan. 2, 2008, registered on Jan. 15, 2008	+1 000	308 249 433.20
Shares subscribed with 2003A options		
Jan. 3, 2008–Feb. 29, 2008, registered on Mar. 13, 2008	+11 955	308 269 756.70
Shares subscribed with 2003B options		
Jan. 3, 2008–Feb. 29, 2008, registered on Mar. 13, 2008	+10 187	308 287 074.60
Shares subscribed with 2003A options		
Mar. 1, 2008–May 5, 2008, registered on May 16, 2008	+38 208	308 352 028.20
Shares subscribed with 2003B options		
Mar. 1, 2008–May 5, 2008, registered on May 16, 2008	+57 264	308 449 377.00
Shares subscribed with 2003A options		
May 6, 2008–Jul. 7, 2008, registered on Jul. 18, 2008	+380	308 450 023.00
Shares subscribed with 2003A options		
Jul. 8, 2008–Sep. 8, 2008, registered on Sep. 19, 2008	+693	308 451 201.10
Shares subscribed with 2003C options		
Jul. 8, 2008–Sep. 8, 2008, registered on Sep. 19, 2008	+5 000	308 459 701.10
Shares subscribed with 2003C options		
Sep. 9, 2008–Oct. 24, 2008, registered on Nov. 3, 2008	+5 000	308 458 523.00
Share capital on Dec. 31, 2008	181 451 883	308 468 201.10
Share capital on Feb. 3, 2009	181 451 883	308 468 201.10
Treasury shares on Dec. 31, 2008	1 218 603	2 071 625.10
Number of shares outstanding on Dec. 31, 2008	180 233 280	306 396 576.00

PRINCIPAL SHAREHOLDERS ON FEBRUARY 3, 2009

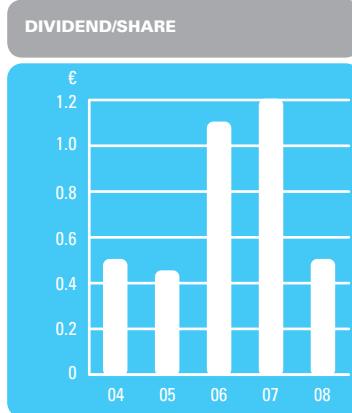
Shareholder	Shares	%
Solidium Oy (The Finnish State)	56 440 597	31.1
The Finnish Social Insurance Institution	14 652 666	8.1
Ilmarinen Mutual Pension Insurance Company	6 276 927	3.5
Finnish State Pension Fund	1 859 100	1.0
OP-Delta Mutual Fund	1 701 833	0.9
Varma Mutual Pension Insurance Company	1 620 317	0.9
Outokumpu Oyj	1 218 603	0.7
Etera Mutual Pension Insurance Company	960 000	0.5
Investment fund Alfred Berg Finland	594 167	0.3
Investment fund OP-Suomi Arvo	571 680	0.3
Nominee accounts held by custodian banks	60 083 536	33.1
Other shareholders	35 472 457	19.5
Total number of shares	181 451 883	100.0

SHAREHOLDERS BY GROUP ON FEBRUARY 3, 2009

Shareholder group	Shares	%
Finnish corporations	4 488 404	2.5
Financial and insurance institutions	9 058 554	5.0
The public sector and public organizations		
Solidium Oy (The Finnish State)	56 440 597	31.1
Finnish State Pension Fund	14 652 666	8.1
Other	13 445 421	7.4
Non-profit organizations	4 670 073	2.6
Households/private persons	17 015 968	9.4
International shareholders	61 680 200	34.0
Shares not transferred to book-entry securities system	1 182	0.0
Total	181 451 883	100.0

DISTRIBUTION OF SHAREHOLDINGS ON FEBRUARY 3, 2009

Number of shares	Number of shareholders	% of shareholders	Total shares	% of share capital	Average shareholding
1–100	6 669	26.4	425 544	0.2	64
101–500	10 673	42.2	2 961 749	1.6	277
501–1 000	3 614	14.3	2 819 869	1.6	780
1 001–10 000	4 011	15.9	10 751 874	5.9	2 681
10 001–100 000	256	1.0	6 435 248	3.5	25 138
100 001–1 000 000	60	0.2	15 419 953	8.5	256 999
> 1 000 000	11	0.0	142 637 646	78.6	12 967 059
	25 294	100.0	181 451 883	100.0	7 174
Nominee accounts held by custodian banks	17				
Shares in nominee accounts held by custodian banks			60 083 536	33.1	
Shares not transferred to book-entry securities system			1 182	0.0	
Total number of shares			181 451 883	100.0	



SHARE-BASED INCENTIVE PROGRAM

Earning period	The number of people in scope on Dec 31, 2008
2006–2008	125
2007–2009	129
2008–2010	139

of three earning periods of three calendar years each. The earning periods commence on Jan. 1, 2009, Jan. 1, 2010 and Jan. 1, 2011. The Board of Directors decides on the persons entitled to participate in the program for each earning period. 139 people were confirmed to be in the scope of the program for the earning period

2009–2011. The aggregate number of shares distributed for each earning period cannot exceed 500 000 shares. In accordance with targets confirmed for the earning period 2009–2011 the reward is based on the relative development of TSR (Total Shareholder Return). Under the program, entitled persons must keep the shares in their

possession for at least one year from their receipt. In addition, according to the share ownership plan of the Outokumpu Group the members of the Group Executive Committee are obliged to own Outokumpu shares received under the incentive programs for the value of their annual gross base salary.

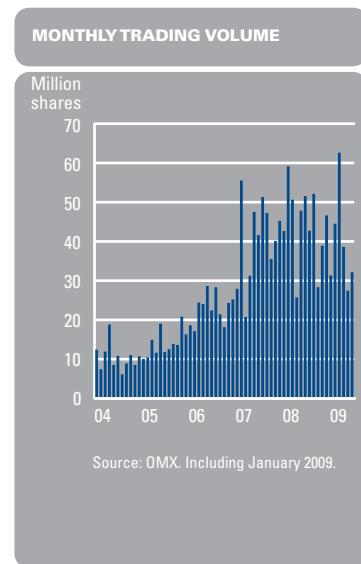
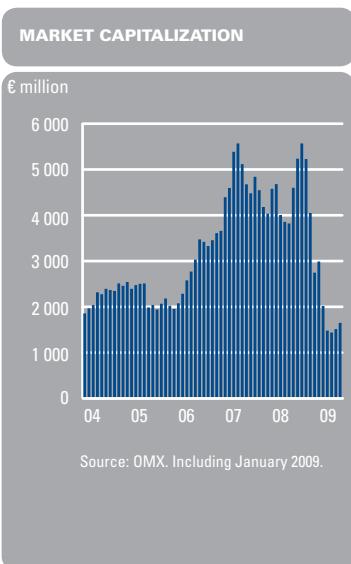
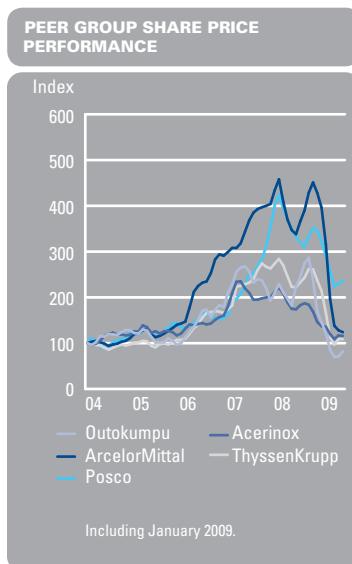
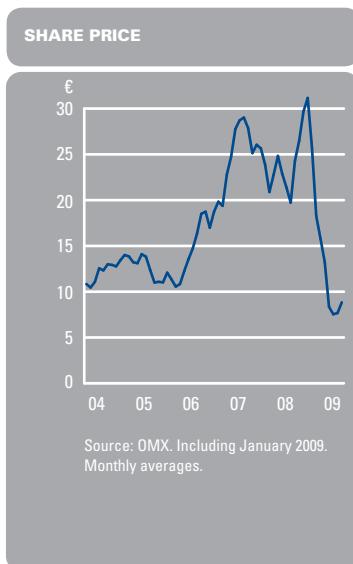
If persons covered by the earning period 2009–2011 of the share-based incentive program were to receive the number of shares in accordance with the maximum reward (a total of 433 100 shares), their shareholding obtained via the program would

amount to 0.24% of the Company's shares and the voting rights.

MANAGEMENT SHAREHOLDING

On January 31, 2009 members of the Board of Directors and the Group Executive Committee held a total of 71 027 Company shares, corresponding to 0.039% of the Company's shares and voting rights.

The Group Executive Committee will receive a total of 44 500 shares on the basis of attainment of the criteria established for the earning period 2006–2008 of the share-based incentive program 2006–2010. In addition



SHARE-RELATED KEY FIGURES

		2008	2007	2006	2005	2004
Earnings per share	€	-1.05	3.52	5.31	-2.01	2.12
Equity per share	€	15.50	18.53	16.87	11.31	13.65
Dividend per share	€	0.50 ¹⁾	1.20	1.10	0.45	0.50
Dividend payout ratio	%	neg.	33.9	20.7	neg.	23.6
Dividend yield	%	6.0	5.7	3.7	3.6	3.8
Price/earnings ratio		neg.	6.0	5.6	neg.	6.2
Development of share price						
Average trading price	€	18.99	24.94	19.77	11.89	12.52
Lowest trading price	€	6.33	18.48	12.60	9.63	9.93
Highest trading price	€	33.99	31.65	30.39	14.72	14.46
Trading price at the end of the period	€	8.28	21.21	29.66	12.55	13.15
Change during the period	%	-61.0	-28.5	136.3	-4.6	22.1
Change in the OMXH index during the period	%	-53.4	20.5	17.9	31.1	3.3
Market capitalization at the end of the period ²⁾	€ million	1 492	3 820	5 369	2 272	2 377
Development in trading volume						
Trading volume	1 000 shares	511 080	516 489	319 345	179 289	123 832
In relation to weighted average number of shares	%	283.6	285.5	176.4	99.0	68.8
Adjusted average number of shares ²⁾		180 184 845	180 922 336	181 033 168	181 031 415	180 056 920
Number of shares at the end of the period ²⁾		180 233 280	180 103 193	181 031 952	181 031 952	180 752 022

¹⁾ The Board of Directors' proposal to the Annual General Meeting.²⁾ Excluding treasury shares.

to the confirmed amount of shares from the earning period 2006–2008 of the share-based incentive program 2006–2010 if the 2003A, 2003B and 2003C options were exercised in their entirety and if the two earning periods of the share-based incentive program 2006–2010 and the earning period of 2009–2011 of the share-based incentive program 2009–2013 yielded the maximum number of shares, shareholdings and aggregate voting rights held by the members of the Group Executive Commit-

tee would increase by 0.1 percentage points pursuant to the option warrants, and by 0.14 percentage points pursuant to the share-based incentive program. Details of management shareholdings are given on page 59.

DIVIDEND PROPOSAL FOR 2008

For the financial year 2008, a dividend of EUR 0.50 per share is proposed. The effective dividend yield is 5.7%. The average dividend payout ratio during the past five years is 47%. Share price development, trading volume

and share-related figures of the Outokumpu share are shown in the table on page 75.

OUTOKUMPU SHARE PRICE DEVELOPMENT IN 2008

On the last day of trading in 2008, the closing price of Outokumpu's share was EUR 8.28 (2007: EUR 21.21), down 61% during the report year.

The highest share price in 2008, also the all time high quotation was EUR 33.99 (2007: EUR 31.65) quoted in May and the lowest was EUR 6.33

(2007: EUR 18.48) in October. The average price was EUR 18.99 (2007: EUR 24.94). At year's end, market capitalization was EUR 1 502 million (2007: EUR 3 845 million), down 60% on the previous year.

Share turnover was 511.1 (2007: 516.4) million shares being traded on the NASDAQ OMX Helsinki exchange in 2008. The value of share turnover was EUR 9 693 million (2007: EUR 12 882 million). Average daily turnover amounted to 2 028 096 (2007: 2 065 955) shares.