REVIEW OF COMPENSATION ARRANGEMENTS OF THE BOARD OF DIRECTORS AND THE GROUP EXECUTIVE COMMITTEE OF OUTOKUMPU GROUP

1 Board of Directors

The 2012 Annual General Meeting decided that the number of Board members be seven from the closing of the Annual General Meeting, including Chairman and Vice Chairman, and eight from the next day of the completion of the transaction to combine Outokumpu Oyj and Inoxum, as proposed by the Nomination Board formed by the Annual General Meeting 2011 and by Solidium Oy.

Ole Johansson, Olli Vaartimo, Elisabeth Nilsson and Siv Schalin were re-elected as members of the Board of Directors, and Iman Hill, Harri Kerminen, Heikki Malinen and conditionally also Guido Kerkhoff were elected as new members, until the close of the following Annual General Meeting. For Guido Kerkhoff, the term of office as a board member will begin on the day following the completion of the transaction to combine Outokumpu Oyj and Inoxum and will continue until the end of the next Annual General Meeting.

The 2012 Annual General Meeting re-elected Ole Johansson as Chairman and Olli Vaartimo as Vice Chairman of the Board of Directors.

1.1 Board members’ Compensation

The fees to the board members until the next Annual General Meeting, confirmed by the 2012 Annual General Meeting, are as follows:

<table>
<thead>
<tr>
<th>Annual fee in EUR</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>80 000</td>
</tr>
<tr>
<td>Vice Chairman</td>
<td>45 500</td>
</tr>
<tr>
<td>Other Board members</td>
<td>36 000</td>
</tr>
</tbody>
</table>

40% of the annual fee is paid as Outokumpu shares purchased from the market and 60% in money. The members of the Board are not entitled to any other share-based rewards.

In addition to the annual fee, all members of the Board of Directors are paid a meeting fee of EUR 600 (EUR 1 200 for Board members residing outside Finland). The meeting fee is also payable for meetings of Board committees.

As for the elected board member Guido Kerkhoff, his remuneration will be paid proportionately only from the time he will participate into the work of the Board of Directors. Furthermore, his share-based remuneration will be paid within two weeks from the completion of the transaction to combine Outokumpu Oyj and Inoxum.
2 Chief Executive Officer

Salaries and rewards paid to the CEO in 2011 are displayed in the table below.

<table>
<thead>
<tr>
<th></th>
<th>Salaries and fees with employee benefits</th>
<th>Performance/project-related bonuses</th>
<th>Options</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO, Seitovirta*</td>
<td>451 840</td>
<td></td>
<td>-</td>
<td>451 840</td>
</tr>
<tr>
<td>CEO, Rantanen**</td>
<td>2 323 074</td>
<td>149 648</td>
<td>-</td>
<td>2 472 722</td>
</tr>
</tbody>
</table>

*1.3.-31.12.2011
**1.1.-17.8.2011

2.1 Base salary and benefits

The current monthly base salary of CEO is 45 000€. From 1 April 2012, the monthly base salary of the CEO is 50 000€.

2.2 Shares received from incentive programmes

No reward was paid to the CEO Rantanen in the share-based incentive programme 2009-2013 for the earnings period 2009-2011.

CEO Seitovirta has possibility to receive share rewards from the Outokumpu’s share-based incentive programme 2009-2013, earnings period 2011-2013. The possible share rewards of earnings period 2011-2013 will be delivered in spring 2014 if the performance targets set for the earnings period are met.

2.3 Pension arrangements- age and principles of defining the pension

As of 1 March, 2011, the CEO has a defined contribution pension plan. The CEO has the right to retire at the age of 63. The targeted pension is 60% of the salary at the age of 63. The maximum annual insurance payment is 25% of CEO’s annual income, including fringe benefits and performance related short-term incentive payments.

2.4 Terms of notice

The period of notice for the CEO is six months on CEO’s side and 12 months on the Company’s side. If Outokumpu 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 base salary in the preceding 12 months plus the monetary value of his employee benefits at the moment of termination.

3 Decision making process and key principles of rewarding in Outokumpu

3.1 Share of short and long term compensation

The compensation of the CEO and the members of the Group Executive Committee consist of the following elements: base salary, benefits, short-term incentives, long-term incentives and pension arrangements.
The aggregate annual reward comprising of shares and cash under the long-term programme together with other short term and long term incentives must not exceed 200% of the annual salary.

In 2012, the maximum reward from the short-term incentive programme is 50% of the annual base salary for the CEO and for the other members of the Group Executive Committee.

### 3.2 Decision process for different compensation elements and their maximum levels

#### 3.2.1 Fixed elements of compensation

The compensation of the CEO and the members of the Group Executive Committee consist of the following fixed elements: base salary, benefits and pension arrangements. No separate remuneration is paid to the Group CEO or members of the Group Executive Committee for membership of this committee or the Group’s other internal governing bodies.

**3.2.1.1 Base salary**

Base salary of the CEO is decided annually by the Board of Directors. The base salaries for other members of the Group Executive Committee are decided annually by the Remuneration Committee.

<table>
<thead>
<tr>
<th></th>
<th>Salaries and fees with employee benefits</th>
<th>Performance/project-related bonuses</th>
<th>Options</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO, Seitovirta*</td>
<td>451,840</td>
<td>-</td>
<td>-</td>
<td>451,840</td>
</tr>
<tr>
<td>CEO, Rantanen**</td>
<td>2,323,074</td>
<td>149,648</td>
<td>-</td>
<td>2,472,722</td>
</tr>
<tr>
<td>Deputy CEO***</td>
<td>338,797</td>
<td>67,636</td>
<td>-</td>
<td>406,433</td>
</tr>
<tr>
<td>Other Group Executive Committee Members</td>
<td>2,136,405</td>
<td>246,582</td>
<td>-</td>
<td>2,382,987</td>
</tr>
</tbody>
</table>

*1.3.-31.12.2011
**1.1.-17.8.2011
***1.1.-31.10.2011

**3.2.1.2 Benefits**

Benefits of the CEO are decided annually by the Board of Directors. For other members of the Group Executive Committee they are decided annually by the Remuneration Committee.

**3.2.1.3 Pension arrangements**

Pension arrangements of the CEO are decided annually by the Board of Directors. For other members of the Group Executive Committee they are decided annually by the Remuneration Committee.

In December 2009, the Board of Directors confirmed that the retirement age is 63 for all new members of the Group Executive Committee. Other members of the Group Executive Committee are entitled to retire at the age of 60.

For Finnish members of the Group Executive Committee appointed before January 1, 2007, pension benefits amount to 60% of the total average annual salary in the last five full years of service. For other Finnish members of the Group Executive Committee, the targeted pension is 60% of annual salary at the age of either 60 or 63 depending on the date when the executive concerned was appointed to the committee. Earnings calculated from the year of appointment,
including fringe benefits and performance-related short-term incentives are used as the basis for the insurance premium. The maximum premium is 25% of an individual's annual earnings. The member of the Group Executive Committee who leaves in Sweden belongs to Swedish ITP pension plan.

3.2.2 Variable parts of compensation

The variable part of compensation of the CEO and the members of the Group Executive Committee consists of short-term and long-term incentives.

3.2.2.1 Short-term incentives

Terms and conditions and the objectives of the Short-term incentive programme of the CEO are decided annually by the Board of Directors. For other members of the Group Executive Committee they are decided annually by the Remuneration Committee.

The earning period of the Short-term incentive programme is calendar year. Possible rewards are paid for the participants after the publishing of the annual accounts in the following year.

In 2012, the maximum reward from the short-term incentive programme is 50% of the annual base salary for the CEO and for the other members of the Group Executive Committee.

3.2.2.2 Long-term incentives

The Board of Directors decides on the interpretation and implementation of the terms and conditions and on any other matters relating to the long-term incentive programmes. The Board also decides on the exact contents of the performance criteria, and any possibly required changes to it.

3.3 Outokumpu Share based Incentive Programmes and 2003 Option scheme

Outokumpu’s long-term incentive programmes have been devised as part of the key employee incentive and commitment system. The objective of the programmes is to reward selected employees for good performance which supports Outokumpu’s strategy, to engage them and to form part of a competitive incentive package. The purpose of the programmes is also to direct the employees’ attention to achieving Outokumpu’s financial targets and increasing shareholder value over a longer period of time.

3.3.1 Share-based incentive programme 2009–2013

On 3 February 2009, Outokumpu's Board of Directors confirmed a share-based incentive programme which will last five years and comprise of three earnings periods, each lasting three calendar years and commencing on 1 January 2009, 1 January 2010 and 1 January 2011. The Board of Directors has decided on the persons who are entitled to participate in the programme for each earnings period. The aggregate number of shares to be distributed for each earnings period cannot exceed 500 000.

No new shares will be issued in connection with the above share-based incentive programmes and therefore the programmes will have no diluting effect.
3.3.1.1 Performance criteria

For the earnings period 2009-2011, the reward was based on the relative development of TSR (Total Shareholder Return).

For the earnings period 2010–2012, the earning criteria are the relative development in Total Shareholder Return (TSR, 2/3 of the maximum reward) over the three-year earnings period and annual Earnings per share (EPS, 1/3 of the maximum reward) for calendar years 2010 and 2011. For the year 2012, the EPS criterion has been replaced with EBIT.

For the earnings period 2011–2013, the earning criteria for year 2011 are the relative development in Total Shareholder Return (TSR, 50% of the maximum reward) over the three-year earnings period and annual Earnings per share (EPS, 50% of the maximum reward) for calendar year 2011. For the year 2012, the EPS criterion has been replaced with EBIT.

3.3.1.2 Maximum reward and lock-up period

The aggregate annual total payment of rewards (shares and cash) under the programme, together with other short-term and long-term incentives, must not exceed 200% of the participant's annual salary at the end of the earnings period. Rewards allocated under the programme for the earnings period (both shares and cash) will be reduced accordingly if the above limit is exceeded. Under the programme, participants must retain the shares in their possession for a period of at least one year from the date of distribution.

3.3.1.3 Pay-out history of Share-based incentive programme 2009-2013

The Board of Director's has confirmed that the targets set for the earnings period 2009-2011 were not met. Therefore, no reward was paid to the participants for the earnings period of 2009-2011.

3.3.2 New share-based incentive programmes established in 2012

The Board of Directors of Outokumpu has on 31 January 2012 approved the establishment of a new share-based incentive plan, Performance Share Plan 2012, to be offered to the key management of Outokumpu Group and a Restricted Share Pool programme, which enables long-term rewarding of selected individual employees of Outokumpu Group.

3.3.2.1 Performance Share Plan 2012

The Performance Share Plan 2012 is a part of the remuneration and commitment programme for the key management of Outokumpu Group. The Plan offers a possibility to receive Outokumpu shares as a long-term incentive reward, if the targets set by the Board of Directors for each earnings period are achieved.

The Performance Share Plan 2012 consists of annually commencing performance share plans. Each plan contains a three-year earnings period after which the share rewards possibly earned will be delivered to the participants. The first plan commences at the beginning of 2012 and the share rewards possibly to be delivered based on the first plan will be delivered in the spring 2015. The earnings criteria applied in the first plan 2012–2014 are EBIT and relative Total Shareholder Return (TSR).
The Board of Directors has approved 98 people to be in the scope of the programme for the 2012–2014 plan. If the performance targets set by the Board of Directors for the plan are attained in full, the maximum number of shares to be delivered based on this plan is no more than 1,300,000 gross shares from which applicable taxes will be deducted and the remaining net value will be delivered to the participants in Outokumpu shares.

3.3.2.2 Restricted Share Pool

The Restricted Share Pool is a part of the remuneration and commitment program for selected key resources of Outokumpu Group. It consists of annually commencing plans with a three-year vesting period after which the allocated share rewards will be delivered to the participants provided that their employment with Outokumpu continues uninterrupted throughout the duration of the plan, until the shares are delivered. The first plan commences at the beginning of 2012 and the share rewards to be delivered based on the first plan will be delivered in the spring 2015.

Restricted share grants are approved annually by the CEO on the basis of the authorization granted by the Board of Directors, with the exception of possible allocations to Group Executive Committee members, which will be approved by the Board of Directors.

In line with the authorization relating to the first plan within the Restricted Share Pool, the maximum number of shares that may be allocated within the first plan is 200,000 gross shares from which applicable taxes will be deducted and the remaining net value will be delivered to the participants in Outokumpu shares.

3.3.2.3 Other terms

The aggregate reward of an individual participant under the above programmes, together with other short term and long term incentives of the participant, may not exceed 200% of the participant’s annual base salary.

No new shares will be issued in connection with the above share-based incentive programmes and therefore the programmes will have no diluting effect.

3.3.3 Outokumpu 2003 Stock Option Scheme

Outokumpu has currently no stock option programmes in place. The subscription period for stock option 2003A ended on 1 March 2009, for stock option 2003B on 1 March 2010 and for stock option 2003C on 1 March 2011.

Following the subscriptions for 2003 stock options, Outokumpu's share capital increased by EUR 3 005 930 and the number of shares by 1 768 194.

3.3.4 Guidelines for ownership of shares received from incentive schemes

The Shares received from the share-based incentive programmes shall be governed by the share ownership plan of the Group Executive Committee of Outokumpu Group, and the terms and conditions of that plan apply to the holding of shares received by such persons and shall prevail in case of any discrepancy with the terms and conditions of the programme.
In accordance with the share ownership plan, members of the Outokumpu Group Executive Committee are obliged to hold Outokumpu shares acquired or received under incentive programmes for the value of their annual gross base salary. Fifty per cent of the net shares received under the new long-term incentive programmes established in 2012 (Performance Share Plan 2012 and Restricted Share Pool) must be used to fulfil the above ownership requirement.

3.4 Shares and options of the Group Executive Members

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mika Seitovirta</td>
<td>25 000</td>
<td>-</td>
<td>24 000</td>
<td>136 000</td>
</tr>
<tr>
<td>Esa Lager</td>
<td>28 000</td>
<td>9 000</td>
<td>9 000</td>
<td>42 500</td>
</tr>
<tr>
<td>Hannu Hautala</td>
<td>4 200</td>
<td>4 000</td>
<td>4 100</td>
<td>42 500</td>
</tr>
<tr>
<td>Pii Kotilainen</td>
<td>1 500</td>
<td>9 000</td>
<td>9 000</td>
<td>42 500</td>
</tr>
<tr>
<td>Kari Parvento</td>
<td>1 000</td>
<td>9 000</td>
<td>9 000</td>
<td>42 500</td>
</tr>
<tr>
<td>Jarmo Tonteri</td>
<td>18 000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

*) The maximum number of net shares (taxes excluded) payable if the set performance targets are achieved in full

**) The maximum number of gross shares (taxes included) payable if the set performance targets are achieved in full