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REVIEW OF COMPENSATION ARRANGEMENTS OF THE BOARD OF DIRECTORS AND THE LEADERSHIP TEAM OF OUTOKUMPU GROUP

1. DECISION MAKING PROCESS AND MAIN PRINCIPLES OF REWARDING IN OUTOKUMPU

1.1. Decision process for different compensation elements

The Board of Directors nominates and dismisses the CEO and his/her possible deputy and decides on their terms of service, including base salary, fringe benefits, pension benefits and incentive schemes.

The Remuneration Committee of the Board determines and approves the terms of service, including salaries, bonuses, pension benefits and other benefits, of the Outokumpu Leadership Team members other than the CEO and his deputy.

The Board of Directors decides on the interpretation and implementation of the terms and conditions and on any other matters relating to the share-based incentive programs. The Board also decides on the exact contents of the performance criteria, and any possibly required changes to them.

The remuneration of the Board of Directors is decided annually by the Annual General Meeting.

1.2. Main principles of rewarding in Outokumpu

The compensation of the CEO and the members of the Leadership Team consist of base salary, fringe benefits, short-term incentives, share-based long-term incentives and pension arrangements. The total compensation is reviewed regularly by the Board of Directors. The review includes benchmarking the different components of total remuneration to market practices in corresponding positions.

2. BOARD OF DIRECTORS

2.1. Board members’ compensation

The fees payable to the Board members until the next Annual General Meeting, confirmed by the 2014 Annual General Meeting, are as follows:

<table>
<thead>
<tr>
<th>Annual fee in EUR</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>140 000</td>
</tr>
<tr>
<td>Vice Chairman</td>
<td>80 000</td>
</tr>
<tr>
<td>Other Board members</td>
<td>60 000</td>
</tr>
</tbody>
</table>

40% of the annual fee is paid in Outokumpu shares purchased from the market and 60% in money. The shares are freely disposable after delivery. 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 the meetings of the Board committees.
3. REMUNERATION ELEMENTS OF THE LEADERSHIP TEAM

3.1 Share of short-term and long-term compensation
The aggregate gross value of the short-term and long-term incentives, “the variable pay”, paid to the members of the Leadership Team in any individual year may not exceed 200% of the executive’s annual salary. If an executive’s variable pay would exceed the above mentioned level, the elements of the variable pay will be cut accordingly in the order and to the extent decided by the Company. In 2014, the maximum reward from the short-term incentive program is 50% of the annual base salary for the CEO and the other members of the Leadership Team.

3.2 Fixed elements of compensation
The fixed elements of compensation of the CEO and the members of the Leadership Team consist of base salary, fringe benefits and pension arrangements. No separate remuneration is paid to the Group CEO or members of the Leadership Team for membership of this Team or the Group's other internal governing bodies.

3.3 Pension arrangements
The retirement age for the members of the Leadership Team is 63 years and they participate in the local retirement programs applicable to employees in the country where their employing company is located. The members residing in Finland participate in the Finnish TyEL pension system, in addition to which they are entitled to a defined contribution pension plan. The targeted pension is 60% of the annual salary at the age of 63 and the maximum premium is 25% of an individual's annual earnings. The member of the Leadership Team who is employed in Sweden belongs to Swedish ITP pension plan and the member who resides in Germany is entitled to pension benefits in accordance with the Essener Verband. One member of the Leadership Team resides in China and is covered by the state pension plan in China, in addition to which cash compensation is paid for a supplementary pension plan.

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

In 2014, the maximum reward from the short-term incentive program is 50% of the annual base salary for the CEO and for the other members of the Leadership Team. The payout will be based on the achievement of set operational and financial objectives.

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

No new shares will be issued in connection with the share-based incentive programs and therefore the programs will have no diluting effect. Outokumpu has currently no active stock option programs.
3.5.1 Performance Share Plan 2012

Performance Share Plan 2012 is part of the remuneration and commitment program 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. It 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, plan 2012-2014, commenced at the beginning of 2012 and any share rewards to be delivered based on it will be delivered in spring 2015. The reward is based on Earnings Before Interest and Taxes (EBIT) for the year 2012, Earnings Before Interest and Taxes, Depreciation and Amortization (EBITDA) for the year 2013 and improvement in Earnings Before Interest and Taxes (delta EBIT) for the year 2014, representing altogether 70% weight of the total reward and relative Total Shareholder Return (TSR) over the three-year period with 30% weight of the total reward.

The second plan, plan 2013-2015, commenced at the beginning of 2013 and any share rewards to be delivered based on it will be delivered in spring 2016. The reward is based on Earnings Before Interest and Taxes, Depreciation and Amortization (EBITDA) for the year 2013 and improvement in Earnings Before Interest and Taxes (delta EBIT) for the year 2014, altogether 1/3 weight of the total reward as well as Outokumpu share-price adjusted with dividends and achievement of Inoxum transaction related synergies, both with 1/3 weight of the total reward.

The third plan, plan 2014-2016, commenced at the beginning of 2014 and any share rewards to be delivered based on it will be delivered in spring 2017. The earning criteria applied for the year 2014 are improvement in Earnings Before Interest and Taxes (delta EBIT) and business cash flow. The Board of Directors has approved that in total 150 managers and key employees may participate in plan 2014–2016. The maximum number of gross shares (taxes included) that can be allocated from the plan is 2 240 000 from which applicable taxes will be deducted. The remaining net value will be delivered to the participants in Outokumpu shares, if the performance criteria set by the Board are met.

3.5.2 Restricted Share Pool

Restricted Share Pool program is 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.

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 Leadership Team members, which will be approved by the Remuneration Committee.

The first plan, plan 2012-2014, commenced at the beginning of 2012 and the share rewards to be delivered based on the first plan will be delivered in spring 2015. The second plan, plan 2013-2015, commenced at the beginning of 2013 and the share rewards to be delivered based on it will be delivered in spring 2016. In 2013, three people were invited to participate in plan 2013–2015 and they were granted in total 4 900 gross shares.
The third plan, plan 2014-2016, commenced at the beginning of 2014 and the share rewards to be delivered based on it will be delivered in spring 2017. In line with the authorization relating to the third plan, the maximum number of shares that may be allocated within the plan is 320 000 gross shares from which applicable taxes will be deducted and the remaining net value will be delivered to the participants in Outokumpu shares.

3.5.3 Guidelines for ownership of shares received from incentive schemes
Outokumpu maintains a share ownership requirement policy pursuant to which members of the Outokumpu Leadership team are required to maintain a specific minimum share ownership in the company as long as he/she is a member of the Leadership Team.

In accordance with the share ownership policy, members of the Outokumpu Leadership Team are obliged to hold Outokumpu shares acquired or received under incentive programs for the value of their annual gross base salary (including fringe benefits and holiday allowance and excluding any bonuses or any other variable compensation). In line with the Terms and Conditions of the Performance Share Plan 2012 and Restricted Share Pool programs, 50% of the net shares received under the programs must be used to fulfil the above ownership requirement.

3.5.4 Shares allocated from the share-based incentive programs (June 2014 status)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Mika Seitovirta</td>
<td>65 280</td>
<td>127 620</td>
<td>200 100</td>
<td>-</td>
</tr>
<tr>
<td>Pekka Erkkilä</td>
<td>-</td>
<td>32 400</td>
<td>55 200</td>
<td>-</td>
</tr>
<tr>
<td>Reinhard Florey</td>
<td>-</td>
<td>38 880</td>
<td>55 200</td>
<td>14 075</td>
</tr>
<tr>
<td>Austin Lu</td>
<td>7 824</td>
<td>38 880</td>
<td>55 200</td>
<td>-</td>
</tr>
<tr>
<td>Kari Parvento</td>
<td>20 400</td>
<td>38 880</td>
<td>55 200</td>
<td>-</td>
</tr>
<tr>
<td>Johann Steiner</td>
<td>-</td>
<td>38 880</td>
<td>55 200</td>
<td>-</td>
</tr>
<tr>
<td>Jarmo Tonteri</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Kari Tuutti</td>
<td>7 824</td>
<td>38 880</td>
<td>55 200</td>
<td>-</td>
</tr>
</tbody>
</table>

*) The maximum number of gross shares (taxes included) payable if the set performance targets are achieved in full. For Austin Lu, the possible LTI reward will be paid in cash instead of shares, due to local legislation.

**) The gross number of shares (taxes included) payable in spring 2015 if the employment has continued until the delivery date of the shares and no notice of termination has been given prior to the delivery date.

The share grants allocated from the plans which started in 2012 and 2013 have been technically adjusted in April 2014 due to the rights offering announced on February 28, 2014. The share grants allocated from all the ongoing plans have been further adjusted in June 2014 due to reverse split of shares. The reason for the adjustments was to maintain the proportional position of the allocated shares in relation to the Company’s outstanding shares since there was a change in the number of the outstanding shares of the Company as a result of the rights offering and the reverse share split.

4. CHIEF EXECUTIVE OFFICER

4.1 Base salary and fringe benefits
The current annual base salary of the CEO is EUR 756 000. The CEO is entitled to a mobile phone benefit and private pension scheme which is described in more detail in section 4.3 below.
4.2 Shares received from incentive programs

No reward was paid to the CEO in 2013 from share-based incentive programs. The CEO has possibility to receive share rewards from Outokumpu’s Performance Share Plan 2012, earnings periods 2012–2014, 2013–2015 and 2014-2016. The share rewards will be delivered in spring 2015, 2016 and 2017 respectively, if the performance targets set for the earnings periods are met.

4.3 Pension arrangements

The CEO is included in a defined contribution pension plan and 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.

4.4 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 other than neglect caused by him, the Company will make a compensation payment. The amount of this payment will equal to the CEO's base salary in the preceding 12 months plus the monetary value of his employee benefits at the moment of termination.

5. SALARIES AND REWARDS PAID TO THE LEADERSHIP TEAM IN 2013

<table>
<thead>
<tr>
<th>2013</th>
<th>Salaries and fees with employee benefits, EUR</th>
<th>Performance/ project-related bonuses, EUR</th>
<th>Share rewards, EUR</th>
<th>Total, EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO Seitovirta</td>
<td>755 040</td>
<td>157 500</td>
<td>-</td>
<td>912 540</td>
</tr>
<tr>
<td>Deputy to the CEO</td>
<td>449 445</td>
<td>77 175</td>
<td>-</td>
<td>526 620</td>
</tr>
<tr>
<td>Other Leadership Team members</td>
<td>2 664 604</td>
<td>353 274</td>
<td>-</td>
<td>3 017 878</td>
</tr>
</tbody>
</table>

3) Short-term incentive payment made in March 2013 based on achievement of 2012 operational objectives.