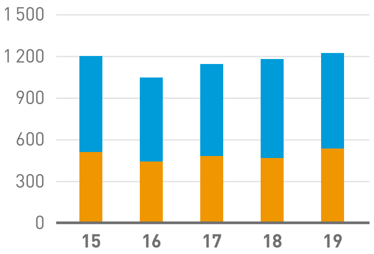
2019 FINANCIAL STATEMENTS AND REPORT BY THE BOARD OF DIRECTORS

CONTENT

Consolidated Financial statements and Parent company Financial statements are audited

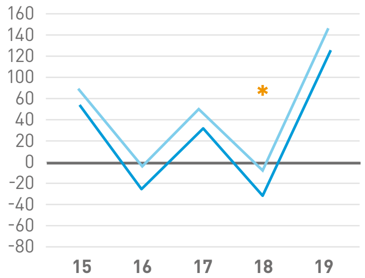
YEAR 2019 IN BRIEF

SALES, EUR MILLION



- Sales
- Service sales

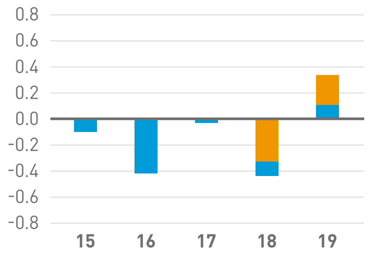
ADJUSTED EBIT* AND ADJUSTED EBITA**, EUR MILLION



- Adjusted EBIT
- Adjusted EBITA
- * aEBIT excluding ilmenite smelter provision

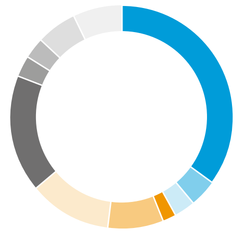
* Excluding restructuring and acquisitions-related items and PPA amortizations
** Excluding all amortizations, as well as adjustment items consisting of restructuring and capacity adjustment costs, costs related to mergers and acquisitions, outcome of material intellectual rights property disputes, gains and losses on business disposals and goodwill impairments

EARNINGS PER SHARE, EUR



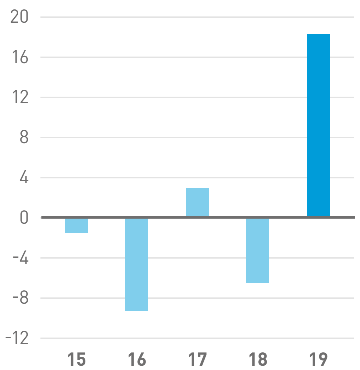
- Continuing and discontinued operations
- Continuing operations

SALES BY MATERIAL, %

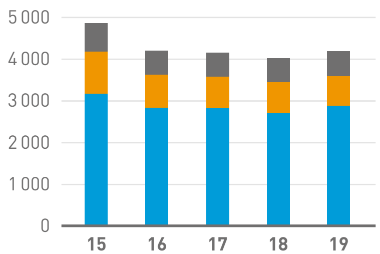


- Copper 38 (37)
- Nickel 8 (5)
- Zinc 5 (3)
- Ferroalloys 6 (3)
- Aluminium 4 (3)
- Iron 7 (12)
- Precious metals 17 (18)
- Lithium 3 (4)
- Other metals 3 (3)
- Energy and environmental solutions (incl. water, sulfuric acid and off-gas) 4 (5)
- Others 6 (7)

RETURN ON INVESTMENT, %

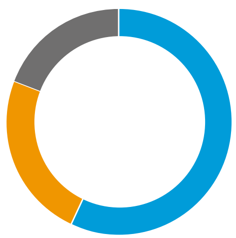


PERSONNEL



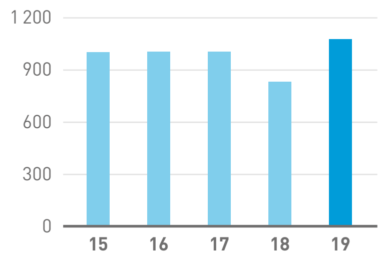
- EMEA
- Americas
- APAC

ORDER INTAKE BY REGION, %



- EMEA 57 (48)
- Americas 24 (30)
- APAC 19 (22)

ORDER BACKLOG, EUR MILLION



PRESIDENT & CEO MARKKU TERÄSVASARA

Our profitability improved significantly.

A YEAR OF MANY NOTABLE ACHIEVEMENTS

In 2019, the market remained active for minerals processing and hydrometallurgical technologies in metals refining and our business developed positively. During the year, demand increased in smelting technologies. Demand for the other technologies of the Metals, Energy & Water segment was low.

Our order intake grew 29% from the previous year and 14% in the last quarter. This contributed to a 29% growth in our year-end order backlog. Sales remained at the previous year's level, due to delays in customers' decision-making as well as postponements in some projects. Our service sales grew by 16%, exceeding our target of growing by above 10% per year. Profitability improved significantly when compared to the previous year due to improved project execution, a few larger project completions and a higher share of services. Net cash flow from operating activities in 2019 was EUR 68 (70) million. We remain confident that the provision of EUR 110 million that we made in the fourth quarter of 2018 concerning the ilmenite smelter project is adequate.

GOOD DEVELOPMENT IN OUR MUST-WIN BATTLES

We continued to strengthen our customer focus, service business, product competitiveness and project capabilities with our must-win battle programs contributing to profitability improvement. We also had good progress in the development of employee engagement and customer satisfaction.

OUTOTEC AND METSO MINERALS: CREATING A NEW LEADING COMPANY IN THE INDUSTRY

The planned merger with Metso's Minerals business that we announced in July was a significant milestone in our history. The complementarity of the strengths of these two companies is significant. Metso Outotec will be a leading company in process technology, equipment and services for the minerals, metals and aggregates industries. At the end of October, shareholders of both companies approved the combination. At the time of financial statements 2019 publication, the closing of the transaction is expected to take place at the end of June 2020, subject to regulatory approvals.

The share of environmental goods and services in our order intake was 90 %.

FOCUS DIRECTED TOWARDS OUR CORE BUSINESSES IN MINERALS PROCESSING AND METALS REFINING

In December, we announced our decision to divest three of our non-core businesses from the Metals, Energy & Water segment. This enables us to focus on our core businesses in minerals processing and metals refining technologies. Concurrently, we renamed the Metals, Energy & Water segment as Metals Refining to reflect this change.

SUSTAINABILITY CONTINUES TO GUIDE OUR EFFORTS

In January 2020, we ranked 18th on the Corporate Knights Global 100 Index of the most sustainable companies, the eighth consecutive year in which we have been included in the Index. Six of our technologies are evaluated against industry baselines on annual basis, and last year enabled our customers to avoid 6.6 million tonnes of CO_2 equivalents. The share of environmental goods and services in our order intake, as measured by criteria defined by the OECD, was 90%.

TOWARDS A MILESTONE YEAR IN OUTOTEC'S HISTORY

I acknowledge that the year with the increased market activity and announced merger and divestments was bringing an additional workload for our personnel. I am impressed by the significant team effort and progress in 2019 and want to thank everyone involved. I would also like to thank our customers and business partners for great cooperation in 2019 and our shareholders for their continued trust in Outotec.

We currently expect the market for 2020 in minerals processing and metals refining to remain at the current level, but the timing of large investments remains uncertain. I am looking forward to 2020 and to the creation of Metso Outotec.

Markku Teräsvasara
President & CEO

REPORT BY THE BOARD OF DIRECTORS 2019

DISCONTINUED OPERATIONS IN 2019

The figures related to the income statement, order intake and order backlog presented in the financial statements relate to continuing operations and the corresponding figures for the comparison period have been restated accordingly. Financial information related to the business divestments in the Metals, Energy & Water segment classified as assets held for sale and discontinued operations (December 10, 2019) is presented in note 5.1. The Metals, Energy & Water segment has been renamed as 'Metals Refining' (MR) to reflect the changes in the continuing business.

MARKET DEVELOPMENT 2019

The market sentiment continued to be stable throughout 2019. Brownfield investments continued at the previous year's level and a few large greenfield investments materialized in minerals processing and metals refining. The Services market continued to develop favorably, both in spare parts and service projects.

The demand for the Minerals Processing segment's equipment as well as related services continued to be solid. Copper, gold and nickel continued to be the most active metals. In the Metals Refining segment, demand in hydrometallurgical technologies for base and precious metals continued to be solid. The activity level improved also in smelting technologies during the year. There were some projects materializing in iron ore pelletizing and sulfuric acid plant solutions. Recurring services continued to be at a good level, and some larger plant service inquiries as well as modernizations also increased when compared to the previous year.

Project financing, environmental permitting and political circumstances continue to delay investments. The competitive environment continued to be intense.

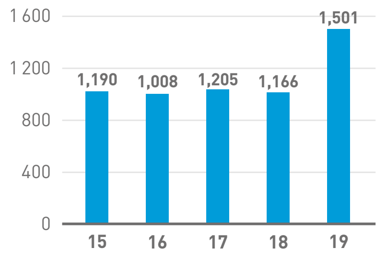
ORDER INTAKE AND BACKLOG

The order intake in 2019 was EUR 1,501 (1,166) million, up 29% from the comparison period. The majority of the increase in 2019 came from two large greenfield orders: a gold processing plant order to Saudi Arabia (approximately EUR 140 million) as well as a copper concentrator and hydrometallurgical plant order to Russia (approximately EUR 250 million).

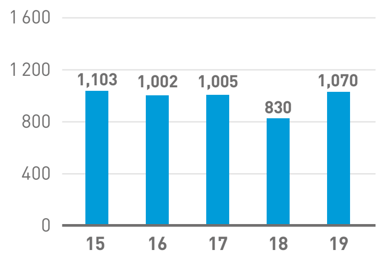
The service order intake in 2019 was EUR 586 (513) million, up 14% from the comparison period. The growth came mainly from spare parts, long-term service agreements and service projects, including a pellet plant modernization project.

Order intake by region, %	2019	Restated 2018
EMEA	**57**	48
Americas	**24**	30
APAC	**19**	22
Total	**100**	100

ORDER INTAKE, EUR MILLION



ORDER BACKLOG, EUR MILLION



Announced orders

Project/location (published)	Value, EUR million	Segment
Two grinding mills to zinc concentrator plant in Mexico (December 12)	typical value 20	Minerals Processing
Copper concentrator modernization in Georgia (November 4)	approx. 10	Minerals Processing
High intensity grinding mills and services for iron magnetite project in Australia (October 18)	approx. 50	Minerals Processing
Greenfield copper concentrator and hydrometallurgical plant to Russia (June 7 & August 8)	approx. 250	Minerals Processing/ Metals Refining
Coated titanium anodes to the new tankhouse for copper electrowinning plant in Norway (October 10)	approx. 10	Metals Refining
Mine paste backfill tailings management system to copper-gold mine in Australia (May 15)	approx. 15	Minerals Processing
Gold processing plant to Saudi Arabia (April 30)	approx. 140	Minerals Processing/ Metals Refining
Pellet plant expansion in Russia, booked to service order intake (March 28)	approx. 15	Metals Refining, Services
Sulfuric acid plant to Morocco (March 13)	approx. 80	Metals Refining
Filtration technology to lithium processing plant in Australia (Feb 5)	approx. 12	Minerals Processing
Mine paste backfill system to nickel mine in Canada (Jan 24)	typical value 20	Minerals Processing

The order backlog at the end of 2019 was EUR 1,070 (830) million. The value of services in the order backlog totaled EUR 208 (193) million. At the end of 2019, Outotec had 13 (19) projects with an order backlog value in excess of EUR 10 million, which accounted for 44 (45)% of the total backlog. It is estimated that roughly 77%, or EUR 820 million of the order backlog at the end of December will be delivered in 2020.

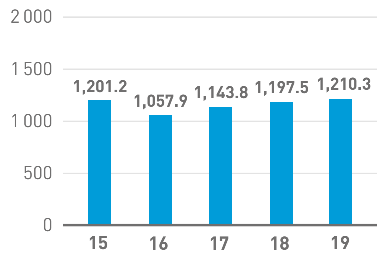
SALES AND FINANCIAL RESULT

Sales in 2019 totaled EUR 1,210 (1,198) million, up 1% from 2018. Service sales increased 16% in 2019, mainly due to spare parts and modernizations. The share of service sales was 45 (39) % of total sales in 2019.

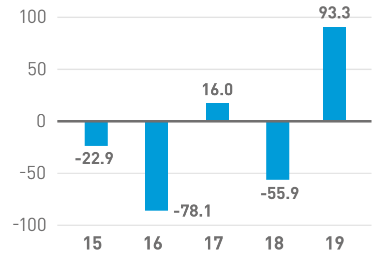
The improvement in the adjusted EBIT for 2019 was mainly due to improved project execution, releases of provisions in few completed projects and higher share of service sales. Negative impacts to adjusted EBIT came from an inventory write-down of approximately EUR 6 million related to old equipment stock, an increase in selling and marketing costs, and bonus costs. The comparison period included EUR 110 million provision related to the ilmenite smelter project.

Fixed costs in 2019 – including selling and marketing, administrative, R&D and fixed delivery expenses – increased 9% from 2018, totaling EUR 266 (245) million, or 22 (20)% of sales.

SALES, EUR MILLION



RESULT BEFORE TAXES, EUR MILLION

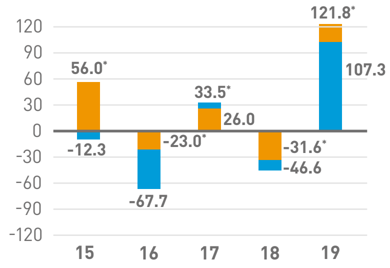


Sales and financial result EUR million	2019	Restated[6] 2018	Change
Sales	**1,210.3**	1,197.5	**1%**
Service sales[1]	**550.1**	472.4	**16%**
Share of service sales, %	**45.5**	39.5	
Gross margin, %	**29.8**	16.6	
Adjusted EBITA[2]	**144.5**	-7.1	
Adjusted EBITA[2], %	**11.9**	-0.6	
Adjusted EBIT[3 4]	**121.8**	-31.6	
Adjusted EBIT[3 4], %	**10.1**	-2.6	
- Restructuring and acquisition-related costs[5]	**-10.2**	-10.6	
- PPA amortization	**-4.3**	-4.4	
EBIT	**107.3**	-46.6	
EBIT, %	**8.9**	-3.9	
Result before taxes	**93.3**	-55.9	
Result for the period, continuing operations	**72.6**	-50.6	
Unrealized and realized exchange gains and losses	**1.2**	-1.3	

[1] Included in the sales figures of the two reporting segments.
[2] Excluding all amortizations, as well as adjustment items consisting of restructuring and capacity adjustment costs, costs related to mergers and acquisitions, outcome of material intellectual rights property disputes, gains and losses on business disposals and goodwill impairments. Since the second quarter of 2019, Outotec has added adjusted EBITA to the reported numbers on the Group level to reflect the planned combination.
[3] Excluding restructuring and acquisition-related items and PPA amortizations.
[4] Adjusted EBIT for 2018 was EUR 78.4 million (6.5%) excluding the provision for the ilmenite smelter project.
[5] Including restructuring-related items of EUR 1.0 (-10.8) million and items related to acquisitions or business combinations of EUR -13.2 (0.3) million. The reporting period also includes the positive impact of a EUR 2.0 million reduction from an earn-out payment liability related to acquisition.
[6] The MEW segment's businesses aluminum, waste-to-energy and sludge incineration have been classified as discontinued operations in 2019. Consequently, the key figures for 2019 related to the statement of income are presented for the continuing operations and comparison figures for 2018 have been restated accordingly.

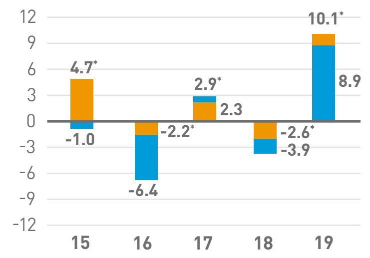
The result before taxes for 2019 was EUR 93 (-56) million. Net finance expenses of EUR 14 (9) million were related to interest costs and the valuation of foreign exchange forward agreements. The net result was EUR 27 (-67) million. The net impact from taxes totaled EUR -21 (5) million. Earnings per share was EUR 0.10 (-0.42), including an accrued hybrid bond interest net of tax of EUR -9 (-9) million.

OPERATING RESULT, EUR MILLION



* excluding restructuring and acquisition-related items as well as PPA amortizations

OPERATING RESULT MARGIN, %



* excluding restructuring and acquisition-related items as well as PPA amortizations

Sales by region EUR million	**2019**	2018	**%**	Change %
EMEA	**569.3**	616.9	**47**	-8
Americas	**390.6**	338.1	**32**	16
APAC	**250.5**	242.5	**21**	3
Total	**1,210.3**	1,197.5	**100**	1

Sales by materials %	**2019**	2018
Copper	**38**	37
Precious metals	**17**	18
Nickel	**8**	5
Iron	**7**	12
Ferroalloys	**6**	3
Zinc	**5**	3
Aluminum	**4**	3
Lithium	**3**	4
Other metals	**3**	3
Energy and environmental solutions (incl. water, sulfuric acid and off-gas)	**4**	5
Others	**6**	7
Total	**100**	100

SEGMENTS

Minerals Processing

Reporting segment – Minerals Processing EUR million	**2019**	2018	Change
Order intake	**1,048.6**	719.3	**46%**
Sales	**799.1**	757.8	**5%**
Service sales	**388.1**	344.3	**13%**
Adjusted EBIT[1]	**81.4**	84.1	
Adjusted EBIT[1], %	**10.2**	11.1	
- Restructuring and acquisition-related costs	**1.0**	-3.0	
- PPA amortization	**-2.7**	-2.7	
EBIT	**79.7**	78.5	
EBIT, %	**10.0**	10.4	

[1] Excluding restructuring and acquisition-related items as well as PPA amortizations

In 2019, the order intake in the Minerals Processing segment grew 46% compared to 2018, primarily as a result of two large greenfield orders. The segment's sales increased by 5%. Service sales increased by 13%, while equipment sales were flat. Service sales growth came mainly from spare parts and long-term service agreements. An inventory write-down of approximately EUR 6 million related to old equipment stock and an increase in selling and marketing costs weakened the profitability of the segment.

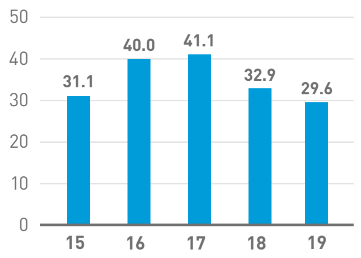
Metals Refining

Reporting segment - Metals Refining EUR million	**2019**	Restated[3] 2018	Change
Order intake	**452.6**	446.5	**1%**
Sales	**411.2**	439.7	**-6%**
Service sales	**162.0**	128.1	**26%**
Adjusted EBIT[1 2]	**46.5**	-110.4	
Adjusted EBIT[1 2], %	**11.3**	-25.1	
- Restructuring and acquisition-related costs	**-0.6**	-3.9	
- PPA amortization	**-1.7**	-1.7	
EBIT	**44.2**	-116.0	
EBIT, %	**10.8**	-26.4	

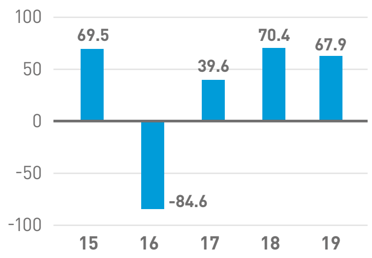
[1] Excluding restructuring and acquisition-related items as well as PPA amortizations
[2] Adjusted EBIT for 2018 was EUR -0.4 million (-0.1%) excluding the provision for the ilmenite smelter project.
[3] Comparison figures related to the income statement have been restated due to business divestments in Metals, Energy & Water segment being classified as discontinued operations.

In 2019, the order intake in the Metals Refining segment increased by 1% from 2018. The segment sales decreased by 6%, primarily due to the lack of orders in the second half of 2018. Service sales increased by 26%, mainly as a result of service projects and plant modernizations. The profitability of the segment increased significantly due to improved project execution and releases of provisions in a few completed projects. The comparison period included a provision of EUR 110 million related to the ilmenite smelter project.

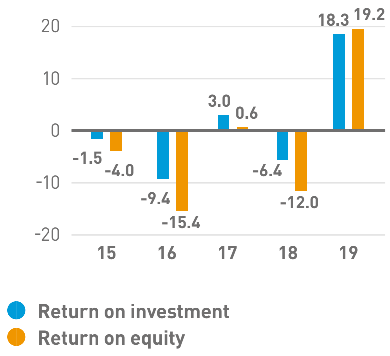
EQUITY RATIO, %



NET CASH FROM OPERATING ACTIVITIES, EUR MILLION



RETURN ON INVESTMENT AND EQUITY, %



BALANCE SHEET, FINANCING AND CASH FLOW

The consolidated balance sheet total on December 31, 2019 was EUR 1,482 (1,358) million.

Outotec's cash and cash equivalents at the end of 2019 totaled EUR 267 (233) million. Net cash flow from operating activities during the reporting period was EUR 68 (70) million. The main impact came from positive developments in trade receivables and payables. The advance and milestone payments received at the end of 2019 totaled EUR 200 (211) million. Advance and milestone payments to subcontractors totaled EUR 57 (49) million. In 2019, Outotec paid annual interest of EUR 11 (11) million for the hybrid bond.

Net interest-bearing debt on December 31, 2019 was EUR 18 (-38) million (December 31, 2019: EUR -44 million, excluding the impact of IFRS 16), and the gearing was 5 (-10)%. Outotec's equity-to-assets ratio was 30 (33)%.

Balance sheet, financing and cash flow EUR million	**2019**	2018
Net cash from operating activities	**67.9**	70.4
Net interest-bearing debt at end of period [1 2]	**18.0**	-38.1
Equity at end of period	**379.2**	377.4
Gearing at end of period, % [1 2]	**4.8**	-10.1
Equity-to-assets ratio at end of period, % [1 2]	**29.6**	32.9
Net working capital at end of period	**-101.0**	-122.9

[1] If the hybrid bond were treated as a liability, the net interest-bearing debt would be EUR 168.0 million, gearing 73.3%, and the equity-to-assets ratio 17.9% on December 31, 2019 (December 31, 2018: EUR 111.9 million, 49.2% and 19.8% respectively).
[2] Key figures excluding the impact of implementing IFRS 16 in 2019 are disclosed in the key figures section.

In 2019, the company's capital expenditure, which was related mainly to IT programs and IPRs, totaled EUR 18 (21) million.

At the end of 2019, guarantees for commercial commitments, including advance payment guarantees issued by the parent and other Group companies, totaled EUR 856 (688) million.

Equity attributable to shareholders of the parent company totaled EUR 376 (374) million, representing EUR 2.07 (2.06) per share. In 2019, equity was impacted by hybrid bond interest net of tax totaling EUR -9 (-9) million, acquisition of 100% in subsidiary of EUR -9 (-0) million, translation differences of EUR 1 (-11) million and the net result of EUR 27 (-67) million.

RESEARCH AND DEVELOPMENT

In 2019, Outotec's research and development expenses represented 5 (5)% of sales.

New products

Outotec launched the following products in 2019:

Tailings dewatering and disposal is a challenge that every mining operation faces. Outotec introduced a 2nd generation Outotec Paste Thickener for consistent and efficient dewatering performance. It is designed to enable consistent and efficient dewatering performance in ever changing process conditions with challenging mineralogy and tailings.

Outotec launched a cost-effective FP-S filter press for standard filtration applications such as filtration in bulk mining, metallurgical refineries, industrial minerals, food, pharma, and biotechnology. It offers efficient solid-liquid separation and is available in a wide range of configurations. Outotec's expert technical services ensure reliable process performance and a long equipment lifecycle.

The grinding mill portfolio was expanded with Outotec's new range of mills and new polymer bearing system. The MH Series Grinding Mill range offers flexible and easily deployable solutions that are cost-effective and easy to operate and maintain across the mill lifecycle. The mills are an ideal choice for customers who value faster overall delivery and lower CAPEX over extensive tailoring and customization options. Along with the new mill offering, Outotec introduced the Outotec® Polymer Hydrostatic Shoe Bearing (HSB) system for large and mid-sized grinding mills. The Polymer HSB system is fitted to all

R&D	2019	2018
R&D expenses, EUR million	**55**	54
New priority applications filed	**28**	26
New national patents granted	**661**	558
Total number of patent families	**775**	761
Total number of national patents and patent applications	**6,928**	6,467

Personnel by region	December 31, 2019	December 31, 2018[1]	Change
EMEA	**2,743**	2,677	66
Americas	**703**	736	-33
APAC	**599**	573	26
Total	**4,045**	3,986	59

[1] The figures for 2018 have been recalculated as FTE (full-time equivalent employees).

new Outotec grinding mills as standard and is designed to maximize grinding mill availability and simplify maintenance, increasing revenue and reducing maintenance costs.

The filtration applications are getting more demanding due to challenging materials, increased cake washing needs, strong acid processes, and finer particles being filtrated. There is an increasing need for technologies that can handle these challenges in a reliable and more automated manner. The new Outotec® Larox® PF-DS meets the challenging process requirements in the chemical process industry and due to the flexible operation, the filter can be used in various applications, e.g. food, pigments, and battery metal slurries.

The Outotec® Modular Paste Backfill Plant (MPB 80) is a high-quality, cost-effective plant solution for underground non-ferrous mining applications with low-range backfill throughput requirements. It is an ideal alternative to installing a concrete batching-style plant that has been reconfigured for producing paste backfill. The plant components are pre-assembled off-site and delivered in larger, pre-engineered modules, enabling a significantly shorter interval between order placement and installation and start-up.

PERSONNEL

At the end of 2019, Outotec had a total of 4,045 (3,986) full-time equivalent employees. During the reporting period, the company had an average of 4,049 (4,050) employees. Temporary personnel accounted for 6 (7)% of the total.

At the end of 2019, the company had, in addition to its own personnel, 417 (373) full-time equivalent contracted professionals working in project execution.

In 2019, salaries and other employee benefits totaled EUR 321 (293) million.

CHANGES IN MANAGEMENT

On November 11, Outotec announced the appointment of Mr. Paul Sohlberg (M.Sc. Law), 42, as interim EVP, President of Minerals Processing business unit and member of Outotec's Executive Board with immediate effect. Mr. Kimmo Kontola, who previously held the position, decided to continue his career outside Outotec.

On February 19, Outotec announced the appointment of Ms. Anna-Maria Tuominen-Reini as Senior Vice President, Sourcing & Manufacturing and member of Outotec's Executive Board.

RESOLUTIONS OF OUTOTEC'S AGM 2019

Outotec Oyj's Annual General Meeting (AGM) was held on March 14, 2019, in Helsinki, Finland. The AGM approved the parent company's financial statements and consolidated financial statements, and discharged the members of the Board of Directors and the President and CEO from liability for the 2018 financial year. The AGM decided that no dividend would be distributed for the financial year ending on December 31, 2018.

The AGM decided that the total number of Board members will be eight (8). Mr. Matti Alahuhta, Mr. Klaus Cawén, Ms. Anja Korhonen, Ms. Hanne de Mora, Mr. Patrik Nolåker and Mr. Ian W. Pearce, were re-elected as members of the Board of Directors for the term expiring at the end of the next AGM. Ms. Anu Hämäläinen and Ms. Teija Sarajärvi were elected as new members. The AGM elected Mr.

Alahuhta as the Chairman and Mr. Pearce as Vice Chairman of the Board of Directors.

The AGM confirmed the Board's remuneration for 2019, of which 60% will be paid in cash and 40% in shares:

- Chairman of the Board of Directors: EUR 72,000
- Members of the Board of Directors: EUR 36,000
- Vice Chairman of the Board and the Chairman of the Audit and Risk Committee: an additional EUR 12,000
- Attendance fee: EUR 600/meeting
- Reimbursement for the direct costs arising from Board-related work

PricewaterhouseCoopers Oy, a firm of Authorized Public Accountants, was re-elected as the company's auditor.

The AGM authorized the Board of Directors to decide on the repurchase and issuance of shares and special rights entitling holders to shares. Both authorizations relate to an aggregate maximum of 18,312,149 (approximately 10%) of the company's own shares. The authorizations will be in force until the closing of the next AGM. The authorizations have not been exercised as of February 6, 2020.

The Board of Directors elected Anu Hämäläinen (Chairman of the Committee), Klaus Cawén, Anja Korhonen, and Ian W. Pearce as members of the Audit and Risk Committee.

Hanne de Mora (Chairman of the Committee), Matti Alahuhta, Patrik Nolåker, and Teija Sarajärvi were elected as members of the Human Capital Committee.

TRADING, MARKET CAPITALIZATION, AND SHAREHOLDERS

Shares on NASDAQ Helsinki (OTE1V)	**2019**
Number of shares traded	**288,623,303**
Total value, EUR	**1,295,090,742**
Highest trading price, EUR	**6.25**
Lowest trading price, EUR	**2.90**
Average trading price, EUR [1]	**4.50**
Trading price at the end of the period, EUR	**5.76**
Nasdaq Helsinki's share of all shares traded, %	**72.5**

[1] Volume-weighted average

	31.12.2019	31.12.2018
Market capitalization, EUR million	**1,054**	563
Number of shareholders	**28,104**	26,523
Nominee registered shareholders (number of registers 11), %	**37.5**	37.9
Finnish private investors, %	**15.7**	16.2

MAJOR SHAREHOLDERS BY DISTRIBUTION OF SHARES 31.12.2019

Number of shares	Number of holdings	% of shareholders	Shares	% of shares
1–100	6,426	22.87	343,889	0.19
101–1,000	15,216	54.14	6,856,029	3.74
1,001–10,000	5,998	21.34	16,867,070	9.21
10,001–100,000	400	1.42	9,426,907	5.15
100,001–1,000,000	46	0.16	14,532,865	7.94
1,000,001+	18	0.06	135,094,732	73.77
Total	28,104	100.00	183,121,492	100.00
In the joint book-entry account	-	-	-	-
In special accounts	-	-	-	-
Number of shares issued	-	-	183,121,492	100.00
Nominee registered	11	0.04	68,069,003	37.17

MAJOR SHAREHOLDERS BY SECTORS 31.12.2019

Sectors	Number of holdings	% of shares
Non-Finnish holders	382	1.73
Finnish institutions, companies and foundations	1,174	82.53
Finnish private investors	26,548	15.74
Total	28,104	100.00
On common and special accounts	-	-
Of which nominee registered	11	37.17

MAJOR SHAREHOLDERS 31.12.2019, AS SORTED BY NUMBER OF SHARES

Shareholders	Shares	% of shares
Solidium Oy	27,265,232	14.89
Varma Mutual Pension Insurance Company	12,209,960	6.67
Ilmarinen Mutual Pension Insurance Company	4,815,000	2.63
OP-Finland Fund	4,622,484	2.52
The State Pension Fund	4,500,000	2.46
Keva	2,650,120	1.45
Holding Manutas Oy	1,800,000	0.98
Investment fund Aktia Capital	1,550 751	0.85
Mandatum Life Insurance Company Limited	1,516 378	0.83
Foundation of Brita Maria Renlunds minne	1,380 000	0.75
Total	62,309,925	34.00

RESOLUTIONS OF OUTOTEC'S EGM 2019

Combination of Outotec and Metso Minerals

On October 29, 2019, the Extraordinary General Meetings (EGMs) of both Metso Corporation and Outotec Oyj approved the proposed partial demerger of Metso and the plan to combine Metso's Minerals business and the Outotec Group to create Metso Outotec Corporation. In the partial demerger of Metso, all assets and liabilities of Metso that relate to, or primarily serve, Metso's Minerals business will transfer without liquidation to Outotec.

Timing of the merger

Outotec and Metso have previously communicated that the completion of the combination of Outotec and Metso's Minerals business is expected to take place in the second quarter of 2020, subject to the receipt of all required regulatory and other approvals, including competition clearances. Considering the progress of the regulatory approval process, Outotec and Metso currently expect the completion of the combination of Outotec and Metso's Minerals business to take place on June 30, 2020, subject to the receipt of all required regulatory and other approvals, including competition clearances.

SHARES AND SHARE CAPITAL

Outotec's shares are listed on the Nasdaq Helsinki exchange (OTE1V). At the end of the reporting period, Outotec's share capital was EUR 17,186,442.52, consisting of 183,121,492 shares. Each share entitles its holder to one vote at the company's general meetings.

OUTOTEC OYJ OWN SHAREHOLDING

At the end of the reporting period, the company directly held a total of 1,271,628 Outotec shares, representing 0.69% of Outotec Oyj's shares and votes.

SHARE-BASED INCENTIVES

Outotec has a Share-based Incentive Program for the company's key personnel as well as an Employee Share Savings Program for all employees globally. All shares related to the programs are acquired through public trading. More detailed information about present and past programs is available at www.outotec.com/cg.

LEGAL DISPUTES

Outotec has no ongoing material litigations or arbitration proceedings.

OTHER MAIN ANNOUNCEMENTS AND EVENTS IN 2019

December 10: Outotec lowered its sales guidance for 2019 due to announced intention to divest three businesses, and delays in certain already received and anticipated orders.

November 29: Outotec and Metso received a clearance from the United States Department of Justice for the combination of Outotec and Metso Minerals.

October 29: Outotec's Extraordinary General Meeting approved the combination of the business operations of Outotec and Metso through a partial demerger of Metso (announced July 4).

October 8: Moody's Investor Service assigns a 'Baa2' and S&P Global Ratings assigns a 'BBB-' credit rating to the future Metso Outotec.

October 7: Outotec signs a EUR 50 million Revolving Credit Facility with OP Corporate Bank as well as a EUR 120 million Forward Start Term Facility with Nordea Bank. Further, Outotec and lenders sign amendment and restatement agreements to the existing EUR 100 million and EUR 60 million RCFs to agree on an extension of the maturity dates to August 31, 2020 at the latest.

October 7: The Finnish Financial Supervisory Authority approves the prospectus prepared for the combination of Outotec and the Metso Minerals Business. October 4: Outotec announced the members of its Nomination Board.

- Annareetta Lumme-Timonen (Solidium Oy)
- Pekka Pajamo (Varma Mutual Pension Insurance Company)
- Mikko Mursula (Ilmarinen Mutual Pension Insurance Company)
- Matti Alahuhta (Chairman of the Board of Directors of Outotec)

July 4: Combination of Outotec and Metso Minerals to create a leading company in process technology, equipment and services serving the minerals, metals and aggregates industries.

June 24: Outotec and Central South University from China to agree on scientific cooperation.

May 10: Outotec sold its fabrication and manufacturing businesses in South Africa and Mozambique.

March 12: Outotec's sustainability report 2018 highlights co-creation for future plants.

January 22: Outotec ranked 12th in the Corporate Knights 2019 Global 100 Index of most sustainable companies in the world.

STATEMENT OF NON-FINANCIAL INFORMATION

Outotec, headquartered in Finland, operates globally with subsidiaries and branch offices in 41 countries. The company develops and delivers leading technologies and services for the sustainable use of Earth's natural resources in the mining, metal and chemical industries. Outotec's deliveries vary from a single piece of equipment to entire processes and plants. The scope typically includes raw material testing, engineering, sourcing, commissioning, training, and life-cycle services.

Sustainable technologies and innovations, Engaged experts, Responsible supply chain, and Health and safety, as well as Ethics, compliance, and governance, which includes working against corruption and respecting human rights, are the most material non-financial topics for Outotec. Outotec has established targets and key performance indicators for each of the material topics in order to steer its sustainability activities.

Outotec reports its economic, social and environmental performance annually in accordance with the Global Reporting Initiative (GRI) Standards: Core option. The Sustainability Report 2019 will be published in March 2020.

Value creation

The key resources for value creation are the deep know-how of Outotec's 4,045 experts, 6,928 national technology patents, and three research and development centers, as well as the Outotec brand, which has been established over the past 150 years serving the industry. In addition, long customer and supplier relationships are essential for the company.

Outotec generates employment and wealth in local communities as an employer and buyer of goods and services. The company also contributes to local communities through university cooperation and subcontracting project as well as R&D work. Outotec technologies often improve the environmental conditions surrounding customers' plants.

Outotec is a compliant tax payer in each country where it operates. The company pursues transparency and non-discrimination in its tax practices and does not engage in aggressive tax planning. In 2019, Outotec's current income taxes were EUR 9.1 million. Outotec neither paid dividends nor contributions to charities in 2019, due to negative earnings per share in 2018. To enhance its ability to create value over the cycle, Outotec aims to maintain its leadership in sustainable technologies and grow its service business.

Policies and risk management system

Outotec's Code of Conduct, approved by the Board of Directors, sets the company's business conduct for all employees. The Code of Conduct, Supplier Policy, HR policies and Donation & Employee Volunteering Policy, as well as Quality, Environment, Health and Safety (QEHS) Policy, all define the basic requirements for Outotec's environmental, social and economic sustainability.

The non-financial risks in this statement have been identified in accordance with the Finnish Accounting Act, separately to the financial risks identified in the Financial Statement section 4.5 Financial Risk Management. Outotec's risk management is based on its Corporate Governance and Enterprise Risk Management policies. Environmental, social and economic sustainability-related risks are covered in the operational risk assessment tool, which is used to assess all projects worth at least EUR one million. Appropriate follow-up actions are defined based on these findings. The company is globally certified to ISO 9001 (quality), ISO 14001 (environment) and ISO 45001 (safety) standards. In addition, the locations in Finland and Germany are certified to ISO 50001 (energy). Internal and external audits are performed regularly.

The Board of Directors' diversity principles are detailed in Outotec's Corporate Governance Statement 2019.

Environmental responsibility

Outotec's most significant environmental impact materializes through its products and services delivered for customers. In line with its Technology Policy, Outotec continuously innovates new technologies as well as develops its existing technologies so that they become increasingly resource efficient.

In the metallurgical industry, emissions and eco-toxic substances can cause negative environmental impacts unless appropriately controlled. In Outotec's value chain, environmental risks lie mainly in the defective use of Outotec technologies and product quality in the supply chain. To mitigate these risks, Outotec offers training and other services to customers, as well as regularly trains and audits its key suppliers.

Sustainable technologies and innovations

Outotec reduces the global metallurgical industry's carbon dioxide (CO_2) and other emissions, by delivering advanced technologies for its customers' industrial processes. The company measures the reduction of CO_2 emissions as its positive impact on the environment (carbon handprint), by the amount of CO_2 emissions avoided by using Outotec technologies. Six of Outotec's technologies are measured against industry baseline on an annual basis. Outotec has two long-term targets related to the environmental performance of its products and services:

1) customers generate 20% less CO_2 when using six Outotec technologies compared to annual industry baselines; and

2) to permantely keep the share of environmental goods and services in the order intake, as measured by OECD defined criteria, above 90%.

In 2019, Outotec's customers generated 6.6 million tonnes less of CO_2 equivalents in the six technology areas, representing a reduction of 16%. The amount of emissions avoided depend on the actual production volumes of the technologies involved. The share of environmental goods and services in the order intake was 90%. Outotec ranked 18th on the Corporate Knights 2020 Global 100 Index of most sustainable companies. This marks the eighth consecutive year Outotec has been included in the list.

Environmental impact of Outotec's own operations

To a lesser degree, the company's environmental impact arises from its own operations. Outotec continuously aims to reduce the impacts of its operations and has annual targets related to CO_2 emissions, energy consumption and waste production. The company also monitors its personnel flight emissions. Only a few of Outotec's operations require an environmental permit, and the risks related to these operations are managed by certified environmental management systems.

Social responsibility and employees

As an international company with global presence, Outotec values diversity at the workplace and treats all employees with integrity. Fair and equal treatment of people regardless of their ethnic origin, nationality, religion, political views, gender, sexual orientation, disability, family status or age is enforced globally. Outotec follows the principle of equal opportunities. Fair and equal treatment is expected from all Outotec employees towards every person in the company and this extends to contractors, vendors, customers and others with whom Outotec interacts with.

Outotec's aim is to develop its organization in a sustainable manner, and strive for the joint benefit of Outotec, as well as its customers and employees. All employees are entitled to good leadership and the opportunity to grow professionally.

Outotec Code of Conduct, QEHS and HR policies (including equality and anti-harassment policy) and HR handbook define the principles for human capital management at Outotec.

Engaged experts

Outotec aims to employ and retain the best experts in the industry. A positive trend in employee engagement is one of the key performance indicators and targets; engagement index and attrition rate are measured regularly. Losing talented and competent employees is a risk, as they are key in maintaining Outotec's position as the leading technology provider.

Outotec implemented a new tool for measuring employee engagement in November 2019. 2019 scores are not directly comparable with the previous employee engagement index, but results indicate that employee engagement has continued to develop positively. The employee engagement score was 7.5/10 (2018: 61%).

Outotec mitigates employee retention risks through various culture and leadership development programs, fair and competitive compensation, talent management and internal job rotation as well as different types of programs designed to support professional growth. Special emphasis is put on supporting the career development of women. The Human Capital Committee of the Board of Directors follows actively the development of job grades and salary equality.

Skill development is important in implementing company strategy. Outotec's global training offering consists of training modules and development programs for different target groups as well a wide variety of technical trainings. The main initiatives in 2019 were continuation of services and project management certification programs, as well as initiation of second rounds in junior metallurgist competence development program and women's mentoring program. In addition, a new supply development program was launched. Outotec's onboarding modules have also been developed actively in 2019. All Outotec managers also participate in leadership development programs and their development in leadership capabilities is actively followed-up.

Health and safety

Outotec targets zero harm in occupational health and safety as well as product safety. There are considerable occupational health and safety risks in the mining and metals processing industry. The safety of products directly impacts the health and safety of employees, contractors and customers. In addition to working at project sites and manufacturing units, commuting to and from sites which often are located in areas that are difficult to access, and have different driving cultures, impose significant health and safety risks for Outotec employees.

Outotec's key indicator for safety, lost-time injuries per million working hours (LTIR), was 0.6 in 2019 (2018: 2.0). For Outotec safety comes first, and the company has focused on safety activities, such as campaigns, hazard management and communication at all levels of organization in 2019. The LTIR reporting covers Outotec's premises, employees and contractors working under Outotec's direct supervision, as well as project sites. All employees and contractors have the right to refuse work that would expose them or other people to a hazard or an incident.

The Product Compliance Management process ensures that the products and services designed and supplied by Outotec worldwide reliably meet all applicable safety requirements during all phases of the product life-cycle. The company follows incidents, hazards and development initiatives through its QEHS management and product compliance management systems, as well as through customer feedback collected after each major delivery and in customer surveys.

Human rights

Outotec respects internationally proclaimed human rights in line with the company's commitment to the United Nations (UN) Guiding Principles on Business and Human Rights. Outotec joined the UN Global Compact Initiative in 2010 and is committed to its principles, as well as to the principles of the Universal Declaration of Human Rights. These commitments are re-iterated in Outotec's Code of Conduct and substantiated in the company's HR, QEHS and Supplier policies.

Potential risks and human rights impacts in Outotec's business relate to project site work in high-risk countries. Outotec has assessed the human rights risks in its own operations, with the focus on service and manufacturing sites. As a result, no significant human rights risks were identified. Outotec has implemented guidelines on working conditions regarding blue collar workers, which were aligned with the UN Guiding Principles.

Responsible supply chain

As the majority of Outotec's manufacturing is sourced from external suppliers, there are potentially more human rights-related risks in the supply chain than in Outotec's own operations. Suppliers are assessed and audited based on risk categorization. Country risk is one criterion in determining the scope of the supplier assessment. To mitigate sustainability risks, suppliers are required to commit to Outotec's Supplier Policy, which reflects the principles of the company's Code of Conduct.

Outotec regularly audits its key suppliers on quality, health and safety as well as human rights-related issues. Supplier development actions are drawn up according to audit findings. Outotec audited 34% of its key suppliers in 2019 (2018: 15%). The long-term target is to audit all key suppliers regularly according to this criteria, with supplier development actions drawn up according to audit findings.

Anti-corruption and bribery

Outotec endorses responsible business practices and complies with national and international laws and regulations. The company has zero tolerance against corruption, works against corruption in all its forms and requires its suppliers and business partners to follow the same principles and fully comply with all applicable anti-corruption laws. Outotec's Code of Conduct, Anti-Corruption Policy, Anti-Money Laundering Policy, Export Control Policy, Agent Policy, and Operational Risk Management Policy are the key policies that define the anti-corruption measures required from Outotec's employees, agents and suppliers.

To mitigate risks related to corruption and bribery, all employees have to participate in e-learning on the Code of Conduct or attend related classroom training on a regular basis. During 2019, updated Code of Conduct training material was distributed to all employees and contractors with daily access to a computer for self-study. A new Code of Conduct e-learning campaign is planned for 2020. In addition, all Outotec's senior managers are required to confirm their compliance with Outotec's Code of Conduct requirements, and the senior managers with business responsibilities are also required to complete an e-learning module of internal controls.

The company conducts compliance checks on new customers, suppliers and selected other third parties through a newly established third-party screening tool, a portal that is linked to Outotec's customer relationship management and supplier data management systems. All sales agents are further required to confirm their compliance with the company's Code of Conduct requirements.

Outotec's Compliance helpline, which is accessible through Outotec's dedicated internal Compliance portal, intranet, and externally through Outotec's website is available for anyone to raise concerns related to corruption, human rights, or any illegal and/or unethical behavior. All concerns raised are treated confidentially, and there is a clear no-retaliation policy. The Chief Compliance Officer reports compliance cases and actions taken quarterly to the Audit and Risk Committee of Outotec's Board of Directors. Compliance investigations led to the termination of twelve (2018: six) employment contracts during 2019. Outotec did not have to pay any fines or fulfil any non-monetary sanctions for non-compliance with compliance laws in 2019.

SHORT-TERM RISKS AND UNCERTAINTIES

Major investments continue to develop slowly, and new investments may either be delayed or existing projects placed on hold or canceled. There is also the continued risk of credit loss, especially in receivables from emerging markets. The supply situation may tighten, which may cause delays or price increases. Any uncertainty in the global macroeconomic environment, especially China's economic outlook and the recent outbreak of coronavirus, may impact the demand for metals, as well as Outotec's operations and financial results.

Outotec has a risk that disputes related to project execution, may result in extra costs and/or penalties. In the contracts related to the delivery of major projects, the liquidated damages attributable to, for instance, delayed delivery or non-performance may be significant. In particular, Outotec has identified a significant risk of claims related to a few large projects. This could in turn lead to decreasing headroom under the financial covenants related to capital structure and liquidity.

KEY NON-FINANCIAL PERFORMANCE INDICATORS

Non-financial topic	Target for 2019	Key performance indicators	2019	2018
Environmental				
Sustainable technologies and innovations	20% reduction in CO_2 emissions to be achieved using Outotec's metals-related technologies, compared to annual industry baselines.	Reduction in CO_2 emissions through using six of Outotec's metals-related technologies compared to annual industry baselines[1]	**16%**	15%
	EGS to account for over 90% of order intake.	The share of environmental goods and services in order intake[2]	**90%**	90%
Social and employees				
Health and safety	To minimize the global lost time injury rate Outotec conducts active safety training and hazard reporting	Lost time injuries per million work hours[3]	**0.6**	2.0[4]
Engaged experts	Improvement of 4%-points in the employee engagement index compared to the 2018 employee survey results.	Employee engagement index[5]	**7,5/10**	61%
Human rights				
Responsible supply chain	Auditing 30% of key suppliers globally	Key suppliers audited[6]	**34%**	15%
Anti-corruption and bribery				
Ethics, compliance and governance	90% of Outotec's employees trained on Code of Conduct.	Percentage of permanent employees with daily computer access who completed Code of Conduct training[7]	**not measured**	94%

[1] This positive impact to combat climate change, the handprint, is measured by the emissions avoided by the metallurgical industry using six Outotec metals-related technologies. Emissions avoided are annually calculated compared to industry baselines concerning six of our technologies.
[2] Outotec's benchmark is the definition of Environmental Goods and Services (EGS) made by the Organisation for Economic Co-operation and Development (OECD). This definition covers goods and services used to measure, prevent, limit, minimize or correct environmental damage to water, air and soil, as well as problems related to waste, noise and ecosystems.
[3] Includes employees and supervised workers.
[4] Figure has been restated due to incorrect classification.
[5] Outotec implemented a new tool for measuring employee engagement in November 2019 and the scores are not fully comparable with the previous employee engagement index (scale 2017-2018 was 1-100 and 2019 it was 1-10).
[6] In 2019, Outotec had approximately 2,600 active direct suppliers, of which 211 were categorized as key suppliers.
[7] During 2019, updated Code of Conduct training material was distributed to all employees and contractors with daily access to a computer for self-study with a new eLearning campaign targeted for 2020.

Outotec has made a EUR 110 million provision for possible costs relating to the ilmenite smelter project in Saudi Arabia (Stock Exchange Releases on May 31, 2012; October 26, 2018; October 30, 2018 and February 8, 2019). The current estimated provision was based on the progress made with the analysis of the furnace. The provision was recorded in Outotec's fourth quarter 2018 result. The outcome of the analysis, together with other factors such as Outotec's contractual position, will determine the eventual liability and financial impact of this incident for Outotec.

Risks related to Outotec's business operations are high in certain markets, such as the Middle East, Russia, the Democratic Republic of Congo and Turkey. The geopolitical situation, including risk of trade wars, Brexit, sanctions, security situations, economic conditions, and regulatory environments may change rapidly, causing ongoing business to be delayed, suspended or canceled; or may completely prevent Outotec from operating in these areas. This may result in a material impact on Outotec's financial results and valuation of its assets.

Outotec is involved in a few disputes that may lead to arbitration and court proceedings. Differing interpretations of international contracts and laws may cause uncertainty in estimating the outcome of these disputes. The enforceability of contracts in certain market areas may be challenging or difficult to foresee. Moreover, Outotec is subject to local laws and regulations and is committed to conducting business in a legal and ethical manner in compliance with the laws and regulations applicable to its business. Nevertheless, there is a risk that Outotec's employees, suppliers, agents or other representatives may act in a way that violates applicable laws and regulations or they may act unethicall. This may make Outotec subject to investigations and may cause financial losses and damages to Outotec.

More information about Outotec's business risks and risk management is available in the Notes to the Financial Statements and on the company's website at www.outotec.com/investors.

MAIN EVENTS AFTER THE END OF 2019

On January 31, Outotec introduced a major version upgrade to Outotec® HSC Chemistry® process modeling platform, widely used in the metallurgical and chemical industry and universities for R&D, process design, and training workshops.

On January 30, Outotec and Neste introduced 100% bio-based diluent as a new solution for metals extraction.

On January 28, Outotec announced Outotec® Pretium Water Advisor to improve sustainability of mining operations through monitoring and optimizing mine water use.

On January 21, Outotec announced that it has been ranked 18th on the Corporate Knights 2020 Global 100 Index of most sustainable companies. This marks the eighth consecutive year Outotec is included in the Global 100 list.

On January 8, Outotec announced that it has been awarded a Gold level recognition for its corporate responsibility practices third consequitive year and ranked in the top 5% of companies evaluated by EcoVadis.

OUTLOOK FOR 2020

The market activity in minerals processing and metals refining is currently expected to remain at present level. Copper, gold and nickel projects are expected to continue to be the most active. The timing of large investments is uncertain.

Outotec will not issue Group financial guidance for 2020, as the combination of Outotec and Metso's Minerals business is currently expected to take place on June 30, 2020. This remains subject to the receipt of all required regulatory and other approvals, including competition clearances.

BOARD OF DIRECTORS' PROPOSAL FOR PROFIT DISTRIBUTION

The Board of Directors of Outotec proposes to the 2020 annual general meeting that a dividend of EUR 0.10 per share be paid from Outotec Oyj's distributable funds for December 31, 2019, and that any remaining distributable funds be allocated to retained earnings. According to the financial statements for December 31, 2019, the parent company's distributable funds total EUR 243.8 million. There have been no substantial changes in the financial position of the company after the balance sheet date.

Corporate governance statement

The corporate governance statement has been issued as a separate statement and is available on Outotec's website www.outotec.com/cg.

Espoo, February 6, 2020

Board of Directors
Matti Alahuhta
Ian W. Pearce
Klaus Cawén
Anu Hämäläinen
Anja Korhonen
Hanne de Mora
Patrik Nolåker
Teija Sarajärvi
Markku Teräsvasara, President and CEO

KEY FINANCIAL FIGURES

Key financial figures of the Group		**2019**	Restated 2018	2017[1]	2016	2015
Scope of activity						
Sales	EUR million	**1,210.3**	1,197.5	1,143.8	1,057.9	1,201.2
change in sales	%	**1.1**	4.7	8.1	-11.9	-14.4
exports from and sales outside Finland, of total sales	%	**96.3**	97.9	96.7	93.4	98.0
Capital expenditure	EUR million	**18.1**	21.4	20.7	21.6	104.8
in relation to sales	%	**1.5**	1.8	1.8	2.0	8.7
Research and development expenses	EUR million	**55.3**	54.1	55.6	55.2	61.2
in relation to sales	%	**4.6**	4.5	4.9	5.2	5.1
Personnel at December 31 [2]		**4,045**	3,986	4,146	4,192	4,859
average for the year [2]		**4,049**	4,050	4,149	4,344	4,855
Order backlog at the end of the period	EUR million	**1,069.6**	830.3	1,005.4	1,002.1	1,102.8
Order intake	EUR million	**1,501.2**	1,165.9	1,204.6	1,007.7	1,189.9
Profitability						
Operating result	EUR million	**107.3**	-46.6	26.0	-67.7	-12.3
in relation to sales	%	**8.9**	-3.9	2.3	-6.4	-1.0
Result before taxes	EUR million	**93.3**	-55.9	16.0	-78.1	-22.9
in relation to sales	%	**7.7**	-4.7	1.4	-7.4	-1.9
Gross margin	%	**29.8**	16.6	23.6	22.1	27.9
Return on equity	%	**19.2**	-12.0	0.6	-15.4	-4.0
Return on investment	%	**18.3**	-6.4	3.0	-9.4	-1.5
Financing and financial position						
Equity-to-assets ratio at the end of the period	%	**29.6**	32.9	41.1	40.0	31.1
Gearing at the end of the period	%	**4.8**	-10.1	-1.2	-0.9	9.9
Net interest-bearing debt	EUR million	**18.0**	-38.1	-5.5	-4.5	39.9
Net cash from operating activities	EUR million	**67.9**	70.4	39.6	-84.6	69.5
Dividends	EUR million	**18.2**[3]	-	-	-	-

[1] The 2017 figures have been restated due to adoption of the IFRS 15 standard.
[2] The personnel figures are presented as FTE (full-time equivalent employees). The 2018 figures have been recalculated as FTE retrospectively. Previous years include all employees.
[3] The Board of Directors' proposal to the Annual General Meeting on March 11, 2020.

The MEW segment's businesses aluminum, waste-to-energy and sludge incineration have been classified as discontinued operations in 2019. Consequently, the key figures for 2019 related to the statement of income are presented for the continuing operations and comparison figures for 2018 have been restated accordingly. The key figures for 2017-2015 related to the statement of income have not been restated due to the discontinued operations.

KEY FIGURES EXCLUDING IMPACT OF IMPLEMENTING IFRS 16

		2019
Net interest-bearing debt	EUR million	**-44.2**
Gearing	%	**-11.7**
Equity-to-assets ratio	%	**31.1**
Return on investment, LTM	%	**18.9**

RECONCILIATION OF ADJUSTED EBIT AND EBITA

		2019	Restated 2018	2017[1]	2016	2015
Operating result	EUR million	**107.3**	-46.6	26.0	-67.7	-12.3
Restructuring and acquisition-related costs	EUR million	**10.2**	10.6	0.2	37.2	58.9
PPA amortization	EUR million	**4.3**	4.4	7.3	7.4	9.4
Adjusted EBIT[2]	EUR million	**121.8**	-31.6	33.5	-23.0	56.0
Adjusted EBIT[2]	%	**10.1**	-2.6	2.9	-2.2	4.7
Amortization on intangible assets (other than PPA)	EUR million	**22.7**	23.3	20.8	20.8	15.9
Impairment on intangible assets[3]	EUR million	**-**	1.3	0.2	0.8	0.0
Adjusted EBITA[4]	EUR million	**144.5**	-7.1	54.5	-1.4	71.9
Adjusted EBITA[4]	%	**11.9**	-0.6	4.8	-0.1	6.0

[1] The 2017 figures have been restated due to adoption of the IFRS 15 standard.
[2] Excluding restructuring and acquisition-related costs and PPA amortizations.
[3] Part of impairments on intangible assets that is included in restructuring and acquisition-related costs in the table above.
[4] Excluding all amortizations, as well as adjustment items comprising of restructuring and capacity adjustment costs, costs related to mergers and acquisitions, outcome of material intellectual right property disputes, gains and losses on business disposals and goodwill impairments

The MEW segment's businesses aluminum, waste-to-energy and sludge incineration have been classified as discontinued operations in 2019. Consequently, the key figures for 2019 related to the statement of income are presented for the continuing operations and comparison figures for 2018 have been restated accordingly. The key figures for 2017-2015 related to the statement of income have not been restated due to the discontinued operations.

QUARTERLY INFORMATION (UNAUDITED)

EUR million	**Q4/17**	Restated Q1/18	Restated Q2/18	Restated Q3/18	**Restated Q4/18**	Restated Q1/19	Restated Q2/19	Restated Q3/19	**Q4/19**
Order intake									
Minerals Processing	**239.6**	162.5	183.8	189.0	**184.1**	193.6	255.0	332.0	**268.0**
Metals Refining	**126.2**	168.5	158.8	20.0	**99.2**	138.6	144.9	114.3	**54.9**
Total	**365.8**	331.0	342.6	209.0	**283.3**	332.2	399.9	446.3	**322.9**
Sales									
Minerals Processing	**201.2**	159.9	193.0	187.3	**217.7**	161.6	196.9	212.5	**228.2**
Metals Refining	**139.7**	108.2	117.4	112.1	**101.9**	84.0	122.2	97.5	**107.6**
Unallocated items[1] and intra-group sales	**-0.1**	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**
Total	**340.8**	268.1	310.4	299.5	**319.6**	245.6	319.0	309.9	**335.8**
Adjusted EBIT (aEBIT)									
Minerals Processing	**22.2**	15.6	17.5	21.7	**29.4**	15.9	21.3	24.5	**19.6**
Metals Refining	**-1.9**	-4.6	-2.9	2.7	**-105.6**	-0.8	5.3	23.1	**18.8**
Unallocated items[2] and intra-group items	**-2.0**	-1.4	-1.8	-1.4	**-0.8**	-1.2	-1.6	-1.6	**-1.6**
Total	**18.3**	9.6	12.8	23.0	**-77.1**	13.9	25.0	46.0	**36.9**
Operating result									
Minerals Processing	**21.1**	15.0	15.7	20.8	**27.1**	15.3	20.7	25.9	**17.8**
Metals Refining	**-2.9**	-5.0	-6.4	3.1	**-107.7**	-1.3	5.0	22.7	**17.8**
Unallocated items[2] and intra-group items	**-2.0**	-1.4	-5.0	-1.9	**-0.9**	-1.3	-3.4	-3.1	**-8.8**
Total	**16.2**	8.6	4.4	22.0	**-81.5**	12.7	22.3	45.5	**26.8**
Order backlog at the end of period	**1,005.4**	962.6	953.7	889.0	**830.3**	926.9	1,052.0	1,117.7	**1,069.6**

[1] Unallocated items primarily include invoicing of group management and administrative services.
[2] Unallocated items primarily include group management and administrative services.

The MEW segment's businesses aluminum, waste-to-energy and sludge incineration have been classified as discontinued operations in 2019 and have been presented separately from the contiuing operations. The figures for 2019 related to the statement of income are disclosed for the continuing operations and the comparison figures for 2018 and Q1-Q3 2019 have been restated accordingly.

SHARE-RELATED KEY FIGURES

Share-related key figures

		2019	2018	2017[1]	2016	2015
Earnings per share, continuing operations	EUR	**0.35**	-0.33	-	-	-
Earnings per share, discontinued operations	EUR	**-0.25**	-0.09	-	-	-
Earnings per share	EUR	**0.10**	-0.42	-0.03	-0.42	-0.10
Equity per share	EUR	**2.07**	2.06	2.56	2.73	2.22
Dividend per share	EUR	**0.10**[2]	-	-	-	-
Dividend payout ratio	%	**99**	-	-	-	-
Dividend yield	%	**1.7**	-	-	-	-
Price/earnings ratio		**16.4**	-7.3	-219.8	-11.9	-34.0
Development of share price						
Average trading price	EUR	**4.50**	5.79	6.03	3.91	4.74
Lowest trading price	EUR	**2.90**	2.86	4.88	2.49	3.11
Highest trading price	EUR	**6.25**	8.53	7.41	5.63	6.85
Trading price at the end of the period	EUR	**5.76**	3.07	7.10	4.99	3.40
Market capitalization at the end of the period	EUR million	**1,054.4**	562.9	1,300.2	914.1	622.6
Development in trading volume						
Trading volume	1,000 shares	**288,623**	261,445	246,699	283,187	236,182
In relation to weighted average number of shares	%	**158.9**	144.0	136.1	156.4	130.5
Adjusted average number of shares		**181,669,314**	181,546,715	181,305,030	181,123,686	180,959,804
Number of shares at the end of the period[3]		**181,710,115**	181,610,134	181,419,563	181,226,109	180,956,227

[1] The 2017 figures have been restated due to adoption of the IFRS 15 standard.
[2] The Board of Directors' proposal to the Annual General Meeting on March 11, 2020.
[3] Number of registered shares at December 31, 2019 was 183,121,492 (at December 31, 2018: 183,121,492).

DEFINITION OF KEY FINANCIAL FIGURES

Change in comparable currencies	=	Reporting period's figures converted using foreign exhange rates during the comparison period
Gross margin, %	=	$\frac{\text{Sales - cost of sales}}{\text{Sales}} \times 100$
Adjusted EBITA (aEBITA)	=	Operating result excluding all amortizations, as well as adjustment items comprising of restructuring and capacity adjustment costs, costs related to mergers and acquisitions, outcome of material intellectual rights property disputes, gains and losses on business disposals and goodwill impairments
Adjusted EBIT (aEBIT)	=	Operating result excluding restructuring-related items, items related to mergers and acquisitions, purchase price allocation (PPA) amortizations, and goodwill impairments
Earnings per share	=	$\frac{\text{Result for the period attributable to the equity holders of the parent company - hybrid loan interest, net of tax}}{\text{Avarage number of shares during the period}}$
Diluted earnings per share	=	$\frac{\text{Result for the period attributable to the equity holders of the parent company - hybrid loan interest, net of tax}}{\text{Diluted number of shares during the period}}$
Net interest-bearing debt	=	Borrowings + lease liabilities - other shares and securities - loan receiveables - interest bearing trade and other receivabales - cash and cash equivalents
Gearing		$\frac{\text{Net interest-bearing debt}}{\text{Total equity}} \times 100$
Equity-to-assets ratio	=	$\frac{\text{Total equity}}{\text{Total assets – net advances received}} \times 100$
Equity per share	=	$\frac{\text{Total equity attributable to the equity holders of the parent}}{\text{Number of shares at the end of the period}}$
Net working capital	=	Trade and other receivables (excl. accrued interests) + inventories + derivative financial instruments (assets) - pension obligations - provisions - trade and other payables (excl. accrued interests) - derivative financial instruments (liabilities)
Capital expenditure	=	Additions in intagible assets and property, plant and equipment
Research and development expenses		Research and development expenses in the statement of comprehensive income (including expenses covered by grants received)
Return on investment (last 12 months)	=	$\frac{\text{Operating result + finance income (last 12 months)}}{\text{Total equity + borrowings + lease liabilities (12 months' average)}} \times 100$
Return on equity (last 12 months)	=	$\frac{\text{Result for the period (last 12 months)}}{\text{Total equity (average for the 12 months)}} \times 100$
Dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Number of shares outstanding at the end of the period}}$
Dividend payout ratio	=	$\frac{\text{Dividend for the financial year}}{\text{Result for the period attributable to the equity holders of the parent company}} \times 100$
Dividend yield	=	$\frac{\text{Dividend per share}}{\text{Adjusted trading price at the end of the period}} \times 100$
Price/earnings ratio (P/E)	=	$\frac{\text{Adjusted trading price at the end of the period}}{\text{Earnings per share}}$
Average trading price	=	$\frac{\text{EUR amount traded during the period}}{\text{Number of shares at the end of period}}$
Market capitalization at end of the period	=	Number of shares at the end of period × trading price at the end of the period
Trading volume	=	Number of shares traded during the period, and in relation to the weighted average number of shares during the period

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

ABOUT THIS REPORT

Accounting principles and accounting estimates and judgements are presented together with the relevant note. The aim is to improve the presentation of the operating performance, what assets were used in the business operations and how they were financed.

Accounting principles

Accounting principles are presented on an orange background.

Accounting estimates and judgements

Accounting estimates and judgements are presented on a grey background.

Highlights and management's comments are marked with orange.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	2019	Restated[1] 2018
Continuing operations			
Sales	1.1-1.2	**1,210.3**	1,197.5
Cost of sales	1.3	**-850.1**	-998.5
Gross profit		**360.2**	199.0
Other income	1.5	**8.6**	0.8
Selling and marketing expenses	1.3	**-117.4**	-108.0
Administrative expenses	1.3	**-76.7**	-71.0
Research and development expenses	1.3	**-55.3**	-54.1
Other expenses	1.5	**-12.8**	-13.6
Share of results of associated companies	3.4	**0.7**	0.3
Operating result		**107.3**	-46.6
Finance income	4.4	**6.5**	6.1
Finance expenses	4.4	**-17.2**	-13.2
Market price gains and losses	4.4	**-3.2**	-2.2
Net finance income and expenses		**-13.9**	-9.3
Result before income taxes		**93.3**	-55.9
Income tax expenses	1.7	**-20.7**	5.3
Result for the period from the continuing operations		**72.6**	-50.6
Result for the period from the discontinued operations	5.1	**-45.3**	-16.7
Net profit for the period		**27.4**	-67.3

Operating resut for 2018 was impacted by the Ilmenite Smelter project provision of EUR 110 million

EUR million	Note	2019	Restated[1] 2018
Result for the period attributable to:			
Equity holders of the parent company		**27.3**	-67.3
Non-controlling interest		**0.1**	-0.0
Basic and diluted earnings per share for result attributable to the equity holders of the parent company:			
Earnings per share. continuing operations. EUR	1.6	**0.35**	-0.33
Earnings per share. discontinued operations. EUR	1.6	**-0.25**	-0.09
Earnings per share. EUR	1.6	**0.10**	-0.42
Other comprehensive income			
Continuing and discontinued operations			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit obligations		**-13.8**	0.8
Changes in the fair value of other shares and securities		**-0.0**	-0.1
Income tax related to items that will not be reclassified to profit or loss		**3.9**	-0.1
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations		**1.2**	-10.7
Cash flow hedges		**0.3**	-4.6
Income tax related to items that may be reclassified to profit or loss		**-0.1**	0.6
Other comprehensive income for the period		**-8.5**	-14.0
Total comprehensive income for the period		**18.8**	-81.3
Total comprehensive income for the period attributable to:			
Equity holders of the parent company		**18.8**	-81.1
Non-controlling interest		**0.1**	-0.1

[1] Comparison figures related to the income statement have been restated due to business divestments in the Metals, Energy & Water segment being classified as discontinued operations.

The notes on pages 29 to 82 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	**31.12.2019**	31.12.2018
ASSETS			
Non-current assets			
Intangible assets	3.2-3.3	**318.2**	338.4
Property, plant and equipment	3.2	**42.5**	53.3
Right-of use assets [1]	3.2, 5.4	**61.6**	-
Deferred tax assets	1.7	**72.3**	78.2
Investments in associated companies	3.4	**1.4**	0.8
Other shares and securities	3.5	**1.6**	1.6
Derivative financial instruments	4.6	**0.5**	2.8
Loan receivables	4.2	**1.5**	4.1
Trade and other receivables	2.2, 4.2	**2.0**	2.3
Total non-current assets		**501.7**	481.5
Current assets			
Inventories	2.1	**196.2**	208.9
Derivative financial instruments	4.6	**6.0**	6.0
Current tax assets		**9.8**	10.6
Trade and other receivables	2.2, 4.2	**443.3**	417.4
Cash and cash equivalents	4.3	**267.4**	233.4
Total current assets		**922.7**	876.3
Disposal group assets classified as held for sale	5.1	**57.4**	-
TOTAL ASSETS		**1,481.9**	1,357.8

EUR million	Note	**31.12.2019**	31.12.2018
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent company		**376.1**	374.4
Non-controlling interest		**3.1**	3.0
Total equity	4.1	**379.2**	377.4
Non-current liabilities			
Borrowings	4.2	**1.0**	178.1
Lease liabilities [1]	5.4	**48.4**	-
Derivative financial instruments	4.6	**0.1**	0.6
Deferred tax liabilities	1.7	**7.5**	7.7
Pension obligations	5.3	**68.5**	55.9
Provisions	2.4	**50.3**	50.2
Trade and other payables	2.3	**6.8**	7.1
Total non-current liabilities		**182.6**	299.5
Current liabilities			
Borrowings	4.2	**225.3**	23.0
Lease liabilities [1]	5.4	**13.8**	-
Derivative financial instruments	4.6	**7.7**	8.8
Current tax liabilities		**10.7**	8.4
Provisions	2.4	**77.5**	110.9
Trade and other payables	2.3	**541.9**	529.8
Total current liabilities		**876.8**	680.9
Total liabilities		**1,059.4**	980.4
Liabilities directly associated with assets classified as held for sale	5.1	**43.3**	-
TOTAL EQUITY AND LIABILITIES		**1,481.9**	1,357.8

[1] This item has been recognized through implementation of IFRS 16.

including the provision made for the ilmenite smelter project

The notes on pages 29 to 82 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Note	2019	2018
Cash flows from operating activities			
Result for the period		**27.4**	-67.3
Adjustments for			
Taxes	1.7	**21.3**	-8.2
Depreciation and amortization	3.2	**51.9**	38.6
Impairment	3.2, 4.4	**2.8**	2.0
Share of results of associated companies	3.4	**-0.7**	-0.3
Gains and losses on disposal of property, plant and equipment	1.5	**-3.6**	0.0
Interest income	4.4	**-6.1**	-5.2
Dividend income	4.4	**-0.4**	-0.9
Interest expense	4.4	**9.4**	6.9
Other adjustments		**3.6**	-2.1
		78.1	30.9
Change in working capital			
Increase (-) and decrease (+) in trade and other receivables	2.2	**-44.6**	-33.9
Increase (-) and decrease (+) in inventories	2.1	**6.4**	-17.4
Increase (+) and decrease (-) in trade and other payables	2.3	**26.0**	50.3
Decrease (-) and increase (+) in provisions	2.4	**-16.6**	113.6
		-28.8	112.6
Dividend received		**0.4**	0.9
Interest received		**6.1**	5.1
Interest paid		**-8.7**	-5.7
Income tax paid		**-6.5**	-6.2
Net cash from operating activities		**67.9**	70.4

EUR million	Note	2019	2018
Cash flows from investing activities			
Purchases of property, plant and equipment	3.2	**-8.6**	-8.9
Purchases of intangible assets	3.2	**-9.8**	-12.7
Acquisition of subsidiaries and business operations	4.1	**-9.3**	-0.5
Acquisition of shares in associated companies	3.4	**-**	-0.2
Proceeds from sale of intangible and tangible assets	3.2	**0.3**	0.9
Proceeds from disposal of subsidiaries		**-**	0.0
Net cash used in investing activities		**-27.4**	-21.3
Cash flows from financing activities			
Repayments of non-current debt (-)	4.2	**-0.3**	-4.4
Decrease in current debt (-)	4.2	**-64.3**	-33.2
Increase in current debt (+)	4.2	**89.6**	10.0
Repayments of lease liabilities [1]	5.4	**-14.1**	-
Interest paid on hybrid bond		**-11.1**	-11.1
Cash outflows from other financing activities		**-1.1**	-
Cash inflows from other financing activities		**-**	0.4
Net cash used in financing activities		**-1.4**	-38.3
Net change in cash and cash equivalents		**39.1**	10.8
Cash and cash equivalents at January 1		**233.4**	230.2
Foreign exchange rate effect on cash and cash equivalents		**-1.2**	-7.7
Cash classified as assets held for sale	5.1	**-4.0**	-
Net change in cash and cash equivalents		**39.1**	10.8
Cash and cash equivalents at December 31	4.3	**267.4**	233.4

[1] This item has occurred through implementation of IFRS 16.

Figures in consolidated statement of cash flows include both continuing and discontinued operations.

The notes on pages 29 to 82 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company										
EUR million	Share capital	Share premium fund	Fair value and other reserves	Treasury shares	Reserve for invested non-resticted equity	Hybrid bond	Cumulative translation differences	Retained earnings	Total, attributable to holders of parent company	Non-controlling interest	Total equity
Equity at January 1, 2018	**17.2**	**20.2**	**-15.0**	**-15.0**	**96.6**	**150.0**	**-16.7**	**226.6**	**463.8**	**3.2**	**466.9**
IFRS 9 restatement [1]	-	-	-	-	-	-	-	-0.8	-0.8	-	**-0.8**
IFRS 2 restatement [1]	-	-	-	-	-	-	-	0.8	0.8	-	**0.8**
Restated equity at January 1, 2018	17.2	20.2	-15.0	-15.0	96.6	150.0	-16.7	226.6	463.8	3.2	**466.9**
Result for the period	-	-	-	-	-	-	-	-67.2	-67.2	-0.0	**-67.3**
Other comprehensive income for the period	-	-	-3.3	-	-	-	-10.5	-	-13.9	-0.1	**-14.0**
Total comprehensive income for the period	-	-	-3.3	-	-	-	-10.5	-67.2	-81.1	-0.1	**-81.3**
Hybrid bond interest (net of tax)	-	-	-	-	-	-	-	-8.9	-8.9	-	**-8.9**
Share-based compensation	-	-	-	2.5	1.7	-	-	-3.8	0.4	-	**0.4**
Other changes	-	-	-	-	-	-	-	0.2	0.2	-	**0.2**
Equity at December 31, 2018	**17.2**	**20.2**	**-18.4**	**-12.5**	**98.3**	**150.0**	**-27.3**	**146.9**	**374.4**	**3.0**	**377.4**
Equity at January 1, 2019	**17.2**	**20.2**	**-18.4**	**-12.5**	**98.3**	**150.0**	**-27.3**	**146.9**	**374.4**	**3.0**	**377.4**
IFRIC 23 restatement [1]	-	-	-	-	-	-	-	-0.6	-0.6	-	**-0.6**
Restated equity at January 1, 2019	17.2	20.2	-18.4	-12.5	98.3	150.0	-27.3	146.3	373.8	3.0	**376.8**
Result for the period	-	-	-	-	-	-	-	27.3	27.3	-0.0	**27.3**
Other comprehensive income for the period	-	-	-9.7	-	-	-	1.2	-	-8.5	0.1	**-8.4**
Total comprehensive income for the period	-	-	-9.7	-	-	-	1.2	27.3	18.8	0.1	**18.8**
Hybrid bond interest (net of tax)	-	-	-	-	-	-	-	-8.9	-8.9	-	**-8.9**
Share-based compensation	-	-	-	0.6	0.4	-	-	0.4	1.3	-	**1.3**
Minority acquisition	-	-	-8.9	-	-	-	-	-	-8.9	0.0	**-8.9**
Other changes	-	-	0.2	-	-	-	-	-0.2	-	-	**0.0**
Equity at December 31, 2019	**17.2**	**20.2**	**-36.7**	**-12.0**	**98.7**	**150.0**	**-26.1**	**164.9**	**376.1**	**3.1**	**379.2**

[1] 1 IAS 8 change in accounting policies (net of tax), see further information about the 2019 restatement under the introduction to the notes

Figures in consolidated statement of changes in equty include both continuing and discontinued operations.

The notes on pages 29 to 82 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

Outotec Oyj ("the company" or "Parent company") is a Finnish public limited liability company organized under the laws of Finland with its registered office in Espoo. Outotec Oyj has been listed on the Nasdaq Helsinki since 2006.

Outotec is a leading global provider of process solutions, technologies, and services for the mining and metallurgical industries. The company also provides innovative solutions for industrial water treatment and chemical industry. Outotec utilizes its extensive experience and process know-how by providing environmentally sound and energy efficient plants, proprietary equipment, and services and works in close partnership with its customers.

Outotec and its subsidiaries (collectively "the Group" or "Outotec") operate through two business units which are also reporting segments: Minerals Processing and Metals Refining. The service business is reported under the two segments. However, its sales volume, order intake and order backlog are also reported separately on Outotec level.

The Board of Directors has authorized the Consolidated Financial Statements for issue on February 6, 2020. According to the Finnish Limited Liability Companies Act the shareholders have the right to approve, amend or reject the Consolidated Financial Statements in the Annual General Meeting held after issuing.

Discontinued operations in 2019

On December 10, 2019, Outotec accounced its decision to divest three businesses from the Metals, Energy & Water segment's portfolio, being aluminum, waste-to-energy and sludge incineration. The divested businesses have been classified as discontinued operations in 2019. Consequently, the figures for 2019 related to the statement of income are presented for the continuing operations and comparative figures for 2018 have been restated accordingly. The assets held for sale and liabilities directly attributable to them have been transferred to separate lines in the statement of financial position. The comparative figures for 2018 related to the statement of financial position have not been restated. The divestments are disclosed in note 5.1. The segment has been renamed as 'Metals Refining' (MR) to reflect the changes in the continuing business.

Accounting principle

The consolidated financial statements of Outotec have been prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted by the European Union through the application of the IAS and IFRS standards, as well as the SIC and IFRIC interpretations in force on December 31, 2019. Notes to the consolidated financial statements have also been prepared in accordance with the Finnish accounting Standards and Finnish corporate legislation.

The consolidated financial statements are presented in millions of euros and have been prepared on the historical cost basis, unless otherwise stated in the accounting principles or disclosures. Figures presented have been rounded to the nearest whole number, and consequently the sum of individual figures may deviate from the sum presented. Key figures have been calculated using exact figures.

Consolidation

The consolidated financial statements include the parent company Outotec Oyj and all subsidiaries where the parent company is in control of the company. The group controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and is able to affect those returns through its power over the entity.

Acquired subsidiaries are included in the consolidated financial statement from the date when Outotec has gained control and disposed subsidiaries until the date when the controlling right has ended. Acquired companies are accounted for using the acquisition method, according to which the assets, liabilities, and contingent liabilities of the acquired company are measured at fair value on the date of acquisition. Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets, liabilities, and contingent liabilities acquired.

All intra-group transactions, receivables, liabilities, and unrealized margins, as well as the distribution of profits within the Group, are eliminated in the consolidation.

Non-controlling interests

Net profit or loss for the reporting period and comprehensive income items are allocated to the parent company's shareholders and non-controlling interest parties and are presented in the comprehensive income. The share of the non-controlling interest is disclosed separately from the equity belonging to the shareholders of the parent company.

Foreign currency translation

The consolidated financial statements are presented in euros, which is the functional currency of the parent company. Comprehensive income and cash flows of subsidiaries, whose functional currency is not euro, are converted into euros at the average exchange rates during the financial period. Their statements of financial positions are converted at the exchange rates on the reporting date. The differences between average exchange rates and the reporting date rates are recognized in equity and the change is recognized in other comprehensive income.

Foreign currency transactions

Foreign currency transactions in the group companies are translated into functional currencies using the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the exchange rates prevailing at the reporting date. Foreign exchange gains and losses resulting from the settlement or translation of monetary interest-bearing assets and liabilities denominated in foreign currencies and related derivatives are recognized in financial income and expenses. Foreign exchange differences arising with respect to other financial instruments are included in operating profit under sales, purchases or other income and expenses.

Accounting estimates and judgements

The preparation of the financial statements in accordance with IFRS requires management to make estimates and judgements that affect the reported amounts. The most significant accounting estimates and judgements made by the management relate to customer contracts, impairment of goodwill, valuation of inventories and trade receivables, provisions, pension obligations and deferred tax assets and liabilities. The basis for the estimates is described in more detail in connection with the relevant disclosure. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates used in the financial statements.

ADOPTION OF NEW AND AMENDED STANDARDS IN 2019

Outotec has applied revised standards and interpretations that have become effective during the accounting period. The impact of the new standards and interpretations has been described below.

IFRS 16 Leases

Outotec has adopted the IFRS 16 Leases as of January 1, 2019. As a result, right-of-use assets of EUR 70.7 million and a lease liability of EUR 70.7 million were recognized in the consolidated financial statements as of January 1, 2019. Adopting the new standard improved the operating profit slightly but the impact on net profit was immaterial. Outotec transitioned to IFRS 16 in accordance with the modified retrospective approach. The previous year's figures were not adjusted. Right-of-use assets were measured at the amount of the lease liability (adjusted for any prepaid or accrued lease expenses).

Reconciliation of lease commitments and liabilities

EUR million	1.1.2019
Operating lease commitments at December 31, 2018	78.5
Short term lease contracts	-1.7
Low-value lease contracts	-0.5
Other	2.8
Lease liability recognized at January 1, 2019	**79.1**
Discounting	-8.4
Lease liability at January 1, 2019	**70.7**
Current lease liability	14.9
Non-current lease liability	55.9

Background

The new standard aims to provide better transparency for a lessee's financial leverage and capital employed. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The requirements for lessors remain mainly unchanged. IFRS 16 replaces the IAS 17 standard and related interpretations.

Transition to IFRS 16 and changes in accounting principles

Outotec conducted a Group-wide analysis of the Group's lease contracts. Outotec's lease portfolio consists primarily of offices, warehouses and company cars.

As part of the initial application of the IFRS 16, Outotec has decided not to apply the new guidance to leases whose contract term will end within twelve months of the date of initial application. These leases will be accounted for as short-term leases and the related lease payments will be recognized as an expense. In addition, Outotec has chosen to apply the relief option, which allows it to adjust the right of use asset by the amount of any provision for onerous leases recognized in the statement of financial position immediately prior to the date of initial application.

Outotec will apply the exemptions for short-term leases and leases for which the underlying asset is of low value, and will not recognize the right-of-use asset and lease liability for these lease contracts. The lease expenses related to these types of contracts will be recognized on a straight-line basis in the statement of comprehensive income. Outotec assesses on an annual basis whether possible lease contract extension or termination options are exercised. If these options are to be exercised, the lease term will be adjusted accordingly. Currently, Outotec does not have lease contracts with perpetual lease terms. In the event of a perpetual lease contract, Outotec will estimate the lease term for the contract to be used for the right-of-use asset and lease liability calculations.

In the statement of financial position, a right-of-use asset is recognized for lease contracts. The right-of-use asset is measured at the amount of lease liability and any prepayments or initial direct costs incurred. Lease liability is recognized at the present value of the remaining lease payments in the statement of financial position. Lease payments are discounted with the interest rate implicit in the lease contract or, if that rate cannot be readily determined, Outotec's incremental borrowing rates will be used. Outotec has decided to use the risk-free currency-based rate as the base rate for the incremental borrowing rate. On top of the currency-based rate, Outotec's margin is added, based on the cost of Outotec's external debt. In addition, the lease term is taken into account in the incremental borrowing rate. Upon the initial application of IFRS 16, the lease liabilities were discounted at the incremental borrowing rate as of January 1, 2019. The weighted average discount rate was 3.4%.

Under IFRS 16, depreciation on a right-of-use asset and the interest expense on the discounted lease liability is recognized in the statement of comprehensive income in comparison to a lease expense recognized under IAS 17. In the consolidated statement of cash flows, net cash from operating activities will increase, and the net cash used in financing activities will decrease as the repayment of the principal portion of the lease liabilities is classified as cash flows from financing activities.

The Group's activities as a lessor are not material, and hence the new standard did not have any significant impact on the financial statements.

IFRIC 23 -Uncertainty over income tax treatments

Outotec has adopted the IFRIC 23 interpretation as of January 1, 2019. Outotec transitioned to IFRIC 23 in accordance with the modified retrospective approach. Based on the analysis of uncertain tax treatments in the light of IFRIC 23, Outotec recognized additional income tax liabilities totaling EUR 0.6 million affecting the opening balance of retained earnings. Prior to the restatement, income tax liabilities on January 1, 2019 totaled EUR 8.4 million, and after restatement of EUR 0.6 million the income tax liabilities were EUR 9.1 million.

The new interpretation should be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatment under IAS 12. Based on IFRIC 23, an entity must consider whether it is probable that the relevant tax authority would accept each tax treatment used in its income tax filings, assuming full visibility of all relevant information. Each uncertain tax treatment is to be considered separately or together as a group, and the impact of uncertainty is to be measured using either the most likely amount or the expected value method, depending on which approach better predicts resolution of the uncertainty.

Amendments to IAS 19

Outotec has adopted the amendments to IAS 19 Employee benefits as of January 1, 2019. The amendments did not have a material impact on the Group's financial statement. The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements.

Adoption of new and amended standards in 2020

In 2020, Outotec will adopt the following new and amended standars and interpretations issued by IASB.

Amendments to IFRS 3

Amendments to IFRS 3 (Business combinations), effective for financial periods beginning on or after 1 January 2020, include the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The impact in the Group's financial statements is not expected to be material. The amendment is not yet endorsed for use by the European Union as of 31 December 2019.

Amendments to IAS 1 and IAS 8

Amendments to IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), effective for financial periods beginning on or after 1 January 2020, use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The amendments will likely result in more acquisitions being accounted for as asset acquisitions. The impact in the Group's financial statements is not expected to be material.

Amendments to IFRS 9, IAS 39 and IFRS 7

The IASB has amended the hedge accounting requirements in IFRS 9 (Financial Instruments), IAS 39 (Financial instruments -Recognition and Measurement) and IFRS 7 (Financial instruments -Disclosures), effective for financial periods beginning on or after 1 January, 2020. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The Group has not currently hedge accounting relationships that would directly be impacted by the uncertainty caused by the IBOR reform. The Company is monitoring the situation and assessing the impact of the amendments in its future financial reporting.

BUSINESS OPERATIONS

1. OPERATING PERFORMANCE

SALES
1,210
MEUR

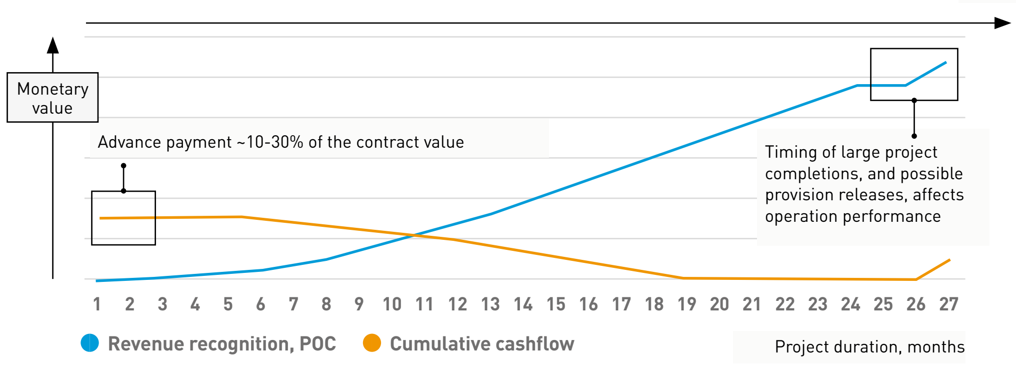
OPERATING RESULT MARGIN, %
8.9
%

IN THIS SECTION

This section includes following notes to describe Outotec's operating performance in 2019:

» 1.1 Operating segments and geographical areas
» 1.2 Customer contracts
» 1.3 Function expenses by nature
» 1.4 Employee benefit expenses
» 1.5 Other income and expenses
» 1.6 Earnings per share
» 1.7 Income Taxes

EXAMPLE OF CUSTOMIZED SOLUTION DELIVERY REVENUE RECOGNITION



CUSTOMER CONTRACTS & REVENUE RECOGNITION

- Outotec defines two main principles for revenue recognition depending on offering to the customer:
  - Over time revenue recognition
  - At a point in time revenue recognition
- Outotec's customized solution deliveries are usually recognized as revenue over time. Customized solution deliveries include plant, equipment, technology package as well as upgrade and modernization deliveries.
- Over time revenue recognition follows the percentage of completion method based on cost-to-cost evaluation (see example in the graph above).
- Revenue for standard equipment and spare part deliveries are typically recognized at a point in time and as based on delivery terms.
- Outotec's service deliveries, such as technical services and shutdown services, are recognized as revenue when the services have been rendered to the customer.

1.1 OPERATING SEGMENTS AND GEOGRAPHICAL AREAS

Outotec's business logic is to serve its customers by providing solutions throughout the entire life cycle of customer operations in order to ensure optimized total cost of ownership. Outotec reports its result in line with the Group's strategy and internal financial reporting structure. In 2019, the Group has defined its nine business lines as operating segments which have been aggregated to two segments in financial reporting, Minerals Processing and Metals Refining. The Board of Directors (CODM) assesses the Group's financial position and its development as a whole and based on the reportable segments and operating segments.

The pricing of inter-segment transactions is based on current market prices. Segment assets and liabilities are operative items, which are used in a segment's business operations or which can be allocated to the segments on a reasonable basis. Unallocated items include taxes, financial items, and items which are common for the whole group. Investments include additions in intangible assets and property, plant and equipment.

Minerals Processing

Outotec provides the mining industry with sustainable mineral processing solutions, from pre-feasibility studies to complete plants and life cycle services. Outotec's comprehensive offering makes the efficient and profitable treatment of virtually all ore types possible.

Segment Minerals Processing consists of six business lines which have been classified as operating segments in 2019: Grinding, Flotation, Filtration, Analyzers and Automation, Thickening and Clarification and Concentrator Plant Solutions. The operating segments have been aggregated to one segment due to their common customers, shared projects and strong interlink between technologies to form a complete Concentrator Plant. Business lines use common resources and their technologies are supporting each other. They also operate in similar regulatory environment and have similar economic characteristics.

Metals Refining

Outotec provides sustainable solutions for metal processing and industrial water treatment. Metals Refining include an extensive range of metal processing solutions for processing virtually all types of ores and concentrates to refined metals. Water includes solutions to produce water that meets the environmental discharge standards and maximizes water recycling as well as reduces water and energy consumption.

Segment Metals Refining consists of three business lines which have been classified as operating segments in 2019: Smelting and Converting, Hydrometallurgy and Metals and Chemicals processing. The operating segments have been aggregated to one segment as they operate in similar regulatory environment and have similar economic characteristics. Business lines use common resources, share partially same customers and their technologies are supporting each other.

Accounting principle

Operating segments

In accordance with IFRS 8 Outotec has determined that operating segments are based on end customers and the customer value chain. The operating segments are reported in a manner consistent with the internal reporting provided for the Board of Directors, which has been identified as Outotec's chief operating decision-maker as described in the Charter of the Board of Directors. The Board of Directors is responsible for deciding on basic strategies of the Outotec Group, deciding on major investments, business acquisitions and divestments as well as major sales contracts and significant financing arrangements. In addition, the Board of Directors nominates top management resources and decides on significant changes in the business organization of the Group.

Geographical information is based on the three main areas where the Group has activities. The Regions are Americas, EMEA (including Europe, Middle East, Africa and CIS countries) and APAC (including Asia, Pacific, China and India).

Operating result

Operating profit is the net amount that equals to sales less cost of sales, added with other operating income, less selling and marketing, in addition to administration and research and development expenses, less other operating expenses and added with the share of the result of the associated companies.

SEGMENTS

2019 EUR million	Metals Refining	Minerals Processing	Reportable segments	Unallocated items	Elimi-nations	Group
External sales	411.2	799.1	**1,210.3**	-	-	**1,210.3**
Inter-segment sales	-	-	**-**	19.9	-19.9	**-**
Sales	**411.2**	**799.1**	**1,210.3**	**19.9**	**-19.9**	**1,210.3**
Adjusted EBIT [1]	46.5	81.4	**127.8**	-6.0	-	**121.8**
Restructuring and acquisition-related costs	-0.6	1.0	**0.4**	-10.6	-	**-10.2**
PPA amortization	-1.7	-2.7	**-4.3**	-	-	**-4.3**
Operating result	44.2	79.7	**123.9**	-16.6	-	**107.3**
Capital expenditure	6.6	7.8	**14.4**	3.7	-	**18.1**
Depreciation and amortization	-20.3	-27.5	**-47.8**	-0.1	-	**-47.9**
Impairments	-2.7	0.0	**-2.7**	0.0	-	**-2.8**
Share of results of associated companies	0.7	-	**0.7**	-	-	**0.7**
Non interest-bearing assets	519.2	588.2	**1,107.4**	20.4	-	**1,127.8**
Investments in associated companies	1.4	-	**1.4**	-	-	**1.4**
Other interest-bearing assets	-	-	**-**	-	-	**270.5**
Income tax receivable	-	-	**-**	-	-	**9.8**
Deferred tax assets	-	-	**-**	-	-	**72.3**
Total assets	-	-	**-**	-	-	**1,481.9**
Non interest-bearing liabilities	436.0	316.5	**752.6**	0.1	-	**752.7**
Interest-bearing liabilities	145.6	143.0	**288.6**	-	-	**288.6**
Income tax liabilities	-	-	**-**	-	-	**10.7**
Deferred tax liabilities	-	-	**-**	-	-	**7.5**
Total liabilities	-	-	**-**	-	-	**1,059.4**

Restated 2018 EUR million	Metals Refining	Minerals Processing	Reportable segments	Unallocated items	Elimi-nations	Group
External sales	439.7	757.8	1,197.5	-	-	1,197.5
Inter-segment sales	-	-	-	32.8	-32.8	-
Sales	439.7	757.8	1,197.5	32.8	-32.8	1,197.5
Adjusted EBIT [1]	-110.4	84.1	-26.3	-5.3	-	-31.6
Restructuring and acquisition-related costs	-3.9	-3.0	-6.8	-3.7	-	-10.6
PPA amortization	-1.7	-2.7	-4.4	0.0	-	-4.4
Operating result	-116.0	78.5	-37.5	-9.1	-	-46.6
Capital expenditure	9.0	11.7	20.7	0.7	-	21.4
Depreciation and amortization	-14.1	-20.6	-34.7	-0.1	-	-34.8
Impairments	-0.7	-0.8	-1.5	-0.4	-	-1.9
Share of results of associated companies	0.3	-	0.3	-	-	0.3
Non interest-bearing assets	448.8	574.9	1,023.7	20.1	-14.9	1,029.0
Investments in associated companies	0.8	-	0.8	-	-	0.8
Other interest-bearing assets	-	-	-	-	-	239.1
Income tax receivable	-	-	-	-	-	10.6
Deferred tax assets	-	-	-	-	-	78.2
Total assets	-	-	-	-	-	1,357.8
Non interest-bearing liabilities	462.9	271.1	734.0	29.2	0.0	763.2
Interest-bearing liabilities	-	-	-	-	-	201.1
Income tax liabilities	-	-	-	-	-	8.4
Deferred tax liabilities	-	-	-	-	-	7.7
Total liabilities	-	-	-	-	-	980.4

[1] Excluding restructuring and acquisition-related costs and PPA amortizations.

Comparison figures related to the statement of income have been restated due to the MEW-segment's businesses aluminum, waste-to-energy and sludge incineration being classified as discontinued operations.

INFORMATION ABOUT GEOGRAPHICAL AREAS

EUR million	Americas	EMEA	APAC	Inter-area eliminations	Investments in associated companies	**Consolidated**
2019						
External sales by destination	410.9	524.2	275.3	-	-	**1,210.3**
Sales by company location	361.2	941.6	251.0	-343.4	-	**1,210.3**
Non-current assets by company location	55.0	270.1	38.9	58.2	1.4	**423.6**
Restated 2018						
External sales by destination	335.5	618.1	243.9	-	-	1,197.5
Sales by company location	323.2	959.1	289.0	-373.8	-	1,197.5
Non-current assets by company location	47.2	257.1	32.2	55.2	0.8	392.5

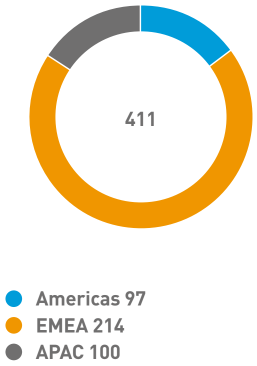
Comparison figures related to the statement of income have been restated due to the MEW segment's businesses aluminum, waste-to-energy and sludge incineration being classified as discontinued operations.

INFORMATION ABOUT MAJOR CUSTOMERS

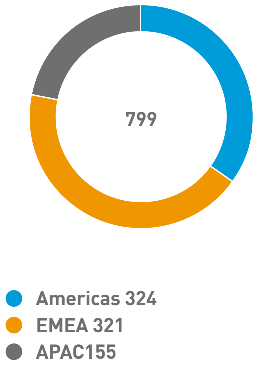
In 2019 and 2018 there were no such external customers from which recognized sales would have been over ten percent of the Group's total sales.

SEGMENT SALES BY DESTINATION

METALS REFINING, EUR MILLION



MINERALS PROCESSING, EUR MILLION



1.2 CUSTOMER CONTRACTS

Outotec is a leading global provider of process solutions, technologies, and services for the mining and metallurgical industries. The company also provides innovative solutions for industrial water treatment and chemical industry. Customized solution deliveries include complete plant deliveries as well as technology package and equipment deliveries, in addition to which Outotec also deliver services to its customers.

Disaggregation of sales

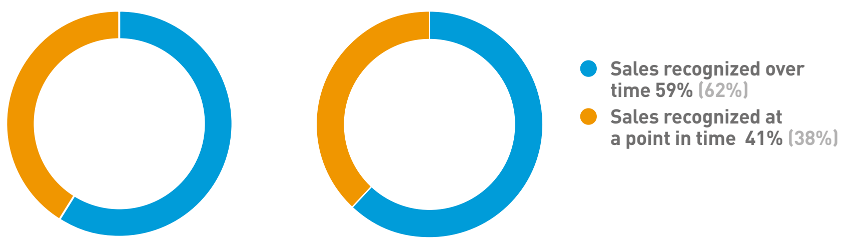
EUR million	**2019**	Restated 2018
Minerals Processing		
Project sales	**411.0**	413.5
Service sales	**388.1**	344.3
	799.1	757.8
Metals Refining		
Project sales	**249.2**	311.6
Service sales	**162.0**	128.1
	411.2	439.7
Sales total	**1,210.3**	1,197.5
of which recognized over time	**711.6**	748.1
of which recognized at a point in time	**498.7**	449.4

Comparison figures related to the statement of income have been restated due to the MEW segment's businesses aluminum, waste-to-energy and sludge incineration being classified as discontinued operations.

REVENUE RECOGNITION METHOD

2019, %

2018, %



Contract assets and liabilities

EUR million	**2019**	2018
Contract assets	**145.1**	148.1
Net advances received from customers at January 1	**210.8**	220.2
Translation differences	**4.4**	-2.7
Payments received during the period	**602.0**	656.2
Revenue recognized	**-627.0**	-662.9
Classified as held for sale	**9.7**	-
Net advances received from customers at December 31	**199.9**	210.8
Contract liabilities to subcontractors and vendors	**95.7**	111.7
Total contract liabilities	**295.6**	322.5

A major part of the opening net advances received has been recognized as revenue during the year. Revenue recognized in the reporting period from perfomance obligations satisfied in previous period totalled EUR 28.3 million (2018: EUR 0.0 million).

Order backlog

EUR million	**2019**	2018
Order backlog at December 31	**1,069.6**	946.6
of which estimated to be recognized as revenue within one year, %	**77 %**	75 %
of which estimated to be recognized as revenue after one year or later, %	**23 %**	25 %

The order backlog corresponds to the aggregate amount of the transaction price allocated to the performance obligations that are fully or partly unsatisfied at the end of the reporting period. The order backlog on December 31, 2018 without the portion related to the MEW segment's divestments was EUR 830.3 million.

Accounting principle

Outotec recognizes revenue when control of the good or service is transferred to the customer in an amount that reflects the total payment to which the Group expects to be entitled. These principles are applied using the following five steps: (1) Identify the contract(s) with a customer, (2) Identify the performance obligations in the contract, (3) Determine the transaction price, (4) Allocate the transaction price to the performance obligations in the contract and (5) Recognize revenue.

Customized solutions

Customized solution deliveries include complete plant deliveries as well as technology package and equipment deliveries.

In a typical plant delivery, Outotec has the overall project management responsibility of the project, including engineering, designing and constructing the plant, procuring all necessary materials and equipment, commissioning and start-up of the plant. In technology package and equipment deliveries, Outotec delivers a specified technology or equipment solution to the customer, typically including engineering and supply of proprietary equipment and overall project management. The projects may also include installation, advisory services, training, commissioning, performance test runs and other related services. Customized solution deliveries are typically considered as one performance obligation, as Outotec provides significant service to integrate the goods and services, and the goods and services are highly interrelated with other goods and services promised in the contract.

The transaction prices are based on stand-alone market prices and fixed for the entire project delivery. If a contract includes more than one performance obligation, Outotec uses pricing information from proposal calculations in determining the stand-alone selling prices for the distinct performance obligations.

Outotec's contracts may also include components of variable consideration, such as penalties, liquidated damages or performance bonus arrangements. Variable components are generally allocated proportionately to all performance obligations in the contract, unless they relate to a specific performance obligation.

The criteria for recognizing revenue over time is typically met in Outotec's customized solution contracts. Outotec's performance creates an asset with no alternative use, and Outotec has an enforceable right to payment for the performance completed to date. To measure progress in projects where revenue is recognized over time, Outotec uses a method under which the percentage of completion is defined as the ratio of costs incurred to total estimated costs. This method is considered to result in a revenue profile that best reflects the transfer of control to the customer. Provisions for expected project losses are recognized immediately as an expense.

For on-going over time projects, a customer payment is recognized as a payment received within contract liabilities. At each reporting date, revenue is recognized according to the measured progress and booked against the contract liabilities. A contract asset is recognized to the extent the recognized revenue exceeds the payment received. The contract liabilities are removed from the balance sheet as the contract is final billed. Project loss provisions are recognized when it is probable that the costs will exceed the estimated total revenue. The loss is recognized as an expense immediately, including general expenses to fulfil the contract.

In customized solution contracts, payments are usually received in advance, before satisfaction of the performance obligation. Payment terms exceeding one year are not typical in Outotec's business.

Service deliveries

Service deliveries include spare parts, technical and shutdown services. Spare parts are provided to the customer to be used in standard maintenance activities and are typically treated as a distinct performance obligation from the main project. Technical services mostly include operations and maintenance services, treated as a single performance obligation distinct.

The transaction prices are in most cases based on fixed hourly or monthly pricing, and for shutdown services fixed for the entire project.

Outotec recognizes revenue for standard equipment and spare part deliveries typically at a point in time and as based on delivery terms.

Revenue for long-term service contracts and shutdown services are recognized when benefits have been rendered to the customer.

Costs related to a customer contract and incurring under a point-in-time delivery are capitalized as inventory until the performance obligation has been satisfied and revenue is recognized along with the expense.

Outotec uses standard payment terms in its service contracts.

Warranties

Outotec grants standard assurance-type warranties for its mechanical equipment to guarantee that they will work in accordance with the contract. If an extended warranty is granted for the customer, it may be accounted for as a distinct performance obligation. Service-type warranties are not typical in Outotec's project business.

Accounting estimates and judgements

When evaluating the criteria for recognizing revenue over time, judgement is required in assessing the enforceable right to payment for the performance completed to date. Furthermore, a certain amount of judgement is required in over-time revenue recognition as this is based on estimates of anticipated contract revenues and expense as well as on the measurement of project progress. Variable consideration is estimated by using either the expected value or the most likely amount. In addition, possible provisions for project losses and changes in accruals for project expenses are made based on the judgement of management. Risks related to new commercialized products are also evaluated and quantified, and the necessary accruals recognized.

1.3 FUNCTION EXPENSES BY NATURE

EUR million	2019	Restated 2018
Merchandise and raw materials	**-458.1**	-691,4
Logistics expenses	**-22.2**	-30,1
Employee benefit expenses	**-320.8**	-293,5
Rents and leases	**-6.9**	-27,9
Depreciation and amortization (note 3.2)	**-47.9**	-34,8
Change in inventories	**-5.1**	10,5
Services purchased	**-158.2**	-137,6
Other expenses	**-80.5**	-26,8
	-1,099.5	-1,231,5

Other expenses include grants received EUR 2.3 million in 2019 (2018: EUR 3.5 million).

Comparison figures related to the statement of income have been restated due to the MEW segment's businesses aluminum, waste-to-energy and sludge incineration being classified as discontinued operations.

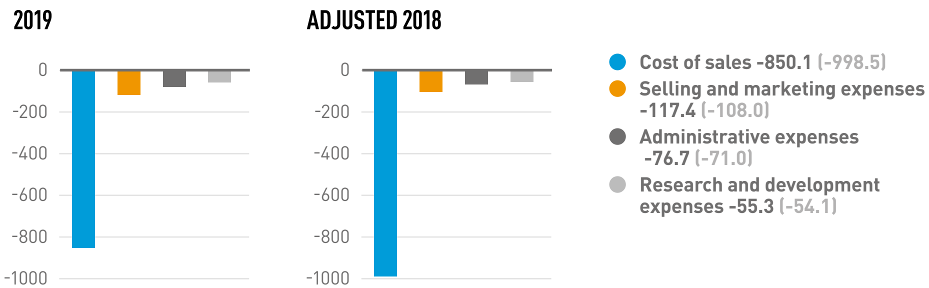
Merchandise and raw materials including the provision made for the ilmenite smelter project. Services purchased including costs from transferring resources to Citec.

Auditors' fees

EUR million	2019	2018
Audit	**-0.9**	-0,8
Tax consulting	**-0.2**	-0.3
Merger related advisory and assurance services	**-1.1**	-
Fees for ancillary services	**-0.2**	-0,2
	-2.4	-1,3

Fees for ancillary services paid to PwC Finland amount to EUR 1.3 million in 2019 (2018: EUR 0.2 million).

FUNCTION EXPENSES, EUR MILLION



Accounting principle

Expenses

Expenses are presented by function in the income statement and by nature in this note. Expenses by function include cost of sales, selling and marketing, administrative as well as research and development expenses. Costs are expensed when incurred for the same reporting period as the related income is recognized as revenue.

Research and development expenses

Research and development costs are expensed as they are incurred.

Government grants

Government or other grants are recognized as income on a systematic basis over the periods necessary to match them with the related costs, which they are intended to compensate.

1.4 EMPLOYEE BENEFIT EXPENSES

EUR million	2019	Restated 2018
Wages and salaries	**-268,9**	-241,5
Share based payments (note 5.2)	**-2,6**	-1,3
Social security costs	**-18,6**	-19,2
Pension and other post-employment benefits (note 5.3)		
Defined benefit plans	**-2,2**	-2,9
Defined contribution plans	**-23,9**	-23,3
Other post-employment benefits	**-0,1**	-0,1
Other personnel expenses	**-4,4**	-5,3
	-320,8	-293,5

Comparison figures related to the statement of income have been restated due to the MEW segment's businesses aluminum, waste-to-energy and sludge incineration being classified as discontinued operations.

Personnel related restructuring items of EUR 0.6 million income (2018: EUR -2.3 million expenses) are reported in other expenses.

Personnel	2019	Restated 2018
Personnel at end of year	**4,045**	3,986
Average number of personnel during the year	**4,049**	4,050

The personnel figures are dislosed as FTE (full-time equivalent employees). The figures for 2018 have been recalculated as FTE retrospectively. Personnel in Finland at the end of the year was 1,426 (2018: 1,306).

Comparison figures related to the statement of income have been restated due to the MEW segment's businesses aluminum, waste-to-energy and sludge incineration being classified as discontinued operations.

1.5 OTHER INCOME AND EXPENSES

Other income

EUR million	**2019**	Restated 2018
Gains on sale of intangible and tangible assets	**4.0**	0.2
Reversal of earn-out liability from acquisitions	**2.0**	-
Other items related to acquisitions and business combinations	**-**	0.3
Market price gains from derivatives	**1.2**	-
Other income	**1.3**	0.3
	8.6	0.8

Other expenses

EUR million	**2019**	Restated 2018
Losses on sale of intangible and tangible assets	**-0.4**	-0.2
Impairments of intangible assets and property, plant and equipment	**-0.0**	-2.0
Personnel related restructuring costs	**0.6**	-2.3
Other restructuring related costs	**0.4**	-7.8
Market price losses from derivatives	**-**	-1.3
Arbitration cost	**-**	-0.0
Expenses related to acquisitions and business combinations	**-13.2**	-
Other expenses	**-0.1**	0.0
	-12.8	-13.6

Restructuring and acquisition items

EUR million	**2019**	Restated 2018
Personnel related restructuring costs	**0.6**	-2.3
Impairments of non-current assets	**-**	-0.7
Other restructuring related items	**0.4**	-7.8
Items related to restructuring, total	**1.0**	-10.8
Items related to acquisitions and business combinations	**-13.2**	0.3
Reversal of earn-out liability from acquisitions	**2.0**	-
Arbitration cost related to past acquisitions	**-**	-0.0
Restructuring and acquisition costs, total	**-10.2**	-10.6
Restructuring and acquisition items are allocated to:		
Minerals Processing	**1.0**	-3.0
Metals Refining	**-0,6**	-3,9
Unallocated items	**-10,6**	-3,7

These items are included in other income and expenses and have affected the financial performance for the period.

Comparison figures related to the statement of income have been restated due to the MEW segment's businesses aluminum, waste-to-energy and sludge incineration being classified as discontinued operations.

1.6 EARNINGS PER SHARE

	2019	2018
Result attributable to the equity holders of the parent Company, continuing operations, EUR million	**72.6**	-50.6
Interest of hybrid bond, net of tax, EUR million	**-8.8**	-8.9
Total earnings attributable to the equity holders of the parent Company, continuing operations, EUR million	**63.8**	-59.4
Total earnings attributable to the equity holders of the parent Company, discontinued operations, EUR million	**-45.3**	-16.7
Weighted average number of shares, in thousands	**181,669**	181,547
Weighted average number of shares, dilution adjusted, in thousands	**181,797**	181,848
Earnings per share for profit attributable to the equity holders of the parent company:		
Basic earnings per share, continuing operations, EUR	**0.35**	-0.33
Basic earnings per share, discontinued operations, EUR	**-0.25**	-0.09
Basic earnings per share, EUR	**0.10**	-0.42
Diluted earnings per share, continuing operations, EUR	**0.35**	-0.33
Diluted earnings per share, discontinued operations, EUR	**-0.25**	-0.09
Diluted earnings per share, EUR	**0.10**	-0.42

Accounting principle

Basic earnings per share are calculated by dividing the net result attributable to the equity holders of the parent company by the outstanding weighted average number of shares during the period. Accrued interest on loans treated as equity instruments has been reduced from the net result. The number of purchased treasury shares has been excluded from the outstanding average number of shares. Also shares given based on share-based incentive programs are excluded if the restriction period is still on-going.

Diluted earnings per share are calculated by adjusting the weighted average number of shares by the effect of diluting shares of the employee share saving plan and share-based incentive programs. In addition to the weighted average number of shares outstanding, the denominator includes the shares earned in the programs.

1.7 INCOME TAXES

Income tax expenses recognized during the reporting period

EUR million	2019	Restated 2018
Income tax expenses recognized in profit or loss		
Current taxes	**-8.8**	-7.3
Adjustments to current tax for prior years	**-0.3**	0.3
Change in deferred taxes	**-11.6**	12.4
Total income tax expense	**-20.7**	5.3
Income taxes recognized in other comprehensive income		
Income tax related to cash flow hedges	**-0.1**	0.6
Income tax related to defined benefit plans	**3.9**	-0.1
Income taxes booked to equity		
Income tax related to hybrid bond	**2.2**	2.2

The difference between income taxes at the statutory tax rate in Finland (20%) and income taxes recognized in the consolidated income statement is reconciled as follows:

EUR million	2019	Restated 2018
Hypothetical income taxes at Finnish tax rate on consolidated profit before tax	**-18.7**	11.2
Effect of different tax rates outside Finland	**-1.4**	-0.7
Non-credited foreign withholding taxes	**-0.3**	-0.5
Non-deductible expenses and tax exempt income	**1.2**	0.7
Tax losses and temporary differences for which no deferred tax asset is recognized	**-1.8**	-0.4
Write-down of prior years' deferred tax asset	**0.2**	-5.4
Utilization of tax losses for which no deferred tax asset was recognized	**1.1**	0.7
Effect of consolidation and eliminations	**0.3**	-0.7
Adjustments to current tax for prior years	**-0.3**	0.3
Adjustments to prior years' deferred taxes	**0.0**	0.8
Effect of enacted change in future tax rates	**-**	0.0
Other items	**-1.0**	-0.7
Income taxes recognized in profit or loss	**-20.7**	5.3

The effective tax rate in 2018 was negatively impacted by EUR 5.4 million due to the write down of deferred tax assets related to expiring tax losses.

Comparison figures related to the statement of income have been restated due to the MEW segment's businesses aluminum, waste-to-energy and sludge incineration being classified as discontinued operations.

Accounting principle

The Group income tax expense includes taxes of the Group companies based on taxable profit for the period, tax adjustments for previous periods and the change in deferred income taxes. The income tax effects of items recognized directly in equity or in other comprehensive income are similarly recognized. Current taxes are calculated on the taxable income based on the tax rates enacted for each country at the balance sheet date.

Accounting estimates and judgements

Outotec management evaluates regularly the positions taken in tax returns, which may be subject to interpretations. Based on the evaluation uncertain tax treatments are recognized as tax liability if Outotec considers that it is more likely than not that the final outcome of the assessment would increase tax liabilities for Outotec.

DEFERRED TAXES IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	**2019**	2018
Deferred tax assets	**72.3**	78.2
Deferred tax liabilities	**7.5**	7.7
	64.8	70.6

Accounting principle

Deferred income taxes are calculated using the liability method and recognized on all temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements. Deferred tax is determined by using the tax rates (and laws) that are enacted or substantially enacted by the closing date and are expected to be applied at the time of settlement of the temporary difference. Deferred tax is recognized for the undistributed profits in subsidiaries and associated companies, unless the timing of the reversal of the temporary difference is controlled by Outotec and it is probable that such temporary difference will not reverse in the foreseeable future.

Deductible temporary differences are recognized as a deferred tax asset to the extent that it is probable that future taxable profits will be available, against which the deductible temporary difference can be utilized.

Deferred tax assets are offset against deferred tax liabilities when they relate to the same taxation authority.

Accounting estimates and judgements

In determining the deferred tax assets and liabilities, Outotec management has made certain assumptions and estimates regarding the future tax consequences related to differences between the carrying amounts of assets and liabilities as recorded in the financial statements and their tax basis. The assumptions made include estimates regarding future operating performance and taxable income of subsidiaries, recoverability periods for tax-loss carry forwards will not change, and that the existing tax laws and rates will remain unchanged into foreseeable future in jurisdictions where Outotec operates.

Changes in deferred tax assets and liabilities

2019 EUR million	January 1	Recognized in profit or loss	Recognized in other compre-hensive income	Charged to equity	Translation and other differences	Deferred taxes related to discontinued operations	December 31
Deferred tax assets							
Tax losses and credits carried forward	19.6	1.7	-	-	0.3	-	21.7
Timing difference in revenue recognition	5.5	-1.5	-	-	-	-	4.1
Pension provisions	1.4	0.5	-	-	-	-	1.9
Depreciaton difference	24.9	-4.7	-	-	-	-	20.2
Project provisions	31.5	-12.6	-	-	-	-	18.9
Effects of consolidation and eliminations	6.6	1.6	-	-	-	-0.5	7.7
Valuation loss on assets, liabilities and derivative instruments	7.7	0.0	4.0	-	-	-	11.7
Provisions for operating expenses and other items	17.0	3.5	-	-	-	-	20.5
	114.2	**-11.3**	**4.0**	**-**	**0.3**	**-0.5**	**106.8**
Netting of deferred tax assets and liabilities[1]	-36.1		-	-	-	-	-34.4
	78.2	**-11.3**	**4.0**	**-**	**0.3**	**-0.5**	**72.3**
Deferred tax liabilities							
Timing difference in revenue recognition	16.6	1.0	-	-	-	-	17.6
Depreciaton difference	4.6	2.6	-	-	-	-	7.2
Purchase price allocation	6.2	-1.1	-	-	-	-	5.1
Valuation gain on assets, liabilities and derivative instruments	0.2	0.0	0.2	-	-	-	0.4
Hybrid loan	1.7	2.2	-	-2.2	-	-	1.7
Project provisions	5.9	-3.9	-	-	-	-	2.1
Other items	8.5	-0.5	-	-	-	-	8.0
	43.8	**0.3**	**0.2**	**-2.2**	**-**	-	**41.9**
Netting of deferred tax assets and liabilities[1]	-36.1		-	-	-	-	-34.4
	7.7	**0.3**	**0.2**	**-2.2**	**-**	**-**	**7.5**
Net deferred tax asset	**70.6**	**-11.6**	**3.8**	**2.2**	**0.3**	**-0.5**	**64.8**

Changes in deferred tax assets and liabilities

2018 EUR million	January 1	Recognized in profit or loss	Recognized in other compre-hensive income	Charged to equity	Translation and other differences	December 31
Deferred tax assets						
Tax losses and credits carried forward	19.6	0.2	-	-	-0.2	19.6
Timing difference in revenue recognition	1.9	3.7	-	-	-	5.5
Pension provisions	1.7	-0.3	-	-	-	1.4
Depreciaton difference	26.0	-1.1	-	-	-	24.9
Project provisions	13.8	17.6	-	-	-	31.5
Effects of consolidation and eliminations	6.7	-1.7	-	-	1.6	6.6
Valuation loss on assets and derivative instruments	7.5	0.0	0.2	-	-	7.7
Provisions for operating expenses and other items	13.8	3.2	-	-	-	17.0
	90.9	21.8	0.2	-	1.4	114.2
Netting of deferred tax assets and liabilities[1]	-	-36.1	-	-	-	-36.1
	90.9	-14.3	0.2	-	1.4	78.2
Deferred tax liabilities						
Timing difference in revenue recognition	18.7	-2.1	-	-	-	16.6
Depreciaton difference	4.3	0.3	-	-	-	4.6
Purchase price allocation	7.6	-1.4	-	-	-	6.2
Valuation gain on assets and derivative instruments	0.5	0.0	-0.3	-	-	0.2
Hybrid loan	1.7	2.2	-	-2.2	-	1.7
Project provisions	-	5.9	-	-	-	5.9
Other items	6.9	1.6	-	-	-	8.5
	39.7	6.5	-0.3	-2.2	-	43.8
Netting of deferred tax assets and liabilities[1]	-	-36.1	-	-	-	-36.1
	39.7	-29.6	-0.3	-2.2	-	7.7
Net deferred tax asset	51.2	15.2	0.5	2.2	1.4	70.6

[1] The closing balances of deferred tax liabilities have been offset against deferred tax assets in 2018 financial statements when they relate to income taxes levied by the same taxation authority.

The decrease in the deferred tax assets in 2019 mainly relates to reversal of project related provisions.

The increase in net deferred tax assets in 2018 relates mainly to the provision done for ilmenite smelter project.

Tax loss carry forwards

EUR million	**2019**	2018
Tax losses which will expire in five years	**38.2**	16.2
Tax losses which will expire later than in five years or will not expire	**155.4**	148.9
Deferred tax assets recognized for tax loss carry forwards	**21.2**	19.0
Deferred tax assets not recognized for tax loss carry forwards	**30.9**	23.3

Deferred tax assets of EUR 34.8 million (2018: EUR 24.8 million) have not been recognized in the consolidated financial statements as the realization of the tax benefit included in these assets is not probable.

The amount of undistributed earnings in subsidiaries, which may attract withholding or other tax consequences upon distribution, was at the end of the year 2019 EUR 179.1 million (2018: EUR 186.4 million).

2. NET WORKING CAPITAL

NET WORKING CAPITAL

-101

MEUR

OPERATING CASH FLOW

68

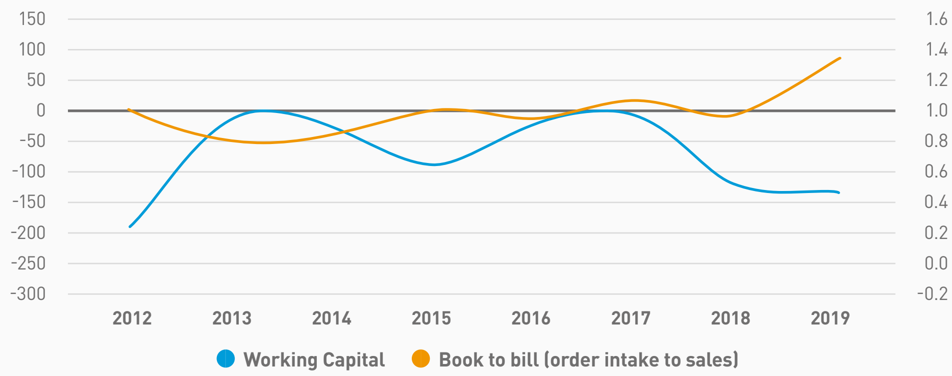
MEUR

IN THIS SECTION

Outotec defines net working capital as inventories, trade and other receivables, trade and other payables and provisions, which are presented separately in this section:

» 2.1 Inventories
» 2.2 Trade and other receivables
» 2.3 Trade and other payables
» 2.4 Provisions

WORKING CAPITAL, EUR MILLION **BOOK TO BILL**



OUTOTEC'S NET WORKING CAPITAL

- Outotec's net working capital is driven by order intake because of advance payments which generally are 10-30% of the contract value. Advance payments consist mainly of customer payments for new plant and equipment orders as well as modernization service orders.
- Growing service business is increasing net working capital levels.
- Change in working capital has the biggest impact on operating cash flow.

EUR million	**2019**	2018
Inventories	**196.2**	208.9
Trade receivables	**222.4**	209.3
Other receivables	**220.3**	207.6
Derivative financial instruments, assets	**6.6**	8.7
Other non-current assets	**2.0**	2.3
Contract liabilities	**-199.9**	-210.8
Trade payables	**-147.6**	-124.8
Other payables	**-190.3**	-190.7
Pension obligations	**-68.5**	-55.9
Provisions	**-127.7**	-161.2
Other non-current liabilities	**-6.8**	-7.1
Derivative financial instruments, liabilities	**-7.7**	-9.3
Net working capital	**-101,0**	-122.9

2.1 INVENTORIES

EUR million	2019	2018
Work in progress	**87.2**	106.7
Finished goods, merchandise and raw materials	**51.6**	53.3
Advance payments	**57.4**	48.9
	196.2	208.9

Write-downs of obsolete and slow-moving inventories to net realizable value has been recognized during the period amounting to EUR 9.2 million (2018: EUR 6.5 million).

Accounting Principles

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the weighted average cost method or FIFO method (first-in, first-out). The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs, and related production overheads, but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Work in progress includes costs incurred as of the reporting date under customer contracts in the customized solutions and modernizations business. Incurred costs include direct labor and material costs and a proportion of indirect costs related to the project.

Accounting estimates and judgements

A provision is recorded for obsolete and slow-moving inventory items based on the best estimate of expected net realizable value at the reporting date. In the systematic estimation process, the composition and the age of the inventory is compared to anticipated future needs.

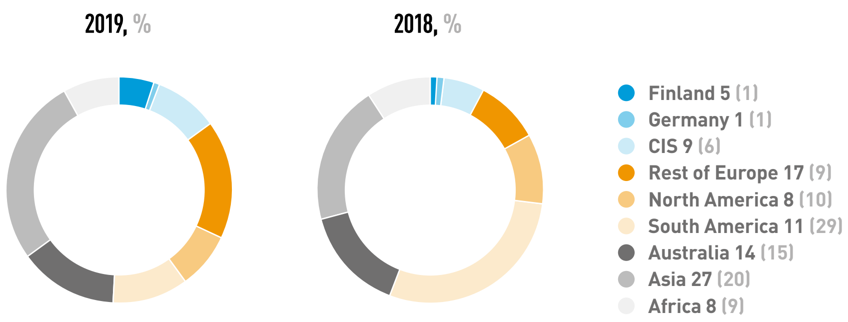
2.2 TRADE AND OTHER RECEIVABLES

EUR million	2019	2018
Non-current		
Other receivables	**2,0**	2,3
Current		
Trade receivables	**222.4**	209.3
Contract assets (note 1.2)	**145.1**	148.1
Other project related receivables	**2.4**	1.3
VAT receivable	**46.3**	43.0
Grants and subsidies receivable	**0.0**	0.0
Other accruals and receivables	**26.6**	15.3
Total, included in Net working capital	**442.8**	416.9
Accrued interests	**0.5**	0.5
Current non interest-bearing receivables total	**443.3**	417.4
Trade receivables		
Trade receivables (gross)	**227.4**	215.0
Doubtful trade receivables		
Doubtful trade receivables at January 1	**5.7**	5.2
IFRS 9 restatement [1]	**-**	1.2
Translation differences	**0.0**	-0.1
Increase recognised in profit or loss during the year	**2.5**	2.4
Receivables written off during the year as uncollectible	**-2.1**	-2.5
Unused amount reversed	**-1.1**	-0.4
Doubtful trade receivables at December 31	**5.0**	5.7
Total trade receivables (net)	**222.4**	209.3

[1] As of January 1, 2018, Outotec implemented the new IFRS 9 standard, which gave effect to a new bad debt provision policy. The bad debt provision was increased by EUR 1.2 million (EUR 0.8 million net of tax) in accordance with the new policy. This amount was recognized in the opening balance of retained earnings.

The ageing of trade receivables EUR million	Trade receivables, gross **2019**	 2018	Doubtful trade receivables **2019**	 2018
Not due	**97.6**	118.9	**-1.1**	-1.6
Overdue by:				
Between 1 and 30 days	**22.2**	31.2	**-0.2**	-0.3
Between 31 and 60 days	**15.9**	14.7	**-0.2**	-0.1
Between 61 and 180 days	**58.7**	23.1	**-0.3**	-0.3
Between 181 and 365 days	**9.4**	13.1	**-0.1**	-0.2
Over 365 days	**23.6**	13.9	**-3.1**	-3.1
Total	**227.4**	215.0	**-5.0**	-5.7

MAXIMUM EXPOSURE TO CREDIT RISK FOR TRADE RECEIVABLES BY GEOGRAPHIC REGION ACCORDING TO THE CUSTOMER'S LOCATION:



Accounting principle

Trade receivables are carried at their anticipated realizable value, which is the original invoice amount less a valuation allowance for estimated credit losses. The Group uses a simplified credit loss matrix, according to which a credit loss allowance is measured at an amount equal to the lifetime expected credit losses.

Accounting estimates and judgements

Credit losses are evaluated in accordance with a model where a certain percentage of the trade receivables is recognized as a bad debt provision; 0.5% for undue and 1.0% - 2.0% for less than one year overdue. The evaluation is anticipatory, and the expected loss portion is based on amounts of historical losses. Due to the project nature of Outotec's business, the need for bad debt provision is reviewed case by case when the receivable is over one year overdue or if the receivable is a contract asset. Trade receivables are written off when there is no reasonable expectation of recovery. Probability of bankruptcy, other financial reorganization or similar situation indicating insolvency of the client trigger final write off.

2.3 TRADE AND OTHER PAYABLES

EUR million	**2019**	2018
Non-current		
Other non-current liabilities	**2.6**	1.6
Earnout liability	**4.2**	5.5
	6.8	7.1
Current		
Trade payables	**147.6**	124.8
Contract liabilities (note 1.2)	**295.6**	322.5
Accrued personnel-related expenses	**52.6**	35.3
Withholding tax and social security liabilities	**2.6**	4.0
VAT payable	**27.2**	18.0
Earnout liability	**-**	2.5
Other accruals and payables	**12.1**	19.3
Total, included in Net working capital	**537.8**	526.3
Accrued interests	**4.1**	3.4
Current non interest-bearing receivables total	**541.9**	529.8

2.4 PROVISIONS

EUR million	Warranty provisions	Project loss provisions	Re-structuring provisions	2019
Non-current				
Provisions at January 1	-	50.0	0.2	**50.2**
Additions	-	-	0.0	**0.0**
Provisions at December 31	-	50.0	0.3	**50.3**
Current				
Provisions at January 1	29.3	74.0	7.7	**110.9**
Translation differences	0.1	0.0	0.0	**0.1**
Additions	11.5	43.5	0.4	**55.4**
Provisions utilized during the period	-19.5	-36.3	-4.6	**-60.3**
Provisions released	-3.3	-7.5	-0.9	**-11.7**
Classification as held for sale	-2.5	-14.4	-	**-17.0**
Provisions at December 31	15.6	59.2	2.6	**77.5**

On December 31, 2018 Outotec recorded a provision of EUR 110.0 million for possible costs relating to the ilmenite smelter project in Saudi Arabia. The provision was estimated based on progress made with the analysis of the furnace. The outcome of the analysis, together with other factors such as Outotec's contractual position, will determine the eventual liability and financial impact of this incident for Outotec. During the reporting period, Outotec started to rebuild the furnace together with the customer and the provision made was utilized by EUR 8.4 million. The target is to have the start-up during autumn 2020. EUR 50.0 million of the provision is recognized under non-current liabilities and EUR 51.6 million under current liabilities. Although the provision recognized is based on management's best knowledge of the current situation, actual outcome may differ from that remarkably.

Accounting principle

Provisions are recognized when Outotec has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Recognition and measurement of a provision generally employs management estimates of the probability and the amount of the liability.

Warranty provisions cover the estimated liability to repair or replace equipment still under warranty at the reporting date. Outotec generally offers warranties ranging from 12 to 24 months on its equipment and plant deliveries. The provision is calculated based on historical experience of levels of repairs and replacements.

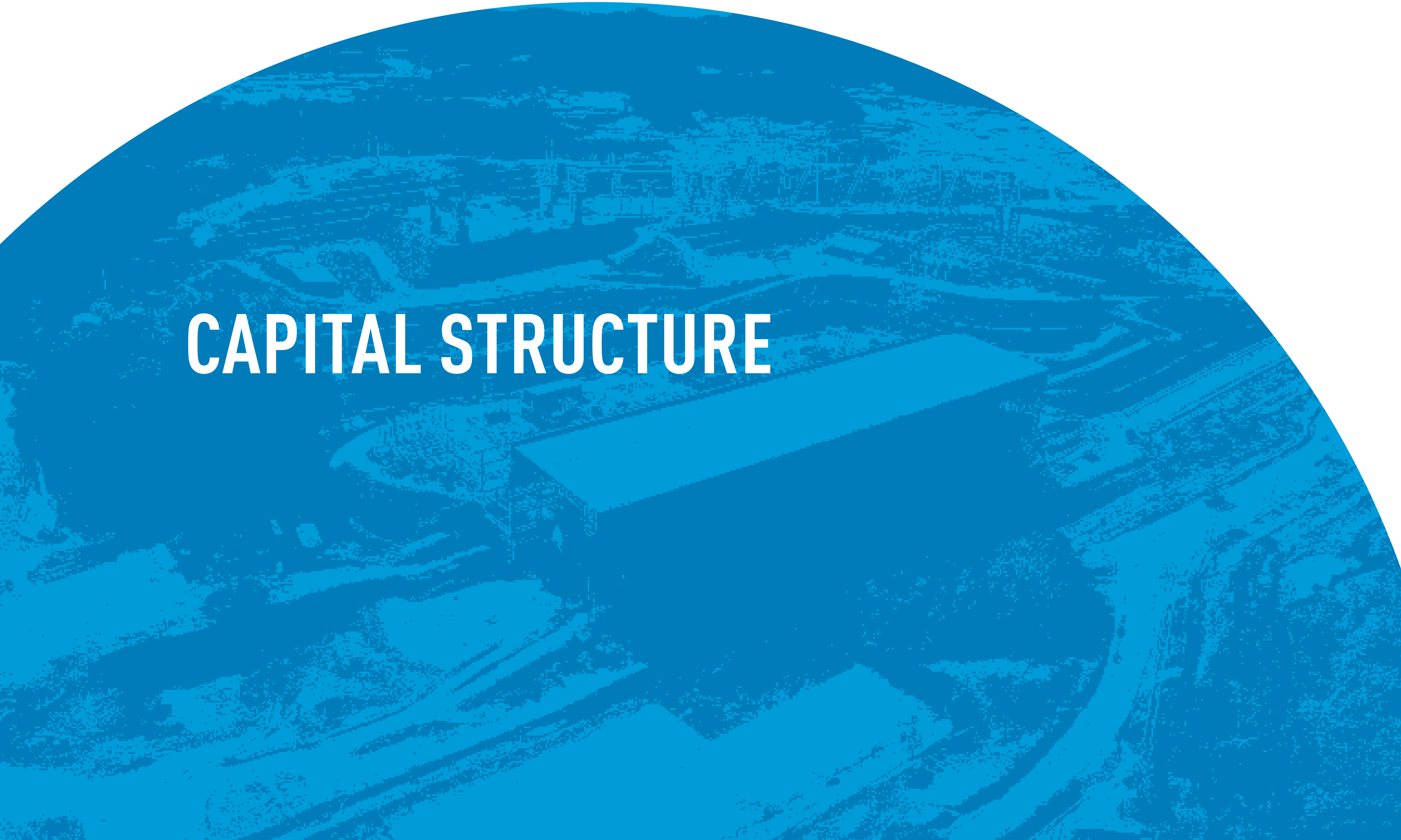
Realized warranty costs are recognized against the provision when a claim for compensation has been received and it is likely that the claim will be accepted and settled, and its amount can be reliably estimated. This allows monitoring of the remaining warranty provisions and regular assessment of their adequacy.

Project loss provisions are recognized when it is probable that the costs will exceed the estimated total revenue. The loss is recognized as an expense immediately.

Restructuring provisions are recognized only after a detailed and formal plan has been developed and approved, and the management has raised valid expectations that such a plan will be carried out and the plan has been communicated. Other provisions can arise from legal, tax or environmental processes.

Accounting estimates and judgements

Recognition and measurement of a provision is based on best estimate of the probability and the amount of the liability at the reporting date and involve management's judgement.



CAPITAL STRUCTURE

3. FIXED ASSETS AND OTHER INVESTMENTS

RETURN ON INVESTMENT

18.3

%

CAPITAL EXPENDITURE

18

MEUR

IN THIS SECTION

This section includes following notes related to fixed assets and otherinvestments:

» 3.1 Business combinations
» 3.2 Intangible assets and property, plant and equipment
» 3.3 Goodwill
» 3.4 Associated companies
» 3.5 Other shares and securitites

3.1 BUSINESS COMBINATIONS

Outotec had no acquisitions or business combinations in 2019 and 2018. During 2019 Outotec paid earn-out liability related to past acquisitions totalling EUR 0.3 million (2018: EUR 0.4 million) and reversed earn-out liabilities of EUR 3.8 million (2018: EUR 0.3 million), of which EUR 2.0 million under continuing operations.

3.2 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

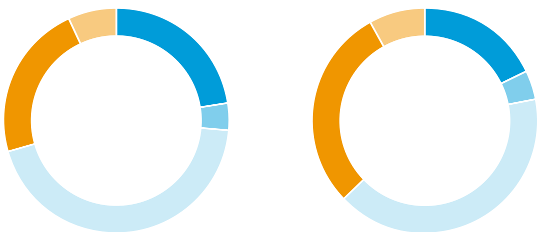
Intangible assets EUR million	Intangible asset, internally generated	Intangible asset, acquired	Goodwill	Advances paid and construction work in progress	Total
Historical cost at January 1, 2019	0.7	298.4	225.3	0.1	524.4
Translation differences	-0.0	1.2	2.0	0.0	3.2
Additions	-	9.8	-	0.1	9.8
Disposals	-	-4.9	-	-	-4.9
Classification as held for sale	-	-41.4	-	-	-41.4
Reclassifications	-	0.1	-	0.2	0.3
Impairment during the period	-	-	-	-	-
Historical cost at December 31, 2019	**0.7**	**263.2**	**227.3**	**0.3**	**491.5**
Accumulated amortization and impairment at January 1, 2019	-0.7	-183.9	-1.4	-	-186.0
Translation differences	0.0	-0.9	-	-	-0.8
Disposals	-	4.7	-	-	4.7
Classification as held for sale	-	33.0	-	-	33.0
Reclassifications	-	-0.0	-	-	-0.0
Amortization during the period	-	-24.2	-	-	-24.2
Impairment during the period	-	-	-	-	-
Accumulated amortization and impairment at December 31, 2019	**-0.7**	**-171.2**	**-1.4**	**-**	**-173.3**
Carrying value at December 31, 2019	**0.0**	**92.0**	**225.9**	**0.3**	**318.2**

Intangible assets EUR million	Intangbile asset, internally generated	Intangible asset, acquired	Goodwill	Advances paid and construction work in progress	Total
Historical cost at January 1, 2018	0.7	296.6	228.3	0.2	525.8
Translation differences	-0.0	-0.2	-3.0	0.0	-3.2
Additions	-	12.5	-	0.1	12.6
Disposals	-	-0.3	-	-	-0.3
Reclassifications	-	0.1	-	-0.2	-0.1
Impairment during the period	-	-10.5	-	-	-10.5
Historical cost at December 31, 2018	0.7	298.4	225.3	0.1	524.4
Accumulated amortization and impairment at January 1, 2018	-0.7	-164.5	-1.4	-	-166.6
Translation differences	0.0	-0.4	-	-	-0.4
Disposals	-	0.1	-	-	0.1
Amortization during the period	-	-27.7	-	-	-27.7
Impairment during the period	-	8.5	-	-	8.5
Accumulated amortization and impairment at December 31, 2018	-0.7	-183.9	-1.4	-	-186.0
Carrying value at December 31, 2018	0.0	114.4	223.9	0.1	338.4

BREAKDOWN OF THE CARRYING VALUE OF INTANGIBLE ASSETS ACQUIRED, EUR MILLION

2019, %

2018, %



- Patents 23 (18)
- Licenses 4 (4)
- IT software 45 (41)
- Purchase price fair valuation 23 (29)
- Other acquired intangible assets 5 (8)

PROPERTY, PLANT AND EQUIPMENT

EUR million	Land	Buildings	Machinery	Office equipment and other tangible assets	Advances paid and construction work in progress	Total
Historical cost at January 1, 2019	2.7	34.5	70.6	44.6	4.3	156.8
Translation differences	0.0	0.2	0.6	0.3	0.1	1.2
Additions	-	1.6	2.7	1.6	2.4	8.3
Disposals	-	-0.5	-1.7	-1.3	0.0	-3.5
Classification as held for sale	-1.0	-8.7	-4.6	-1.1	-	-15.5
Reclassifications	-	2.6	0.8	0.2	-3.9	-0.3
Impairment during period	-	-	-0,0	-	-	-0.0
Historical cost at December 31, 2019	**1.7**	**29.7**	**68.4**	**44.3**	**2.9**	**147.0**
Accumulated depreciation and impairment at January 1, 2019	-	-12.7	-53.5	-37.3	-	-103.4
Translation differences	-	-0.1	-0.4	-0.3	-	-0.8
Disposals	-	0.3	1.2	1.2	-	2.8
Classification as held for sale	-	1.6	3.3	1.0	-	5.8
Reclassifications	-	-	-0.0	-	-	-0.0
Depreciation during the period	-	-0.8	-5.0	-3.1	-	-8.8
Impairment during the period	-	-	-	-	-	-
Accumulated depreciation and impairment at December 31, 2019	**-**	**-11.6**	**-54.4**	**-38.5**	**-**	**-104.6**
Carrying value at December 31, 2019	**1.7**	**18.1**	**14.0**	**5.8**	**2.9**	**42.5**

Property, plant and equipment

EUR million	Land	Buildings	Machinery	Office equipment and other tangible assets	Advances paid and construction work in progress	Total
Historical cost at January 1, 2018	2.5	31.9	68.1	45.1	3.6	151.2
Translation differences	0.0	-0.0	-1.0	-1.0	0.1	-1.9
Additions	0.0	2.2	2.6	2.4	1.7	8.8
Disposals	0.0	0.0	-0.3	-1.9	-0.2	-2.5
Reclassifications	0.2	0.5	1.4	0.0	-0.8	1.3
Impairment during period	-	-	-0.1	-	-	-0.1
Historical cost at December 31, 2018	2.7	34.5	70.6	44.6	4.3	156.8
Accumulated depreciation and impairment at January 1, 2018	-	-11.1	-48.3	-35.8	-	-95.2
Translation differences	-	0.0	0.8	0.7	-	1.5
Disposals	-	-	0.3	1.5	-	1.8
Reclassifications	-	-	-0.7	-0.0	-	-0.8
Depreciation during the period	-	-1.5	-5.6	-3.8	-	-10.9
Impairment during the period	-	-	0.1	-	-	0.1
Accumulated depreciation and impairment at December 31, 2018	-	-12.7	-53.5	-37.3	-	-103.4
Carrying value at December 31, 2018	2.7	21.9	17.2	7.2	4.3	53.3

RIGHT-OF-USE ASSETS

EUR million	Land	Buildings	Machinery and equipment	Vehicles and other assets	Total
Historical cost at January 1, 2019	1.1	66.2	0.3	3.2	70.7
Translation differences	0.0	0.2	-0.0	0.0	0.2
Additions	0.4	5.2	0.3	1.5	7.4
Disposals	-	-0.3	-	-0.0	-0.3
Classification as held for sale	-1.4	-0.3	-	-	-1.7
Historical cost at December 31, 2019	**0.1**	**71.0**	**0.5**	**4.7**	**76.3**
Accumulated depreciation and impairment at January 1, 2019	-	-	-	-	-
Disposals	-	0.0	-	0.0	0.0
Depreciation during the period	-0.1	-13.0	-0.1	-1.6	-14.9
Classification as held for sale	0.1	0.1	-	-	0.2
Accumulated depreciation and impairment at December 31, 2019	**0.0**	**-13.0**	**-0.1**	**-1.5**	**-14.7**
Carrying value at December 31, 2019	**0.1**	**58.0**	**0.4**	**3.1**	**61.6**

Depreciation and amortization by function

EUR million	**2019**	Restated 2018
Cost of sales	**-14.1**	-12.3
Selling and marketing expenses	**-4.3**	-3.9
Administrative expenses	**-18.0**	-7.1
Research and development expenses	**-11.4**	-11.6
	-47.9	-34.8

Comparison figures related to the statement of income have been restated due to the MEW segment's businesses aluminum, waste-to-energy and sludge incineration being classified as discontinued operations.

Purchase price allocation amortizations related to acquisitions were EUR 4.3 million in 2019 (2018: EUR 4.4 million).

Impairment of assets

In 2018 the group did not record impairments in intangible assets (2018 1.9 million related to intellectual property rights and IT software).

The impairments have been recorded under other expenses in the Statement of Comprehensive income.

Accounting principle

Intangible assets

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets, liabilities, and contingent liabilities acquired. Goodwill is stated at cost and is not amortized but is tested annually for impairment.

Other intangible assets include customer relationships, patents, copyrights, licenses and software. The valuation of intangible assets acquired in a business combination is based on fair value. Development costs or acquisition costs of new software clearly associated with an identifiable product, which will be controlled by the Group and has probable economic benefit exceeding its cost beyond one year, are recognized as an intangible asset and depreciated over the software's expected useful life. Associated costs include staff costs of the development team. An intangible asset is recognized only if it is probable that the future economic benefits that are attributable to the asset will flow to the Group, and the cost of the asset can be measured reliably. All other expenditure is expensed as incurred.

Amortization of intangible assets is based on the following expected useful life:

- Intangible rights 3–20 years
- Software 3–10 years

Property, plant and equipment

Property, plant and equipment acquired by Group companies are stated at historical cost, less impairment, except the assets of acquired companies that were stated at their fair values at the date of acquisition. Depreciation is calculated as based on the useful life of the assets. The carrying value of the property, plant and equipment in the statement of financial position represents the cost less accumulated depreciation and any impairment charges.

Depreciation of tangible assets is based on the following expected useful life:

- Buildings 10–20 years
- Machinery and equipment 5–20 years
- Research and development equipment 3–10 years

Land is not depreciated.

The expected useful life of non-current assets is reviewed on each reporting date and, where they differ significantly from previous estimates, depreciation periods are changed accordingly. Ordinary repairs and maintenance costs are charged to the statement of comprehensive income during the financial year in which they are incurred. The cost of major renovations is included in the asset's carrying amount when it is probable that the Group will derive future economic benefits in excess of the originally assessed standard of performance of the existing asset. Major renovations are depreciated over the useful life of the related assets. Gains and losses on sales and disposals are determined by comparing the received proceeds with the carrying amount and are included in operating profit.

Impairments of assets

Property, plant and equipment and other non-current assets, including goodwill and intangible assets, are reviewed for potential impairment at each date of statement of financial position, as well as whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication arises, the recoverable amount is estimated as the higher of the asset's fair value less cost of disposal and the value in use. An impairment loss is recognized in the statement of income whenever the carrying amount exceeds the recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount. However, the reversal must not result in the adjusted value being higher than the carrying amount that would have been determined if no impairment loss had been recognized in prior years. Goodwill and intangible assets which are not yet available for use are tested for impairment. Further information in note 3.3.

3.3 GOODWILL

Goodwill allocation to the segments

EUR million	2019	2018
Metals Refining	**133.2**	132.1
Metals & Chemicals processing	54.7	
Hydrometallurgy	51.2	
Smelting & Converting	27.3	
Minerals Processing	**92.5**	91.8
Filtration	52.2	
Grinding	16.0	
Flotation	9.4	
Analyzers & Automation	8.5	
Thickening & Clarification	5.3	
Concentrator Plant Solutions	1.1	
	225,9	223,9

Goodwill is allocated to the Group's cash-generating units (CGUs) that are expected to benefit from the business combinations made in the past. In 2019, the impairment testing was performed on business line level, which were defined as Group's operating segments. Business line is the lowest level of assets for which there are separately identifiable cash flows followed by the CODM and management, according to the current business organization and responsibilities. Calculations are prepared during the fourth quarter of the year. Based on the conducted impairment testing, there was no need for goodwill impairment in 2019.

The recoverable amount of a CGU is determined as based on value-in-use calculations (discounted cash flow method). The planning period for cash flows is five years. The cash flow projections are based on long-range financial plan which is the outcome of the strategy approved by the Management and the Board of Directors. In defining the long-range plan for each CGU, the management makes use of growth, demand, and price estimates by market research institutions. Furthermore, the estimated sales and profits and the CGU-specific long-range plan are based on the current backlog and estimated order intake as well as cost development. The most important assumptions relate to gross margin levels in various products and the estimated overall gross margin level in relation to fixed costs. Cash flows beyond the five-year period are calculated using the terminal value method, where the EBITDA (=earnings before interest, taxes, amortizations and depreciation) of the fifth planning period is multiplied by six.

The discount rate applied to cash flow projections is the weighted average pre-tax cost of capital (WACC) as defined for Outotec. The components of WACC are the risk-free long-term government bond rates, market and industry risk premiums, cost of debt, and target capital structure. No distinct discount rates can be defined for operating segments as Outotec business operations are global and partially share the same resources and customers. The financial risk management is centralized to Group Treasury.

Key assumptions used in the calculations:	2019	2018
Discount rate, %	**8.0**	8.4
EBITDA multiple	**6.0**	6.0

The impairment testing process includes a sensitivity analysis in which the business area cash flow estimates were reduced in Metals Refining by 50% and in Minerals Processing by 35%. Discount rates were increased by 2 percentage points. Under the basic scenario, the value-in-use calculations were on average 5.0 (2018: 2.5) times higher than the assets employed of the business areas. In the sensitivity analysis the ratio was decreased to 3.0 (2018: 1.5). Based on the sensitivity analysis, it is not probable that the recoverable amount will fall below the carrying amount at December 31, 2019, even if the assumptions used in the sensitivity analysis face reasonable permanent changes.

Accounting principle

Goodwill is tested for impairment at least annually. For the purposes of impairment testing, assets are grouped at the lowest cash generating unit level for which there is separately identifiable, mainly independent, cash inflows and outflows. An impairment loss is the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is the asset's value in use. The value in use is determined by reference to discounted future cash flows that are expected to be generated by the asset. Impairment losses recognized for goodwill are not reversed.

Accounting estimates and judgements

Assessing the recoverable amount of a CGU requires significant judgement. While management believes that estimates of future cash flows are reasonable, many assumptions are subject to change because of changing economic and operational conditions. Key assumptions are discount rate and EBITDA multiple, in addition to future cash flows, where the most important assumptions relate to gross margin levels in various products and the estimated overall gross margin level in relation to fixed costs. Actual cash flows might vary from estimated discounted future cash flows and could result in changes in the recognition of impairment losses in future periods.

3.4 ASSOCIATED COMPANIES

Investments in associated companies

EUR million	**2019**	2018
Investments in associated companies at cost		
Historical cost at January 1	**2.4**	2.3
Translation differences	**-0.0**	0.0
Additions	**-**	0.2
Disposals	**-**	-0.1
Historical cost at December 31	**2.4**	2.4
Equity adjustment to investments in associated companies at January 1	**-1.6**	-1.9
Share of results of associated companies	**0.7**	0.3
Equity adjustment to investments in associated companies at December 31	**-1.0**	-1.6
Carrying value of investments in associated companies at December 31	**1.4**	0.8

Summary of financial information for associated companies, 2019

EUR million	Domicile	Assets	Liabilities	Sales	Profit/ loss	Ownership, %
Enefit Outotec Technology Oü	Estonia	6.0	3.9	1.8	0.7	40,0
GreenExergy AB	Sweden	0.6	0.3	1.3	0.0	49,0
Sidvin Outotec Engineering Private Ltd	India	1.5	0.2	1.9	1.2	25,1

Summary of financial information for associated companies, 2018

EUR million	Domicile	Assets	Liabilities	Sales	Profit/ loss	Ownership, %
Enefit Outotec Technology Oü	Estonia	5.0	4.1	1.1	0.0	40.0
GreenExergy AB	Sweden	0.7	0.4	1.1	0.0	49.0
Sidvin Outotec Engineering Private Ltd	India	1.5	0.9	1.4	0.5	25.1

Transactions and balances with associated companies

EUR million	**2019**	2018
Sales	**0.2**	0.1
Other Income	**0.1**	0.1
Purchases	**1.7**	3.1
Loan receivables (due from Enefit Outotec Technology Oü)	**1.5**	1.5
Trade and other receivables	**0.4**	0.6
Current liabilities	**0.2**	0.1

Accounting principle

Associated companies are entities in which Outotec has significant influence, but not control. Interests in associated companies are accounted for using the equity method. The share of results of associated companies is reported in the statement of comprehensive income above EBIT, and is calculated as based on profit after tax. If Outotec's share of losses exceeds the interest in the associated company, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations with respect to the associated companies. The interest in an associated company is the carrying amount of the investment under the equity method together with any long-term interest that, in substance, forms part of the investor's net investment in the associated company.

3.5 OTHER SHARES AND SECURITIES

EUR million	2019	2018
Carrying value at January 1	**1.6**	2.2
Translation differences	**0.0**	-0.0
Decreases	**-**	-0.5
Fair value changes	**-0.0**	-0.0
Carrying value at December 31	**1.6**	1.6
Listed equity securities	**0.0**	0.0
Unlisted equity securities	**1.6**	1.6
Fair value reserve in equity at January 1	**-0.3**	-0.2
Fair value changes	**-0.0**	-0.1
Fair value reserve in equity at December 31	**-0.3**	-0.3

4. FINANCING

NET INTEREST-BEARING DEBT

18

MEUR

GEARING

4.8

%

IN THIS SECTION

This section includes following notes to describe Outotec's capital structure and financing:

4.1 EQUITY

EUR million	2019	2018
Share capital	**17.2**	17.2
Share premium fund	**20.2**	20.2
Fair value reserves	**-28.5**	-18.8
Other reserves	**-8.3**	0.4
Treasury shares	**-12.0**	-12.5
Reserve for invested non-restricted equity	**98.7**	98.3
Hybrid bond	**150.0**	150.0
Cumulative translation differences	**-26.1**	-27.3
Retained earnings	**137.6**	214.2
Result for the period	**27.3**	-67.2
Total, attributable to holders of parent company	**376.1**	374.4
Non-controlling interest	**3.1**	3,0
Total equity	**379.2**	377.4
Number of shares, in thousands	**183,121**	183,121

Share capital
Outotec Oyj's registered share capital was EUR 17,186,442.52 (2018: EUR 17,186,442.52). The share capital is fully paid. Outotec Oyj's total number of shares is 183,121,492 (2018: 183,121,492) and the number of outstanding shares was 181,710,115 (2018: 181,610,134). At the end of 2019, the number of own shares held by Outotec Oyj was 1,271,628 representing 0.69% of all shares (2018: 1,365,312 and 0.75%).

Outotec Oyj has one series of shares. The shares of Outotec Oyj do not have nominal value. Each share entitles its holder to one vote at the general meetings of shareholders of the company.

Funds and reserves
Share premium fund includes the share premium paid over the nominal share value in Outotec Oyj.

The fair value reserves include the fair value change of other shares and securities, effective portion of fair value change based on hedge accounting applied to derivatives and changes in actuarial estimates related to defined pension plans. The changes in the reserve are stated in comprehensive income.

Other reserves include the reserve fund and other reserves. The reserve fund includes amounts transferred from the distributable equity under the Articles of Association or by a decision by the General Meeting of Shareholders. Other reserves include a minority acquisition in 2019 of shares in Outotec Technology Saudi LLC, amounting to EUR 8.9 million, where Outotec's share holding rose from 70% to 100%. Other reserves also include other items based on the local regulations of the group companies.

The purchase of treasury shares with related transaction costs has been deducted from shareholder's equity in the consolidated financial statements. Accordingly, assigning the treasury shares increases the shareholder's equity with a fair value. Treasury shares have been used for the share-based incentive program and the employee share savings plan. At year-end the number of own shares was 1.271.628 (2018: 1.365.312).

The reserve for invested non-restricted equity includes, under the Companies' Act, the exercise value of shareholders' investments in the company unless otherwise decided by the company.

Hybrid bond

In March 2016, Outotec Oyj issued a EUR 150.0 million hybrid bond, which is treated as equity in the IFRS consolidated financial statements. The hybrid bond is unsecured and in a weaker preference position than an unsecured debt obligation. A holder of hybrid bond notes has no shareholder rights. The bond has no specified maturity date, but the company may exercise an early redemption option for the first time on March 24, 2021. In addition, Outotec has the possibility to redeem the bond upon completion of the demerger, pursuant to the terms and conditions of the bond.

Dividend

The Board of Directors proposes that a dividend of EUR 0.10 per share be paid. The parent company's distributable funds were EUR 243.8 million at December 31, 2019.

A dividend proposed by the Board of Directors is not deducted from distributable equity until approved by the annual General meeting of Shareholders.

4.2 INTEREST-BEARING RECEIVABLES AND LIABILITIES

EUR million	2019	2018
Non-current receivables		
Other shares and securities (note 3.5)	**1.6**	1.6
Loans receivable from associated companies (note 3.4)	**1.5**	1.5
Loans receivables from others	**-**	2.6
Current receivables		
Loans receivable	**0.0**	0.0
	3.2	5.7

	Carrying amount		Fair value	
EUR million	**2019**	2018	**2019**	2018
Non-current liabilities				
Bonds and debentures	**-**	149.5	**-**	154.4
Revaluation of bonds and debentures	**-**	2.7	**-**	-
Loans from financial institutions	**-**	24.5	**-**	24.9
Lease liabilities	**48.4**	-	**48.4**	-
Finance lease liabilities	**-**	0.0	**-**	0.0
Other non-current loans	**1.0**	1.3	**1.0**	1.3
	49.4	178.1	**49.4**	180.6
Current liabilities				
Bonds and debentures	**149.8**	-	**153.4**	-
Revaluation of bonds and debentures	**1.0**	-	**-**	-
Loans from financial institutions	**24.5**	4.1	**24.8**	4.7
Lease liabilities	**13.8**	-	**13.8**	-
Finance lease liabilities	**-**	0.0	**-**	0.0
Other current loans	**49.9**	18.9	**49.9**	18.9
	239.1	23.0	**242.0**	23.6

The fair value of interest-bearing liabilities is higher compared to the carrying value due to valuation of the fixed-interest loans when using the current interest rate level, which is lower than the fixed rate. The revaluation of bonds and debentures is an adjustment made due to fair value hedge.

Change in net interest-bearing liablities 2019

EUR million	Non-current interest-bearing debt	Current interest-bearing debt	Financial assets	Cash and cash equivalents	Total
Net interest-bearing liabilities at January 1	178.1	23.0	-5.7	-233.4	**-38.1**
Changes, cash:					
Repayments of non-current debt	-0.3	-4.1	-	-	**-4.4**
Increase (+) and decrease (-) in current debt	-	29.4	-	-	**29.4**
Increase (+) and decrease (-) in lease liabilities	48.4	13.8	-	-	**62.3**
Change in investing activities	-	-	2.6	-	**2.6**
Change in cash and cash equivalents	-	-	-	-39.1	**-39.1**
Changes, non-cash:					
Exchange gains and losses	-	1.7	-	5.2	**6.8**
Other non-cash change	-176.7	175.4	0.0	-	**-1.4**
Net interest-bearing liabilities at December 31	**49.4**	**239.1**	**-3.2**	**-267.4**	**18.0**

Change in net interest-bearing liablities 2018

EUR million	Non-current interest-bearing debt	Current interest-bearing debt	Financial assets	Cash and cash equivalents	Total
Net interest-bearing liabilities at January 1	183.5	45.0	-3.8	-230.2	-5.5
Changes, cash:					
Repayments of non-current debt	-4.4	-	-	-	-4.4
Increase/decrease in current debt	-	-23.2	-	-	-23.2
Change in investing activities	-	-	-2.6	-	-2.6
Change in cash and cash equivalents	-	-	-	-10.8	-10.8
Changes, non-cash:					
Exchange gains and losses	-	1.2	-	7.7	8.9
Other non-cash change	-1.0	-	0.7	-	-0.3
Net interest-bearing liabilities at December 31	178.1	23.0	-5.7	-233.4	-38.1

Accounting principle

Interest-bearing receivables comprise loans given to associated companies and others. Interest-bearing liabilities comprise of bonds, bank and other loans. Interest-bearing receivables and liabilities are initially recognized at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. Outotec classifies receivables and liabilities as non-current, unless due for settlement within twelve months from the reporting date.

Other shares and securities are equity investments classified as fair value through other comprehensive income.

Net interest-bearing liabilities are defined as the total of interest-bearing liabilities less interest-bearing assets, other shares and securities and cash and cash equivalents.

4.3 CASH AND CASH EQUIVALENTS

EUR million	**2019**	2018
Cash at bank and in hand	**193.3**	154.5
Short term bank deposits	**58.5**	56.0
Cash equivalent marketable securities	**15.5**	22.8
	267.4	233.4

The majority of Outotec's investments were made in the following currencies: euro, U. S. dollar and Chilean peso. The relevant reference rate of the euro has varied during 2019 between -0.306 - -0.474 %. The U.S. dollar reference rate varied between 1.691 - 2.804 % and the Chilean peso reference rate was between 1.89 - 3.50 %.

Accounting principle

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within current interest-bearing liabilities in the statement of financial position.

4.4 FINANCE INCOME AND EXPENSES

Recognized in the statement of comprehensive income

EUR million	**2019**	2018
Dividend income	**0.4**	0.9
Interest income on bank deposits and commercial papers	**3.5**	3.3
Interest income on loans and receivables	**1.0**	0.3
Interest income on derivatives	**1.6**	1.6
Other finance and interest income	**-**	0.0
Total finance income	**6.5**	6.1
Interest expenses		
Financial liabilities measured at amortized cost		
Current and non-current debt	**-7.3**	-7.0
Interest expense from lease arrangements	**-2.1**	-
Financial liabilities at fair value through profit or loss		
Derivatives	**-**	-
Impairments of loan receivables	**-2.7**	-
Other finance expenses	**-5.0**	-6.1
Total finance expenses	**-17.2**	-13.2
Exchange gains and losses	**-3.3**	-2.3
Fair value changes from interest rate derivatives	**-1.6**	-1.3
Other fair value changes from fair value hedge accounting	**1.6**	1.3
Other market price gains and losses	**0.0**	0.1
Total market price gains and losses	**-3.2**	-2.2
Total finance income and expenses	**-13.9**	-9.3

Exchange gains and losses recognized in the statement of comprehensive income

EUR million	**2019**	2018
In sales	**-14.7**	2.2
In purchases	**5.0**	-3.4
In other income and expenses	**1.2**	-1.6
In finance income and expenses	**-3.3**	-2.3
	-11.9	-5.1

Recognized in other comprehensive income

EUR million	**2019**	2018
Exchange differences on translating foreign operations	**1.2**	-10.7
Cash flow hedges	**0.3**	-4.6
Income rax related to cash flow hedges	**-0.1**	0.6
	1.4	-14.7

4.5 FINANCIAL RISK MANAGEMENT

Financial Risk Management and Insurances

According to Outotec's Financial Risk Management policy the CEO and the Executive Board monitor implementation of risk management procedures in coordination with the Board of Directors. The CFO is responsible for implementation and development of financial risk management.

The Board's Audit and Risk Committee oversees how the management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Committee is assisted by Internal Audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures.

Outotec has a centralized Group Treasury with two main objectives: 1) to arrange adequate funding for the Group's underlying operations on competitive terms and 2) to identify and evaluate the financial risks within the Group and implement the hedges for the Group companies.

Financial risks consist of market, credit and liquidity risks. Market risks are caused by changes in foreign exchange and interest rates, as well as commodity or other prices. Especially changes in foreign exchange rates may have a significant impact on Group's earnings, cash flows and balance sheet. As the main principle Outotec's business units hedge their market risks by entering into agreements with Group Treasury, which does most of the financial contracts with banks and other financial institutions. Outotec's Treasury is also responsible for managing certain Group level risks, such as interest rate risk and foreign currency transaction risk in accordance with the Financial Risk Management policy.

In addition, the Group is sensitive to the fluctuations of raw material, external suppliers and subcontractors. The price fluctuation is prevented and the availability of raw material ascertained by long-term contracts, timing of the acquisitions, and fixed contract prices.

Foreign exchange risk

The overall objective of foreign exchange risk management is to limit the short-term negative impact on earnings and cash flow from exchange rate fluctuations, therefore increasing the predictability of the financial results.

Foreign exchange risk is the principal market risk within Outotec and as such has a significant potential impact on the income statement and balance sheet.

The currencies related to sales and costs can vary materially. A major part of Outotec's sales is, and a significant part of costs arises in euros, US dollars, Australian dollars, Chilean peso and South African rand.Outotec's policy is to hedge in full the transaction risk. Cash flow risk related to firm commitments is hedged almost completely, within subsidiary specific limits defined in the Financial Risk Management policy, whereas forecasted and probable cash flows are hedged only selectively with financial instruments based on separate decisions. A major part of cash flow risk hedging takes place operatively by matching sales and cost currencies, and the remaining open net positions are normally hedged with derivative contracts (typically forward agreements). Hedging currency pairs with large difference in interest rates may increase hedging costs. Subsidiary level foreign exchange exposures are monitored and consolidated on a monthly basis. In this description of financial risk management, the term hedging has been used in its broadest sense, and therefore it also includes usage of non-hedge-accounted derivatives.

Hedge accounting in accordance with IFRS is applied to most of the hedges in these exposures. As the underlying cash flows can have long maturities, the related hedges can be done with shorter maturities and they can be rolled over when needed, so that at the maturity the total currency rate related gains/losses from these hedges are expected to fully offset the related gains/losses from the underlying cash flows.

As only high credit quality counterparties are utilized, counterparty credit risk is expected to have minimal effect on hedge valuations.

Outotec does not typically hedge its equity translation risk.

See the tables "Transaction risk" and "Sensitivity of financial instruments on foreign exchange rates".

Interest rate risk

Interest rate risk is the risk of repricing and price caused by the changes in market interest rates. To control interest rate risks in the loan portfolio the Group has agreed both fixed and floating rate instruments. On December 31, 2019 the share of fixed rate loans of all interest-bearing debt was 100 percent.

A significant part of the financial investments has a short-term interest rate as a reference rate. The majority of cash and cash equivalent funds are invested in bank accounts, bank deposits and short-term money market instruments. The advance payments received from projects in emerging markets and the related financial investments occasionally cause interest rate risks. The largest interest rate exposures are in euros, United States dollars and Chilean pesos.

The Group is designating derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model and account for fixed rate financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would affect profit or loss for fixed rate instruments. On December 31, 2019 the total nominal value of interest rate swaps was EUR 75.0 million (December 31, 2018: EUR 75.0 million).

For variable rate interest-bearing financial investments, a shift of one percentage point would have increased (decreased) profit or loss by EUR 0.7 million for December 31, 2019 (December 31, 2018: EUR 0.8 million) and for interest bearing-debt when including effect of interest rate swaps by EUR 0.8 million for December 31, 2019 (December 31, 2018: EUR 0.8 million).

Securities price risk

Outotec does not have any material amounts of other listed equity securities classified as fair value through other comprehensive income.

Credit risks

Credit risk arises from the potential failure of a counterparty to meet its contractual payment obligations. In addition, counterparty risk arises in conjunction with financial investments and hedging instruments. The objective of credit and counterparty risk management is to minimize in a cost-efficient manner the losses incurred as a result of counterparty not fulfilling its obligations.

Outotec's trade receivables and other potential sources of sales contract related credit risk are generated by a large number of customers worldwide, but occasionally risk concentrations may develop due to large individual contracts. Outotec's operational and financial risk management policies have been created to manage the various project related risks and address them in a concised manner. The policies and related procedures require identification of counterparty risks in a project together with the evaluation of the available and cost-efficient mitigation of risks with contractual terms and/or various financial instruments. The credit risks related to business operations can be mitigated for example by the use of advance payments and other payment terms under sales contracts, project specific credit insurance plans and letters of credit. The trade receivable exposures are reviewed regularly in Outotec's project level and other operative reporting. During 2019, the reporting of overdue external trade receivables, their rotation periods and collection were further intensified. More detailed analysis of trade receivables is included in note 2.2.

Outotec's Treasury manages a substantial part of the credit risk related to the Group's financial investments. Outotec seeks to reduce these risks by limiting the counterparties to banks, other financial institutions and other counterparties, which have a good credit standing. Investments related to liquidity management are made in liquid money market instruments with, as far as possible, low credit risk and within pre-agreed credit limits and maturities. The limits are reviewed regularly. Part of Outotec's project advance payments can be invested in local money markets in emerging countries.

Insurances

Outotec Oyj acquires Group wide insurances on a case by case basis covering all or part of the Group companies' insurance needs. Furthermore, Outotec companies acquire local insurances on a case by case basis in separately defined areas and specific delivery contracts. The most important insurance lines relate to liability. On the other hand, decisions to insure credit risks in projects are usually made on a project by project basis.

General liability is the most important line of insurance and a major part of insurance premiums paid relate to these types of risks. For production units, Outotec has adequate property damage and business interruption insurance cover.

Liquidity risk

Outotec ensures required liquidity through a combination of cash management, liquid investment portfolios, and committed and uncommitted facilities. The object is to reduce liquidity and refinancing risks by means of the availability of an adequate number of credit lines, which have a balanced maturity profile. Efficient cash and liquidity management also reduces liquidity risk.

Outotec's Treasury centrally raises most of the Group's interest-bearing debt. Outotec's subsidiaries have had some local credit lines of their own, which mostly have been counter-guaranteed by Outotec Oyj. The share of long-term loans was 0.6 % of the total interest-bearing loan portfolio.

With regard to interest bearing debt, the Group offers the following committed lines of credit:

- EUR 100 million multicurrency revolving credit facility that is unsecured. The final maturity is latest on August 31, 2020.
- EUR 60 million revolving credit facility that is unsecured. The final maturity is latest on August 31, 2020.
- EUR 50 million revolving credit facility that is unsecured. The final maturity is on April 30, 2021.
- EUR 120 million Forward Start Term Facility that is unsecured. The final maturity is latest on April 30, 2021.

As of December 31, 2019, the above credit lines were fully unutilized.

Additionally, Outotec has several bilateral uncommitted commercial bank guarantee limits the total aggregate nominal value of which exceeds EUR 700 million.

See the tables "Contractual cash flows of liabilities" and "Cash and cash equivalents and committed unutilized credit facilities".

Capital management

Outotec's gearing ratio was 4.8% on December 31, 2019 (-10.1% on December 31, 2018). The Board's target is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business and the capability to pay dividends. The capital structure of the Group is reviewed by the Board of Directors on a regular basis and the Board set the following ong-term target in 2014:

- Gearing at maximum 50%

The Board of Directors of Outotec has a mandate to purchase its own shares on the market.

Certain externally imposed capital requirements exist. Outotec's main credit facilities from financial institutions include financial covenants related to adjusted equity ratio and liquidity. The Group has operated in compliance with the covenants during 2006–2019.

As part of Group's capital management operations Outotec Oyj, on March 24, 2016, issued a EUR 150 million five-year hybrid bond with a fixed coupon rate of 7.375 per cent per annum. The hybrid bond is treated as equity in the IFRS consolidated financial statements. Outotec can postpone interest payment if it does not distribute dividends or other equity to its shareholders. The bond has no maturity date, but the company has the right to redeem it five years after the issue date. In addition, Outotec has the possibility to redeem the bond upon completion of the Demerger, pursuant to the terms and conditions of the bond. The hybrid bond is unsecured and in a weaker preference position than unsecured debt obligation. A holder of hybrid bond notes has no shareholder rights.

Transaction risk

EUR million	USD exposure in companies reporting in EUR 2019	2018	USD exposure in companies reporting in AUD 2019	2018	AUD exposure in companies reporting in EUR 2019	2018	EUR exposure in companies reporting in SEK 2019	2018
Bank accounts	**2.0**	6.1	**4.4**	2.2	**1.6**	1.2	**0.7**	1.1
Trade receivables	**57.4**	58.3	**2.2**	4.8	**2.1**	1.7	**2.9**	4.2
Trade payables	**-7.7**	-0.8	**-0.4**	-0.2	**-3.4**	-5.3	**-1.4**	-2.0
Other balance sheet items	**45.5**	14.4	**-**	-	**37.8**	45.3	**-**	-
Net balance sheet exposure	**97.2**	78.0	**6.2**	6.8	**38.1**	43.0	**2.1**	3.3
Sales order book	**162.8**	68.1	**25.0**	17.9	**4.5**	1.8	**3.4**	9.2
Purchase order book	**-44.7**	-41.3	**-4.7**	-3.4	**-3.0**	-2.5	**-2.2**	-4.8
	118.1	26.8	**20.3**	14.5	**1.5**	-0.7	**1.2**	4.4
Hedges:								
Foreign exchange forward contracts	**-216.7**	-113.0	**-24.1**	-19.9	**-42.1**	-46.6	**-3.5**	-8.0
Total net exposure	**-1.4**	-8.1	**2.4**	1.4	**-2.4**	-4.3	**-0.1**	-0.3

Sensitivity of financial instruments on foreign currency exchange rates

EUR million	Effect on profit or loss 2019	2018	Effect on equity 2019	2018
+/-10% change in EUR/USD exchange rate	**+1.0/-1.2**	+1.5/-1.8	**+13.5/-16.5**	+5.3/-6.4
+/-10% change in EUR/AUD exchange rate	**-0.1/+0.1**	+0.2/-0.3	**+0.5/-0.6**	+0.1/-0.1
+/-10% change in EUR/SEK exchange rate	**-0.3/+0.4**	-0.1/0.1	**-0.5/+0.5**	-0.6/0.6
+/-10% change in AUD/USD exchange rate	**+0.7/-0.7**	-0.6/0.6	**+1.0/-1.2**	+1.7/-2.1

The following assumptions were made when calculating the sencitivity to changes in exchange rates:
The variation in currency is assumed to be +/- 10%. The position includes currency denominated financial assets and liabilities, such as borrowings, deposits, trade and other receivables, liabilities, and cash and cash equivalents, as well as derivative financial instruments. The position excludes order book items and cash flow hedges.

Contractual cash flows of liabilities at December 31, 2019

EUR million	2020[1]	2021	2022	2023	2024	2025	**Total**
Bonds							
finance charges	-5.6	-	-	-	-	-	**-5.6**
repayments	-150.0	-	-	-	-	-	**-150.0**
Loans from financial institutions							
finance charges	-0.3	-	-	-	-	-	**-0.3**
repayments	-24.5	-	-	-	-	-	**-24.5**
Lease liabilities							
repayments	-13.8	-6.6	-5.9	-5.7	-5.5	-25.2	**-62.7**
Other long-term loans							
finance charges	-0.0	-0.0	-0.0	-0.0	-	-	**-0.1**
repayments	-0.3	-0.3	-0.3	-0.3	-	-	**-1.3**
Other Current loans							
finance charges	-0.4	-	-	-	-	-	**-0.4**
repayments	-49.6	-	-	-	-	-	**-49.6**
Derivative liabilities							
designated as cash flow hedges							
Outflow	-108.8	-9.8	-	-	-	-	**-118.6**
Inflow	105.3	9.8	-	-	-	-	**115.1**
other derivative contracts							
Outflow	-248.2	-	-	-	-	-	**-248.2**
Inflow	243.5	-	-	-	-	-	**243.5**
Trade payables	-147.6	-	-	-	-	-	**-147.6**

[1] Repayments in 2020 are included in current debt.
All non-current debt will be repaid by the end of 2023. Average maturity of long-term debt was 0.73 years and the average interest rate 3.66%.

Contractual cash flows of liabilites at December 31, 2018

EUR million	2019[1]	2020	2021	2022	2023	2024	Total
Bonds							
finance charges	-5.6	-5.6	-	-	-	-	-11.3
repayments	-	-150.0	-	-	-	-	-150.0
Loans from financial institutions							
finance charges	-0.6	-0.3	-	-	-	-	-0.9
repayments	-4.1	-24.5	-	-	-	-	-28.5
Lease liabilities							
repayments	-0.0	-0.0	-0.0	-	-	-	-0.0
Other long-term loans							
finance charges	-0.1	-0.0	-0.0	-0.0	0.0	-	-0.2
repayments	-0.3	-0.3	-0.3	-0.3	-0.3	-	-1.7
Other Current loans							
finance charges	-0.0	-	-	-	-	-	-0.0
repayments	-19.0	-	-	-	-	-	-19.0
Derivative liabilities							
designated as cash flow hedges							
Outflow	-149.0	-16.0	-	-	-	-	-165.0
Inflow	143.4	15.3	-	-	-	-	158.7
other derivative contracts							
Outflow	-121.0	-8.6	-	-	-	-	-129.6
Inflow	118.1	8.2	-	-	-	-	126.3
Trade payables	-124.8	-	-	-	-	-	-124.8

[1] Repayments in 2019 are included in current debt.
All non-current debt will be repaid by the end of 2023. Average maturity of long-term debt was 1.70 years and the average interest rate 3.63%.

Maturity analysis for guarantee contracts at December 31, 2019

EUR million	2020	2021	2022	2023	2024	2025–
Guarantees for financing	-3.9	-	-	-	-	-
All commercial guarantees including down payment guarantees	-848.8	-0.0	-0.3	-0.0	-4.6	-2.3

Maturity analysis for guarantee contracts at December 31, 2018

EUR million	2019	2020	2021	2022	2023	2024–
Guarantees for financing	-4.4	-	-	-	-	-
All commercial guarantees including down payment guarantees	-680.3	-0.1	-0.1	-0.3	-0.0	-7.4

All sales project related commercial guarantees are included in short term liabilities as they secure ongoing contractual obligations. However, claims that affect liquidity have historically been rare.

Cash and cash equivalents and committed unutilized credit facilities

EUR million	**2019**	2018
Cash at bank and in hand	**193.3**	154.5
Short term bank deposits	**58.5**	56.0
Cash equivalent marketable securities	**15.5**	22.8
Overdraft facilities	**14.0**	21.2
Revolving and other credit facilities	**330.0**	160.0

4.6 DERIVATIVE INSTRUMENTS

Fair values of derivative contracts

EUR million	Positive fair value				Negative fair value					
Remaining maturity	<1 year	1–2 years	2–3 years	3– years	<1 year	1–2 years	2–3 years	3– years	**Total**	Fair value change of hedged item
2019										
Foreign exchange forward contracts										
Designated as cash flow hedges	2.5	0.4	-	-	-3.4	-0.1	-	-	**-0.6**	0.6
Other foreign exchange forward contracts	2.5	0.2	-	-	-4.2	-	-	-	**-1.6**	1.6
Interest rate swaps										
Designated as cash flow hedges									**-**	-
Designated as fair value hedges	1.0	-	-	-	-	-	-	-	**1.0**	-1.0
Total	**6.0**	**0.5**	**-**	**-**	**-7.7**	**-0.1**	**-**	**-**	**-1.1**	**1.1**
2018										
Foreign exchange forward contracts										
Designated as cash flow hedges	1.4	0.2	-	-	-5.8	-0.3	-	-	-4.5	4.5
Other foreign exchange forward contracts	4.5	0.0	-	-	-2.9	-0.3	-	-	1.3	-1.3
Interest rate swaps										
Designated as cash flow hedges	-	-	-	-	-	-	-	-	-	-
Designated as fair value hedges	-	2.6	-	-	-	-	-	-	2.6	-2.6
Total	6.0	2.8	-	-	-8.8	-0.6	-	-	-0.6	0.6

Fair values are estimated based on market rates and prices and discounted future cash flows.

Nominal values of derivative contracts

EUR million Remaining maturity	<1 years	1–2 years	2–3 years	3– years
2019				
Foreign exchange forward contracts				
Designated as cash flow hedges	243.4	31.0	-	-
Other foreign exchange forward contracts	434.1	7.5	-	-
Interest rate swaps				
Designated as cash flow hedges	-	-	-	-
Designated as fair value hedges	75.0	-	-	-
Total	**752.5**	**38.5**	**-**	**-**
2018				
Foreign exchange forward contracts				
Designated as cash flow hedges	208.0	27.5	-	-
Other foreign exchange forward contracts	343.3	8.4	-	-
Interest rate swaps				
Designated as cash flow hedges	-	-	-	-
Designated as fair value hedges	-	75.0	-	-
Total	551.3	110.9	-	-

Effect of cash flow hedges

EUR million	**2019**	2018
Recognized in comprehensive income		
In other income	**-**	-
In other expenses	**-**	0.3
Adjustment to sales	**-3.5**	-1.2
Recognized in equity		
Hedge result	**-0.6**	-2.5
As deferred taxes	**0.2**	0.6

Accounting principle

All derivatives, including embedded derivatives, are initially recognized at fair value on the date Outotec has entered into the derivative contract, and are subsequently re-measured at fair value. Determination of fair values is based on quoted market prices and rates, discounting of cash flows, and option valuation models.

Fair values of currency forwards and swaps are determined by discounting the future nominal cash flows with relevant interest rates and then converting the discounted cash flows to the base currency using spot rates. The fair value of currency options is determined by utilizing commonly applied option valuation models.

The majority of Outotec's derivatives are hedging underlying operative transactions. In accordance with the IFRS 9 standard, part of these is not classified as hedging instruments as they do not meet the IFRS 9 standard criteria for hedge accounting. The fair value changes of these derivatives are recognized in the operating result under other income and expenses. However, if the derivative is assigned to financial items, the fair value changes are recognized in financial income and expenses.

For those projects where cash flow hedge accounting is applied, the effectiveness of the hedge is tested and documented in accordance with IFRS 9. The hedge results are recognized in the statement of comprehensive income in the same periods as the project revenue. The hedged cash flows are mainly customer prepayments that are recognized as revenue in the statement of comprehensive income using the percentage of completion method. The respective proportion of the hedge results has been recognized in the statement of comprehensive income as an adjustment to sales, and the remaining part in the other comprehensive income and presented in the cash flow hedge reserve in equity. The amounts in the cash flow hedge reserve also include a respective proportion of the realized result of hedges of customer prepayments that have already taken place but are not recognized in the statement of comprehensive income.

All recognized fair value changes to equity are net of tax.

4.7 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

2019 EUR million	Fair value through profit or loss	Amortized cost	Fair value through other comprehensive income	Carrying amounts by balance sheet item	Fair value
Non-current financial assets					
Derivative assets					
foreign exchange forward contracts	0.2	-	-	0.2	0.2
foreign exchange forward contracts under hedge accounting	0.4	-	-	0.4	0.4
Other shares and securities	-	-	1.6	1.6	1.6
Loans receivable	-	1.5	-	1.5	1.5
Other non-current receivables	-	2.0	-	2.0	2.0
Current financial assets					
Derivative assets					
foreign exchange forward contracts	2.5	-	-	2.5	2.5
foreign rate swaps	1.0	-	-	1.0	1.0
foreign exchange forward contracts under hedge accounting	2.5	-	-	2.5	2.5
Loans receivables and other investments	-	0.0	-	0.0	0.0
Trade and other receivables	-	298.2	-	298.2	298.2
Cash and cash equivalents	-	267.4	-	267.4	267.4
Carrying amount by category	**6.6**	**569.2**	**1.6**	**577.4**	**577.4**
Non-current financial liabilities					
Derivative liabilities					
foreign exchange forward contracts under hedge accounting	0.1	-	-	0.1	0.1
Other non-current borrowings	-	1.0	-	1.0	1.0
Other non-current liabilities	-	6.8	-	6.8	6.8
Current financial liabilities					
Bonds	-	149.8	-	149.8	153.4
Revaluation of bonds and debentures	-	1.0	-	1.0	-
Borrowings from financial institutions	-	24.5	-	24.5	24.8
Derivative liabilities					
foreign exchange forward contracts	4.2	-	-	4.2	4.2
foreign exchange forward contracts under hedge accounting	3.4	-	-	3.4	3.4
Other current borrowings	-	49.9	-	49.9	49.9
Trade and other payables	-	289.5	-	289.5	289.5
Carrying amount by category	**7.7**	**522.6**	**-**	**530.3**	**533.1**

2018 EUR million	Fair value through profit or loss	Amortized cost	Fair value through other comprehensive income	Carrying amounts by balance sheet item	Fair value
Non-current financial assets					
Derivative assets					
foreign exchange forward contracts	0.0	-	-	0.0	0.0
interest rate swaps	2.6	-	-	2.6	2.6
foreign exchange forward contracts under hedge accounting	0.2	-	-	0.2	0.2
Other shares and securities	-	-	1.6	1.6	1.6
Loans receivable	-	4.1	-	4.1	4.1
Other non-current receivables	-	2.3	-	2.3	2.3
Current financial assets					
Derivative assets					
foreign exchange forward contracts	4.5	-	-	4.5	4.5
foreign exchange forward contracts under hedge accounting	1.4	-	-	1.4	1.4
Loans receivables and other investments	-	0.0	-	0.0	0.0
Trade and other receivables	-	269.4	-	269.4	269.4
Cash and cash equivalents	-	233.4	-	233.4	233.4
Carrying amount by category	8.7	509.2	1.6	519.6	519.6
Non-current financial liabilities					
Bonds	-	149.5	-	149.5	154.4
Revaluation of bonds and debentures	-	2.7	-	2.7	-
Loans from financial institutions	-	24.5	-	24.5	24.9
Derivative liabilities					
foreign exchange forward contracts	0.3	-	-	0.3	0.3
foreign exchange forward contracts under hedge accounting	0.3	-	-	0.3	0.3
Other non-current borrowings	-	1.3	-	1.3	1.3
Other non-current liabilities	-	7.1	-	7.1	7.1
Current financial liabilities					
Loans from financial institutions	-	4.1	-	4.1	4.7
Derivative liabilities					
foreign exchange forward contracts	2.9	-	-	2.9	2.9
foreign exchange forward contracts under hedge accounting	5.8	-	-	5.8	5.8
Other current borrowings	-	18.9	-	18.9	18.9
Trade and other payables	-	266.1	-	266.1	266.1
Carrying amount by category	9.3	474.3	-	483.6	486.7

Loans have been values at current market rates which causes differences against carrying values.

Fair value hierarchy

The revised IFRS 13 standard requires use of three-level fair value hierarchy of financial instruments. For more information please see the principles to the consolidated financial statements.

2019

EUR million	Level 1	Level 2	Level 3	**Total**
Other shares and securities	0.0	-	1.6	**1.6**
Derivative financial assets	-	6.6	-	**6.6**
Derivative financial liabilities	-	7.7	-	**7.7**

2018

EUR million	Level 1	Level 2	Level 3	Total
Other shares and securities	0.0	-	1.6	1.6
Derivative financial assets	-	8.7	-	8.7
Derivative financial liabilities	-	9.3	-	9.3

Offsetting financial assets and financial liabilities

2019	Derivative financial assets		Derivative financial liabilities	
EUR million	**2019**	2018	**2019**	2018
Gross amounts of recognized financial assets/ liabilities	**6.6**	8.7	**7.7**	9.3
Gross amounts of recognized financial liabilities/ assets set off in the balance sheet	-	-	**-**	-
Net amounts of financial assets/liabilities presented in the balance sheet	**6.6**	8.7	**7.7**	9.3
Related amounts not set off in the balance sheet:				
Financial instruments	**-4.7**	-5.2	**-4.7**	-5.2
Cash collateral received	**-**	-	**-**	-
Net amount	**1.9**	3.6	**3.0**	4.2

The Group's ISDA agreements enable netting of financial instruments but as a main rule netting is not implemented.

Accounting principle

Financial instruments are classified as fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Equity investments are classified as fair value through other comprehensive income. Interest-bearing securities and convertible loan receivables are classified as financial assets at fair value through profit and loss. However, highly liquid marketable securities with maturity not exceeding three months are classified as cash equivalents.

The Group classifies instruments at fair value into fair value hierarchy levels and uses valuation techniques as follows:

- Level 1, publicly listed instruments: fair values are measured using quoted prices (unadjusted) in active markets for identical instruments
- Level 2, derivatives: fair values are measured using the present value of the estimated future cash flows based on observable yield curves (for interest rate swaps) and based on the forward exchange rates at the reporting date (for foreign currency forwards)
- Level 3, unlisted equity securities: fair values are measured using market information for similar types of companies

The Group's finance department, which reports to the chief financial officer (CFO), performs the valuations of non-property assets required for financial reporting purposes, including level 3 fair values. Changes in level 3 fair values are analyzed at the end of each reporting period. In the event of any changes, the team will present a report to the CFO explaining the reason for the fair value movements.

Financial assets and liabilities at fair value through profit and loss are recognized at the trade date and measured at fair value through profit and loss. The unrealized fair value changes of instruments at fair value through other comprehensive income are recognized in other comprehensive income and presented in fair value reserve of equity net of taxes. In the event such an asset is disposed of, the accumulated fair value changes are released from other comprehensive income into retained earnings, and not through profit and loss.

Loans and receivables as well as all financial liabilities, except for derivatives, are recognized at the settlement date and measured at amortized cost using the effective interest rate method. Transaction costs are included in the initially recognized amount. The need for impairment is assessed separately for each loan receivable and when realized it is deducted from the carrying value. The impairment shall be based on evidence that it is probable that the Group will not be able to collect the loan receivable in accordance with initial terms.

OTHER NOTES

IN THIS SECTION

5.1 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Discontinued operations

On December 10, 2019, Outotec accounced its decision to divest three businesses from the Metals, Energy & Water segment's (MEW) portfolio. These businesses relate to aluminum, waste-to-energy and sludge incineration.

The aluminum business to be divested includes green anode plant, rod shop and certain casthouse technologies as well as related service operations. The waste-to-energy business to be divested comprises of biomass, wood waste and various other fuel plants including related service operations. The sludge incineration business to be divested comprises of delivery of plants for treatment of municipal and industrial sludge and related service operations.

In total, approximately 250 experts are working in these three businesses.

The divested businesses have been classified as discontinued operations, including the transfer of assets held for sale and liabilities directly attributable to them on separate lines in the statement of financial position. The comparison figures in the statement of income have been restated for 2018 to show the discontinued operations separately from continuing operations.

Pursuing these strategic actions will enable Outotec to better focus on its core technologies in minerals processing and metals refining. Divestments of the businesses are expected to be implemented during 2020 through selling of the businesses.

Result of the discontinued operations

EUR million	**2019**	2018
Sales	**40.8**	79.0
Cost of sales	**-72.2**	-81.5
Gross profit	**-31.5**	-2.5
Other income	**1.8**	-
Selling and marketing expenses	**-7.0**	-7.6
Administrative expenses	**-3.1**	-3.0
Research and development expenses	**-4.3**	-3.4
Other expenses	**-0.6**	-3.1
Operating result	**-44.7**	-19.5
Income taxes	**-0.5**	2.8
Net result for the period	**-45.3**	-16.7
Earnings per share, discountinued operations, EUR	**-0.25**	-0.09
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit obligations	**-0,2**	0,0

OTHER NOTES

Cash flows of the discontinued operations

EUR million	2019	2018
Net cash from operating activities	-32.7	-17.8
Net cash used in investing activities	-0.6	-0.8
Net cash used in financing activities	-0.0	-
Total	-33.3	-18.6

Financial position of the discontinued operations

EUR million	2019
Intangible assets	5.5
Property, Plant and Equipment	8.2
Right-of-use assets	1.5
Inventories	8.4
Trade and other receivables	28.2
Assets total, classified as held for sale	51.8
Lease liabilities	1.5
Pension obligations	1.3
Provisions	17.0
Trade and other payables	23.3
Liabilities total, classified as held for sale	43.1

Disposal group classified as held for sale

On May 10, 2019, Outotec accounced its decision to sell the fabrication and manufacturing businesses in South Africa and Mozambique. The sale of the business in South Africa was realized in December 2019. The business in Mozambique has been classified as held for sale. This transaction is expected to be completed by the end of Q1 2020. Both businesses were part of the Metals Refining segment.

EUR million	2019
Property, Plant and Equipment	0.3
Inventories	0.5
Trade and other receivables	0.8
Cash and cash equivalents	4.0
Disposal group assets classified as held for sale, total	5.6
Trade and other payables	0.2
Liabilities directly associated with assets classified as held for sale, total	0.2

Accounting principle

Discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Result from discontinued operations is shown separately in the consolidated statement of income and the comparative figures are restated accordingly. Cash flows for discontinued operations are presented separately in the notes.

Non-current assets and assets and liabilities related to discontinued operations are classified as held for sale if their carrying amounts are expected to be recovered primarily through sale rather than through continuing use. Classification as held for sale requires that the following criteria are met; the sale is highly probable, the asset is available for immediate sale in its present condition subject to usual and customary terms, the management is committed to the sale and the sale is expected to be completed within one year from the date of classification.

Prior to classification as held for sale, the assets or assets and liabilities related to a disposal group in question are measured according to the respective IFRS standards. From the date of classification, non-current assets held for sale are measured at the lower of the carrying amount and the fair value less costs to sell, and the recognition of depreciation and amortization is discontinued. Non-current assets held for sale are presented in the statement of financial position separately from other items. The comparative figures for statement of financial position are not restated.

5.2 SHARE-BASED PAYMENTS

Share-based payments include a share-based incentive program for key personnel and an employee share savings plan.

Share-based Incentive Program 2019-2021

Outotec's Board of Directors decided December 11, 2018 to adopt a Share-based Incentive Program 2019-2021 for the company's key personnel. The program comprises of three earning periods: calendar years 2019, 2020 and 2021. On an annual basis, the Board of Directors determines the maximum number of allocated shares, the participants, the length of the earning period, the amount of maximum reward for each individual, the earning criteria and the targets established for them. The length of the earning and measurement period can vary from one to three years. A precondition for the Executive Board members to be eligible for the Share-based Incentive Program is that s/he also participates in Outotec's Employee Share Savings Plan.

The person must remain employed for at least two years after the closing of the earning period. The reward will be paid after the end of this restriction period as a combination of shares and cash. The cash portion is intended for covering taxes and tax-related payments. The reward will not be paid if the person's employment ends before the end of the restriction period.

The targets for the 2019 earning period are based on the operating result (EBIT) and free cash flow.

Share-based Incentive Program 2016-2018

Outotec's Board of Directors decided February 29, 2016 to adopt a Share-based Incentive Program 2016-2018 for the company's key personnel. The program comprised of three earning periods: calendar years 2016, 2017 and 2018. On an annual basis, the Board of Directors determined the maximum number of allocated shares, the participants, the length of earning period, the amount of maximum reward for each individual, the earning criteria and the targets established for them. A precondition for the Executive Board members to be eligible for the Share-based Incentive Program was that s/he also participated in Outotec's Employee Share Savings Plan.

The reward was paid in the spring of the year following the closing of the earning period as a combination of shares and cash. The cash portion was intended for covering taxes and tax-related payments. The reward was not paid if the person's employment ended before the closing of the earning period. The person must also hold the earned shares and remain employed for at least two years after the closing of the earning period. If the person left Outotec within this period, the shares were returned to Outotec.

The targets for the 2016 earning period, based on net profit and free cash flow, were not reached and thus no reward was paid. The targets for the 2017 earning period were based on adjusted EBIT and free cash flow, and of the reward paid in June 2018 a net number of 139 749 shares was outstanding at the end of the period in addition to a cash payment corresponding to an income taxable value of 11 909 shares to be paid upon vesting in some tax jurisdictions. The targets for the 2018 earning period were based on adjusted EBIT and free cash flow. These were not reached and thus no reward will be paid out.

Employee Share Savings Plan

Outotec's Board of Directors decided on September 25, 2012, to launch a global Employee Share Savings Plan for Outotec employees. The participants have a possibility to save 2 to 5% of their gross salary for purchasing Outotec shares. The shares are acquired quarterly at market price. To encourage participation, Outotec offers each participant one free share for two acquired shares, after a designated holding period of approximately three years. The free shares are taxable income for the recipient; consequently, part of the granted shares is withheld as a cash portion for settlement of income taxes, the plan thus having net settlement features. Outotec's Board of Directors has decided not to launch a new O'share saving period for 2020. The decision was taken due to the expected combination of Outotec and Metso Minerals, as incentive plans for 2020 are part of the integration planning.

The 2016 plan ended during the reporting period, under which a reward corresponding to a total of 99,981 shares was delivered in addition to the cash portion intended for covering taxes and tax-related payments.

Share-based Incentive Programs	**2019–2021 program**	2016–2018 program		
	Earning period 2019	Earning period 2018	Earning period 2017	Earning period 2016
Maximum number of shares	**670,000**	670,000	700,000	700,000
Grant dates	**2.5.2019**	12.3.2018	25.4.2017	10.6.2016
Outotec share price on the grant date, EUR	**4.43**	7.85	6.85	3.82
Expected dividends per share, EUR	**-**	-	-	-
Fair value at 31.12.2019, EUR million	**4.67**	-	2.45	-
Beginning of earning period	**1.1.2019**	1.1.2018	1.1.2017	1.1.2016
End of earning period	**31.12.2019**	31.12.2018	31.12.2017	31.12.2016
End of restriction/ownership period	**28.2.2022**	1.1.2021	1.1.2020	1.1.2019
Number of persons at 31.12.2019	**70**	-	79	-
Number of shares outstanding at 31.12.2019	**620,000**	-	151,658	-

Employee Share Savings Plan	**Earning period 2019**	Earning period 2018	Earning period 2017	Earning period 2016
Maximum number of shares	**350,000**	299,000	488,000	907,000
Grant dates	**11.12.2018**	11.12.2017	14.12.2016	10.2.2016
Outotec share price on the grant date, EUR	**3.09**	6.44	4.99	2.80
Expected dividends per share, EUR	**-**	-	0.31	0.10
Fair value at 31.12.2019, EUR million	**0.4**	1.1	0.6	0.6
Beginning of earning period	**1.1.2019**	1.1.2018	1.1.2017	1.1.2016
End of earning period	**15.5.2022**	15.5.2021	15.5.2020	15.5.2019
End of restriction/ownership period	**15.5.2022**	15.5.2021	15.5.2020	15.5.2019
Number of persons at 31.12.2019	**739**	676	646	-
Number of shares outstanding at 31.12.2019	**158,463**	162,134	113,079	-

Effect on earnings during the period and financial position EUR million	**2019**	2018
Expenses for the financial year, total	**2.6**	1.3
Expenses for the financial year, recognized in equity	**1.5**	0.9
Liabilities arising from share-based payments at the end of the period	**4.1**	0.9

Accounting principle

The fair value of share-based payments is measured on the day on which the share-based payment plan is agreed upon between the counterparties and will be recognized as an expense over the vesting period. The settlement is a combination of shares and cash. The component settled in shares is recognized in shareholders' equity and the payment settled in cash in liabilities. However, for awards with net settlement features, the cash-settled component for withholding tax payment is treated as equity-settled and recognized in shareholders' equity. The fair value of the component treated as equity-settled is measured using Outotec share price on the grant date. The fair value of the liability incurred in respect of a cash-settled transaction is measured using Outotec share price on each reporting date until the reward payment.

Since the plan participants are not entitled to receive dividends during the earning period, the dividends expected to be paid have been deducted from the share price of the grant date when measuring the fair value.

5.3 PENSION OBLIGATIONS

The pension plans in Outotec are mainly classified as defined contribution plans. Defined benefit pension plans are in effect in Germany. The basis for the defined benefit plans is a fixed pension amount earned for every service year. The amount depends on the salary group at date of retirement. In the event of early retirement the pension is reduced until the normal retirement age. Furthermore, there are entitlements for widow's and orphan's pensions which are part of the spouse's pension. Other post-employment benefits relate to retirement medical arrangements in Germany.

Defined benefit plans and other post-employment benefits

Defined benefit plans and other post-employment benefits	Defined benefit pension plans		Other post-employment benefits	
EUR million	**2019**	Restated 2018	**2019**	Restated 2018
Amounts recognized in the income statement				
Current service cost	**-1.2**	-1.5	**-**	-
Interest cost	**-1.0**	-1.0	**-0.1**	-0.1
Loss on settlement	**-**	-0.4	**-**	-
Employee contributions	**-**	-	**-**	-
	-2.2	-2.9	**-0.1**	-0.1
Movement in the present value of the defined benefit obligation				
Unfunded obligation at January 1	**52.3**	55.2	**3.6**	3.1
Service cost	**1.2**	1.5	**-**	0.0
Interest cost	**1.0**	1.0	**0.1**	0.1
Loss on settlement	**-**	0.4	**-**	-
Actuarial gains(-) and losses (+)	**13.3**	-1.5	**0.3**	0.7
Employee contributions	**-**	-	**-**	-
Benefits paid	**-1.6**	-1.6	**-0.2**	-0.2
Settlements paid	**-**	-2.7	**-**	-
Classification as held for sale	**-1.1**	-	**-0.2**	-
Unfunded obligation at December 31	**65.0**	52.3	**3.5**	3.6

Comparison figures related to the statement of income have been restated due to the MEW segment's businesses aluminum, waste-to-energy and sludge incineration being classified as discontinued operations.

Expected benefit payments EUR million	
2020	2.0
2021	2.1
2022	2.2
2023	2.3
2024	2.4
Next 5 years	13.0

The weighted average duration of the defined benefit obligation was 18.4 years on December 31, 2019.

Principal actuarial assumptions

%	**2019**	2018
Discount rate	**0.90**	1.90
Future benefit increase expectation	**1.80**	1.80

Assumption for the retirement age follows the normal age in Germany. Assumptions regarding the mortality are made according to the actuarial guidelines and are based on the local statistics and knowledge. Other post-employment benefit oblications are influenced by the medical cost trend.

Sensitivity analysis of principal actuarial assumptions

%	Change in assumption	Impact of increase	Impact of decrease
Discount rate	0.25	-4.5	4.9
Future benefit increase expectation	0.25	2.4	-2.3
Medical cost trend expectation	1.00	0.5	-0.5
Change in expented lifetime	1 year	4.1	-4.1

Above sensitivity analysis is calculated by changing one assumption while others are expected to remain unchanged. In reality this is unlikely and assumptions may correlate with each others. Defined benefit liability in the sensitivity analysis is calculated with the same method as in the balance sheet.

Defined benefit plans expose the Group to different types of risks the most relevant being the interest risk. In the event that assumptions behind the discount rate change substantially and the discount rate decreases significantly, the present value of the defined benefit plan obligations will also increase. Outotec's discount rate is based on the markets for fixed interest long running papers.

Defined benefit plans include lifetime benefits for the beneficiaries. Therefore, a decrease in mortality assumption increases the pension and health care obligations.

Accounting principle

Group companies in various countries have different kinds of pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits related to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. The liability recognized in the balance sheet with respect to defined benefit pension plans is the present values of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the statement of income.

Accounting estimates and judgements

Several actuarial assumptions are used in calculating the expense and liability related to the defined benefit plans, the most critical assumptions being the discount rate and future benefit increase expectation.

Statistical information used may differ from actual results, which may have impact on the future amounts of the defined benefit obligation and future expense.

5.4 LEASES

Outotec's lease portfolio consists primarily of offices, warehouses and company cars. The typical lease periods for offices and warehouses are within a range of 2-12 years and for cars within a range of 0.5-4 years.

Amounts recognised in the balance sheet

EUR million	2019	2018
Right-of-use assets		
Land	0.1	-
Buildings	58.0	-
Machinery	0.4	-
Office equipment and other tangible assets	3.1	-
	61.6	-
Lease liabilities		
Non-current	48.4	-
Current	13.8	-
	62.3	-

Amounts recognised in the statement of comprehensive income

EUR million	2019	2018
Depreciations on right-of-use assets	-14.9	-
Expense relating to short-term lease contracts	-4.1	-
Expense relating to leases of low-value lease contracts	-0.3	-
Expense relating to variable lease payments	-2.4	-
Interest expense (included in finance expenses)	-2.1	-
	-23.8	-

The total cash outflow for leases in 2019 was EUR 14.1 million.

Accounting principle

Lease contracts are recognized as right-of-use assets and liabilities. The right-of-use asset is measured at the amount of lease liability and any prepayments or initial direct costs incurred. Lease liability is recognized at the present value of the remaining lease payments in the statement of financial position. The depreciation on a right-of-use asset and the interest expense on the discounted lease liability is recognized in profit or loss.

Future lease payments are discounted with the interest rate implicit in the lease contract or, if that rate cannot be readily determined, Outotec's incremental borrowing rate is used. Outotec uses the risk-free currency-based rate as the base rate for the incremental borrowing rate. On top of the currency-based rate, Outotec's margin is added, based on the cost of the external debt. Furthermore, the lease term is taken into account in the incremental borrowing rate.

Outotec assesses on an annual basis whether possible lease contract extension or termination options are exercised. If these options are to be exercised, the lease term is adjusted accordingly. Currently, Outotec does not have lease contracts with perpetual lease terms. In the event of a perpetual lease contract, Outotec will estimate the lease term for the contract to be used for the right-of-use asset and lease liability calculations.

Outotec applies the exemptions for short-term leases and leases for which the underlying asset is of low value. For these types of lease contracts, no right-of-use asset or lease liability is recognized and instead, the lease expenses are recognized on a straight-line basis in the profit or loss.

Accounting estimates and judgements

For contracts that include an option to extend or terminate early the lease term, management needs to assess the probability of exercising such option, which affects the estimated length of lease term as well as the amounts of right-of-use asset, lease liability, depreciation and interest expense. Management judgment is also applied in defining the incremental borrowing rate used to calculate the present value of the future lease payments.

5.5 COMMITMENTS AND CONTINGENT LIABILITIES

No securities or collateral have been pledged.

Commercial guarantees relating to project performance obligations and equipment deliveries totaled EUR 661.9 million on December 31, 2019 (December 31, 2018: EUR 490.7 million). These are issued by financial institutions or Outotec Oyj on behalf of Group companies.

The total value of the commercial guarantees above does not include advance payment guarantees issued by financial institutions, the parent or other Group companies, or guarantees for financial obligations. The total amount of guarantees for financing issued by Group companies amounted to EUR 3.9 million as of December 31, 2019 (December 31, 2018: EUR 4.4 million) and for commercial commitments including advance payment guarantees EUR 856.1 million as of December 31, 2019 (December 31, 2018: EUR 688.1 million). The high exposure of on-demand guarantees may increase the risk of claims that may have an impact on Outotec's liquidity.

Major off-balance sheet investment commitments

The Group had no major off-balance sheet investment commitments at December 31, 2019.

5.6 RELATED PARTY TRANSACTIONS

Outotec's related parties include Outotec subsidiaries (note 5.9), associated companies (note 3.4) and members of the Board of Directors and Executive Board.

Transactions and balances with management

Employee benefits for key management

EUR million	2019	2018
Executive Board (including President and CEO)		
Wages, salaries and other short-term employee benefits	**4.4**	2.8
Termination benefits	**0.3**	-
Share-based payments	**0.8**	0.4
Statutory pension payments	**0.9**	0.5
Total	**6.3**	3.7
President and CEO		
Wages, salaries and other short-term employee benefits	**1.1**	0.6
Share-based payments	**0.2**	0.1
Statutory pension payments	**0.2**	0.1
Total	**1.5**	0.8

Figures for employee benefits for key management are given as accrual based whereas in the financial statement of last year they were payment based.

During year 2019 the Executive Board received a total number of 4,340 Outotec shares (2018: 72,057) as part of the share-based incentive program (included in Share-based payments), of which the CEO received 341 shares (2018: 13,331 shares).

Fees paid to the Board of Directors

EUR thousand	2019	2018
Matti Alahuhta (Chairman)	**88.8**	84.0
Ian W. Pearce (Vice Chairman as from March 14, 2019)	**64.2**	46.8
Timo Ritakallio (Vice Chairman until March 14, 2019)	**3.0**	59.4
Klaus Cawén	**53.4**	47.4
Anu Hämäläinen	**61.8**	-
Anja Korhonen	**51.0**	58.2
Hanne de Mora	**51.6**	43.8
Patrik Nolåker	**51.6**	48.0
Teija Sarajärvi	**49.8**	-
Eija Ailasmaa	**3.0**	48.0
	478.2	435.6

5.7 DISPUTES AND LITIGATIONS

Outotec has no ongoing material litigations or arbitration proceedings.

5.8 EVENTS AFTER THE BALANCE SHEET DATE

January 31: Outotec introduced a major version upgrade to Outotec® HSC Chemistry® process modeling platform, widely used in the metallurgical and chemical industry and universities for R&D, process design, and training workshops.

January 30: Outotec and Neste introduced 100% bio-based diluent as a new solution for metals extraction.

January 28: Outotec announced Outotec® Pretium Water Advisor to improve sustainability of mining operations through monitoring and optimizing the use of mine water.

January 21: Outotec announced that it has been ranked 18th on the Corporate Knights 2020 Global 100 Index of most sustainable companies. This marks the eighth consecutive year Outotec is included in the Global 100 list.

January 8: Outotec announced that it has been awarded a Gold level recognition for its corporate responsibility practices third consequitive year and ranked in the top 5% of companies evaluated by EcoVadis.

5.9 SUBSIDIARIES

Subsidiaries at December 31, 2019		Country	Group holding, %
AO Outotec St. Petersburg		Russia	100
International Project Services Ltd. Oy		Finland	100
Larox AB		Sweden	100
Larox India Private Ltd.		India	100
Outotec (Canada) Ltd.	1	Canada	100
Outotec (Ceramics) Oy		Finland	100
Outotec (Chile) S.A.		Chile	100
Outotec (Filters) GmbH		Germany	100
Outotec (Filters) Oy	1	Finland	100
Outotec (Finland) Oy	1	Finland	100
Outotec (Ghana) Limited		Ghana	100
Outotec (Kazakhstan) LLP		Kazakhstan	100
Outotec (Netherlands) B.V.		The Netherlands	100
Outotec (New Caledonia), SAS		New Caledonia	100
Outotec (Norway) AS		Norway	100
Outotec (Panama) S.A.		Panama	100
Outotec (Peru) S.A.C.		Peru	100
Outotec (Polska) Sp. z o.o.		Poland	100
Outotec (RSA) (Pty) Ltd.		South Africa	100
Outotec (Spain) S.L.	1	Spain	100
Outotec (Sweden) AB	1	Sweden	100
Outotec (Tete) Lda		Mozambique	100
Outotec (UK) Limited	4	Great Britain	100
Outotec (USA) Inc.		United States	100
Outotec (Zambia) Limited		Zambia	100
Outotec Africa Holdings (Pty) Ltd	1	South Africa	100
Outotec Ausmelt Pty Ltd		Australia	100
Outotec B.V.		The Netherlands	100
Outotec Biomin (Pty) Ltd	2 100 %	South Africa	53
Outotec Deutschland GmbH	3	Germany	100
Outotec Egypt Company LLC		Egypt	100
Outotec Engineering DMCC		United Arab Emirates	100
Outotec Engineering RAK LLC	2 100 %	United Arab Emirates	48
Outotec GmbH & Co KG	3	Germany	100
Outotec Holding GmbH	1 3	Germany	100
Outotec India Private Ltd.		India	100
Outotec International Holdings Oy	1	Finland	100
Outotec Lda		Mozambique	100
Outotec Mexico S.A. de C.V.		Mexico	100
Outotec Middle East Industrial Projects Consultancy LLC	2	United Arab Emirates	49
Outotec Mongolia LLC		Mongolia	100
Outotec Morocco LLC	1	Morocco	100
Outotec Namibia (Pty.) Ltd		Namibia	100
Outotec Pty. Ltd.	1	Australia	100
Outotec Saudi Arabia LLC		Saudi Arabia	100
Outotec Services (RSA) Proprietary Limited		South Africa	100
Outotec Servicios Corporativos SA DE CV		Mexico	100
Outotec Servicios Industriales Ltda.		Chile	100
Outotec Shanghai Co. Ltd.	1	People's Republic of China	100
Outotec Suzhou Co.,Ltd.		People's Republic of China	100
Outotec Technology Saudi LLC		Saudi Arabia	100
Outotec Tecnologia Brasil Ltda		Brazil	100
Outotec Trading & Contracting WLL	2	Qatar	49
Outotec Turkey Metal Enerji ve su Teknolojileri Anonim Sirketi	1	Turkey	100
Outotec Turula Oy	1	Finland	100
Outotec-Technology (Ecuador) S.A.		Ecuador	100
Petrobau Ingenieur EOOD Bulgaria		Bulgaria	100
PT. Outotec Technology Solutions		Indonesia	100
Scanalyse Holding Pty Ltd		Australia	100
Scanalyse Pty Ltd		Australia	100

All companies owned directly by the parent company Outotec Oyj are included.
The Group holding corresponds to the Group's share of voting rights, unless otherwise specified.
[1] Shares and stock held by the parent company Outotec Oyj.
[2] The voting rights or control in the company differ from the percentage of ownership, the reported number represents the percent of voting rights in the company held by Outotec corportation.
[3] The entity has opted for certain faciltiation rules allowed under German commercial law (Par. 264b German Commercial code).
[4] The company is exempt from the requirements of section 479A of the UK Companies Act 2006 related to the audit of individual accounts. The parent company Outotec (Finland) Oy guarantees the debts of the subsidiary as at 31 December 2019.
[5] Outotec Iranian Minerals and Metals Processing has ceased all operations in 2018 and is in the process of dormancy and liquidation.

Branch Offices at December 31, 2019

International Project Services Ltd Oy Greek Branch, branch office in Greece
International Project Services Ltd. Oy Ogranak Branch, branch office in Serbia
Outotec Pty. Ltd, Sri Lanka Branch Office, branch office in Sri Lanka
Outotec (RSA) (Pty) Ltd. (Branch Office), branch office in Zambia
Outotec (Netherlands) B.V. Philippine Branch, branch office in Philippines
Outotec (USA) Inc. UK Branch Office, branch office in United Kindom
Outotec GmbH & co KG Bahrain branch, branch office in Bahrain

Changes in 2019

Outotec (Filters) Oy Sucursal Branch Office in Peru liquidated on February 26, 2019
Outotec-Technology (Ecuador) S.A. established on July 12, 2019
Outotech Technology Saudi LLC change in ownership from 70% to 100% on June 30, 2019
Outotec Biomin (Pty) Ltd change in ownership from 51% to 52,9% on January 22, 2019

Changes in 2018

Outotec GmbH & co KG Bahrain branch, branch office in Bahrain was registered on January 28, 2018
Outotec Egypt Company LLC was established in January 29, 2018
Outotec Austria GmbH was liquidated on April 24, 2018
Outotec Servicios Corporativos SA DE CV was established on October 11, 2018
Outotec Technology Saudi LLC (prev. Middle East Metals Processing Company Ltd.) changed from associate to subsidiary on November 1, 2018

PARENT COMPANY FINANCIAL STATEMENTS, FAS

INCOME STATEMENT OF THE PARENT COMPANY

EUR million	Note	**2019**	2018
Sales	2	**36.6**	32.5
Cost of sales	3, 7	**-7.6**	-7.7
Gross profit		**29.0**	24.8
Other operating income	4	**2.8**	0.7
Selling and marketing expenses	7	**-2.2**	-2.2
Administrative expenses	5, 6, 7	**-38.7**	-34.0
Research and development expenses	5, 7	**-2.2**	-2.2
Other operating expenses	8	**-54.9**	-5.5
Operating profit		**-66.2**	-18.4
Finance income	9, 11	**27.1**	12.4
Finance expenses	10, 11	**-28.0**	-26.0
Net finance income		**-0.9**	-13.5
Profit before appropriations and taxes		**-67.1**	-31.9
Appropriations	12	**67.6**	10.9
Income tax expenses	13	**-0.4**	-0.2
Profit for the period		**0.1**	-21.2

BALANCE SHEET OF THE PARENT COMPANY

EUR million	Notes	**31.12.2019**	31.12.2018
ASSETS			
Non-current assets	14		
Intangible assets		**39.5**	46.8
Property, plant and equipment		**0.6**	1.2
Non-current financial assets		**498.2**	537.5
Total non-current assets		**538.4**	585.5
Current assets			
Inventories	15	**0.2**	0.4
Non-current receivables	16	**0.6**	2.8
Current receivables	16	**347.7**	229.5
Cash and cash equivalents		**63.1**	52.7
Total current assets		**411.6**	285.4
TOTAL ASSETS		**950.0**	870.8

EUR million	Notes	**31.12.2019**	31.12.2018
EQUITY AND LIABILITIES			
Shareholders' equity	17		
Share capital		**17.2**	17.2
Share premium fund		**20.2**	20.2
Treasury shares		**-12.0**	-12.5
Reserve for cash flow hedges		**0.8**	-0.4
Reserve for invested non-restricted equity		**102.4**	101.8
Retained earnings		**153.2**	175.0
Profit for the period		**0.1**	-21.2
Total shareholders' equity		**282.0**	280.1
Liabilities	18		
Non-current liabilities		**150.6**	327.3
Current liabilities		**517.4**	263.4
Total liabilities		**668.0**	590.7
TOTAL EQUITY AND LIABILITIES		**950.0**	870.8

CASH FLOW STATEMENT OF THE PARENT COMPANY

EUR million	2019	2018
Cash flows from operating activities		
Profit before appropriations	**-67.1**	-31.9
Adjustments for		
Depreciation and amortization	**13.2**	13.5
Impairment	**39.8**	0.7
Interest income	**-4.8**	-4.6
Dividend income	**-15.2**	-1.6
Interest expenses	**18.4**	18.3
Other adjustments[1]	**2.0**	-4.5
	-13.7	-10.1
Change in working capital		
Increase (-), decrease (+) in current receivables	**10.7**	10.4
Increase (-), decrease (+) in inventories	**0.2**	-0.0
Increase (+), decrease (-) in current liabilities	**2.8**	-1.3
	13.7	9.1
Dividend received	**15.2**	1.6
Interest received	**4.5**	4.7
Interest paid	**-18.4**	-18.3
Net cash from operating activities	**1.4**	-13.1

EUR million	2019	2018
Cash flows from investing activities		
Purchases of intangible and tangible assets	**-5.4**	-7.6
Acquisition of subsidiaries and other equity investments	**-0.6**	0.0
Net cash used in investing activities	**-6.0**	-7.6
Cash flows from financing activities		
Increase (+), decrease (-) in long-term debt	**-4.1**	-4.1
Increase (+), decrease (-) in current loans	**79.9**	-3.2
Increase (-), decrease (+) in current loans receivable	**-71.1**	13.7
Sales of treasury shares	**0.6**	2.1
Cash flow from group contributions	**9.7**	-
Net cash from financing activities	**15.0**	8.5
Net change in cash and cash equivalents	**10.5**	-12.2
Cash and cash equivalents at January 1	**52.7**	-64.9
Net change in cash and cash equivalents	**10.5**	-12.2
Cash and cash equivalents at December 31	**63.1**	52.7

[1] Includes gains and losses on sale of fixed assets, change in provisions and unrealized exchange gains and losses.

1. ACCOUNTING PRINCIPLES

The financial statements of Outotec Oyj have been prepared according to Finnish Accounting Standards (FAS). The accounting principles for the parent company's financial statements are the same as those for the consolidated financial statements, with the exceptions presented below.

Income taxes

Income tax expenses in income statement consist of accrued taxes for the financial year and tax adjustments to previous years. Deferred tax liabilities and assets have not been recognized but disclosed in the notes to the financial statements.

Non-current financial assets

Non-current financial assets are measured at cost or if the estimated future income is expected to be permanently lower than the book value, the difference is recognized as a write-down.

Leases

Leases of assets where the lessor retains all the risks and benefits of ownership are classified as operating leases. Payments made under operating lease agreements are expensed on a straight-line basis over the lease periods. Leases of property, plant and equipment, where the lessee has substantially all the rewards and risks of ownership of an asset, are classified as finance leases.

Hybrid loan

Hybrid loan is recognized as interest bearing liability.

2. SALES BY MARKET AREA

EUR million	**2019**	2018
Europe	**27.5**	26.9
Africa	**0.9**	0.6
Asia	**1.1**	0.8
North and South America	**3.4**	2.5
Australia	**3.7**	1.6
	36.6	32.5

3. COST OF SALES

EUR million	**2019**	2018
Merchandise and supplies	**-0.8**	-0.4
Depreciation and amortization	**-7.6**	-7.7
Services purchased	**-0.0**	-0.0
Other expenses	**0.8**	0.4
	-7.6	-7.7

4. OTHER OPERATING INCOME

EUR million	**2019**	2018
Exchange gains of forward contracts	**2.5**	0.7
Other income	**0.3**	0.0
	2.8	0.7

5. PERSONNEL EXPENSES

EUR million	**2019**	2018
Wages and salaries	**-11.1**	-10.2
Pension contributions	**-1.6**	-1.6
Other personnel expenses	**-0.4**	-0.3
	-13.2	-12.0
of which wages and salaries for key management		
Members of the Board of Directors	**-0.5**	-0.4
CEO	**-1.3**	-0.7
Other members of Executive Committee	**-1.7**	-1.0
	-3.5	-2.1
of which pension expenses for key management		
CEO	**-0.2**	-0.1
Other members of Executive Committee	**-0.3**	-0.1
	-0.5	-0.2

Figures for wages and salaries for key management are given as accrual based whereas in last year financial statement they were payment based.

During year 2019 executive board members in Outotec Oyj received a total number of 2,289 Outotec shares (2018: 30,623) as part of the share-based incentive program (including in short-term employee benefits), of which CEO received 341 Outotec shares (2018: 13,331).

There are no special pension arrangements for key management, instead pension arrangements are according to normal legislation.

Number of personnel	**2019**	2018
Average number of personnel for the period	**133**	139
Personnel at December 31	**126**	126

6. AUDITORS' FEES

EUR million	**2019**	2018
Audit	**-0.3**	-0.2
Other services	**-1.3**	-0.2
	-1.6	-0.4

7. DEPRECIATION AND AMORTIZATION

EUR million	2019	2018
Depreciation and amortization according to plan	-13.2	-13.5
	-13.2	-13.5
Depreciation and amortization by group of assets		
Intangible assets	-1.1	-1.4
Other long-term expenses	-11.5	-11.5
Machinery and equipment	-0.6	-0.6
	-13.2	-13.5
Depreciation and amortization by function		
Cost of sales	-7.6	-7.7
Selling and marketing expenses	-2.2	-2.2
Administrative expenses	-1.7	-2.1
Research and development expenses	-1.7	-1.6
	-13.2	-13.5

8. OTHER OPERATING EXPENSES

EUR million	2019	2018
Impairment of subsidiary shares	-39.8	-
Costs related to business combinations	-12.8	-
Restructuring	0.0	-3.5
Exchange losses of forward contracts	-1.1	-1.4
Other costs	-1.2	-0.7
	-54.9	-5.5

9. FINANCE INCOME

EUR million	2019	2018
Dividends received	15.2	1.6
Interest income	4.8	4.6
Finance income	3.2	3.1
Exchange gains from loans and receivables	2.3	1.8
	25.5	11.1
Finance income from subsidiaries[1]		
Interest income and other finance income	21.4	7.4
	21.4	7.4

[1] Finance income from subsidiaries are included in finance income above

10. FINANCE EXPENSES

EUR million	2019	2018
Interest expenses	-18.4	-18.3
Finance expenses	-3.4	-2.4
Exchange losses from loans and receivables	-3.2	-3.0
Exchange losses from forward agreements	-1.4	-1.1
	-26.4	-24.7
Finance expenses to subsidiaries [1]		
Interest expenses	-0.8	-0.6

[1] Finance expenses from subsidiaries are included in finance income above

11. DERIVATIVES UNDER HEDGE ACCOUNTING

EUR million	2019	2018
Fair value changes from interest rate derivatives[1]	-1.6	-1.3
Other fair value changes[2]	1.6	1.3
	0.0	0.0

[1] Changes in fair value are included in finance income of income statement
[2] Changes in fair value are included in finance expenses of income statement

Treasury operations of the Group are centralized in Outotec Oyj

12. APPROPRIATIONS

EUR million	2019	2018
Appropriations	**67.6**	10.9

13. INCOME TAX EXPENSES

EUR million	2019	2018
Income tax expenses from previous year	**-**	0.0
Income tax expenses from operations	**-0.4**	-0.2
	-0.4	-0.2
Deferred tax assets		
Temporary differences	**5.5**	10.2

14. NON-CURRENT ASSETS

	Intangible assets			Tangible assets
EUR million	Patents and licenses	Long-term expense items	Total	Property, plant and equipment
Historical cost at January 1, 2019	9.9	89.4	99.3	4.1
Additions	0.2	5.2	5.4	0.0
Disposals	-	-0.0	-0.0	-0.5
Historical cost at December 31, 2019	**10.1**	**94.6**	**104.7**	**3.6**
Accumulated amortization and impairment at January 1, 2019	-5.8	-46.8	-52.5	-2.9
Amortization during period	-1.1	-11.5	-12.6	-0.6
Amortization from disposals during period	-	-	-	0.5
Accumulated amortization and impairment at December 31, 2019	**-6.9**	**-58.3**	**-65.2**	**-3.0**
Carrying value at December 31, 2019	**3.3**	**36.3**	**39.5**	**0.6**
Historical cost at January 1, 2018	11.8	87.3	99.1	4.5
Additions	1.0	6.4	7.4	0.2
Historical cost at December 31, 2018	9.9	89.4	99.3	4.1
Accumulated amortization and impairment at January 1, 2018	-7.0	-39.2	-46.2	-3.0
Amortization during period	-1.4	-11.5	-12.9	-0.6
Accumulated amortization and impairment at December 31, 2018	-5.8	-46.8	-52.5	-2.9
Carrying value at December 31, 2018	4.2	42.6	46.8	1.2

Long-term financial assets EUR million	Shares in subsidiaries	Other shares and holdings	Total
Historical cost at January 1, 2019	537.3	0.2	537.5
Additions	0.6	-	0.6
Impairment	-39.8	-	-39.8
Carrying value at December 31, 2019	**498.0**	**0.2**	**498.2**
Historical cost at January 1, 2018	537.3	0.2	537.5
Impairment	-0.0	-	-0.0
Carrying value at December 31, 2018	537.3	0.2	537.5

Investments in subsidiary shares are disclosured in more detail in the Group note 5.9.

15. INVENTORIES

EUR million	2019	2018
Advance payments received	**0.1**	0.3
Materials and supplies	**0.1**	0.1
	0.2	0.4

16. RECEIVABLES

EUR million	2019	2018
Non-current receivables		
Non interest-bearing		
Unrealized exchange gains of forward contracts	**0.6**	2.8
	0.6	2.8
Current receivables		
Interest-bearing		
Loans receivable	**194.1**	122.8
Other receivables from group companies	**-**	2.3
Non interest-bearing		
Trade receivables	**23.6**	30.1
Prepaid expenses and accrued income	**2.3**	2.8
Other receivables	**127.6**	71.6
	347.7	229.5
Prepaid expenses and accrued income		
Interest receivables	**1.3**	1.0
Arrangement fee of hybrid loan	**0.2**	0.4
Tax receivables	**0.8**	1.3
Other receivables	**-**	0.0
	2.3	2.8
Receivables from subsidiaries		
Non-current receivables		
Non interest-bearing		
Unrealized exchange gains of forward contracts	**0.0**	-
	0.0	-
Current receivables		
Interest-bearing		
Loans receivable	**194.1**	122.8
Other receivables from group companies	**-**	2.3
Non interest-bearing		
Trade receivables	**23.6**	30.1
Prepaid expenses and accrued income	**0.8**	0.5
Group contribution receivables	**112.6**	54.7
Other receivables	**5.8**	6.9
	336.9	217.3

17. SHAREHOLDERS' EQUITY

EUR million	2019	2018
Share capital	**17.2**	17.2
Share premium fund	**20.2**	20.2
Treasury shares	**-12.0**	-12.5
Reserve for cash flow hedges	**0.8**	-0.4
Reserve for invested non-restricted equity	**102.4**	101.8
Retained earnings at January 1	**153.9**	177.6
Change in value of treasury shares	**-0.6**	-2.6
Profit/loss for the period	**0.1**	-21.2
Total shareholders' equity at December 31	**282.0**	280.1
Distributable funds		
Reserve for invested non-restricted equity	**102.4**	101.8
Treasury shares	**-12.0**	-12.5
Retained earnings	**153.2**	175.0
Profit/loss for the period	**0.1**	-21.2
Distributable funds at December 31	**243.8**	243.1

At the end of the financial year 2019 the number of own shares held by Outotec Oyj was 1,271,628 (2018: 1,365,312) and the book value of these shares was EUR 12.0 million (2018 12.5 million)

18. LIABILITIES

EUR million	2019	2018
Non-current liabilities		
Interest-bearing		
Bonds	**-**	152.2
Loans from financial institutions	**-**	24.5
Hybrid loan	**150.0**	150.0
Non interest-bearing		
Non interest-bearing	**0.6**	0.6
	150.6	327.3
Current liabilities		
Interest-bearing		
Bonds	**150.8**	-
Loans from subsidiaries	**74.2**	23.1
Other current loans from group companies	**260.2**	210.9
Non interest-bearing		
Trade payables	**3.5**	1.3
Accrued expenses and prepaid income	**15.9**	12.7
Other current liabilities	**12.8**	15.5
	517.4	263.4
Accrued expenses and prepaid income		
Accrued personnel expenses	**3.5**	1.7
Interest liability of hybrid loan	**8.5**	8.5
Other liabilities	**3.9**	2.4
	15.9	12.7
Liabilities to subsidiaries		
Non-current liabilities		
Non interest-bearing		
Unrealized exchange losses of forwards contracts	**0.5**	-
	0.5	-
Current liabilities		
Interest-bearing		
Other current loans from group companies	**260.2**	210.9
Non interest-bearing		
Trade payables	**0.2**	0.1
Accrued expenses and prepaid income	**0.0**	0.1
Other current liabilities	**3.1**	4.6
	264.0	215.6

19. COMMITMENTS

EUR million	2019	2018
Guarantees		
On behalf of subsidiaries		
For financing	**3.9**	4.4
For other commitments	**849.9**	681.9
On behalf of own commercial commitments (excluding advance payment guarantees)	**6.2**	6.2

The total value of commercial guarantees issued by the parent company on behalf of subsidiaries includes advance payment guarantees EUR 194.2 million at December 31, 2019 (at December 31, 2018: EUR 197.4 million).

The total amount of guarantees for commercial commitments including advance payment guarantees issued by the parent company amounted to EUR 856.1 million at December 31, 2019 (at December 31, 2018: EUR 688.1 million).

Minimum future lease payments on operating leases		
Not later than 1 year	**5.7**	5.6
1-2 years	**5.6**	5.5
2-3 years	**5.1**	5.4
3-4 years	**4.4**	4.7
4-5 years	**4.1**	4.2
Later than 5 years	**18.3**	21.8
	43.2	47.1

20. DERIVATIVE INSTRUMENTS

EUR million	2019	2018
Derivative instruments		
Contracts made with financial institutions		
Foreign exchange forward contracts	**-1.5**	-1.5
Interest rate swaps	**1.0**	2.6
Contracts made with subsidiaries		
Foreign exchange forward contracts	**1.3**	1.4
	0.8	2.5
Nominal values		
Contracts made with financial institutions		
Foreign exchange forward contracts	**686.2**	526.6
Interest rate swaps	**75.0**	75.0
Foreign exchange forward contracts Interest rate swaps		
Foreign exchange forward contracts	**434.4**	380.7
	1,195.6	982.3

21. ADDITIONAL INFORMATION RELATED TO FINANCIAL INSTRUMENTS AND DERIVATIVE CONTRACTS

Fair values of derivative contracts

Remaining maturity		Positive fair value				Negative fair value		
EUR million	<1 years	1–2 years	2–3 years	3– years	<1 years	1–2 years	2–3 years	3– years
2019								
Foreign exchange forward contracts								
Designated as cash flow hedges								
With financial institutions	0.7	-	-	-	-0.1	-	-	-
With subsidiaries	-	-	-	-	-	-	-	-
Other foreign exchange forward contracts								
With financial institutions	4.3	0.5	-	-	-6.9	-0.1	-	-
With subsidiaries	4.9	0.1	-	-	-3.1	-0.5	-	-
Interest rate swaps								
Designated as cash flow hedges								
With financial institutions	-	-	-	-	-	-	-	-
Designated as fair value hedges								
With financial institutions	1.0	-	-	-	-	-	-	-
Total	**10.9**	**0.6**	**-**	**-**	**-10.1**	**-0.6**	**-**	**-**
2018								
Foreign exchange forward contracts								
Designated as cash flow hedges								
With financial institutions	-	-	-	-	-	-	-	-
With subsidiaries	-	-	-	-	-	-	-	-
Other foreign exchange forward contracts								
With financial institutions	5.9	0.2	-	-	-7.0	-0.6	-	-
With subsidiaries	5.4	0.6	-	-	-4.4	-0.2	-	-
Interest rate swaps								
Designated as cash flow hedges								
With financial institutions	-	-	-	-	-	-	-	-
Designated as fair value hedges								
With financial institutions	-	2.6	-	-	-	-	-	-
Total	11.4	3.3	-	-	-11.5	-0.7	-	-

Nominal values of derivative contracts

Remaining maturity EUR million	<1 years	1–2 years	2–3 years	3– years
2019				
Foreign exchange forward contracts				
Designated as cash flow hedges				
With financial institutions	28.5	-	-	-
With subsidiaries	-	-	-	-
Other foreign exchange forward contracts				
With financial institutions	619.2	38.5	-	-
With subsidiaries	395.9	38.5	-	-
Interest rate swaps				
Designated as cash flow hedges				
With financial institutions	-	-	-	-
Designated as fair value hedges				
With financial institutions	75.0	-	-	-
Total	**1 118.7**	**77.0**	**-**	**-**
2018				
Foreign exchange forward contracts				
Designated as cash flow hedges				
With financial institutions	-	-	-	-
With subsidiaries	-	-	-	-
Other foreign exchange forward contracts				
With financial institutions	490.7	35.9	-	-
With subsidiaries	344.8	35.9	-	-
Interest rate swaps				
Designated as cash flow hedges				
With financial institutions	-	-	-	-
Designated as fair value hedges				
With financial institutions	-	75.0	-	-
Total	835.5	146.8	-	-

Transaction risk

	USD risk		AUD risk		RUB risk		ZAR risk	
EUR million	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Bank accounts	**-28.9**	-8.9	**-1.9**	-0.2	**-1.3**	0.3	**-10.4**	-3.1
Trade receivables	**28.4**	16.4	**-2.0**	-1.9	**-15.1**	-2.3	**-19.1**	-16.3
Trade payables	**0.0**	-	**0.0**	-	**0.0**	-	**0.0**	-
Loans and receivables								
From financial institutions	**-**	-	**-**	-	**-**	-	**-**	-
From subsidiaries	**45.5**	14.4	**37.8**	45.3	**0.0**	0.0	**3.2**	3.1
Net balance sheet exposure	**45.0**	22.0	**33.9**	43.2	**-16.5**	-2.0	**-26.3**	-16.3
Hedges:								
Foreign exchange forward contracts								
With financial institutions	**-269.7**	-162.1	**-18.0**	-27.7	**15.4**	3.6	**15.7**	15.8
With subsidiaries	**224.3**	139.9	**-16.1**	-15.9	**1.2**	-1.5	**11.1**	1.0
Total net exposure	**-0.4**	-0.2	**-0.2**	-0.3	**0.2**	0.1	**0.5**	0.5

Sensitivity of financial instruments on foreign currency exchange rates

EUR million	**2019** Effect on profit or loss	2018 Effect on profit or loss
+/- 10% change in EUR/USD exchange rate	+0.04/-0.04	+0.02/-0.03
+/- 10% change in EUR/AUD exchange rate	+0.02/-0.02	+0.03/-0.04
+/- 10% change in EUR/RUB exchange rate	-0.02/+0.02	-0.01/+0.01
+/- 10% change in EUR/ZAR exchange rate	-0.05/+0.06	-0.04/+0.05

Fair value hierarchy

2019

EUR million	Level 1	Level 2	Level 3	Total
Available for sale financial assets	0.0	-	0.1	0.1
Derivative financial assets				
With financial institutions	-	6.6	-	6.6
With subsidiaries	-	5.0	-	5.0
Total	**0.0**	**11.6**	**0.1**	**11.7**
Derivative financial liabilities				
With financial institutions	-	7.1	-	7.1
With subsidiaries	-	3.7	-	3.7
Total	-	10.7	-	10.7

2018

EUR million	Level 1	Level 2	Level 3	Total
Available for sale financial assets	0.0	-	0.1	0.1
Derivative financial assets				
With financial institutions	-	8.7	-	8.7
With subsidiaries	-	6.0	-	6.0
Total	0.0	14.7	0.1	14.8
Derivative financial liabilities				
With financial institutions	-	7.6	-	7.6
With subsidiaries	-	4.6	-	4.6
Total	-	12.2	-	12.2

Fair values of financial assets and liabilities

2019

EUR million	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Derivatives under hedge accounting	Carrying amounts by balance sheet item	Fair value
Non-current financial assets						
Derivative assets						
Foreign exchange forward contracts						
With financial institutions	0.5	-	-	-	0.5	0.5
With subsidiaries	0.1	-	-	-	0.1	0.1
Interest rate swaps						
With financial institutions	-	-	-	-	0.0	0.0
Other share and securitites	-	0.1	-	-	0.1	0.1
Current financial assets						
Derivative assets						
Foreign exchange forward contracts						
With financial institutions	4.3	-	-	0.7	5.0	5.0
With subsidiaries	4.9	-	-	-	4.9	4.9
Interest rate swaps						
With financial institutions	-	-	-	1.0	1.0	1.0
Carrying amount by category	**9.8**	**0.1**	**-**	**1.7**	**11.7**	**11.7**
Non-current financial liabilities						
Derivative liabilities						
Foreign exchange forward contracts						
With financial institutions	-	-	0.1	-	0.1	0.1
With subsidiaries	-	-	0.5	-	0.5	0.5
Interest rate swaps						
With financial institutions	-	-	-	-	-	-
Lyhytaikaiset rahoitusvelat						
Derivative liabilities						
Foreign exchange forward contracts						
With financial institutions	-	-	6.9	0.1	7.0	7.0
With subsidiaries	-	-	3.1	-	3.1	3.1
Interest rate swaps						
With financial institutions	-	-	-	-	0.0	0.0
Carrying amount by category	**-**	**-**	**10.7**	**0.1**	**10.7**	**10.7**

Fair values of financial assets and liabilities

2018 EUR million	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Derivatives under hedge accounting	Carrying amounts by balance sheet item	Fair value
Non-current financial assets						
Derivative assets						
Foreign exchange forward contracts						
With financial institutions	0.2	-	-	-	0.2	0.2
With subsidiaries	0.6	-	-	-	0.6	0.6
Interest rate swaps						
With financial institutions	-	-	-	2.6	2.6	2.6
Other share and securitites	-	0.1	-	-	0.1	0.1
Current financial assets						
Derivative assets						
Foreign exchange forward contracts						
With financial institutions	5.9	-	-	-	5.9	5.9
With subsidiaries	5.4	-	-	-	5.4	5.4
Interest rate swaps						
With financial institutions	-	-	-	-	-	-
Carrying amount by category	12.1	0.1	-	2.6	14.8	14.8
Non-current financial liabilities						
Derivative liabilities						
Foreign exchange forward contracts						
With financial institutions	-	-	0.6	-	0.6	0.6
With subsidiaries	-	-	0.2	-	0.2	0.2
Interest rate swaps						
With financial institutions	-	-	-	-	-	-
Lyhytaikaiset rahoitusvelat						
Derivative liabilities						
Foreign exchange forward contracts						
With financial institutions	-	-	7.0	-	7.0	7.0
With subsidiaries	-	-	4.4	-	4.4	4.4
Interest rate swaps						
With financial institutions	-	-	-	-	0.0	0.0
Carrying amount by category	-	-	12.2	-	12.2	12.2

Related amounts not set off in the balance sheet

31.12.2019 EUR million	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received	Net amount
Derivative financial assets						
With financial institutions	6.6	-	6.6	-4.7	-	1.9
With subsidiaries	5.0	-	5.0	-2.8	-	2.1
Total	**11.6**	**-**	**11.6**	**-7.5**	**-**	**4.0**

31.12.2019 EUR million	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received	Net amount
Derivative financial liabilities						
With financial institutions	7.1	-	7.1	-4.7	-	2.4
With subsidiaries	3.7	-	3.7	-2.8	-	0.8
Total	**10.7**	**-**	**10.7**	**-7.5**	**-**	**3.2**

31.12.2018 EUR million	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received	Net amount
Derivative financial assets						
With financial institutions	8.7	-	8.7	-5.1	-	3.6
With subsidiaries	6.0	-	6.0	-3.4	-	2.6
Total	14.7	-	14.7	-8.5	-	6.2

31.12.2018 EUR million	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received	Net amount
Derivative financial assets						
With financial institutions	7.6	-	7.6	-5.1	-	2.5
With subsidiaries	4.6	-	4.6	-3.4	-	1.2
Total	12.2	-	12.2	-8.5	-	3.7

For the external financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

SIGNATURES OF THE FINANCIAL STATEMENTS AND REPORT BY THE BOARD OF DIRECTORS

Espoo, February 6, 2020

Matti Alahuhta
Chairman of the Board of Directors

Anu Hämäläinen
Member of the Board of Directors

Patrik Nolåker
Member of the Board of Directors

Ian W. Pearce
Vice Chairman of the Board of Directors

Anja Korhonen
Member of the Board of Directors

Teija Sarajärvi
Member of the Board of Directors

Klaus Cawén
Member of the Board of Directors

Hanne de Mora
Member of the Board of Directors

Markku Teräsvasara
President & CEO

AUDITOR'S NOTES

The Auditor's note
A report on the audit performed has been issued today.

Helsinki, February 14, 2020

PricewaterhouseCoopers
Authorised Public Accountants

Pasi Karppinen
Authorised Public Accountant

AUDITOR'S REPORT

To the Annual General Meeting of Outotec Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Outotec Oyj (business identity code 0828105-4) for the year ended 31 December 2019. The financial statements comprise:

- the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes, including significant accounting policies
- the parent company's balance sheet, income statement, cash flow statement and notes.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

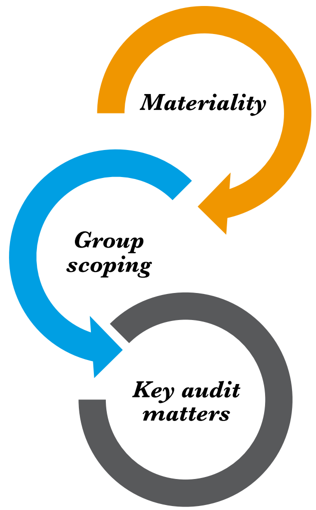
Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 1.3 to the Financial Statements.

OUR AUDIT APPROACH

Overview



Materiality	• Overall group materiality: € 9 million (2018: € 12 million)
Group scoping	• The group audit scope consisted of the 9 most significant entities within the group.
Key audit matters	• Revenue recognition over time • Valuation of project loss provision • Classification and presentation of assets held for sale and discontinued operations • Valuation of goodwill • Valuation of trade receivables

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 9 million (2018: € 12 million)
How we determined it	We used the 0,75% of total sales to determine overall group materiality.
Rationale for the materiality benchmark applied	We assessed for Outotec the suitability of the commonly accepted benchmarks for the determination of materiality. Due to the volatility in profitability of the company, we determined that total sales provide a suitable representation of the magnitude of Outotec's operations. The percentage applied is within the commonly accepted range as set out in relevant auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

We determined the type of work that needed to be performed at group companies by us, as the group engagement team, or by auditors from other PwC networks firms operating under our instructions. Audit procedures were performed in group companies which are considered significant either because of their individual financial significance or due to their specific nature, covering the majority of sales, assets and liabilities of the Group. We also performed additional specified procedures as well as analytical procedures at the group-level.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Revenue recognition over time Refer to notes 1.2 and 2.2 in the consolidated financial statements	
A significant portion of the company's sales is recognized over time. As described in the accounting principles to the consolidated financial statements, the stage of completion of a project is measured by using the cost-to-cost method under which the stage of completion is defined as the ratio of costs incurred to total estimated costs. Appropriate timing of revenue recognition is dependent on estimates regarding anticipated contract revenues and expenses. There is a risk that these estimates are incorrect and hence contract revenue is incorrectly recognized across reporting periods. This risk is emphasized when the company delivers new types of technical solutions or applications, for which there is no extensive past experience. The risk is also emphasized in comprehensive plant deliveries, where the company is responsible for construction of the plant in addition to the process technology. Due to the significance of revenue recognition over time and the aforementioned risks that affect appropriate recognition of revenue across accounting periods, it is considered a key audit matter. This matter is a significant risk of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014.	We tested the company's key internal controls in processes that affect revenue recognition over time. In addition to processes and controls, we focused on detailed audit procedures relating to the accounting treatment of individual contracts. As part of the procedures we: • tested the IT-system configurations for percentage of completion calculations. • tested values used in the calculations against customer contracts • obtained an understanding of key terms in customer contracts and assessed whether those have been taken into account correctly in revenue recognition • tested the approval process for setting up new projects in the system • tested the risk assessment process for determining risk provision amounts • assessed management estimates relating to projects with particular risk characteristics • assessed the company's ability to make reliable estimates by performing retrospective analysis of past estimates of actual outcomes

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of project loss provision Refer to note 2.4 in the consolidated financial statements	
We focused on this area because management has made a project loss provision that requires significant judgement in relation to the amount of additional costs relating to the ilmenite smelter project. This matter is a significant risk of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014.	In response to the risk related to valuation of the provision and completeness of the related disclosures in the financial statements, we: • read external legal opinions from Outotec's legal advisor and assessed implications to the financial statements • read the technical analyses prepared by internal and external experts that management has used in the estimation of the future costs • discussed the case with management, and reviewed correspondence and other documents exchanged between Outotec and the other parties involved • read the minutes of the board meetings, and inspected the company's legal expenses, in order to ensure that relevant risks have been identified • evaluated the reasonableness of the assumptions applied by management in the calculation of the provision and verified that the disclosures are sufficient based on the evidence we have obtained from the above listed procedures

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Classification and presentation of assets held for sale and discontinued operations Refer to note 5.1 in the consolidated financial statements	
In December 2019 the board of directors made a strategic decision to divest three businesses from the Metals, Energy & Water reporting segment's portfolio which relate to aluminum, waste-to-energy and sludge incineration. Management has assessed that the aforementioned businesses meet the assets held for sale criteria as defined in IFRS 5 and present major line of businesses and as such presented those as assets held for sale and discontinued operations. We consider the classification and presentation of assets held for sale and discontinued operations as a key audit matter because there is management judgment involved in deciding whether the IFRS 5 criteria are met and the presentation has significant impact on the group's balance sheet and the statement of comprehensive income	In response to the risk related to classification and presentation, we: • assessed whether the requirements of IFRS 5 were met with regards to the classification and presentation of the businesses as assets held for sale and discontinued operations • assessed whether as per balance sheet date the company's management was committed to a plan to sell the businesses and actively had initiated the programme to locate a buyer and complete the plan • assessed the likelihood of the businesses being available for immediate sale in its current state and whether it is highly probable that the sale will take place • tested management's assessment whether the carrying values of disposal groups are at least equal to their estimated fair value less cost to sell

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of goodwill Refer to notes 3.2 and 3.3 in the consolidated financial statements	
At 31 December 2019 the goodwill balance amounted to € 226 million which represent 15 % of company's total assets. The company is responsible for performing annual impairment tests on goodwill associated with the cash generating units (CGU) . Management utilizes the discounted cash flow (DCF) model in determining the value in use (VIU) associated with each of the identified CGU's to determine whether there are any indicators of impairment. The goodwill impairment assessment involves considerable judgment with respect to the determination of the valuation model and the key assumptions used, which involves revenue growth, forecasted gross margin, discount rate, and terminal value. We considered the valuation of goodwill as a key audit matter as the impairment assessment involves significant management judgement and is based on future forecasted cash flows.	We obtained a detailed understanding of the valuation process utilized by management in their goodwill impairment assessment and tested the key assumptions as follows: • evaluated the company's determination of the company's CGU's and the allocation of the goodwill balance over the identified CGUs • assessed the reasonableness of the company's assumptions relating to revenue growth rates and forecasted gross margin, considering historical results and current market conditions • involved our valuation experts in the assessment of the reasonableness of the company's calculated WACC, used as the discount rate in their DCF • assessed reasonableness of management's calculation of the CGU's terminal value using publicly available comparable market data • performed sensitivity analysis over key assumptions utilized by management, including revenue growth rates, forecasted gross margin, discount rate and terminal value, and assessed the headroom impact of changes in these assumptions for each CGU • assessed the adequacy of the disclosures

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of trade receivables Refer to note 2.2 in the consolidated financial statements	
The company has significant trade receivables from a wide range of customers across the world. The customers include private and state actors in a number of industries. Trade receivables include inherent risk of credit loss, in addition to which a significant portion of the receivables are aged, as disclosed in note 2.2 to the financial statements. Significant aging is considered an indication of heightened risk of credit loss. The Group uses a simplified credit loss matrix, according to which a credit loss allowance is measured at an amount equal to the lifetime expected credit losses. The company carries trade receivables at their anticipated realizable value, which is the original invoice amount less a valuation allowance for estimated credit losses. Due to the significant amount of aged trade receivables and the estimation risk involved in their valuation, this is considered a key audit matter.	We obtained an understanding of the Company's process for monitoring receivables and recording credit loss allowance relating to receivables with risk of non-recoverability. We also performed audit procedures to assess the valuation of the company's receivable portfolio at the balance sheet date. We: • analysed the trade receivables recorded in the balance sheet and obtained evidence regarding the appropriate valuation of items with particular risk characteristics • assessed management assessment of recoverability particularly for significant aged items by corroborating them against internal and external evidence regarding the likelihood of payment • assessed the company's ability to make reliable estimates by performing retrospective analysis of past estimates

We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Appointment

We were first appointed as auditors by the annual general meeting on 23.3.2012. Our appointment represents a total period of uninterrupted engagement of 8 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the all other sections than Consolidated Financial Statements and Parent Company Financial Statements and auditor's report.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 14 February 2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Pasi Karppinen
Authorised Public Accountant (KHT)

BOARD OF DIRECTORS

More detailed information about the members of the Board of Directors: https://www.outotec.com/company/about-outotec/corporate-governance/board-of-directors/.

Matti Alahuhta
Chairman of the Board of Directors
D.Sc. (Tech.)
b. 1952, Finnish citizen
Board member and chairman since 2013, member of the Human Capital Committee
Independent of the company and owner
President and CEO of KONE Corporation until 2014
Positions of trust: Chairman of the Board of Directors of DevCo Partners; Member of the Board of Directors of KONE Corporation, ABB Group and AB Volvo
Outotec shareholding and share-based rights on 31.12.2019: 168,832 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2019: 0 shares

Ian W. Pearce
Vice Chairman of the Board of Directors (as of March 14, 2019)
B.Sc., University of the Witwatersrand, South Africa
b. 1957, Canadian citizen
Board member since 2015, member of the Audit and Risk Committee
Independent of the company and owner
Founding Partner of X2 Resources Partners LP Inc. until 2017
Positions of trust: Chairman of the Board of Directors of MineSense Technologies Ltd. (Canada) and Newgold (Canada), Member of the Board of Directors of Nexa Resources
Outotec shareholding and share-based rights on 31.12.2019: 16,098 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2019: 0 shares

Klaus Cawén
LL.M. Columbia University, LL.M. University of Helsinki
b. 1957, Finnish citizen
Board member since 2015, member of the Audit and Risk Committee
Independent of the company and owner
Executive Vice President of KONE Corporation
Positions of trust: Member of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company; Member of the Board of Directors of Oy Karl Fazer Ab, Toshiba Elevator and Building Systems Corporation and East Office of Finnish Industries Ltd
Outotec shareholding and share-based rights on 31.12.2019: 16,774 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2019: 0 shares

Anu Hämäläinen
M.Sc. (Economics)
b. 1965, Finnish citizen
Board member since March 14, 2019, chairman of the Audit and Risk Committee
Independent of the company and owner
Vice President, Group Treasury and Financial Services & Support of Wärtsilä Corporation
Positions of trust: Member of the Board of Directors of Fingrid Oyj and Finnfund

Outotec shareholding and share-based rights on 31.12.2019: 5,294 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2019: 0 shares

Anja Korhonen
M.Sc. (Economics)
b. 1953, Finnish citizen
Board member since 2013, member of the Audit and Risk Committee
Independent of the company and owner
Senior Vice President, Corporate Controller of Nokia Corporation until 2011
Positions of trust: Member of the Board of Directors of Oriola Oyj and Huhtamäki Oyj
Outotec shareholding and share-based rights on 31.12.2019: 21,427 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2019: 0 shares

Hanne de Mora
Lic.oec., MBA
b. 1960, Swiss citizen
Board member since 2018, chairman of the Human Capital Committee
Independent of the company and owner
Co-founder and Chairperson of a-connect (group) ag, Switzerland
Positions of trust: Member of the Foundation Board and Member of the Supervisory Board of IMD Business School; Member of the Board of Directors of AB Volvo
Outotec shareholding and share-based rights on 31.12.2019: 5,977 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2019: 0 shares

Patrik Nolåker
B.Sc., Business Administration & Economics, MBA
b. 1963, Swedish citizen
Board member since 2016, member of the Human Capital Committee
Independent of the company and owner
Group CEO of DYWIDAG Systems International until 2016
Positions of trust: Chairman of the Board of Directors of AQ Group AB, ViaCon Group AB, Saferoad Holding AS and Fibo Holding AS; Member of the Board of Directors of Systemair AB
Outotec shareholding and share-based rights on 31.12.2019: 12,258 shares (and 4,000 nominee-registered shares)
Outotec shareholding and share-based rights of controlled corporations on 31.12.2019: 0 shares

Teija Sarajärvi
M.A.
b. 1969, Finnish citizen
Board member since March 14, 2019, member of the Human Capital Committee
Independent of the company and owner
Senior Vice President, Human Resources of Huhtamäki Oyj
Positions of trust: Member of the Board of Directors of Sarlin Group Oy Ab 2017-2019
Outotec shareholding and share-based rights on 31.12.2019: 3,970 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2019: 0 shares

EXECUTIVE BOARD

Markku Teräsvasara
Chairman of the Executive Board
President and CEO
B.Sc. Civil engineering
b. 1965, Finnish citizen
Outotec shareholding and share-based rights on 31.12.2019: 31,761 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2019: 0 shares

Gustav Kildén
Senior Vice President, Strategic Customers and Business Development
B.Sc. (Mechanical Engineering & Energy Technology)
b. 1971, Swedish citizen
Outotec shareholding and share-based rights on 31.12.2019: 8,637 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2019: 0 shares

Kalle Härkki
Executive Vice President, President of Metals, Energy & Water Business Unit
D.Sc. (Tech.)
b. 1969, Finnish citizen
Outotec shareholding and share-based rights on 31.12.2019: 102,673 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2019: 0 shares

Paul Sohlberg
Interim Executive Vice President, President of Minerals Processing Business Unit (as of November 11, 2019)
LLM.
b. 1977, Finnish citizen
Outotec shareholding and share-based rights on 31.12.2019: 7,242 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2019: 0 shares

Tomas Hakala
Executive Vice President, President of Services Business Unit
B.Sc. Production Economics
b. 1968, Finnish citizen
Outotec shareholding and share-based rights on 31.12.2019: 30,567 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2019: 0 shares

Jari Ålgars
Chief Financial Officer
M.Sc. (Econ.)
b. 1964, Finnish citizen
Outotec shareholding and share-based rights on 31.12.2019: 41,322 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2019: 0 shares

Kaisa Aalto-Luoto
Senior Vice President, Human Resources and Communications
M.Sc. (Econ.)
b. 1979, Finnish citizen
Outotec shareholding and share-based rights on 31.12.2019: 11,251 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2019: 0 shares

Nina Kiviranta
General Counsel, Senior Vice President, Legal & Contract Management, Corporate Responsibility
Master of Laws, trained on the bench
b. 1964, Finnish citizen
Outotec shareholding and share-based rights on 31.12.2019: 19,563 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2019: 0 shares

Olli Nastamo
Senior Vice President, Operational Excellence
M.Sc. (Engineering)
b. 1956, Finnish citizen
Outotec shareholding and share-based rights on 31.12.2019: 18,543 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2019: 0 shares

More detailed information about the members of the Executive Board is available in the company website www.outotec.com

Mari Tuominen-Reini
Senior Vice President, Sourcing & Manufacturing (as of August 15, 2019)
BBA, MBA
b. 1974, Finnish citizen
Outotec shareholding and share-based rights on 31.12.2019: 300 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2019: 0 shares

Former Executive Board Members in 2019:

Kimmo Kontola
Executive Vice President,
President of Minerals Processing Business Unit (until November 11, 2019)
MBA, B.Sc. (Chemical Eng.)
b. 1962, Finnish citizen

INVESTOR INFORMATION

CORPORATE GOVERNANCE STATEMENT AND POLICY

Outotec's Corporate Governance Statement 2019 has been given separately from the Financial Statements. The Statement as well as Outotec's Corporate Governance Policy in its entirety are available on Outotec's website at www.outotec.com/cg.

ANNUAL GENERAL MEETING 2020

The AGM will be held on March 11. More information at www.outotec.com/agm.

DIVIDEND

The Board of Directors proposes to the Annual General Meeting 2020 that a dividend of EUR 0.10 per share shall be paid for the financial year 2020.

FINANCIAL REPORTING IN 2020

- January–March: May 7
- Half Year Financial Report: August 5
- January–September: October 31

SHARE INFORMATION

Listing: Nasdaq Helsinki, OMXH
Trading symbol: OTE1V
No of shares: 183,121,492 (Feb 6, 2020)
Sector: Industry
ISIN: FI0009014575

ANALYSTS

Analysts following Outotec at www.outotec.com/company/investors/analysts

CONSENSUS

Consensus estimates provided by Vara Research at www.outotec.com/company/investors/analysts.

CONTACT

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