

Q1-Q4

FINANCIAL STATEMENTS REVIEW

JANUARY-DECEMBER 2019



FINANCIAL STATEMENTS REVIEW 2019

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.



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.

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. The closing of the transaction is currently expected to take place at the end of June, subject to regulatory approvals.

We announced in December 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. We renamed the Metals, Energy & Water segment as Metals Refining to reflect this change.

Recently 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 CO₂ equivalents. The share of environmental goods and services in our order intake, as measured by criteria defined by the OECD, was 90%.

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,” concludes President & CEO **Markku Teräsvasara**.

ALL FIGURES PRESENTED IN THE FINANCIAL STATEMENTS REVIEW ARE FROM CONTINUING OPERATIONS AND THE RENAMING OF THE METALS, ENERGY & WATER SEGMENT TO METALS REFINING

All income statement, order intake and order backlog related figures presented in this financial statement review relate to continuing operations and financial information for the comparison periods has 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 16. The Metals, Energy & Water segment has been renamed as 'Metals Refining' (MR) to reflect the changes in the continuing business.

DIVIDEND PROPOSAL

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.

THE COMBINATION OF OUTOTEC AND METSO MINERALS

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.

Summary of key figures

EUR million	Q4	Restated ³ Q4	Change in, %	Q1-Q4	Restated ³ Q1-Q4	Change in, %
	2019	2018		2019	2018	
Order intake	322.9	283.3	14	1,501.2	1,165.9	29
Service order intake	140.2	122.4	15	586.3	512.8	14
Order backlog at end of period	1,069.6	830.3	29	1,069.6	830.3	29
Sales	335.8	319.6	5	1,210.3	1,197.5	1
Service sales	145.9	156.5	-7	550.1	472.4	16
Gross margin, %	28.8	-5.0		29.8	16.6	
Adjusted EBITA ¹	42.4	-69.9		144.5	-7.1	
Adjusted EBITA ¹ , %	12.6	-21.9		11.9	-0.6	
Adjusted EBIT ²	36.9	-77.1		121.8	-31.6	
Adjusted EBIT ² , %	11.0	-24.1		10.1	-2.6	
EBIT	26.8	-81.5		107.3	-46.6	
EBIT, %	8.0	-25.5		8.9	-3.9	
Net cash from operating activities	9.6	-17.6		67.9	70.4	
Earnings per share, continuing operations, EUR	0.07	-0.41		0.35	-0.33	
Earnings per share, discontinued operations, EUR	-0.10	-0.01		-0.25	-0.09	
Earnings per share, EUR	-0.02	-0.42		0.10	-0.42	

¹Excluding all amortizations, as well as adjustment items consisting of restructuring and capacity adjustment costs, costs related to mergers and acquisitions, the 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.

²Excluding restructuring- and acquisition-related items as well as PPA amortizations.

³Comparison figures related to the income statement, order intake and order backlog have been restated due to business divestments in the Metals, Energy & Water segment being classified as discontinued operations.

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.

FINANCIAL STATEMENTS REVIEW JANUARY-DECEMBER 2019

MARKET DEVELOPMENT

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 also improved 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 permits and political circumstances continued 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 order intake in the fourth quarter was EUR 323 (283) million, up 14% from the comparison period. The majority of the increase in 2019 came from two large greenfield orders: a gold processing plant order for Saudi Arabia (approximately EUR 140 million), and a copper concentrator and hydrometallurgical plant order for 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. The service order intake in the fourth quarter was EUR 140 (122) million, up 15% from 2019 and here the growth came from spare parts.

Order intake by region, %	Q1-Q4 2019	Restated ¹ Q1-Q4 2018
	EMEA	57
Americas	24	30
APAC	19	22
Total	100	100

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

Announced orders in 2019

Project/location (published)	Recorded into order backlog	Value, EUR million	Segment
Two grinding mills to zinc concentrator plant in Mexico (December 12)	Q4	N/A, typical value 20	MP
Copper concentrator modernization in Georgia (November 4)	Q4	approx. 10	MP
High intensity grinding mills and services for iron magnetite project in Australia (October 18)	Q4	approx. 50	MP
Greenfield copper concentrator and hydrometallurgical plant to Russia (June 7 & August 8)	Q2 & Q3	approx. 250, 36 for Q2, rest in Q3	2/3 MP 1/3 MR
Coated titanium anodes to the new tankhouse for copper electrowinning plant in Norway (October 10)	Q3	approx. 10	MR
Mine paste backfill tailings management system to copper-gold mine to Australia (May 15)	Q2	approx. 15	MP
Gold processing plant, Saudi Arabia (April 30)	Q2	approx. 140	1/2 MP 1/2 MR
Pellet plant expansion in Russia, booked to service order intake (March 28)	Q1	approx. 15	MR
Sulfuric acid plant to Morocco (March 13)	Q1	approx. 80	MR
Filtration technology to lithium processing plant in Australia (Feb 5)	Q1	approx. 12	MP
Mine paste backfill system to nickel mine in Canada (Jan 24)	Q1	N/A, typical value 20-30	MP

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 is expected to be delivered in 2020.

SALES AND FINANCIAL RESULT

Sales and financial result EUR million	Restated ⁶		Change in, %	Restated ⁶		Change in, %
	Q4 2019	Q4 2018		Q1-Q4 2019	Q1-Q4 2018	
Sales	335.8	319.6	5%	1,210.3	1,197.5	1%
Service sales ¹	145.9	156.5	-7%	550.1	472.4	16%
Share of service sales, %	43.4	49.0		45.5	39.5	
Gross margin, %	28.8	-5.0		29.8	16.6	
Adjusted EBITA ²	42.4	-69.9		144.5	-7.1	
Adjusted EBITA ² , %	12.6	-21.9		11.9	-0.6	
Adjusted EBIT ^{3 4}	36.9	-77.1		121.8	-31.6	
Adjusted EBIT ^{3 4} , %	11.0	-24.1		10.1	-2.6	
- Restructuring and acquisition-related costs ⁵	-8.9	-3.3		-10.2	-10.6	
- PPA amortization	-1.1	-1.1		-4.3	-4.4	
EBIT	26.8	-81.5		107.3	-46.6	
EBIT, %	8.0	-25.5		8.9	-3.9	
Result before taxes	20.6	-82.6		93.3	-55.9	
Result for the period, continuing operations	16.1	-71.8		72.6	-50.6	
Unrealized and realized exchange gains and losses	2.1	-1.3		1.2	-1.3	

¹Included in the sales figures of the two reporting segments.

²Excluding 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.

³Excluding restructuring and acquisition-related items and PPA amortizations.

⁴Adjusted EBIT for Q1-Q4/2018 was EUR 78.4 million (6.5%), excluding the provision for the ilmenite smelter project.

⁵Including 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.

⁶Comparison figures related to the income statement have been restated due to business divestments in the Metals, Energy & Water segment being classified as discontinued operations.

Sales by region EUR million	2019	Restated ¹ 2018	Of sales, %	Change in, %
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

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

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 metal and other sales	100	100

Sales in 2019 totaled EUR 1,210 (1,198) million, up 1% from 2018. Sales in the fourth quarter totaled EUR 336 (320) million.

Service sales increased 16% in 2019, mainly due to spare parts and modernizations. In the fourth quarter, service sales decreased 7% due to fewer spare part deliveries than the previous year for the quarter. The share of service sales was 45 (39) % of total sales in 2019 and 43 (49) % in the fourth quarter.

The improvement in the adjusted EBIT for 2019 was mainly due to releases of provisions in a few completed projects, improved project execution and a 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 provision of EUR 110 million 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 (249) million, or 22 (20)% of sales.

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 were EUR 0.10 (-0.42) including an accrued hybrid bond interest net of tax of EUR -9 (-9) million.

MINERALS PROCESSING

Minerals Processing						
	Q4	Q4		Q1-Q4	Q1-Q4	
EUR million	2019	2018	Change	2019	2018	Change
Order intake	268.0	184.1	46%	1,048.6	719.3	46%
Sales	228.2	217.7	5%	799.1	757.8	5%
Service sales	104.0	110.1	-6%	388.1	344.3	13%
Adjusted EBIT ¹	19.6	29.4		81.4	84.1	
Adjusted EBIT ¹ , %	8.6	13.5		10.2	11.1	
- Restructuring and acquisition-related costs	-1.1	-1.6		1.0	-3.0	
- PPA amortization	-0.7	-0.7		-2.7	-2.7	
EBIT	17.8	27.1		79.7	78.5	
EBIT, %	7.8	12.5		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.

In the fourth quarter, the order intake in the Minerals Processing segment grew 46% relative to the comparison period as a result of two large greenfield orders. The segment sales increased by 5% due to growth in equipment sales. Services sales decreased by 6% from the comparison period, primarily due to fewer service projects.

METALS REFINING

Metals Refining						
	Q4	Restated ³ Q4		Q1-Q4	Restated ³ Q1-Q4	
EUR million	2019	2018	Change in, %	2019	2018	Change in, %
Order intake	54.9	99.2	-45	452.6	446.5	1
Sales	107.6	101.9	6	411.2	439.7	-6
Service sales	41.9	46.4	-10	162.0	128.1	26
Adjusted EBIT ^{1 2}	18.8	-105.6		46.5	-110.4	
Adjusted EBIT ^{1 2} , %	17.5	-103.6		11.3	-25.1	
- Restructuring and acquisition-related costs	-0.6	-1.7		-0.6	-3.9	
- PPA amortization	-0.4	-0.4		-1.7	-1.7	
EBIT	17.8	-107.7		44.2	-116.0	
EBIT, %	16.6	-105.7		10.8	-26.4	

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

² Adjusted EBIT for Q1-Q4/2018 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 the 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.

In the fourth quarter, the order intake in the Metals Refining segment decreased by 45% from the comparison period due to delays in orders. The segment's sales increased by 6%, primarily as a result of plant modernizations.

BALANCE SHEET, FINANCING AND CASH FLOW

Balance sheet, financing and cash flow	Q4	Q4	Q1-Q4	Q1-Q4
EUR million	2019	2018	2019	2018
Net cash from operating activities	9.6	-17.6	67.9	70.4
Net interest-bearing debt at end of period ^{1 2}	18.0	-38.1	18.0	-38.1
Equity at end of period	379.2	377.4	379.2	377.4
Gearing at end of period, % ^{1 2}	4.8	-10.1	4.8	-10.1
Equity-to-assets ratio at end of period, % ^{1 2}	29.6	32.9	29.6	32.9
Net working capital at end of period	-101.0	-122.9	-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 Group key figures section.

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, 2018: EUR -44 million, excluding the impact of IFRS 16), and the gearing was 5 (-10) %. Outotec's equity-to-assets ratio was 30 (33) %.

In 2019, the company's capital expenditure, which mainly related 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 & DEVELOPMENT

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

R&D	Q1-Q4 2019	Q1-Q4 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

R&D highlights in 2019

November 28: The Outotec® Modular Paste Backfill Plant (MPB 80) is a cost-effective plant solution for underground small scale mining applications. The plant components are pre-assembled off-site and delivered in larger, pre-engineered modules, enabling a significantly shorter interval between order placement, installation and start-up.

October 15: Outotec Research Center (ORC) established in 1949 in Pori, Finland, celebrated its 70th anniversary. The center is unique in the industry due to its expertise in the minerals and metals processing. ORC has developed numerous cutting-edge technologies. Current testing capabilities include nine laboratories and pilot plants. Every year, there are approximately 200 research projects with more than 250,000 samples analyzed. Over the decades, ORC has tested virtually all ore types in the world.

October 9: 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. chemicals, and battery metal slurries to name a few. There is an increasing need for technologies that can handle challenges in a reliable and more automated manner.

September 19: Outotec expanded its grinding portfolio with a new range of mills and a 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's 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 new Outotec grinding mills as standard and is designed to maximize grinding mill availability and simplify maintenance, increasing revenue and reducing maintenance costs.

June 14: Outotec launched a cost-effective FP-S filter press for standard filtration applications. It provides an efficient solid-liquid separation and is available in a wide range of configurations. Outotec's expert technical services ensure a reliable process performance and a long equipment lifecycle.

May 13: Outotec introduced a 2nd generation Outotec Paste Thickener for consistent and efficient dewatering performance in ever-changing process conditions with challenging mineralogy and tailings.

PERSONNEL

At the end of 2019, Outotec had a total of 4,045 (3,982) full-time equivalent employees. During the reporting period, the company had an average of 4,049 (4,050) full-time equivalent employees. Temporary personnel accounted for 6 (7)% of the total.

Personnel by region	December 31, 2019	December 31, 2018 ¹	Change
EMEA	2,743	2,660	83
Americas	703	744	-41
APAC	599	578	21
Total	4,045	3,982	63

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

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.

DIVESTMENTS

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

CHANGES IN MANAGEMENT

On November 11, Outotec announced the appointment of Mr. Paul Sohlberg (LLM), 42, as interim EVP, President of the Minerals Processing business unit and member of Outotec's Executive Board with immediate effect. Mr. Kimmo Kontola, who previous 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.

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 to Outotec without liquidation.

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.

TRADING, MARKET CAPITALIZATION AND SHAREHOLDERS

Shares on NASDAQ Helsinki

January- December 2019	Number of shares traded	Total value EUR	High EUR	Low EUR	Average EUR ¹	Last paid EUR
OTE1V	288,623,303	1,295,090,742	6.25	2.90	4.50	5.76

¹ Volume-weighted average

	December 31, 2019	December 31, 2018
Market capitalization, EUR million	1,054	563
Number of shareholders	28,104	26,523
Nominee registered shareholders (number of registers 11), %	37.2	37.9
Finnish private investors, %	15.7	16.2

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 worldwide. All shares related to the programs are acquired through public trading. More detailed information about past and present programs is available at www.outotec.com/cq.

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 its announced intention to divest three businesses, and delays in certain orders which had already been received and anticipated.

December 10: Outotec decided to divest three businesses from the Metals, Energy & Water segment's portfolio relating to aluminum, waste-to-energy and sludge incineration.

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' credit rating to the future Metso Outotec and S&P Global Ratings assigns a 'BBB-' rating.

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: Outotec announces the 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 announces the sale of 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 is headquartered in Finland but 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 as well as commissioning, training and lifecycle 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 confirmed 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 in-depth expertise 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 lasting 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 as well as subcontracting project work and R&D work. Outotec technologies often improve the environmental conditions surrounding customers' plants.

Outotec is a compliant tax payer in each country in which 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 made 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, which is 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 1 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 developing its existing technologies so 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 effective 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 (CO₂) and other emissions by delivering advanced technologies for its customers' industrial processes. The company measures the reduction of CO₂ emissions as its positive impact on the environment (carbon handprint) by the amount of CO₂ emissions avoided through the use of Outotec technologies. Six of Outotec's technologies are measured against the industry 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 CO₂ when using six Outotec technologies compared with annual industry baselines; and

2) to permanently 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 CO₂ equivalents in the six technology areas, representing a reduction of 16%. The amount of emissions avoided depends on the actual production volumes of the six 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 the most sustainable companies. This marks the eighth consecutive year that 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 CO₂ 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 a global presence, Outotec values diversity at the workplace and treats all employees equally. 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 worldwide. 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.

The Outotec Code of Conduct, QEHS and HR policies (including the 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 index is one of the key performance indicators and targets; the engagement index and attrition rate are measured regularly. Losing talented and competent employees is a risk, as they are key to 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 cultural 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 the company strategy. Outotec's global training offering consists of training modules and development programs for different target groups, as well as a wide variety of technical trainings. The main initiatives in 2019 were the continuation of services and project management certification programs, as well as the introduction of second rounds in the junior metallurgist competence development program and the women's mentoring program. In addition, a new supply development program was launched. Outotec's onboarding modules have also been actively developed 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 in areas that are difficult to access, and have different driving cultures, may entail 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 the organization in 2019. The LTIR reporting covers Outotec's premises, employees and contractors working under Outotec's direct supervision, as well as at 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 lifecycle. 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 reiterated in Outotec's Code of Conduct and substantiated in the company's HR, QEHS and Supplier policies.

Potential risks and human rights impacts to Outotec's business relate to project site work in high-risk countries. Outotec has assessed the human rights risks in its own operations, with a 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 on human rights-related issues. Supplier development action plans are drawn up according to the 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 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 for 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 must participate in e-learning programs 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, through the 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 cases to compliance 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.

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 the order intake ²⁾	90%	90%
Social and employees				
Health and safety	Outotec conducts active safety training and hazard reporting to minimize the global lost time injury rate.	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 have 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 by 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 e-learning campaign planned for 2020.

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 a 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. 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.

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 even 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 unethically. 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.

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.

Espoo, February 6, 2020

Outotec Oyj

Board of Directors

Segment information by quarter

EUR million	Q4/17	Restated ³				Q4/18	Q1/19	Q2/19	Q3/19	Q4/19
		Q1/18	Q2/18	Q3/18	Q4/18					
Order intake										
Minerals Processing	239.6	162.5	183.8	189.0	184.1	193.6	255.0	332.0	268.0	
Metals Refining ³	126.2	168.5	158.8	20.0	99.2	138.6	144.9	114.3	54.9	
Total ³	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 ³	139.7	108.2	117.4	112.1	101.9	84.0	122.2	97.5	107.6	
Total ³	340.8	268.1	310.4	299.5	319.6	245.6	319.0	309.9	335.8	
Adjusted EBIT (aEBIT) ¹										
Minerals Processing	22.2	15.6	17.5	21.7	29.4	15.9	21.3	24.5	19.6	
Metals Refining ³	-1.9	-4.6	-2.9	2.7	-105.6	-0.8	5.3	23.1	18.8	
Unallocated ² and intra-group items	-2.0	-1.4	-1.8	-1.4	-0.8	-1.2	-1.6	-1.6	-1.6	
Total ³	18.3	9.6	12.8	23.0	-77.1	13.9	25.0	46.0	36.9	
Operating result (EBIT)										
Minerals Processing	21.1	15.0	15.7	20.8	27.1	15.3	20.7	25.9	17.8	
Metals Refining ³	-2.9	-5.0	-6.4	3.1	-107.7	-1.3	5.0	22.7	17.8	
Unallocated ² and intra-group items	-2.0	-1.4	-5.0	-1.9	-0.9	-1.3	-3.4	-3.1	-8.8	
Total ³	16.2	8.6	4.4	22.0	-81.5	12.7	22.3	45.5	26.8	

¹ Excluding restructuring and acquisition-related items and PPA amortizations

² Unallocated items primarily include group management and administrative services

³ Comparison figures for 2019 and 2018 quarters prior to Q4/2019 have been restated due to business divestments in MEW being classified as discontinued operations. Figures for 2017 have not been restated.

Key figures	Restated ⁴		Restated ⁴	
	Q4 2019	Q4 2018	Q1-Q4 2019	Q1-Q4 2018
Order intake, EUR million	322.9	283.3	1,501.2	1,165.9
Service order intake, EUR million	140.2	122.4	586.3	512.8
Share of service in order intake, %	43.4	43.2	39.1	44.0
Order backlog at end of period, EUR million	1,069.6	830.3	1,069.6	830.3
Sales, EUR million	335.8	319.6	1,210.3	1,197.5
Service sales, EUR million	145.9	156.5	550.1	472.4
Share of service in sales, %	43.4	49.0	45.5	39.5
Gross margin, %	28.8	-5.0	29.8	16.6
Operating result (EBIT), EUR million	26.8	-81.5	107.3	-46.6
EBIT, %	8.0	-25.5	8.9	-3.9
Result before taxes, EUR million	20.6	-82.6	93.3	-55.9
Result before taxes in relation to sales, %	6.1	-25.8	7.7	-4.7
Result for the period, continuing operations, in relation to sales, %	4.8	-22.5	6.0	-4.2
Earnings per share ¹ , continuing operations, EUR	0.07	-0.41	0.35	-0.33
Net cash from operating activities, EUR million	9.6	-17.6	67.9	70.4
Net interest-bearing debt at end of period ^{2,3} , EUR million	18.0	-38.1	18.0	-38.1
Gearing at end of period ^{2,3} , %	4.8	-10.1	4.8	-10.1
Equity-to-assets ratio at end of period ^{2,3} , %	29.6	32.9	29.6	32.9
Equity at end of period, EUR million	379.2	377.4	379.2	377.4
Equity per share, EUR	2.07	2.06	2.07	2.06
Net working capital at end of period, EUR million	-101.0	-122.9	-101.0	-122.9
Capital expenditure, EUR million	4.5	5.0	18.1	21.4
Capital expenditure in relation to sales, %	1.3	1.5	1.5	1.8
Research and development expenses, EUR million	13.8	14.2	55.3	54.1
Research and development expenses in relation to sales, %	4.1	4.5	4.6	4.5
Return on investment ³ , %, LTM	18.3	-6.4	18.3	-6.4
Return on equity, %, LTM	19.2	-12.0	19.2	-12.0
Personnel at end of period	4,045	3,982	4,045	3,982
Number of shares outstanding at end of period ¹ , in thousands	181,710	181,610	181,710	181,610

¹The average number of shares used in calculating the EPS is 181,669 thousand for Q1-Q4/2019 (Q1-Q4/2018: 181,547 thousand). EPS includes a reduction of accrued hybrid bond interest (net of tax) amounting to EUR 8.8 million for Q1-Q4/2019 (Q1-Q4/2018: EUR 8.9 million).

²If 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).

³The 2019 figures excluding the impact of implementing the IFRS 16 standard are disclosed in the table below.

⁴Comparison figures related to the income statement have been restated due to business divestments in the Metals, Energy & Water segment being classified as discontinued operations.

Key figures excluding impact of implementing IFRS 16 in 2019	December 31, 2019		December 31, 2019
	as reported	IFRS 16 impact	excl. IFRS 16 impact
Net interest-bearing debt at end of period, EUR million	18.0	-62.3	-44.2
Gearing at end of period, %	4.8	-16.4	-11.7
Equity-to-assets ratio at end of period, %	29.6	1.5	31.1
Return on investment, %, LTM	18.3	0.6	18.9

Reconciliation of adjusted EBIT and EBITA	Restated ⁴		Restated ⁴	
	Q4	Q4	Q1-Q4	Q1-Q4
EUR million	2019	2018	2019	2018
Operating result (EBIT)	26.8	-81.5	107.3	-46.6
- Restructuring and acquisition-related costs	8.9	3.3	10.2	10.6
- PPA amortization	1.1	1.1	4.3	4.4
Adjusted EBIT ¹	36.9	-77.1	121.8	-31.6
Adjusted EBIT ¹ , %	11.0	-24.1	10.1	-2.6
- Amortization on intangible assets (other than PPA)	5.5	7.2	22.7	24.5
- Impairment on intangible assets (other than restructuring related cost) ²	-	1.3	-	1.3
Adjusted EBITA ³	42.4	-69.9	144.5	-7.1
Adjusted EBITA ³ , %	12.6	-21.9	11.9	-0.6

¹Excluding restructuring and acquisition-related items and PPA amortizations.

²In Q1-Q4 2019 there were no impairments on intangible assets. In Q1-Q4 2018 impairments on intangible assets were EUR 1.9 million, of which EUR 0.7 million was included as restructuring and acquisition-related costs for Q1-Q4 2018 in the table above.

³Excluding all amortizations, as well as adjustment items comprising of restructuring and capacity adjustment costs, costs related to mergers and acquisitions, the outcome of material intellectual right property disputes, gains and losses on business disposals and goodwill impairments.

⁴Comparison figures related to the income statement have been restated due to business divestments in the Metals, Energy & Water segment being classified as discontinued operations.

Outotec presents certain key figures (alternative performance measures) as additional information to the financial measures presented in the consolidated statements of comprehensive income, financial position and cash flows prepared in accordance with IFRS. In Outotec's view, alternative performance measures provide meaningful supplementing information on its operational results, financial position and cash flows and are widely used by analysts, investors and other parties.

To improve the comparability between periods, Outotec presents adjusted EBIT, which is EBIT adjusted by material items beyond the ordinary course of business. Gross profit and research and development expenses are presented as complementing measures to the measures included in the consolidated statement of comprehensive income because, in Outotec's view, they increase the understanding of Outotec's results of operations. Net interest-bearing debt, gearing, equity-to-asset ratio, return on investment and return on equity are presented as complementing measures because, in Outotec's view, they are useful measures of Outotec's ability to obtain financing and service its debts. Net working capital and capital expenditure provide additional information concerning the cash flow needs of Outotec's operations.

In addition, Outotec presents net interest-bearing debt, gearing, equity-to-asset ratio and return on investment for 2019 excluding the impact of implementation of the IFRS 16 standard to improve the comparability between periods, as Outotec did not retrospectively restate the 2018 figures in the transition to the IFRS 16 standard on January 1, 2019.

Starting from the second quarter of 2019, Outotec has added adjusted EBITA to the key figures reported to reflect the upcoming combination of Metso Minerals and Outotec.

Alternative performance measures should not be viewed in isolation or as a substitute to the IFRS financial measures. Not all companies calculate alternative performance measures in a uniform manner, and therefore Outotec's alternative performance measures may not be comparable with measures with a similar name presented by other companies.

Definitions of key figures

Change in comparable currencies	=	Figures for the reporting period converted using foreign exchange rates during the comparison period	
Gross margin, %	=	$\frac{\text{Sales} - \text{cost of sales}}{\text{Sales}} \times 100$	
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, the 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	=	$\frac{\text{Result for the period attributable to the equity holders of the parent company} - \text{accrued hybrid bond interest, net of tax}}{\text{Average number of shares during the period}}$	
Diluted earnings per share	=	$\frac{\text{Result for the period attributable to the equity holders of the parent company} - \text{accrued hybrid bond interest, net of tax}}{\text{Diluted average number of shares during the period}}$	
Net interest-bearing debt	=	Borrowings + lease liabilities – other shares and securities – loan receivables – interest-bearing trade and other receivables – cash and cash equivalents	
Gearing	=	$\frac{\text{Net interest-bearing debt}}{\text{Total equity}} \times 100$	
Equity-to-assets ratio	=	$\frac{\text{Total equity}}{\text{Total assets} - \text{contract liabilities (net advances received)}} \times 100$	
Equity per share	=	$\frac{\text{Total equity attributable to the equity holders of the parent}}{\text{Number of shares outstanding at the end of period}} \times 100$	
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 to intangible 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)	=	$\frac{\text{Operating result} + \text{finance income (last 12 months)}}{\text{Total equity} + \text{borrowings} + \text{lease liabilities (12 months' average)}} \times 100$	
Return on equity (last 12 months)	=	$\frac{\text{Result for the period (last 12 months)}}{\text{Total equity (12 months' average)}} \times 100$	
Dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Number of shares outstanding at end of period}}$	

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

All figures in the tables 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.

Consolidated statement of comprehensive income	Q4	Restated ¹ Q4	Q1-Q4	Restated ¹ Q1-Q4
EUR million	2019	2018	2019	2018
Continuing operations				
Sales (note 1)	335.8	319.6	1,210.3	1,197.5
Cost of sales	-239.2	-335.5	-850.1	-998.5
Gross profit	96.6	-15.9	360.2	199.0
Other income	6.8	0.4	8.6	0.8
Selling and marketing expenses	-30.2	-26.7	-117.4	-108.0
Administrative expenses	-23.6	-19.1	-76.7	-71.0
Research and development expenses	-13.8	-14.2	-55.3	-54.1
Other expenses	-9.0	-6.2	-12.8	-13.6
Share of results of associated companies	0.1	0.2	0.7	0.3
Operating result (note 1)	26.8	-81.5	107.3	-46.6
Finance income	2.2	1.5	6.5	6.1
Finance expenses	-7.3	-2.8	-17.2	-13.2
Market price gains and losses	-1.1	0.2	-3.2	-2.2
Net finance income or expense	-6.2	-1.1	-13.9	-9.3
Result before income taxes	20.6	-82.6	93.3	-55.9
Income taxes (note 3)	-4.6	10.8	-20.7	5.3
Result for the period from the continuing operations	16.1	-71.8	72.6	-50.6
Result for the period from the discontinued operations	-17.3	-2.5	-45.3	-16.7
Result for the period	-1.2	-74.3	27.4	-67.3
Result for the period attributable to:				
Equity holders of the parent company	-1.5	-74.3	27.3	-67.3
Non-controlling interest	0.3	-0.0	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	0.07	-0.41	0.35	-0.33
Earnings per share, discontinued operations, EUR	-0.10	-0.01	-0.25	-0.09
Earnings per share, EUR	-0.02	-0.42	0.10	-0.42

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.

Consolidated statement of comprehensive income	Q4	Q4	Q1-Q4	Q1-Q4
EUR million	2019	2018	2019	2018
Continuing and discontinuing operations				
Other comprehensive income				
Items that will not be reclassified as profit or loss				
Remeasurements of defined benefit obligations	1.6	0.8	-13.8	0.8
Changes in the fair value of other shares and securities	0.0	-0.0	-0.0	-0.1
Income tax relating to items that will not be reclassified as profit or loss	-0.7	-0.1	3.9	-0.1
Items that may be subsequently reclassified as profit or loss				
Exchange differences on translating foreign operations	-4.0	-3.7	1.2	-10.7
Cash flow hedges	7.5	-0.6	0.3	-4.6
Income tax relating to items that may be reclassified as profit or loss	-1.6	0.3	-0.1	0.6
Other comprehensive income for the period, net of tax	2.7	-3.2	-8.5	-14.0
Total comprehensive income for the period	1.5	-77.5	18.8	-81.3
Total comprehensive income for the period attributable to:				
Equity holders of the parent company	1.2	-77.3	18.8	-81.1
Non-controlling interest	0.3	-0.2	0.1	-0.1

Consolidated statement of financial position	December 31,	December 31,
EUR million	2019	2018
ASSETS		
Non-current assets		
Intangible assets (note 4)	318.2	338.4
Property, plant and equipment (note 5)	42.5	53.3
Right-of-use assets ⁶ (note 6)	61.6	-
Deferred tax asset	72.3	78.2
Investments in associated companies	1.4	0.8
Other shares and securities (note 14)	1.6	1.6
Derivative financial instruments (note 11, 13)	0.5	2.8
Loan receivables	1.5	4.1
Trade and other receivables	2.0	2.3
Total non-current assets	501.7	481.5
Current assets		
Inventories ¹	196.2	208.9
Derivative financial instruments (note 11, 13)	6.0	6.0
Current tax assets	9.8	10.6
Trade and other receivables ^{2,3} (note 7)	443.3	417.4
Cash and cash equivalents	267.4	233.4
Total current assets	922.7	876.3
Disposal group assets classified as held for sale (note 16)	57.4	-
TOTAL ASSETS	1,481.9	1,357.8

¹ Including advances paid for inventories of EUR 57.4 million as at December 31, 2019 (December 31, 2018: EUR 48.9 million).

² Including EUR 0.0 million that was interest-bearing as at December 31, 2019 (December 31, 2018: EUR 0.0 million).

³ Including accrued interest of EUR 0.5 million as at December 31, 2019 (December 31, 2018: EUR 0.5 million).

Consolidated statement of financial position EUR million	December 31, 2019	December 30, 2018
EQUITY AND LIABILITIES		
Equity		
Share capital	17.2	17.2
Hybrid bond	150.0	150.0
Other components of equity	44.0	60.3
Retained earnings	164.9	146.9
Equity attributable to the equity holders of the parent company	376.1	374.4
Non-controlling interest	3.1	3.0
Total equity	379.2	377.4
Non-current liabilities		
Borrowings	1.0	178.1
Lease liabilities ⁶	48.4	-
Derivative financial instruments (note 11, 13)	0.1	0.6
Deferred tax liabilities	7.5	7.7
Pension obligations	68.5	55.9
Provisions (note 8)	50.3	50.2
Trade and other payables	6.8	7.1
Total non-current liabilities	182.6	299.5
Current liabilities		
Borrowings	225.3	23.0
Lease liabilities ⁶	13.8	-
Derivative financial instruments (note 11, 13)	7.7	8.8
Current tax liability	10.7	8.4
Provisions (note 8)	77.5	110.9
Trade and other payables ⁴ (note 7)	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 (note 16)	43.3	-
TOTAL EQUITY AND LIABILITIES	1,481.9	1,357.8

⁴ Including accrued interest of EUR 4.1 million as at December 31, 2019 (December 31, 2018: EUR 3.4 million).

⁵ Key figures excluding the impact of implementing IFRS 16 in 2019 are disclosed in the Key figures section.

⁶ This item has been recognized through the implementation of IFRS 16.

Condensed consolidated statement of cash flows	Q1-Q4	Q1-Q4
EUR million	2019	2018
Cash flows from operating activities		
Result for the period	27.4	-67.3
Adjustments for		
Depreciation and amortization	47.9	34.8
Other adjustments	30.2	-3.9
Decrease (+) / Increase (-) in net working capital	-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
Purchases of fixed assets	-18.4	-21.5
Proceeds from sale of fixed assets	0.3	0.9
Acquisitions, net of cash	-9.3	-0.5
Proceeds from disposal of subsidiaries	-	0.0
Acquisition of shares in associated companies	-	-0.2
Net cash used in investing activities	-27.4	-21.3
Cash flow before financing activities	40.5	49.2
Repayment of non-current debt	-0.3	-4.4
Decrease in current debt	-64.3	-33.2
Increase in current debt	89.6	10.0
Repayment of lease liabilities ¹	-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 beginning of period	233.4	230.2
Foreign exchange rate effect on cash and cash equivalents	-1.2	-7.7
Cash classified as assets held for sale (note 16)	-4.0	-
Net change in cash and cash equivalents	39.1	10.8
Cash and cash equivalents at end of period	267.4	233.4

¹This item has occurred through the implementation of IFRS 16.

Consolidated statement of changes in equity

EUR million	Attributable to the equity holders of the parent company										
	Share capital	Share premium fund	Fair value and other reserves	Treasury shares	Reserve for invested non-restricted equity	Hybrid bond	Cumulative translation differences	Retained earnings	Total equity attributable to equity holders of parent company	Non-controlling interest	Total equity
Equity at Jan 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 Jan 1, 2018	17.2	20.2	-15.0	-15.0	96.6	150.0	-16.7	226.6	463.8	3.2	466.9
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
Total comprehensive income for the period	-	-	-3.3	-	-	-	-10.5	-67.2	-81.1	-0.1	-81.3
Other changes	-	-	-	-	-	-	-	0.2	0.2	-	0.2
Equity at Dec 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 Jan 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 Jan 1, 2019	17.2	20.2	-18.4	-12.5	98.3	150.0	-27.3	146.3	373.8	3.0	376.8
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
Total comprehensive income for the period	-	-	-9.7	-	-	-	1.2	27.3	18.8	0.1	18.8
Minority acquisition	-	-	-8.9	-	-	-	-	-	-8.9	-0.0	-8.9
Other changes	-	-	0.2	-	-	-	-	-0.2	-	-	-
Equity at Dec 31, 2019	17.2	20.2	-36.7	-12.0	98.7	150.0	-26.1	164.9	376.1	3.1	379.2

¹IAS 8 change in accounting policies (net of tax)

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

This Financial Statements Review has been prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting policies and methods have been applied in this Financial Statements Review as in the latest Annual Financial Statements, except for the changes specified below. This Financial Statements Review has not been audited.

The following new standards and interpretations have been adopted as of January 1, 2019:

IFRS 16 – Leases

Outotec adopted the IFRS 16 standard 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. The standard change will slightly improve the operating profit, and the impact on net profit is 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	January 1, 2019
Operating lease commitments as at December 31, 2018	78.5
Short term lease contracts	-1.7
Low-value lease contracts	-0.5
Other	2.8
Lease liability recognized as at January 1, 2019	79.1
Discounting	-8.4
Lease liability as 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 to be 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 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 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.

The following new standards and interpretations have been published, but they are not effective in 2019, nor has Outotec early-adopted them:

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.

Accounting estimates and judgements

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. Although these estimates are based on the management's best knowledge of current events and actions, the actual results may differ from the estimates used in the financial statements.

Note 1. Segment information

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 based on the reportable segments and operating segments.

Minerals Processing

Outotec provides the mining industry with sustainable mineral processing solutions, from pre-feasibility studies to complete plants and lifecycle 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 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 environmental discharge standards and to maximize water recycling as well as to reduce 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.

Disaggregation of sales	Q1-Q4	Restated ³
EUR million	2019	Q1-Q4 2018
Minerals Processing		
Project sales (major portion recognized over time)	411.0	413.5
Service sales (major portion recognized at a point in time)	388.1	344.3
Sales total, Minerals Processing	799.1	757.8
Metals Refining		
Project sales (major portion recognized over time)	249.2	311.6
Service sales (major portion recognized at a point in time)	162.0	128.1
Sales total, Metals Refining	411.2	439.7
Sales total	1,210.3	1,197.5
of which is recognized over time	711.6	748.1
of which is recognized at a point in time	498.7	449.4

Adjusted EBIT ¹ by segment EUR million	Q1-Q4	Restated ³ Q1-Q4
	2019	2018
Minerals Processing	81.4	84.1
Metals Refining	46.5	-110.4
Unallocated ² and intra-group items	-6.0	-5.3
Total adjusted EBIT¹	121.8	-31.6

¹ Excluding restructuring and acquisition-related items and PPA amortizations disclosed in note 2.

² Unallocated items primarily include group management and administrative services.

³ 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.

Operating result by segment EUR million	Q1-Q4	Restated ¹ Q1-Q4
	2019	2018
Minerals Processing	79.7	78.5
Metals Refining	44.2	-116.0
Unallocated ² and intra-group items	-16.6	-9.1
Total operating result	107.3	-46.6

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.

² Unallocated items primarily include group management and administrative services.

Reconciliation of adjusted EBIT and EBITA	Q1-Q4	Restated ⁴ Q1-Q4
	2019	2018
Operating result (EBIT), EUR million	107.3	-46.6
- Restructuring and acquisition-related costs (note 2)	10.2	10.6
- PPA amortization (note 2)	4.3	4.4
Adjusted EBIT ¹ , EUR million	121.8	-31.6
Adjusted EBIT ¹ , %	10.1	-2.6
- Amortization on intangible assets (other than PPA)	22.7	24.5
- Impairment on intangible assets (other than restr. related cost) ²	-	1.3
Adjusted EBITA ³ , EUR million	144.5	-7.1
Adjusted EBITA ³ , %	11.9	-0.6

¹ Excluding restructuring and acquisition-related items and PPA amortizations.

² In Q1-Q4 2019 there were no impairments on intangible assets. In Q1-Q4 2018 impairments on intangible assets were EUR 1.9 million, of which EUR 0.7 million is included as restructuring and acquisition-related costs for Q1-Q4 2018 in the table above.

³ Excluding all amortizations, as well as adjustment items comprising of restructuring and capacity adjustment costs, costs related to mergers and acquisitions, the outcome of material intellectual right property disputes, gains and losses on business disposals and goodwill impairments.

⁴ 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.

Note 2. Items excluded from adjusted EBIT

EUR million	Q1-Q4 2019	Restated ¹ Q1-Q4 2018
Restructuring and acquisition items		
Personnel-related restructuring costs	0.6	-2.3
Impairments on 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 or 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 items, 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

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

EUR million	Q1-Q4 2019	Restated ¹ Q1-Q4 2018
Purchase price allocation (PPA) amortizations		
Minerals Processing	-2.7	-2.7
Metals Refining	-1.7	-1.7
Total PPA amortizations	-4.3	-4.4

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

Note 3. Income taxes

EUR million	Q1-Q4 2019	Restated ¹ Q1-Q4 2018
Current taxes	-9.1	-7.1
Deferred taxes	-11.6	12.4
Total income taxes	-20.7	5.3

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

Note 4. Intangible assets	December 31,	December 31,
EUR million	2019	2018
Historical cost at beginning of period	524.4	525.8
Translation differences	3.2	-3.2
Additions	9.8	12.6
Disposals	-4.9	-0.3
Classification as held for sale	-41.4	-
Reclassifications	0.3	-0.1
Impairment during the period	-	-10.5
Historical cost at end of period	491.5	524.4
Accumulated depreciation and impairment at beg. of period	-186.0	-166.6
Translation differences	-0.8	-0.4
Disposals	4.7	0.1
Classification as held for sale	35.9	-
Reclassifications	-0.0	-
Amortization during the period	-27.0	-27.7
Impairment during the period	-	8.5
Accumulated depreciation and impairment at end of period	-173.3	-186.0
Carrying value at the end of the period	318.2	338.4

Note 5. Property, plant and equipment	December 31,	December 31,
EUR million	2019	2018
Historical cost at beginning of period	156.8	151.2
Translation differences	1.2	-1.9
Additions	8.3	8.8
Disposals	-3.5	-2.5
Classification as held for sale	-15.5	-
Reclassifications	-0.3	1.3
Impairment during the period	-0.0	-0.1
Historical cost at end of period	147.0	156.8
Accumulated depreciation and impairment at beginning of period	-103.4	-95.2
Translation differences	-0.8	1.5
Disposals	2.8	1.8
Classification as held for sale	7.0	-
Reclassifications	-0.0	-0.8
Depreciation during the period	-10.0	-10.9
Impairment during the period	-	0.1
Accumulated depreciation and impairment at end of period	-104.6	-103.4
Carrying value at the end of the period	42.5	53.3

Note 6. Right-of-use assets	December 31,
EUR million	2019
Historical cost at the beginning of the period	70.7
Translation differences	0.2
Additions	7.4
Disposals	-0.3
Classification as held for sale	-1.7
Historical cost at end of period	76.3
Accumulated depreciation and impairment at the beginning of the period	-
Disposals	0.0
Depreciation during the period	-14.9
Classification as held for sale	0.2
Accumulated depreciation and impairment at end of period	-14.7
Carrying value at the end of the period	61.6

Note 7. Breakdown of current trade and other receivables and payables

EUR million	December 31,	December 31,
	2019	2018
Trade receivables	222.4	209.3
Customer contract assets	145.1	148.1
Other accruals and receivables	75.8	60.1
Current trade and other receivables, total	443.3	417.4
Trade payables	147.6	124.6
Customer contract liabilities (net advances received)	295.6	322.5
Other accruals and payables	98.6	82.7
Current trade and other payables, total	541.9	529.8

Note 8. Changes in significant provisions

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 the 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, EUR 8.4 million of the provision has been utilized. EUR 50.0 million of the provision is recognized under non-current liabilities and EUR 51.6 million under current liabilities.

Note 9. Changes in credit facilities

Outotec's committed revolving credit facilities (EUR 100 million unsecured multicurrency facility and EUR 60 million unsecured facility) had their original final maturity in January 2020 and therefore became short-term credit facilities during the first quarter of 2019. In October 2019, the maturities of both facilities were extended to August 31, 2020.

On October 7, 2019, Outotec signed a EUR 50 million Revolving Credit Facility with OP Corporate Bank. The facility has its final maturity on April 30, 2021, and it has been put in place to provide Outotec with liquidity reserves for general corporate purposes.

On October 7, 2019, Outotec signed a EUR 120 million Forward Start Term Facility with Nordea Bank. The facility has its final maturity on April 30, 2021, at the latest, and it has been put in place to provide Outotec with liquidity reserves for the purpose of partially refinancing the company's EUR 150,000,000 senior unsecured bond, which matures on September 16, 2020.

All the above facilities were unutilized as of December 31, 2019.

Note 10. 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 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.

Note 11. Derivative instruments

Currency and interest derivatives EUR million	December 31 2019	December 31, 2018
Foreign exchange forward contracts		
Designated as cash flow hedges	-0.6	-4.5
Other foreign exchange forward contracts	-1.6	1.3
Interest rate swaps		
Designated as cash flow hedges	-	-
Designated as fair value hedges	1.0	2.6
Fair values of derivative contracts, total	-1.1	-0.6
Nominal values, total	791.0	662.2

Note 12. Carrying amounts of financial assets and liabilities by category

December 31, 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
- interest rate swaps under hedge accounting	1.0	-	-	1.0	1.0
- foreign exchange forward contracts under hedge accounting	2.5	-	-	2.5	2.5
Loans receivable	-	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

Carrying amounts of financial assets and liabilities by category

December 31, 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					
- interest rate swaps under hedge accounting	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 receivable 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	-
Borrowings 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					
Borrowings 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

Note 13. Fair value hierarchy

December 31, 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

December 31, 2018

Other shares and securities	0.0	-	1.6	1.6
Derivative financial assets	-	8.7	-	8.7
Derivative financial liabilities	-	9.3	-	9.3

Techniques used for the valuation of financial instruments included in the level 2-3 fair value hierarchy:

- For interest rate swaps (level 2), the present value of the estimated future cash flows is based on observable yield curves.
- For foreign currency forwards (level 2), the present value of future cash flows is based on the forward exchange rates at the balance sheet date.
- For unlisted equity securities (level 3), the fair value is estimated based on 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.

Note 14. Other shares and securities (level 3 of fair value hierarchy)

EUR million	Q1-Q4 2019	Q1-Q4 2018
Carrying value on Jan 1	1.6	2.2
Translation differences	0.0	-0.0
Decreases	-	-0.5
Carrying value at end of period	1.6	1.6

Note 15. Related party transactions

Transactions and balances with associated companies EUR million	Q1-Q4 2019	Q1-Q4 2018
Sales	0.2	0.1
Other income	0.1	0.1
Purchases	1.7	3.1
Loan receivables	1.5	1.5
Trade and other receivables	0.4	0.6
Current liabilities	0.2	0.1

Outotec has a 40% investment in Enefit Outotec Technology Oü, from which the company had EUR 1.5 million in loan receivables as at December 31, 2019 (December 31, 2018: EUR 1.5 million).

Note 16. Discontinued operations and disposal group assets classified as held for sale

Discontinued operations

On December 10, 2019, Outotec announced its decision to divest three businesses from the Metals, Energy & Water segment's 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 the delivery of plants for the 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	Q1-Q4	Q1-Q4
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
Result for the period	-45.3	-16.7
Basic earnings per share, discontinued operations, EUR	-0.25	-0.09
Other comprehensive income		
Items that will not be reclassified as profit or loss		
Remeasurements of defined benefit obligations	-0.2	0.0

Statement of cash flows of the discontinued operations	Q1-Q4	Q1-Q4
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	December 31,
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 directly associated with assets classified as held for sale, total	43.1

Disposal group classified as held for sale

On May 10, 2019, Outotec announced 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.

	December 31,
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

Note 17. Events after the balance sheet date

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

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 that has been included in the Global 100 list.

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

Outotec develops leading technologies and services for the sustainable use of Earth's natural resources. Our 4,000 top experts are driven by each customer's unique challenges across the world. Outotec's comprehensive offering creates the best value for our customers in the mining, metal, energy, and chemical industries. Outotec shares are listed on NASDAQ Helsinki. www.outotec.com