# Sustainable use of Earth's natural resources

ANNUAL REPORT 2010

Outotec

# CONTENTS

## ANNUAL REVIEW 2010



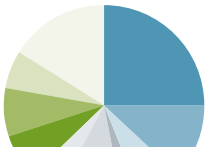
Services sales grew organically and through acquisitions.
Read more

32

## FINANCIAL STATEMENTS



57



Over 60% of sales came from emerging markets and were evenly split by materials.
Read more

6

2010 was an eventful year. The market recovered, the company's operational model was streamlined and the revised strategy was launched. Read more

## BUSINESS OPERATIONS



Outotec's personnel has strong expertise an innovative attitude to technology development.
Read more

47

## SHARE INFORMATION

# EVENTFUL YEAR

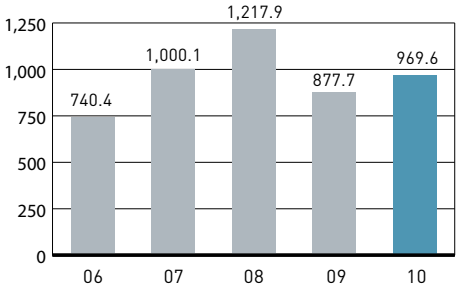
**Market activity** returned and order intake was excellent. The year-end order backlog strengthened by over 60% from 2009.

**Services** represented **29%** of sales. Growth was boosted by acquisitions and customers' enhanced production capacity.

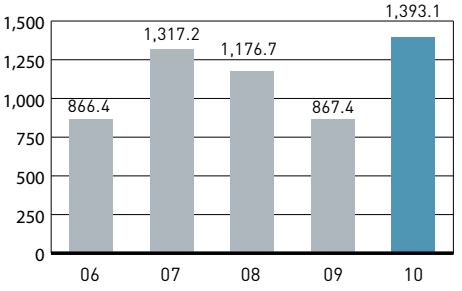
Significant part of the achieved EUR **26.2 million** structural cost savings will be reinvested to growth.

**New** long term financial **targets** were set as part of the strategy revision.

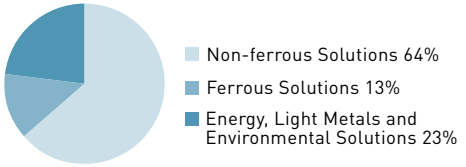
**Sales**, EUR million



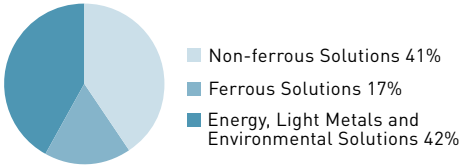

**Order backlog**, EUR million



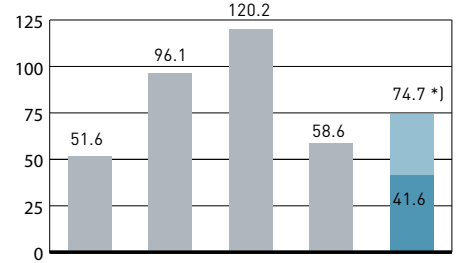

**Sales by business area**




**Operating profit by business area**

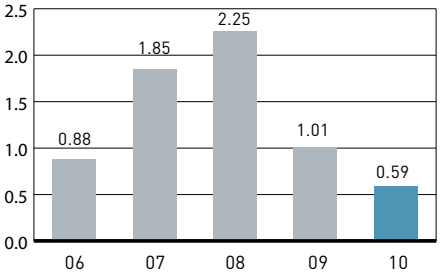



**Operating profit**, EUR million

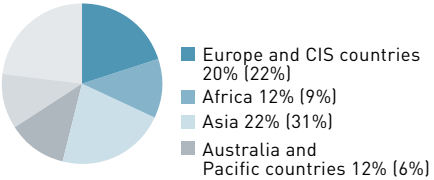



*) excluding one-time items and PPA amortizations

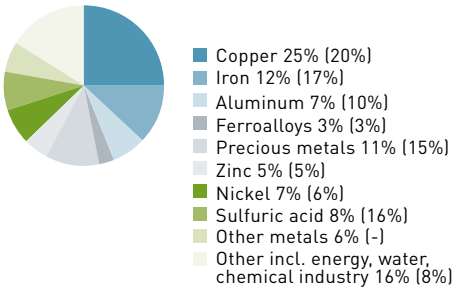
**Earnings per share**, EUR




**Sales by destination**




**Sales by materials**



Our mission is **sustainable** use of Earth's natural resources.

Our strategic intent is to be the leading provider of sustainable minerals and metals processing solutions, and to become an **innovative** provider of sustainable energy and water processing solutions.

# PROVIDING SUSTAINABLE LIFE CYCLE SOLUTIONS

With a mission of sustainable use of the Earth's natural resources, Outotec develops technologies and provides sustainable life cycle solutions to its customers, guaranteeing the best return on the customer's investment. The common denominator in all Outotec technologies is their ability to maximize recovery, minimize environmental impacts, save energy, natural resources, and capital investments.

Outotec has a strong portfolio of technologies for the entire value chain from ore to metals. To further strengthen the technology offering, Outotec plans to expand to adjacent industries such as the energy industry and industrial water treatment.

Outotec actively develops and acquires new technologies and processes based on customer needs and business requirements.

Many of Outotec's technologies have been rated by the European Union as BAT, the best existing, economically viable techniques with regard to the environment.

Outotec operates globally with sales and service centers in 24 countries and deliveries to over 80 countries. At the end of 2010, Outotec had 3,130 employees.

## BUSINESS AREAS




**NON-FERROUS SOLUTIONS**
The Non-ferrous Solutions business area consists of businesses relating to the processing of copper, nickel, zinc, lead, gold, silver, and platinum group metals as well as industrial minerals. Its solutions cover the entire value chain from ore to metal. The Larox, Ausmelt, and Millteam acquired businesses are included in the business area.

**FERROUS SOLUTIONS**
The Ferrous Solutions business area consists of businesses relating to the processing of iron, steel, and ferroalloys as well as titanium feedstock to products such as concentrates, pellets, sinter, direct reduced iron, hot-briquetted iron, ferroalloys, and titanium feedstock.

**ENERGY, LIGHT METALS AND ENVIRONMENTAL SOLUTIONS**
The Energy, Light Metals and Environmental Solutions business area consists businesses related to energy (incl. oil shale, oil sands and biomass materials), alumina, aluminum, and light metals processing. The BA's environmental solutions include sulfuric acid plants, applications for gas cleaning, and heat recovery systems, as well as industrial water treatment. The acquisition of Edmeston is included in the business area.

**SERVICES**
Services is included in the figures of the three other business areas, and its sales volume is reported separately. The Services business area focuses on growing and developing the service business globally and providing life cycle services.

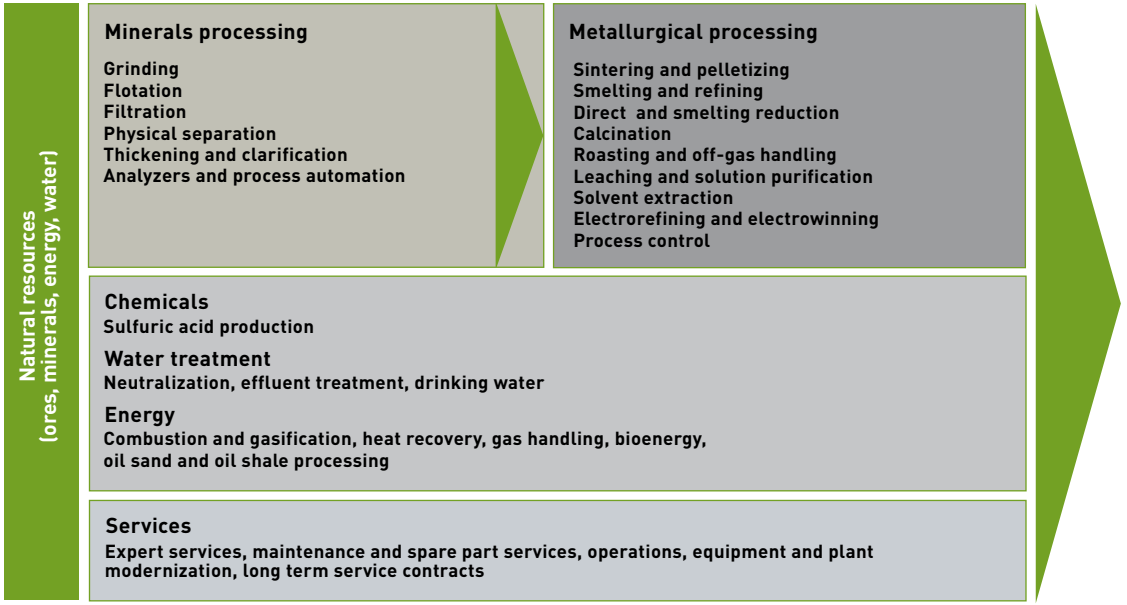
# OUTOTEC IS A TECHNOLOGY COMPANY WITH OFFERINGS ACROSS MINERALS AND METALS VALUE CHAIN AND ADJACENT INDUSTRIES

Outotec is one of the world's leading technology and service providers for the mining and metals industry. There are a number of players in the sector and Outotec has several competitors in various areas of technology. Outotec's offering is more extensive than that of its competitors, covering most metals and the entire value chain.

Outotec's customers include large, globally operating mining companies and metals producers as well as local mining and metals companies. In addition, Outotec serves fertilizer producers, companies in the chemical industry, and companies that utilize alternative energy sources.

Outotec's competitiveness is based on excellent proprietary technologies, strong process expertise in the entire production chain, good references, and a solid reputation in delivering large projects and turnkey plants. Outotec plans to leverage its strong core technologies and competencies to new applications such as energy and industrial water, offering new attractive growth opportunities with high synergies and manageable risks.

Outotec serves its customers globally. To ensure flexibility and operational efficiency, Outotec uses an extensive global subcontractor network for engineering and manufacturing and local experts and subcontractors in projects.




Industrial minerals
Copper
Nickel
Zinc
Cobalt
Precious metals
Aluminum
Ferroalloys
DRI/HBI/ Pig iron
Sulfuric acid
Water
Shale oil
Char
Energy

**LARGE INSTALLED BASE IN OVER 80 COUNTRIES, DELIVERED OVER THE LAST 100 YEARS**

- 140 non-ferrous smelters
- 600 sulfuric acid plants
- 1,000 grinding mills
- 5,000 flotation units
- 1,600 thickeners
- 3,500 filters
- 12 pelletizing and sintering plants for chromites
- 9 ferroalloy smelters
- 400 iron ore sintering plants
- 60 iron ore pelletizing plants
- 260 fluidized bed roasting plants

The year 2010 was eventful for Outotec. We started the year with a low order backlog and limited market visibility. Thus, our first priority was to win new orders and secure our profitability. We succeeded very well with these short term targets. In addition, we focused on securing long term success by launching our new operational model as a platform for future growth, defined our strategy for the coming years, and announced new long term financial targets.

# BUILDING THE PLATFORM FOR FUTURE GROWTH

The year 2010 was eventful for Outotec. We started the year with a low order backlog and limited market visibility. Thus, our first priority was to secure business and profitability. The second key theme was to establish the elements for future growth by launching our new operational model and defining our strategy for the coming years. We have taken significant strides to push all of these matters ahead and I am very satisfied with the results. I am happy to state that despite the challenging start, 2010 turned out to be a successful year for Outotec.

## Back on the growth track

After a sluggish market in 2009, the industries we serve have returned to investing in new technologies and services once again, driven by the growing demand for metals and materials in the emerging economies. This has been, no doubt, good news for Outotec.

I am very pleased with the excellent development in our order intake and backlog over the last twelve months. The demand for our technologies has intensified in all areas and we have received several large orders, including the delivery of a copper plant for Codelco's new Mina Ministro Hales mine in Chile, a manganese sinter plant on a turnkey basis for Kalagadi Manganese in South Africa, and a drinking water treatment scheme for Sri Lanka. Our sales grew due to the technology and service businesses of the four companies we acquired during the year. The integration of these companies has progressed well and some synergies have already materialized.

Though we started the year with a low order backlog, I am happy to announce that we achieved our 2010 financial targets thanks to a strong order intake, solid project execution, growing services business, and cost efficiency improvement measures. We successfully completed several large projects, such as the turnkey delivery of a zinc roasting, gas cleaning and sulfuric acid plant to Votorantim Metais' Cajamarquilla operations in Peru, the delivery of new, environmentally sound technology for Shougang's iron ore pelletizing plant in Caofeidian, China, and the delivery of copper smelting, slag cleaning, and cobalt recovery technology for Konkola Copper Mines in Zambia. By the end of the year, our order backlog was once again very healthy, which, along with a positive market outlook, has given us a strong start for 2011.

## Platform for further growth

We launched a new operational model in April to align our organizational structure with our growth objectives. Outotec now has four business areas, each focusing on growing and developing their respective businesses globally by providing life cycle solutions to our customers. Marketing, sales, and delivery operations in geographical market areas were placed in a global Market Operations organization to strengthen the sales of all of our company's offerings. The new shared functions are responsible for establishing the operational platforms enabling improved scalability, flexibility, and productivity.

Restructuring the organization and adjusting to new ways of cooperating has demanded that our personnel be flexible and committed to navigating the new operational model. I am convinced that the path we have chosen is the key to our future competitiveness and growth.

**The investments in in new technologies and services returned once again, driven by the**

**growing**

**demand for metals and materials in the emerging economies. This has been, no doubt, good news for Outotec.**

## The mission forward

In 2010, we re-stated our mission and defined our strategic priorities. The "sustainable use of Earth's natural resources" is the mission we believe both our customers and employees can fully embrace and work toward achieving. We want to be the leading provider

of sustainable minerals and metals processing solutions as well as an innovative provider of sustainable energy and water processing solutions.

With the new, long term financial targets, we intend to continue our solid, profitable growth. In terms of sales, our target is to grow faster than the market, resulting in a compound average annual sales growth target in the range of 10-20%. When it comes to Services, our goal is to grow to EUR 500 million in annual sales by the end of 2015. Our operating profit margin from business operations is targeted to be, on average, at 10%. We also plan to maintain a strong balance sheet to provide operational flexibility and allow for further acquisitions.

We aim to grow both organically and through acquisitions, expanding the scope of deliveries, entering new business areas and introducing new life cycle service offerings.

## Providing the best return on the customer's investment

In everything we do, we are committed to generating the highest value for our customers with minimal impact on the environment. Our long experience, extensive technology offering, and strong in-house R&D mean that we have a unique ability to customize processes for different raw materials, to test and scale up, and, when needed as well as develop totally new processes tailored to our customers' needs. Once a plant has been designed and built, we support our customers running it smoothly at all times and in refining their operations. For our customers, this means guaranteed performance, improved cost efficiency and quality, shorter delivery times, and faster time to profit. All in all, we promise our customers the best return on their investment.

**The "sustainable use of Earth's natural resources" is the mission we believe both our customers and employees can fully embrace and work toward achieving We want to be the leading provider of sustainable minerals and metals processing solutions as well as an innovative provider of sustainable energy and water processing solutions.**

In addition to continuously enhancing our technology portfolio for the entire value chain - from ore to metals - we plan on expanding into attractive growth industries such as energy and industrial water treatment, which have high technological synergies and manageable risks. We also aim to further bolster our local presence in emerging markets, which currently represent two-thirds of our business.

We also improve our scalability and productivity by developing modular and reusable core products and by establishing common processes and tools. We will improve our cost competitiveness by stepping up our global engineering and supply management practices.

## Focus in 2011

Our efforts to build an integrated global company and a scalable and efficient platform for further growth will continue in 2011. We are also continuously looking for potential acquisition targets to complement our existing technology portfolio, accelerate growth in new areas, and grow our service business.

I am confident we have all the capabilities needed to implement our strategy.

I am proud of our team and the results we were able to deliver and would like to thank our employees for their commitment and excellent work during the demanding year. I would also like to thank both our customers for their trust and business, and our shareholders for their confidence in our work. We stand committed and prepared to continue our legacy of creating a prosperous future for all.

**Pertti Korhonen**
President and CEO

# ACQUISITIONS BOOSTED PRODUCT AND SERVICES OFFERING AND GENERATED REVENUE GROWTH

The outlook for 2010 was still uncertain in the beginning of the year, although there were signs of recovery on the market. Thus, the company decided to concentrate on those elements of the strategy which enable securing of short term profitability and further growth in the next upturn.

The following strategic priorities were set for 2010: winning new orders, ensuring solid execution, implementing the new operational model, intergrating acquired businesses, achieving the cost savings, and accelerating the growth of the Services business. All of these targets were achieved.

### Outotec's growth strategy forward

With the new organizational model in place (April 1, 2010), Outotec started a strategy review process. The defined strategy, along with the new long term financial targets and new sales target for Services business were published at Outotec's Capital Market Day on November 30, 2010.

The new, long term financial targets relate to sales, profitability and balance sheet. Outotec's aim is to grow faster than the market, resulting in a compound average annual sales growth in the range of 10-20%. The operating profit margin from business operations is targeted to be, on average, at 10%. The company also intends to maintain a strong balance sheet in order to have operational flexibility and allow for further growth.

The new growth target for the Services business sales is to reach EUR 500 million level by the end of 2015 through organic means and acquisitions.

**Strategic priorities for 2010 focused on winning new orders, ensuring solid execution, implementing the new operational model, integrating acquired businesses, achieving annualized cost savings of EUR 25 million and accelerating the growth of the Services business.**

# MEGATRENDS INCREASE THE DEMAND FOR SUSTAINABLE SOLUTIONS

Throughout history, much of the world's prosperity and development can be attributed to metals and materials. Even though technology has developed in many areas, a dilemma exists between the growing need for metals and the environmental impacts of producing them. Outotec offers various technologies and solutions to address this dilemma.

**Ore grade**

**Ore grades are declining. More ore needs to be processed with more advanced technology in order to produce the same amount of metal.**

**Energy**

**Making metals requires a lot of energy. More energy-efficient processes are needed.**

**Emissions**

**Mining and metallugical industries are major emitters of $CO_2$ and other ecotoxic substances. Cleaner solutions need to be developed.**

**Water**

**Water quality and quantity are becoming critical issues. Advanced solutions for water saving, recycling and cleaning are needed.**

**Oil peak**

**The oil peak is approaching. Oil will run out by 2050 with current production rates and alternative energy sources are needed.**

**Recycling**

**The need for recycling is increasing. New technogies for turning scrap and waste into products are needed.**

### Sustainability

**Awareness is increasing globally in environmental, social and economic sustainability.**

### Polarization

**The gap is increasing between stagnating developed economies and the fast growing emerging markets.**

### Globalization

**Increasing competition, consolidation and intensifying global talent war.**

### Focusing

**Outsourcing of non-core activities are increasing and Asia is established as the world's manufacturing powerhouse.**

### Cooperation

**Networking and partnerships are important in innovation and R&D.**

### Urbanization

**Urbanization increases the use of metals, the amount of waste, and creates a concentrated stress on the environment.**

# WORLD LEADING TECHNOLOGIES ENABLE SUSTAINABLE USE OF THE EARTH'S NATURAL RESOURCES

## Outotec's technologies maximize life cycle profitability of customer's investment.

Global talent and local presence ensures that the best expertise and optimal solutions are available to customers wherever they are

- Strong local presence in growth markets
- Close collaboration and long relationships with customers
- Global solutions offering and delivery capability
- Fully leveraging our technologies and capabilities globally

Sustainable solutions guarantee performance and lifelong benefits to customers

- Performance guarantees
- Optimized processes
- Fast and reliable ramp up
- High material recovery
- Efficient use of raw materials, energy and water
- Low lifetime operating cost

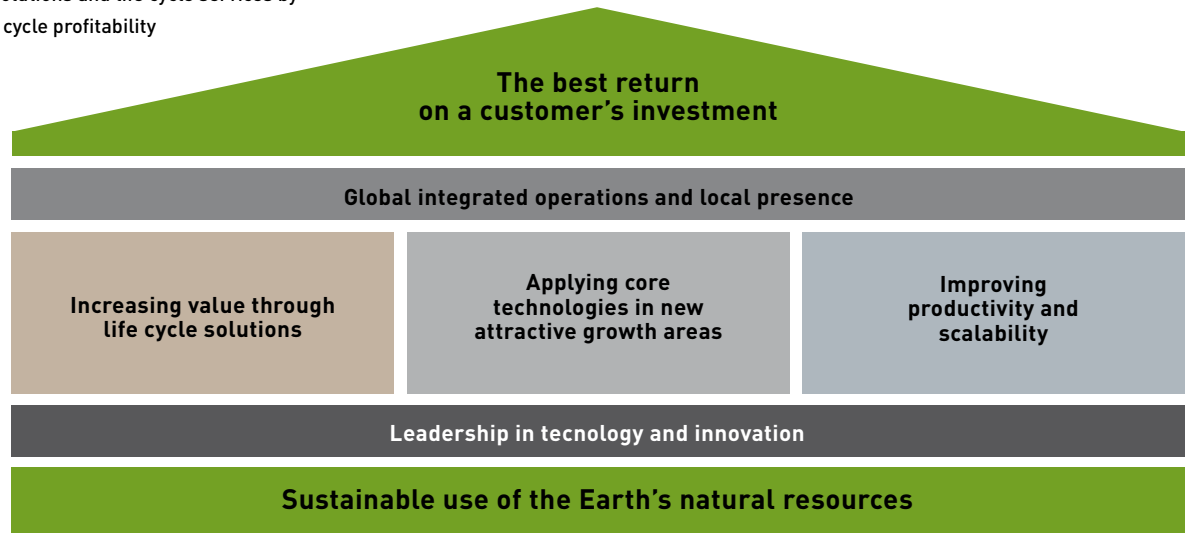
Globally integrated operations improve cost-competitiveness and provide scalability and flexibility to accelerate growth

- Integrated global operational model
- Strong global engineering and supply capabilities
- Modular core product designs
- Partnering with the most innovative suppliers
- Asset-light business model

Strengthening of earnings logic by offering ore-to-metal total solutions and life cycle services by maximizing life cycle profitability

Use of core capabilities and proven technologies to create innovative solutions for adjacent industries

- Entering adjacent industries with high technological synergies and manageable risks
- Opportunities in energy and industrial water treatment sector




Core capabilities include a strong portfolio of the world's best technologies, expertise and innovative people.

- Strong portfolio of sustainable technologies for the entire value chain from ore to metals
- Share of environmental products and services (OECD) 72%
- Innovative people and world-class expertise
- In-house R&D complemented with technology acquisitions and partnerships

# METALS DEMAND CONTINUES TO GROW

Outotec's customer industries are in the mining and metals processing industries, but the company's technologies are also applied in other sectors, such as energy production, the fertilizer industry, and the treatment of industrial process waters. Customer investments are driven by developments in the global economy and also by the demand for and prices of metals on world markets. During 2010, the global economy recovered even faster than expected and demand for the most important metals increased significantly, causing their price levels to increase.

Several drivers can be seen in Outotec's customer industries, the most significant of which are the strive for environmentally sustainable technologies, companies focusing on their core areas of competence, networking and the emphasis on cooperation, strong growth of developing countries while the growth in developed countries is evening out, as well as the progress of globalization. Urbanization increases the need for metals but brings with it further load on the environment.

### Toward sustainable development

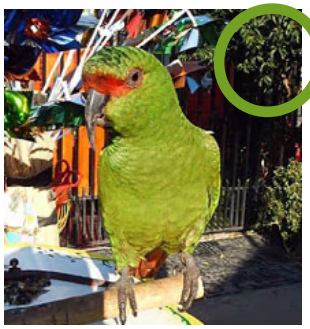
The environmental impact of the mining and metallurgical industries has traditionally been rather high, but investments in cleaner technologies have also been significant. Several international producers have voluntarily decreased the emissions caused by their production, in addition to which, efficiency and environmental requirements have been made stricter through legislation. Efficient use of natural resources and recycling will be increasingly important factors in the future. While the growing need for metals is increasing production volumes, the need to decrease emissions requires the use of ever more sustainable technology. The significance of energy-efficient and environmentally sound technologies is continuously growing.

According to mining companies their investments in mining and metal industries will increase substantially in 2011. Demand for the most important metals is expected to grow by **4–7%** annually.

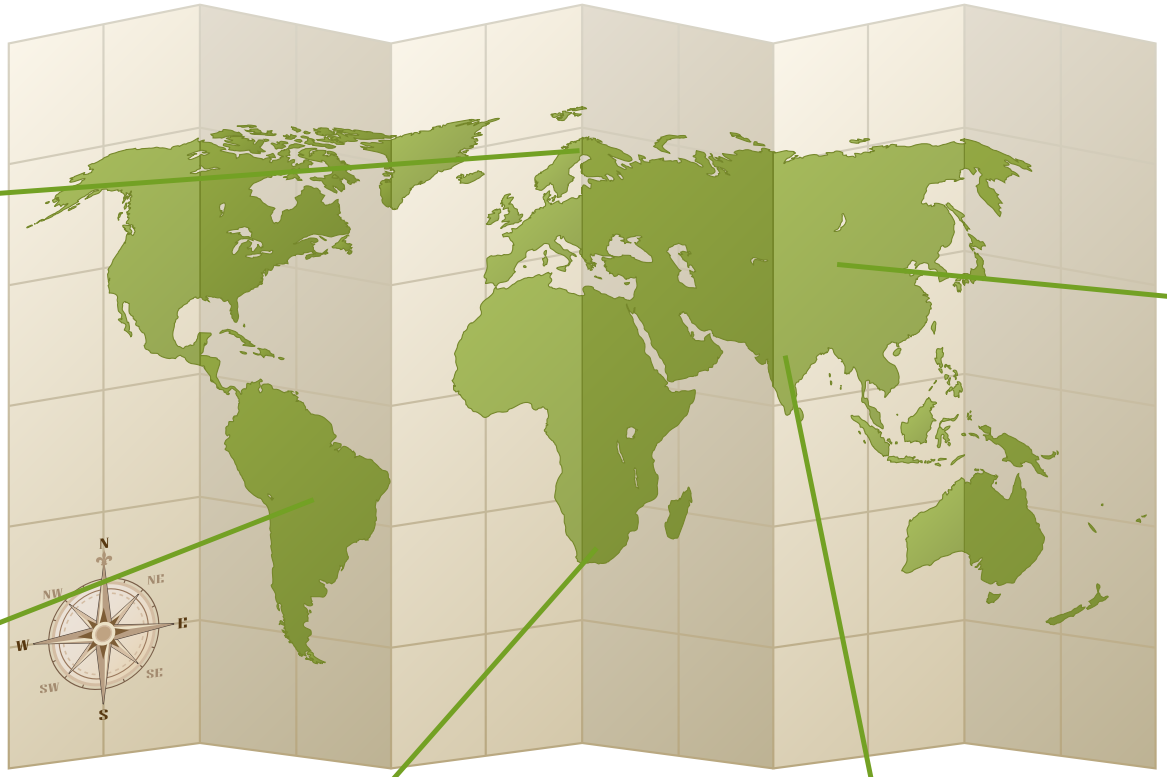
### Customers focusing on their core competences

Also in mining and metals industry, companies are increasingly focusing on their core competences and increasing outsourcing. As an example, customer organizations are managing some of their maintenance functions by using their own staff, but interest in outsourcing maintenance has increased. The benefits brought about outsourcing services also create a strong business case. The best efficiency of production is secured through a service contract covering the life cycle of plants and equipment. As a part of focusing on their own core areas of competence, companies have increased networking with other companies and with training and development organizations in the industry. Indeed, an increase in subcontracting in production and various forms of collaboration are becoming increasingly commonplace in the industry.

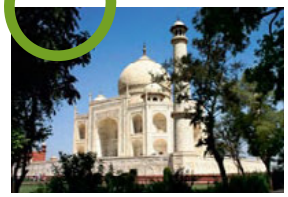
SCANDINAVIA saw rapid recovery of the economy, and many new projects were started in the mining sector.



SOUTH AND CENTRAL AMERICA turned towards steady growth. The region has a large number of mines and also some metals industry. Brazil is still the region's driver for growth and it is a significant producer of iron ore.




SOUTH AFRICA has significant mining production. There are also plenty of deposits elsewhere in Africa, but their utilization is often hindered by the lack of infrastructure and shortages of energy or water. Africa has attracted the interest of foreign investors, particularly from China, for a long time but willingness to invest fluctuates due to the continent's political and economic instability.



INDIA has significant mineral resources, such as iron and zinc, but in some areas the lack of energy and water is creating problems.

CHINA'S economic growth exceeded again 10% in 2010. Rapid urbanization and industrialization are strongly increasing the demand for metals. China has extensive minerals resources and it controls, among others, the majority of many special metal reserves. China is not self-sufficient in metals which makes the country the world's largest importer of metals and concentrates.

### Growth from emerging markets

Asia's fast developing countries, primarily China and India, continue to be the drivers of economic growth. The world's industrial production is increasingly concentrated in Asia to serve the rapidly growing large domestic markets and to supply the word markets with low cost manufacturing. Thus, the majority of new metals production capacity is also being constructed in the developing markets. Countries such as Brazil, which supply raw materials, particularly iron ore, to China, are also investing in new capacity.

### Competitive landscape

There are a lot of suppliers in the industry, some of whom only focus on a narrow sector. The consolidation of customer organizations through mergers will lead to larger deliveries. This means that the capability to manage broader-scope deliveries brings a significant competitive advantage. By ordering a turnkey plant delivery, customers are able to give full responsibility for the delivery to a single supplier. In this way, the project can be managed in a more centralized way, it is easier to predict delivery results and, thus, it is also easier to arrange financing.

### Clear recovery in the markets

The demand for metals was increased by the recovery of the automotive and electronics industries, as well as the construction industry. It seems that the industries growing fastest after the recession are those that contracted the most during it. For example, the global production of passenger cars is estimated to have grown by about 20% during 2010. Also, the long term demand outlook for metals turned more positive, which was seen in higher metals prices and increased interest in investments among customer industries.

The demand for metals grew stronger toward the end of the year. As a result, the prices of the most important metals rose sharply. For example, the price of iron ore increased by about 60% and the prices of steel, copper, nickel and gold increased by about 30% during 2010. Only the price of zinc fell during the year, losing about 7% of its value. Also the use of and demand for some previously fairly rare metals increased strongly. An example of these is palladium, which is used in catalytic converters for cars, the price of which rose by as much as 95% during the year. Also, the price of silver, which is used, for instance, in the electronics industry, rose significantly. Although metals inventories decreased slightly, they remained at a reasonable level. In addition to demand, the prices of metals are impacted by the use of metals as investments. It can be concluded from the realized price development that in the opinion of investors, metals production is not sufficient to satisfy ever-increasing demand and it is, therefore, expected that the prices of metals will remain high.

The rise in metals prices and the positive outlook enable profitable production of metals. At the start of the recession, many metals producers had contracted their production significantly. During 2010, production capacity utilization rates increased and investments in new production were commenced. Some of the previously closed production capacity is likely to be inefficient and polluting, so putting it into use requires new technology and modernization. As

**Fast** pace

**urbanization and industrialization strongly increase the need for metals in China where one-third of the world's metals are consumed already.**

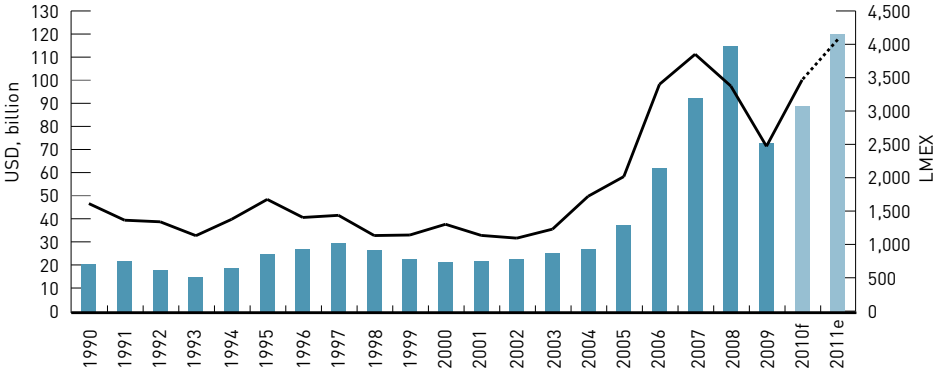
**COMMODITIES DEMAND GROWTH CONTINUES**

**Commodities demand is expected to grow and industry needs to continue to invest in order to meet the metals demand. CAPEX growth is expected to be over 10%.**

**Growth drivers**

- **Commodity demand**
- **Declining ore grades**
- **Increasing HSE regulations**
- **Increasing mechanization**

**Metals and mining industry CAPEX**




Sources: CRU (up to 2005 excl. ferrous), UBS, Company reports, LME, Outotec (January 2010)

the production utilization rate grew, so did the need for various equipment, plant and maintenance services.

The uncertainty that still prevailed in the financial markets continued to have an impact on the investment opportunities of some companies. Decision-making, particularly as regards major projects involving construction of new capacity, takes time. Financiers' and regulators' interest in the environmental impacts continues to grow and, almost without exception, they place strict requirements on the technology used when considering the preconditions for executing projects.

## The globe as the market

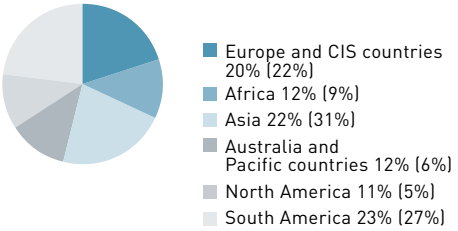
Outotec serves its customers globally. The company has offices on all continents, in a total of 24 countries, and deliveries to more than 80 countries. The focus in the growth of metals consumption and the construction of additional capacity has shifted considerably over the past decade. The greatest growth potential lies in the emerging markets such as China, India, Russia, and other CIS countries, as well as Latin America. In contrast, in Europe, North America, Africa, and Australia, demand for metals has been more even.

## A boost for Asia's growth

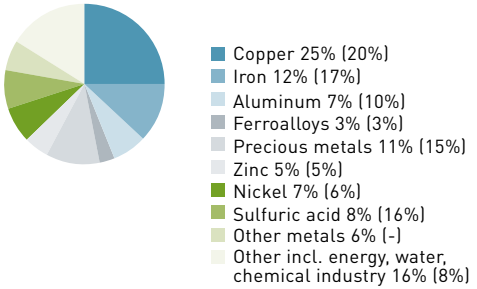
The rate of China's economic growth rose again, exceeding 10% in 2010. The strong growth was supported by the country's population of 1.3 billion and its excellent investment capability, both in the private and public sectors. Rapid urbanization and industrialization are strongly increasing the demand for metals in China, which already consumes about a third of the world's metals. China has extensive minerals resources and it controls, among others, the majority of many special metal reserves. China is not self-sufficient in metals, which makes it the world's largest importer of metals and concentrates. Modern Chinese companies are eager to acquire the latest technology to secure their business operations today, with an eye on tomorrow's tighter environmental regulations, as China joins global climate agreements. Chinese companies have also actively sought to acquire mining companies outside the borders of their country.

India's growth rate rose again to nearly 10% in 2010. Due to economic reforms and the construction of infrastructure, the development of India has continued to be positive for more than ten years. In India, growth is also supported by a population of 1.1 billion, whose buying power is increasing rapidly. India has significant mineral resources, such as iron and zinc, but in some areas, a lack of energy and water is creating problems in utilizing those resources. India's competitiveness has clearly strengthened in recent decades, and the country's industrialization requires continuous investments into new technology.

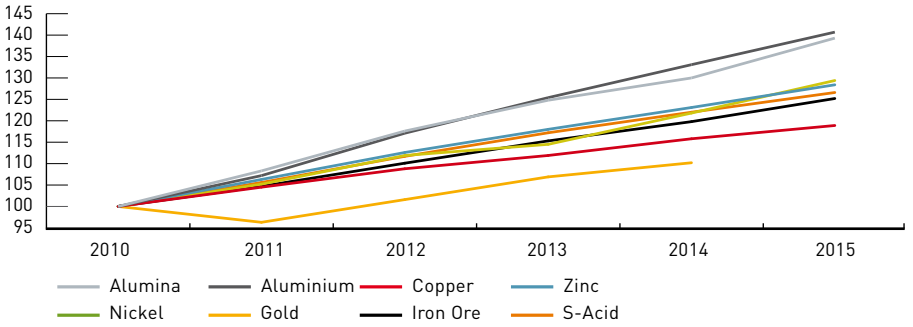
**Sales by destination**




**Sales by materials**




**Demand growth for commodities 2010-15 (rebased 2010=100)**, %




Sources: Brook Hunt, RBS, CRU

**Outotec serves its customers globally. The company has sales and service centers in a total of 24 countries, and deliveries to more than 80 countries. The focus in the growth of metals consumption and the construction of additional capacity has shifted considerably over the past decade. The greatest growth potential lies in the emerging markets.**

### New projects in Europe

In Europe, economic development was uneven but positive as a whole, and the economies of many countries have already begun to recover. The region's mining and metals production developed moderately well and, in the area of Scandinavia, in particular, many new projects were started. Elsewhere in Europe, investments were often focused on the modernization and expansion of existing plants. The markets also developed favorably in Eastern Europe and on the Iberian peninsula. There is a relatively large amount of mineral deposits in Europe, and the majority of the region's production plants are efficient and modern.

The Russian economy, which leans strongly on private consumption, began its recovery in 2010 and achieved annual growth of about 5%. Investments in the corporate sector were held back by stricter terms for financing. In mining and metals production, the development of the most significant CIS countries was also positive. The region is industrializing and there is still plenty of growth potential. Russia and many of the CIS countries are rich in natural resources and they control a significant proportion of the world's gas and oil reserves, as well as uranium, coal, and precious metal reserves. The utilization of these requires new production plants and the modernization of existing plants.

### Uneven development in the Americas

The economies of South and Central America turned towards steady growth.

**The President of Mongolia, Mr. Elbegdorj Tsakhia, visited Outotec in October and discussed plans to build an industrial complex to add value to the Oyu Tolgoi copper deposit and to diversify the economy.**

The region has a large number of mines and also some metal industry. Brazil is still the region's driver for growth and it is a significant producer of iron ore. Chile, Peru, and Mexico all have significant mining operations as well as and basic metals production. However, many countries rich in mineral resources face other challenges, such as the availability of water and energy. There is also growth potential in North America but there the prevailing period of slow growth has so far kept investment levels low.

### Energy efficiency plays a major role in Africa

There is a significant amount of mining production in South Africa. There are also plenty of deposits elsewhere in Africa, but their utilization is often hindered by the lack of infrastructure and shortages of energy or water. Indeed, Africa has attracted the interest of foreign investors, particularly from China, for a long time, but willingness to invest fluctuates due to the continent's political and economic instability.

### Iron ore projects increasing in Australia

The rapid development of Australia's mining industry, which has continued for a long time, is particularly apparent in the continuous growth of iron ore production capacity and related infrastructure projects

### Demand growing further

The demand for metals is expected to grow significantly in the near future. The greatest demand still comes from developing countries in which construction is strong and where the automotive and electronics industries are growing rapidly. In addition, the recovery of developed economic regions will increase the demand for metals. According to the forecasts, investments in the mining and metal industries will increase substantially during 2011, reaching even the previous peak level seen in 2008. Also demand for the most important metals is expected to grow by 4-7% annually.

Despite the capacity increases over the last few years, metals production is not sufficient to satisfy the continuously growing demand. Indeed, companies in the mining and metals industries will need to both increase their production and make it more efficient. Tightening efficiency and environmental requirements and the decreasing metal content of ore bodies continue to attract investments in plant modernization, optimization, and increased automation. Rising energy prices are also driving the industry to improve processes in order to achieve lower unit costs.

Non-ferrous Solutions business area is the

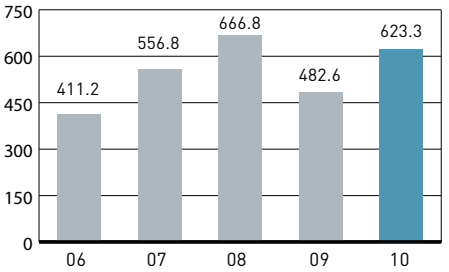
# market leader

in several technologies and one of the leading technology suppliers in the entire industry.

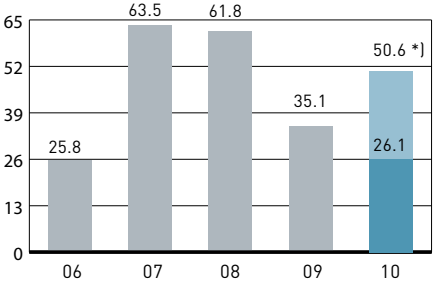
# STRONG PROCESS TECHNOLOGY PORTFOLIO FOR THE ORE-TO-METAL VALUE CHAIN

Non-ferrous Solutions business area's offering includes proprietary technologies. Delivery scopes may vary from single equipment to large process solutions and plants as well as services.

**Sales**, EUR million




**Operating profit**, EUR million




*) excluding one-time items and PPA amortizations

Non-ferrous Solutions business area offers world-leading sustainable processing technologies for the processing of non-ferrous ores to metals – covering the entire value chain. Its advanced technologies are used to process copper, nickel, zinc, lead, gold, silver, platinum metals, and industrial minerals. The offering includes proprietary technologies, engineering, production equipment, system integrations, project deliveries, as well as training, maintenance, and spare parts services. Delivery scopes may vary from single equipment to large process solutions and plants as well as services. The business area's world-wide customer base consists of mining companies, non-ferrous metals producers, as well as engineering companies.

## Growth from acquired businesses and services

The positive market trend that had already begun at the end of 2009 continued in 2010. Demand at the beginning of the year was still quite weak, but the activity picked up during the year. Customers

restarted their investments that had been put on hold and made plans also for investments into new production capacity. This development was supported by the increasing prices of metals, the continuous growth of the Chinese market, as well as forecasts indicating that the world economy had already begun to recover from the recession.

Sales in the Non-ferrous Solutions business area in 2010 increased by 29% from the comparison period and totaled EUR 623.3 million (2009: EUR 482.6 million). The increase in sales was due to acquisitions and growth of services. Operating profit excluding one-time items and PPA amortizations was EUR 50.6 million and operating profit was EUR 26.1 million (2009: EUR 35.1 million). The unrealized and realized exchange losses related to currency forward contracts decreased profitability by EUR 0.8 million (2009: unrealized and realized loss of EUR 2.0 million).

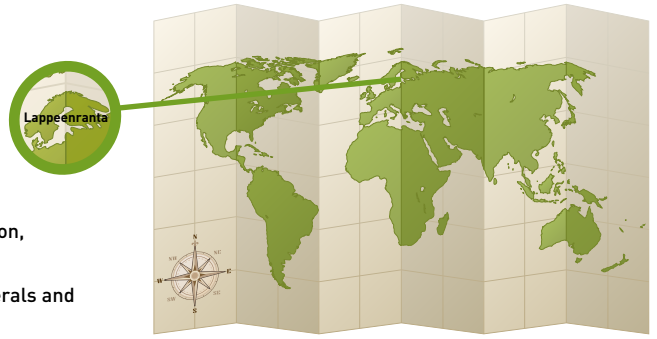
### Stronger expertise throughout the whole value chain

Outotec introduced a new operational model at the beginning of April 2010 and the previous Minerals Processing division and most of the Base Metals division's technologies were combined under one business area. The business area includes also the acquired businesses of Larox, Ausmelt, and Millteam (2010), and Auburn (2008). Through the acquisitions, Outotec has even more complete technology portfolio and is the leading process technology provider in the non-ferrous metals with unique capabilities to offer a wide range of solutions from large-scale processes to equipment and services to the whole value chain from ore to pure metal. The acquisition of Larox filter business further broadened the business area's product and service offering to concentrators. The integration of Larox progressed well, and the targeted EUR 7 million synergies specified in the acquisition will be fully achieved.

**The high number of mining projects, production expansions in the planning phase and the good price development of metals**

# strengthen

**the demand for process technology.**




**Larox filtration technologies and related services complement Outotec's portfolio. Thanks to the acquisition, Outotec can now offer a complete solution for minerals and metals concentrating.**


### Healthy order backlog and solid delivery

Non-ferrous Solutions' order intake developed favorably in 2010, and several major new orders were won. In the spring, a deal valued at around EUR 65 million was concluded with Minera Lumina Copper on the delivery of a copper solvent extraction and electrowinning plant for the Caserones project in northern Chile. The Caserones copper plant will incorporate the latest Outotec® technologies, which enable utilization of low-grade copper ore bodies located in challenging environments.

In September, an order worth nearly EUR 40 million was won from the Italian company IRASCO for the delivery of technology for the expansion of a copper concentrator located in Sarcheshmeh,

Iran. The deliveries scheduled for 2012 include the design of the concentrator's grinding and thickening circuits, equipment deliveries, as well as installation supervision and training services.

A deal valued at over EUR 20 million was concluded with the First Quantum Minerals Limited Projects Office based in Australia on the delivery of flotation, thickening, and automation technologies for several projects around the world. The deal includes delivery of 14 Outotec TankCell® 300 flotation cells and 54 smaller TankCell® cells to the Kevitsa nickel and copper concentrator in Sodankylä in northern Finland, as well as delivery of six Tankcell® 300 cells to the Kansanshi copper and cobalt concentrator in Zambia. Advanced automation technology will also be delivered to the Guelb Moghrein gold and copper concentrator in Mauritania in order to optimize the flotation process.

In the spring, a deal was concluded with Tongling Non-Ferrous Metals Group on the design and delivery of a copper smelter to be built in Jingchang, China, in 2012. The deal, approximately EUR 15 million, covers licenses for both Outotec Flash Smelting and Kennecott-Outotec Flash Converting technologies, basic plant engineering, and all key equipment for smelting and converting. Tongling chose Outotec's flash smelting/flash converting process because it is the cleanest solution available.

In September, Konkola Copper Mines placed an order worth approximately EUR 13 million for the delivery of an electric furnace to the Chingola copper smelter in Zambia. The deal also includes a service agreement. Boliden ordered Kaldo furnace technology for the Rönnskär copper smelter in Sweden. The delivery is part of the expansion of Boliden's electronic scrap recycling plant. Furthermore, a deal worth of approximately EUR 6 million was concluded at the beginning of the year with Baiyin Non-Ferrous Group on the design and delivery of a new precious metals plant in Gansu Province, China.

Project deliveries were carried out as planned, and delivery times normalized.

### Opportunities for acquisitions in the market

Outotec's market is fragmented, and a number of different players operate in it. Outotec is a market leader in several non-ferrous metals technologies and one of the leading technology suppliers in the entire industry. It has a strong market position globally, but varies depending on the product and region. The markets have plenty of growth opportunities, and the goal is to grow both organically and through acquisitions. The aim is to strengthen the business by further expanding the process technology offering in the entire value chain, investing in the development of the services business, and strengthen the presence in all geographical markets.

The high number of mining projects and production expansions in the planning phase, in addition to the good metals price development strengthen the demand for process technology. Even though there is still uncertainty in the financial markets, the need for additional metals production capacity and especially more efficient and cleaner technologies are on the rise.

Although there is strong competition for new orders, Outotec is well-equipped to support its market position with its strong and wide process technology portfolio that enables the company to give customers performance guarantees. These guarantees are related to important process parameters such as recovery rates, energy consumption and emission levels, which are all important and leading to the lowest possible life time operational costs. This gives Outotec a unique advantage on the market.

The markets picked up towards the end of the year and new orders were won. The strong order backlog provides a solid starting point for the year 2011.

**Ausmelt allows Outotec to offer sustainable solutions for ferrous metals, zinc, lead, and tin concentrates, zinc bearing residues, recycling, and various secondary and waste materials.**

# New copper smelter for Konkola Copper Mines in Zambia

**Contract:**
In January 2006, Outotec agreed with Konkola Copper Mines Plc. (KCM) on the design and delivery of a new copper flash smelting plant to be built in Nchanga, Zambia. A few months later, an additional contract was made for the supply of slag cleaning and cobalt recovery furnaces to the same smelter. In 2010, another agreement was made to complete the smelter with the second cobalt recovery furnace. The total value of the contracts and services has exceeded EUR 70 million.

**Project scope:**
Outotec's scope of supply covered the flash smelting license, basic engineering for the whole smelter, including drying, flash smelting, slag cleaning and cobalt recovery furnaces as well as process gas cleaning, delivery of proprietary equipment for advanced direct-to-blister flash smelting furnace, electric furnaces, and a TM-16 anode casting shop and related supervision services for installation and commissioning.

**Outotec solution:**
The concentrate blend with high copper content indicated that it would be feasible to utilize The Outotec® Direct Blister Flash Smelting process. Outotec carried out laboratory tests at its research center to confirm the process design parameters, as based on its vast experience, no pilot tests were required. In addition, thermodynamic modeling of slags, resulting from different feed blends, provided valuable knowledge when defining the operating window for each process step. The Direct Blister Flash Smelting process was chosen for the smelter, as - due to reduced process steps – it provided high effectiveness and ensured the environmental and safety performance of the smelter. The process eliminates the converting phase and thus molten metal transports. For slag cleaning and cobalt recovery, a two-stage electric furnace process was applied. One of the leading ideas in the design phase was to minimize the slag amount, which contributes to high copper recovery in the entire process.

The commissioning was challenging because of completely new slag metallurgy, infrastructure limitations, a landlocked country, and a new operation team which was not familiar with the process. The KCM operation team went for training to other corresponding plants in Poland, Australia, and Finland. The team endeavored to absorb the knowledge and experience the operating personnel of the other smelters had gathered.

The problems encountered during the ramp-up time were solved and the smelter operations were stabilized in about 12 months. Today, the smelter produces more than 17,000 tons of primary copper in a month, being limited due to shortage of concentrates. Recoveries of the valuable metals are high thanks to ingenious separation of slag and metal.

Outotec's capability to design and deliver the whole smelter ensured reliable and sustainable operation for the customer with a reduced number of unit operations, less fugitive emission sources, low emissions, and efficient use of energy. Sulfur dioxide capture is high and at the level of smelters in industrialized countries. After the commissioning of the new facility KCM shut down its Nkana smelter. One indicator of the good environmental performance of the Nchanga smelter is good air quality in the neighboring city of Chingola. KCM has received several safety awards and its processes are certified by a number of quality standards, such as OHSAS 1800, among others.

**Challenge:**

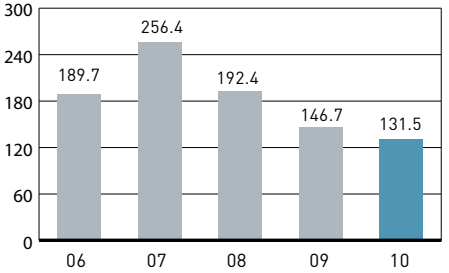
KCM wanted to replace its old Nkana smelter and build a new environmentally sound copper and cobalt production facility in Changa. Concentrates from the Zambian Copperbelt are complex with high copper, low iron, and high silica contents and contain also cobalt, which makes them challenging to process with conventional methods. Furthermore, infrastructure at the site was poor. As the investment was large, the technology supplier had to be able to master the whole process, integrate various technologies, and provide training and operational know-how.

The Ferrous Solutions plans to expand its offering to cover the whole production chain from ore to metal and use more widely its **skills** and ability in the delivery of large projects.

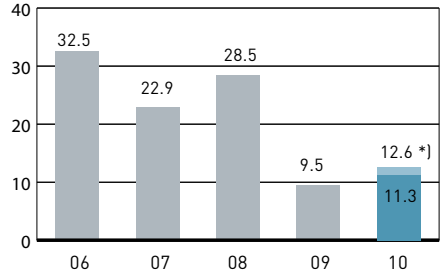
# LEADER IN IRON AND FERROALLOY TECHNOLOGIES

About two-thirds of the global pellet production derives from Outotec's leading technology with guaranteed high quality and low operational costs. Samarco in Brazil is the world's largest pelletizing plant with annual capacity of 7.25 million tonnes.

**Sales**, EUR million




**Operating profit**, EUR million




*) excluding one-time items

The Ferrous Solutions business area offers sustainable technologies for the processing of iron and ferroalloys. Its customers are producers of concentrates, pellets, sinter, direct-reduced iron, hot-briquetted iron, steel, ferroalloys, and titanium feedstock.

The offering of the business area includes feasibility studies, engineering, process equipment, automation, project implementation, and services covering the life cycle of a plant. Its special expertise encompasses beneficiation, pelletizing and sintering, direct reduction and smelting technologies. Due to their energy efficiency and environmental soundness, many of the processes developed by the business area are rated best available technologies (BAT) according to the EU's classification.

## Consumption of steel on the rise

The markets were quiet at the turn of the year but they started to pick up in early 2010, and the recovery of the steel industry continued until the end of the year as the demand for steel increased. Furthermore, the strong rise in prices and smaller inventories encouraged customers to invest again.

The World Steel Association, which is an organization representing steel producers, estimated that, in 2010, steel consumption increased by over 13% and the price of iron ore doubled. Getting financing continued to be challenging

in general due to the uncertainties of the money markets, but the favorable long-term outlook on the price development of metals supported the decisions on the construction of additional capacity. The activation of customers was also visible as a clear increase in the number of enquiries and tender requests in the business area. The demand for services, too, increased toward the end of the year.

Sales in the Ferrous Solutions business area in 2010 totaled EUR 131.5 million (2009: EUR 146.7 million). The 10% decrease in sales compared to 2009 was due to fewer projects in the active delivery phase. The operating profit excluding one-time items was EUR 12.6 million and operating profit was EUR 11.3 million (2009: EUR 9.5 million). In the second half of 2010, project completions and final acceptances by customers improved the business area's profitability. Higher sales and marketing expenses and one-time items related to the savings program had a negative impact on the operating profit.

### Benefits from focused operations

Ferrous Solutions was created by combining iron ore processing and ferroalloy production technologies into one business area in the reorganization that took place in the spring. The new organizational structure enables advanced specialization in iron and ferroalloy technologies and their development. The aim is to achieve larger-scale deliveries to the whole value chain starting from concentrates. A more focused operational model also helps improve management of customer relationships and utilize economies of scale in acquisitions and logistics.

**The markets started to pick up in early 2010, and the recovery of the steel industry continued until the end of the year. The demand for steel increased. Furthermore, the strong rise in prices and smaller inventories encouraged customers to invest again.**


**Outotec is building one of the world's largest manganese ore sinter plants for Kalagadi Manganese company in South Africa.**

### Large sinter plants in India

Ferrous Solutions' deliveries went smoothly during the year, and many new orders were won, reflecting Outotec's leadership position in agglomeration technology. In February, a deal was concluded with JSW Steel Limited (JSW) on the delivery of technology to JSW's new iron ore sinter plant in Toranagallu, India. The deal covers the technology fee and the delivery of equipment based on proprietary product development.

In March, the South African company Kalagadi Manganese ordered a sinter plant worth EUR 119 million. The plant commissioning is scheduled for 2012. With an annual production of 2.4 million tons of sinter, the plant will be one of the world's largest manganese ore sinter plants. Outotec's turnkey delivery includes plant engineering, project management, delivery of equipment and steel structures, construction, start-up, and general supervising services related to construction. In April, Ferrous Solutions won an order to deliver pelletizing technology for

the expansion of the Bhushan steel plant in India.

More major orders were won in August. An order worth EUR 28 million was received from Australia's Karara Iron Ore Project for the design of the flotation circuit of an iron concentrator as well as the equipment delivery and filtration systems related to it. In addition, a deal valued at approximately EUR 17 million was concluded with RB Met Engineering (Pty) Ltd and Xstrata Merafe PSV on the delivery of chromite ore sintering technology to Xstrata Merafe's ferrochrome plant located in Rustenburg, South Africa.

Toward the end of the fall, the business area won order for the delivery of an iron ore sinter plant to India. The order for the Bhilai steel plant of the Steel Authority of India (SAIL) covers turnkey delivery in consortium with Larsen & Toubro Ltd. Another order came from Outokumpu Oyj for the delivery of a sinter plant and a ferrochrome smelter for the expansion of Tornio's plant in Finland. The value of Outokumpu's order is approximately EUR 45 million, and the delivery will double ferrochrome production capacity in Tornio. Outokumpu's stainless steel production plant located in Tornio is one of the most modern and most efficient in the world. The deliveries are scheduled for 2011 and the first half of 2012.

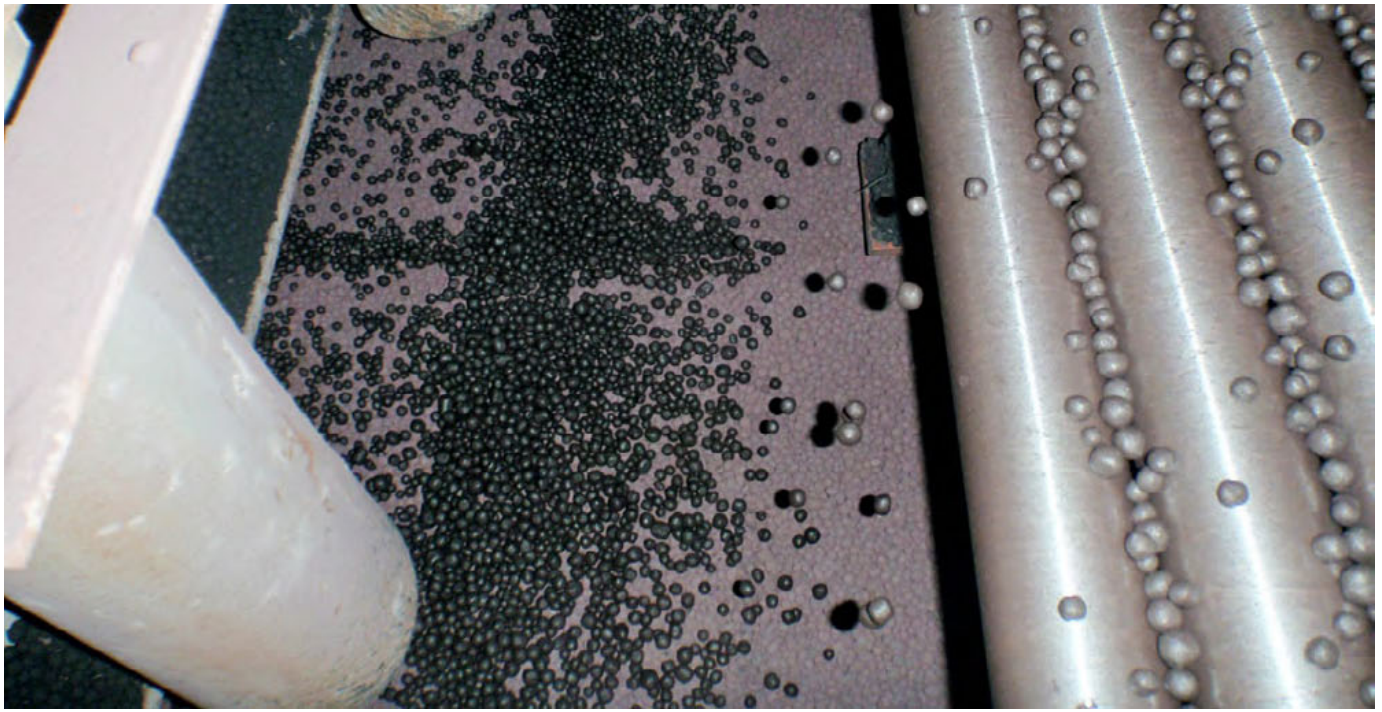
### Brighter times ahead

Outotec has delivered all the largest pelletizing and sinter plants in the world, being the clear market leader. The strong expertise of the business area and continuous development of advanced technologies will enable success in the future as well. Research and development in close cooperation with customers guarantee the most efficient possible use of raw material, the safest process, and the best final result for the customer.

The goal of the business area is to grow by utilizing its proven skills and improved ability in the delivery of large projects as well as by expanding its technology offering to cover the whole production chain from ore to metal. Growth is also sought by developing a technological head start in direct reduction plants and smelters as well as by maintaining its position as the leading provider of ferrochrome technologies.

Especially the trend at the end of the year suggests that the markets will continue to grow. The higher utilization rates of metal production plants and the increasing prices of metals support the demand. Furthermore, some of the production plants use old technology that will have to be updated in the near future. The higher utilization rate of plants also causes the need for different services to increase.

The large number of projects under negotiation and the received orders in 2010 give reason to believe that current year will enable both growth and higher profitability.



Outotec is the clear market leader in iron ore pelletizing and sintering technologies as well as ferroalloy production technologies.

# Modern iron ore pelletizing technology to Caofeidian, China

**Contract:**
Outotec agreed in April, 2008 with Shougang Jingtang United Iron & Steel Co. Ltd on the delivery of new environmentally sound technology for Shougang's iron ore pelletizing plant to be built in Caofeidian, China. The contract value was approximately EUR 29 million.

**Project scope:**
Outotec's scope of delivery covered the basic and detail engineering, supply of proprietary equipment, instrumentation and control systems, supervisory services for erection and commissioning as well as related technical training.

**Challenge:**

Chinese steel giant Shougang wanted to relocate all of its steel-related operations from Beijing city by 2010 – in less than two years - and build a new pelletizing plant in Caofeidian using modern, environmentally sound technology.

**Outotec solution:**
Outotec started the engineering work for the first larger size plant in China using modern travelling grate technology. The pellet indurating furnace, which is the core of the plant and Outotec's proprietary technology, has a grate area of 504 m² and an annual capacity of over 4 million tonnes of iron oxide pellets. The equipment supplies started in late 2008. Part of the equipment, services and engineering were sourced locally from China. The construction of the new plant went smoothly.

The new plant started operation in mid 2010 and after less than six weeks from the first pellets Outotec received the final acceptance from Shougang. The plant was basically ready from day one to operate at nominal load, thanks to the experienced project, engineering, and commissioning team. It is the first plant which uses Coke Oven gas as a fuel, which is a novelty for travelling grate plants and challenged Outotec's execution team. The fully automated burner system works to the full satisfaction of the customer and Outotec.

Investing in the latest technology creates several benefits for Shougang, such as better recoveries and larger output, lower energy and water consumption, lower emissions, and improved working conditions. Today, these are decisive factors in industrial investments in China.

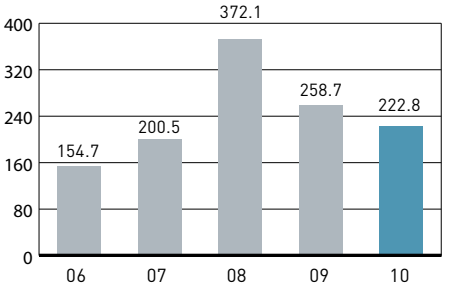
Commissioning team of Caofeidian.

Energy, Light Metals and Environmental Solutions develops **clean** and efficient processing methods for alternative energy sources, alumina and aluminum, sulfuric acid as well as industrial water treatment.

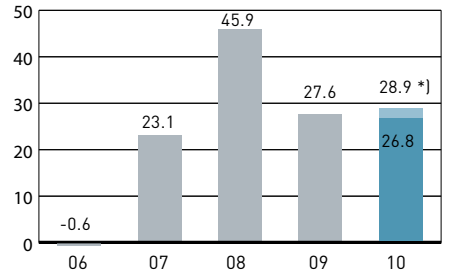
# GROWTH FROM EXISTING AND NEW APPLICATIONS

Outotec has strong expertise in fluidized bed technologies and the engineering and delivery of chemical plants, such as sulfuric acid plants. The company is the market leader in both areas.

**Sales**, EUR million




**Operating profit**, EUR million




*) excluding one-time items and PPA amortizations

The Energy, Light Metals and Environmental Solutions business area develops and delivers solutions for the production of energy, alumina, aluminum, and light metals. For energy, the focus is on developing clean and efficient production methods for sources such as oil shale, oil sand, and renewable energy. The environmental solutions include sulfuric acid plants, applications for gas cleaning and heat recovery as well as the treatment of industrial and municipal wastewater.

The scope of deliveries ranges from feasibility studies, plant audits, and plant debottlenecking to technology packages and lump-sum turnkey plant deliveries. Outotec's broad and world-wide customer base includes companies in the aluminum industry, the metallurgical industry, and the fertilizer and pigment industry as well as in energy production.

## Cautious recovery

A cautious recovery in demand began during 2010 and activity increased, particularly in South America and the Middle East. Interest in water and energy technologies has clearly strengthened around the world. Sales in the Energy, Light Metals and Environmental Solutions business area in 2010 totaled EUR 222.8 million (2009: EUR 258.7 million). The 14% decline in sales was mainly due to a lower order intake in 2009 as well as to the fact that fewer projects were in a phase where major deliveries are carried out and therefore revenue recognition was lower. In addition, some large projects progressed slower than sched-

uled due to factors outside Outotec's project scope. Operating profit excluding one-time items and PPA amortizations was EUR 28.9 million and operating profit was EUR 26.8 million (2009: EUR 27.6 million). Although sales were lower the operating profit margin remained at a high level of 12% due to successful project completions. The unrealized and realized exchange gains related to currency forward contracts increased profitability by EUR 2.2 million (2009: unrealized and realized gain of EUR 2.9 million).

Outotec's expertise and market position as a supplier of sulfuric acid plants strengthened with the acquisition of Edmeston in May 2010. Edmeston is a Swedish company focusing on sulfuric acid production equipment and systems. It has unique expertise in special types of stainless steel suitable for very caustic conditions.

### New contracts in Chile, Sri Lanka and Saudi Arabia

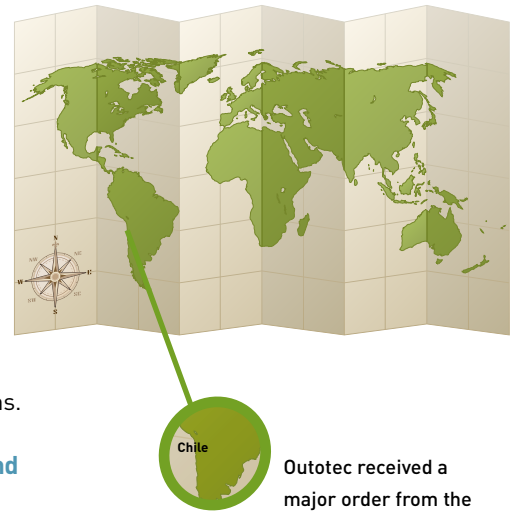
Several new contracts were won during 2010, the largest of which involved the engineering and delivery of a copper concentrate roasting plant, a gas cleaning system and the engineering and delivery of a sulfuric acid plant to Codelco, Chile. The value of the turnkey delivery is approximately EUR 116 million. The plant is scheduled for start up in early 2012 . The Mina Ministro Hales mine in Northern Chile will process as much as 500,000 tonnes of copper concentrate per year and produce approximately 250,000 tonnes of sulfuric acid.

Another significant contract was made in conjunction with the utilization of technologies for water treatment. The government of Sri Lanka ordered a drinking water system with a value in excess of EUR 70 million for the Ampara region on the east coast. The delivery includes the engineering of the system, equipment deliveries, construction, installation and implementation, along with pumping stations and equipment, transfer and delivery pipes as well as the infrastructure required by them. The project is a continuation of Outotec's deliveries in the first two phases in 1999 and 2002. The availability of clean water will improve the quality of life for roughly half a million Sri Lankans.

Outotec's goal is to be an innovative provider of sustainable solutions for energy and industrial water treatment. The development of new kinds of

**energy solutions**

creates significant growth potential.




**Outotec received a major order from the world's largest copper producer, Codelco in Chile. The order consisted of the engineering and delivery of a copper concentrate roasting plant, a gas cleaning system and a sulfuric acid plant.**

The third contract involved a technology delivery for the Ma'aden aluminum project in Saudi Arabia. Outotec, in partnership with Hatch, will deliver an integrated bauxite leaching plant to Ma'aden's aluminum plant located in Saudi Arabia's Ras Az Zawr. Outotec and Hatch have jointly developed bauxite tube reactor leaching technology for the alumina processing plant and own the industrial rights to the technology. The new aluminum production plant will be the most cost-efficient in the world. The value of this joint order to Outotec and Hatch is approximately EUR 50 million and the work will be divided almost equally between the parties. After its completion in 2014, the Ras Az Zawr plant will produce 1,800,000 tonnes of alumina.

## Focus on new growth areas

The Energy, Light Metals and Environmental Solutions business area was created when the technologies associated with iron processing were separated from the former Metals Processing division. These now form a part of the Ferrous Solutions business area. The business area's offering is based on two strong areas of expertise: fluidized bed technologies and the engineering and delivery of chemical plants, such as sulfuric acid plants. The business area is a market leader in both of these areas and its position is strong due to numerous successful deliveries.

The aim of the new business area is to apply these existing technologies in new growth areas, such as industries closely connected to mining and metals, the production of renewable energy, and the treatment of industrial and municipal waste waters. Indeed, the new operational model enables more effective application of the technologies in new ways. The business area will also strengthen and expand its expertise both organically and through acquisitions.

## Significant growth potential

The demand for aluminum is growing and projects connected with the processing of bauxite and alumina are picking up as a result, particularly in China. The Middle East is also taking advantage of the current situation by constructing new smelters and processing capacity.

The market outlook for sulfuric acid technology is also good. Sulfuric acid is needed in hydrometallurgical processes and it is produced in pyrometallurgical processes as a by-product. There is also a continuous need for sulfuric acid in the fertilizer industry.

The business area's goal is to be an innovative supplier of solutions for energy and water treatment in accordance with the principles of sustainable development. The efficient use of water as well as water purification and recycling are clearly industries of the future. In water treatment, the main focus is on the development of customized solutions for industrial water treatment, but technologies are already being utilized in municipal wastewater treatment.

The development of new kinds of energy solutions – essential in terms of global climate change – will create significant growth potential for the business area, whose technologies can be used for the production of energy from sources including oil sand, oil shale, and biomasses, such as municipal waste.

Often, having evidence of successful projects and references is vital when applications are being sold. The contract received from Eesti Energia in 2009 for the engineering and implementation of a production plant utilizing oil shale in Narva, Estonia, provides a competitive advantage for Outotec.

Outotec is also involved in developing energy-efficient and environmentally sound approaches for utilizing logging and sawing wastes through the GreenExergy AB joint venture company established together with Skellefteå Kraft.

In addition, a new pilot plant for carbon monoxide recovery went into operation at the Frankfurt Research Center at the end of 2010. These measures have done much to strengthen the business area's position in the energy industry.

**The world's largest sulfuric acid plant complex was built for Ma'aden in Saudi Arabia using Outotec technology. Ma'aden will also use Outotec-Hatch technology in its** aluminum plant project.

# A complete zinc roasting line to Cajamarquilla in Peru

**Contract**

Outotec was awarded a contract in October 2007 by Votorantim Metais to supply a new zinc roasting plant, including gas cleaning and sulfuric acid plant ,on a turnkey basis to be built in Cajamarquilla, Peru. The contract value exceeded EUR 80 million. The delivery time was two years.

**Project scope**

Outotec's scope of delivery included the complete engineering and civil works for a zinc roasting, gas cleaning and sulfuric acid plant, supply and installation of numerous pieces of equipment, as well as supervision services and commissioning of the plant.

**Outotec solution**

In 1977 Outotec built the first zinc roaster in Cajamarquilla and it is still working at increased capacity. In this second delivery Outotec's scope was larger and covered the whole roaster train, which brings additional benefits for the customer, such as improved energy recovery as well as reduced dust and sulfur dioxide gas emissions.

The construction work at the Cajamarquilla site started in June 2008 and the project employed more than 600 people in various fields of construction. As in all of Outotec's construction projects, the safety of the people involved had the highest possible priority. Together with the construction subcontractor Graña y Montero (GyM), Outotec received a safety award from Votorantim Metais for achieving a spectacular mark of 500,000 working hours without a severe incident. The experience of Votorantim's own HSE team in operations was crucial because Outotec was working next to an existing plant in operation.

The safety award is recognition of the safety team's superb performance. The team raised high awareness of work safety among all employees in all areas.

**Challenge**



Votorantim Metais is one of the world's largest zinc producers. The company was planning to double its annual zinc production from 160,000 tonnes while keeping the existing production line next to the planned new one in operation, while at the same time improving the environmental conditions of the operations.

The Services business area develops Outotec's service offering and global service network to increase business, and provides services to its customers throughout the

# life cycle

of their production plants.

# THE GROWTH TARGET WAS ACHIEVED – A NEW, MORE AMBITIOUS ONE WAS LAUNCHED

The Services business area focuses on developing Outotec's service offering, strengthening the global service network, and increasing service business. Outotec aims to provide services to its customers throughout the life cycle of their production plants. Its service offering enables efficient and uninterrupted use of plants for its customers with the lowest possible impact on the environment. Outotec's service range includes expert services, operation, maintenance, and spare parts services, as well as equipment and plant modernization services.

Outotec's Services business is affected by the industry's production capacity level, reorganizations, and expansions, as well as the construction of new capacity. Customers' need for spare parts, maintenance, and modernization is increasing as new capacity is being built and the utilization rate of existing capacity is being raised. The variety of the required services is extensive, ranging from single spare parts to outsourced maintenance contracts.

### The goal was achieved

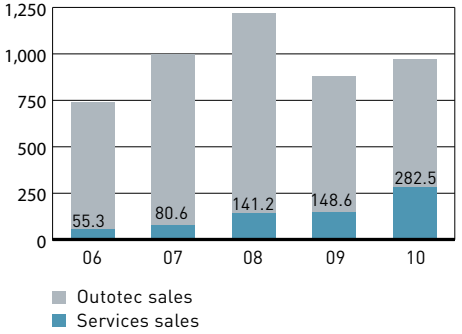
The Services business is included in the sales and profit figures of three other business areas. The Services business area was created in conjunction with the reorganization that took place in April 2010. For the Services business area, only the sales figures are published. Creating a separate business area strengthens the development of services, monitoring, and strong sales growth.

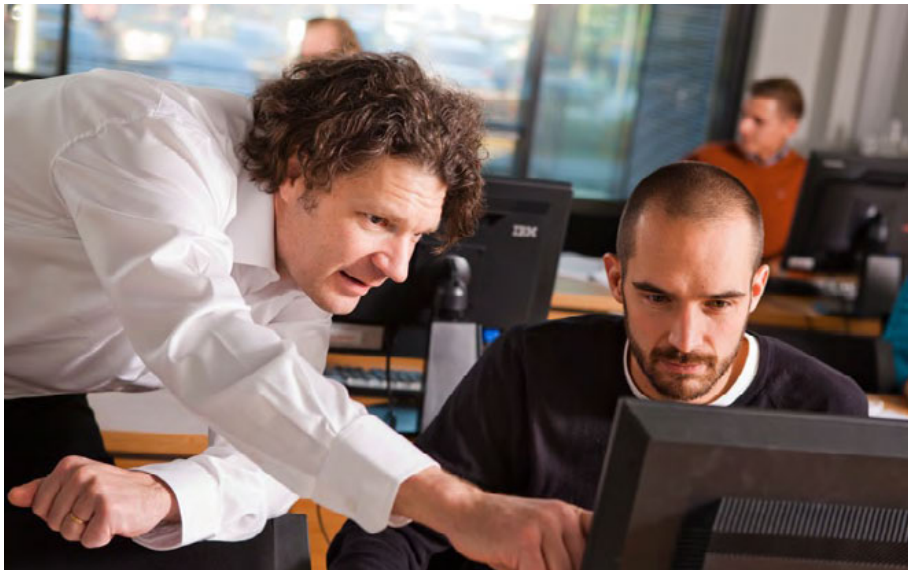
At the beginning of 2008, Outotec set as its goal to increase the volume of its Services business to an annual level of EUR 250–300 million by the end of 2010. The Services business grew to EUR 282.5 million in 2010 (2009: EUR 148.6 million), well within the target. The share of the Services business in Outotec's sales rose to 29% (2009: 17%). The significant growth resulted from the acquisitions made during the year. Larox, Millteam, and Edmeston expanded Outotec's service offering, and they strengthened its global presence as well as the available resources.

The Services business grew also organically. The growth came evenly from various market areas. Growth was attributed to the clear rise in customers' production capacity utilization rate. In addition to technology, services are now provided for each new delivery.

Outotec's aim is to reach
EUR **500** million
in Service sales by the
end of 2015.

**Sales**, EUR million



### Setting the bar higher

At the end of 2010, Outotec set as its new goal to increase service sales to EUR 500 million by the end of 2015. Increasing service sales supports Outotec's growth and profitability targets, and it also evens out the cyclic at nature of the business related to new investments in the mining and metals industry. This ambitious goal can be achieved through successful acquisitions and organic growth. Outotec's broad customer base and already delivered plants and equipments enable active offering of services to the existing customer base. Moreover, service offering, expertise, and service network will be further strengthened.

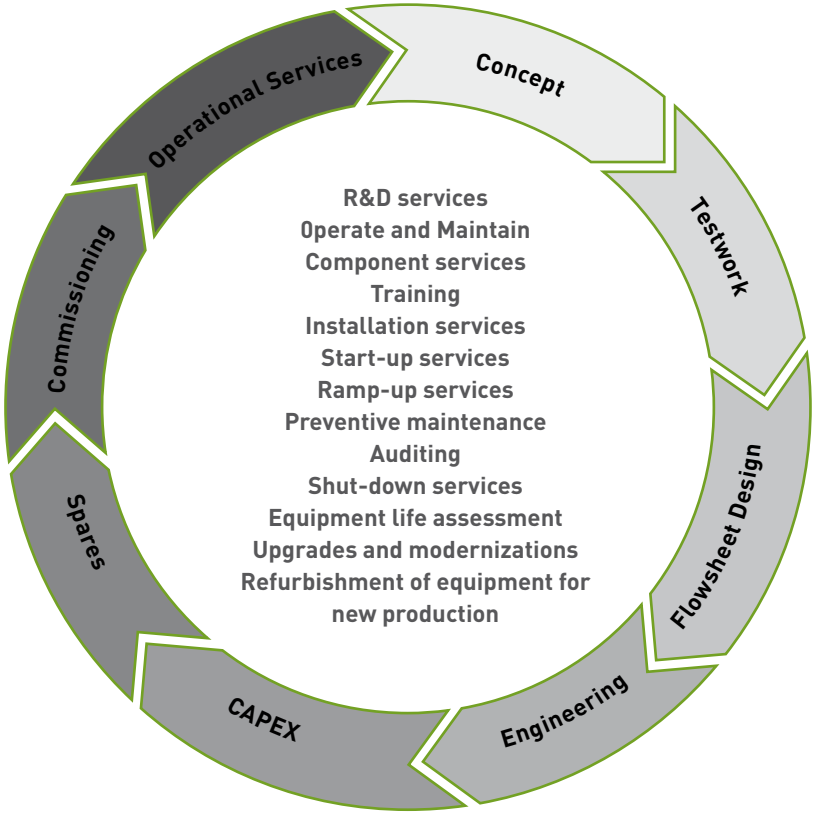
### Added value for the customer

The markets clearly have significant growth opportunities for the providers of high-quality services. The existence of a service offering is the requirement of many customers already in conjunction with planning of the investment and equipment sales. When making the investment decision, studies and analyses enable the selection of the technology and plant best suited to the customer's need. As technology supplier, Outotec can guarantee the usability and effectiveness of the technologies acquired throughout the life cycle of the plant. Commissioning support, operating consultation, and training ensure successful commissioning, and operating and maintenance and spare parts services ensure effective production. With modernization services, it is possible to prolong the life cycle of a plant productively and in compliance with environmental requirements.

Many of Outotec's customers still perform service and maintenance work using their own resources. New technology requires, however, more accurate and more advanced process solutions expertise. Furthermore, increased personnel turnover in customers' plants will result in the required expertise being more challenging to find internally. Some customers also use small local service providers whose offerings may be very limited. As outsourcing becomes more common, there will also be higher demand for the services provided by reliable technology suppliers like Outotec.

Significant growth opportunities are also created by the over 2,000 operating plants delivered by Outotec. One of Outotec's strengths as a service provider is its strong expertise in its own equipment. Using equipment and production plants in the best possible way reduces their operating costs and, at the same time, makes production reliable, environmentally sound, and safe. Environmental soundness is an aspect which will have to be further emphasized and requires strong amount of expertise from the service provider.

**OUTOTEC'S SERVICES COVER THE LIFE CYCLE OF THE CUSTOMER'S PRODUCTION PLANTS**




### Information for product development

The Services business requires operating close to the customers. Outotec has a global network of service centers that provide advanced services and critical support to customers locally. Operating close to the customer and equipment maintenance also strengthen Outotec's position as a developer and supplier of new plants. The experiences gained in operation and maintenance services can be utilized in Outotec's product development, and presence enables access to information on future investment needs.

Several of Outotec's technologies have been classified by the European Union as "best available technologies" due to their small load on the environment, the

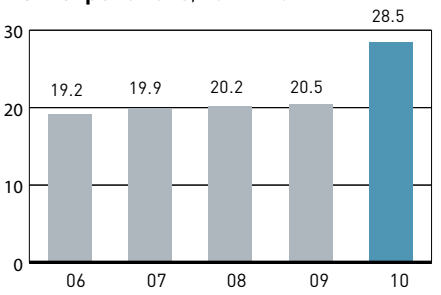
**efficiency of energy**

and water usage and the productivity of the process.

# SUSTAINABLE SOLUTIONS FOR THE USE OF NATURAL RESOURCES

**Outotec aims to improve its customers' production processes by offering technological solutions that guarantee the best materials efficiency, reduce energy and water consumption, minimize wastewater and emissions, and improve the quality of by-products. In addition, attention is paid to the reliability, usability, and safety of production.**

**R&D expenditure**, EUR million




Outotec aims to be a leading supplier of environmentally friendly production solutions for minerals and metals and to offer innovative and sustainable technologies for the processing of energy and water. Outotec's customer promise is to guarantee the best possible end result for its customers' investments. Customers' changing operating environments continuously create new kinds of needs and requirements. Indeed, for Outotec to maintain its leadership position requires strong investment in the development of technologies and equipment, as well as supporting innovation in its operations.

Outotec's technology leadership is based on managing the entire processing chain from ore to refined metal, continuous development of technology, and close cooperation with customers. Several of its technologies have been classified by the European Union as "best available technologies", due to their small load on the environment, the efficiency of energy and water usage, and the productivity of the process. The majority of Outotec's deliveries also fulfill the OECD's requirements for environmental goods and services. Of the company's order intake in 2010, the proportion of environmental goods and services was approximately 72% (2009: 76%).

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attention is paid to the reliability, usability, and safety of production.

Outotec's key areas of expertise are physical separation, metallurgy of solid-state materials, pyrometallurgy and hydrometallurgy, and gas-handling technologies. In addition, the company has extensive knowledge of material technology, environmental and energy technology, computational and physical modeling, plant and equipment engineering, equipment and process automation, and the execution of international projects. Outotec's specialist expertise and the technologies developed by it can also be applied in new sectors, such as energy production and water treatment.

### Technology as a solution for sustainable development

Sustainable metals production is a major challenge for the mining and metals industries. With the right technological solutions, metals can be produced in a manner that is profitable, efficient and, at the same time, environmentally sound.

The efficiency of customer processes and the profitability of production go hand-in-hand. Therefore, the environmental soundness of production is an important factor when making an investment decision. Indeed, the significance of technology has increased in recent years. Choosing the right technology is particularly important when investing in a new production process with a service life of several decades. In addition, the correct and optimal use of production processes enables lower production costs and reduced load on the environment, as well as safe production.

### Customers' needs change

Customers' needs are at the center of Outotec's research and development operations. Indeed, several changes and trends can be observed in the customer industries, which require the development of more sustainable technological solutions for the utilization of natural resources. The metal contents of the currently known ore bodies are usually lower than previously. Rising energy costs increase production costs significantly. Mining and metals production are significant causes of carbon dioxide emissions.

Sustainable metals production is a major **challenge** for the mining and metals industries. With the right technological solutions, metals can be produced in a manner that is profitable, efficient and, at the same time, environmentally sound.


Water and its availability are becoming an increasingly critical factor. Oil resources are also decreasing. In addition, the significance of recycling and the requirement for it continue to increase in the utilization of diminishing natural resources.

The known higher grade ore bodies have often already been utilized and the metal contents of new ore bodies are usually lower than previously. Furthermore, the utilization of the deposits is more challenging due to their location and the conditions. Utilization of lower grade ore bodies requires more energy and water, which are scarcity factors at many mining sites. The economically viable utilization of such deposits often demands customized solutions or even the development of new technologies.

Energy usually forms a significant cost item in the processes of customer industries, in which an estimated 7% of the world's energy is consumed. The rise in of energy prices demands the development of ever more effective production solutions. In addition to technological development, customers are aiming to reduce energy consumption by optimizing the functioning of processes. Thus, the solutions and services offered by Outotec enable the best possible efficiency of production and ensure that the solution is used in the most environmentally friendly way throughout the life cycle of the production process.

Slowing down the warming of the climate requires new measures from the mining and metals industries, which

cause significant carbon dioxide emissions. In particular, the emissions of the iron and steel industries are substantial. The energy-efficient technologies developed by Outotec also reduce carbon dioxide emissions. Other harmful by-products are also created in customers' production, such as slag and sulfuric gases. Solutions based on Outotec's sulfuric acid production technologies can recover the sulpfuric gas created during the production process and utilize formed sulfuric acid in the fertilizer and chemical industries.

In the future, water will be an ever more critical factor of production, which is why more attention must be paid to using it and purifying it efficiently. Lower grade ore bodies demand larger amounts of water in customers' production. Furthermore, the availability of clean water is decreasing and environmental requirements are becoming stricter. Outotec aims to reduce the amount of water required in its customers' processes but also to increase the recycling and purification of used water. Technologies developed by Outotec can be used in the treatment of industrial and municipal wastewaters.

## Increasing need for energy

The demand for energy is expected to grow by over 40% by 2030. According to some estimates, oil supplies will already be exhausted significantly by 2050 with the current production amounts and, at the same time, the reduction of carbon dioxide emissions would require partial

**Outotec's research and development operations are based on customers' needs. Several changes and trends can be observed in the customer industries, which require the development of more sustainable technological solutions for efficient use of natural resources.**

replacement of fossil fuels with renewable energy sources. Satisfying the growing need for energy therefore requires new technological innovations. The technologies developed by Outotec can also be utilized extensively in the energy sector, for example, in the development of more energy-efficient and environmentally sound production of oil shale and oil sand. Outotec's technologies are also suited for utilizing various biomasses in energy production, such as wood, peat, pellet, municipal waste or treatment plant slurry.

Metals are, in practice, completely recyclable. As the life cycles of many products manufactured out of metal have become shorter, the requirement to recycle will grow continuously. In addition, manufacturing products out of recycled metals requires less energy. The possibilities presented by recycling have not yet been fully utilized. Outotec's many technologies are well suited for the recovery and utilization of recycled metals.

New energy production technologies and the materials used in electronics require the utilization of several rare elements and metals. Indeed, rare earth elements will be needed in the future for electronics materials, or alkali earth metals such as lithium for the batteries of electric cars, or pure silicon for solar cells. Outotec is able to develop its own technologies to suit the production of these lesser-known metals.

## Investments in research grew

Outotec's R&D expenses rose to EUR 28.5 million (2009: EUR 20.5 million). The increase in investments was due to both increased resources gained through acquisitions and increased development activities in energy and water technologies, and in the current technologies.

In addition to implementing Outotec's own R&D projects, the research facilities in Pori, Finland, and in Frankfurt, Germany, conduct direct research and test runs for customers. The company's competitors do not have correspondingly versatile facilities that allow the development of technologies and test runs. The Pori Research Center specializes in minerals and metals processing, while the Frankfurt Research Center focuses on the pelletizing and sintering of iron concentrates, the development of sulfuric acid plants, and circulating fluidized bed technologies. In 2010, the Frankfurt Research Center focused in particular on the development of shale oil recovery equipment and carbon dioxide recovery equipment in the circulating fluidized bed pilot plant.

Outotec protects the results of its R&D projects in all product groups in the main market areas via the application of intellectual property rights (IPRs). In 2010, the company was active in patenting, with nearly the same number of invention disclosures being made as in the preceding years. Information on the importance and utilization of patents in business operations has been distributed actively among the personnel, which has, for its part, facilitated the positive development. Outotec made 50 patent applications for new inventions and was granted 287 new national or regional patents. The company has 565 patent families, including a total of 4,754 national patents or applications and 77 trademarks.

## Cooperation with several parties

Because the development of new technology requires diverse expertise and substantial resources, Outotec has created an extensive network of partners in the area of research and technology development. Technology is mainly developed in collaboration with customers, but subcontractors, research institutes,

and universities participating in the development projects are often significant partners.

In 2010, Outotec agreed on strategic cooperation with Kemira, a supplier of chemicals and process solutions for the oil and mining industries. The companies will develop business operations in the provision of solutions for the mining industry and oil sand processing, as well as the treatment of related industrial wastewaters. Outotec's process expertise in beneficiation and oil sand processing together with Kemira's expertise in water chemistry and its solutions enables the offering of process optimization that improves cost-efficiency and quality for customers.

Outotec decided to participate in an industrial research program led by the University of Alberta, the aim of which is to enhance the efficiency and sustainability of water use in the processing of Canada's oil sands. Outotec supports the five-year research program through a professorship established in cooperation with various parties. In addition, Outotec donated EUR 600,000 to Finnish universities. Donated funds were distributed to Aalto University Foundation, Oulu University Fund, Lappeenranta University of Technology, and Åbo Akademi. Outotec has also supported undergraduate and graduate students of universities, as well as the research activities through the Technology Industries of the Finland Centennial Foundation Fund for the Association of Finnish Steel and Metal Producers. Furthermore, the company has supported the operations of the Baltic Sea Action Group, both through its own research activities and through donations.

**Customers' needs are at the center of Outotec's research and development operations. Indeed, several changes and trends can be observed in the customer industries, which require the development of more sustainable technological solutions for the utilization of natural resources.**

Outotec received international recognition for the energy-efficiency of its technology when its customer Alunorte received an award at the Hannover industrial technology exhibition. Alunorte received a special mention for its calcination process, which Outotec designed.

### Comprehensive technology supply

Outotec aims to expand its offering to cover the entire production process from mine to metal as well as the services required throughout the life cycle of the production process. To achieve this goal, Outotec has systematically charted its own areas of expertise by metal. On the basis of the review, Outotec's expertise and offering already cover the production processes of all the metals quite well. On the other hand, there are also areas in which its expertise and experience still need to be strengthened, as well as areas in which no expertise currently exists. It is Outotec's aim to strengthen these areas through its own research or by obtaining the required technologies through acquisitions.

Processing of lower grade ores requires more energy and water, which are scarcity factors at many mining sites. The economically viable utilization of such deposits often demands customized **solutions** or even the development of new technologies.

# HELPING THE WORLD TO USE RESOURCES SUSTAINABLY

Metals are essential for high standards of living. However, even with the advancement of production methods in many areas, a dilemma exists between the growing need for metals and materials to support world development and the environmental impact of producing them. The industry faces many critical challenges.

## DEMAND FOR SUSTAINABLE TECHNOLOGY INCREASES

**Ore grades** — **Ore grades are declining. More ore needs to be processed with more advanced technology in order to produce the same amount of metal.**

**Energy** — **Making metals requires a lot of energy. More energy-efficient processes are needed.**

**Emissions** — **Mining and metallurgical industries are major emitters of $CO_2$ and other ecotoxic substances. Cleaner solutions need to be developed.**

**Water** — **Water quality and quantity are becoming critical issues. Advanced solutions for water saving, recycling and cleaning are needed.**

**Oil peak** — **The oil peak is approaching. With current production rates oil will run out by 2050 and alternative energy sources are needed.**

**Recycling** — **The need for recycling is increasing. New technologies for turning scrap and waste into products are needed.**

### A global dilemma

Ore grades are declining and water, oil, and other natural resources are diminishing rapidly. Metallurgical processes produce gas and particulate emissions and process waters that need to be purified. In addition, other by-products are created, such as waste rock, tailings, and slag. There is a need for drastic reductions in carbon dioxide emissions, more efficient energy use, and recycling. These challenges call for efficient and sustainable solutions.

### Significant impact through advanced technology

Outotec addresses the current global challenges by developing and delivering sustainable technologies that maximize the recovery of valuable minerals and metals but use less energy, less natural resources, and incur less operational cost. Roots in major metals processing companies and over 100 years of innovation have led the company to master the entire value chain from ore to refined metals and also apply its technologies in other industries that use the Earth's resources, such as water, energy, and biomass. Each of Outotec's technological developments has the potential to reduce the environmental impact of a number of industrial operations worldwide.

Through hundreds of successful projects, Outotec has made a significant global impact in creating new revenue streams, a lighter carbon footprint, and well-being in local communities. Outotec makes its most significant contribution to sustainable development by providing sustainable solutions and collaborating with customers throughout the entire life cycle of their operations.

### Continuous work to improve own performance

Outotec's own operations involve mostly engineering and business management, the environmental impact of which is relatively small. The environmental impact of such work is managed with unit-specific environmental and quality management systems. In addition, Outotec is committed to the energy efficiency program of the Federation of Finnish Technology Industries at its workshop in Turula and in the Pori Research Center. While its own operations have a relatively minor environmental impact, Outotec continuously works to improve its performance.

**About 72% of the company's order intake in 2010 is categorized under the OECD definition as Environmental Goods and Services (EGS).**



**In 2010, Outotec received international recognition for the energy-efficiency of its technology when its customer Alunorte received an award at the Hannover in dustrial technology exhibition. Alunorte received a special mention for its calcination process, which Outotec designed.**

Outotec has defined its mission to be sustainable use of the Earth's natural resources. About 72% (2009: 76%) of the company's order intake in 2010 is categorized under the OECD definition as Environmental Goods and Services (EGS). The Environmental Goods and Services industry consists of activities which produce goods and services to measure, prevent, limit, minimize or correct environmental damage to water, air, and soil, as well as problems related to waste, noise, and eco-systems. This includes cleaner technologies, products, and services that reduce environmental risk and minimize pollution and resource use.

In 2010, Outotec started the work to harmonize its environmental and quality management systems and to create an Integrated System for Quality, Environmental and Health & Safety Management (QEHS) that is based on Outotec's business objectives and requirements, internal policies, and international standards.

Outotec also signed the United Nations Global Compact initiative and committed to its principles of human rights, environment, labor, and anti-corruption. By joining the corporate responsibility Global Compact initiative Outotec has expressed its intent to further advance sustainability and social responsibility principles in its business practices.

### Advances in 2010

Milestones achieved in 2010 include the commercialization of Enefit technology, which has been developed jointly with Eesti Energia. Outotec has designed and is building a new oil shale processing plant in Narva, Estonia, which is scheduled for commissioning in early 2012. The new sustainable technology dramatically improves the energy efficiency of oil shale oil production and fulfils the demanding environmental regulations of the European Union.

Outotec commissioned a new $CO_2$ removal pilot plant at its R&D center in Germany. The pilot installation also allows Outotec to fully demonstrate its proprietary Circofer® process for the direct reduction of fine iron ores based on coal. It complements the existing circulating fluidized bed (CFB) pilot plant allowing for the cleaning of process gas also from coal and biomass gasification. The new pilot plant plays an important role in the development of Outotec's new offerings for the energy industry providing the testing facilities to reduce the

carbon footprint of coal and biomass-based energy production well as the oil winning from oil shale.

Outotec and Kemira entered into strategic cooperation in developing solutions for water-intensive industrial applications. This cooperation combines Outotec's competence in minerals and oil sands processing technology with Kemira's know-how in water chemistry and related applications to offer customers process optimization enabling cost-efficiency, sustainability, and quality improvements.

### Outotec ranked high in the Carbon Disclosure Leadership index

Outotec was ranked the third best Nordic company by the Carbon Disclosure Project (CDP) in the Carbon Disclosure Leadership Index, which is a key component of CDP's annual Nordic 200 Report. The Index highlights companies with the most complete and professional approach to corporate governance in respect of climate change disclosure practices. Outotec's score in the CDP ranking in 2010 was 90/100.

CDP's analysis is based on a questionnaire focused on greenhouse gas emissions, emissions reduction targets, and risks and opportunities associated with climate change. Companies are scored on their climate change disclosure and high scores indicate good internal data management and understanding of climate change issues affecting the company. Outotec participated in the CDP for the first time in 2009 and was commended for its climate change disclosure.

4.1 million tons of carbon dioxide emissions were avoided by Outotec's customers due to the use of five Outotec technologies compared with other corresponding methods available (CDP 2010).

### Awards and recognition

Brazilian alumina producer Alunorte S.A. received the "Special Recognition" award handed out for energy efficiency during the Hannover Messe 2010. Alunorte uses Outotec® calcination technology and optimization processes in its cyclones to improve heat transfer and cut down on pressure losses thus resulting in energy savings and more stable operation.

Together with the construction subcontractor Graña y Montero, Outotec received a safety award from their client Votorantim Metais for outstanding safety results achieved in the Cajamarquilla zinc plant project. The health and safety team of Outotec and GyM reached the spectacular mark of 500,000 working hours without a severe incident. The project had more than 600 employees in various fields of construction as a part of Outotec's turnkey delivery to Votorantim Metais, Peru.

### Active cooperation with scientific communities

Outotec donated EUR 600,000 to Finnish universities to further enhance the level of research and education in universities, which are important for Outotec and strengthen the company's wide cooperation with scientific communities focusing on technology and economy.

Outotec continued its sponsorship of the Millennium Technology Prize. In 2010, the prize was awarded to Professor Michael Grätzel, recognized as the developer of third-generation dye-sensitized solar cells. Grätzel cells are likely to have an important role in low-cost, large-scale solutions for renewable energy.

Outotec joined an industrial research program of the University of Alberta intended to foster sustainable water use in Canadian oil sands extraction. Outotec collaborates with companies such as Kemira and Suncor Energy Services, the Canadian government and the Alberta Water Research Institute to establish a Natural Science and Engineering Research Council of Canada (NSERC) industrial research chair titled "Water Quality Management for Oil Sands Extraction" at the University of Alberta in Edmonton, Canada. The five-year research program focuses on water quality management studies to address water consumption, reuse and recycling by the in situ oil sands extraction industry.

Outotec also continued its active work in various organizations in developing environmentally sound technologies. A representative of Outotec participates in the update of the non-ferrous metals BREF, a document which defines Best Available Techniques for non-ferrous metals, as an expert in the European Union's technical working group and in an environmental working group of the Federation of Finnish Technology Industries. In addition, Outotec has been, for example, involved, in the International Copper Association's Health and Environment Program Advisory Committee work.

The board of the Helsinki University of Technology established a fund named 'Tapani Järvinen's environmental technology fund' after Outotec's retired CEO

Tapani Järvinen. The fund aims at promoting the research of environmental technology and will fund distinguished individuals' research and development work. Outotec donated the basic capital for the fund.

### Commitment to cleaning the Baltic Sea

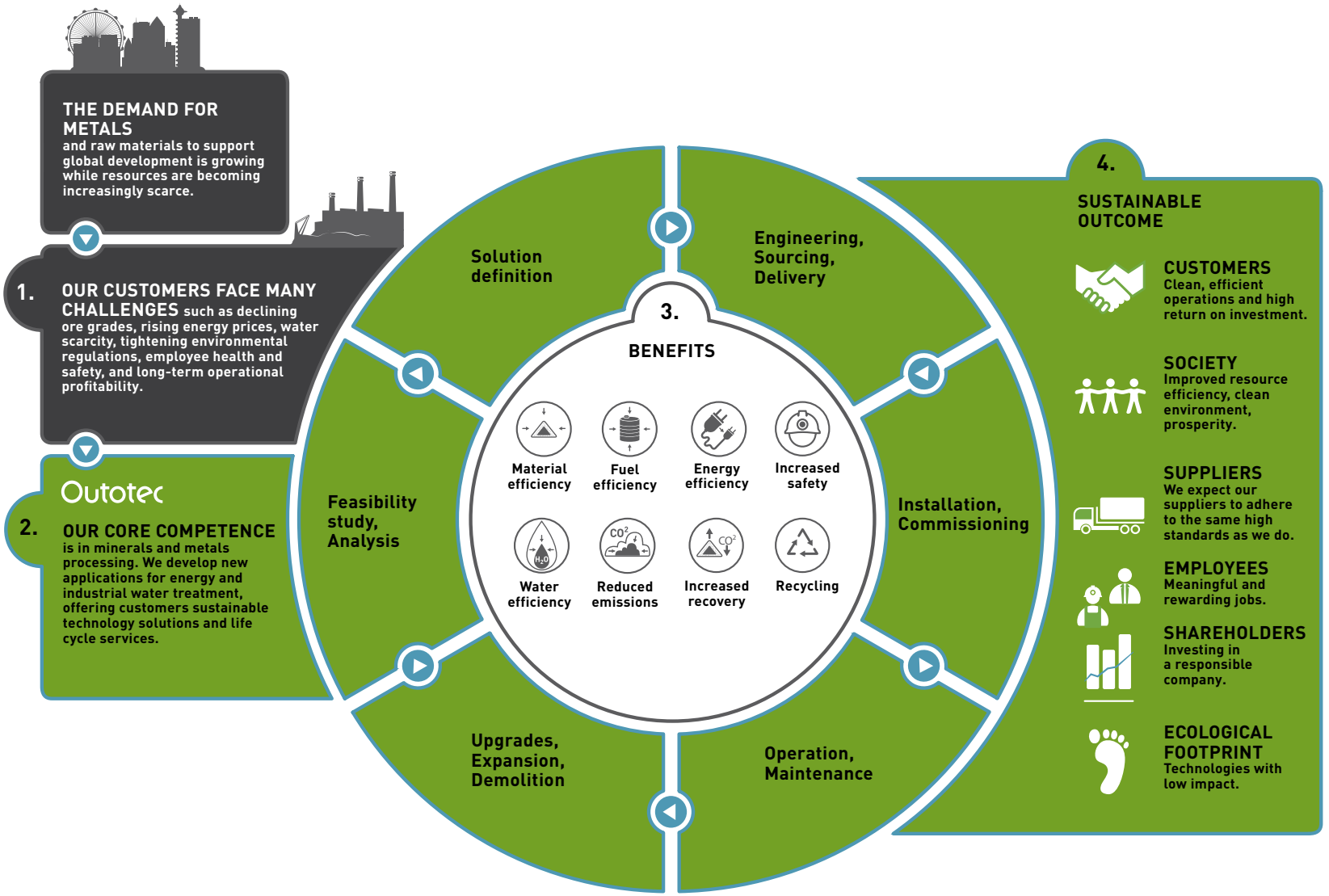
Outotec joined the Baltic Sea Action Group in 2009 with a commitment to contribute EUR 40,000 annually for a period of three years and provide professional services related to improving the state of the Baltic Sea. Outotec focuses on minimizing metal-containing dusts and sulfur dioxide emissions of the metals industry as well as on reducing metal-containing effluents. Furthermore, Outotec will bring in its expertise in symposiums focusing on environmentally sound processing methods in the metals and energy industries. In February 2010, Outotec participated in the Baltic Sea Action Summit top-level meeting in Helsinki, and later in the year started a study on oil and organics containing industrial waters at its research centers.

### Support for children and youth

Outotec continued its support for the renowned Tapiola Choir, which has around 70 young musicians aged 9 to 18, all of whom also play at least one musical instrument in addition to singing.

Donations to charitable causes included support for Engineers without Borders' initiative to build water collectors in Kenya and for the SOS Children's Village in Kitwe, Zambia.


# WE ENABLE SUSTAINABLE USE OF THE EARTH'S NATURAL RESOURCES



# Ores are becoming leaner and more complex to process

**Challenge:**

The average copper ore grade is currently 0.8%, which is 20% less than ten years ago. The ore grade is forecasted to fall further to 0.65% by 2020. This means that 30 tons more of ore need to be milled for one ton of copper. Minerals and metals processing is very energy intensive. Larger amounts of material processed in the beneficiation phase will increase the amount of emissions and tailings as well as energy and water consumption. Greenhouse gas emissions in this industry are mainly related to energy use. Furthermore, more land will be needed for the operations.

When the metal content in ore declines by 20%, water consumption in the concentrator increases by 20%, which means that the availability of water is becoming a critical issue in many areas. For example, processing one ton of ore requires some 3,500 liters of water, one ton of nickel in a hydrometallurgical process requires 377,000 liters of water, and one ton of gold requires 252 million liters of water.

**Outotec solution:**

Deep knowledge of mineralogy and process technologies as well as comprehensive R&D and testing facilities allow Outotec to develop an optimal process solution for each raw material. Modern technologies enable a higher recovery and optimize metal recoveries in the entire value chain from ore to refined metals. Advanced process control is one of the key issues in efficient ore processing.

Advanced technology significantly reduces fresh water consumption by recycling process water and decreasing water loss. For example, Outotec Larox filters are energy efficient when separating water from concentrates. Outotec paste thickeners separate water from tailings efficiently, reducing water consumption by approximately 10% and enabling concentrators to use paste directly as a backfill in the mine.

Outotec designs sealed processes that utilize the energy contained in the raw materials. Several Outotec technologies are Best Available Techniques (BAT) rated by the EU thanks to their energy-efficiency and low $CO_2$ and other emissions. The use of five Outotec technologies has resulted in over 4 million fewer tons of $CO_2$ emissions annually (CDP 2010). Adoption of best practice technologies worldwide could save 40-70 million tons of $CO_2$ in non-ferrous metals production alone.

Outotec is continuously developing its technologies and new applications, for example, for industrial effluent treatment. The company is also cooperating with Kemira in developing solutions for water-intensive industrial applications and for oil sands processing.

## UN Global Compact – Ten Principles

**Principle 1:**
Businesses should support and respect the protection of internationally proclaimed human rights

**Principle 2:**
Businesses should make sure that they are not complicit in human rights abuses

**Principle 3:**
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

**Principle 4:**
Businesses should uphold the elimination of all forms of forced and compulsory labor

**Principle 5:**
Businesses should uphold the effective abolition of child labor

**Principle 6:**
Businesses should uphold the elimination of discrimination in respect of employment and occupation

**Principle 7:**
Businesses should support a precautionary approach to environmental challenges

**Principle 8:**
Businesses should undertake initiatives to promote greater environmental responsibility

**Principle 9:**
Businesses should encourage the development and diffusion of environmentally friendly technologies

**Principle 10:**
Businesses should work against corruption in all its forms, including extortion & bribery

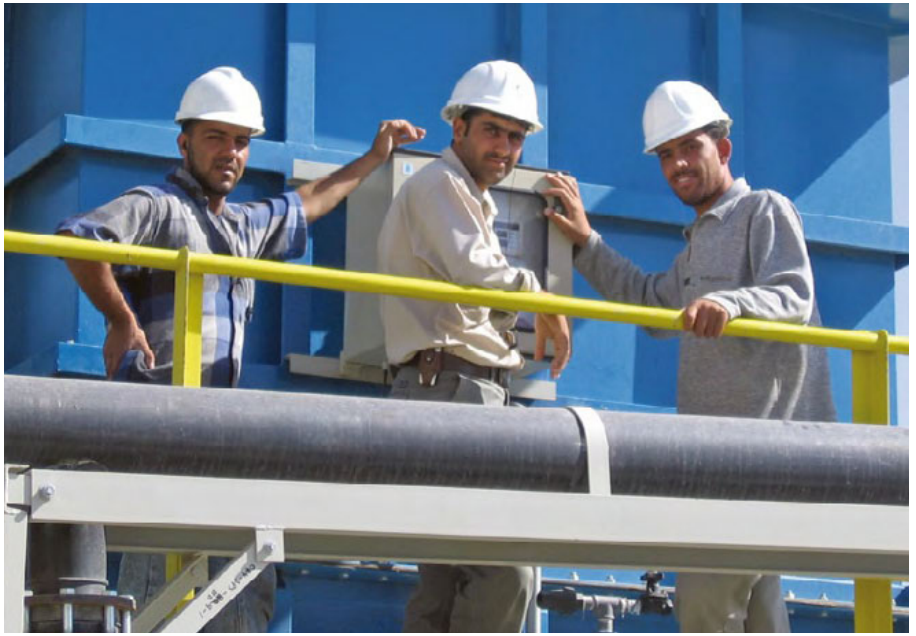
THE GLOBAL COMPACT
WE SUPPORT

To maintain our position as an industry leader and ascertaining profitable growth, our personnel needs to have strong technological expertise, an **innovative** attitude, flexibility, and joint responsibility.

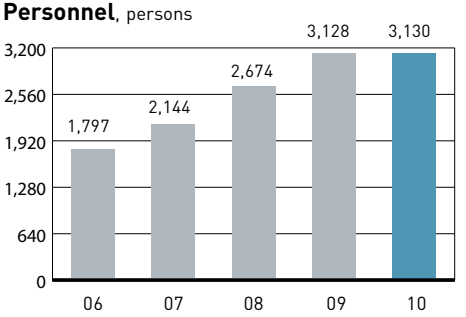
# DEVELOPING OPERATIONAL MODEL AND ORGANIZATION TO SUPPORT GROWTH

Outotec strives to offer its customers extensive and environmentally sound overall solutions and services. Maintaining the company's industry leadership position and securing profitable growth require strong professional skills and experience from the personnel, as well as innovation, flexibility and shared responsibility. As all projects are different, Outotec is able to offer its employees challenging and varying duties, competitive benefits, the possibility to develop their skills alongside experts in the field, and an international working environment.

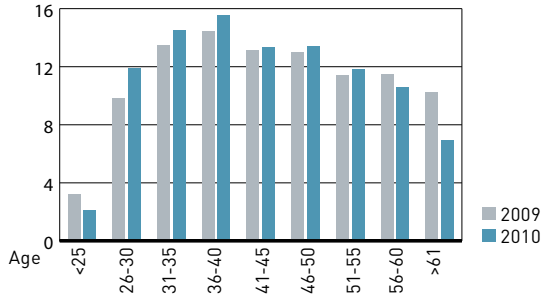
At the end of 2010, Outotec had a total of 3,130 employees (December 31, 2009: 3,128), of which 584 employees came from acquired businesses. In 2010, Outotec had on average 3,151 employees (2009: 2,612). The increase was mainly due to acquisitions. Temporary personnel accounted for about 8% of the total number of employees. At the end of 2010, the company had, in addition to its own personnel, approximately 328 (December 30, 2009: 250) full-time equivalent, contracted professionals working in project execution. The number of contracted workers at any given time changes with the active project mix and project commissioning, local legislation and regula-



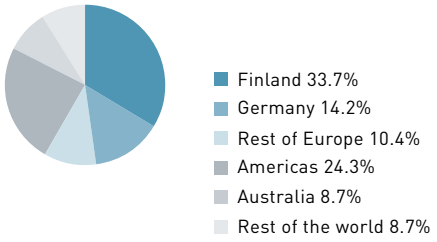
**Personnel**, persons



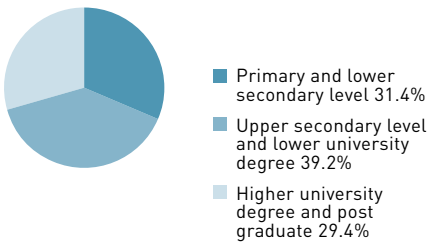

**Personnel by age range**, %



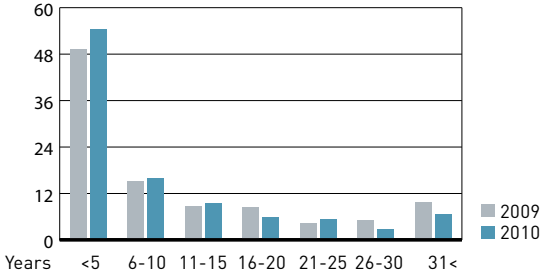

**Personnel by country**




**Educational backgroud**




**Personnel by years of services**



tions as well as seasonal fluctuations. The total personnel reduction in Finland was 97, including retirements and the termination of temporary contracts. In 2010, the total personnel reduction globally was 161.

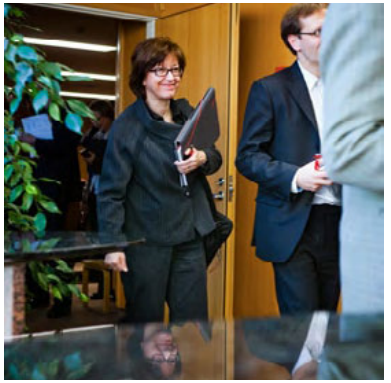
### A challenging year behind us

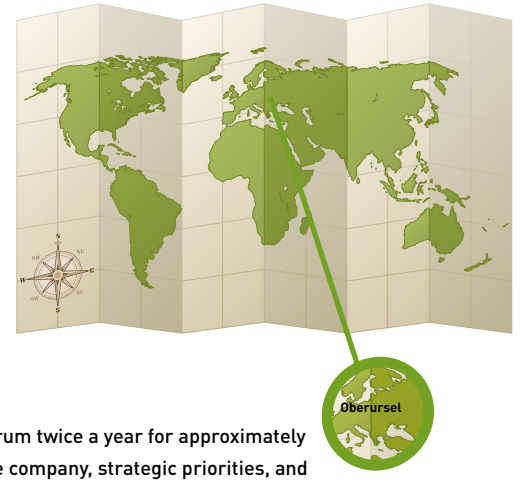
2010 brought significant changes for Outotec personnel. Pertti Korhonen started his work as the company's CEO in the beginning of the year. Company implemented four acquisitions which brought over 600 new employees to Outotec. The most significant of the acquisitions was Larox, filter solution supplier. At the same time as extensive internal changes were implemented at Outotec, business also began to pick up. Indeed, the year as a whole can be described as a fairly challenging and busy one for the personnel.

The new business area structure that came into force in April corresponds better to the company's strategic focuses, the goal being to increase the amount of new environmental business and service business, as well as to create closer cooperation within the whole of Outotec. At the same time, the legal company structure was simplified. For many employees, the change also meant a change of supervisor and, for some, the supervisor is now based in another country.

Until now, the change of the business model has only concerned some of Outotec's personnel, but during the current year, the impact will extend to the entire personnel through the definition and implementation of global business processes. The transfer to the new operational model requires efforts from the whole organization.

**Outotec's position as an industry leader requires strong technological expertise, understanding of customers' production processes, project know-how, and production plant experience.**






**Outotec organizes a global Management Forum twice a year for approximately 100 managers to discuss the direction of the company, strategic priorities, and development programs.**

### Increasing expertise through acquisitions

Outotec acquired additional expertise and personnel resources through four acquisitions during 2010. The transaction concerning the acquisition of a Finnish supplier of filter solutions, Larox, was completed in June and brought some 550 new employees to Outotec. The integration of businesses and clarification of duties and responsibilities started during the summer and continued throughout the remainder of the year. The combined business operations have got off to a good start and some synergies that were sought through the transaction have already been realized. However, the building of a common identity has only started.

The acquisition of the Australian supplier of smelting technologies, Ausmelt, increased the number of personnel by some 40 people. The Swedish company Edmeston, acquired in May, provides employment for ten people and strengthens Outotec's position as a supplier of sulfuric acid plants. The acquisition of Millteam Sweden's after-sales business, which strengthened the Services business, increased Outotec's personnel by 35 people.

### Low employee turnover

The general awareness of Outotec and its good reputation as an employer have ensured a good availability of workforce. During 2010, employee turnover remained low. However, clear regional differences began to appear as market demand strengthened. Indeed, demand for workforce within the industry has clearly increased in the southern hemisphere, and competition for competent workforce has increased.

The personnel survey measuring work satisfaction, O'People, was implemented in October and November globally. The number of respondents rose from two years ago by nearly two percentage points to 74.5%. According to the survey, both overall satisfaction and commitment continue to be at a good level, although both fell slightly from the last measurement. The biggest decrease was seen in cooperation, information flow inside the company and organization, which was expected because of the significant changes that took place during the year. By contrast, management was perceived to have improved since the previous survey.

The development of HR management continued on the basis of the results received from the previous survey, as well as country-specific surveys.

### Versatile means for competence development

Outotec's position as an industry leader requires strong technological expertise, understanding of customers' production processes, project know-how, and production plant experience. Because Outotec's way of doing business includes networking and extensive cooperation with customers and subcontractors, the development of interpersonal skills and interaction with representatives of different cultures also bring their own challenges.

Outotec pursues a responsible and sustainable Human Capital policy to ensure that the right kind of competence will continue to be available in the future. The personnel's educational level is high and continuous self-development is encouraged and supported. Development needs and expectations are reviewed in annual Performance Development Dialogues. Competence development is supported by targeting sufficient financial resources for training. Professional growth is provided through various coaching, mentoring, training, and development programs, as well as through supplementary training and postgraduate studies. Job rotation is also used in an effort to strengthen the personnel's competence and the company's flexibility in managing resources.

### Open interaction

Outotec's aim is to be an open and equal work community, whose company culture encourages everyone to discuss and develop the company's operations. Various influencing and discussion channels are used with increased activity. The most significant of these are the intranet, Outotec Round-Table, and meetings with employee representatives, as well as the Works Councils, which are in use in Germany. During 2010, the focus was on the use of the intranet in developing the dialog between management and personnel.

### Job grading reaching completeness

Fair and motivating compensation is achieved with pay that is in line with the demands of the job, performance, and skills. Furthermore, every employee is covered by the bonus system. In addition to the bonus system, about 70 key employees participated in a share-based incentive program in 2010. Reward bases and job evaluation have been developed in recent years in such a way that they take into account the demands of the job. Thus, rewards for all jobs are based on how demanding the job is, which is transparently and fairly defined, rather than, for example, on the basis of a job title. Job grading had already been implemented in Finland, Peru, Chile, and Brazil. During 2010 it was also completed in Russia, Canada, China, and India. This work will be finalized in the whole of Outotec during 2011.

### Human Capital Committee

Outotec's Board of Directors established a Human Capital Committee and appointed the Chairman of the Board of Directors, Carl-Gustav Bergström, as its chairman, and Karri Kaitue and Tapani Järvinen as members.

The aim is to emphasize the importance of the development and management of human capital in a high technology company. The main focus is on making the company the industry's most attractive employer by facilitating management, well-being, and organization, as well as by ensuring the correct skills and performance level in the implementation of the HC plan. The leadership capacity of current and future Outotec leaders is within HCC's special focus. In addition, HCC ensures that compensation arrangements support long term business objectives and growth in shareholder value, and that all human capital practices support the strategic aims of the business and enable the recruitment, development, motivation, and retention of key personnel. The committee will also prepare matters pertaining to the appointment of the CEO and his/her possible deputy and other executives as well as the identification of their successors.

### Strengthening a common identity

One of the focus areas for 2011 has been defined as the strengthening and unification of Outotec's identity. After several changes and acquisitions, there is a need to focus on common goals, operating methods, and practices based on the company's values and principles. The strengthening of a common identity and smooth cooperation throughout Outotec supports the company's goals: growth, profitability, and a strong balance sheet.

**Outotec has active cooperation with students of various universities to strengthen employee image and to attract future employees.**

# PROACTIVE RISK MANAGEMENT IS A FOUNDATION FOR SUCCESSFUL BUSINESS

Outotec operates in accordance with its risk management policy, which specifies the objectives, approaches, and areas of responsibility of risk management.

On the Group level, the Board of Directors is responsible for the company's risk management. The CEO and the Executive Board are responsible for defining and implementing risk management procedures, and for ensuring that risks are taken into account in the company strategy planning and business operations. Furthermore, Outotec's risk management policy defines a balanced risk profile from the perspective of all stakeholder groups. More information about the company's risks and risk management procedures can be found in the Report by the Board of Directors on page 63 and Note 18 to the Financial Statements on page 94.

## Identification and consideration of risks in strategic planning

Outotec has defined a risk to be anything that might have an impact on the company's business activities. Risks can be threats, uncertainties, or lost opportunities but also possibilities.

Outotec's business areas are responsible for managing the specific risks related to their business operations. The company's support functions facilitate the implementation of the risk management policy and develop ways of working that benefit the whole company.

Auditors, external parties, and internal audit monitor the risk management process. Based on information reported by the business areas, the company compiles quarterly risk reports for the Audit Committee, Executive Board, internal auditing staff, and auditors.

## Key strategic and business risks

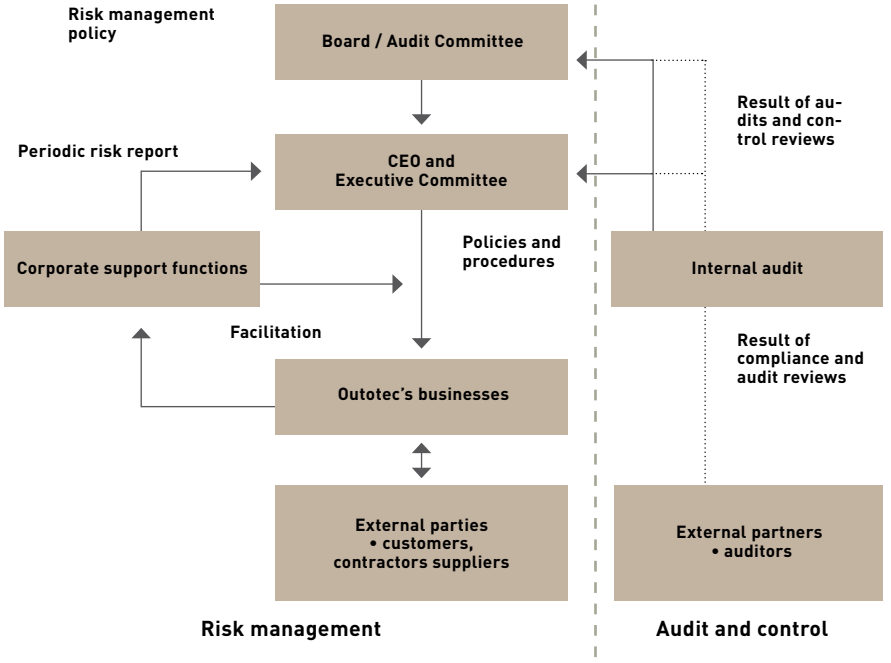
Strategic and business risks are associated with the nature of the business and are often difficult to quantify. Among others, strategic risks relate to Outotec's business portfolio, market position, and major investments. Business risks, in turn, are connected with operating environment, customers' and subcontractors' operations, and, overall economic outlook.

## Cyclical nature of the mining and metallurgical industries

The market for technology providers for the mining and metallurgical industries is driven strongly by the overall investment activity in these industries and the underlying global consumption of metals, the balance (or imbalance) of metals supply and demand, the capacity utilization rate, and metal prices.

The cyclical nature of Outotec's sales is therefore driven primarily by

**OUTOTEC'S INTERNAL CONTROL AND RISK MANAGEMENT STRUCTURE**



the changes in global supply and demand related to metals and the capital expenditure plans of the mining and metallurgical companies. In order to be less dependent on the cycles of the mining and metals industries, Outotec has started to strengthen its services offering and to pursue opportunities to sell its technologies to other process industries such as the fertilizer industry, energy and industrial water treatment.

### Competitive environment and changes in customer requirements

For decades, Outotec has been able to maintain and strengthen its competitive position and market share by continuous investment in research and development in order to offer superior technologies and processes to its customers. Each of Outotec's business areas operate in somewhat different competitive business environments. For some technologies, the market entry barrier is high because of the years of practical experience needed in order to successfully design and commission processes meeting the needs required with different ore contents. Outotec closely monitors the markets to stay ahead of the competition and any possible new entrants.

The company's aim is to develop new technologies and services and to commercialize them. Outotec's future success will also depend on its ability to enhance its existing technologies and services, address the increasingly

**PROACTIVE RISK MITIGATION**

| Uncertainties | Outotec's approach |
|---|---|
| Uncertainty of commencement of projects | Outotec's research and testing facilities are used in testing customers' raw materials in order to select the optimum process and discover parameters for performance guarantees. |
| Pricing of contracts | Most of the contracts are fixed price. Outotec secures the cost of raw materials, components, and outsourced work before making an offer to a customer in order to hedge possible price increases in subcontracted materials and work. Additionally, currency risks are the main market risk for Outotec and identifying exposures in a timely and precise manner is a key requirement for successful hedging, also affecting pricing. |
| Suspension, termination, and alteration of contracts | Outotec applies strict criteria when adding projects to order intake and backlog. Most projects are cash flow positive starting from an advance payment and continuing with milestone payments. If cancellations occur, committed costs and lost profits must be typically covered by the cancelling party. |
| Dependence on suppliers | Outotec uses hundreds of suppliers around the world where ever it is most feasible for the project. These suppliers include mechanical workshops, component manufacturers and local construction and engineering companies. The relationships are long term and new, critical suppliers undergo financial and quality audits. |
| Ability to implement large and complex customer projects | Outotec has delivered thousands of projects in the past decades and has strong experience in international project management and execution work in different cultures and conditions. The company has developed a comprehensive project risk management monitoring system called PRIMA (Project Risk Identification and Management). The company has also focused more on the different interpretations of international and local tax rules and regulations which might cause additional direct or indirect taxes thus reducing the company's net result. |
| New industry applications | Outotec only enters into new industries where applications have clear technology synergies and which are strongly based on core capabilities. |
| Cost competition | Developing global engineering, shared supply function and, competitive cost structure. Emphasis on minimizing the lifetime cost of customer operations by offering the latest technological developments and performance guarantees. |
| Ability to retain key personnel managing in-house resources | Outotec's competitive advantage is highly dependent on skilled personnel. The company offers its personnel the opportunity for professional development through state-of-the-art facilities and international job rotation opportunities as well as competitive incentive and commitment schemes. Pro-active human capital processes to maintain an attractive employer image and continue to offer world class employment opportunities within the industry. |
| Sufficiency of insurance coverage | In order for the company to have sufficient coverage, the Group's insurance coverage is reviewed regularly and, if needed, the company takes project based additional insurance cover. |
| Global operational model | Empowering people to focus on customers' needs and to achieve global and local goals through the new operational structure. |
| Political risks | Strengthening local capabilities and expertise and increasing local presence and cultural knowledge. |
| Macroeconomic crisis | Further maintaining and developing the flexible asset light operational model and sufficient use of subcontracting as well as following tight cost discipline across all operations. |

sophisticated and diverse needs of its customers, stay at the front line of technological advances, and conduct its business on a cost-effective and timely manner.

### Political, economic, and other uncertainties

Business operations in emerging markets may present risks that are not encountered in countries with more established economic and political systems. These risks are related to economic instability and potential difficulty of anticipating future business conditions in these markets. These market conditions, which may change rapidly, may cause delays in the placement of orders for projects awarded and thereby subject it to volatile markets.

### Risks related to growth and implementing the strategy

Outotec aims for sustained profitable growth. The acquisitions of technologies, products and services businesses, for example, are means for growth. Integrating businesses and thus gaining synergies, however, involve uncertainties. Therefore the company aims to acquire and integrate businesses as efficiently as possible. Potential risks related to acquisitions are reduced by performing a thorough due diligence process before the acquisition as well as assigning adequate managerial resources on the integration of the acquired businesses.

### Operational risks

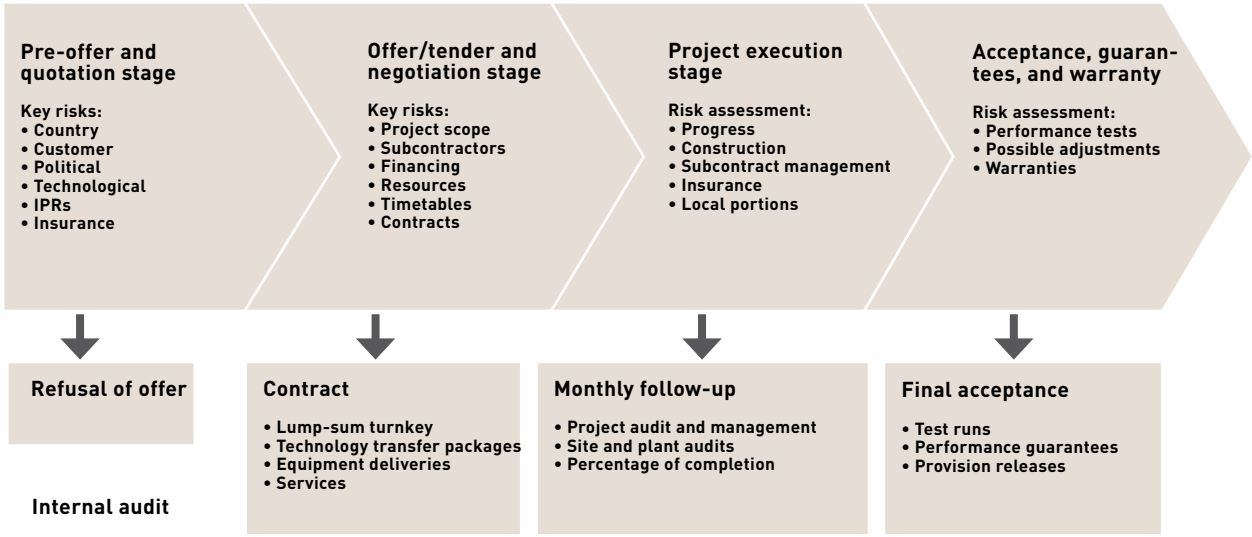
Operational risks may arise as a consequence of inadequate or failed internal processes or systems, employees' actions, or external events. Risks of this kind are often connected with projects, information technology, or infrastructure, and their actualization can lead to liability, loss of property, and suspension of operations or harmful environmental effects.

Some of the company's operational risks are covered by insurance. Outotec uses a procedure for identifying, assessing, and reducing operational risks. Project-related surveys and reporting are carried out according to the guidelines set out in the Project Risk Identification and Management (PRIMA) policy. The extent of responsibility given in performance guarantees is contractually protected. Further, raw material and subcontractors' price increases are hedged with fixed price contracts in the majority of projects.

### PRIMA, operational risk management throughout the project

Outotec's business operations comprise many different projects. At the end of 2010, Outotec's order backlog included 25 projects with a value in excess of EUR 10 million. These projects accounted for 67% of the total backlog.

**STAGES OF PRIMA THROUGHOUT THE PROJECT**

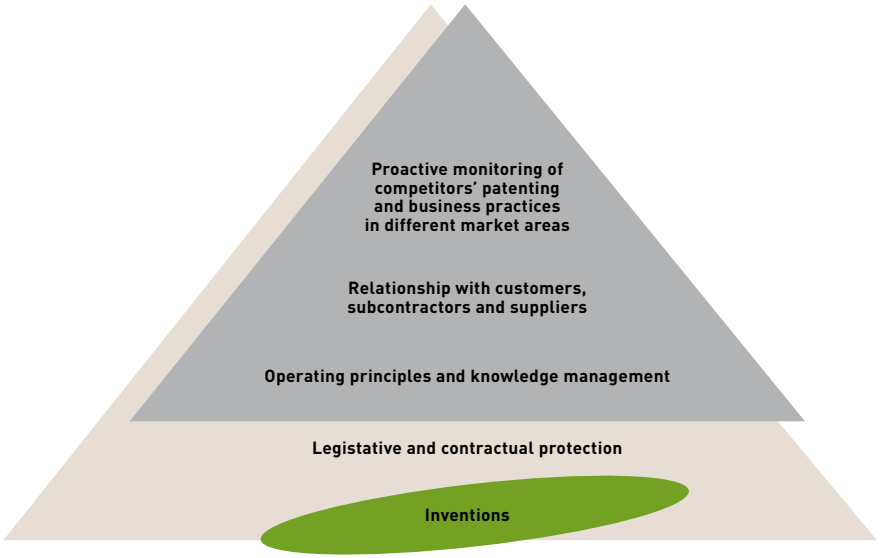


The keys in successful project execution are good project management skills and strict procedures. The PRIMA policy is in place to better manage various project-related risks. The key objective of PRIMA is to identify and manage identified risks intelligently, in order to ensure profit recognition for the company. This means that the objective is not necessarily to avoid risks so much as to recognize and manage them.

PRIMA is an integrated process covering all stages of a project. It starts in the sales phase and continues through the bidding, negotiation, and execution stages up until the end of the warranty period. Proposals and their underlying estimates, as well as the resulting customer and sub-supplier contracts, are of great importance in the PRIMA process.

The classification and analysis of risks is documented, and, on the basis of the analysis, appropriate follow-up actions are specified. These actions may also include abandonment of the proposal. The goal is to identify proposals that can be expected to influence Outotec's sales, operating profits, cash flow, and competitiveness, as well as the availability of resources and technology.

**ACTIVE IPR POLICY**




## Financial risks

Financial risks comprise market, liquidity, and credit risks. The main task of Outotec's financial risk management and related Financial Risk Policy (FRP) is to reduce the earnings impact of fluctuations in currencies, interest rates, and other factors of uncertainty, as well as to ensure sufficient liquidity.

All of the treasury's investments related to liquidity management are made in liquid money market instruments with, as far as possible, low credit risk and within predetermined credit limits and maturities. The limits are reviewed regularly by the Board's Audit Committee. Part of Outotec's project advance payments can be invested in local money markets in emerging countries.

Financial risk management is discussed in more detail in Note 18 of the consolidated financial statements on page 94.

## Intellectual property rights and active IPR policy

Intellectual property rights are a key element of Outotec's business. All types of IPRs are considered to be important business assets for the company. IPR Management, a part of Outotec's Technology Management function, is responsible for applying and maintaining patents, registering and maintaining trademarks, managing inventions, coordinating outside patent counsels, remitting payments, and assisting in IPR disputes. In addition to ownership of numerous patents, patent applications, and trademarks, Outotec is also a proprietor of other officially registered IPRs and non-registered rights, such as trade secrets, copyrights, and agreements.

Outotec's investment in IPR assets aims for competitive advantage. The goal is to protect Outotec's technologies and products according to their main market areas and in segments where patenting is an important part of the business. Competitive advantage is also supported by active follow-up on competitors' IPR activities and competing technologies.

Outotec has an active IPR policy, which is implemented by protecting the rights relating to inventions, products, technologies, and R&D results; protecting the company against competitors' hostile activities; preventing infringements; targeting a commercially expedient IPR portfolio; and promoting the company's image as an innovative company.

# Outotec Oyj

## FINANCIAL STATEMENTS 2010

# CONTENTS



All figures in the annual report have been rounded and consequently the sum of individual figures may deviate from the sum presented.
Key figures have been calculated using exact figures.

# REPORT BY THE BOARD OF DIRECTORS

## Operating environment

The overall market conditions continued to further strengthen throughout 2010. The mining and metals industry continued on the recovery path supported by a positive long-term outlook for metals demand in the emerging economies. The production capacity utilization rate increased and investments in new production were commenced, which also increased equipment and service sales. Following the recession, companies had an accumulated need to invest in their existing operations and investment plans were revitalized. In 2010, the customer negotiation activity was especially strong in copper, gold, and iron projects, but activity around other metals was also recovering. The mining and metals industry benefitted from strong metals prices; however, the uncertainty that still prevailed in the financial markets continued to have an impact on the investment activities of some companies. Decision-making, particularly regarding major projects involving construction of new capacity, took time. Drive for sustainable solutions continued strongly and the requirements on the technology were getting stricter, which is positive for Outotec.

Outotec delivers advanced technology solutions which enable customers to minimize their processes' life time costs and environmental impacts. This has helped in winning new orders with normal gross margins and customary payment terms despite intense competition.

## Order intake

Order intake in 2010 amounted to EUR 1,394.7 million (2009: EUR 557.1 million), including large plant deliveries, technology and equipment deliveries as well as services.

Major new orders in 2010:

- Sinter plant for Kalagadi Manganese, South Africa (EUR 119 million);
- Copper roasting, off-gas, and sulfuric acid plants for Codelco, Chile (EUR 116 million);
- Drinking water supply scheme to the Ampara District, Sri Lanka (EUR 70 million);
- Copper solvent extraction and electrowinning plant for Minera Lumina Copper, Chile (EUR 65 million);
- Sintering and ferrochrome smelting technology for Outokumpu, Finland (EUR 45 million);
- Copper concentrator technology for IRASCO, Italy, project in Iran (EUR 40 million);
- Flotation circuit and filtration technology for Australia's Karara Iron Ore project (over EUR 28 million);
- Integrated digestion and evaporation facility for Ma'aden Aluminium project in Saudi Arabia together with Hatch (total EUR 50 million, with roughly equal share of the work between Outotec and Hatch). Small portion became effective in the order backlog in 2010 and the rest by project milestones in 2011 and 2012;
- Flotation technology for First Quantum Minerals, Finland, and Zambia (EUR 20 million);
- Iron ore sintering plant for Steel Authority of India Ltd, India (value not disclosed but typically technology solutions with corresponding scope range from EUR 20 to 25 million);
- Chromite sintering technology for Xstrata Merafe, South Africa (EUR 17 million);
- Copper smelter technology for Tongling Non-ferrous Metals Group, China (EUR 15 million);
- Electric furnace and related services for Konkola Copper Mines, Zambia (EUR 13 million);
- Precious metal plant for Baiyin Non Ferrous Group, China (EUR 6 million);
- Kaldo furnace technology for Boliden's Rönnskär copper smelter, Sweden (value not disclosed).
- Pelletizing technology for Bhushan Power & Steel Plant, India (value not disclosed); and
- Sintering technology for JSW Steel Limited, India (value not disclosed).

## Order backlog

The order backlog at the end of 2010 totaled EUR 1,393.1 million, which is 61% higher than at the previous year-end (December 31, 2009: EUR 867.4 million).

At the end of 2010, Outotec's order backlog included 25 projects with an order backlog value in excess of EUR 10 million, accounting for 67% of the total backlog. Management estimates that roughly 69% (approximately EUR 960 million) of the current backlog value will be delivered in 2011 and the rest in 2012 and beyond. The order backlog at the end of 2010 included roughly EUR 50 million in suspended projects.

## Sales and financial result

Outotec's sales in 2010 totaled EUR 969.6 million (2009: EUR 877.7 million). The growth in sales came from acquisitions. Underlying sales were affected by the low order backlog at the beginning of the year and because revenue recognition from large orders received in 2010 was slow in the early phases.

The Services business, which is included in the sales figures of the three other business areas, totaled EUR 282.5 million in 2010 (2009: EUR 148.6 million), up 90% from the comparison period and accounting for 29% of sales (2009: 17%). The Services business sales grew both organically and through acquisitions. Supported by the Larox and Millteam acquisitions, Outotec achieved its Services business sales target of EUR 250-300 million by the end of 2010, which was set at the beginning of 2008.

In the reporting period, the operating profit excluding one-time items and purchase price allocation (PPA) amortizations was EUR 74.7 million, representing 7.7% of sales. The increase in operating profit before one-time items and PPA amortizations resulted from a higher sales volume, better gross margin of 26.2% (2009: 21.7%), and improvement of fixed cost structure compared to the comparison period. One-time costs related to restructuring in the reporting period amounted to EUR 26.5 million, approximately half of which came from asset write-offs and the rest from costs and provisions caused by personnel reductions and one-time items related to the integration of acquired companies. PPA amortizations for the reporting period were EUR 9.4 million.

Operating profit was EUR 41.6 million (2009: EUR 58.6 million). The unrealized and realized exchange gains related to currency forward contracts, improved profitability by EUR 1.9 million (2009: unrealized and realized loss of EUR 0.1 million). The result for the reporting period also included EUR 2.2 million net positive effect from the Ausmelt acquisition, including EUR 3.3 million revaluation gain and EUR 1.1 million acquisition costs.

In 2010, Outotec's fixed costs were EUR 188.5 million (2009: EUR 131.6 million). The increase was primarily due to the fixed costs of acquired companies and due to higher sales and marketing expenses reflecting the strong market and related tendering and quotation activity.

Outotec's profit before taxes for the reporting period was EUR 37.1 million (2009: EUR 60.9 million). It included a net finance expense of EUR 4.5 million (2009: net finance income EUR 2.2 million). The net finance expense increased primarily due to low interest rates and fees related to the new financing credit facilities. Profit for the period was EUR 26.7 million (2009: EUR 42.3 million), impacted by one-time costs related to restructuring and PPA amortizations. Taxes totaled EUR 10.4 million (2009: EUR 18.6 million). Earnings per share were

EUR 0.59 (2009: EUR 1.01).

Outotec's return on equity for the reporting period was 7.6% (2009: 14.9%), and return on investment was 9.2% (2009: 20.9%).

## Non-ferrous Solutions

Sales in the Non-ferrous Solutions business area in 2010 increased by 29% from the comparison period and totaled EUR 623.3 million (2009: EUR 482.6 million). The increase in sales was due to acquisitions. Operating profit excluding one-time items and PPA amortizations was EUR 50.6 million and operating profit was EUR 26.1 million (2009: EUR 35.1 million). The unrealized and realized exchange losses related to currency forward contracts decreased profitability by EUR 0.8 million (2009: unrealized and realized loss of EUR 2.0 million).

## Ferrous Solutions

Sales in the Ferrous Solutions business area in 2010 totaled EUR 131.5 million (2009: EUR 146.7 million). The 10% decrease in sales compared to 2009 was due to fewer projects in the active delivery phase. The operating profit excluding one-time items was EUR 12.6 million and operating profit was EUR 11.3 million (2009: EUR 9.5 million). In the second half of 2010, project completions and final acceptances by customers improved the business area's profitability. Higher sales and marketing expenses and one-time items related to the savings program had a negative impact on the operating profit.

## Energy, Light Metals and Environmental Solutions

Sales in the Energy, Light Metals and Environmental Solutions business area in 2010 totaled EUR 222.8 million (2009: EUR 258.7 million). The 14% decline in sales was mainly due to a lower order intake in 2009 as well as to the fact that fewer projects were in a phase where major deliveries are carried out and therefore revenue recognition was lower. In addition, some large projects progressed slower than scheduled due to factors outside Outotec's project scope. Operating profit excluding one-time items and PPA amortizations was EUR 28.9 million and operating profit was EUR 26.8 million (2009: EUR 27.6 million). Although sales were lower the operating profit margin remained at a high level of 12% due to successful project completions. The unrealized and realized exchange gains related to currency forward contracts increased profitability by EUR 2.2 million (2009: unrealized and realized gain of EUR 2.9 million).

## Balance sheet, financing and cash flow

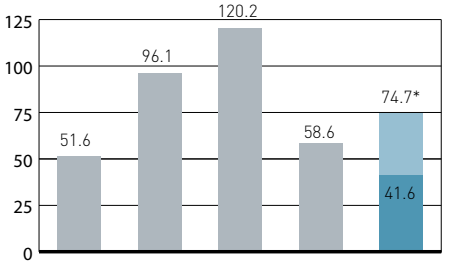
The consolidated balance sheet total was EUR 1,068.0 million (December 31, 2009: EUR 909.6 million) at the end of 2010. The equity to shareholders of the parent company was EUR 356.7 million (December 31, 2009: EUR 315.0 million), representing EUR 7.87 (2009: EUR 7.09) per share.

The net cash flow from operating activities in 2010 was EUR 87.5 million (2009: EUR -28.8 million). The net cash flow was positive because of advance payments, which related to the high order intake. Gearing remained at the same level as the previous year-end and was -56.2% (December 31, 2009: -55.8%). Outotec's working capital amounted to EUR -113.5 million at the end of 2010 (December 31, 2009: EUR -62.8 million). During the reporting period, working capital developed positively due to advance payments of the large orders received.

At the end of 2010, Outotec's cash and cash equivalents totaled EUR 280.3 million (December 31, 2009: EUR 258.5 million). The received large orders and related advance payments improved the cash position. The change in cash and cash equivalents was also affected by the dividend payment of EUR 32.0 million in April 2010 (March 2009: EUR 42.0 million). The company invests its excess cash in short-term money market instruments such as bank deposits and corporate commercial papers.

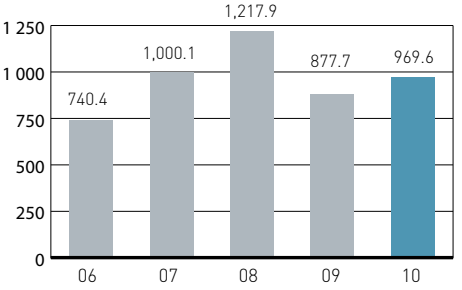
Outotec's financing structure remained strong and liquidity was good. Net interest-bearing debt at the end of 2010 was EUR -200.9 million (December 31, 2009: EUR -191.0 million). The advance payments received at the end of the reporting period totaled EUR 198.7 million (December 31, 2009: EUR 150.9 million), representing an increase of 32% from the comparison period. Outotec's equity-to-assets ratio was 41.2% (December 31, 2009: 45.1%). The company's capital ex-

**Operating profit**, EUR million

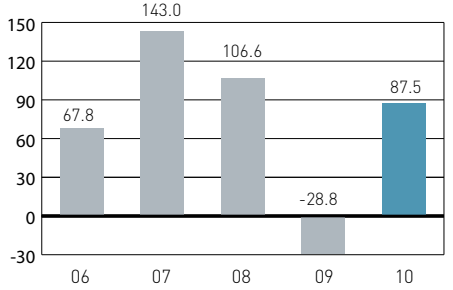



* excluding one-time items and PPA amortizations

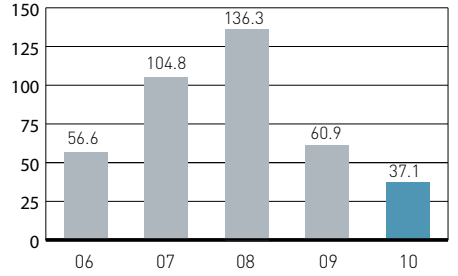
**Sales**, EUR million



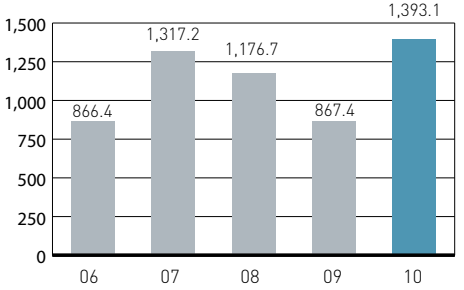

**Net cash from operating activities**, EUR million



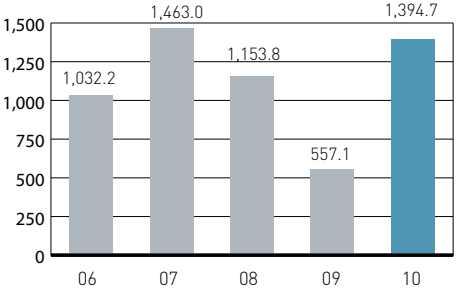

**Profit before taxes**, EUR million



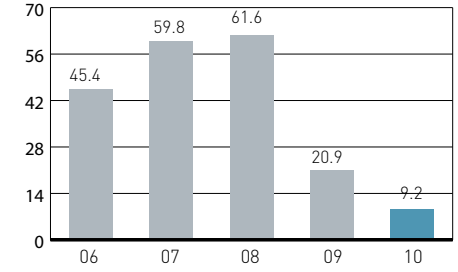

**Order backlog**, EUR million




**Order intake**, EUR million




**Return on investment**, %



penditure in 2010 was EUR 96.7 million (2009: EUR 98.0 million), of which EUR 77.2 million was related to acquisitions. Other capital expenditure included investments mainly in information technology, machinery, and intellectual property rights.

At the end of the reporting period guarantees for commercial commitments, including advance payment guarantees issued by the parent and other Group companies were EUR 308.1 million (December 31, 2009: EUR 321.3 million). At the end of the reporting period, the total volume of pledges and mortgages was EUR 0.6 million (December 31, 2009: EUR 33.4 million). The reduction since the year-end 2009 was due to the repayment of most of Larox's external credit facilities.

On November 25, 2010, Outotec signed two credit facilities: EUR 500 million Multicurrency Revolving Guarantee Issuance Facility and EUR 50 million Multicurrency Revolving Credit Facility (the "Facilities"). The 3+1+1 year Facilities have been put in place to refinance Outotec's existing guarantee and revolving credit facilities and to provide Outotec guarantees and liquidity for general corporate purposes.

On April 23, 2010, Outotec established a continuous commercial paper program for domestic investors consisting of a principal amount of EUR 100 million. By the end of the reporting period, Outotec had emitted EUR 10.0 million worth of commercial papers.

## Cost savings program

Outotec's aim was to achieve EUR 25 million annualized savings in operational fixed costs, including the fixed costs of sales, by the end of 2010 compared to the fourth quarter of 2009 with full effect in 2011. Savings were planned to be achieved through the implementation of the new operational model and synergy benefits from acquisitions. To achieve these savings, one-time costs were expected to be approximately EUR 25 million.

In 2010, one-time items related to the cost savings program and the integration of the acquired businesses totaled EUR 26.5 million. Approximately half of these items came from asset write-offs and the rest from provisions related to personnel reductions and other non-personnel related costs. The total personnel reduction in Finland was 97, including retirements and the termination of temporary contracts. In 2010, the total personnel reduction globally was 161.

The cost saving program was closed at the end of 2010 and it will lead, with comparable foreign exchange rates, to EUR 26.2 million annualized operational fixed costs savings, of which EUR 23 million are cash effective. In 2010, the realized cost savings from operational fixed costs and one-time items totaled EUR 16.4 million with full effect in 2011.

**Sales by Segment**

| EUR million | 2010 | 2009 |
|---|---|---|
| Non-ferrous Solutions | 623.3 | 482.6 |
| Ferrous Solutions | 131.5 | 146.7 |
| Energy, Light Metals and Environmental Solutions | 222.8 | 258.7 |
| Unallocated items[1] and intra-group sales | -8.0 | -10.3 |
| Total | 969.6 | 877.7 |

**Operating profit by Segment**

| EUR million | 2010 | 2009 |
|---|---|---|
| Non-ferrous Solutions | 26.1 | 35.1 |
| Ferrous Solutions | 11.3 | 9.5 |
| Energy, Light Metals and Environmental Solutions | 26.8 | 27.6 |
| Unallocated[2] and intra-group items | -22.6 | -13.5 |
| Total | 41.6 | 58.6 |

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

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

## Corporate structure

### New operational model and reporting segments

As of April 1, 2010, Outotec's businesses were re-organized into four business areas, three of which are reporting segments. The new reporting segments are:

- **Non-ferrous Solutions,** consists of businesses related to the processing of copper, nickel, zinc, lead, gold, silver, and platinum group metals as a full process chain from ore to metal as well as industrial minerals. The acquired businesses Larox, Ausmelt, and Millteam are included in this business area;
- **Ferrous Solutions**, consists of businesses related to the processing of iron ores and other ferriferous materials to produce concentrates, pellets, sinter, direct reduced and hot briquette iron, ferroalloys, and titanium feedstock;
- **Energy, Light Metals and Environmental Solutions**, consists of businesses related to energy (including oil shale, oil sands, and biomass materials), alumina, aluminum, and light metals processing. The business area's environmental solutions include sulfuric acid plants, applications for gas cleaning and heat recovery systems, as well as industrial water treatment. The acquisition of Edmeston is included in the business area.

#### Services business

The Services business is included in the figures of the three reporting segments; however, its sales volume is also reported separately. This business area focuses on developing and growing the service business globally and providing life cycle services to customers.

The business areas are supported by a global matrix structure including marketing, sales, and local delivery operations in geographical market areas, as well as shared global functions. Globally shared functions allow for a flexible and efficient use of company technologies, capabilities and resources.

Reflecting the new operational model, Outotec published restated comparison figures with allocations of the one-time items by business area on June 30, 2010, for the reporting periods January-December 2009 and January-March 2010. Full year figures for the period 2006 to 2010 are published in the context of Outotec's Financial Statements 2010.

The Group's cost allocation principles in the new reporting segment structure have not been changed and the company continues to apply the same accounting principles as before.

## Acquisitions

The acquisition of Larox was closed in June 2010. Larox develops and delivers industrial filters for separating solids from liquids and its filtration solutions are primarily used in the mining and metallurgical industries worldwide as well as in chemical processing. With the acquisition, Outotec can now provide complete solutions covering a wide range of technologies and services for the entire value chain from ore to metal. Larox recorded sales in 2009 of EUR 150 million; the company had about 550 employees and operated in over 40 countries. The acquisition price was approximately EUR 90 million, which was paid mostly with shares. The targeted EUR 7 million synergy benefits from global sales and service networks as well as administration were partially realized in 2010 and will have full effect in 2011.

The acquisition of Ausmelt was closed

in March 2010. Ausmelt develops, designs, and supplies the Top Submerged Lance (TSL) smelting technology for the production and recycling of metals and processing of industrial wastes. Ausmelt's TSL technology complements Outotec's smelting technology portfolio. As a result of the acquisition, Outotec now has the industry's strongest non-ferrous smelting solutions portfolio covering both primary smelting from small to large-scale plants using a variety of feed materials, such as copper, nickel, ferrous metals, zinc, lead and tin concentrates, and zinc-bearing residues, as well as the smelting of various secondary and waste materials. An additional benefit of Ausmelt technology is that it allows the recovery of valuable metals from by-products. Ausmelt's sales in 2009 were approximately EUR 10 million and it had 40 employees based mainly in Australia and Asia. The acquisition price paid in cash was approximately AUD 49 million (approximately EUR 30 million).

Outotec acquired Swedish Edmeston AB in May 2010. The company has unique capabilities in special stainless steel grades suitable for use in highly corrosive environments. The acquisition further strengthens Outotec's position especially in sulfuric acid plant solutions through proprietary equipment and particularly in services for own and also other installed plants. Edmeston's sales in 2009 were approximately EUR 10 million and the company employed 10 professionals. The acquisition price, which was paid in cash, was not disclosed.

Outotec acquired Millteam Sweden's service business in March 2010. Millteam offers maintenance services, complete installations, installation supervision, maintenance inspections, and service of equipment for mining companies and it has special expertise in grinding mill services. The Millteam acquisition supports Outotec's strategy to expand its service offerings. With its new service center in Sweden, Outotec can now provide better life cycle services for its customers in Europe and the CIS region. The terms and conditions related to the acquisition were realized on April 1, 2010. Millteam's sales in 2009 were approximately EUR 4 million and the company employed 35 professionals. The acquisition price, which was paid in cash, was not disclosed.

Purchase price allocation amortizations related to acquisitions were EUR 9.4 million in 2010 (2011: approximately EUR 4 million).

In December, Outotec announced that it had merged its Finnish subsidiary, Outotec Research Oy, with Outotec (Finland) Oy and transferred the parent company Outotec Oyj's operative business to Outotec (Finland) Oy from the beginning of 2011. The change in the company structure does not affect Outotec's current operational model or reporting structure. The integration of acquisitions and the simplification of the Outotec legal company structure worldwide proceeded as planned in 2010 and will continue in 2011.

## Research and technology development

In the reporting period, Outotec's research and technology development expenses totaled EUR 28.5 million (2009: EUR 20.5 million), representing 2.9% of sales (2009: 2.3%). Outotec filed 50 new priority patent applications (2009: 56), and 287 new national patents have been granted (2009: 286).

In December, Outotec commissioned a new CO2 removal pilot plant at its R&D center in Frankfurt am Main, Germany. It complements Outotec's circulating fluidized bed (CFB) pilot plant allowing for the cleaning of process gas from iron ore direct reduction as well as from coal and biomass gasification. The new pilot plant plays an important role in the development of Outotec's new offerings for the energy industry, providing the testing facilities to reduce the carbon footprint of coal and biomass-based energy production as well as in the testing of oil winning from oil shale and oil sand. The pilot installation also allows Outotec to fully demonstrate its proprietary Circofer® process for the direct reduction of fine iron ores based on coal.

In December, Outotec launched new service products for filters, namely filter cloths and ceramic plates, which are tailored to perform with Outotec Larox® filters. Filter media are crucial for filtration efficiency. New Outotec Larox Filter Cloths enable optimized performance and process results for each application and filter. The filter cloth collection covers the entire permeability range.

In September, Outotec joined an industrial research program from the University of Alberta aimed at fostering sustainable water use in Canadian oil sands extraction. Outotec is currently collaborating with Kemira and Suncor Energy Services, the Canadian government, and the Alberta Water Research Institute to establish a Natural Science and Engineering Research Council of Canada (NSERC) industrial research chair titled "Water Quality Management for Oil Sands Extraction" at the University of Alberta in Edmonton, Canada. The five-year long research program focuses on water quality management studies to address water consumption, reuse, and recycling by the in situ oil sands extraction industry.

In September, Outotec and Kemira signed a strategic cooperation agreement to develop, promote, and support the companies' businesses in minerals and oil sands processing as well as associated industrial water treatment solutions. This cooperation combines Outotec's capability in minerals and oil sands processing technology with Kemira's experience in water chemistry and related applications to offer customers process optimization enabling cost-efficiency, sustainability, and quality improvements.

In October, Outotec announced its cooperation with the National Development Corporation of Mongolia to conduct a conceptual study for a copper smelter to be located in Sainshand, Mongolia. The Mongolian government plans to build an industrial complex in Sainshand to add value to mineral deposits including its Oyu Tolgoi copper mining project and to diversify its economy.

In November, Outotec announced it would donate EUR 300,000 to the Aalto University Foundation, EUR 150,000 to the University of Oulu, EUR 100,000 to the Lappeenranta University of Technology, and EUR 50,000 to the Åbo Akademi University. This had originally been decided at Outotec Oyj's Annual General Meeting on March 18, 2010, authorizing the Board of Directors to determine a donation not to exceed EUR 600,000 to Finnish universities.

## Sustainability

In December, Outotec signed the United Nations Global Compact initiative and is committed to its principles on human rights, the environment, labor, and fighting corruption. The Global Compact initiative is additional evidence of Outotec's aim to further advance sustainability and social responsibility principles in its business practices.

In October, Outotec was ranked third best among Nordic companies by the Carbon Disclosure Project (CDP) in the Carbon Disclosure Leadership Index, which is a key component of CDP's annual Nordic 200 Report. Outotec's score in the CDP ranking was 90/100. Outotec participated in the CDP for the first time in 2009 and was commended for its climate change disclosure.

In April, Outotec and Brazilian alumina producer Alunorte received an energy efficiency award at the Hannover Messe 2010. Alunorte was presented with the "Special Recognition" award for using optimization processes in its cyclones to improve heat transfer and cut down on pressure losses thus resulting in energy savings and more stable operation. Alunorte uses Outotec® calcining technology in its production.

## New strategic priorities and long-term financial targets

In November 2010, Outotec announced new strategic priorities and financial targets. The company's goal remains continuous profit-

able growth. Going forward, Outotec intends to focus on providing sustainable life cycle solutions, which guarantee the best return on a customer's investment. In addition to further strengthening its technology portfolio for the entire value chain from ore to metals, Outotec plans to leverage its core technology assets in expanding to adjacent industries such as energy and industrial water treatment. The company also plans to strengthen its presence in emerging markets, and targets to improve its productivity and scalability.

### New long-term financial targets

New long-term financial targets to ensure continuous profitable growth:

- **Growth:** Outotec targets to grow faster than the market resulting in a compound average annual sales growth target in the range of 10-20%.
- **Profitability:** Outotec's annual operating profit margin from business operations is targeted to be on average at 10%, excluding one-time costs and purchase price allocations of acquired businesses.
- **Balance sheet:** Outotec targets to maintain a strong balance sheet in order for the company to have operational flexibility and execute acquisitions.

These new targets replace the previous long-term financial targets of annual average EPS growth exceeding 10% along with a 5% operating profit margin floor, and a strong balance sheet.

### Dividend policy

The Board of Directors adopted a dividend policy in November in which the company aims to propose for the approval of the company's shareholders' dividends representing at least 40% of the annual net income of Outotec for the preceding financial year.

The amount of future dividends, if any, will be subject to Outotec's future earnings, financial, condition, cash flows, and working capital requirements. In addition, investments in either organic growth or acquisitions as part of Outotec's growth strategy may impact the level of future dividends.

Though the Board of Directors has no reason to believe that dividend payments under this policy will not generally be made, there can be no assurance that any annual dividend will actually be paid, nor can there be any assurance as to the amount to be paid in any given year.

### New service business target

Outotec has also set a new growth target for its service business. The company aims to grow the sales of its services to an annual level of EUR 500 million by the end of 2015. Growth is planned to be achieved both organically and through acquisitions, expanding the scope of deliveries and new life cycle service offerings.

## Personnel

At the end of 2010, Outotec had a total of 3,130 employees (December 31, 2009: 3,128) of which 584 employees came from acquired business. In 2010, Outotec had on average 3,151 employees (2009: 2,612). The average number of Outotec's personnel increased by 539 from the comparison period mainly through acquisitions. Temporary personnel accounted for about 8% of the total number of employees.

At the end of 2010, the company had, in addition to its own personnel, approximately 328 (December 31, 2009: 250) full-time equivalent, contracted professionals working in project execution. The number of contracted workers at any given time changes with the active project mix and project commissioning, local legislation and regulations as well as seasonal fluctuations.

In 2010, salaries and other employee benefits totaled EUR 224.4 million (2009: EUR 159.5 million).

In November, Outotec announced that the Board of Directors had decided to establish a Human Capital Committee and elected Carl-Gustaf Bergström, Chairman of the Board, as Chairman of the Committee. Other members are Karri Kaitue and Tapani Järvinen. The Human Capital Committee is to ensure that all human capital-related practices support the strategic aims of the business and enable the recruitment, development, motivation, and retention of key personnel. The leadership capacity of current and future Outotec leaders is within HCC's special focus. In addition, HCC is to ensure that compensation arrangements support achieving long-term business objectives and growth in shareholder value. The committee will also prepare matters pertaining to the appointment of the CEO and his/her possible deputy and other executives as well as the identification of their successors.

## Changes in top management

In October, Outotec announced the appointment of Mr. Mikko Puolakka, M.Sc. (Econ.), as chief financial officer and member of the Executive Board as of December 1, 2010.

In February, Outotec announced that a new executive board had been appointed to replace its executive and management committees. The new executive board took charge when Outotec shifted into the new operational model on April 1, 2010. The members of the executive board with responsibility areas are:

**Pertti Korhonen**, President and Chief Executive Officer
**Mikko Puolakka**, Finance and control
**Jari Rosendal**, Non-ferrous Solutions business
**Pekka Erkkilä**, Ferrous Solutions business
**Peter Weber**, Energy, Light Metals and Environmental Solutions business
**Kalle Härkki**, Services business
**Martti Haario**, Market Operations
**Michael Frei**, Supply
**Ari Jokilaakso**, Human Capital
**Tapio Niskanen**, Business Infrastructure
**Mika Saariaho**, Corporate development

## Share-based incentive programs and executive board share ownership plan

### Share-based Incentive Program 2008-2010

No shares were allocated for the 2009 earnings period. The board of directors also decided not to select individuals or earning criteria for the 2010 earning period since the Incentive Program 2010-2012 replaced the old program.

### Share-based Incentive Program 2010-2012

Outotec's board of directors decided to adopt a new share-based incentive program for the company's key personnel. The program has three earning periods: the calendar years 2010, 2011, and 2012. The board determines the amount of the maximum reward for each individual, the earning criteria, and the targets established for them separately on an annual basis.

The board approved 71 individuals with in the scope of the Incentive Program 2010-2012 for the 2010 earning period, which began on January 1, 2010. The reward is based on the achievement of the targets set for cost savings, order intake, and earnings per share. The reward will be paid in 2011 in the company's shares and as a cash payment which equals income taxes. The individual must hold the earned shares for at least two years following

| Distribution of Personnel by Country | Dec 31, 2010 | Dec 31, 2009 | Change, % |
|---|---|---|---|
| Finland | **1,056** | 1,145 | -7.8 |
| Germany | **444** | 472 | -5.9 |
| Rest of Europe | **327** | 283 | 15.5 |
| Americas | **759** | 740 | 2.6 |
| Australia | **271** | 239 | 13.3 |
| Rest of the world | **273** | 249 | 9.6 |
| Total | **3,130** | 3,128 | 0.1 |

the end of the earning period. If the individual's employment ends during this engagement period, (s)he has to return all or part of the earned shares to the company without compensation.

The maximum total reward for the 2010 earning period of the Incentive Program 2010-2012 is equal to the value of 361,750 Outotec shares, and the maximum value of the rewards of the entire Incentive Program 2010-2012 is equal to approximately 1,000,000 shares, including the cash payment.

### Executive Board share ownership plan

On May 21, 2010, Outotec's board of directors determined a new share ownership plan directed to the members of the Outotec executive board. As part of the plan, the executive board members established the Outotec Management Oy company, whose entire share capital is owned by them. The purpose of the plan is to commit executive board members to Outotec by encouraging them to acquire and hold Outotec shares and thus increase the company's shareholder value in the long run. They invest a considerable amount of their own funds in company shares and partly through a loan provided by Outotec. The company's board of directors granted to Outotec Management Oy an interest-bearing loan at the maximum amount of EUR 4,980,000 to finance the acquisition of the Outotec shares. The members of the executive board members hold approximately 0.34% of Outotec shares through the company.

Outotec has consolidated Outotec Management Oy into the Group's financial statements. At the end of 2010, Outotec Management Oy held 191,211 Outotec shares which have been accounted as treasury shares on Outotec's balance sheet. This has decreased the Group's equity by EUR 5.1 million. More detailed information regarding the plan's effects to the Group's equity are presented in the Changes in Equity table.

## Resolutions of the 2010 Annual General Meeting

Outotec Oyj's annual general meeting was held on March 18, 2010, in Espoo, Finland. The meeting was opened by the chairman of the board of directors, Mr. Risto Virrankoski, and chaired by Mr. Tomas Lindholm, attorney-at-law.

### Financial Statements

The annual general meeting approved the parent company and the consolidated financial statements, and also discharged the board of directors' members and the CEO from liability for the financial year 2009.

### Dividend

The annual general meeting participants decided that a dividend of EUR 0.70 per share be paid for the financial year ended December 31, 2009. The dividends, EUR 32.0 million, were paid on April 8, 2010.

### The Board of Directors

The annual general meeting participants decided on the number of board members, including chairman and vice chairman, to be six (6). Mr. Carl-Gustaf Bergström, Mr. Karri Kaitue, Mr. Hannu Linnoinen, and Mr. Anssi Soila were re-elected as members of the board of directors, and Ms. Eija Ailasmaa and Mr. Tapani Järvinen were elected as new board members for the term expiring at the end of the next annual general meeting. The annual general meeting elected Mr. Carl-Gustaf Bergström as the chairman of the board of directors.

The annual general meeting participants confirmed the remunerations to the board members as follows: chairman EUR 5,000 per month and other board members EUR 3,000 per month each, vice chairman and chairman of the audit committee an additional EUR 1,000 per month each, and each board member EUR 500 for attendance at each board and committee meetings as well as reimbursement for direct costs resulting from board work.

During its assembly meeting the Board of Directors elected Mr. Karri Kaitue as the vice chairman of the board of directors. In addition, the board elected Ms. Eija Ailasmaa, Mr. Anssi Soila and Mr. Hannu Linnoinen as members of the audit committee. Mr. Linnoinen acts as the chairman of the audit committee.

### Auditors

KPMG Oy Ab, Authorized Public Accountants, was re-elected as the company's auditor, with Mauri Palvi as auditor in charge.

### Board's authorizations

The annual general meeting participants authorized the board of directors to resolve the repurchase of the company's shares as follows:

- The company may repurchase the maximum number of 4,578,037 shares using free equity and deviating from the shareholders' pre-emptive rights to the shares, provided that the number of shares held by the company will not exceed ten (10) percent of all company shares.
- The shares are to be repurchased in public trading on the NASDAQ OMX Helsinki at the price established in the trading at the time of acquisition.

The authorization shall be in force until the next annual general meeting. This authorization has not been executed as of February 8, 2011.

The annual general meeting participants authorized the board of directors to resolve issues of shares and other special rights entitling to shares as follows:

- The authorization includes the right to issue new shares, distribute shares held by the company, and the right to issue special rights referred to in Chapter 10, Section 1 of the Companies Act. This authorization to the board of directors does not, however, entitle the board of directors to issue share option rights as an incentive to the personnel.
- The total number of new shares to be issued and shares held by the company to be distributed under the authorization may not exceed 4,578,037 shares.
- The board of directors is entitled to set the terms of the share issue, such as the grounds for determining the subscription price of the shares and the final subscription price as well as the approval of the subscriptions, the allocation of the issued new shares, and the final amount of issued shares.

The authorizations shall be in force until the next annual general meeting. This authorization has not been executed as of February 8, 2011.

The annual general meeting participants amended Section 9 of the Articles of Association so that the notice to convene the general meeting shall be issued no later than 28 days prior to the general meeting.

Participants also authorized the board of directors to decide on a donation to Finnish universities of their choice from the company's distributable assets. The amount is not to exceed EUR 600,000.

Outotec's board of directors executed the authorization given by the Annual General Meeting 2009. This authorization was executed in conjunction with the Larox acquisition. The total number of shares issued was 3,780,373 (2,763,419 shares in December 2009 and 1,016,954 shares in February 2010).

## Shares and share capital

Outotec's shares are listed on the NASDAQ OMX Helsinki (OTE1V). At the end of the reporting period, Outotec's share capital was EUR 17,186,442.52 consisting of 45,780,373 shares. Each share entitles its holder to one vote at the company's general shareholder meetings.

## Trading, market capitalization and shareholders

In the reporting period, the volume-weighted average price for a share in the company was EUR 28.76; the highest quotation for a share was EUR 47.25 and the lowest EUR 18.85. The trading of Outotec shares in 2010 was nearly 100 million shares, with a total value of over

EUR 2,879 million. At the end of the reporting period, Outotec's market capitalization was EUR 2,117 million and the last quotation for the share was EUR 46.24. At the end of the reporting period, the company did not hold any treasury shares for trading purposes.

Outotec has an agreement with a third-party service provider concerning administration and hedging of the share-based incentive program for key personnel. These shares are accounted for as treasury shares on Outotec's consolidated balance sheet. At the end of the reporting period, the amount of these treasury shares was 332,534. There have been no purchases of Outotec shares based on this agreement during the reporting period.

Outotec has consolidated Outotec Management Oy (incentive plan for Outotec executive board members) into the Group's balance sheet. At the end of the reporting period, Outotec Management Oy held 191,211 Outotec shares which have been accounted for as treasury shares on Outotec's balance sheet. This has decreased the Group's equity by EUR 5.1 million. More detailed information regarding the Plan's effects on the Group's equity are presented in the Consolidated Statement of Changes in Equity table.

At the end of the reporting period, Outotec had 15,114 shareholders. Shares held in 17 nominee registers accounted for 57.4% and Finnish households held roughly 13.6% of all Outotec shares.

## Events after the reporting period

On January 21, 2011, Outotec signed a contract with SNC-Lavalin, a Canadian engineering and construction company, to design and deliver a new copper flash smelting furnace and related services to RTB Bor's smelter in Serbia. The contract value exceeded EUR 60 million.

## Short-term risks and uncertainties

### Risks related to the global operating environment

Outotec's global business operations are subject to various political, economic, and social conditions. Operations in global markets may present risks related to economic and political instability. Conditions may rapidly change and create delays and changes in order placement and execution.

### Risks related to Outotec's business

In the project risk assessment during the reporting period, all unfinished projects were evaluated and provisions for performance guarantees and warranty period guarantees were updated. There were no material changes in the Group's project risk provisions.

Due to the international project business, different interpretations of international and local tax rules and regulations may cause additional direct or indirect taxes for Outotec, which would reduce the company's net result.

At the end of the reporting period, Outotec's order backlog included roughly EUR 50 million in suspended projects. Some of the suspended projects may be cancelled or renegotiated. In any market situation, there is a risk of postponement and delays in project business.

Acquisitions are an integral part of Outotec's growth strategy. There is a risk that the estimated synergy benefits will not materialize as planned.

Outotec is involved in a few arbitral and court proceedings. Outotec's management expects that these cases and their outcome will have no material effect on Outotec's financial result.

The global economic uncertainty may reduce the demand for Outotec's products and services. Volatility in sales may affect the operating profit margin as the adjustments in fixed costs may become effective with a delay. Outotec's gross margin is also impacted by project mix. Particularly orders which include license fees have a major impact on the gross margin.

### Financial risks

There is a risk that customers and suppliers may experience financial difficulties and a lack of financing may result in project delays as well as bankruptcies, which can also result in losses for Outotec. These risks are reduced by advance and milestone payments and letters of credit. In the reporting period, there were no material credit losses related to payments by Outotec's counter-parties and at the year-end all receivables were reviewed and credit loss provisions were updated.

Outotec's business model is based primarily on customer advance payments and on-demand guarantees issued by Outotec's relationship banks. Changes in advance payments received have an impact on the liquidity of Outotec. Exposure to on-demand guarantees has remained high. Cash held by Outotec is primarily invested in short-term bank deposits and in Finnish corporate short-term commercial papers. The lower interest rate levels reduce the interest income generated from these investments.

More than half of Outotec's total cash flow is denominated in euros. The rest is divided among various currencies, including the US dollar, Australian dollar, Brazilian real, Canadian dollar, and South African rand. The weight of any given currency in new projects can fluctuate substantially, but most cash-flow-related risks are hedged over the short- and long-term. In the short-term, currency fluctuations may create volatility in the operating profit. The forecasted and probable cash flows are selectively hedged and are always on the basis of separate decisions and risk analysis. Natural hedging is used as widely as possible and the remaining open foreign exchange exposures related to committed cash flows are fully hedged using derivative instruments. The cost of hedging is taken into account in project pricing.

## Market outlook

The International Monetary Fund estimates the global economy will grow at a rate of 4.4% in 2011. While advanced economies are estimated to grow by approximately 2.5%, developing economies are growing at a rate of 6.5%. The purchasing manager index has globally been above the 50-point index value indicating steady growth rates in manufacturing, albeit with some trend differences across economies. These factors in conjunction with strong metals prices imply a good metals demand for 2011.

Based on market institutes' estimates, demand for the most important metals is expected to grow by 4 to 7% annually. The greatest demand still comes from developing countries in which construction is strong and many industries are rapidly growing. The focus, and the construction, of additional capacity have shifted considerably over the past decade. The greatest growth potential lies not only in the emerging markets such as India, China, and CIS, but particularly in countries which are rich in raw materials, such as Brazil and Chile, or rich in energy resources, such as the Middle East region, thereby catering to the growing demand of the emerging markets. In contrast, demand growth for metals in Europe, North America, Africa, and Australia has been flat.

Several drivers can be seen in Outotec's customer industries, with the most significant involving sustainable technologies, companies focusing on their core capability areas, networking and emphasis on cooperation, strong growth in developing countries while the growth in developed countries is evening out. The progress of globalization as well as urbanization increases the need for metals but, at the same time, their production brings about further load on the environment.

Despite the capacity increases implemented over the last few years, metals production is not sufficient to satisfy the continuously growing demand. Companies in the mining and metals industries will need to increase their production and make it more efficient. Tightening efficiency and environmental requirements and the decreasing metal content of ore bodies continue to attract investments in plant modernization, optimization, and increased automation. Rising energy prices are also driving the industry to improve processes in order to achieve lower unit costs.

In addition, there is a continuous need for modernizing and debottlenecking at mine sites and metals processing plants as well as for building more energy-efficient and sustainable plants. According to several mining and metals companies' announcements, their investments will increase in 2011 compared to 2010. Following the recession, many sales projects have been reactivated, but industry lead times are long, especially in large investments. Polarization of the global metals market is also seen when new planned investments in metals refining are moving closer to the end markets in emerging economies.

### Non-ferrous Solutions

The activity in the non-ferrous technology market continues to strengthen. Primarily gold and copper projects are being developed. Investments in new mining production are progressing faster than investments in the downstream metals processing technologies. Competition continues to be tight for new projects. However, long-term fundamentals are strong as ore grades decline and more processing capacity and advanced technology solutions will be needed, both in concentrators and metals refining. Yet, environmental regulations grow tougher and the cost of energy and water is climbing; increasing the need for new and modern technological solutions. In 2010, Outotec's leading market position in providing complete solutions to the ore-to-metal value chain was further enhanced with its acquisitions of Larox, Ausmelt, and Millteam, which brought additional technologies and service capabilities to the company.

### Ferrous Solutions

There are strong signs that the demand for raw materials used in steel making, iron ore, and coking coal will continue at record levels. The demand for stainless steel raw materials shows strong growth and the activity in ferroalloy projects is continuously strengthening. Brazil, India, and South Africa continue to rapidly develop their infrastructure and to utilize their large natural resource base. There are several steel plant expansions and new investments under development particularly in Brazil and India, catering mainly to the Chinese market where concentrates and pellets are in continuous demand. Outotec's sustainable solutions - both in ferroalloys as well as in iron ore sintering, and pelletizing technologies – continue to be in strong demand because of their energy efficiency and environmental aspects. In the future, unconventional techniques, such as the direct reduction of iron ore, offer more and more opportunities to use lower grade raw material resources as well as optimized energy production and the reduction of CO2 emissions.

### Energy, Light Metals and Environmental Solutions

Rising oil prices and the depletion of oil reserves increases the demand for alternative energy sources, such as oil shale, oil sands, and biomass. The world's recoverable oil shale and oil sand resources are at least ten times greater than those of conventional oil reserves, with large deposits found in the US, Canada, Brazil, China, Jordan, Russia, and Estonia. Outotec and Eesti Energia have jointly developed a new technology Enefit using Outotec's circulating fluidized bed core technology. This technology will be used in Eesti Energia's oil shale plant currently under construction in Narva, Estonia. The Enefit technology can be applied globally for processing oil shales and oil sands.

The demand for aluminum is also growing. Consequently, aluminum and thus bauxite and alumina projects are being revitalized, not only in China, and in regions which cater to the Chinese market, but also in locations where bauxite and in particular low-cost energy is available. Thus, the Middle East is leveraging its advantageous energy position by building new smelters and refining capacity.

The business area's environmental solutions include sulfuric acid plants as well as applications for gas cleaning and heat recovery systems. The outlook for the sulfuric acid market remains positive as sulfuric acid is needed in hydrometallurgical processes and is produced as a by-product in the pyrometallurgical processes, including the minimization of the environmental impacts of the process. The sulfuric acid market is also driven by continuous need from the fertilizer industry. In addition to sulfuric acid plants, any metallurgical processes require off-gas cleaning and effluent and water treatment technologies to limit environmental impacts. Outotec's market position as a supplier of advanced sulfuric acid plants has been further strengthened by its acquisition of Edmeston.

New opportunities in environmental technologies, such as materials recycling and waste management as well as industrial waste water treatment are continuously increasing.

### Services business

Outotec's Services business is driven by capacity utilization levels, modernizations, upgrades, and new capital investment projects. Customer needs for spare parts, services, and modernizations are increasing due to recommissioning of production lines. Customers have various needs for services ranging from single spare parts to completely outsourced service agreements. This industry trend creates growth opportunities on many levels and supports the company's goal to be a life cycle partner for its customers. The acquired businesses will further bolster Outotec's service offering and capabilities globally.

## Financial guidance for 2011

Based on a strong opening order backlog and active market, in 2011:

- order intake is expected to continue to grow,
- sales are expected to grow to approximately EUR 1.25-1.35 billion, and
- operating profit is expected to improve from 2010 and operating profit margin from business operations is expected to be approximately 8-9%.

Operating profit is dependent on exchange rates, product mix, timing of new orders, and project completions.

## Board of directors proposal for profit distribution

The Board of Directors of Outotec proposes to the Annual General Meeting that a dividend of EUR 0.75 per share be paid from Outotec Oyj's distributable funds for December 31, 2010, and that any remaining distributable funds be allocated to retained earnings. The suggested dividend record date is March 25, 2011, with the dividend to be paid on April 8, 2011. According to the financial statement for December 31, 2010, the parent company's distributable funds total EUR 202.3 million. The proposed dividend corresponds to 129% of the Group's profit for the financial year 2010. There have been no substantial changes in the financial position of the company after the balance sheet date. According to the Board of Directors, the liquidity of the company is good and the proposed profit sharing will not affect the solvency of the company.

## Corporate Governance Statement

The corporate governance statement has been given as a separate statement and it is available from Outotec's website at www.outotec.com/cg.

Espoo, February 8, 2011
Outotec Oyj
Board of Directors

Carl-Gustaf Bergström (Chairman)
Karri Kaitue (Vice Chairman)
Eija Ailasmaa
Tapani Järvinen
Hannu Linnoinen
Anssi Soila

Pertti Korhonen, President and CEO

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| EUR million | Note | 2010 | 2009 |
|---|---|---|---|
| **Sales** | 3, 5 | **969.6** | 877.7 |
| Cost of sales | 8 | **-715.7** | -687.5 |
| **Gross profit** | | **253.9** | 190.1 |
| Other income | 6 | **7.1** | 4.1 |
| Selling and marketing expenses | 8 | **-85.0** | -56.5 |
| Administrative expenses | 8 | **-75.1** | -54.6 |
| Research and development expenses | 8 | **-28.5** | -20.5 |
| Other expenses | 7 | **-30.6** | -3.9 |
| Share of results of associated companies | 16 | **-0.3** | -0.2 |
| **Operating profit** | | **41.6** | 58.6 |
| Finance income | 11 | **5.4** | 6.0 |
| Finance expenses | 11 | **-8.2** | -4.4 |
| Market price gains and losses | 11 | **-1.7** | 0.6 |
| Net finance income | | **-4.5** | 2.2 |
| **Profit before income taxes** | | **37.1** | 60.9 |
| Income tax expenses | 12 | **-10.4** | -18.6 |
| **Profit for the period** | | **26.7** | 42.3 |
| Other comprehensive income | | | |
| Exchange differences on translating foreign operations | | **25.5** | 19.5 |
| Cash flow hedges | | **0.9** | 2.7 |
| Income tax relating to cash flow hedges | | **-0.2** | -0.3 |
| Available-for-sale financial assets | | **0.3** | 2.4 |
| Income tax relating to available for sale financial assets | | **0.0** | -0.0 |
| **Other comprehensive income for the period** | | **26.5** | 24.3 |
| **Total comprehensive income for the period** | | **53.1** | 66.6 |
| **Profit for the period attributable to:** | | | |
| Equity holders of the parent company | | **26.7** | 42.3 |
| Non-controlling interest | | **-** | - |
| **Total comprehensive income for the period attributable to:** | | | |
| Equity holders of the parent company | | **53.1** | 66.6 |
| Non-controlling interest | | **-** | - |
| **Earnings per share for profit attributable to the equity holders of the parent company:** | | | |
| Basic earnings per share, EUR | 13 | **0.59** | 1.01 |
| Diluted earnings per share, EUR | | **0.59** | 1.01 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| EUR million | Note | **December 31, 2010** | December 31, 2009 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 14 | **223.8** | 170.2 |
| Property, plant and equipment | 15 | **52.7** | 52.1 |
| Investments in associated companies | 16 | **0.3** | 10.9 |
| Available-for-sale financial assets [1] | 17 | **1.4** | 4.0 |
| Derivative financial instruments | 19 | **1.9** | 0.1 |
| Deferred tax assets | 12 | **37.8** | 25.8 |
| Trade and other receivables | 21 | | |
| Interest-bearing [1] | | **1.1** | 1.1 |
| Non interest-bearing | | **0.0** | 0.3 |
| **Total non-current assets** | | **319.0** | 264.6 |
| **Current assets** | | | |
| Inventories | 20 | **101.0** | 93.2 |
| Derivative financial instruments | 19 | **9.2** | 5.9 |
| Trade and other receivables | 21 | | |
| Interest-bearing [1] | | **0.5** | 0.7 |
| Non interest-bearing | | **357.9** | 286.7 |
| Cash and cash equivalents [1] | 22 | **280.3** | 258.5 |
| **Total current assets** | | **748.9** | 645.0 |
| **TOTAL ASSETS** | | **1,068.0** | 909.6 |

[1] Included in net interest-bearing debt.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| EUR million | Note | **December 31, 2010** | December 31, 2009 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to the equity holders of the parent company** | | | |
| Share capital | | **17.2** | 16.8 |
| Share premium fund | | **20.2** | 20.2 |
| Treasury shares | | **-9.7** | -4.6 |
| Reserve for invested non-restricted equity | | **87.7** | 63.4 |
| Other reserves | | **0.4** | 0.3 |
| Retained earnings | | **214.3** | 176.6 |
| Profit for the period | | **26.7** | 42.3 |
| | | **356.7** | 315.0 |
| **Non-controlling interest** | | **1.0** | 27.4 |
| **Total equity** | 23 | **357.7** | 342.4 |
| **Non-current liabilities** | | | |
| Interest-bearing debt [1] | 26 | **56.6** | 41.2 |
| Derivative financial instruments | 19 | **2.5** | 0.0 |
| Deferred tax liabilities | 12 | **46.8** | 49.0 |
| Employee benefits | 24 | **25.4** | 24.7 |
| Provisions | 25 | **18.3** | 22.4 |
| Trade and other payables | 27 | **5.2** | 2.2 |
| **Total non-current liabilities** | | **154.7** | 139.4 |
| **Current liabilities** | | | |
| Interest-bearing debt [1] | 26 | **25.7** | 32.0 |
| Derivative financial instruments | 19 | **10.0** | 7.9 |
| Current tax liabilities | | **15.4** | 10.7 |
| Provisions | 25 | **23.7** | 22.3 |
| Trade and other payables | 27 | **480.7** | 354.9 |
| **Total current liabilities** | | **555.5** | 427.8 |
| **Total liabilities** | | **710.2** | 567.2 |
| **TOTAL EQUITY AND LIABILITIES** | | **1,068.0** | 909.6 |

[1] Included in net interest-bearing debt.

# CONSOLIDATED STATEMENT OF CASH FLOWS

| EUR million | Note | 2010 | 2009 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the period | | **26.7** | 42.3 |
| Adjustments for | | | |
| Taxes | 12 | **10.4** | 18.6 |
| Depreciation and amortization | 14, 15 | **19.0** | 12.1 |
| Impairments | 14, 15 | **13.7** | - |
| Share of results of associated companies | 16 | **0.3** | 0.2 |
| Gains and losses on sale of property, plant and equipment | 6, 7 | **-0.2** | 0.1 |
| Interest income | 11 | **-5.2** | -5.9 |
| Interest expense | 11 | **2.9** | 0.7 |
| Other adjustments | | **6.2** | 7.8 |
| | | **47.1** | 33.5 |
| Change in working capital | | | |
| Increase (-) and decrease (+) in trade and other receivables | | **-44.9** | 105.2 |
| Increase (-) and decrease (+) in inventories | | **-1.3** | 23.6 |
| Increase (+) and decrease (-) and in trade and other payables | | **90.8** | -205.5 |
| Decrease (-) and increase (+) in provisions | | **-3.6** | 1.6 |
| | | **41.0** | -75.0 |
| Interest received | | **5.2** | 6.1 |
| Interest paid | | **-0.9** | -0.7 |
| Income tax paid | | **-31.6** | -34.9 |
| **Net cash from operating activities** | | **87.5** | -28.8 |
| **Cash flows from investing activities** | | | |
| Acquisition of shares in associated companies | 16 | **-0.2** | -10.4 |
| Acquisition of subsidiaries | 4 | **-38.8** | -1.9 |
| Acquisition of business operations | 4 | **-2.3** | - |
| Acquisition of available-for-sale financial assets | 17 | **-0.2** | -0.2 |
| Purchases of property, plant and equipment | 15 | **-10.5** | -10.4 |
| Purchases of intangible assets | 14 | **-6.1** | -6.5 |
| Proceeds from sale of shares of subsidiary shares | | **0.8** | - |
| Proceeds from sale of available-for-sale financial assets | 17 | **3.5** | - |
| Proceeds from sale of property, plant and equipment | 15 | **1.6** | -0.2 |
| Proceeds from sale of intangible assets | 14 | **0.1** | 0.3 |
| Change in other non-current receivables | | **0.0** | -0.2 |
| **Net cash used in investing activities** | | **-52.1** | -29.5 |
| **Cash flows from financing activities** | | | |
| Repayments of non-current debt | | **-17.3** | -0.2 |
| Borrowings of non-current debt | | **30.0** | 30.6 |
| Decrease in current debt | | **-17.7** | - |
| Increase in current debt | | **11.4** | 1.7 |
| Purchase of treasury shares | | **-** | -3.3 |
| Related party net investment to Outotec Oyj shares [1] | | **-4.1** | - |
| Dividends paid | | **-32.0** | -42.0 |
| Repayments of finance lease liabilities | | **-0.1** | -0.6 |
| Change in other financing activities | | **0.5** | 0.5 |
| **Net cash used in financing activities** | | **-29.4** | -13.4 |
| **Net change in cash and cash equivalents** | | **5.9** | -71.7 |
| Cash and cash equivalents at January 1 | | **258.5** | 317.8 |
| Foreign exchange rate effect on cash and cash equivalents | | **15.9** | 12.5 |
| Net change in cash and cash equivalents | | **5.9** | -71.7 |
| **Cash and cash equivalents at December 31** | 22 | **280.3** | 258.5 |

[1] Consolidation of Outotec Management Oy (incentive plan for Outotec executive board members). At December 31,2010 Outotec Management Oy held 191,211 Outotec shares which have been accounted as treasury shares in Outotec's consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to the equity holders of the parent company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| EUR million | Share capital | Share premium fund | Other re-serves | Fair value re-serves | Treasury shares | Reserve for invested non-restricted equity | Cumulative translation differences | Retained earnings | Non-con-trolling interest | Total equity |
| Equity at January 1, 2009 | 16.8 | 20.2 | 0.1 | -3.7 | -9.4 | - | -16.0 | 218.5 | - | 226.4 |
| Dividends paid | - | - | - | - | - | - | - | -42.0 | - | -42.0 |
| Share issue | - | - | - | - | - | 63.4 | - | - | - | 63.4 |
| Purchase of treasury shares | - | - | - | - | -3.3 | - | - | - | - | -3.3 |
| Treasury shares issued to key employees | - | - | - | - | 8.1 | - | - | -4.8 | - | 3.3 |
| Share-based payments: value of received services | - | - | - | - | - | - | - | 0.0 | - | 0.0 |
| Total comprehensive income for the period | - | - | - | 4.8 | - | - | 19.5 | 42.3 | - | 66.6 |
| Non-controlling interest related to Larox Group acquisition | - | - | - | - | - | - | - | - | 27.4 | 27.4 |
| Other changes | - | - | 0.2 | - | - | - | - | 0.4 | - | 0.6 |
| Equity at December 31, 2009 | 16.8 | 20.2 | 0.3 | 1.1 | -4.6 | 63.4 | 3.5 | 214.3 | 27.4 | 342.4 |
| Dividends paid | - | - | - | - | - | - | - | -32.0 | - | -32.0 |
| Share issue | 0.4 | - | - | - | - | 24.3 | - | - | - | 24.7 |
| Management incentive plan for Outotec Executive Board [1] | - | - | - | - | -5.1 | - | - | - | 1.0 | -4.1 |
| Share-based payments: value of received services | - | - | - | - | - | - | - | 0.7 | - | 0.7 |
| Total comprehensive income for the period | - | - | - | 1.0 | - | - | 25.5 | 26.7 | - | 53.1 |
| Non-controlling interest related to Larox Group acquisition | - | - | - | - | - | - | - | - | -27.4 | -27.4 |
| Other changes | - | - | 0.1 | - | - | - | - | 0.3 | - | 0.4 |
| **Equity at December 31, 2010** | **17.2** | **20.2** | **0.4** | **2.1** | **-9.7** | **87.7** | **29.0** | **210.0** | **1.0** | **357.7** |

[1] Consolidation of Outotec Management Oy (incentive plan for Outotec executive board members). At December 31, 2010, Outotec Management Oy held 191,211 Outotec shares which have been accounted for as treasury shares in Outotec's consolidated statement of financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Corporate information

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

Outotec is a leading global provider of process solutions, technologies, and services for the mining and metallurgical industries. The Company utilizes its extensive experience and advanced process know-how by providing plants, equipment, and services based mainly on proprietary technologies. Outotec works in close partnership with its customers and provides environmentally sound and energy saving solutions.

Outotec and its subsidiaries (collectively "the Group" or "Outotec") operate through four business areas of which three are reported operating segments: Non-ferrous Solutions, Ferrous Solutions and Energy, Light Metals and Environmental Solutions. The fourth business area is Services and it is reported under the three operating segments.

In 2010, Outotec had 3,130 employees in 24 countries and generated sales of EUR 969.6 million.

A copy of the financial statements of Outotec is available at the Group's website www.outotec.com.

## 2. Accounting principles used in the consolidated financial statements

### Basis of preparation

The consolidated financial statements of Outotec have been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union by applying the IAS and IFRS standards as well as SIC and IFRIC interpretations in force at December 31, 2010. Notes to the consolidated financial statements have been prepared also in accordance with Finnish Accounting Standards and Finnish corporate legislation. The consolidated financial statements are presented in millions of euros and have been prepared on the historical cost basis, unless otherwise stated in the accounting principles or disclosures.

### Adoption of new and amended standards in 2010-2011

Outotec has applied the following revised standards from the beginning of 2010:

- IFRS 3 Business Combinations. The revised standard allows entity to measure non-controlling interest at fair value or at proportionate share of the underlying net assets. In business combinations achieved in stages, previously held equity interest shall be measured at fair value at acquisition date and the result of the fair valuation shall be recognized in profit or loss. Costs related to acquisition shall be expensed when incurred. The revised standard has been applied to the acquisition of Ausmelt Ltd, Millteam Sweden's service business and Edmeston AB. The Ausmelt Ltd shares acquired in 2009 have been measured at fair value and the fair value change has been recognized in profit or loss. In addition, costs related to acquisitions have been recognized in profit or loss when incurred.
- IAS 27 Consolidated and Separate Financial Statements. Accounting for changes in a parent's ownership interest in a subsidiary depends on whether the change results in a loss or gain of control. Changes that do not result in a loss or gain of control are accounted for as equity transactions and when changes result in loss or gain of control transaction is recognized in profit or loss. The revised standard has been applied to the acquisition of Ausmelt Ltd, Millteam Sweden's service business and Edmeston AB. The previously acquired Ausmelt Ltd shares were valued at fair value when Outotec reached the majority ownership and the result was recognized in profit or loss.
- IFRS Annual Improvements.

In addition Outotec has applied the following revised standards from the beginning of 2010, which do not have an impact on the Group's financial statements.

- IFRS 2 Group Cash-Settled Share-Based Payment Transactions.
- IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items.

Outotec will estimate the impacts of the following standards and interpretations will apply them from the financial period beginning January 1, 2011, onwards:

- IAS 24 Related Party Disclosures.
- IAS 32 Financial Instruments: Presentation: Classification of Rights Issues.
- IFRIC 14 – Prepayments of a Minimum Funding Requirement.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

### Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Accounting estimates are employed in the financial statements to determine reported amounts, including the realizability of certain assets, the useful lives of tangible and intangible assets, revenue recognition of long-term construction contracts, income taxes, project liabilities pension obligations, and impairment of goodwill. The basis for the estimates is described in more detail in these accounting principles and in connection with the relevant disclosure to the financial statement. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates used in the financial statements.

### Principles of consolidation

The consolidated financial statements include the parent company Outotec Oyj and all subsidiaries where over 50% of a subsidiary's voting rights are controlled directly or indirectly by the parent company, or the parent company is otherwise in control of the company. Also the existence of the potential controlling interest has been taken into consideration when the instruments of the potential right of control can be implemented at the time of the assessment. Disposed subsidiaries are included in the consolidated financial statement until the controlling right is finished and acquired subsidiaries from the date where the Group has gained the control. Associated companies, where Outotec holds voting rights of 20–50% and in which Outotec has significant influence, but not control, over the financial and operating policies, are included in the consolidated financial statements using the equity method. When Outotec's share of losses exceeds the interest in the associated company, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associated companies. The interest in an associated company is the carrying amount of the investment under the equity method together with any long-term interest that, in substance, forms part of the investor's net investment in the associated company. The Group's share of the result of the associated companies has been presented as separate item in the statement of comprehensive income. The Group's share of changes in associated compa-

nies' other comprehensive income have been booked similarly. Associated companies of the Group have not had other comprehensive income items in the reporting period 2009 or 2010. Acquired companies are accounted for using the purchase method, according to which the assets, liabilities, and contingent liabilities of the acquired company are measured at fair value at the date of acquisition. Goodwill arising on an acquisition represents the excess of the cost of the acquisition, non-controlling interest and previous ownership at the acquired subsidiary over the fair value of the net identifiable assets, liabilities, and contingent liabilities acquired. The share of the non-controlling interest is recognized at the fair value or value which corresponds with the relative share of the acquired entity's net assets. Goodwill is not amortized but tested for impairment at least annually. Subsidiaries acquired during the year are included in the consolidated financial statements from the date of their acquisition and disposed subsidiaries are included up to the date of sale.

The purchase price related to subsidiary acquisitions includes possible assets at the fair value, liabilities of the acquirer for the earlier owners of the company and issued equity shares. Also possible contingent liabilities or assets at the fair value are considered as a part of the payment. Costs related to the acquisition are recognized in profit or loss when incurring or when services are rendered.

All intra-group transactions, receivables, liabilities, and unrealized margins, as well as distribution of profits within the Group, are eliminated in the consolidation. Net profit or loss for the reporting period and comprehensive income items are allocated to the parent company's shareholders and non-controlling interest parties and are presented in the comprehensive income. The share of the non-controlling interest is disclosed separately from the equity belonging to the shareholders of the parent company. The comprehensive income is allocated to the shareholders of the parent company and non-controlling parties even if this concludes to a negative share for the non-controlling interest unless non-controlling interest has no conclusive application to cover the loss exceeding the investment. Changes in subsidiary shares that do not conclude the loss of the control are reported as changes in equity. Acquisitions before January 1, 2010 are treated with previous standards.

In consolidated financial statements translation differences, that arise from translating hedging instruments of net investments in foreign operations, debts, and similar investments, are booked to other comprehensive income and cumulative translation difference is presented in equity. Translation reserve and post acquisition cumulative translation differences from acquired foreign companies are booked to other comprehensive income and presented as a separate item in equity.

### Operating segments

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments. The operating segments are based on the Group's internal organization and financial reporting structure.

Reflecting the new operational model announced in 2010, Outotec's business structure has changed. Financial reporting according to the new structure began on April 1, 2010. The new reportable operating segments according to IFRS 8 are Non-ferrous Solutions, Ferrous Solutions, and Energy, Light Metals and Environmental Solutions.

Geographical information is based on the main areas where the Group has activities and sales and is divided as follows: Finland, Germany, rest of Europe, North America, South America, Australia and Oceania, Asia, and Africa.

### Foreign currency transactions

Items of each subsidiary included in the consolidated financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that subsidiary ("the functional currency"). The consolidated financial statements are presented in euros, which is the functional currency of the parent company. Group companies' foreign currency transactions are translated into functional currencies using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the exchange rates prevailing at the reporting date. Foreign exchange gains and losses resulting from the settlement or translation of monetary interest-bearing assets and liabilities denominated in foreign currencies and related derivatives are recognized in financial income and expenses. Foreign exchange differences arising in respect of other financial instruments are included in operating profit under sales, purchases or other income and expenses. Comprehensive income and cash flows of subsidiaries, whose functional and reporting currencies is not euro, are translated into euros at the average exchange rates during the financial period. Their statements of financial positions are translated at the exchange rates prevailing at the reporting date. The differences between average exchange rates and reporting date rates are entered into equity and the change entered in other comprehensive income.

### Revenue recognition

Sales are recognized after the significant risks and rewards that are connected with ownership have been transferred to the buyer, and the Group retains neither a continuing managerial involvement to the degree usually associated with ownership, nor effective control of those goods. Revenues from services are recorded when the service has been performed. Sales are shown net of indirect sales taxes and discounts.

Revenue from long-term construction contracts is recognized based on the stage of completion when the outcome of the project can be reliably measured. The outcome of the project can be measured reliably, when total contract revenues and expenses can be measured reliably and when the progress of the project can be measured reliably and it is probable that the economic benefits associated with the project will flow to the Group. When the outcome of the project cannot be measured reliably, revenue shall be recognized only to the extent of contract costs incurred that is probable that they will be recoverable.

The stage of completion is measured by using the cost-to-cost method under which the percentage of completion is defined as the ratio of costs incurred to total estimated costs. Revenue recognition according to the stage of completion is based on the estimates of anticipated contract revenues and expenses and on the reliable measurement of the project progress. Revenue recognized and result will be adjusted if the estimates of the project outcome change. The cumulative effect of a change in the estimates will be recorded in the financial period in which the change was first time estimated and known. The expected loss of the project shall be recognized as an expense immediately.

All unfinished projects under the method of the percentage of completion are reviewed and the needed project liabilities are updated. In projects where the stage of completion is close to 100%, liabilities for performance guarantees, warranty period guarantees, possible provisions for project losses, and changes in accruals for project expenses are evaluated and made. Risks related to new commercialized products are also evaluated and quantified, and the necessary accruals are reserved.

License income is recognized on an accrual basis in accordance with the substance of the relevant technology transfer agreement.

### Research and development expenses

Research and development expenses are expensed as they are incurred, except for certain development costs, which are capitalized when it is probable that a development project will gener-

ate future economic benefits, and certain criteria, including commercial and technological feasibility, have been met. Capitalized development expenses comprise mainly materials, supplies, direct labor, and related overhead costs. The carrying value of capitalized development expenses in the statement of financial position represents the cost less accumulated depreciation and any impairment charges. Capitalized development expenses are amortized on a systematic basis over their expected useful live; however, up to 10 years. If the carrying value of capitalized development expenses exceeds the amount of the cash flows expected to be generated by the asset, the difference shall be recognized as an expense immediately.

### Income tax expenses

The Group income tax expense includes taxes of the Group companies based on taxable profit for the period, together with tax adjustments for previous periods and the change in deferred income taxes. The income tax effects of items recognized directly in equity or in other comprehensive income are similiarly recognized. The share of results of associated companies is reported in the statement of comprehensive income as calculated from net profit and thus includes the income tax charge. Deferred income taxes are stated using the liability method, as measured with enacted tax rates, to reflect the net tax effects of all temporary differences between the financial reporting and tax bases of assets and liabilities. The main temporary differences arise from the timing differences of the percentage of completion method, project provisions, purchase price allocation, other untaxed reserves and provisions, tax loss-carry forwards, depreciation difference on property, plant and equipment, pension provisions, valuation gains and losses on derivative instruments and other deductible or taxable temporary differences. Deductible temporary differences are recognized as a deferred tax asset to the extent that it is probable that future taxable profits will be available, against which the deductible temporary difference can be utilized.

### Non-recurring items

Non-recurring or one-time items are unusual items in the statement of comprehensive income that do not occur regularly and thus are not normal business operations in Outotec. They are one-time expenses that the management does not expect to encounter again. Non-recurring items are reported under other operating expenses and defined in the notes.

### Goodwill and other intangible assets

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets, liabilities, and contingent liabilities acquired. Goodwill is stated at cost and is not amortized, but tested annually for impairment. In respect of associated companies, the carrying amount of goodwill is included in the carrying amount of the investment.

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

Periods of amortization used for intangible assets are:

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

### Property, plant and equipment

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

Depreciation is based on the following expected useful lives:

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

Land is not depreciated.

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

### Government grants

Government or other grants are recognized as income on a systematic basis over the periods necessary to match them with the related costs, which they are intended to compensate. Investment grants are recognized as revenue on a systematic basis over the useful life of the asset. In the statement of financial position, investment grants are deducted from the value of the asset they relate to.

### Impairments

Property, plant and equipment and other non-current assets, including goodwill and intangible assets, are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Goodwill and intangible assets which are not yet available for use are tested at least annually. For the purposes of assessing impairment, assets are grouped at the lowest cash generating unit level for which there is separately identifiable, mainly independent, cash inflows and outflows. An impairment loss is the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is the asset's value in use. The value in use is determined by reference to discounted future net cash flows expected to be generated by the asset. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount. However, the reversal must not result in the adjusted value being higher than the carrying amount that would have been determined if no impairment loss had been recognized in prior years. Impairment losses recognized for goodwill are not reversed.

### Leases

Leases of property, plant and equipment, where the Group has substantially all the rewards and risks of ownership, are classified as finance leases. Finance leases are capitalized at the commencement of the lease term at the lower of the fair value of the leased property or the estimated present value of the underlying lease payments. Each lease payment is allocated between the capital liability and finance charges, to achieve a constant interest rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities with the interest element of the finance charge being recognized in the statement of comprehensive income over the lease period. Property, plant and equip-

ment acquired under finance lease contracts are depreciated over the shorter of the useful life of the asset or lease period. Leases of assets, where the lessor retains all the risks and benefits of ownership, are classified as operating leases. Payments made under other rental agreements, are expensed on a straight-line basis over the lease periods.

### Financial instruments

Financial instruments are classified as loans and receivables, held-to-maturity investments, available-for-sale financial assets, financial liabilities at amortized cost, and financial assets and liabilities at fair value through profit and loss. Equity investments are classified as available-for-sale financial assets. Interest-bearing securities and convertible loan receivables are classified as financial assets at fair value through profit and loss. Highly liquid marketable securities with maturity not exceeding three months are classified as cash equivalents.

According to the IFRS 7 standard, the company is required to classify available-for-sale financial assets into the following fair value hierarchy levels:

- Level 1 - fair values are measured using quoted prices (unadjusted) in active markets for identical instruments
- Level 2 - fair values are measured using directly or indirectly observable inputs, other than those included in Level 1
- Level 3 - fair values are measured using inputs that are not based on observable market data.

Available-for-sale financial assets, as well as financial assets and liabilities at fair value through profit and loss, are measured at fair value and the valuation is based on quoted rates and market prices and appropriate valuation models. Unlisted equity securities for which fair value cannot be reliably measured are recognized at cost less impairment. The unrealized fair value changes of available-for-sale financial assets are recognized in other comprehensive income and presented in fair value reserve of equity net of taxes. In the event such an asset is disposed of, the accumulated fair value changes are released from equity to financial income and expenses in the statement of comprehensive income. Impairments of available-for-sale financial assets are recognized in the statement of comprehensive income. Purchases and sales of available-for-sale financial assets are recognized at the trade date.

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

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

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

The majority of Outotec's derivatives are hedging underlying operative transactions although in accordance with the IAS 39 standard they are not classified as hedging instruments as they do not meet the IAS 39 standard criteria for hedge accounting. The fair value changes of these derivatives are recognized in operating profit under other income and expenses. However, if the derivative is assigned to financial items, the fair value changes are recognized in financial income and expenses.

For those projects where cash flow hedge accounting is applied, the effectiveness of the hedge is tested and documented according to IAS 39. The hedge results are recognized in the statement of comprehensive income in the same periods as the project revenue. The hedged cash flows are mainly customer prepayments that are recognized as revenue in the statement of comprehensive income using the percentage of completion method. The respective proportion of the hedge results has been recognized in the statement of comprehensive income as an adjustment to sales, and the remaining part in the other comprehensive income and presented in the cash flow hedge reserve in equity. The amounts in the cash flow hedge reserve also include a respective proportion of the realized result of hedges of customer prepayments that have already taken place but not recognized in statement of comprehensive income.

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

### Commitments and contingent liabilities

Outotec Oyj has issued commercial guarantees in connection with long-term construction contracts on its own and on behalf of its subsidiaries. Guarantees have been given in order to secure customers' advance payments or counter secure commercial guarantees given by a bank to a customer or financing needs of local subsidiaries. Certain guarantees relate also to other commercial contractual obligations.

Guarantees, pledges, and mortgages have been presented as commitments and contingent liabilities in notes to the consolidated financial statements.

Guarantees issued will be discharged as agreed under the terms of the commercial contract and the contract of guarantee.

### Inventories

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

### Trade receivables

Trade receivables are carried at their anticipated realizable value, which is the original invoice amount less an estimated valuation allowance for impairment of these receivables. A valuation allowance for impairment of trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

### Cash and cash equivalents

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

### Treasury shares

The purchase of treasury shares with associated transaction costs has been deducted from shareholder's equity in the consolidated financial statements.

### Provisions

Provisions are recognized in the statement of financial position when Outotec has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions can arise from warranty period guarantees or provisions for project losses, restructuring plans, litigation, tax or from environmental plans.

### Employee benefits

#### Pension obligations

Group companies in different countries have various pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. The contributions to defined contribution plans are charged to the statement of comprehensive income in the year to which they relate. The present value of the obligation of defined benefit plans is determined using the projected unit credit method. In calculating the Group's obligation with respect to a plan, the extent to which the cumulative unrecognized actuarial gain or loss exceeds the greater of the present value of the defined benefit obligation by more than 10% is identified. That excess portion is recognized in the statement of comprehensive income over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

### Share-based payments

#### Share-based incentive program 2008-2010

No shares were allocated for the 2009 earnings period. The board of directors also decided not to select individuals or earning criteria for the 2010 earning period since the Incentive Program 2010-2012 replaced the old program.

#### Share-based incentive program 2010-2012

Outotec's board of directors decided to adopt a new share-based incentive program for the company's key personnel. The program has three earning periods: calendar years 2010, 2011 and 2012. The board determines the amount of the maximum reward for each individual, the earning criteria and the targets established for them separately on an annual basis. The board approved 71 individuals in the scope of the Incentive Program 2010-2012 for the 2010 earning period, which began on January 1, 2010. The reward is based on the achievement of the targets set for cost savings, order intake and earnings per share. The reward will be paid in 2011 in the company's shares and as a cash payment which equals income taxes and comparable to tax expenses. The individual must hold the earned shares for at least two years following the end of the earning period. If the individual's employment ends during this engagement period, (s)he has to return all or part of the earned shares to the company without compensation. Since the share reward is paid as a combination of shares and cash, the measurement of the fair value of the reward is made according to IFRS 2.

The fair value of share-based payment is measured on the day on which the share-based payment plan is agreed upon between the counterparties. Since the person is not entitled to receive dividends during the earning period, the dividends expected to be paid have been deducted from the share price of the grant date when measuring the fair value. The component settled in shares will be recognized in shareholders' equity and the payment settled in cash in liabilities. Correspondingly, the fair value of the liability incurred in respect of a cash-settled transaction is remeasured on each reporting date until the reward payment, and the fair value of the liability will thus change in accordance with the Outotec share price.

### Dividends

The dividend proposed by the Board of Directors is not deducted from distributable equity until approved by the Annual General Meeting of Shareholders.

### Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the equity holders of the parent company by the weighted average number of shares in issue during the year, excluding purchased treasury shares. Diluted earnings per share is calculated as if the warrants and options were exercised at the beginning of the period. In addition to the weighted average number of shares outstanding, the denominator includes the incremental shares obtained through the assumed exercise of the warrants and options. The assumption of exercise is not reflected in earnings per share when the exercise price of the warrants and options exceeds the average market price of the shares during the period. The warrants and options have a diluting effect only when the average market price of the share during the period exceeds the exercise price of the warrants and options.

## 3. Operating Segments

Outotec's business operations are divided into operating segments. The operating segments are based on the Group's internal organization and financial reporting structure. The new operational model of Outotec was published in 2010 which changed Outotec's organization. Reflecting the new operational model Outotec's reportable operating segments are: Non-ferrous Solutions, Ferrous Solutions and Energy, Light Metals and Environmental Solutions. Comparable figures of 2009 have been updated for the segments of the new operational model.

Pricing of inter-segment transactions is based on current market prices. Segment assets and liabilities are operative items, which are used in a segment's business operations or which can on a reasonable basis be allocated to the segments. Unallocated items include taxes, financial items, and items which are common for the whole group. Investments consist of additions in intangible and tangible assets, which are used on during more than one financial year.

### Non-ferrous Solutions

Non-ferrous Solutions consists of businesses related to the processing of copper, nickel, zinc, lead, gold, silver and platinum group metals as a full process chain from ore to metal as well as industrial minerals. The offering of the business area comprises technologies based on proprietary product development, engineering, production equipment, system integrations, project deliveries, as well as training, maintenance, and spare parts services. Deliveries may vary from small equipment deliveries to large solutions and services. Its advanced technologies are used to process copper, nickel, zinc, lead, gold, silver, platinum metals, and industrial minerals. The international customers of the business area mainly consist of mining companies, non-ferrous metals producers, as well as engineering and project firms. The acquired businesses Larox, Ausmelt and Millteam are included in this business area.

### Ferrous Solutions

Ferrous Solutions consists of businesses related to the processing of iron ores and other ferriferous materials to produce concentrates, pellets, sinter, direct reduced and hot briquette iron, ferroalloys and titanium feedstock. The offering of the business area includes feasibility studies, engineering, process equipment, automation, project implementation, and services covering the life-cycle of a plant. Due to their energy efficiency and environmental soundness, many of the processes developed by the business area are rated best available technologies according to the EU's classification. Ferrous Solutions' customers are producers of steel and ferroalloys around the world.

### Energy, Light Metals and Environmental Solutions

Energy, Light Metals and Environmental Solutions consists of businesses related to energy (incl. oil shale, oil sands and biomass materials) alumina, aluminum and light metals processing. Business areas solutions include sulfuric acid plants, applications for gas cleaning and heat recovery as well as the treatment of industrial and municipal wastewater. The acquisition of Edmeston is included in this business area.

## 3.1 Operating Segments

| EUR million | Non-ferrous Solutions | Ferrous Solutions | Energy, Light Metals and Environmental Solutions | Reportable segments | Unallocated items | Inter-segment eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| **2010** | | | | | | | |
| External sales | 618.3 | 130.6 | 220.7 | **969.6** | -0.0 | - | **969.6** |
| Inter-segment sales | 5.0 | 0.9 | 2.1 | **8.0** | 11.9 | -19.9 | **-** |
| Sales | 623.3 | 131.5 | 222.8 | **977.6** | 11.9 | -19.9 | **969.6** |
| Share of results of associated companies | - | - | -0.3 | **-0.3** | - | - | **-0.3** |
| Operating profit | 26.1 | 11.3 | 26.8 | **64.2** | -22.6 | - | **41.6** |
| Financial income and expenses | - | - | - | **-** | - | - | **-4.5** |
| Profit before income taxes | - | - | - | **-** | - | - | **37.1** |
| Income tax expenses | - | - | - | **-** | - | - | **-10.4** |
| Profit for the period | - | - | - | **-** | - | - | **26.7** |
| Depreciation and amortization | -16.3 | -0.9 | -3.3 | **-20.5** | -1.0 | - | **-21.5** |
| Impairments | -10.6 | -0.8 | -0.4 | **-11.7** | -2.0 | - | **-13.7** |
| Non interest-bearing assets | 518.4 | 73.4 | 131.9 | **723.7** | 29.9 | -26.8 | **726.8** |
| Investments in associated companies | - | - | 0.3 | **0.3** | - | - | **0.3** |
| Interest-bearing assets | - | - | - | **-** | - | - | **283.2** |
| Current tax assets | - | - | - | **-** | - | - | **19.9** |
| Deferred tax assets | - | - | - | **-** | - | - | **37.8** |
| Total assets | - | - | - | **-** | - | - | **1,068.0** |
| Non interest-bearing liabilities | 335.7 | 11.3 | 234.9 | **581.9** | 10.6 | -26.8 | **565.7** |
| Interest-bearing liabilities | - | - | - | **-** | - | - | **82.3** |
| Current tax liabilities | - | - | - | **-** | - | - | **15.4** |
| Deferred tax liabilities | - | - | - | **-** | - | - | **46.8** |
| Total liabilities | - | - | - | **-** | - | - | **710.2** |
| Capital expenditure | 72.4 | 1.5 | 19.0 | **92.9** | 3.9 | - | **96.7** |

| EUR million | Non-ferrous Solutions | Ferrous Solutions | Energy, Light Metals and Environmental Solutions | Reportable segments | Unallocated items | Inter-segment eliminations | Consoli-dated |
|---|---|---|---|---|---|---|---|
| 2009 | | | | | | | |
| External sales | 473.7 | 146.6 | 257.3 | 877.5 | 0.1 | - | 877.7 |
| Inter-segment sales | 8.9 | 0.1 | 1.5 | 10.4 | 10.8 | -21.3 | - |
| Sales | 482.6 | 146.7 | 258.7 | 888.0 | 11.0 | -21.3 | 877.7 |
| Share of results of associated companies | - | - | -0.2 | -0.2 | - | - | -0.2 |
| Operating profit | 35.1 | 9.5 | 27.6 | 72.1 | -13.5 | - | 58.6 |
| Financial income and expenses | - | - | - | - | - | - | 2.2 |
| Profit before income taxes | - | - | - | - | - | - | 60.9 |
| Income tax expenses | - | - | - | - | - | - | -18.6 |
| Profit for the period | - | - | - | - | - | - | 42.3 |
| Depreciation and amortization | -7.7 | -0.4 | -3.3 | -11.4 | -0.7 | - | -12.1 |
| Non interest-bearing assets | 361.5 | 44.3 | 137.5 | 543.4 | 25.7 | 24.8 | 593.9 |
| Investments in associated companies | 10.6 | - | 0.3 | 10.9 | - | - | 10.9 |
| Interest-bearing assets | - | - | - | - | - | - | 264.2 |
| Current tax assets | - | - | - | - | - | - | 14.8 |
| Deferred tax assets | - | - | - | - | - | - | 25.8 |
| Total assets | - | - | - | - | - | - | 909.6 |
| Non interest-bearing liabilities | 199.0 | 10.9 | 241.1 | 451.1 | 4.1 | -20.8 | 434.3 |
| Interest-bearing liabilities | - | - | - | - | - | - | 73.2 |
| Current tax liabilities | - | - | - | - | - | - | 10.7 |
| Deferred tax liabilities | - | - | - | - | - | - | 49.0 |
| Total liabilities | - | - | - | - - | - | - | 567.2 |
| Capital expenditure | 85.9 | 2.3 | 4.5 | 92.7 | 5.3 | - | 98.0 |

## 3.2 Information about geographical areas

| EUR million | Finland | Germany | Rest of Europe [1] | North America | South America | Australia and Oceania | Asia | Africa | Inter-area eliminations | Investments in associated companies | **Consolidated** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2010** | | | | | | | | | | | |
| Sales by destination [2] | 42.8 | 10.2 | 138.4 | 98.8 | 225.5 | 117.9 | 218.3 | 117.6 | - | - | **969.6** |
| Sales by origin [3] | 336.0 | 245.5 | 35.9 | 97.9 | 125.3 | 182.0 | 30.8 | 73.6 | -157.4 | - | **969.6** |
| Non-current assets [3] | 131.7 | 50.3 | 20.3 | 12.1 | 5.7 | 19.7 | 1.3 | 1.7 | 33.6 | 0.3 | **276.5** |
| Capital expenditure [3] | 43.4 | 2.8 | 19.7 | 0.7 | 0.9 | 28.5 | 0.4 | 0.4 | - | - | **96.7** |
| 2009 | | | | | | | | | | | |
| Sales by destination [2] | 58.9 | 2.3 | 130.9 | 41.2 | 237.1 | 49.7 | 280.7 | 76.8 | - | - | 877.7 |
| Sales by origin [3] | 228.2 | 329.0 | 37.3 | 57.3 | 117.8 | 115.4 | 12.6 | 46.8 | -66.8 | - | 877.7 |
| Non-current assets [3] | 146.2 | 49.3 | 1.6 | 12.4 | 4.8 | 4.5 | 0.8 | 0.9 | 1.9 | 10.9 | 233.6 |
| Capital expenditure [3] | 83.0 | 5.4 | 0.7 | 0.7 | 1.1 | 6.0 | 0.7 | 0.3 | - | - | 98.0 |

[1] Includes CIS countries.
[2] Sales by destination is presented for external sales.
[3] Sales, non-current assets, and capital expenditure are presented by the location of the company.

## 3.3 Information about major customers

In 2010 and in 2009, there were no such external customers from which recognized sales would have been over ten percent of Group's total sales.

## 4. Business combinations

### Acquisition of Larox Group

Outotec completed the acquisition of control in Larox through a directed share issue on December 21, 2009, and made a mandatory public tender offer for the remaining Larox shares. On January 27, 2010, Outotec announced the final result of the tender offer, according to which the Larox shares in Outotec's ownership represented approximately 98.5% of all the Larox shares and approximately 99.7% of all the votes attached to the Larox shares. On June 10, 2010, the Arbitral Tribunal confirmed that Outotec has gained title to all the Larox shares by lodging security for the payment of the redemption price and the interest accruing thereon. The redemption price and accrued interest was paid during the third quarter of 2010.

The total purchase price of Larox shares was EUR 94.5 million including capitalized transaction costs of EUR 4.1 million. Most of the consideration for the Larox shares purchased was paid in the form of 3,780,373 new Outotec shares, which totalled to EUR 88.1 million.

The following purchase price allocation was finalized during the financial year 2010. The purchase price has been allocated to intangible assets such as technologies, trademarks, and customer relationships. The goodwill is mainly based on experienced personnel of Larox and on the synergy benefits that have been estimated to be at least EUR 7 million annually. Synergy benefits come partly from combining Larox and Outotec sales and service networks and partly from Larox's better growth opportunities as a part of Outotec. During the year 2010, the fair value of property, plant and equipment, intangible assets and other receivables were updated. These adjustments were minor and they did not have any effect on profit or loss.

| EUR million | Note | Fair values recorded on acquisition | Carrying amounts prior to acquisition |
|---|---|---|---|
| Intangible assets | 14 | **41.2** | 17.4 |
| Property, plant and equipment | 15 | **11.9** | 12.9 |
| Inventories | 20 | **26.3** | 22.8 |
| Trade and other receivables | 21 | **40.7** | 39.0 |
| Cash and cash equivalents | 22 | **1.5** | 1.5 |
| **Total assets** | | **121.8** | 93.8 |
| | | | |
| Interest-bearing liabilities | 26 | **34.6** | 34.6 |
| Deferred tax liabilities | 12 | **12.0** | 1.7 |
| Trade and other payables | 27 | **32.0** | 32.0 |
| **Total liabilities** | | **78.6** | 68.3 |
| | | | |
| **Net assets** | | **43.2** | 25.5 |
| | | | |
| **Acquisition cost (equity)** | | **88.1** | |
| **Acquisition cost (cash)** | | **6.5** | |
| **Goodwill** | 14 | **51.3** | |
| | | | |
| Cash and cash equivalents in subsidiaries acquired | | **1.5** | |
| Acquisition cost paid in cash at December 31, 2010 | | **4.4** | |
| Acquisition cost paid in cash at December 31, 2009 | | **2.0** | |
| **Cash flow effect at December 31, 2010** | | **4.4** | |

In 2009, the sales of Larox Group was approximately EUR 150.2 million and the operating loss approximately EUR -1.8 million.

### Effect of Larox acquisition on Outotec Group's sales and profit for the period in 2009

Outotec's sales for January 1, 2009-December 31, 2009, would have been EUR 1,027.9 million and profit for the period EUR 31.8 million if the acquisition carried out during the period had been completed on January 1, 2009.

## Acquisition of Ausmelt Limited

On March 23, 2010, Outotec successfully completed the acquisition of the Australian-listed company Ausmelt Ltd and now owns 100% of all the company's shares and votes. The acquisition price of the shares was approximately AUD 49 million (approximately EUR 30 million). Due to IFRS 3 requirements, all shares of Ausmelt Ltd were valued at fair value when Outotec reached the majority ownership which, increased the value of the shares of Ausmelt Ltd by approximately EUR 3.3 million. In addition, transaction costs of EUR 1.1 million were recognized under Other Expenses in the Statement of Comprehensive Income.

Ausmelt's principal activities are the development, design, engineering, and supply of Top Submerged Lance (TSL) smelting technology for the production of metals and processing of industrial wastes. Ausmelt's TSL technology complements Outotec's smelting technology portfolio. Outotec currently has flash smelting technology for copper and nickel primary smelting in large scale plants, whereas Ausmelt's TSL technology is suitable for small to mid-size plants as well as a variety of other feed materials, such as ferrous metals, zinc, lead and tin concentrates, zinc bearing residues, and various secondary and waste materials. An additional benefit of the technology is that it allows for the recovery of valuable metals from by-products.

The sales of the acquired company in the reporting period from the date of acquisition to December 31, 2010, was EUR 11.1 million and profit for the period was EUR -0.1 million.

The following purchase price allocation was finalized during the financial year 2010. The purchase price has been allocated to intangible assets (technology, order backlog, customer relations) and property, plant and equipment. The goodwill is mainly based on Ausmelt's experienced personnel and the synergy benefits that are expected to come from Ausmelt's better growth opportunities as a part of Outotec as it benefits from Outotec's global sales network. During the year 2010, there were only minor adjustments to fair values of intangible assets and property, plant and equipment. In addition, a minor adjustment related to opening balances of trade and other payables was recorded. These adjustments did not have any effect on profit or loss.

| EUR million | Note | Fair values recorded on acquisition | Carrying amounts prior to acquisition |
|---|---|---|---|
| Intangible assets | 14 | **10.1** | 0.5 |
| Property, plant and equipment | 15 | **1.2** | 0.2 |
| Inventories | 20 | **0.6** | 0.6 |
| Trade and other receivables | 21 | **2.5** | 2.5 |
| Cash and cash equivalents | 22 | **4.4** | 4.4 |
| **Total assets** | | **18.7** | 8.2 |
| Deferred tax liabilities | 12 | **3.1** | - |
| Trade and other payables | 27 | **8.3** | 8.3 |
| **Total liabilities** | | **11.4** | 8.3 |
| **Net assets** | | **7.3** | -0.1 |
| **Acquisition cost** | | **36.6** | |
| **IFRS fair valuation of shares** | | **3.3** | |
| **Translation differences** | | **-0.4** | |
| **Goodwill** | 14 | **32.3** | |
| Cash and cash equivalents in subsidiaries acquired | | **4.4** | |
| Acquisition cost paid in cash at December 31, 2010 | | **26.2** | |
| Acquisition cost paid in cash at December 31, 2009 | | **10.4** | |
| Exchange differences | | **-2.2** | |
| **Cash flow effect at December 31, 2010** | | **19.6** | |

## Other acquired businesses

Outotec completed acquisition of Millteam Sweden's service business on March 18, 2010 and strengthened its service business. Millteam offers maintenance services, complete installations, installation supervision, maintenance inspections, and service of equipment for mining companies and has special expertise in grinding mill services. The annual sales volume of the Millteam business is approximately EUR 4 million and it employs 35 persons. The Millteam acquisition supports Outotec's strategy to expand and enhance its service business. With its new service center in Sweden, Outotec can provide better life cycle services to customers in Europe and the CIS region.

Outotec complemented its sulfuric acid production technologies with the acquisition of Edmeston AB shares on May 17, 2010. Edmeston AB is a Swedish, Gothenburg-based company specializing in engineering and supply of process equipment used primarily in sulfuric acid plants. The company has unique know-how of special stainless steel grades suitable for use in highly corrosive environments. Edmeston's annual revenues are approximately EUR 10 million, and it employs around a dozen professionals. The acquisition of Edmeston strengthens Outotec's position as the leading provider of sulfuric acid production technology. Edmeston complements Outotec's offerings to sulfuric acid plant operators allowing Outotec to enhance its service level particularly in equipment refurbishments and upgrades.

The sales of the acquired businesses in the reporting period from the dates of the acquisitions to December 31, 2010, was EUR 11.4 million and profit for the period was EUR 1.4 million.

The acquisition price of the Millteam Sweden service business and Edmeston AB was approximately SEK 170 million (approximately EUR 19 million). Transaction costs of EUR 0.3 million have been recognized under Administrative Expenses in the Statement of Comprehensive Income.

The following purchase price allocation is combined and it was finalized during the financial year 2010. The purchase price has been allocated to intangible assets such as technologies, trademarks, and customer relationships. In addition, property, plant and equipment have been adjusted to fair value. The goodwill is primarily based on the companies' experienced personnel and the synergy benefits that are expected to come from better growth opportunities as a part of Outotec.

| EUR million | Note | Fair values recorded on acquisition | Carrying amounts prior to acquisition |
|---|---|---|---|
| Intangible assets | 14 | **5.4** | - |
| Property, plant and equipment | 15 | **0.4** | 0.1 |
| Inventories | 20 | **3.1** | 3.1 |
| Trade and other receivables | 21 | **0.3** | 0.3 |
| Cash and cash equivalents | 22 | **0.9** | 0.9 |
| **Total assets** | | **10.1** | 4.4 |
| Deferred tax liabilities | 12 | **1.3** | - |
| Trade and other payables | 27 | **2.2** | 2.2 |
| **Total liabilities** | | **3.5** | 2.2 |
| **Net assets** | | **6.6** | 2.3 |
| **Acquisition cost** | | **19.1** | |
| **Translation differences** | | **-0.6** | |
| **Goodwill *)** | 14 | **11.9** | |
| Cash and cash equivalents in subsidiaries acquired | | **0.9** | |
| Acquisition cost paid in cash at December 31, 2010 | | **19.1** | |
| Exchange differences | | **-1.1** | |
| **Cash flow effect at December 31, 2010** | | **17.1** | |

*) of which EUR 0.8 million is deductible for tax purposes.

## Effect of acquired business combinations on Outotec Group's sales and profit for the period in 2010.

Outotec's sales for January 1, 2010-December 31, 2010, would have been EUR 974.6 million and profit for the period EUR 27.7 million if the acquisition of Millteam's business operations and Edmeston AB would have been completed on January 1, 2010. Larox Group and Ausmelt have been consolidated into Outotec Group from the beginning of 2010.

## 5. Construction contracts

| EUR million | 2010 | 2009 |
|---|---|---|
| Revenue from construction contracts recognized as income during the financial year | **622.8** | 659.2 |
| Incurred costs and profits (less recognized losses) related to work in progress constructions contracts at the end of the financial year | **107.6** | 671.6 |
| Advances received related to work in progress construction contracts [1] | **979.1** | 1 025.1 |
| Gross amount due from customers related to work in progress construction contracts | **132.2** | 98.1 |
| Gross amount due to customers related to work in progress construction contracts [2] | **198.9** | 164.0 |

[1] Includes gross advances received related to work in progress construction contracts.
[2] Includes net advances received after percentage of completion revenue recognition.

## 6. Other income

| EUR million | 2010 | 2009 |
|---|---|---|
| Gains on sale of intangible and tangible assets | **0.3** | 0.1 |
| Gains on disposal of subsidiary shares | **0.6** | - |
| IFRS revaluation of Ausmelt Ltd. shares | **3.3** | - |
| Market price gains from derivatives | **1.9** | - |
| Income of arbitration settlement | **-** | 2.4 |
| Other income | **1.0** | 1.6 |
| | **7.1** | 4.1 |

## 7. Other expenses

| EUR million | 2010 | 2009 |
|---|---|---|
| Losses on disposals of intangible and tangible assets | **-0.0** | -0.2 |
| Market price losses from derivatives | **-** | -0.1 |
| Acquisition costs related to Ausmelt Ltd | **-1.1** | - |
| Impairments of intangible assest and property, plant and equipment related to restructuring | **-13.7** | - |
| One-time items related to restructuring | **-12.8** | - |
| Impairment loss from Pacific Ore Ltd's shares | **-** | -2.5 |
| Other expenses | **-3.0** | -1.1 |
| | **-30.6** | -3.9 |

## 8. Function expenses by nature

| EUR million | 2010 | 2009 |
|---|---|---|
| Merchandise and raw materials | **-439.4** | -430.5 |
| Logistics expenses | **-16.1** | -19.9 |
| Employee benefit expenses | **-224.4** | -159.5 |
| Rents and leases | **-19.1** | -15.1 |
| Depreciation and amortization [1] | **-21.5** | -12.1 |
| Change in inventories | **-3.6** | -15.5 |
| Services purchased [2] | **-88.3** | -88.5 |
| Other expenses [3] | **-91.9** | -77.8 |
| | **-904.3** | -819.1 |

[1] Purchase price allocation amortizations related to acquisitions were EUR 9.4 million in 2010.
[2] Services purchased includes audit fees of EUR 1.0 million (2009: EUR 0.6 million) and fees for ancillary services of EUR 0.5 million (2009: EUR 0.6 million) paid to the companies operated by the firm of independent public accountants KPMG, in different countries. Audit fees for other independent public accountants were EUR 0.3 million (2009: EUR 0.0 million)
[3] Includes grants received EUR 1.3 million in 2010 (2009: EUR 2.0 million).

Expenses by function include cost of sales, selling and marketing, administrative as well as research and development expenses.

**Other income and expenses comprise the following non-recurring items, which have affected financial performance for the period:**

## Non-recurring items

| EUR million | **2010** | 2009 |
|---|---|---|
| One-time costs related to restructuring | **-26.5** | - |
| Net effect on acquisition costs and revaluation of Ausmelt Ltd. shares | **2.2** | - |
| Gains on disposal of subsidiary shares | **0.6** | - |
| Impairment loss from Pacific Ore Ltd's shares | **-** | -2.5 |
| Arbitration settlement | **-** | 2.4 |

## 9. Employee benefit expenses

| EUR million | **2010** | 2009 |
|---|---|---|
| Wages and salaries | **-181.2** | -132.9 |
| Termination benefits | **-5.8** | -0.4 |
| Social security costs | **-17.3** | -11.5 |
| Pension and other post-employment benefits | | |
| Defined benefit plans | **-2.2** | -1.8 |
| Defined contribution plans | **-11.7** | -12.2 |
| Other post-employment benefits | **-0.2** | -0.2 |
| Other personnel expenses | **-6.0** | -0.6 |
| | **-224.4** | -159.5 |

## Share-based incentive programs

### Share-based Incentive Program 2008-2010

No shares were allocated for the 2009 earnings period. The board of directors also decided not to select individuals or earning criteria for the 2010 earning period since the Incentive Program 2010-2012 replaced the old program.

### Share-based Incentive Program 2010-2012

Outotec's board of directors decided to adopt a new share-based incentive program for the company's key personnel. The program comprises three earning periods: calendar years 2010, 2011 and 2012. The board determines the amount of the maximum reward for each individual, the earning criteria and the targets established for them separately on an annual basis.

The board approved 71 individuals within the scope of the Incentive Program 2010-2012 for the 2010 earning period, which began on January 1, 2010. The reward is based on the achievement of the targets set for cost savings, order intake and earnings per share. The reward will be paid in 2011 in the company's shares and as a cash payment which equals income taxes. The person must hold the earned shares for at least two years following the end of the earning period. If the person's employment ends during this engagement period, (s)he has to return all or part of the earned shares to the company without compensation.

The maximum total reward for the 2010 earning period of the Incentive Program 2010-2012 is equal to the value of 361,750 Outotec shares, and the maximum value of the rewards of the entire Incentive Program 2010-2012 is equal to approximately 1,000,000 shares, including the cash payment.

For more information about share-based incentive program, please see Note 10. Share-based payments.

For more information about key management employee benefits, please see Note 31. Related party transactions.

## 10. Share-based payments

In April 2010 the Board of Directors of Outotec Oyj agreed to establish the Share Ownership Plan 2010-2012. The plan was established as a part of the incentive and commitment program for the key personnel of the Company and its subsidiaries. The plan offers the target group the opportunity to earn the company shares as a reward for achieving targets established for the earning period. The plan includes three earning periods, each with a duration of one calendar year.

Under the plan a reward of up to 500,000 shares may be given and also a cash payment of up to the amount needed for payment of the taxes and tax-related costs incurred by the key persons as a result of the reward at the time the shares are transferred.

The plan includes three earning periods, which are the calendar years 2010, 2011, and 2012. The Board of Directors shall determine the amount of the maximum reward, the earning criteria and the targets established for them separately on an annual basis. The attaining of the targets established for the earning criteria will determine how large a portion of the maximum will be paid to the key persons.

The reward paid on the basis of the share ownership plan will be paid during the spring of the year following the close of the earning period as a combination of shares and a cash.

The reward will not be paid if the person's employment ends before the close of the earning period. The person must also hold the earned shares and remain employed for at least two years after the close of the earning period.

Share-based incentive program 2010-2012 replaces the old program. Under the share-based incentive program 2008-2010 Outotec shares were allocated to key employees only from the earnings period 2008. The restriction period of the earning period 2008 ended on December 31, 2010. From the earning period 2009 no shares were paid, the reward was paid in cash based on average rate of Outotec share in February 2010.

| | **Share ownership plan 2010-2012** | Share ownership plan 2008-2010 | |
|---|---|---|---|
| **Basic information concerning the share ownership plan** | **Earning period 2010** | Earning period 2009 | Earning period 2008 |
| Grant dates | April 23, 2010 | March 30, 2009, and June 30, 2009 | March 3, 2008 |
| Form of the reward | Shares and cash | Shares and cash | Shares and cash |
| Target group | Key employees | Key employees | Key employees |
| Maximum number of shares [1] | 500,000 | 249,000 | 82,500 |
| Beginning of earning period | January 1, 2010 | January 1, 2009 | January 1, 2008 |
| End of earning period | December 31, 2010 | December 31, 2009 | December 31, 2008 |
| Vesting conditions | EPS, cost savings, order intake deducted with cancellations<br>Employment until the end of the restriction period | Operating profit, profit for the period, order intake deducted with cancellations<br>Employment until the end of the restriction period | EPS, order backlog and turnover of Services business<br>Employment until the end of the restriction period |
| End of restriction period | January 1, 2013 | January 1, 2012 | January 1, 2011 |
| Maximum contractual life, years | 2.7 | 2.8 | 2.8 |
| Remaining contractual life, years | 2.0 | Expired | Expired |
| Number of persons at December 31, 2010 | 68 | - | - |

[1] The maximum amount of the share reward includes a component to be paid in cash. The amount of cash to be paid corresponds to a maximum 1.5 times the value of shares at the time of transfer.

The changes in the amounts of share ownership plan in the 2010 financial year are presented in the table below. Since the cash component of the share reward is also recognised as a share-based expense, the amounts below are presented in gross terms, i.e. the share reward figures include both the reward paid in shares and a number of shares corresponding to the amount of the reward paid in cash.

| **Changes in 2010 financial year** | Earning period 2010 | Earning period 2009 | Earning period 2008 | **Total** |
|---|---|---|---|---|
| **Gross amounts at January 1, 2010 [2], number of shares** | | | | |
| Outstanding at the beginning of the period | - | 249,000 | 14,687 | **263,687** |
| **Changes during the period, number of shares** | | | | |
| Share rewards granted | 410,450 | - | | **410,450** |
| Share rewards returned | - | 247,115 | - | **247,115** |
| Share rewards paid | - | 1,885 | - | **1,885** |
| Share rewards forfeited (includes returned shares) | - | 1,885 | 14,687 | **16,572** |
| **Gross amounts at December 31, 2010 [2], number of shares** | | | | |
| Outstanding at the end of the period [3] | 410,450 | - | - | **410,450** |
| Exercisable at the end of the period | 410,450 | - | - | **410,450** |

[2] Number of shares include cash-settled payments of the plan (in terms of number of shares).
[3] Weighted remaining contractual life in years was 2.0.

### Fair value of the share reward

Inputs to the fair value determination of the rewards expensed during the financial year 2010 are listed in the table below as weighted average values. The total fair value of the rewards is based on the company's estimate at December 31, 2010, as to the number of shares to be eventually vested.

| **Measurement of the fair value of the share reward** | Granted 2010 | Granted 2009 | Granted 2008 |
|---|---|---|---|
| Share price at the grant date, EUR | 28.10 | 24.17 | 37.28 |
| Expected dividends, EUR | 0.70 | 0.59 | 1.76 |
| Fair value per share accounted for as equity-settled reward, EUR | 27.40 | 24.03 | 35.52 |
| Fair value per share of the cash-settled reward at the settlement date / at the end of the period, EUR | 45.77 | 27.20 | 15.09 |
| **Fair value at December 31, 2010, EUR million** | 5.4 | 0.4 | 0.7 |

| **Effect on earnings during the period and financial position at December 31, 2010,** EUR million | Granted 2010 | Granted 2009 | Granted 2008 | **Total** |
|---|---|---|---|---|
| Expenses recognized for the period from share-based payments | 1.4 | 0.2 | 0.3 | **1.8** |
| Expenses accounted for as equity-settled share-based payment | 0.5 | 0.0 | 0.2 | **0.7** |
| Value of liability for cash-settled share-based payments at December 31, 2010 | 0.9 | 0.3 | - | **1.2** |

| **Effect on earnings during the period and financial position at December 31, 2009,** EUR million | Granted 2009 | Granted 2008 | Total |
|---|---|---|---|
| Expenses recognized for the period from share-based payments | 0.2 | 0.3 | 0.5 |
| Expenses accounted for as equity-settled share-based payment | 0.1 | 0.2 | 0.3 |
| Value of liability for cash-settled share-based payments at December 31, 2009 | 0.1 | - | 0.1 |

## 11. Finance income and expenses

### Recognized in profit or loss

| EUR million | **2010** | 2009 |
|---|---|---|
| Interest income on bank deposits and commercial papers | **4.8** | 5.8 |
| Interest income on loans and receivables | **0.4** | 0.1 |
| Other finance income | **0.2** | 0.1 |
| Total finance income | **5.4** | 6.0 |
| | | |
| Interest expenses | | |
| Financial liabilities measured at amortized cost | | |
| Current and non-current debt | **-3.7** | -0.8 |
| Finance lease arrangements | **-0.0** | -0.0 |
| Other finance expenses | **-4.6** | -3.6 |
| Total finance expenses | **-8.2** | -4.4 |
| | | |
| Exchange gains and losses | **-2.4** | 0.6 |
| Other market price gains and losses | **0.7** | 0.0 |
| Total market price gains and losses | **-1.7** | 0.6 |
| Total finance income and expenses | **-4.5** | 2.2 |

### Exchange gains and losses recognized in profit or loss

| EUR million | **2010** | 2009 |
|---|---|---|
| In sales | **-5.8** | 0.2 |
| In purchases | **-5.1** | 1.2 |
| In other income and expenses | **1.9** | -0.1 |
| In finance income and expenses | **-2.4** | 0.6 |
| | **-11.3** | 2.0 |

### Recognized in other comprehensive income

| EUR million | **2010** | 2009 |
|---|---|---|
| Exchange differences on translating foreign operations | **25.5** | 19.5 |
| Cash flow hedges | **0.9** | 2.7 |
| Income tax related to cash flow hedges | **-0.2** | -0.3 |
| Available-for-sale financial assets | **0.3** | 2.4 |
| Income tax related to available-for-sale financial assets | **0.0** | -0.0 |
| | **26.5** | 24.3 |

## 12. Income tax expenses

### Income tax expenses recognized in profit or loss

| EUR million | **2010** | 2009 |
|---|---|---|
| **Current taxes** | | |
| Accrued taxes for the year | | |
| Finnish companies | **-1.1** | -1.5 |
| Companies outside Finland | **-29.9** | -14.9 |
| Tax adjustments for prior years | | |
| Finnish companies | **0.4** | 1.8 |
| Companies outside Finland | **-0.3** | 0.9 |
| | **-30.9** | -13.7 |
| **Deferred taxes** | | |
| Deferred taxes | | |
| Finnish companies | **9.9** | -1.3 |
| Companies outside Finland | **9.1** | -3.7 |
| Effect of consolidation and eliminations | **1.5** | 0.2 |
| | **20.5** | -4.9 |
| **Total income tax expenses** | **-10.4** | -18.6 |

### Income taxes recognized in other comprehensive income

| EUR million | **2010** | 2009 |
|---|---|---|
| Income tax relating to cash flow hedges | **-0.2** | -0.3 |
| Income tax relating to available-for-sale investment | **0.0** | -0.0 |
| | **-0.2** | -0.3 |

### The difference between income taxes at the statutory tax rate in Finland (26%) and income taxes recognized in profit or loss is reconciled as follows:

| EUR million | **2010** | 2009 |
|---|---|---|
| Hypothetical income taxes at Finnish tax rate on consolidated profit before tax | **-9.6** | -15.8 |
| Effect of different tax rates outside Finland | **-1.6** | -0.5 |
| Non-credited foreign withholding taxes | **-0.8** | -1.2 |
| Tax effect of non-deductible expenses and tax exempt income | **-0.8** | -0.9 |
| Tax effect of losses for which no deferred tax asset is recognized | **-0.5** | -1.0 |
| Previous year losses for which deferred tax asset is recognized | **0.0** | - |
| Utilization of tax losses for which no deferred tax asset was recognized | **0.2** | 0.1 |
| Effect of consolidation and eliminations | **0.4** | 0.0 |
| Taxes for prior years | **0.1** | 0.0 |
| Effect of enacted change in future tax rates | **1.3** | 0.0 |
| Share-based payment plan tax deduction in excess of IFRS cost | **0.0** | 1.3 |
| Other items | **0.9** | -0.5 |
| Income taxes recognized in profit or loss | **-10.4** | -18.6 |

### Deferred taxes in consolidated statement of financial position

| EUR million | **2010** | 2009 |
|---|---|---|
| Non-current deferred tax assets | **37.8** | 25.8 |
| Non-current deferred tax liabilities | **46.8** | 49.0 |
| | **-9.0** | -23.2 |

Deferred taxes have been reported as a net balance of those companies that file a consolidated tax return or that may otherwise be consolidated for current tax purposes.

### Changes in deferred tax assets and liabilities during the financial year

| EUR million | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | Acquired subsidiaries | Translation differences | December 31 |
|---|---|---|---|---|---|---|
| **2010** | | | | | | |
| **Deferred tax assets** | | | | | | |
| Tax losses carried forward | 6.4 | 1.2 | - | - | - | 7.6 |
| Timing difference in revenue recognition | 0.0 | 21.0 | - | - | - | 21.0 |
| Pension provisions | 1.6 | -0.2 | - | - | - | 1.4 |
| Depreciation difference | 0.4 | 0.4 | - | - | - | 0.8 |
| Project provisions | 11.9 | -0.1 | - | - | 2.3 | 14.1 |
| Effects of consolidation and eliminations | 1.3 | 0.0 | - | - | - | 1.3 |
| Valuation loss on assets and derivative instruments | 0.4 | 0.0 | -0.4 | - | 0.1 | 0.1 |
| Other provisions and items | 7.3 | 1.4 | - | - | 0.1 | 8.8 |
| Purchase price allocation | 0.2 | -0.2 | - | - | - | 0.0 |
| Netting of deferred tax | -3.7 | -13.5 | - | - | - | -17.2 |
| | 25.8 | 9.9 | -0.4 | - | 2.5 | 37.8 |
| **Deferred tax liabilities** | | | | | | |
| Timing difference in revenue recognition | 37.5 | 6.4 | - | - | - | 43.9 |
| Depreciation difference | 3.5 | -0.2 | - | - | - | 3.3 |
| Other untaxed reserves | 0.8 | 0.1 | - | - | - | 0.9 |
| Purchase price allocation | 9.1 | -4.2 | - | 8.5 | - | 13.5 |
| Valuation gain on assets and derivative instruments | 0.6 | 0.0 | -0.2 | - | - | 0.4 |
| Other items | 1.2 | 0.8 | - | 0.0 | - | 2.0 |
| Netting of deferred tax | -3.7 | -13.5 | - | - | - | -17.2 |
| | 49.0 | -10.6 | -0.2 | 8.5 | - | 46.8 |
| **Net deferred tax liability** | **-23.2** | **20.5** | **-0.2** | **-8.5** | **2.5** | **-9.0** |

| EUR million | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | Acquired subsidiaries | Translation differences | December 31 |
|---|---|---|---|---|---|---|
| 2009 | | | | | | |
| Deferred tax assets | | | | | | |
| Tax losses carried forward | 2.3 | 3.4 | - | 0.7 | - | 6.4 |
| Pension provisions | 1.4 | -0.1 | - | 0.2 | - | 1.6 |
| Depreciation difference | 0.7 | -0.3 | - | - | - | 0.4 |
| Project provisions | 11.0 | -0.3 | - | - | 1.2 | 11.9 |
| Effects of consolidation and eliminations | 0.2 | 0.1 | - | 1.0 | - | 1.3 |
| Valuation loss on assets and derivative instruments | 1.2 | - | -1.1 | - | 0.3 | 0.4 |
| Other provisions and items | 4.9 | 0.1 | - | 1.6 | 0.6 | 7.3 |
| Purchase price allocation | - | - | - | 0.2 | - | 0.2 |
| Netting of deferred tax | -1.8 | -1.8 | - | - | - | -3.7 |
| | 20.0 | 1.1 | -1.1 | 3.8 | 2.1 | 25.8 |
| Deferred tax liabilities | | | | | | |
| Timing difference in revenue recognition | 28.3 | 9.2 | - | - | - | 37.5 |
| Depreciation difference | 2.2 | 0.2 | - | 1.1 | - | 3.5 |
| Other untaxed reserves | 0.4 | 0.3 | - | - | - | 0.8 |
| Purchase price allocation | 0.9 | -0.6 | - | 8.8 | - | 9.1 |
| Valuation gain on assets and derivative instruments | 1.4 | - | -0.8 | - | - | 0.6 |
| Other items | 1.8 | -1.3 | - | 0.7 | - | 1.2 |
| Netting of deferred tax | -1.8 | -1.8 | - | - | - | -3.7 |
| | 33.3 | 5.9 | -0.8 | 10.6 | - | 49.0 |
| Net deferred tax liability | -13.2 | -4.8 | -0.3 | -6.9 | 2.1 | -23.2 |

Deferred tax assets of EUR 5.0 million (2009: EUR 3.6 million) have not been recognized in the consolidated financial statements because the realization of the tax benefit included in these assets is not probable. The majority of these unrecognized deferred tax assets relate to tax losses and tax credits amounting to EUR 15.7 million (2009: EUR 12.7 million), of which EUR 4.8 million will expire within five years, EUR 10.8 million after five years, and EUR 0.1 million never.

The consolidated balance sheet includes net deferred tax assets of EUR 15.6 million (2009: EUR 9.8 million) in subsidiaries, which have generated losses in the current or in a prior year. The recognition of the assets is based on result estimates, which indicate that the realization of these deferred tax assets is probable.

Deferred tax liability on all undistributed earnings of subsidiaries, calculated according to IFRS, has not been recognized on the consolidated financial statements because distribution of the earnings is within the control of Outotec and such distribution is not probable within the foreseeable future. The amount of such undistributed earnings in subsidiaries was, at the end of the year 2010, EUR 204.6 million (2009: EUR 173.2 million).

## 13. Earnings per share

| | **2010** | 2009 |
|---|---|---|
| Profit attributable to the equity holders of the parent company, EUR million | **26.7** | 42.3 |
| Weighted average number of shares, in thousands | **45,357** | 41,844 |
| Earnings per share for profit attributable to the equity holders of the parent company: | | |
| Basic earnings per share, EUR | **0.59** | 1.01 |
| Diluted earnings per share, EUR | **0.59** | 1.01 |

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of shares outstanding. Since Outotec has not granted any options, there is no dilution.

## 14. Intangible assets

| EUR million | Intangible asset, internally generated [1] | Intangible asset, acquired [2] | Goodwill | Advances paid and construction work in progress | Total |
|---|---|---|---|---|---|
| Historical cost at January 1, 2010 | 3.6 | 93.0 | 99.0 | 0.5 | 196.1 |
| Translation differences | 0.3 | 0.0 | -0.1 | 0.1 | 0.4 |
| Additions | 0.2 | 5.9 | - | 0.1 | 6.2 |
| Disposals | -0.2 | -0.1 | - | - | -0.3 |
| Acquired subsidiaries | 0.6 | 17.7 | 51.0 | - | 69.4 |
| Reclassifications | -1.1 | 2.5 | - | -0.7 | 0.8 |
| **Historical cost at December 31, 2010** | **3.6** | **119.0** | **149.9** | **-** | **272.4** |
| Accumulated amortization and impairment at January 1, 2010 | -1.6 | -23.5 | -0.7 | - | -25.9 |
| Translation differences | -0.3 | -0.1 | - | - | -0.4 |
| Disposals | 0.2 | 0.0 | - | - | 0.2 |
| Reclassifications | 1.0 | 0.0 | - | - | 1.0 |
| Amortization during the period | -0.3 | -12.0 | - | - | -12.3 |
| Impairment during the period | -0.3 | -10.3 | -0.7 | - | -11.2 |
| **Accumulated amortization and impairment at December 31, 2010** | **-1.3** | **-45.9** | **-1.4** | **-** | **-48.6** |
| **Carrying value at December 31, 2010** | **2.3** | **73.0** | **148.5** | **-** | **223.8** |
| Historical cost at January 1, 2009 | 1.8 | 47.0 | 52.9 | 0.3 | 102.0 |
| Translation differences | 0.2 | 0.6 | 0.9 | 0.1 | 1.7 |
| Additions | 1.6 | 4.9 | -0.2 | 0.2 | 6.5 |
| Disposals | - | -0.3 | - | - | -0.3 |
| Acquired subsidiaries | - | 41.0 | 45.4 | - | 86.4 |
| Reclassifications | - | -0.1 | - | -0.0 | -0.1 |
| Historical cost at December 31, 2009 | 3.6 | 93.0 | 99.0 | 0.5 | 196.1 |
| Accumulated amortization and impairment at January 1, 2009 | -1.2 | -18.5 | -0.7 | - | -20.4 |
| Translation differences | -0.2 | -0.1 | - | - | -0.2 |
| Disposals | - | 0.1 | - | - | 0.1 |
| Amortization during the period | -0.2 | -5.1 | - | - | -5.3 |
| Accumulated amortization and impairment at December 31, 2009 | -1.6 | -23.5 | -0.7 | - | -25.9 |
| Carrying value at December 31, 2009 | 2.0 | 69.5 | 98.2 | 0.5 | 170.2 |

[1] of which carrying value of patents amounted to EUR 0.7 million (2009: -), licenses amounted to EUR 0.0 million (2009: EUR 0.2 million), and other internally generated intangible assets EUR 1.6 million (2009: EUR 1.8 million).
[2] of which carrying value of patents amounted to EUR 10.3 million (2009: EUR 13.5 million), licenses EUR 2.9 million (2009: EUR 2.8 million), IT software EUR 6.3 million (2009: EUR 11.0 million), and other acquired intangible assets EUR 53.4 million (2009: EUR 42.2 million) including purchase price fair valuation of EUR 40.9 million.

### Amortization by function

| EUR million | **2010** | 2009 |
|---|---|---|
| Cost of sales | **-4.2** | -0.9 |
| Selling and marketing expenses | **-2.5** | -0.3 |
| Administrative expenses | **-1.9** | -1.6 |
| Research and development expenses | **-3.6** | -2.4 |
| | **-12.1** | -5.2 |

### Impairments on intangible assets during the financial year

Due to the new operational model of Outotec and due to the the restructuring measures, the Group recorded writedowns of EUR 10.6 million in 2010 which related to intangible assets. The effects of the writedowns on different business areas were: Non-ferrous Solutions EUR 7.5 million, Ferrous Solutions EUR 0.8 million, Energy, Light Metals and Environmental Solutions EUR 0.4 million and unallocated EUR 2.0 million. These impairments have been redorded under Other expenses in the Statement of Comprehensive Income. The impairments were related mainly to the following items:

- Activated development costs EUR 5.8 million of the Group's research and technology center. The assets related to these activations were not seen as Outotec's core businesses in the new Outotec's opreational model and the fair value of these assets were estimated to be substantially lower than its carrying value.

- Patent portfolio of the Group was reassessed according to the new operational model. Patents which were not a part of the core business, and did not have any future earning expectations, were impaired by EUR 1.5 million.

- Unused modules of Outotec's enterprise resource planning (ERP) systems were impaired by EUR 2.2 million. These modules did not serve Outotec's business operations and management.

In 2009, there were no impairments.

### Impairment testing of goodwill

Impairment testing of goodwill was performed according to Outotec's new business structure reflecting the new operational model announced in February 2010. Financial reporting according to the new structure began on April 1, 2010. The new reportable operating segments according to IFRS 8 are Non-ferrous Solutions, Ferrous Solutions and Energy, Light Metals and Environmental Solutions. Goodwill is allocated to the Group's cash-generating units (CGUs). In the new business structure Outotec has defined its operating segment as a cash generating unit. Other basis for the testing are the same as in previous years.

### Goodwill allocation to the segments

| EUR million | **2010** | 2009 |
|---|---|---|
| Non-ferrous Solutions | **95.9** | 56.9 |
| Ferrous Solutions | **13.9** | 13.9 |
| Energy, Light Metals and Environmental Solutions | **38.8** | 27.5 |
| | **148.5** | 98.2 |

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations are based on the cash flow projections in the strategic plans approved by the management covering a two-year period. The cash flow forecasts for the third, fourth, and fifth year are estimated to be the same as for the second year. The estimated sales and profits are based on the current backlog and estimated order intake as well as cost development. The most important assumptions relate to gross margin levels in various products and the estimated overall gross margin level volume in relation to fixed costs. In defining its planning assumptions, the Group makes use of growth, demand, and price estimates by market research institutions. The discount rate is the weighted average pre-tax cost of capital (WACC) as defined for Outotec. The components of WACC are the risk-free yield rate, market risk premium, industry specific beta, cost of debt, and target capital structure. The WACC used in the calculations was 9.2% in 2010 (2009: 9.4%). Cash flows beyond the five-year period are calculated using the terminal value method, where the EBITDA (=earnings before interest, taxes, amortizations and depreciation) of the fifth planning period is multiplied by six and discounted using the WACC described above. Based on the sensitivity analysis, it is not probable that the recoverable amount will fall below the carrying amount at December 31, 2010, even if the assumptions used in the sensitivity analysis will face reasonable permanent changes.

### Impairment of goodwill in 2010

Goodwill related to technology acquired in 1998 was tested separately during the year 2010, because it was not seen as core technology according to the new operational model. Based on the cash flow forecasts, the acquired technology did not have any future earnings expectations. Therefore, the recoverable amount was less than its carrying amount and EUR 0.7 million of goodwill was impaired. The impairment of goodwill was recorded under Non-ferrous Solutions and it was presented in Other expenses in the Statement of Comprehensive Income.

## 15. Property, plant and equipment

| EUR million | Land | Buildings | Machinery | Office equipment | Other tangible assets | Advances paid and construc-tion work in progress | Total |
|---|---|---|---|---|---|---|---|
| Historical cost at January 1, 2010 | 1.7 | 24.5 | 58.8 | 28.8 | 1.2 | 2.8 | 117.8 |
| Translation differences | 0.1 | 0.4 | 1.4 | 2.5 | 0.0 | 0.0 | 4.5 |
| Additions | 0.0 | 0.5 | 7.5 | 3.0 | 0.2 | -0.5 | 10.7 |
| Disposals | -0.1 | -0.1 | -0.8 | -1.8 | -0.1 | -0.7 | -3.6 |
| Acquired subsidiaries | -0.1 | -0.9 | 2.5 | 0.1 | - | - | 1.6 |
| Reclassifications | -0.1 | -0.0 | -1.4 | -0.5 | 0.1 | -0.1 | -2.0 |
| **Historical cost at December 31, 2010** | **1.5** | **24.4** | **67.9** | **32.1** | **1.5** | **1.4** | **128.9** |
| Accumulated depreciation and impairment at January 1, 2010 | - | -6.7 | -39.1 | -19.7 | -0.2 | - | -65.7 |
| Translation differences | - | -0.1 | -0.6 | -1.8 | -0.0 | - | -2.6 |
| Disposals | - | 0.0 | 0.5 | 1.6 | 0.0 | - | 2.2 |
| Reclassifications | - | 0.0 | 0.2 | 1.8 | - | - | 1.9 |
| Depreciation during the period | - | -1.2 | -4.5 | -3.5 | -0.4 | - | -9.6 |
| Impairment during the period | - | -0.0 | -1.9 | -0.5 | -0.0 | - | -2.4 |
| **Accumulated depreciation and impairment at December 31, 2010** | **-** | **-8.0** | **-45.6** | **-22.1** | **-0.5** | **-** | **-76.2** |
| **Carrying value at December 31, 2010** | **1.5** | **16.4** | **22.3** | **10.0** | **1.0** | **1.4** | **52.7** |
| Historical cost at January 1, 2009 | 0.4 | 14.3 | 48.0 | 23.3 | 0.3 | 1.2 | 87.6 |
| Translation differences | 0.0 | 0.4 | 1.0 | 1.9 | 0.0 | 0.0 | 3.3 |
| Additions | - | 5.5 | 3.4 | 3.9 | 0.1 | 1.9 | 14.9 |
| Disposals | - | - | -0.3 | -0.5 | - | - | -0.9 |
| Acquired subsidiaries | 1.2 | 4.0 | 6.0 | - | 0.9 | 0.8 | 12.9 |
| Reclassifications | - | 0.3 | 0.7 | 0.2 | -0.0 | -1.2 | -0.0 |
| Historical cost at December 31, 2009 | 1.7 | 24.5 | 58.8 | 28.8 | 1.2 | 2.8 | 117.8 |
| Accumulated depreciation and impairment at January 1, 2009 | - | -5.8 | -36.1 | -16.0 | -0.1 | - | -58.1 |
| Translation differences | - | -0.1 | -0.4 | -1.3 | -0.0 | - | -1.8 |
| Disposals | - | - | 0.3 | 0.7 | - | - | 1.0 |
| Reclassifications | - | - | 0.2 | - | - | - | 0.2 |
| Depreciation during the period | - | -0.8 | -3.1 | -3.1 | -0.1 | - | -7.0 |
| Accumulated depreciation and impairment at December 31, 2009 | - | -6.7 | -39.1 | -19.7 | -0.2 | - | -65.7 |
| Carrying value at December 31, 2009 | 1.7 | 17.8 | 19.6 | 9.1 | 1.1 | 2.8 | 52.1 |

### Depreciation by function

| EUR million | 2010 | 2009 |
|---|---|---|
| Cost of sales | **-3.4** | -2.6 |
| Selling and marketing expenses | **-1.3** | -0.6 |
| Administrative expenses | **-2.1** | -1.9 |
| Research and development expenses | **-2.5** | -1.8 |
| | **-9.4** | -6.9 |

### Impairments on property, plant and equipment during the financial year

During 2010, an impairment loss of EUR 1.8 million was recognized related to the Group's research and technology center's capitalized assets. According to the new Outotec's operational model published in 2010, these assets were not seen as Outotec's core businesses. Therefore, the fair value of these assets were estimated to be substantially lower than its carrying value. These assets were included in Non-ferrous Solutions business area. The impairment loss has been recognized in Other Expenses in the Statement of Comprehensive Income.

In addition, Outotec recorded some minor impairments of property, plant and equipment. These impairments were related to more efficient operative business of Outotec's new operational model. These impairments were mainly recorded under Non-ferrous business area and presented under Other expenses in the Statement of Comprehensive Income.

In 2009, there were no impairments.

### Assets leased by finance lease agreements

| EUR million | 2010 | 2009 |
|---|---|---|
| Historical cost | **0.3** | 0.8 |
| Translation differences | **0.0** | 0.1 |
| Acquired subsidiaries | **-** | 0.0 |
| Reclassifications | **-0.1** | -0.5 |
| Accumulated depreciation | **-0.0** | -0.1 |
| Carrying value at December 31 | **0.3** | 0.3 |

All finance lease agreements are related to machinery and equipment.

## 16. Investments in associated companies

| EUR million | 2010 | 2009 |
|---|---|---|
| Investments in associated companies at cost | | |
| Historical cost at January 1 | **11.0** | 0.1 |
| Translation differences | **1.3** | - |
| Additions | **0.2** | 11.0 |
| Disposal | **-11.8** | - |
| Historical cost at December 31 | **0.7** | 11.0 |
| Equity adjustment to investments in associated companies at January 1 | **-0.2** | 0.0 |
| Share of results of associated companies | **-0.3** | -0.2 |
| Disposal | **-** | - |
| Equity adjustment to investments in associated companies at December 31 | **-0.5** | -0.2 |
| **Carrying value of investments in associated companies at December 31** | **0.3** | 10.9 |

### Summary of financial information for associated companies

| EUR million | Domicile | Assets | Liabilities | Sales | Profit/loss | Ownership, % |
|---|---|---|---|---|---|---|
| **2010** | | | | | | |
| Enefit Outotec Technology Oü | Estonia | 0.5 | 0.6 | - | -0.0 | 40.0 |
| GreenExergy AB | Sweden | 0.8 | 0.1 | 0.2 | -0.4 | 45.0 |
| Middle East Metals Processing Company Ltd | Saudi Arabia | 0.3 | 0.2 | - | - | 49.0 |
| 2009 | | | | | | |
| Ausmelt Ltd [1] | Australia | - | - | - | - | 37.6 |
| Enefit Outotec Technology Oü | Estonia | 0.0 | - | - | -0.0 | 40.0 |
| GreenExergy AB | Sweden | 0.7 | 0.1 | 0.1 | -0.4 | 45.0 |
| Middle East Metals Processing Company Ltd | Saudi Arabia | 0.3 | 0.2 | - | - | 49.0 |

[1] Financial information of Ausmelt Limited as per December 31, 2009, was not available for Outotec.

## 17. Available-for-sale financial assets

| EUR million | **2010** | 2009 |
|---|---|---|
| Carrying value at January 1 | **4.0** | 0.5 |
| Translation differences | **0.0** | 0.0 |
| Additions | **0.2** | 0.2 |
| Disposals | **-3.5** | - |
| Fair value changes | **0.3** | -0.2 |
| Acquired subsidiaries | **0.4** | 3.6 |
| Carrying value at December 31 | **1.4** | 4.0 |
| Listed equity securities | **0.5** | 0.2 |
| Unlisted equity securities | **0.9** | 3.8 |
| Fair value | **1.4** | 4.0 |
| Available-for-sale financial assets transferred to profit and loss | **-** | 2.5 |
| Acquisition value | **-1.1** | -6.5 |
| Fair value changes | **0.3** | 0.1 |
| Deferred tax liability | **0.0** | -0.0 |
| Fair value reserve in equity | **0.3** | 0.1 |

## 18. Financial risk management

### Financial Risk Management and Insurances

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

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

Financial risks consist of market, credit, and liquidity risks. Market risks are caused by changes in foreign exchange and interest rates, as well as commodity or other prices. Especially changes in foreign exchange rates may have a significant impact on the Group's earnings, cash flows, and balance sheet. As the main principle, Outotec's business units hedge their market risks by entering into agreements with the Group Treasury, which does most of the financial contracts with banks and other financial institutions. Outotec's Treasury is also responsible for managing certain Group-level risks, such as interest rate risk and foreign currency transaction risk in accordance with the Financial Risk Management policy. The Group is sensitive to price fluctuations of raw materials, external suppliers and subcontractors. Price fluctuation is prevented and the availability of raw materials ascertained by long-term contracts, the timing of the acquisitions, and fixed contract prices.

### Foreign exchange rate risk

A major part of Outotec's sales is in euros, US dollars, Australian dollars, and South African rand. A significant part of costs arise in euros, US dollars, Australian dollars, and South African rand.

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

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

The currencies related to sales and costs can vary materially, depending on the projects. Outotec hedges most of its fair value risk. Cash flow risk related to firm commitments is hedged almost completely, within subsidiary specific limits defined in Financial Risk Management policy, where as forecasted and probable cash flows are hedged only selectively with financial instruments based on separate decisions. A major part of cash flow risk hedging takes place operatively i.e. by matching sales and cost currencies, and the remaining net open positions are normally hedged with derivative contracts (typically forward agreements). Subsidiary-level foreign exchange exposures are monitored and consolidated on a monthly basis.

A substantial part of derivative contracts hedge underlying business transactions, although they do not fulfill the criteria for applying hedge accounting according to IAS 39. However, Outotec applies hedge accounting for derivative contracts in selected projects. In this description of financial risk management the term hedging has been used in its broadest sense, and therefore it also includes usage of

### Transaction risk

| EUR million | USD exposure in companies reporting in EUR | | USD exposure in companies reporting in AUD | | AUD exposure in companies reporting in EUR | | EUR exposure in companies reporting in SEK | |
|---|---|---|---|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| Bank accounts | **1.0** | 1.2 | **3.5** | 1.5 | **0.2** | 0.3 | **7.2** | 0.4 |
| Trade receivables | **7.6** | 7.6 | **6.2** | 4.6 | **7.1** | 1.6 | **5.8** | 6.2 |
| Trade payables | **-1.5** | -2.9 | **-0.4** | -1.8 | **-0.5** | -0.9 | **-3.3** | -5.5 |
| Loans and receivables | **8.0** | 11.3 | **-** | - | **33.7** | 15.8 | **-** | - |
| Net balance sheet exposure | **15.1** | 17.2 | **9.2** | 4.3 | **40.4** | 16.8 | **9.7** | 1.1 |
| Sales order book | **17.3** | 28.1 | **68.1** | 12.8 | **2.7** | 1.0 | **77.9** | 5.6 |
| Purchase order book | **-1.3** | -3.9 | **-28.0** | -7.1 | **-1.1** | -1.4 | **-50.4** | -2.4 |
| | **16.0** | 24.2 | **40.1** | 5.7 | **1.6** | -0.4 | **27.4** | 3.2 |
| Hedges: | | | | | | | | |
| Foreign exchange forward contracts | **-30.8** | -30.7 | **-49.3** | -10.2 | **-43.3** | 5.4 | **-38.0** | -4.5 |
| Foreign currency options | **-** | -2.3 | **-** | - | **-** | -1.5 | **-** | - |
| Total net exposure | **0.3** | 8.4 | **0.0** | -0.2 | **-1.4** | 20.3 | **-0.9** | -0.2 |

### Sensitivity of financial instruments on foreign currency exchange rates

| | **2010** | | 2009 | |
|---|---|---|---|---|
| EUR million | **Effect on profit or loss** | **Effect on equity** | Effect on profit or loss | Effect on equity |
| +/-10% change in EUR/USD exchange rate | **+1.4/-1.7** | **+0.0/-0.0** | -0.9/+1.0 | +1.6/-1.9 |
| +/-10% change in EUR/AUD exchange rate | **+0.3/-0.3** | | -1.9/+2.3 | |
| +/-10% change in EUR/SEK exchange rate | **-2.6/+3.1** | | -0.3/+0.4 | |
| +/-10% change in AUD/USD exchange rate | **+4.1/-4.1** | | +0.6/-0.6 | |

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

non-hedge-accounted derivatives.

Outotec does not typically hedge its equity translation risk. The total non-euro-denominated equity of Outotec's foreign subsidiaries and associated companies was on December 31, 2010 EUR 237.7 million (December 31, 2009: EUR 145.1 million).

In certain cases commercial contracts may include so-called embedded derivatives, the volume of these may at times amount to a substantial share of all derivatives.

On December 31, 2010, Outotec had the following foreign exchange derivative contract amounts, including embedded derivatives (more detailed information of foreign exchange exposures in Note 19):

| EUR million | **2010** | 2009 |
|---|---|---|
| Foreign exchange derivative contracts | **444.4** | 319.3 |

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

### Interest rate risk

The relevance of interest rate risks for Outotec has before 2010 been limited due to the small amount of debts carrying interest. As a consequence the acquisition of the Larox shares and drawdown of TyEL pension loans during the last quarter of 2009, the amount of interest-bearing debt increased, exposing the Group to interest rate risk, which is the risk of repricing and price caused by the changes in market interest rates. To control interest rate risks the Group disperses its loans in fixed and floating rate instruments. Total loan risk position is stabilized by changing the portion of fixed and foreign currency denominated debts. The share of fixed rate loans of all interest-bearing debt was 40%.

A significant part of the financial investments have a short-term interest rate as a reference rate. On December 31, 2010, Outotec had EUR 280.3 million of cash and cash equivalent funds (December 31, 2009: EUR 258.5 million), the majority of which is invested in short-term money market instruments. The advance payments received from projects in the emerging markets and the related financial investments occasionally cause interest rate risks. The largest interest rate exposures are in euros, South African rand, Brazilian reais, and Australian dollars.

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss for fixed rate instruments. At the end of the financial year the Group had no open interest rate forward agreements or interest rate swaps.

For variable rate interest-bearing financial instruments a shift of one percentage point would have increased (decreased) profit or loss by EUR 1.2 million for December 31, 2010 (December 31, 2009: EUR 1.5 million)

### Securities price risk

Outotec is the owner of 5 million shares of Pacific Ore Limited. The shares are quoted on ASX of Australia. Outotec does not have any material amounts of other listed equity securities which are classified as available-for-sale.

### Credit risks

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

Outotec's trade receivables and other potential sources of sales contract-related credit risk are generated by a large number of

customers worldwide, but occasionally risk concentrations may develop due to large individual contracts. Outotec's Project Risk Management Policy (PRIMA) has been created to manage the various project-related risks and address them in a more concised manner (see page 53). The PRIMA policy and related procedures require identification of counterparty risks in a project together with the evaluation of the available and cost efficient mitigation of risks with contractual terms and/or different financial instruments. The credit risks related to business operations can be mitigated, for example, by the use of advance payments and other payment terms under sales contracts, project-specific credit insurances and letters of credit. The trade receivable exposures are reviewed regularly in Outotec's project level reporting. The reporting of overdue external trade receivables was intensified during 2010. Geographically the trade receivables are mostly from Asia 28.0% (December 31, 2009: 20.5%), South America 21.7% (December 31, 2009: 21.6%), Africa 13.3% (December 31, 2009: 18.4%), and North America 10.4% (December 31, 2009: 12.8%). More detailed analysis of trade receivables is included in Note 21.

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

The total amount of credit risk is the carrying amount of group financial assets that amounted to EUR 652.4 million on December 31, 2010, (December 31, 2009: EUR 557.0 million). See note 28.

### Insurances

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

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

### Liquidity risk

Outotec ensures required liquidity through a combination of cash management, liquid investment portfolios, and committed and uncommitted facilities. Liquidity and refinancing risks are sought to be reduced with the availability of a sufficient amount of credit lines, which have a balanced maturity profile. Efficient cash and liquidity management also reduces liquidity risk.

Outotec's Treasury raises centrally most of the Group's interest-bearing debt. During 2010 the need for external debt on the Group level has continued to be limited. However, in order to strengthen its financial reserves, Outotec raised a new EUR 30 million seven-year loan from the Nordic Investment Bank and refinanced its existing EUR 50 million revolving credit facility through syndication arrangement. The former loan was fully drawn in December 2010 and the latter remains as a backup financial reserve. Outotec's subsidiaries have had some local credit lines of their own, which mostly have been counter-guaranteed by Outotec Oyj. The share of long-term loans was 82% of the total interest-bearing loan portfolio.

The Group maintains the following committed line of credit:

- EUR 50 million multicurrency revolving credit facility that is unsecured

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

### Capital management

Outotec's capital structure is characterized by a low gearing ratio (-56.2 % on December 31, 2010 and –55.8 % on December 31, 2009). Outotec has not defined a target level for gearing or other financial ratios. The Board's target is to maintain a strong capital base in order to maintain investor, creditor, and market confidence and to sustain future development of the business and the capability to pay dividends. The capital structure of the Group is reviewed by the Board of Directors on a regular basis. Outotec has a mandate to purchase its own shares on the market.

There were no changes in the Group's approach to capital management during the year.

Certain externally imposed capital requirements exist. Outotec's main credit facilities include financial covenants, which define a minimum level of liquidity and net worth for the Group. The Group has operated in compliance with the covenants during 2006-2010.

### Contractual cash flows of liabilities at December 31, 2010

| EUR million | 2011 [1] | 2012 | 2013 | 2014 | 2015 | 2016- | Total |
|---|---|---|---|---|---|---|---|
| Loans from financial institutions | | | | | | | |
| Finance charges | -1.0 | -0.8 | -0.7 | -0.6 | -0.4 | -0.3 | -3.8 |
| Repayments | -15.7 | -0.5 | -7.2 | -7.2 | -6.8 | -10.0 | -47.5 |
| Loans from pension institutions | | | | | | | |
| Finance charges | -0.7 | -0.5 | -0.3 | -0.1 | -0.0 | -0.0 | -1.6 |
| Repayments | -9.7 | -7.5 | -6.3 | -6.3 | -0.2 | -0.2 | -30.2 |
| Finance lease liabilities | | | | | | | |
| Rents | -0.2 | -0.1 | - | - | - | - | -0.4 |
| Other long-term loans | | | | | | | |
| Finance charges | -0.2 | -0.2 | -0.1 | -0.1 | -0.1 | -0.5 | -1.2 |
| Repayments | -0.2 | -0.5 | -0.4 | -0.3 | -0.3 | -2.7 | -4.4 |
| Derivative liabilities | | | | | | | |
| Other foreign exchange forward contracts | | | | | | | |
| Outflow | -146.0 | -22.3 | -0.4 | - | - | - | -168.8 |
| Inflow | 137.2 | 20.1 | 0.4 | - | - | - | 157.7 |
| Trade payables | -72.8 | - | - | - | - | - | -72.8 |

[1] Repayments in 2011 are included in current debt.
All non-current debt will be repaid by the end of 2023. Average maturity of long-term debt was 3.17 years and the average interest rate 2.49%.

### Contractual cash flows of liabilities at December 31, 2009

| EUR million | 2010 [1] | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|---|---|---|---|---|---|---|---|
| Loans from financial institutions | | | | | | | |
| Finance charges | -0.4 | -0.1 | -0.0 | -0.0 | - | - | -0.6 |
| Repayments | -23.1 | -3.6 | -2.0 | -0.4 | -0.4 | - | -29.5 |
| Loans from pension institutions | | | | | | | |
| Finance charges | -0.9 | -0.7 | -0.5 | -0.3 | -0.1 | -0.0 | -2.4 |
| Repayments | -8.6 | -9.7 | -7.4 | -6.3 | -6.3 | -0.4 | -38.7 |
| Finance lease liabilities | | | | | | | |
| Rents | -0.2 | -0.1 | -0.1 | - | - | - | -0.4 |
| Other non-current loans | | | | | | | |
| Finance charges | -0.2 | -0.2 | -0.2 | -0.1 | -0.1 | -0.6 | -1.4 |
| Repayments | -0.2 | -0.2 | -0.5 | -0.4 | -0.3 | -3.0 | -4.6 |
| Derivative liabilities | | | | | | | |
| Designated as cash flow hedges | | | | | | | |
| Outflow | -3.4 | - | - | - | - | - | -3.4 |
| Inflow | 3.2 | - | - | - | - | - | 3.2 |
| Other foreign exchange forward contracts | | | | | | | |
| Outflow | -116.6 | -1.2 | - | - | - | - | -117.8 |
| Inflow | 109.8 | 1.1 | - | - | - | - | 110.9 |
| Other foreign exchange option contracts | | | | | | | |
| Outflow | -0.1 | - | - | - | - | - | -0.1 |
| Trade payables | -71.7 | - | - | - | - | - | -71.7 |

[1] Repayments in 2010 are included in current debt.
Average maturity of long-term debt was 2.5 years and the average interest rate 2.69%.

### Maturity analysis for guarantee contracts at December 31, 2010

| EUR million | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| Guarantees for financing | -17.0 | -7.3 | -6.1 | -6.1 | - | - |
| All commercial guarantees including down payment guarantees | -308.0 | - | - | - | - | -0.1 |

### Maturity analysis for guarantee contracts at December 31, 2009

| EUR million | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|
| Guarantees for financing | -20.0 | -7.9 | -7.0 | -6.1 | -6.1 | - |
| All commercial guarantees including down payment guarantees | -320.9 | -0.3 | - | - | - | -0.1 |

All sales project related commercial guarantees are included in short-term liabilities as they secure ongoing contractual obligations. However, claims that affect liquidity have historically been rare. Regarding commercial guarantees two claims of EUR 1.9 million and EUR 2.7 million were made in 2010. Ultimately both claims were settled without payment being made to beneficiaries.

### Cash and cash equivalents and committed unutilized credit facilities

| EUR million | **2010** | 2009 |
|---|---|---|
| Cash at bank and in hand | **155.3** | 110.2 |
| Short-term bank deposits | **76.4** | 79.1 |
| Cash equivalent marketable securities | **48.5** | 69.2 |
| Overdraft facilities | **19.7** | 25.2 |
| Revolving credit facility | **50.0** | 50.0 |

## 19. Derivative instruments

### Fair values of forward contracts

| | **Positive fair value** | | | **Negative fair value** | | |
|---|---|---|---|---|---|---|
| EUR million<br>Remaining maturity | <1 year | 1-2 years | 2-3 years | <1 year | 1-2 years | 2-3 years |
| **2010** | | | | | | |
| Foreign exchange forward contracts | | | | | | |
| Designated as cash flow hedges | 0.0 | - | - | - | - | - |
| Other foreign exchange forward contracts | 9.2 | 1.1 | 0.9 | -10.0 | -1.6 | -0.9 |
| Total | 9.2 | 1.1 | 0.9 | -10.0 | -1.6 | -0.9 |
| 2009 | | | | | | |
| Foreign exchange forward contracts | | | | | | |
| Designated as cash flow hedges | 1.6 | 0.0 | - | -0.1 | - | - |
| Other foreign exchange forward contracts | 4.4 | 0.1 | - | -7.7 | -0.0 | - |
| Other foreign exchange options | 0.0 | - | - | -0.1 | - | - |
| Total | 5.9 | 0.1 | - | -7.9 | -0.0 | - |

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

In 2010 hedge accounting was terminated in compliance with IAS 39 in seven sales contract related cash flow hedge plans out of which five were in Outotec Filters Oy, formerly Larox Oyj.

### Nominal values of foreign exchange forward contracts

| EUR million<br>Remaining maturity | <1 year | 1-2 years | 2-3 years |
|---|---|---|---|
| **2010** | | | |
| Foreign exchange forward contracts | | | |
| Designated as cash flow hedges | 0.1 | - | - |
| Other foreign exchange forward contracts | 371.0 | 39.0 | 34.4 |
| Total | 371.1 | 39.0 | 34.4 |
| | | | |
| 2009 | | | |
| Foreign exchange forward contracts | | | |
| Designated as cash flow hedges | 48.2 | 0.5 | - |
| Other foreign exchange forward contracts | 253.8 | 3.2 | - |
| Other foreign exchange options | 13.6 | - | - |
| Total | 315.6 | 3.7 | - |

### Treatment of cash flow hedges

| EUR million | **2010** | 2009 |
|---|---|---|
| Recognized in profit and loss | | |
| In other income | **-** | 0.3 |
| In other expenses | **-0.3** | - |
| Adjustment to sales | **-2.4** | 2.0 |
| | | |
| Recognized in equity | | |
| As deferred tax asset | **0.1** | 0.4 |
| As deferred tax liability | **-0.4** | -0.5 |
| Hedge result | **0.9** | 0.1 |

## 20. Inventories

| EUR million | **2010** | 2009 |
|---|---|---|
| Raw materials and consumables | **9.7** | 9.0 |
| Work in progress | **39.1** | 41.2 |
| Finished goods and merchandise | **34.3** | 26.0 |
| Advance payments | **17.9** | 17.0 |
| | **101.0** | 93.2 |

## 21. Trade and other receivables

| EUR million | 2010 | 2009 |
|---|---|---|
| **Non-current** | | |
| Interest-bearing | | |
| Subordinated loans receivable | **1.1** | 1.1 |
| Non interest-bearing | | |
| Other receivables | **0.0** | 0.3 |
| **Current** | | |
| Interest-bearing | | |
| Loans receivable | **0.5** | 0.7 |
| Non interest-bearing | | |
| Trade receivables | **172.1** | 142.5 |
| Project related receivables | **134.8** | 100.5 |
| Current tax assets | **19.9** | 14.8 |
| VAT receivable | **16.4** | 17.8 |
| Grants and subsidies receivable | **0.1** | 0.4 |
| Other accruals | **8.1** | 4.4 |
| Other receivables | **6.5** | 6.3 |
| | **357.9** | 286.7 |
| Trade receivables (gross) | **175.8** | 144.6 |
| Doubtful trade receivables | | |
| Doubtful trade receivables at January 1 | **2.0** | 2.0 |
| Translation differences | **0.0** | 0.2 |
| Additions | **2.7** | 0.6 |
| Deductions | **-0.5** | -0.2 |
| Recovery of doubtful receivables | **-0.6** | -0.6 |
| Doubtful trade receivables at December 31 | **3.6** | 2.0 |
| **Total trade receivables** | **172.1** | 142.5 |

### The ageing of trade receivables:

| | | |
|---|---|---|
| Not due | **104.6** | 66.7 |
| Overdue by: | | |
| Between 1 and 30 days | **33.2** | 24.5 |
| Between 31 and 60 days | **5.7** | 9.8 |
| More than 60 days | **32.2** | 43.5 |
| Total trade receivables (gross) | **175.8** | 144.6 |

### Trade receivables by geographic region

| | | |
|---|---|---|
| Finland | **3.2** | 5.8 |
| Germany | **1.5** | 2.4 |
| CIS | **6.7** | 1.1 |
| Rest of Europe | **16.8** | 14.3 |
| North America | **17.8** | 18.2 |
| South America | **37.3** | 30.8 |
| Australia | **17.7** | 14.5 |
| Asia | **48.2** | 29.2 |
| Africa | **22.9** | 26.2 |
| Total | **172.1** | 142.5 |

Trade receivables are according to the customer's location.

## 22. Cash and cash equivalents

| EUR million | 2010 | 2009 |
|---|---|---|
| Cash at bank and in hand | **155.3** | 110.2 |
| Short-term bank deposits | **76.4** | 79.1 |
| Cash equivalent marketable securities | **48.5** | 69.2 |
| | **280.3** | 258.5 |

A majority of Outotec's investments were made in the following currencies: Euro, Australian dollar, and South African Rand. The relevant reference rate of euro has varied during 2010 between 0.4 - 0.85%. The australian dollar reference rate varied between 3.5 - 5.1%. For South African Rand the relevant reference rate was Prime, the value of which varied between 9.0 - 10.5%. Prime has decreased during 2010.

## 23. Equity

| EUR million | Number of shares 1,000 shares | Share capital | Share premium fund | Reserve for invested non-restricted equity | Total |
|---|---|---|---|---|---|
| **At December 31, 2010** | **45,780** | **17.2** | **20.2** | **87.7** | **125.1** |
| At December 31, 2009 | 44,763 | 16.8 | 20.2 | 63.4 | 100.4 |

Outotec Oyj's shares were entered into the Finnish Book-Entry Securities System on September 25, 2006. According to the Articles of Association, the maximum number of Outotec Oyj shares is 100.0 million. Each share entitles its holder to one vote at the general meetings of shareholders of the company.

### Fair value reserve

Fair value reserves include movements in the fair value of the available-for-sale financial assets and cash flow hedge result deferred to equity.

### Other reserves

Other reserves include the reserve fund and other reserves. The reserve fund includes amounts transferred from the distributable equity under the Articles of Association or by a decision by General Meeting of Shareholders. Other reserves include other items based on the local regulations of the group companies.

### Reserve for invested non-restricted equity

Outotec completed the acquisition of control in Larox through a directed share issue on December 21, 2009, and made a mandatory public tender offer for the remaining Larox shares. On January 27, 2010, Outotec announced the final result of the tender offer, according to which the Larox shares in Outotec's ownership represented approximately 98.5% of all the Larox shares and approximately 99.7% of all the votes attached to the Larox shares. On June 10, 2010, the Arbitral Tribunal confirmed that Outotec had gained title to all the Larox shares by lodging security for the payment of the redemption price and the interest accruing thereon. Most of the consideration for the Larox shares purchased was paid in the form of 3,780,373 (2009: 2,763,419) new Outotec shares which totaled EUR 88.1 million (2009: EUR 63.4 million). EUR 0.4 million of these new Outotec shares are reported under share capital and EUR 87.7 million under the reserve for invested non-restricted equity.

### Treasury shares

Outotec has an agreement with a third-party service provider concerning administration and hedging of a share-based incentive program for key personnel. As part of this agreement, for hedging the underlying cash flow risk, the service provider has purchased Outotec shares during 2008 and 2009. The purchase of Outotec shares by a third-party service provider has been funded by Outotec and accounted for as treasury shares in Outotec's consolidated balance sheet. At the end of the year 2010, the amount of these treasury shares was 332,534 (2009: 332,534). Outotec's consolidated balance sheet and consolidated changes in equity reflect the substance of the arrangement with a deduction amounting to EUR 4.6 million (2009: EUR 4.6 million) in equity. This amount represents the consideration paid for the shares by the third-party service provider.

On May 21, 2010, Outotec's board of directors determined a new share ownership plan directed to the members of the Outotec executive board. As part of the plan, the executive board members established Outotec Management Oy, whose entire share capital is owned by them. The purpose of the plan is to commit executive board members to Outotec by encouraging them to acquire and hold Outotec shares and thus increase the company's shareholder value in the long run. Outotec has consolidated Outotec Management Oy (incentive plan for Outotec executive board members) into the Group's balance sheet. At the end of the reporting period, Outotec Management Oy held 191,211 Outotec shares which have been accounted for as treasury shares on Outotec's balance sheet. This has decreased the Group's equity by EUR 5.1 million.

### Dividend

The Board of Directors will propose a dividend of EUR 0.75 per share for 2010. The parent company's distributable funds were EUR 202.3 million at December 31, 2010.

## 24. Employee benefit obligations

Outotec has several pension plans in various countries, which are mainly classified as defined contribution pension plans. Defined benefit pension plans are in Germany. Other post-employment benefits relate to retirement medical arrangements in Germany.

### Pension and other post-employment benefits

### Amounts recognized in profit or loss

| EUR million | **2010** | 2009 |
|---|---|---|
| Defined benefit pension expenses | **-2.2** | -1.8 |
| Defined contribution pension expenses | **-11.7** | -12.2 |
| Other post-employment benefits | **-0.2** | -0.2 |
| | **-14.2** | -14.2 |

| | Defined benefit pension plans | | Other post-employment benefits | |
|---|---|---|---|---|
| EUR million | **2010** | 2009 | **2010** | 2009 |
| **By function** | | | | |
| Cost of sales | **-1.4** | -1.3 | **-0.1** | -0.2 |
| Selling and marketing expenses | **-0.4** | -0.2 | **-0.0** | -0.0 |
| Administrative expenses | **-0.3** | -0.3 | **-0.0** | -0.0 |
| Research and development expenses | **-0.1** | -0.1 | **-0.0** | -0.0 |
| | **-2.2** | -1.8 | **-0.2** | -0.2 |
| **Pension cost in employee benefit expenses** | | | | |
| Current service cost | **-0.5** | -0.4 | **-0.0** | -0.0 |
| Interest cost | **-1.1** | -1.1 | **-0.2** | -0.2 |
| Employee contributions | **-0.2** | -0.2 | **-** | - |
| Recognized net actuarial gains and losses | **-0.1** | - | **-** | - |
| | **-2.0** | -1.8 | **-0.2** | -0.2 |

### Amounts recognized in the statement of financial position related to defined benefit pension plans and to other post-employment benefits

| EUR million | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Present value of unfunded obligations | **26.3** | 28.2 | 23.9 | 25.7 | 25.2 |
| Unrecognized actuarial gains and losses | **-4.4** | -3.5 | -0.7 | -3.4 | -6.1 |
| Net liability | **21.9** | 24.7 | 23.3 | 22.3 | 19.1 |

All pension and other post-employment obligations were unfunded.

### Reconciliation of liability

| | Defined benefit pension plans | | Other post-employment benefits | |
|---|---|---|---|---|
| EUR million | **2010** | 2009 | **2010** | 2009 |
| Net liability at January 1 | **21.0** | 19.7 | **3.7** | 3.6 |
| Net periodic pension cost in profit or loss | **1.9** | 1.8 | **0.1** | 0.2 |
| Benefits paid | **-0.9** | -0.9 | **-0.2** | -0.2 |
| Change in plan provisions | **0.0** | - | **-0.1** | - |
| Acquisition of subsidiaries | **0.0** | 0.5 | **0.0** | 0.1 |
| Net liability at December 31 | **21.9** | 21.0 | **3.5** | 3.7 |

### Movement in the present value of the defined benefit obligation

| | Defined benefit pension plans | | Other post-employment benefits | |
|---|---|---|---|---|
| EUR million | **2010** | 2009 | **2010** | 2009 |
| Unfunded obligation at January 1 | **24.9** | 20.6 | **3.3** | 3.3 |
| Service cost | **0.5** | 0.4 | **0.0** | 0.0 |
| Interest cost | **1.1** | 1.1 | **0.2** | 0.2 |
| Unrecognized actuarial gains and losses | **0.6** | 3.0 | **0.3** | -0.1 |
| Employee contributions | **0.2** | 0.2 | **0.0** | - |
| Benefits paid | **-1.0** | -0.9 | **-0.2** | -0.2 |
| Change in plan provisions | **0.0** | - | **-0.1** | - |
| Acquisition of subsidiaries | **0.0** | 0.5 | **0.0** | 0.1 |
| Unfunded obligation at December 31 | **26.3** | 24.9 | **3.4** | 3.3 |

### Principal actuarial assumptions

| % | **2010** | 2009 |
|---|---|---|
| Discount rate | **5.0** | 5.14 - 5.90 |
| Future benefit increase expectation | **2.0** | 2.0 |

Pensions do not depend on salary development.

## 25. Provisions

| EUR million | Project provisions [1] | Other provisions [2] | **2010** |
|---|---|---|---|
| **Non-current** | | | |
| Provisions at January 1 | 22.4 | - | **22.4** |
| Translation differences | 0.1 | - | **0.1** |
| Additions | 7.5 | - | **7.5** |
| Acquired subsidiaries | - | - | **-** |
| Provisions utilized during the period | -10.0 | - | **-10.0** |
| Provisions released | -0.6 | - | **-0.6** |
| Other changes | -1.1 | - | **-1.1** |
| Provisions at December 31 | 18.3 | - | **18.3** |
| **Current** | | | |
| Provisions at January 1 | 17.1 | 5.3 | **22.3** |
| Translation differences | 1.4 | 0.1 | **1.5** |
| Additions | 17.6 | 5.2 | **22.8** |
| Acquired subsidiaries | - | 0.2 | **0.2** |
| Provisions utilized during the period | -7.8 | -2.7 | **-10.5** |
| Provisions released | -9.4 | -1.3 | **-10.8** |
| Other changes | 1.1 | -3.2 | **-2.1** |
| Provisions at December 31 | 20.0 | 3.6 | **23.7** |

Provisions are based on best estimates on the balance sheet date.

[1] Non-current project provisions include EUR 17.3 million warranty provisions and EUR 1.0 million project loss provisions at December 31, 2010. Current project provisions include EUR 19.9 million warranty provisions and EUR 0.2 million project loss provisions at December 31, 2010.
[2] Current other provisions include EUR 1.4 million restructuring provisions at December 31, 2010

## 26. Interest-bearing liabilities

| | **Carrying amount** | | **Fair value** | |
|---|---|---|---|---|
| EUR million | **2010** | 2009 | **2010** | 2009 |
| **Non-current** | | | | |
| Loans from financial institutions | **31.7** | 6.5 | **31.7** | 6.4 |
| Loans from pension institutions | **20.5** | 30.2 | **20.3** | 29.8 |
| Finance lease liabilities | **0.1** | 0.2 | **0.1** | 0.2 |
| Other non-current loans | **4.2** | 4.4 | **4.2** | 4.4 |
| | **56.6** | 41.2 | **56.4** | 40.7 |
| **Current** | | | | |
| Loans from financial institutions | **5.7** | 23.1 | **5.8** | 23.1 |
| Loans from pension institutions | **9.7** | 8.6 | **10.3** | 9.2 |
| Finance lease liabilities | **0.2** | 0.2 | **0.2** | 0.2 |
| Other current loans | **10.1** | 0.2 | **10.1** | 0.2 |
| | **25.7** | 32.0 | **26.4** | 32.6 |

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

### Finance lease liabilities

| EUR million | **Minimum lease payments 2010** | Minimum lease payments 2009 | **Present value of minimum lease payments 2010** | Present value of minimum lease payments 2009 |
|---|---|---|---|---|
| Not later than 1 year | **0.2** | 0.2 | **0.2** | 0.2 |
| 1-2 years | **0.1** | 0.2 | **0.1** | 0.1 |
| 2-3 years | **-** | 0.1 | **-** | 0.1 |
| 3-4 years | **-** | 0.0 | **-** | 0.0 |
| 4-5 years | **-** | - | **-** | - |
| Future finance charges | **-0.0** | -0.0 | **-** | - |
| | **0.3** | 0.4 | **0.3** | 0.4 |

## 27. Trade and other payables

| EUR million | **2010** | 2009 |
|---|---|---|
| **Non-current** | | |
| Other non-current liabilities | **5.2** | 2.2 |
| **Current** | | |
| Trade payables | **72.8** | 71.7 |
| Advances received | **198.7** | 150.9 |
| Project-related liabilities | **134.8** | 84.7 |
| Accrued employee-related expenses | **38.8** | 29.6 |
| VAT payable | **8.0** | 3.1 |
| Withholding tax and social security liabilities | **5.5** | 4.4 |
| Other accruals | **18.9** | 9.1 |
| Other payables | **3.1** | 1.4 |
| | **480.7** | 354.9 |

All trade and other payables were non interest-bearing.

## 28. Carrying amounts of financial assets and liabilities by categories

| 2010<br>EUR million | Financial assets at fair value through profit or loss | Loans and receivables | Available-for-sale financial assets | Financial liabilities at fair value through profit or loss | Financial liabilities measured at amortized cost | Carrying amounts by balance sheet item | Fair value |
|---|---|---|---|---|---|---|---|
| **Non-current financial assets** | | | | | | | |
| Derivative assets | | | | | | | |
| Foreign exchange forward contracts | 1.9 | - | - | - | - | 1.9 | 1.9 |
| Other shares and securities | - | - | 1.4 | - | - | 1.4 | 1.4 |
| Trade and other receivables | | | | | | | |
| Interest-bearing | - | 1.1 | - | - | - | 1.1 | 1.1 |
| Non interest-bearing | - | 0.0 | - | - | - | 0.0 | 0.0 |
| **Current financial assets** | | | | | | | |
| Derivative assets | | | | | | | |
| Foreign exchange forward contracts | 9.2 | - | - | - | - | 9.2 | 9.2 |
| Foreign exchange options | - | - | - | - | - | - | - |
| Trade and other receivables | | | | | | | |
| Interest-bearing | - | 0.5 | - | - | - | 0.5 | 0.5 |
| Non interest-bearing | - | 357.9 | - | - | - | 357.9 | 357.9 |
| Cash and cash equivalents | - | 280.3 | - | - | - | 280.3 | 280.3 |
| **Carrying amount by category** | **11.2** | **639.8** | **1.4** | **-** | **-** | **652.4** | **652.4** |
| | | | | | | | |
| **Non-current financial liabilities** | | | | | | | |
| Loans from financial institutions | - | - | - | - | 31.7 | 31.7 | 31.7 |
| Loans from pension institutions | - | - | - | - | 20.5 | 20.5 | 20.3 |
| Finance lease liabilities | - | - | - | - | 0.1 | 0.1 | 0.1 |
| Derivative liabilities | | | | | | | |
| Foreign exchange forward contracts | - | - | - | 2.5 | - | 2.5 | 2.5 |
| Other non-current loans | - | - | - | | 4.2 | 4.2 | 4.2 |
| Other non-current liabilities | - | - | - | | 5.2 | 5.2 | 5.2 |
| **Current financial liabilities** | | | | | | | |
| Loans from financial institutions | - | - | - | - | 5.7 | 5.7 | 5.8 |
| Loans from pension institutions | - | - | - | - | 9.7 | 9.7 | 10.3 |
| Finance lease liabilities | - | - | - | - | 0.2 | 0.2 | 0.2 |
| Derivative liabilities | | | | | | | |
| Foreign exchange forward contracts | - | - | - | 10.0 | - | 10.0 | 10.0 |
| Foreign exchange options | - | - | - | - | - | - | - |
| Other current loans | - | - | - | - | 10.1 | 10.1 | 10.1 |
| Trade payables | - | - | - | - | 72.8 | 72.8 | 72.8 |
| **Carrying amount by category** | **-** | **-** | **-** | **12.5** | **160.3** | **172.8** | **173.3** |

| 2009<br>EUR million | Financial assets at fair value through profit or loss | Loans and receivables | Available-for-sale financial assets | Financial liabilities at fair value through profit or loss | Financial liabilities measured at amortized cost | Carrying amounts by balance sheet item | Fair value |
|---|---|---|---|---|---|---|---|
| Non-current financial assets | | | | | | | |
| Derivative assets | | | | | | | |
| Foreign exchange forward contracts | 0.1 | - | - | - | - | 0.1 | 0.1 |
| Other shares and securities | - | - | 4.0 | - | - | 4.0 | 4.0 |
| Trade and other receivables | | | | | | | |
| Interest-bearing | - | 1.1 | - | - | - | 1.1 | 1.1 |
| Non interest-bearing | - | - | - | - | - | - | - |
| Current financial assets | | | | | | | |
| Derivative assets | | | | | | | |
| Foreign exchange forward contracts | 5.9 | - | - | - | - | 5.9 | 5.9 |
| Foreign exchange options | 0.0 | - | - | - | - | 0.0 | 0.0 |
| Trade and other receivables | | | | | | | |
| Interest-bearing | - | 0.7 | - | - | - | 0.7 | 0.7 |
| Non interest-bearing | - | 286.7 | - | - | - | 286.7 | 286.7 |
| Cash and cash equivalents | - | 258.5 | - | - | - | 258.5 | 258.5 |
| Carrying amount by category | 6.0 | 546.9 | 4.0 | - | - | 557.0 | 557.0 |
| | | | | | | | |
| Non-current financial liabilities | | | | | | | |
| Loans from financial institutions | - | - | - | - | 6.5 | 6.5 | 6.4 |
| Loans from pension institutions | - | - | - | - | 30.2 | 30.2 | 29.8 |
| Finance lease liabilities | - | - | - | - | 0.2 | 0.2 | 0.2 |
| Derivative liabilities | | | | | | | |
| Foreign exchange forward contracts | - | - | - | 0.0 | - | 0.0 | 0.0 |
| Other non-current loans | - | - | - | - | 4.4 | 4.4 | 4.4 |
| Other non-current liabilities | - | - | - | - | 2.2 | 2.2 | 2.2 |
| Current financial liabilities | | | | | | | |
| Loans from financial institutions | - | - | - | - | 23.1 | 23.1 | 23.1 |
| Loans from pension institutions | - | - | - | - | 8.6 | 8.6 | 9.2 |
| Finance lease liabilities | - | - | - | - | 0.2 | 0.2 | 0.2 |
| Derivative liabilities | | | | | | | |
| Foreign exchange forward contracts | - | - | - | 7.8 | - | 7.8 | 7.8 |
| Foreign exchange options | - | - | - | 0.1 | - | 0.1 | 0.1 |
| Other current loans | - | - | - | - | 0.2 | 0.2 | 0.2 |
| Trade payables | - | - | - | - | 71.7 | 71.7 | 71.7 |
| Carrying amount by category | - | - | - | 7.9 | 147.0 | 155.1 | 155.1 |

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

### Fair value hierarchy

The IFRS 7 standard requires use of a three-level fair value hierarchy of financial instruments. For more information, please see the principles to the consolidated financial statements.

| **2010**<br>EUR million | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Available-for-sale financial assets | **0.5** | **-** | **0.9** | **1.4** |
| Derivative financial assets | **-** | **11.2** | **-** | **11.2** |
| | **0.5** | **11.2** | **0.9** | **12.6** |
| Derivative financial liabilities | **-** | **12.5** | **-** | **12.5** |
| | **-** | **12.5** | **-** | **12.5** |
| 2009 | | | | |
| Available-for-sale financial assets | 0.2 | - | 3.8 | 4.0 |
| Derivative financial assets | - | 6.0 | - | 6.0 |
| | 0.2 | 6.0 | 3.8 | 10.0 |
| Derivative financial liabilities | - | 7.9 | - | 7.9 |
| | - | 7.9 | - | 7.9 |

## 29. Commitments and contingent liabilities

| EUR million | **2010** | 2009 |
|---|---|---|
| Pledges and mortgages at December 31 | **0.6** | 33.4 |
| Guarantees for commercial commitments at December 31 | **184.7** | 218.2 |

The pledges and mortgages are used to secure credit facilities in Outotec (Shanghai) Co. Ltd. and Outotec India Private Limited. Commercial guarantees are related to project and equipment deliveries. The total value of commercial guarantees does not include advance payment guarantees issued by the parent or other group companies. The total amount of guarantees for financing issued by group companies amounted to EUR 36.5 million at December 31, 2010 (at December 31, 2009: EUR 47.1 million) and for commercial guarantees including advance payment guarantees EUR 308.1 million at December 31, 2010 (at December 31, 2009: EUR 321.3 million). High exposure of on-demand guarantees may increase the risk of claims that may have an impact on the liquidity of Outotec.

### Present value of minimum lease payments on operating leases

| EUR million | **2010** | 2009 |
|---|---|---|
| Not later than 1 year | **9.8** | 8.2 |
| 1-2 years | **11.6** | 11.1 |
| 2-3 years | **9.2** | 9.1 |
| 3-4 years | **8.4** | 7.8 |
| 4-5 years | **8.0** | 6.4 |
| Later than 5 years | **23.4** | 21.7 |
| Present value of minimum lease payments | **70.5** | 64.4 |

### Major off-balance sheet investment commitments

The Group has no major off-balance sheet investment commitments at December 31, 2010.

## 30. Disputes and litigations

In 1995, a former officer of Prometal SA, a Brazilian corporation, commenced legal actions against, among others, Oku-Tec Ltda, a former agent of Outokumpu Technology in Brazil, and Outokumpu Enhangeria e Comercio, Ltda (currently Outotec Technologia Brasil Ltda). The former officer of Prometal SA is claiming a commission of USD 0.2 million allegedly due to him as a commission for intermediation in the acquisition of certain mining rights in Buritama, Brazil, owned by Prometal SA. In addition, if the former officer is successful in his claim regarding the said commission, he may commence legal proceedings for a success fee of approximately USD 4.7 million relating to the same acquisition allegedly due to him. The case was resolved to the benefit of Outotec by the 5th Civil Court of Sao Paolo, Brazil, but the claimant has appealed the decision before higher courts. While Outotec's management believes that the appeal is without merits, there can be no assurance as to the outcome of the court proceedings.

Pacific Industrial Company acted as a subcontractor for Outotec Pty Ltd for certain works regarding Outotec Pty Ltd's supply of three thickeners to BHPB Billiton in Ravensthorpe, Australia. Pacific Industrial Company and Outotec Pty Ltd were in disagreement over the valuation of differences in final construction drawings compared to tendered price drawings, the valuation of variations for additional works required from Pacific Industrial Company and the recovery of costs incurred by Outotec Pty Ltd in providing additional labour to complete Pacific Industrial Company's works. The parties have settled the dispute in the course of the arbitral proceedings by a lump-sum payment of Outotec of AUD 0.9 million.

In addition to the proceedings described above, some Outotec companies are involved in disputes incidental to their business. Outotec's management believes that the outcome of these disputes will not have a material effect on Outotec's financial position.

## 31. Related party transactions

### Transactions and balances with associated companies

| EUR million | 2010 | 2009 |
|---|---|---|
| Sales | **0.1** | 0.1 |
| Purchases | **-0.7** | - |
| Trade and other receivables | **0.4** | 0.1 |
| Current liabilities | **0.2** | 0.4 |
| Loan receivables | **0.2** | - |

### Transactions and balances with key management

Outotec's board of directors granted to Outotec Management Oy an interest-bearing loan at the maximum amount of EUR 5.0 million to finance the acquisition of the Outotec shares. The amount of the outstanding loan was EUR 4.1 million at December 31, 2010.

### Employee benefits for key management

| EUR million | 2010 | 2009 |
|---|---|---|
| **Executive Board (including President and CEO, Deputy CEO and CEO's substitute)** | | |
| Wages, salaries, and other short-term employee benefits | **2.3** | 5.8 |
| **President and CEO** | | |
| Wages, salaries, and other short-term employee benefits | **0.5** | 1.7 |
| **Deputy CEO and CEO's substitute** | | |
| Wages, salaries, and other short-term employee benefits | **0.2** | 0.8 |

As part of the share-based incentive program, the executive board did not receive Outotec shares from earnings period 2009 during 2010. During 2009 the executive committee received a total number of 101,802 Outotec shares as part of the share-based incentive program (including in short-term employee benefits). The former CEO Tapani Järvinen participated according to his CEO agreement in the share-based incentive program 2008-2010 also for the earnings period 2010.

Outotec's board of directors granted to Outotec Management Oy (incentive plan for Outotec executive board members) an interest-bearing loan at the maximum amount of EUR 5.0 million to finance the acquisition of the Outotec shares. The amount of the outstanding loan was EUR 4.1 million at December 31, 2010. There were no loans from key management at December 31, 2010 nor at December 31,2009.

### Fees paid to the Board of Directors

| EUR thousand | 2010 | 2009 |
|---|---|---|
| Carl-Gustaf Bergström (Chairman since March 18, 2010) | **59.5** | 64.5 |
| Risto Virrankoski (Chairman until March 18, 2010) | **16.0** | 51.5 |
| Karri Kaitue (Vice Chairman) | **53.0** | 42.0 |
| Eija Ailasmaa | **32.0** | - |
| Tapani Järvinen | **31.0** | - |
| Hannu Linnoinen | **54.5** | 54.0 |
| Anssi Soila | **42.0** | 40.0 |
| | **288.0** | 252.0 |

## 32. Events after the reporting period

On January 2011, Outotec signed a contract with SNC-Lavalin, a Canadian engineering and construction company, to design and deliver a new copper flash smelting furnace and related services to RTB Bor's smelter in Serbia. The contract value exceeded EUR 60 million.

## 33. Subsidiaries

| Subsidiaries at December 31, 2010 | | Country | Group holding, % |
|---|---|---|---|
| Aisco Systems Inc. Chile y Compañia Ltda | | Chile | 100 |
| Auburn Project Management Inc. | | United States | 100 |
| Ausiron Development Corporation Pty. Ltd. | 2) | Australia | 100 |
| Cia Minera Trinidad S.A.C. | | Peru | 100 |
| Edmeston AB | 2) | Sweden | 100 |
| Explotaciones Mineras Metalicas S.A.C. | | Peru | 100 |
| Filtros Larox Mexico S.A. de C.V. | | Mexico | 100 |
| International Project Services Ltd. Oy | | Finland | 100 |
| Kumpu GmbH | | Germany | 100 |
| Larox AB | | Sweden | 100 |
| Larox Chile S.A. | | Chile | 100 |
| Larox Filtration Technology (Suzhou) Co.Ltd. | | People's Republic of China | 100 |
| Larox Inc. | | United States | 100 |
| Larox India Private Ltd. | | India | 100 |
| Larox SA (Proprietary) Ltd. | | South Africa | 100 |
| Larox Tecnologia de Separacao de Líquidos e Sólidos Ltda. | | Brazil | 100 |
| MP Metals Processing Engineering Oy | 1) | Finland | 100 |
| OOO Larox | | Russia | 100 |
| OOO Outotec Norilsk | 1) | Russia | 100 |
| Outotec (Australasia) Pty. Ltd. | | Australia | 100 |
| Outotec (Canada) Ltd. | | Canada | 100 |
| Outotec (Ceramics) Oy | | Finland | 100 |
| Outotec (Chile) Ltda. | | Chile | 100 |
| Outotec (Filters) GmbH | | Germany | 100 |
| Outotec (Filters) Oy | 1) | Finland | 100 |
| Outotec (Finland) Oy | 1) | Finland | 100 |
| Outotec (Kazakhstan) LLP | | Kazakhstan | 100 |
| Outotec (Mexico), S.A. de C.V. | | Mexico | 100 |
| Outotec (Netherlands) B.V. | | The Netherlands | 100 |
| Outotec (Norway) AS | | Norway | 100 |
| Outotec (Peru) S.A.C. | 1) | Peru | 100 |
| Outotec (Polska) Sp. z o.o. | | Poland | 100 |
| Outotec (RSA) (Pty) Ltd. | | South Africa | 100 |
| Outotec (Shanghai) Co. Ltd. | 1) | People's Republic of China | 100 |
| Outotec (Sweden) AB | 1) | Sweden | 100 |
| Outotec (UK) Ltd. | | Great Britain | 100 |
| Outotec (USA) Inc. | | United States | 100 |
| Outotec (Zambia) Ltd. | | Zambia | 100 |
| Outotec Auburn Ltd. | 1) | Canada | 100 |
| Outotec Auburn Ltda. | | Chile | 100 |
| Outotec Ausmelt Pty. Ltd. | 2) | Australia | 100 |
| Outotec B.V. | | The Netherlands | 100 |
| Outotec Deutschland GmbH | | Germany | 100 |
| Outotec Filters Australia Pty. Ltd. | | Australia | 100 |
| Outotec GmbH | | Germany | 100 |
| Outotec Holding GmbH | 1) | Germany | 100 |
| Outotec India Private Ltd. | | India | 100 |
| Outotec Pty. Ltd. | 1) | Australia | 100 |
| Outotec Tecnologia Brasil Ltda. | | Brazil | 100 |
| Outotec Turula Oy | 1) | Finland | 100 |
| Petrobau Ingenieur Bulgaria EOOD | | Bulgaria | 100 |
| Scheibler Filters Ltd. | | Great Britain | 100 |
| ZAO Outotec Moskva | 1) | Russia | 100 |
| ZAO Outotec St. Petersburg | | Russia | 100 |

All companies owned directly by parent company Outotec Oyj are included.
The Group holding corresponds to the Group's share of voting rights.
[1] Shares and stock held by the parent company Outotec Oyj.
[2] Companies were acquired in 2010.

### Changes in 2010

Outotec completed the acquisition of Larox.
Outotec completed the acquisition of Ausmelt.
Outotec acquired Edmeston AB.
SepTor Technologies B.V. was disposed.
Auburn Industrial Services Ltd., Auburn Furnace Services Inc., Camden Yards Assets Ltd. and Auburn Industrial Design Inc. merged with Outotec Auburn Ltd.
Ausmelt Equity Ventures Pty. Ltd. and Ausmelt Chemicals Pty. Ltd. were deregistered.
Eberhard Hoesch & Söhne GmbH was liquidated.
Kumpu Engineering, Inc. and Pannevis Inc. were liquidated.
Larox Poland Ltd. was merged with Outotec (Polska) Sp. z.o.o.
MPE-Service Oy and Larox Company Oy were merged with International Project Services Ltd. Oy.
Outotec (Kil) AB was merged with Outotec (Sweden) AB.
Outotec Research Oy was merged with Outotec (Finland) Oy.
Ausmelt Ltd. name changed to Outotec Ausmelt Pty. Ltd.
Larox B.V. name changed to Outotec (Netherlands) B.V.
Larox Central Africa Ltd. name changed to Outotec (Zambia) Ltd.
Larox GmbH name changed to Outotec (Filters) GmbH.
Larox Oyj name changed to Outotec (Filters) Oy.
Larox Pty. Ltd. name changed to Outotec Filters Australia Pty. Ltd.
Larox UK Ltd. name changed to Outotec (UK) Ltd.
Outotec Minerals Oy name changed to Outotec (Finland) Oy.
Outotec (Netherlands) B.V. name changed to Outotec B.V.
Turku Ceramics Oy name changed to Outotec (Ceramics) Oy.

# KEY FINANCIAL FIGURES OF THE GROUP

| | | **2010** | 2009 | 2008 | 2007 | 2006[1)] |
|---|---|---|---|---|---|---|
| **Scope of activity** | | | | | | |
| Sales | EUR million | **969.6** | 877.7 | 1,217.9 | 1,000.1 | 740.4 |
| - change in sales | % | **10.5** | -27.9 | 21.8 | 35.1 | 33.1 |
| - exports from and sales outside Finland, of total sales | % | **95.6** | 93.6 | 95.0 | 95.7 | 97.3 |
| Capital expenditure | EUR million | **96.7** | 98.0 | 23.9 | 11.6 | 8.0 |
| - in relation to sales | % | **10.0** | 11.2 | 2.0 | 1.2 | 1.1 |
| Research and development expenses | EUR million | **28.5** | 20.5 | 20.2 | 19.9 | 19.2 |
| - in relation to sales | % | **2.9** | 2.3 | 1.7 | 2.0 | 2.6 |
| Personnel at December 31 | | **3,130** | 3,128 | 2,674 | 2,144 | 1,797 |
| - average for the year | | **3,151** | 2,612 | 2,483 | 2,031 | 1,825 |
| Order backlog at the end of the period | EUR million | **1,393.1** | 867.4 | 1,176.7 | 1,317.2 | 866.4 |
| Order intake | EUR million | **1,394.7** | 557.1 | 1,153.8 | 1,463.0 | 1,032.2 |
| **Profitability** | | | | | | |
| Operating profit | EUR million | **41.6** | 58.6 | 120.2 | 96.1 | 51.6 |
| - in relation to sales | % | **4.3** | 6.7 | 9.9 | 9.6 | 7.0 |
| Profit before taxes | EUR million | **37.1** | 60.9 | 136.3 | 104.8 | 56.6 |
| - in relation to sales | % | **3.8** | 6.9 | 11.2 | 10.5 | 7.6 |
| Gross margin | % | **26.2** | 21.7 | 21.5 | 20.4 | 20.7 |
| Return on equity | % | **7.6** | 14.9 | 42.6 | 43.3 | 29.1 |
| Return on investment | % | **9.2** | 20.9 | 61.6 | 59.8 | 45.4 |
| **Financing and financial position** | | | | | | |
| Equity-to-assets ratio at the end of the period | % | **41.2** | 45.1 | 35.0 | 38.2 | 36.9 |
| Gearing at the end of the period | % | **-56.2** | -55.8 | -139.0 | -136.4 | -118.0 |
| Net interest-bearing debt at the end of the period | EUR million | **-200.9** | -191.0 | -314.6 | -292.9 | -170.0 |
| Net cash from operating activities | EUR million | **87.5** | -28.5 | 106.6 | 143.0 | 67.8 |
| Dividends | EUR million | **34.3** [2)] | 32.0 | 42.0 | 39.9 | 14.7 |

[1)] Combined basis
[2)] The Board of Directors' proposal to the Annual General Meeting on March 22, 2011.

# QUARTERLY INFORMATION (UNAUDITED)

| EUR million | Q1/09 | Q2/09 | Q3/09 | Q4/09 | Q1/10 | Q2/10 | Q3/10 | Q4/10 |
|---|---|---|---|---|---|---|---|---|
| **Sales** | | | | | | | | |
| Non-ferrous Solutions | 129.9 | 132.2 | 104.6 | 115.9 | 113.5 | 141.3 | 144.6 | 223.9 |
| Ferrous Solutions | 27.7 | 34.2 | 34.9 | 49.9 | 20.0 | 32.9 | 35.5 | 43.2 |
| Energy, Light Metals and Environmental Solutions | 76.8 | 74.3 | 51.3 | 56.3 | 54.6 | 52.6 | 50.3 | 65.3 |
| Unallocated items[1] and intra-group sales | -2.7 | -3.1 | -2.2 | -2.3 | -1.0 | -3.0 | -1.8 | -2.2 |
| Total | 231.6 | 237.6 | 188.7 | 219.8 | 187.0 | 223.8 | 228.5 | 330.3 |
| **Operating profit** | | | | | | | | |
| Non-ferrous Solutions | 10.5 | 7.3 | 9.4 | 7.9 | -15.4 | 4.8 | 13.5 | 23.2 |
| Ferrous Solutions | 1.6 | 0.2 | 2.6 | 5.1 | -2.5 | 1.4 | 4.2 | 8.2 |
| Energy, Light Metals and Environmental Solutions | 7.0 | 9.2 | 4.6 | 6.8 | 10.0 | 1.9 | 3.5 | 11.4 |
| Unallocated items[2] and intra-group items | -2.7 | -2.7 | -1.5 | -6.5 | -2.2 | -2.6 | -3.1 | -14.7 |
| Total | 16.3 | 13.9 | 15.1 | 13.3 | -10.1 | 5.5 | 18.1 | 28.1 |
| **Order backlog at the end of period** | 1,090.4 | 966.6 | 980.0 | 867.4 | 1,155.7 | 1,310.1 | 1,332.2 | 1,393.1 |

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

# SHARE-RELATED KEY FIGURES

| | | **2010** | 2009 | 2008 | 2007 | 2006[1] |
|---|---|---|---|---|---|---|
| Earnings per share | EUR | **0.59** | 1.01 | 2.25 | 1.85 | 0.88 |
| Equity per share | EUR | **7.87** | 7.09 | 5.43 | 5.11 | 3.43 |
| Dividend per share | EUR | **0.75**[2] | 0.70 | 1.00 | 0.95 | 0.35 |
| Dividend payout ratio | % | **128.8** | 75.7 | 44.7 | 51.4 | 39.7 |
| Dividend yield | % | **1.6** | 2.8 | 9.3 | 2.5 | 1.5 |
| Price/earnings ratio | | **78.6** | 24.5 | 4.8 | 20.4 | 25.7 |
| Development of share price | | | | | | |
| Average trading price | EUR | **28.76** | 17.39 | 26.28 | 36.03 | 14.23 |
| Lowest trading price | EUR | **18.85** | 9.30 | 8.52 | 19.25 | 12.40 |
| Highest trading price | EUR | **47.25** | 24.87 | 45.76 | 54.75 | 22.76 |
| Trading price at the end of the period | EUR | **46.24** | 24.74 | 10.80 | 37.60 | 22.70 |
| Market capitalization at the end of the period | EUR million | **2,116.9** | 1,107.4 | 453.6 | 1,579.2 | 953.4 |
| Development in trading volume | | | | | | |
| Trading volume | 1,000 shares | **99,942** | 106,506 | 158,008 | 138,813 | 88,736 |
| In relation to weighted average number of shares | % | **220.3** | 254.5 | 378.1 | 330.5 | 211.3 |
| Adjusted average number of shares | | **45,356,862** | 41,843,793 | 41,790,417 | 42,000,000 | 42,000,000 |
| Number of shares at the end of the period [3] | | **45,332,738** | 44,435,787 | 41,735,000 | 42,000,000 | 42,000,000 |

[1] Combined basis
[2] The Board of Directors' proposal to the Annual General Meeting on March 22, 2011
[3] Number of registered shares at December 31, 2010, was 45,780,373 (at December 31, 2009: 44,763,419).

# DEFINITIONS OF KEY FINANCIAL FIGURES

| | | |
|---|---|---|
| Research and development expenses | = | Research and development expenses in the statement of comprehensive income (including expenses covered by grants received) |
| Return on equity (ROE) | = | $\frac{\text{Profit for the period}}{\text{Total equity (average for the period)}} \times 100$ |
| Return on investment (ROI) | = | $\frac{\text{Operating profit + finance income}}{\text{Total assets - non-interest-bearing debt (average for the period)}} \times 100$ |
| Net interest-bearing debt | = | Interest-bearing debt - Interest-bearing assets |
| Equity-to-assets ratio | = | $\frac{\text{Total equity}}{\text{Total assets – advances received}} \times 100$ |
| Gearing | = | $\frac{\text{Net interest-bearing debt}}{\text{Total equity}} \times 100$ |
| Earnings per share | = | $\frac{\text{Profit for the period attributable to the equity holders of the parent company}}{\text{Average number of shares during the period, as adjusted for stock split}}$ |
| Equity per share | = | $\frac{\text{Equity attributable to the equity holders of the parent company}}{\text{Number of shares at the end of the period, as adjusted for stock split}}$ |
| Dividend per share | = | $\frac{\text{Dividend for the period}}{\text{Number of shares at the end of the period, as adjusted for stock split}}$ |
| Dividend payout ratio | = | $\frac{\text{Dividend for the period}}{\text{Profit for the period attributable to the equity holders of the parent company}} \times 100$ |
| Dividend yield | = | $\frac{\text{Dividend per share}}{\text{Adjusted trading price at the end of the period}} \times 100$ |
| Price/earnings ratio (P/E) | = | $\frac{\text{Adjusted trading price at the end of the period}}{\text{Earnings per share}}$ |
| Average trading price | = | $\frac{\text{EUR amount traded during the period}}{\text{Adjusted number of shares traded during the period}}$ |
| Market capitalization at end of the period | = | Number of shares at the end of period × trading price at the end of the period |
| Trading volume | = | Number of shares traded during the period, and in relation to the weighted average number of shares during the period |

# INCOME STATEMENT OF THE PARENT COMPANY

| EUR million | Note | **2010** | 2009 |
|---|---|---|---|
| **Sales** | 2, 3 | **115.3** | 100.5 |
| Cost of sales | 4 | **-85.7** | -71.4 |
| **Gross profit** | | **29.6** | 29.1 |
| Other operating income | 5 | **27.9** | 24.9 |
| Selling and marketing expenses | | **-16.1** | -11.3 |
| Administrative expenses | | **-24.0** | -12.9 |
| Research and development expenses | | **-19.8** | -14.1 |
| Other operating expenses | 9 | **-2.4** | -4.4 |
| **Operating profit** | | **-4.8** | 11.3 |
| Finance income | 10 | **29.2** | 41.2 |
| Finance expenses | 11 | **-17.6** | -11.5 |
| Net finance income | | **11.7** | 29.7 |
| **Profit before extraordinary items** | | **6.9** | 41.0 |
| Extraordinary items | 12 | **3.6** | 11.7 |
| **Profit before appropriations and taxes** | | **10.5** | 52.7 |
| Appropriations | 13 | **0.0** | - |
| Income tax expenses | 14 | **-0.8** | 1.2 |
| **Profit for the period** | | **9.7** | 53.9 |

# BALANCE SHEET OF THE PARENT COMPANY

| EUR million | Note | **Dec 31, 2010** | Dec 31, 2009 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | 15 | | |
| Intangible assets | | **15.9** | 18.3 |
| Property, plant and equipment | | **1.7** | 1.9 |
| Non-current financial assets | | **397.0** | 318.9 |
| **Total non-current assets** | | **414.6** | 339.0 |
| **Current assets** | | | |
| Inventories | 16 | **7.1** | 3.7 |
| Non-current receivables | 17 | **27.5** | 2.8 |
| Current receivables | 17 | **104.5** | 90.2 |
| Cash and cash equivalents | | **133.3** | 173.2 |
| **Total current assets** | | **272.3** | 270.0 |
| **TOTAL ASSETS** | | **687.0** | 609.0 |
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | 18 | | |
| Share capital | | **17.2** | 16.8 |
| Share premium fund | | **20.2** | 20.2 |
| Treasury shares | | **-4.6** | -4.6 |
| Reserve for invested non-restricted equity | | **87.7** | 63.4 |
| Retained earnings | | **104.9** | 82.8 |
| Profit for the period | | **9.7** | 53.9 |
| **Total shareholders' equity** | | **235.2** | 232.5 |
| **Appropriations** | 13 | **0.3** | 0.4 |
| **Provisions** | 19 | **6.8** | 2.6 |
| **Liabilities** | 20 | | |
| Non-current liabilities | | **41.1** | 13.8 |
| Current liabilities | | **403.6** | 359.7 |
| **Total liabilities** | | **444.7** | 373.5 |
| **TOTAL EQUITY AND LIABILITIES** | | **687.0** | 609.0 |

# CASH FLOW STATEMENT OF THE PARENT COMPANY

| EUR million | **2010** | 2009 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before extraordinary items | **6.9** | 41.0 |
| Adjustments for | | |
| Depreciation and amortization | **3.3** | 3.2 |
| Impairment | **3.0** | 0.2 |
| Interest income | **-3.5** | -3.5 |
| Dividend income | **-13.4** | -30.6 |
| Interest expenses | **2.5** | 4.7 |
| Other adjustments [1] | **-22.7** | -21.9 |
| | **-23.9** | -7.0 |
| Change in working capital | | |
| Increase (-) and decrease (+) in current receivables | **-6.9** | 6.1 |
| Increase (-) and decrease (+) in inventories | **-3.4** | 2.9 |
| Increase (+) and decrease (-) in current liabilities | **13.2** | -29.7 |
| | **-21.0** | -27.7 |
| Dividends received | **8.9** | 34.6 |
| Interest received | **3.4** | 3.7 |
| Interest paid | **-2.3** | -6.8 |
| Income tax paid | **-0.2** | -0.6 |
| **Net cash from operating activities** | **-11.2** | 3.2 |
| **Cash flows from investing activities** | | |
| Purchases of intangible and tangible assets | **-4.0** | -5.1 |
| Acquisition of subsidiaries and other equity investments | **-34.2** | -6.0 |
| Proceeds from sale of intangible and tangible assets | **0.1** | 0.1 |
| Proceeds from disposal of shareholdings | **8.1** | 8.4 |
| **Net cash used in investing activities** | **-29.9** | -2.6 |
| **Cash flows from financing activities** | | |
| Increase in long-term debt | **27.1** | 12.0 |
| Increase (+) and decrease (-) in current debt | **19.7** | -30.8 |
| Increase in non-current loans receivable | **-14.1** | -0.3 |
| Increase in current loans receivable | **-11.4** | -22.6 |
| Purchases of treasury shares | **-** | -3.3 |
| Sales of treasury shares | **-** | 3.7 |
| Dividends paid | **-32.0** | -42.0 |
| Cash flow from group contributions | **11.7** | 10.6 |
| Other financing cash flow | **0.2** | 0.6 |
| **Net cash from financing activities** | **1.3** | -72.1 |
| **Net change in cash and cash equivalents** | **-39.9** | -71.5 |
| Cash and cash equivalents at January 1 | **173.2** | 244.7 |
| Net change in cash and cash equivalents | **-39.9** | -71.5 |
| **Cash and cash equivalents at December 31** | **133.3** | 173.2 |

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

# NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

## 1. Accounting principles

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

### Appropriations

The difference between depreciation according to plan and depreciation for tax purposes is presented under appropriations in the parent company's income statement and the accumulated depreciation difference is presented as appropriations on the balance sheet.

### Income taxes

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

### Non-current financial assets

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

## 2. Sales by market area

| EUR million | **2010** | 2009 |
|---|---|---|
| Europe | **37.2** | 42.4 |
| Africa | **15.5** | 10.7 |
| Asia | **46.6** | 25.1 |
| North and South America | **14.6** | 21.2 |
| Australia | **1.4** | 1.1 |
| | **115.3** | 100.5 |

## 3. Construction contracts

| EUR million | **2010** | 2009 |
|---|---|---|
| Revenue recognized from the construction contracts by percentage of completion | **66.7** | 49.0 |
| Other revenue | **48.6** | 51.5 |
| | **115.3** | 100.5 |
| Revenue recognized to date from construction contracts in progress at December 31 | **14.2** | 9.5 |
| Net receivables/liabilities related to construction contracts | | |
| Receivables | **22.0** | 16.4 |
| Advance payments received | **-14.6** | -5.0 |
| | **7.4** | 11.3 |
| The value of contracts not yet recognized as revenue | | |
| Contracts which will be booked to revenue by percentage of completion | **109.7** | 34.6 |
| Contracts which will be booked to revenue at the delivery | **30.3** | 20.0 |
| Order backlog at December 31 | **140.0** | 54.6 |

## 4. Cost of sales

| EUR million | 2010 | 2009 |
|---|---|---|
| Merchandise and supplies | **-63.4** | -40.3 |
| Logistics expenses | **-1.5** | -1.8 |
| Employee benefit expenses | **-17.2** | -17.2 |
| Rents and leases | **-2.7** | -0.5 |
| Depreciation and amortization | **-0.1** | -0.2 |
| Change in inventories | **3.4** | -2.9 |
| Services purchased | **-3.5** | -6.9 |
| Other expenses | **-0.8** | -1.5 |
| | **-85.7** | -71.4 |

## 5. Other operating income

| EUR million | 2010 | 2009 |
|---|---|---|
| Gains on the sale of intangible and tangible assets and financial assets | **26.6** | 24.4 |
| Exchange gains of forward contracts | **1.3** | 0.5 |
| | **27.9** | 24.9 |

## 6. Personnel expenses

| EUR million | 2010 | 2009 |
|---|---|---|
| Wages and salaries | **-27.1** | -22.2 |
| Pension contributions | **-4.1** | -5.0 |
| Other personnel expenses | **-1.4** | -1.6 |
| | **-32.7** | -28.9 |
| | | |
| **of which wages and salaries for key management** | | |
| Members of the Board of Directors | **-0.3** | -0.3 |
| CEO, Deputy CEO and CEO's substitute | **-0.7** | -2.4 |
| Other members of Executive Committee | **-1.0** | -1.6 |
| | **-2.0** | -4.3 |

As part of the share-based incentive plans, the Executive Board did not receive Outotec shares from earnings period 2009 during 2010 (2009: 70,958 Outotec shares from earnings period 2008).

On May 21, 2010 Outotec's board of directors determined a new share ownership plan directed to the members of Outotec executive board. Outotec's board of directors granted to Outotec Management Oy an interest-bearing loan at the maximum amount of EUR 5.0 million to finance the acquisition of the Outotec shares. The amount of the outstanding loan was EUR 4.1 million at December 31, 2010. There were no loans to key management at December 31, 2009.

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

| **Number of personnel** | 2010 | 2009 |
|---|---|---|
| Average number of personnel for the period | **410** | 429 |
| Personnel at December 31 | **401** | 427 |

## 7. Auditor fees

| EUR million | 2010 | 2009 |
|---|---|---|
| KPMG | | |
| Auditing fees | **0.1** | 0.1 |
| Tax advising fees | **0.1** | 0.1 |
| Other services | **0.4** | 0.5 |
| | **0.6** | 0.6 |

## 8. Depreciation, amortization and impairment

| EUR million | **2010** | 2009 |
|---|---|---|
| Depreciation and amortization according to plan | **-3.3** | -3.2 |
| Impairment of non-current assets | **-3.0** | -0.2 |
| | **-6.2** | -3.4 |
| Depreciation, amortization and impairment by group of assets | | |
| Intangible assets | **-3.3** | -1.7 |
| Other long-term expenses | **-2.5** | -1.2 |
| Machinery and equipment | **-0.4** | -0.4 |
| | **-6.2** | -3.4 |
| Depreciation, amortization and impairment by function | | |
| Cost of sales | **-0.1** | -0.2 |
| Selling and marketing expenses | **-0.0** | -0.0 |
| Administrative expenses | **-3.1** | -1.6 |
| Research and development expenses | **-3.0** | -1.5 |
| | **-6.2** | -3.4 |

## 9. Other operating expenses

| EUR million | **2010** | 2009 |
|---|---|---|
| Losses on disposals of intangible and tangible assets and non-current financial assets | **-2.4** | -4.0 |
| Exchange losses of forward contracts | **-** | -0.3 |
| Other expenses | **0.0** | - |
| | **-2.4** | -4.4 |

## 10. Finance income

| EUR million | **2010** | 2009 |
|---|---|---|
| Dividend income | **13.4** | 30.6 |
| Interest income and other finance income | **8.0** | 5.6 |
| Exchange gains | **7.9** | 4.9 |
| | **29.2** | 41.2 |
| Finance income from subsidiaries | | |
| Dividend income | **13.4** | 30.6 |
| Interest income and other finance income | **6.5** | 2.9 |
| | **19.9** | 33.5 |

The treasury operations of Outotec are centralized in Outotec Oyj.

## 11. Financial expenses

| EUR million | **2010** | 2009 |
|---|---|---|
| Interest expenses and other finance expenses | **-7.1** | -6.4 |
| Exchange losses | **-10.5** | -5.0 |
| | **-17.6** | -11.5 |
| Finance expenses for subsidiaries | | |
| Interest expenses | **-2.0** | -4.6 |

## 12. Extraordinary items

| EUR million | **2010** | 2009 |
|---|---|---|
| Group contributions received | **3.6** | 11.7 |

## 13. Appropriations

| EUR million | **2010** | 2009 |
|---|---|---|
| Decrease in depreciation difference | **0.0** | - |
| Depreciation difference in the balance sheet | **0.3** | 0.4 |

All appropriations relate to machinery and equipment.

## 14. Income tax expenses

| EUR million | **2010** | 2009 |
|---|---|---|
| Income tax expenses from extraordinary items | **-0.9** | -3.1 |
| Income tax expenses from operations | **0.2** | 4.2 |
| | **-0.8** | 1.2 |
| Deferred tax assets | | |
| Temporary differences | **8.5** | 0.9 |
| Deferred tax liabilities | | |
| Temporary differences | **0.1** | 0.1 |

## 15. Non-current assets

| EUR million | Intangible assets | Property, plant and equipment |
|---|---|---|
| Historical cost at January 1, 2010 | 30.6 | 2.9 |
| Additions | 3.5 | 0.2 |
| Disposals | -5.7 | -0.2 |
| **Historical cost at December 31, 2010** | **28.4** | **3.0** |
| Accumulated depreciation, amortization and impairment at January 1, 2010 | -12.4 | -1.2 |
| Accumulated depreciation and amortization on disposals | 2.6 | 0.2 |
| Depreciation, amortization and impairment during the period | -2.8 | -0.4 |
| **Accumulated depreciation, amortization and impairment at December 31, 2010** | **-12.6** | **-1.5** |
| **Carrying value at December 31,2010** | **15.9** | **1.5** |
| Historical cost at January 1, 2009 | 26.7 | 2.2 |
| Additions | 4.2 | 0.8 |
| Disposals | -0.3 | 0.0 |
| Historical cost at December 31, 2009 | 30.6 | 2.9 |
| Accumulated depreciation, amortization and impairment at January 1, 2009 | -9.6 | -0.8 |
| Accumulated depreciation and amortization on disposals | 0.1 | 0.0 |
| Depreciation, amortization and impairment during the period | -2.8 | -0.4 |
| Accumulated depreciation, amortization and impairment at December 31, 2009 | -12.4 | -1.2 |
| Carrying value at December 31, 2009 | 18.3 | 1.8 |

**Long-term financial assets**

| EUR million | Shares in subsidiaries | Shares in associated companies | Other shares and holdings | Total |
|---|---|---|---|---|
| Historical cost at January 1, 2010 | 313.4 | 5.1 | 0.4 | 318.9 |
| Additions | 89.5 | - | - | 89.5 |
| Disposalsx | -6.3 | -5.1 | - | -11.4 |
| **Carrying value at December 31, 2010** | **396.7** | **0.0** | **0.4** | **397.0** |
| Historical cost at January 1, 2009 | 232.6 | - | 2.8 | 235.4 |
| Additions | 91.3 | 5.1 | 0.2 | 96.5 |
| Disposals | -10.5 | - | -2.5 | -13.0 |
| Carrying value at December 31, 2009 | 313.4 | 5.1 | 0.4 | 318.9 |

Outotec Oyj has gained title to all the Larox shares on June 10, 2010 (70.48% in 2009). Outotec Oyj sold 19.9% of its Ausmelt Ltd. shares to Outotec Pty. Ltd. which gained title to all the Ausmelt Ltd. shares. Outotec Oyj gave its Outotec (RSA) shares as a capital contribution to Larox SA (Proprietary) and in return got ownership to 68% of Larox SA (Proprietary) shares.

Outotec Research Oy has merged with Outotec (Finland) Oy on December 31, 2010. Both companies are fully owned by Outotec Oyj.

## 16. Inventories

| EUR million | **2010** | 2009 |
|---|---|---|
| Materials and supplies | **1.0** | 1.0 |
| Work in progress | **4.5** | 2.5 |
| Advance payments | **1.7** | 0.2 |
| | **7.1** | 3.7 |

## 17. Receivables

| EUR million | **2010** | 2009 |
|---|---|---|
| **Non-current receivables** | | |
| Interest-bearing | | |
| Loan receivables | **16.3** | 1.7 |
| Subordinated loans | **9.0** | - |
| Non interest-bearing | | |
| Subordinated loans | **1.1** | 1.1 |
| Unrealized exchange gains of forward contracts | **1.1** | 0.0 |
| | **27.5** | 2.8 |
| **Current receivables** | | |
| Interest-bearing | | |
| Loan receivables | **49.5** | 41.4 |
| Other receivables from group companies | **2.6** | - |
| Non interest-bearing | | |
| Trade receivables | **11.4** | 12.9 |
| Prepaid expenses and accrued income | **22.3** | 17.1 |
| Other receivables | **18.7** | 18.8 |
| | **104.5** | 90.2 |
| Prepaid expenses and accrued income | | |
| Receivables from long-term construction contracts | **22.0** | 16.4 |
| Other receivables | **0.4** | 0.7 |
| | **22.3** | 17.1 |

| EUR million | **2010** | 2009 |
|---|---|---|
| **Receivables from subsidiaries** | | |
| **Non-current receivables** | | |
| Interest-bearing | | |
| Loan receivables | **16.3** | 1.7 |
| Subordinated loans | **9.0** | - |
| **Current receivables** | | |
| Interest-bearing | | |
| Loan receivables | **49.5** | 41.4 |
| Other receivables from group companies | **2.6** | - |
| Non interest-bearing | | |
| Trade receivables | **6.1** | 4.6 |
| Prepaid expenses and accrued income | **0.2** | 0.1 |
| Other receivables | **10.1** | 14.7 |
| | **93.8** | 62.5 |

## 18. Shareholders' equity

| EUR million | **2010** | 2009 |
|---|---|---|
| Share capital | **17.2** | 16.8 |
| Share premium fund | **20.2** | 20.2 |
| Treasury shares | **-4.6** | -4.6 |
| Reserve for invested non-restricted equity | **87.7** | 63.4 |
| Retained earnings at January 1 | **136.7** | 127.0 |
| Dividend | **-32.0** | -42.0 |
| Change in value of treasury shares | **-** | -2.7 |
| Dividend related to treasury shares | **0.2** | 0.6 |
| Profit for the period | **9.7** | 53.9 |
| Total shareholders' equity at December 31 | **235.2** | 232.5 |
| | | |
| **Distributable funds** | | |
| Reserve for invested non-restricted equity | **87.7** | 63.4 |
| Retained earnings | **104.9** | 82.8 |
| Profit for the period | **9.7** | 53.9 |
| Distributable funds at December 31 | **202.3** | 200.1 |

Outotec Oyj has entered into an agreement with a third-party service provider concerning the administration and hedging of a share-based incentive program for key personnel. As part of this agreement, for hedging the underlying cash flow risk, the service provider has purchased 500,000 Outotec shares during 2008-2009 that have been funded by Outotec Oyj and accounted for as treasury shares on the balance sheet.

Outotec completed acquisition of control in Larox through directed share issue at December 21, 2009 and made a mandatory public tender offer for the remaining Larox shares. On January 27, 2010 Outotec announced the final result of the tender offer, according to which the Larox shares in Outotec ownership represented approximately 98.5% of all the Larox shares. On June 10, 2010 Outotec Oyj gained title to all the Larox shares. Most of the consideration for the Larox shares purchased was paid in the form of 3,780,373 (2009: 2,763,419) new Outotec shares which totalled to EUR 88.1 million (2009: EUR 63.4 million). EUR 0.4 million of these new Outotec shares are reported under share capital and EUR 87.7 million under the reserve for invested non-restricted equity.

## 19. Provisions

| EUR million | **2010** | 2009 |
|---|---|---|
| Project related provisions at January 1 | **2.6** | 3.6 |
| Change in provisions | **4.1** | -1.0 |
| Project related provisions at December 31 | **6.8** | 2.6 |

Provisions include warranty period and project loss provisions concerning the constructions contracts.

## 20. Liabilities

| EUR million | **2010** | 2009 |
|---|---|---|
| **Non-current liabilities** | | |
| Interest-bearing | | |
| Loans from financial institutions | **31.3** | 1.7 |
| Pension loans | **9.0** | 12.0 |
| Non interest-bearing | | |
| Unrealized exchange losses of forward contracts | **0.8** | 0.0 |
| | **41.1** | 13.8 |
| **Current liabilities** | | |
| Interest-bearing | | |
| Loans from subsidiaries | **284.8** | 270.9 |
| Other current loans from group companies | **61.3** | 56.5 |
| Pension loans | **3.0** | 3.0 |
| Non interest-bearing | | |
| Advance payments received | **9.4** | 2.7 |
| Trade payables | **5.8** | 6.3 |
| Accrued expenses and prepaid income | **19.6** | 12.9 |
| Other current liabilities | **9.3** | 7.5 |
| | **393.2** | 359.7 |
| Accrued expenses and prepaid income | | |
| Accrued personnel expenses | **8.0** | 7.3 |
| Accrued project expenses | **3.2** | 2.0 |
| Accrued expenses of construction contracts | **3.4** | 0.8 |
| Other liabilities | **5.0** | 2.8 |
| | **19.6** | 12.9 |
| **Liabilities to subsidiaries** | | |
| **Current liabilities** | | |
| Interest-bearing | | |
| Current loans | **284.8** | 270.9 |
| Other current loans from group companies | **61.3** | 56.5 |
| Non interest-bearing | | |
| Advance payments received | **21.0** | 9.6 |
| Trade payables | **0.4** | 2.8 |
| Accrued expenses and prepaid income | **0.4** | 0.5 |
| Other current liabilities | **5.5** | 3.0 |
| | **373.5** | 343.2 |

## 21. Commitments

| EUR million | 2010 | 2009 |
|---|---|---|
| **Guarantees** | | |
| On behalf of subsidiaries | | |
| For financing | **24.5** | 26.6 |
| For other commitments | **260.0** | 265.3 |
| On behalf of own commercial commitments (excluding advance payment guarantees) | **15.3** | 31.8 |

The total value of commercial guarantees issued by the parent company on behalf of subsidiaries includes advance payment guarantees of EUR 92.9 million (at December 31, 2009: EUR 87.6 million).

The total amount of guarantees for commercial commitments including advance payment guarantees issued by the parent company amounted to EUR 297.7 million (at December 31, 2009: EUR 303.5 million).

| | | |
|---|---|---|
| **Minimum future lease payments on operating leases** | | |
| Not later than 1 year | **0.6** | 0.5 |
| Later than 1 year | **0.5** | 0.5 |
| **Other financial commitments** | | |
| Long-term rental agreements | | |
| Termination year 2012 | **2.5** | 2.4 |
| Termination year 2017 | **25.4** | 29.1 |

## 22. Derivative instruments

| EUR million | 2010 | 2009 |
|---|---|---|
| Net fair values | | |
| Contracts made with financial institutions | **2.4** | -0.3 |
| Contracts made with subsidiaries | **-3.5** | -0.1 |
| | **-1.1** | -0.4 |
| Nominal values | | |
| Contracts made with financial institutions | **283.7** | 200.8 |
| Contracts made with subsidiaries | **203.4** | 133.7 |
| | **487.1** | 334.4 |

# SHARES AND SHAREHOLDERS

Outotec Oyj's shares are listed on the NASDAQ OMX Helsinki Ltd (OMXH). The trading symbol of Outotec is OTE1V and trading lot is one share.

## Shares and share capital

Outotec's shares were entered into the Finnish Book-Entry Securities System on September 25, 2006. On December 31, 2010, the company's share capital was EUR 17.2 million consisting of 45,780,373 shares. Each share entitles its holder to one vote at General Meetings of Shareholders of the company.

## Trading and market capitalization

Outotec's shares have been listed on the NASDAQ OMX Helsinki since October 10, 2006. In 2010, the volume-weighted average price for a share in the company was EUR 28.76, the highest quotation for a share being EUR 47.25 and the lowest EUR 18.85. The trading of Outotec shares in 2010 was nearly 100 million shares, with a total value of over EUR 2,879 million. On December 31, 2010, Outotec's market capitalization was EUR 2,117 million and the last quotation for the share was EUR 46.24.

Outotec has an agreement with a third-party service provider concerning administration and hedging of the share-based incentive program for key personnel. These shares are accounted as treasury shares in Outotec's consolidated balance sheet. At the end of the reporting period, the amount of these treasury shares was 332,534. There have been no purchases of Outotec shares based on this agreement during the reporting period.

Outotec has consolidated Outotec Management Oy (incentive plan for Outotec executive board members) into the Group's balance sheet. At the end of the reporting period, Outotec Management Oy held 191,211 (February 8, 2011: 191,211) Outotec shares which have been accounted as treasury shares in Outotec's balance sheet. This has decreased the Group's equity by EUR 5.1 million. More detailed information regarding the Plan's effects to the Group's equity are presented in the Consolidated Statement of Changes in Equity table.

At the end of the reporting period, Outotec had 15,114 shareholders. Shares held in 17 nominee registers accounted for 57.4% and Finnish households held roughly 13.6% of all Outotec shares.

## Board's authorizations

The annual general meeting participants authorized the board of directors to resolve upon the repurchase of the company's own shares as follows:

- The company may repurchase the maximum number of 4,578,037 shares using free equity and deviating from the shareholders' pre-emptive rights to the shares, provided that the number of own shares held by the company will not exceed ten (10) percent of all shares of the company.
- The shares are to be repurchased in public trading at the NASDAQ OMX Helsinki at the price established in the trading at the time of acquisition.

The authorization shall be in force until the next annual general meeting. This authorization has not been executed as of February 8, 2011.

The annual general meeting participants authorized the board of directors to resolve upon issues of shares and other special rights entitling to shares as follows:

– The authorization includes the right to issue new shares, distribute own shares held by the company, and the right to issue special rights referred to in Chapter 10, Section 1 of the Companies Act. This authorization to the board of directors does not, however, entitle the board of directors to issue share option rights as an incentive to the personnel.

- The total number of new shares to be issued and own shares held by the company to be distributed under the authorization may not exceed 4,578,037 shares.
- The board of directors is entitled to decide on the terms of the share issue, such as the grounds for determining the subscription price of the shares and the final subscription price as well as the approval of the subscriptions, the allocation of the issued new shares and the final amount of issued shares.

The authorizations shall be in force until the next annual general meeting. This authorization has not been executed as of February 8, 2011.

The annual general meeting participants amended Section 9 of the Articles of Association so that the notice to convene the general meeting shall be issued no later than 28 days prior to the general meeting.

Participants also authorized the board of directors to decide on a donation to Finnish

**Dividend payment**

| Year | | Dividend per share, EUR | Pay out ratio, % | Yield, % |
|---|---|---|---|---|
| 2008 | (financial year 2007) | 0.95 | 51 | 2.5 |
| 2009 | (financial year 2008) | 1.00 | 45 | 9.3 |
| 2010 | (financial year 2009) | 0.70 | 76 | 2.8 |
| 2011 | (financial year 2010) | 0.75 [1)] | 129 | 1.6 |

[1)] Board of Directors' proposal for dividend per share.

Universities of its choice from the distributable assets of the company. The amount is not to exceed EUR 600,000. Based on this authorization in November Outotec donated EUR 300,000 to Aalto University Foundation, EUR 150,000 to University of Oulu, EUR 100,000 to Lappeenranta University of Technology and EUR 50,000 to Åbo Akademi University.

### Board and management shareholding

The total share holding of the Board of Directors, CEO and Executive Board at the end of 2010 was 264,325 shares, including shares owned through Outotec Management Oy (191,211 shares). More details of the individual shareholdings can be found on the company's website at www.outotec.com/cg.

### Dividend policy

The Board of Directors adopted a dividend policy in November 2010 whereby the company aims to propose for the approval of the company's shareholders dividends representing at least 40% of the annual net income of Outotec for the preceding financial year.

The amount of future dividends, if any, will be subject to Outotec's future earnings, financial, condition, cash flows, and working capital requirements. In addition, investments in either organic growth or acquisitions as part of Outotec's growth strategy may impact the level of future dividends. Although the Board of Directors has no reason to believe that dividend payments under this policy will not generally be made, there can be no assurance that any annual dividend will actually be paid, nor can there be any assurance as to the amount to be paid in any given year.

### Board of directors proposal for profit distribution

The Board of Directors of Outotec proposes to the Annual General Meeting that a dividend of EUR 0.75 per share be paid from Outotec Oyj´s distributable funds for December 31, 2010, and that any remaining distributable funds be allocated to retained earnings. The suggested dividend record date is March 25, 2011, with the dividend to be paid on April 8, 2011. According to the financial statement for December 31, 2010, the parent company distributable funds total EUR 202.3 million. The proposed dividend corresponds to 129% of the Group´s profit for the financial year 2010. There have been no substantial changes in the financial position of the company after the balance sheet date. According to the Board of Directors, the liquidity of the company is good and the proposed profit sharing will not affect the solvency of the company.

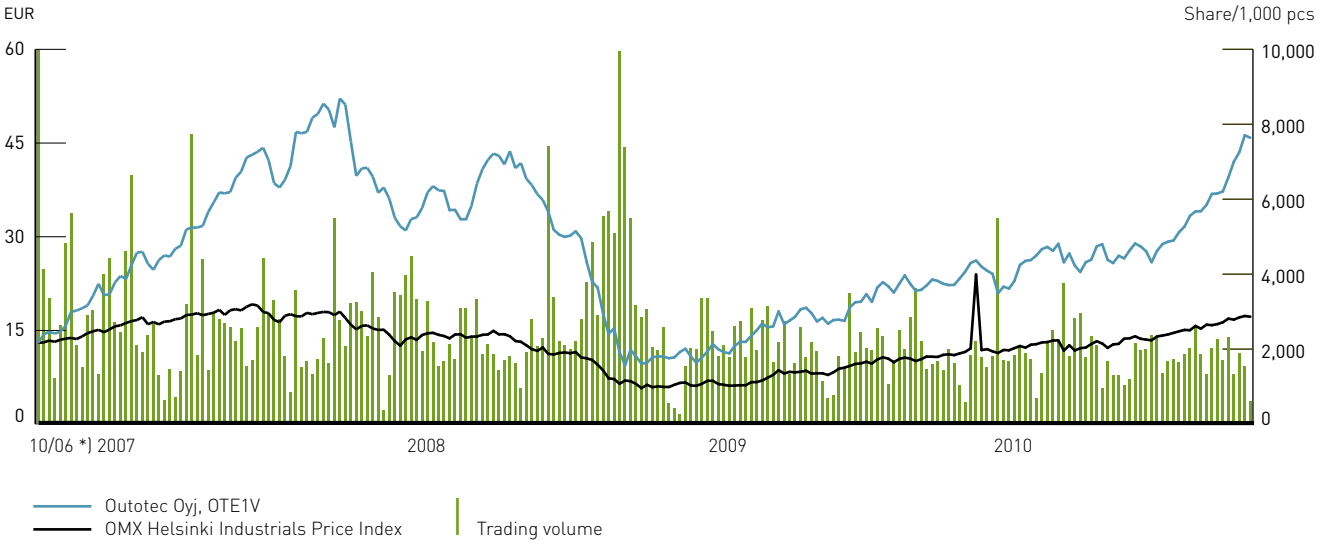
## SHARE-RELATED KEY FIGURES

| | | **2010** | 2009 |
|---|---|---|---|
| Earnings per share | EUR | **0.59** | 1.01 |
| Equity per share | EUR | **7.87** | 7.09 |
| Dividend per share | EUR | **0.75**[1)] | 0.70 |
| Dividend payout ratio | % | **128.8** | 75.7 |
| Dividend yield | % | **1.6** | 2.8 |
| Price/earnings ratio | | **78.6** | 24.5 |
| Development of share price | | | |
| Average trading price | EUR | **28.76** | 17.39 |
| Lowest trading price | EUR | **18.85** | 9.30 |
| Highest trading price | EUR | **47.25** | 24.87 |
| Trading price at the end of period | EUR | **46.24** | 24.74 |
| Market capitalization at the end of period | EUR million | **2,116.9** | 1,107.4 |
| Development in trading volume | | | |
| Trading volume | 1 000 shares | **99,942** | 106,506 |
| In relation to weighted average number of shares | % | **220.3** | 254.5 |
| Adjusted average number of shares | | **45,356,862** | 41,843,793 |
| Number of shares at the end of period 2) | | **45,332,738** | 44,435,787 |

[1)] The Board of Directors' proposal to the Annual General Meeting on March 22, 2011

[2)] Number of registered shares at December 31, 2010 was 45,780,373 (at December 31, 2009: 44,763,419).

**Share price performance and trading volume**




*) Initial public offering on October 10, 2006. Trading volume was 56,076,374 during week 41.

# DISTRIBUTION OF SHAREHOLDINGS ON DECEMBER 31, 2010

| Number of shares | Number of shareholders | % of shareholders | Number of shares | % of share capital | Average shareholding, no of shares |
|---|---|---|---|---|---|
| 1 – 100 | 6,219 | 41.15 | 390,272 | 0.85 | 63 |
| 101 - 500 | 6,361 | 42.09 | 1,661,549 | 3.63 | 261 |
| 501 - 1 000 | 1,382 | 9.14 | 1,083,966 | 2.37 | 784 |
| 1001 - 5 000 | 911 | 6.03 | 1,930,040 | 4.22 | 2,119 |
| 5 001 - 10 000 | 108 | 0.72 | 811,746 | 1.77 | 7,516 |
| 10 001 - 50 000 | 82 | 0.54 | 1,875,438 | 4.10 | 22,871 |
| 50 001 - 100 000 | 14 | 0.09 | 1,050,382 | 2.29 | 75,027 |
| 100 001 - 500 000 | 31 | 0.21 | 6,179,796 | 13.50 | 199,348 |
| 500 001 - | 6 | 0.04 | 30,797,184 | 67.27 | 5,132,864 |
| Nominee registered shares | 17 | | 26,297,308 | 57.44 | 1,546,900 |
| Total | 15,114 | 100.00 | 45,780,373 | | |

# SHAREHOLDERS BY GROUP ON DECEMBER 31, 2010

| Shareholder group | Number of shareholders | % of shareholders | Number of shares | % of share capital |
|---|---|---|---|---|
| Finnish corporations | 872 | 5.77 | 1,901,888 | 4.15 |
| Finance and insurance institutions | 74 | 0.49 | 3,431,037 | 7.50 |
| Public sector and public organizations | 22 | 0.15 | 5,652,673 | 12.35 |
| Households | 13,855 | 91.67 | 6,294,779 | 13.75 |
| Non-profit organizations | 194 | 1.28 | 1,126,429 | 2.46 |
| Foreign owners | 97 | 0.64 | 1,076,259 | 2.35 |
| Total | 15,114 | 100.00 | 19,483,065 | 42.56 |
| Nominee registered shares | | | 26,297,308 | 57.44 |
| Total | | | 45,780,373 | 100.00 |

# LARGEST SHAREHOLDERS ON DECEMBER 31, 2010

| Name | Number of shares | % |
|---|---|---|
| Ilmarinen Mutual Pension Insurance Company | 2,628,343 | 5.74 |
| Varma Mutual Pension Insurance Company | 1,674,173 | 3.66 |
| The State Pension Fund | 624,666 | 1.36 |
| OP-Delta Fund | 430,000 | 0.94 |
| Evli Alexander Management Oy | 332,534 | 0.73 |
| Päivi Karoliina Kupias | 312,461 | 0.68 |
| Capillary Oy | 294,091 | 0.64 |
| Veritas Pension Insurance Company Ltd | 285,000 | 0.62 |
| Timo Vartiainen | 280,499 | 0.61 |
| Katariina Aaltonen | 279,292 | 0.61 |
| Total | 7,141,059 | 15.60 |

# AUDITORS' REPORT

## To the Annual General Meeting of Outotec Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Outotec Oyj for the year ended December 31, 2010. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

## Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

## Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

## Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

## Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Espoo, February 18, 2011

KPMG OY AB

Mauri Palvi
Authorized Public Accountant

### Carl-Gustaf Bergström
Chairman of the Board of Directors
B.Sc. (Econ.)
b. 1945, Finnish citizen

Board member since 2006
Chairman of the Human Capital Committee

Member of the Board of Directors of Dacke PMC Holding AB, Förlags AB Sydvästkusten and Gunnebo Industrier AB
Shareholding: 1 000 Outotec shares
Independent of the company and owner

### Karri Kaitue
Vice Chairman of the Board of Directors
LL.Lic.
b. 1964, Finnish citizen

Board member since 2006
Member of the Human Capital Committee

Deputy CEO of Outokumpu Oyj
Chairman of the Board of Directors of Destia Ltd,
Member of the Board of Directors of Cargotec Corporation
No Outotec shareholding
Independent of the company and owner

### Tapani Järvinen
M.Sc. (Eng.), Lic.Sc. (Tech.)
b. 1946, Finnish citizen

Board member since 2010
Member of the Human Capital Committee

President and CEO of Outotec 2003-2009
Member of the Board of Directors of Talvivaara Mining Plc, Konecranes Oyj, Okmetic Oyj, Normet Oy, Dragon Mining NL,
Chairman of the Board of Directors of Finnish-Latin American Trade Association, Laatukeskus Excellence Finland Oy, Industry Council and Technology Academy of Finland and Cleantech Finland Business Forum
Shareholding: 30,684 Outotec shares
Not independent of the company and owner

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

Board member since 2006
Member of the Audit Committee

Vice Chairman of the Board of Directors of Outokumpu Oyj,
Member of the Board of Directors of Attendo Holding AB, DNA Ltd, Normet Group Ltd and Lindström Oy
Shareholding: 3,200 Outotec shares
Independent of the company and owner

### Eija Ailasmaa
M. Pol. Sc, Graduate of the Sanoma School of Journalism
b. 1950, Finnish citizen

Board member since 2010
Member of the Audit Committee

CEO of Sanoma Magazines B.V
Vice Chairman of the Board of Directors of Solidium Oy, Member of the Board of Directors of Huhtamäki Oyj
No shareholding
Independent of the company and owner

### Hannu Linnoinen
B.Sc. (Econ.), LL.M.
b. 1957, Finnish citizen

Board member since 2006
Chairman of the Audit Committee

Senior Executive Vice President and Chief Financial Officer of SRV Group Plc
Chairman of the Board of Directors of Greenstream Network Plc,
Member of the Board of Directors of Garantia Insurance Company Ltd
Shareholding: 4,100 Outotec shares
Independent of the company and owner

**Pertti Korhonen**
President and CEO
Chairman of the Executive Board
M. Sc. (Electronics Engineering)
b. 1961, Finnish citizen

Member of the Executive Board since 2009
Employed by Outotec since 2009
Shareholding: 3,000 Outotec shares*)
**Positions of trust:**
Member of the Board of Rautaruukki Oyj, Elisa Oyj and Veho Group Oy, member of the Finnish Council of
International Chamber of Commerce, member of the Council of Association of Finnish Steel and Metal Producers, Member of the Advisory Board of Finnish Defense Forces

**Kalle Härkki**
President, Services business area
Ph. D. (Tech.)
b. 1969, Finnish citizen

Responsibilities: Services business
Member since 2010
Employed by Outotec since 2006
Employed by Outokumpu group 1998–2006
Shareholding: 333 Outotec shares*)

**Peter Weber**
President, Energy, Light Metals and Environmental Solutions business area
Ph.D. (Tech.)
b. 1963, German citizen

Responsibilities: Energy, Light Metals and Environmental Solutions business
Member since 2006
Employed by Outotec since 2006
Employed by Outokumpu group 1992-2006
Shareholding: 12,300 Outotec shares*)
**Positions of trust:**
Member of the Board of Directors of Enefit Outotec Technology Oü

**Michael Frei**
Senior Vice President, Supply
Ph. D. (Tech.)
b. 1968, Swiss citizen

Responsibilities: Supply, including sourcing, manufacturing and supply chain
Member since 2010
Employed by Outotec since 2010
Shareholding*)

**Tapio Niskanen**
Senior Vice President, Business Infrastructure
M. Sc. (Engineering)
b. 1959, Finnish citizen

Responsibilities: Business Infrastructure
Member since 2010
Employed by Outotec since 2010
Shareholding: 10 Outotec shares*)

**Ari Jokilaakso**
Senior Vice President, Human Capital
Ph.D. (Tech.)
b. 1961, Finnish citizen

Responsibilities: Human Capital
Member since 2010
Employed by Outotec since 2006
Employed by Outokumpu group 1998-2006
Shareholding*)

Members of Outotec Executive and Management Committee 1 January – 31 March 2010 were:
Pertti Korhonen, Vesa-Pekka Takala, Martti Haario, Kalle Härkki, Ari Jokilaakso, Markku Jortikka, Kari Knuutila, Outi Lampela, Harry Linnarinne, Jari Rosendal, and Peter Weber.
More detailed information about the Executive Board members is available at www.outotec.com/cg

**Mika Saariaho**
Chief Strategy Officer, Strategy
Ph. D. (Tech.)
b. 1973, Finnish citizen

Responsibilities: corporate development, strategy process, mergers & acquisitions, integration processes
Member since 2010
Employed by Outotec since 2010
Employed by Outokumpu group 2004–2007
Shareholding*)

**Jari Rosendal**
President, Non-ferrous Solutions business area
M. Sc. (Eng.)
b. 1965, Finnish citizen

Responsibilities: Non-ferrous business
Member since 2006
Employed by Outotec since 2006
Employed by Outokumpu group 1989-2006
Shareholding: 12,009 Outotec shares*)

**Pekka Erkkilä**
President, Ferrous Solutions business area
M. Sc. (Eng.)
b. 1958, Finnish citizen

Responsibilities: Ferrous Solutions business
Member since 2010
Employed by Outotec since 2010
Employed by Outokumpu group 1983–2000 and 2004–2010
Shareholding: 2,000 Outotec shares*)
Positions of trust:
Member of the Board of Directors of University of Oulu and Grängesberg Iron AB,

**Mikko Puolakka**
Chief Financial Officer
M.Sc. (Econ.)
b. 1969, Finnish citizen

Responsibilities: Financial and business control, tax management, financing and treasury, investor relations, communications, internal audit, risk management
Member since 2010
Employed by Outotec since 2010
Shareholding *)
**Positions of trust:**
Member of the Board of Gold Gemex Oy

**Martti Haario**
Executive Vice President, Market Operations
M.Sc. (Chem.)
b. 1954, Finnish citizen

Responsibilities: marketing development and management of the global sales organisation
Member since 2010
Employed by Outotec since 2006
Employed by Outokumpu group 1987-2006
Shareholding: 4,478 Outotec shares*)

*) Members of the Executive Board are shareholders of Outotec Management Oy which owns 191 211 shares of Outotec Oyj (December 31, 2010). More info at www.outotec.com/cg

# CORPORATE GOVERNANCE IN 2010

Outotec's Corporate Governance Statement has been given separately from the financial statements and report and it is available on Outotec's website. In addition, Outotec's Corporate Governance Policy in its entirety is published and maintained on Outotec's website at www.outotec.com/cg.

## Board of directors and committees

The Annual General Meeting of Outotec on March 18, 2010, elected the following members: Carl-Gustaf Bergström (Chairman), Karri Kaitue (Vice Chairman), Hannu Linnoinen (Chairman of the Audit Committee), Eija Ailasmaa and Anssi Soila. In 2010, the Board of Directors met 14 times. The average attendance of members at Board meetings was 100%. The fees paid to the Board of Directors in 2010 totaled EUR 288,000.

### Audit Committee

The members of the Audit Committee are: Hannu Linnoinen (Chairman), Eija Ailasmaa and Anssi Soila. In 2010, the Audit Committee assembled 4 times and all members were present.

### Human Capital Committee

The Board of directors established a Human Capital Committee in November and elected Carl-Gustaf Bergström, Chairman of the Board, as Chairman of the Committee. Other members are Karri Kaitue and Tapani Järvinen. More information regarding the committee's can be found on page 50.

## Dividend for the financial year 2009

The Annual General Meeting on March 18, 2010 decided that a dividend of EUR 0.70 per share will be paid from the financial year that ended December 31, 2009. The dividend (total of EUR 32.0 million) was paid on April 8, 2010.

## Authorizations

The Board of Directors of Outotec used the authorization made by the Annual General Meeting on March 18, 2010 and donated 600,000 euros to Finnish universities.

The Board of Directors of Outotec used the issuance of shares authorization, made by the Annual General Meeting on March 18, 2009, in conjunction with the acquisition of Larox. A total of 3,780,373 new shares were issued (2,763,419 shares in December 2009 and 1,016,954 shares in February 2010).

## President and CEO

The President and CEO of Outotec Oyj is Pertti Korhonen (b. 1961). Mr Korhonen started at Outotec on September 1, 2009, acted as COO from October 1, 2009 and assumed the CEO duties on January 1, 2010.

Further information regarding the President and CEO and Board of Directors can be found at www.outotec.com/cg.

**Remuneration paid to the CEO and Executive Board members (incl. CEO's substitute) in 2010**

| EUR | Wages | Benefits | Bonuses | Share-based benefits | Total |
|---|---|---|---|---|---|
| CEO | 467,947 | 17,140 | 12,852 | 2,044 | 499,984 |
| Other Executive Board*) | 1,546,865 | 91,915 | 133,264 | 9,117 | 1,781,162 |

*) Executive Board as of 1 April 2010 on pages 132-133

**Fees paid to the Board of Directors in 2010**

| EUR | |
|---|---|
| Ailasmaa Eija | 32,000 |
| Bergström Carl-Gustaf | 59,500 |
| Järvinen Tapani | 31,000 |
| Kaitue Karri | 53,000 |
| Linnoinen Hannu | 54,500 |
| Soila Anssi | 42,000 |
| Virrankoski Risto | 16,000 |
| Total | 288,000 |

| Board member participation in 2010 | Board meeting | Audit Committee |
|---|---|---|
| Bergström Carl-Gustaf, chairman*) | 14/14 | 1/1 |
| Kaitue Karri, vice chairman | 14/14 | |
| Ailasmaa Eija | 11/11 | 3/3 |
| Linnoinen Hannu | 14/14 | 4/4 |
| Järvinen Tapani | 11/11 | |
| Soila Anssi | 14/14 | 3/3 |
| Virrankoski Risto**) | 3/3 | |

*) Chairman of the Board of Directors as of 18.3.2010, member of the Audit Committee until 18.3.2010

**) Chairman of the Board of Directors until 18.3.2010

## Management incentive programs

### Share-based Incentive Program 2008-2010

No shares were allocated for the 2009 earnings period. The board of directors also decided not to select individuals or earning criteria for the 2010 earning period since the Incentive Program 2010-2012 replaced the old program.

### Share-based Incentive Program 2010-2012

Outotec's board of directors decided to adopt a new share-based incentive program for the company's key personnel. The program has three earning periods: calendar years 2010, 2011 and 2012. The board determines the amount of the maximum reward for each individual, the earning criteria and the targets established for them separately on an annual basis.

The board approved 71 individuals in the scope of the Incentive Program 2010-2012 for the 2010 earning period, which began on January 1, 2010. The reward is based on the achievement of the targets set for cost savings, order intake and earnings per share. The reward will be paid in 2011 in the company's shares and as a cash payment which equals income taxes. The individual must hold the earned shares for at least two years following the end of the earning period. If the individual's employment ends during this engagement period, (s)he has to return all or part of the earned shares to the company without compensation.

The maximum total reward for the 2010 earning period of the Incentive Program 2010-2012 is equal to the value of 361,750 Outotec shares, and the maximum value of the rewards of the entire Incentive Program 2010-2012 is equal to approximately 1,000,000 shares, including the cash payment.

### Executive Board share ownership plan

On May 21, 2010 Outotec's board of directors determined a new share ownership plan directed to the members of the Outotec executive board. As part of the plan, the executive board members established Outotec Management Oy company, whose entire share capital is owned by them. The purpose of the plan is to commit executive board members to Outotec by encouraging them to acquire and hold Outotec shares and thus increase the company's shareholder value in the long run. They invest a considerable amount of their own funds in company shares and partly through a loan provided by Outotec. The company's board of directors granted to Outotec Management Oy an interest-bearing loan at the maximum amount of EUR 4,980,000 to finance the acquisition of the Outotec shares. The members of the executive board members hold approximately 0.34% of Outotec shares through the company.

Outotec has consolidated Outotec Management Oy into the Group's financial statements. At the end of 2010, Outotec Management Oy held 191,211 Outotec shares which have been accounted as treasury shares in Outotec's balance sheet. This has decreased the Group's equity by EUR 5.1 million. More detailed information regarding the plan's effects to the Group's equity are presented in the Consolidated Statement of Changes in Equity table.

## Audit

KPMG Oy Ab, authorized public accountants, was re-elected as the company's auditor, with Mauri Palvi as auditor-in-charge. In 2010, the company paid a fee of EUR 997,000 (2009: 630,000) for the auditing services. Additionally, the company paid EUR 461,000 (2009: 596,000) for non-auditing related consultation.

# INVESTOR INFORMATION

## Interim reports 2011

- January - March 2011, Friday April 29
- January - June 2011, Friday July 29
- January - September 2011, Thursday, October 27

## Annual General Meeting 2011

The Annual General Meeting 2011 will be held on Tuesday, March 22, 2011 at 11:00 am (GMT +2) at Dipoli, Otakaari 24, Espoo, Finland.
More information: www.outotec.com/agm.

## Dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.75 per share be paid. The Board's dividend proposal is on page 64 of this annual report.
More information: www.outotec.com/agm.

## Share information

Listing: NASDAQ OMX Helsinki, OMXH
Trading symbol: OTE1V
Number of shares:
45,780,373 (February 8, 2011)
Sector: Industry
ISIN: FI0009014575

## Analysts

Analysts following Outotec:
www.outotec.com/investors.

## Consensus

Consensus estimates collected by Vara Research Oy and provided by Valuatum Oy:
www.outotec.com/investors.

## Investor relations contact

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