

A glass globe with a world map etched on it, resting on a bed of moss and forest floor debris. The globe is the central focus, showing continents and latitude/longitude lines. The background is a dark, blurred forest floor with various types of moss and small plants.

# Outotec

FINANCIAL STATEMENTS 2011

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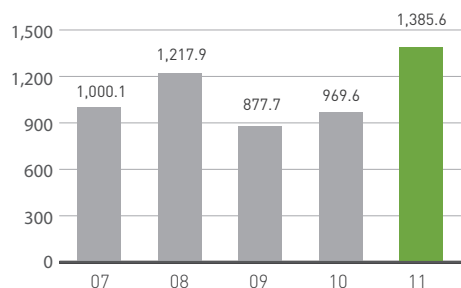
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All figures in the annual report have been rounded and consequently the sum of individual figures may deviate from the sum presented.

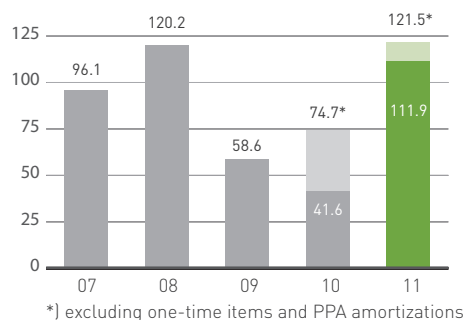
Key figures have been calculated using exact figures.

# Year 2011 in brief

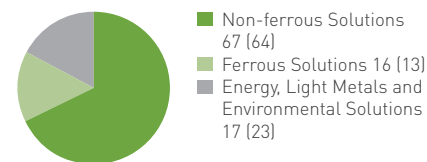
Sales, EUR million



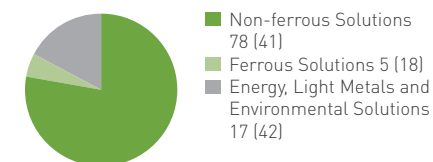
Operating profit, EUR million



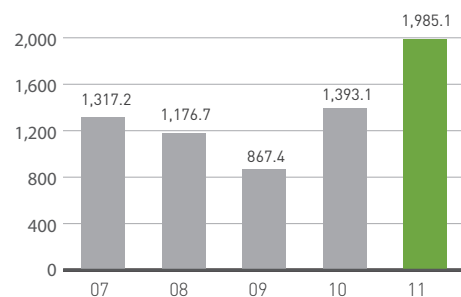
Sales by business area, %



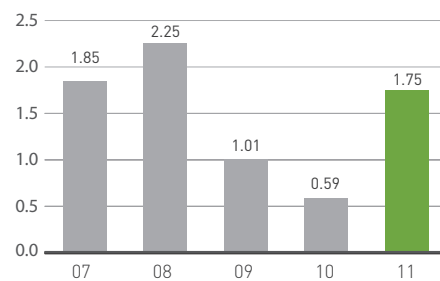
Operating profit by business area, %



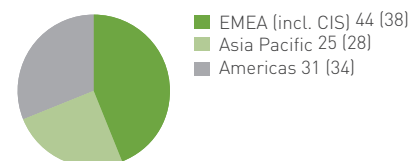
Order backlog, EUR million



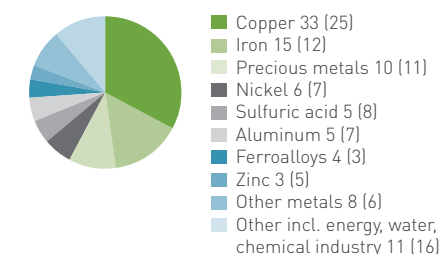
Earnings per share, EUR



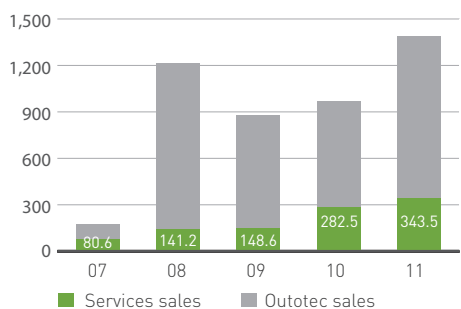
Sales by destination, %



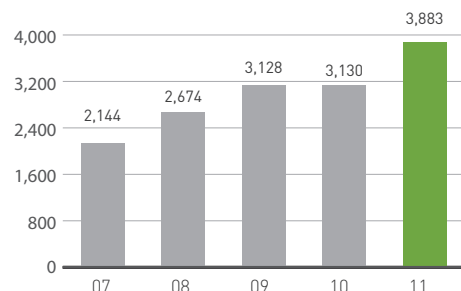
Sales by materials, %



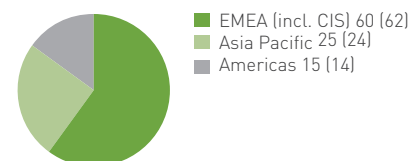
Services sales, EUR million



Personnel



Personnel by area, %



# A record-breaking year

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CEO's presentation at full year  
2012 results briefing:  
[www.outotec.com/investors](http://www.outotec.com/investors) ➔

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Outotec's strategy:  
[www.outotec.com](http://www.outotec.com) ➔

2011 was a record-breaking year for Outotec, and we made excellent progress by all measures. Sales grew by over 40 percent, operating profit from business operations saw year-on-year growth of more than 60 percent, and the operating profit margin continued to develop solidly towards our long-term target of a 10 percent average. We had a strong positive cash flow, and our solid balance sheet strengthened further.

I am proud of Outotec team's achievements: in addition to achieving strong financial performance, we met all five of our strategic objectives for 2011. First, our business returned to a growth track and we succeeded extremely well in winning new orders, and order intake grew over 40 percent from 2010. The orders were nicely balanced across various market and business areas. In terms of metals, the strongest demand was seen for copper, gold, and iron technologies. Copper represented over 30 percent of our sales, demonstrating not only the strong global demand but also our leading position in offering complete solutions for the whole ore-to-metal value chain.

Our second objective was linked to the strengthening of our earnings logic and business model – maximizing value for our customers by delivering lifecycle solutions, and improving our own profitability. We made good progress, and the orders received in 2011 show that we have been successful in winning contracts for larger-scope solutions. In addition, we advanced in developing and launching new service offerings. Our research and development activities led to 41 new priority patent applications and to granting of 326 new national patents.

Our third objective was to gain full speed with our new, growth-g geared operational model that we launched in 2010. As the strong order intake and sales growth demonstrate, we succeeded very well also with this objective. In addition, we succeeded well in managing growth and ensuring scalability of our operations. Despite the strong growth, our project execution remained solid, and we demonstrated once again the benefits of our flexible operating model and our ability to scale up our execution capacity. Our global supply network includes thousands of partners and due to

its scalability it offers us a flexible delivery platform. We also made good progress in establishing global supply management and engineering operations, and in building shared global processes and platforms. In line with our business growth, we hired new professionals world-wide and opened a new office in Ghana to strengthen our local presence in rapidly growing markets.

For our fourth objective, we continued to work on acquisitions. We completed four acquisitions: one service acquisition; two technology bolt-on acquisitions; and, in the area of energy, the acquisition of Energy Products of Idaho, which fits into our energy technology offering extremely well. Last but not least, we continued to expand our services business decisively, achieving strong 22 percent year-on-year growth. This puts us ahead of our target of reaching EUR 500 million annual service revenue by the end of 2015.

Despite major investments in developing our business and operations in 2011, we succeeded in improving our profitability towards our long-term goal.

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Outotec's Sustainability Report:  
[www.outotec.com/sustainability](http://www.outotec.com/sustainability) 

### Strong focus on sustainability

Of the megatrends affecting the mining and metals sector, we consider sustainability the most important, and we see evidence of this not only in mature markets but also increasingly in the emerging markets. In our world of exhausting natural resources, environmental challenges, and need for a new energy paradigm, there is increasing demand for more advanced, energy-efficient, and environmentally friendly technologies for utilization of natural resources.

These challenges are opening significant new opportunities for Outotec. Our sustainable technologies – whether related to minerals and metals processing or to water, energy, and biomass – reduce the environmental effects of a number of industrial operations, world-wide. In fact, up to 87 percent of our order intake in 2011 was categorized as “Environmental Goods and Services” by the OECD’s definition, demonstrating in practice

our company’s mission: “Sustainable use of Earth’s natural resources.”

As part of our development of sustainability reporting, we published the first Outotec Sustainability Report, conforming to Application Level B+ of the Global Reporting Initiative, and we were awarded an honorary mention among the 149 reports evaluated.

### A solid outlook for 2012

The long-term growth outlook for metals demand continues to be solid, following the growth of the world economy especially in the emerging markets. The current global production capacity and ongoing investments in new capacity are not sufficient to meet future metals demand and further investments are needed. Therefore, regardless of the macro-economic uncertainties, our business outlook for 2012 is solid. Our high order backlog at the end of 2011 gives us a good starting point.

Targeting sales growth and steadily improving profitability, our focus in 2012 will be in order intake, scalability of operations, and supply-chain management. With our strong balance sheet, we will also continue to make acquisitions in accordance with our strategy.

Finally, I wish to express my gratitude to our customers and partners world-wide for great cooperation, and to every Outotec employee for the commitment and excellent performance. I also thank our shareholders for their confidence in our work during 2011.

**Pertti Korhonen**  
President and CEO

# REPORT BY THE BOARD OF DIRECTORS

## Operating environment

The overall market activity was very strong in 2011. The mining and metals industry investments were supported by a positive long-term outlook for metals demand and good metals prices. Customers' production capacity utilization rates were high which increased especially the demand for spare parts and services.

Markets in South America, Australia, Europe and the Middle East continued to be robust, and towards the second half of the year, activity also picked up in the CIS and China. In terms of metals, the strongest demand was in copper, gold and iron technologies. In addition, significant alumina, aluminum and ferrochrome technology orders were received. The market for sulfuric acid and gas cleaning technologies also remained healthy, due to smelter investments, relocation of production capacity and high metals production levels in general.

In most of Outotec's technology areas, the workload was high due to intensive sales and delivery activity. In order to increase the capacity in line with business growth company hired new professionals and opened a new office in Ghana to strengthen its global marketing and delivery network in the rapidly growing markets. Delivery times in certain areas of the subcontractor network lengthened but had no impact on delivery and remained well below the levels of the last up-cycle. In addition to minerals and metals processing solutions, the demand for alternative energy, industrial water treatment and environmental solutions grew. The competitive landscape remained relatively unchanged. Higher demand and raw material prices as well as wage inflation led to moderate price increases.

Acquisitions strengthened Outotec's technology offering portfolio in 2011 particularly in the Energy, Light Metals and Environmental Solutions

business area, but also in filtration technologies and Services business.

The financial market remained operational in 2011 despite the turbulences in the eurozone, and financing was available for mining and metals projects. Mining companies' strong cash flows and balance sheets supported their financing of new investments. Tightening environmental regulations were reflected in increasing demand for Outotec's sustainable technology solutions and prolonged approval times of environmental permits.

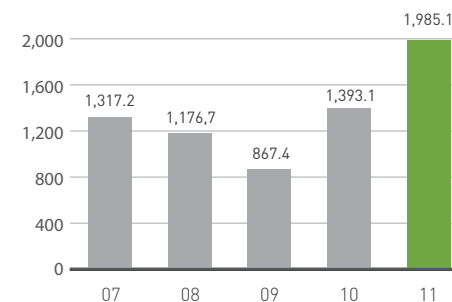
## Order intake

Order intake in 2011, including plant, technology and equipment deliveries as well as services, increased by 44% from 2010 and totaled EUR 2,005.4 million (2010: EUR 1,394.7 million). Orders from EMEA (Europe including the CIS, Middle East and Africa) represented 49%, Americas 33% and Asia Pacific 18% of the total order intake. The top three countries in terms of order intake were Russia, Brazil and Australia which together accounted for 39% of the total order intake.

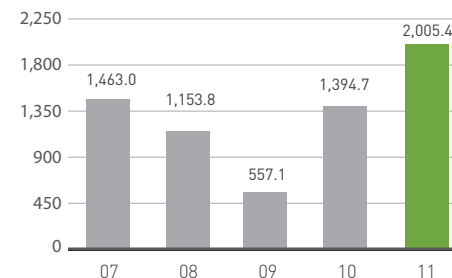
### Major new orders in 2011:

- iron ore pelletizing plant for Samarco Mineração, Brazil (EUR 200 million)
- iron ore pelletizing plant for NLMK Novolipetsk Metallurgisk Kombinat, Russia (EUR 150 million)
- aluminum smelter technology for Emirates Aluminium, Abu Dhabi (EUR 100 million)
- alumina calcination technology for Ma'aden Bauxite Aluminium Company, Saudi Arabia (EUR 62 million, of which roughly EUR 50 million has been recognised in 2011 order intake)
- copper flash smelting technology for National Iranian Copper Industries Company, Iran (EUR 61 million)
- copper concentrator technology for ZAO Miheevsky, Russia (EUR 60 million)
- copper flash smelting furnace and related services for RTB Bor, Serbia (EUR 60 million)
- gold pressure oxidation technology for Petropavlovsk Group, Russia (EUR 34 million)
- gas cleaning and sulfuric acid technology for Almatyk Mining & Metallurgical Company, Uzbekistan (EUR 30 million)
- greenfield copper production plant for Guangxi Jinchuan Non-Ferrous Metals Company, China (over EUR 30 million)
- new copper-molybdenum concentrator for Quadra FNX Mining, Chile (EUR 26 million)
- concentrator technology for Petropavlovsk Group's gold mine, Russia (EUR 25 million)
- copper concentrator technology for Codelco, Chile (EUR 24 million)
- oil shale preparation plant for Eesti Energia, Estonia (EUR 20 million)
- effluent treatment plant for Codelco, Chile (EUR 18 million)
- key process technologies and services for a copper/gold concentrator for Sandfire Resources, Australia (EUR 15 million)
- magnetic separation solution for London Mining Plc's iron ore project, Sierra Leone (over EUR 10 million)
- new ferrochrome plant for TISCO, China (value not disclosed but deliveries with similar scope are typically worth of some tens of millions of euros)
- gold recovery technology for Petropavlovsk Group's Pokrovskiy mine, Russia (value not disclosed but deliveries with similar scope are typically worth of some tens of millions of euros)
- ferrochrome plant for Mintal Group, China (value not disclosed but deliveries with similar scope are typically worth of some tens of millions of euros)
- technology package for tailings thickening for LKAB iron ore mine, Sweden (some millions of euros)

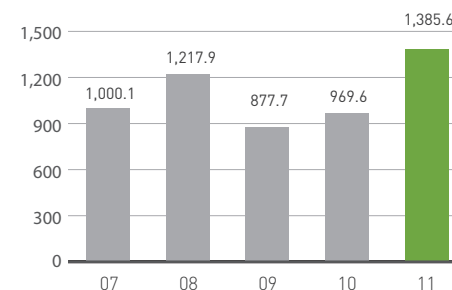
## Order backlog, EUR million



## Order intake, EUR million



## Sales, EUR million



### Order backlog

The order backlog at the end of 2011 was EUR 1,985.1 million, which is 42% higher than at the previous year-end (December 31, 2010: EUR 1,393.1 million).

At the end of 2011, Outotec had 36 projects with an order backlog value in excess of EUR 10 million, accounting for 67% of the total backlog. Based on the year-end project evaluation, management estimates that roughly 68% (approximately EUR 1,350 million) of the year-end backlog value will be delivered in 2012 and the rest in 2013 and beyond. At the end of 2011, the suspended projects in the order backlog were approximately EUR 5 million (December 31, 2010: EUR 50 million). Roughly 4% of the projects in Outotec's current backlog are from mining companies who are developing their first processing plants.

### Sales and financial result

Outotec's sales in 2011 totaled EUR 1,385.6 million (2010: EUR 969.6 million), a 43% increase from 2010. Sales growth resulted from a strong opening backlog for 2011, continued strong order intake in 2011 and good execution in plant, technology and equipment deliveries as well as services. Exchange rates did not have material effect on sales.

Services business area sales, which are included in the sales figures of the three reporting segments, grew 22% from 2010 and totaled EUR 343.5 million in 2011 (2010: EUR 282.5 million), accounting for 25% of Outotec's sales (2010: 29%). The target is to grow Services sales to an annual level of EUR 500 million by the end of 2015.

Operating profit from business operations in 2011 was EUR 121.5 million (2010: EUR 74.7 million), up 63% and representing 8.8% of sales (2010: 7.7%). The increase from the comparison period resulted from higher sales, license fee income, good project execution and related provision releases. In addition, unrealized and realized exchange gains related to currency forward contracts increased profitability by EUR 1.7 million (2010: unrealized and realized exchange gain of

EUR 1.9 million). Operating profit for 2011 was EUR 111.9 million (2010: EUR 41.6 million), up 169% from 2010. In 2011, the total impact of PPA amortizations was EUR 4.9 million (2010: EUR 9.4 million) and estimated total impact for 2012 is approximately EUR 12 million. One-time costs were EUR 4.7 million (2010: EUR 26.5 million). One-time costs were related to the re-organization of businesses and acquisition costs.

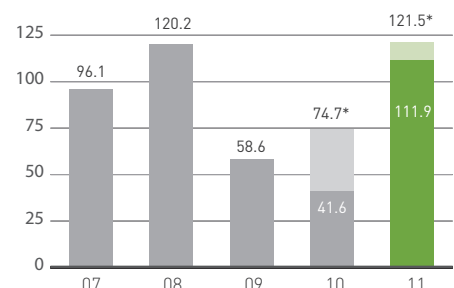
Fixed costs in 2011 were EUR 217.7 million (2010: EUR 188.5 million). The increase was primarily due to investments in developing and deploying Outotec's global operational model, such as common business processes and IT systems, personnel increases in Services business, higher selling, marketing, R&D and administration costs as well as bonuses and costs related to the long-term share-based incentive program. Profit before taxes in 2011 increased by 206% and was EUR 113.3 million (2010: EUR 37.1 million). It included a net finance income of EUR 1.4 million (2010: net finance expense EUR -4.5 million). The increase was primarily due to higher interest income. Net profit for the reporting period was EUR 79.3 million (2010: EUR 26.7 million). Taxes totaled EUR 34.0 million (2010: EUR 10.4 million). Earnings per share were EUR 1.75 (2010: EUR 0.59), representing 197% increase. Earnings per share in the comparison period of 2010 were impacted by the one-time costs related to the company's cost savings program.

Outotec's return on equity for the reporting period was 20.9% (2010: 7.6%), and return on investment was 26.4% (2010: 9.2%). Profitability improvement and decreased PPA amortizations improved 2011 return on equity and return on investment compared to 2010.

### Non-ferrous Solutions

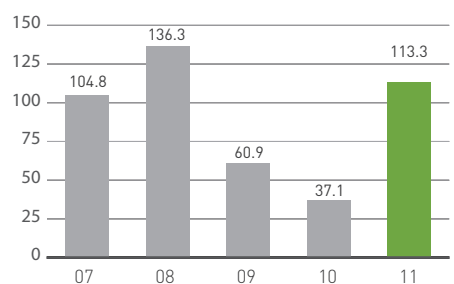
Sales in the Non-ferrous Solutions business area in 2011 increased 52% over the comparison period and totaled EUR 947.6 million (2010: EUR 623.3 million). The increase in sales was due to a strong opening order backlog, continued strong order intake, growth in Services business sales and

### Operating profit, EUR million

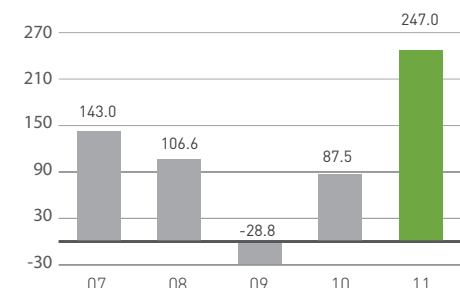


\* excluding one-time items and PPA amortizations

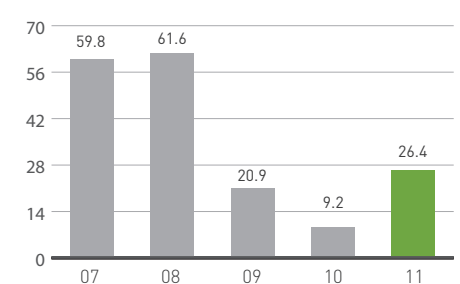
### Profit before taxes, EUR million



### Net cash from operating activities, EUR million



### Return on investment, %



### Sales by destination, %

	2011	2010
EMEA (incl. CIS)	44	38
Asia Pacific	25	28
Americas	31	34
Total	100	100

### Sales by materials, %

Copper	33	25
Iron	15	12
Aluminum	5	7
Ferroalloys	4	3
Precious metals	10	11
Zinc	3	5
Nickel	6	7
Other metals	8	6
Sulfuric acid	5	8
Other (incl. energy, water and chemical industry)	11	16
Total	100	100

good progress in project execution during 2011. Operating profit from business operations was EUR 113.1 million, 11.9% of sales (2010: EUR 50.6 million, 8.1% of sales) and operating profit was EUR 107.7 million, 11.4% of sales (2010: EUR 26.1 million, 4.2% of sales). The unrealized and realized exchange loss related to currency forward contracts decreased profitability by EUR 1.3 million (2010: unrealized and realized loss of EUR 0.8 million). The increase in operating profit was due to a higher sales volume and license fee income.

### Ferrous Solutions

Sales in the Ferrous Solutions business area in 2011 totaled EUR 221.1 million (2010: EUR 131.5 million). The 68% increase in sales compared to 2010 was due to the execution of long-term projects from the backlog and new orders received in 2011. The operating profit from business operations was EUR 9.8 million, 4.4% of sales (2010: EUR 12.6 million, 9.5% of sales) and operating profit was EUR 6.7 million, 3.1% of sales (2010: EUR 11.3 million, 8.6% of sales). Operating profit in 2011 was impacted by fewer large project completions in 2011 compared to 2010, higher expenses related to sales, marketing and development of operational model supporting business growth.

### Energy, Light Metals and Environmental Solutions

Sales in the Energy, Light Metals and Environmental Solutions business area in 2011 totaled EUR 236.1 million (2010: EUR 222.8 million), up 6% from the comparison period. Operating profit from business operations for 2011 was EUR 25.8 million, 10.9% of sales (2010: EUR 28.9 million, 13.0% of sales) and operating profit was EUR 23.8 million, 10.1% of sales (2010: EUR 26.8 million, 12.0% of sales). Operating profit in 2011 was affected by fewer large long-term project completions compared to 2010. The unrealized and realized exchange gains related to currency forward contracts improved profitability by EUR 2.9 million

(2010: unrealized and realized gain of EUR 2.2 million).

### Balance sheet, financing and cash flow

The consolidated balance sheet total was EUR 1,421.4 million at the end of 2011 (December 31, 2010: EUR 1,068.0 million). The equity to shareholders of the parent company was EUR 398.4 million (December 31, 2010: EUR 356.7 million), representing EUR 8.75 (December 31, 2010: EUR 7.87) per share.

The net cash flow from operating activities in the reporting period was at EUR 247.0 million (2010: EUR 87.5 million). The increase was due to advance and milestone payments and operating profit from business operations. Gearing further improved over the comparison period and was -84.9% (December 31, 2010: -56.2%).

Outotec's working capital amounted to EUR -270.3 million at the end of 2011 (December 31, 2010: EUR -113.5 million). Working capital developed positively due to advance payments and milestone payments related to projects under execution and new orders received.

At the end of 2011, Outotec's cash and cash equivalents totaled EUR 402.5 million (December 31, 2010: EUR 280.3 million). The cash and cash equivalents was affected by the dividend payment of EUR 34.3 million (EUR 0.75 per share) in April 2011 (April 2010: EUR 32.0 million). Acquisition related payments, deducted by acquired company's cash and cash equivalents, were EUR 34.5 million. The company invests its excess cash in short-term money market instruments such as bank deposits and corporate commercial certificates of deposit.

Outotec's financing structure continued to strengthen and liquidity was good. Net interest-bearing debt at the end of the reporting period was EUR -339.1 million (December 31, 2010: EUR -200.9 million). The advance and milestone payments received at the end of the reporting period totaled EUR 399.0 million (December 31, 2010: EUR 198.7 million), representing an increase of

101% from the comparison period. Outotec's equity-to-assets ratio was 39.1% (December 31, 2010: 41.2%). The company's capital expenditure in 2011 was EUR 98.3 million (2010: EUR 96.7 million) including acquisitions of EUR 58.4 million as well as investments in IT-systems, R&D related equipment and intellectual property rights.

At the end of 2011, guarantees for commercial commitments, including advance payment guarantees issued by the parent and other Group companies were EUR 477.1 million (December 31, 2010: EUR 308.1 million).

On December 14, 2011 Outotec signed a EUR 100 million bilateral loan facility. The purpose of the facility is to provide financing for acquisitions and general corporate initiatives. Repayment period for the loan is five years.

### Corporate structure

Outotec completed four acquisitions in 2011. At the end of 2011 goodwill generated through acquisitions amounted to approximately EUR 181.3 million (2010: EUR 148.5 million). Increase in goodwill is due to Energy Products of Idaho and Kiln Services Australia acquisitions.

- The acquisition of Energy Products of Idaho (EPI), USA was closed in December 2011. The acquisition strengthens Outotec's portfolio of energy and environmental technologies. EPI is a leading company in the area of biomass and waste materials combustion and has delivered over 100 renewable energy solutions. The acquisition is expected to increase Outotec's annual sales by EUR 60-90 million, including synergies from a stronger combined sales and service network. The number of EPI personnel was 72 at the year-end. EPI's solutions can be marketed through Outotec's global network and various services can be offered to EPI's large existing base of installed technology. Additionally, Outotec's capability for turnkey projects further complements EPI's offerings and serves as a platform for growing Outotec's energy and environmental technology business in the US market. EPI technologies complement Outotec's fluidized bed technology platform and strengthen Outotec's energy business. EPI's proprietary fuel thermal oxidation and gasification technologies recover energy from various biomass and wastes such as fresh

### Sales by segment

EUR million	2011	2010
Non-ferrous Solutions	947.6	623.3
Ferrous Solutions	221.1	131.5
Energy, Light Metals and Environmental Solutions	236.1	222.8
Unallocated items <sup>*)</sup> and intra-group sales	-19.2	-8.0
Total	1,385.6	969.6

### Operating profit by segment

Non-ferrous Solutions	107.7	26.1
Ferrous Solutions	6.7	11.3
Energy, Light Metals and Environmental Solutions	23.8	26.8
Unallocated <sup>**) and intra-group items</sup>	-26.3	-22.6
Total	111.9	41.6

<sup>\*)</sup> Unallocated items primarily include invoicing of group management and administrative services.

<sup>\*\*)</sup> Unallocated items primarily include group management and administrative services.



and used wood, agricultural waste, demolition waste, manure, waste paper, paper sludge, oil sludge, municipal waste and many other materials. EPI focuses on medium scale plants with a combustion capacity of up to 100 MW.

- The acquisition of Kiln Services Australia Pty Ltd was completed in December 2011. The acquisition expands Outotec's service offerings and complements Outotec's portfolio of shut-down services to the mining, metals processing and refractory industries. The acquired business is based on specialized robotic refractory demolition equipment and related know how. The annual sales of the acquired business have been a few million euros in recent years. Outotec aims to double its sales in the Australian and South East Asian Pacific market over the next three years.

In the reporting period Outotec also acquired new technologies to supplement its portfolio; the vertical pressure filter (VPF) technology used in alumina refining and its intellectual property rights from Australian Process Technology Pty Ltd (April 2011) and technologies, trademarks and patents for extracting phosphorus fertilizer from ash from ASH DEC Umwelt AG (February 2011). There were no PPA amortizations related to these acquisitions in 2011.

### Research and technology development

In 2011, Outotec's research and technology development expenses totaled EUR 33.5 million (2010: EUR 28.5 million), representing 2.4% of sales (2010: 2.9%). Outotec filed 41 new priority applications (2010: 50), and 326 new national patents were granted (2010: 287).

In December, Outotec launched a two-stage partial roasting process to purify contaminated copper and gold concentrates as a pre-treatment to actual extraction processes. Outotec has also established a new continuous pilot plant at the company's research center in Germany to test customer concentrates with the new process. During the tests it is possible to collect reliable data necessary for industrial process scale-up.

In November, Outotec and PE International (Germany), started cooperation to develop a new software interface for evaluating metals production sustainability and life cycles. The new interface, which will be based on PE International's GaBi 5 and Outotec's HSC Chemistry® software, will markedly facilitate the determining the Best Available Technology (BAT) from several alternatives. It will support users in their product and material selection by providing information of the environmental impacts of both new and existing processes using a life cycle perspective. This will help to lower the environmental footprint of production facilities.

In August, Outotec announced that it had agreed to collaborate with the Ministry of Minerals Resources and Energy of Mongolia (MME) to support MME in its development of Mongolia's mining and metallurgical industry utilizing country's vast mineral resources using the most sustainable approaches possible.

### Sustainability

In October 2011, the Carbon Disclosure Project announced that for the third consecutive year Outotec would be featured in CDP's Nordic Carbon Disclosure Leadership Index.

In June 2011, Outotec published its first sustainability report, describing the company's approach to sustainability and disclosing its performance in 2010 as well as providing future targets. The report conforms to Application Level B+ of the Global Reporting Initiative, as confirmed by the GRI and is third-party assured by Ecobio Ltd. In November Outotec's report was awarded an honorable mention in a national competition evaluating the corporate responsibility reporting of Finnish companies.

### Personnel

At the end of 2011, Outotec had a total of 3,883 employees (December 31, 2010: 3,130). The increase was primarily due to personnel recruited for project implementation and service delivery as well as strengthening the presence in emerg-

ing markets. In addition, acquisitions increased the personnel in 2011. Outotec had on average 3,516 employees (2010: 3,151). The average number of personnel grew by 366 over the comparison period, which supports overall business growth objectives. Temporary personnel accounted for approximately 9% (2010: 8%) of the total number of employees.

At the end of the reporting period, the company had, in addition to its own personnel, approximately 620 (December 31, 2010: 328) 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 2011, salaries and other employee benefits totaled EUR 284.4 million (2010: EUR 224.4 million). The increase from the comparison period was due to personnel increases, wage inflation, wage increases, bonuses and share-based incentive programs.

### Changes in top management

In August, Outotec announced the appointments of two new members to its executive board: Mr. Robin Lindahl (M.Sc. Econ.) as Executive Vice President - Market Operations and Mr. Kari Knuu-

tila (Dr. Tech.), Chief Technology Officer. Appointments have been effective since October 1, 2011.

### Outotec Executive Board:

Pertti Korhonen, President and CEO  
 Jari Rosendal, President, Non-ferrous Solutions business area  
 Pekka Erkkilä, President, Ferrous Solutions business area  
 Peter Weber, President, Energy, Light Metals and Environmental Solutions business area  
 Kalle Härkki, President, Services business area  
 Robin Lindahl, Executive Vice President - Market Operations (as of October 1, 2011)  
 Michael Frei, Senior Vice President - Supply  
 Kari Knuutila, Chief Technology Officer (as of October 1, 2011)  
 Tapio Niskanen, Senior Vice President - Business Infrastructure  
 Mikko Puolakka, Chief Financial Officer  
 Ari Jokilaakso, Senior Vice President - Human Capital  
 Mika Saariaho, Chief Strategy Officer  
 Minna Aila, Senior Vice President, Communications and Corporate Responsibility (as of March 1, 2012)

Distribution of personnel by area	Dec 31, 2011	Dec 31, 2010	Change, %
EMEA (including CIS)	2,327	1,945	19.6
Americas	972	759	28.1
Asia Pacific	584	426	37.2
Total	3,883	3,130	24.1

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

#### Share-based Incentive Program 2010-2012

Outotec's board of directors decided on April 23, 2010 to adopt a share-based incentive program for the company's key personnel (Notes 9 and 10). The program incorporates three earning periods: calendar years 2010, 2011 and 2012. The board of directors 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 maximum value of the rewards for the entire program equals approximately 1,000,000 shares, including a cash payment which equals income taxes.

#### Earning period 2010

The reward paid to 68 individuals was determined by reaching the targets set by the board of directors for cost savings, order intake and earnings per share. The total reward for the 2010 earning period was EUR 9.8 million with 138,144 shares allocated and EUR 6.1 million paid in cash to cover income taxes.

#### Earning period 2011

The board of directors approved (March 1, 2011) 94 individuals for the program's 2011 earning period and set targets for order intake, earning per share and sales growth. The maximum total reward for 2011 earning period, depending on achievement of set targets, is 172,257 allocated Outotec shares and cash to cover income taxes.

#### Executive Board share ownership plan

In 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 (incentive plan for executive board members) company, whose entire share capital is owned by them. Executive board members invested their own funds into Outotec Management Oy to finance the purchase of Outotec shares.

In addition the purchase of Outotec shares to Outotec Management Oy was financed by an interest-bearing loan at the maximum amount of EUR 4,980,000 which Outotec's board of directors granted to Outotec Management Oy. At the end of 2011 the executive board members held 0.44% of Outotec shares through the company.

Outotec has consolidated Outotec Management Oy into the Group's balance sheet. At the end of 2011, Outotec Management Oy held 199,747 (February 9, 2012: 199,747) Outotec shares which have been accounted as treasury shares in Outotec's balance sheet.

#### Shares and share capital

Outotec's shares are listed on the NASDAQ OMX Helsinki (OTE1V). At the end of 2011, 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.

The annual general meeting in 2011 authorized Outotec's board of directors to determine the repurchasing of company's own shares, and to issue new shares. The maximum number of shares related to both authorizations is 4,578,037. Authorizations are in force until the next annual general meeting. The board has not executed its authorizations per February 9, 2012.

#### Trading, market capitalization and shareholders

In 2011, the volume-weighted average price for a share in the company was EUR 35.21; the highest quotation for a share was EUR 46.78 and the lowest EUR 23.86. The trading of Outotec shares in 2011 exceeded 81 million shares, with a total value of over EUR 2,884 million. At the end of 2011, Outotec's market capitalization was EUR 1,666 million and the last quotation for a share was EUR 36.40. At the end of 2011, the company did not hold any treasury shares for trading purposes.

On November 8, 2011 holding of Tamares Nordic Investments B.V. in shares of Outotec Oyj has exceeded 5% and was 2,356,519 shares which represented 5.15% of the share capital and votes in the company (January 31, 2012: 2,503,919 shares, 5.47%).

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 2011, the amount of these treasury shares was 194,390. There has been no purchases of Outotec shares based on this agreement in 2011.

Outotec has consolidated Outotec Management Oy into the Group's balance sheet. At the end of the reporting period, Outotec Management Oy held 199,747 (February 9, 2012: 199,747) Outotec shares which have been accounted as treasury shares in Outotec's balance sheet.

At the end of 2011, Outotec had 13,921 shareholders. Shares held in 17 nominee registers accounted for 54.2% and Finnish households held 11.3% of all Outotec shares.

#### Events after the reporting period

On January 26, 2012 Outotec announced the appointment of Ms Minna Aila, Master of Laws, as Senior Vice President - Communications and Corporate Responsibility and a member of the executive board as of March 1, 2012.

#### 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. Turbulence in financial and banking markets and the potential escalation of sovereign debt crisis may have a severe negative impact on the outlook of the global economy. Conditions may rapidly change and create delays and changes in

order placement and execution as well as in the availability and conditions of project financing for mining companies.

##### Risks related to Outotec's business

As part of the overall project delivery, Outotec often gives performance guarantees and takes liabilities for the warranty period defects. According to standard practice, all unfinished projects are regularly evaluated and provisions for performance guarantees and warranty period guarantees are updated. Based on the risk reviews done in 2011, there were no material changes in total project risk provisions. Projects in order backlog may contain risks related to delivery, quality, functionality or costs. Such risks are reviewed at regular intervals and project provisions are updated accordingly. Outotec may operate in politically instable countries where potential economic sanctions may have an adverse effect on Outotec's business operations. In such cases, Outotec aims to mitigate project contract risks through advance and milestone payments as well as gradual booking of orders in backlog according to actual project progress.

Global economic uncertainty may reduce the demand for Outotec's products and services. Volatility in sales may affect the operating profit margin since the measures to adjust the fixed costs may become effective with a delay. Outotec's gross margin fluctuates according to product mix and timing. Particularly orders which include license fees may have a major impact on the gross margin. Changes in labor costs, especially when operating in high inflationary countries, as well as changes in raw materials and subcontracting prices and component availability can affect Outotec's profitability. Outotec hedges these risks mostly contractually.

The nature of international project business, different interpretations of international and local tax rules and regulations may cause additional direct or indirect taxes for Outotec thus reducing the company's net result.

Acquisitions are an integral part of Outotec's growth strategy. There is a risk that the estimated synergy benefits will not materialize as planned. Goodwill may be generated through acquisitions. Company conducts goodwill impairment tests annually.

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

#### Financial risks

There is a risk that customers and suppliers may experience financial difficulties and a lack of financing may result in project and payment delays or bankruptcies, which can also result in losses for Outotec. These risks are reduced by advance and milestone payments as well as letters of credit or other trade finance instruments. In the reporting period, there were no material credit losses related to payments by Outotec's counter-parties and at the end of 2011, all receivables were reviewed and credit loss provisions were updated.

Outotec's business model is primarily based on customer advance and milestone payments and on-demand guarantees issued by Outotec's relationship banks. Changes in advance payments received due to changes in business volume have an impact on the company's liquidity. Exposure to on-demand guarantees has remained normal. Cash held by the company is primarily invested in short-term bank deposits and in Finnish corporate short-term certificates of deposit. More than half of Outotec's total cash flow is denominated in euros. The rest is divided among various currencies, including the Australian dollar, US dollar, Brazilian real, Canadian dollar, and South African rand. The weight of any given currency in new projects can substantially fluctuate, but most cash-flow-related risks are hedged in 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 subject to 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 forward agreements. The cost of hedging is taken into account in project pricing.

#### Market outlook

The long-term outlook for metals demand continues to be solid since the current production capacity and ongoing investments into new capacity are not sufficient to fulfill the future metals demand. GDP growth and the growing middle class in the emerging markets are driving the rise in the metals demand and hence the need for investments in new capacity and refurbishments. In addition, industry-specific trends such as declining ore grades, scarcity of water, higher energy prices, global relocation of production and stricter environmental regulations increase the need for modern technology. According to the large mining companies' announcements, they will further increase their CAPEX in 2012. Investments are supported by the long-term metals demand growth projections. In addition, both short- and long-term metal price estimates continue to support further investments. In the short-term, high spot prices also support high capacity utilization rates and thus push the demand for spare parts and after-market services. In certain markets such as Australia and Chile, there is a lack of industry expert resources. In addition, there are signs of lengthening delivery times in certain areas of the subcontractor network, yet still remaining well below the levels of the last up-cycle. Outotec's global supply network includes thousands of partners and because of its scalability it enables flexible delivery capacity.

Customer negotiation activity continues and the number of new sales order prospects remains high in several market areas such as China, the CIS, India, Sub-Saharan Africa and South America. Project financing is available especially for

companies with strong balance sheets and investments in good projects in the emerging countries. However, complex financing structures and tougher environmental requirements continue to lengthen the overall decision-making process especially in larger investments.

#### Non-ferrous Solutions

The strong activity in the non-ferrous technology market is expected to continue in several geographic areas: Southeast Asia, Sub-Saharan Africa, the CIS, South-America and the Middle East. Gold, copper, silver and platinum group metals projects continue to be developed supported by the high demand and good metal prices. Lateritic nickel projects are in development as well. Investments in new mines and concentrators are progressing well. In addition, investment activity in the downstream metals refining technologies continues. Competition for new projects remains tight; however, there are no material changes to the competitive landscape. The Non-ferrous Solutions business area's deliveries include technology and service solutions ranging from spare parts to equipment to entire plants.

#### Ferrous Solutions

The demand for iron ore and ferroalloy technologies continues to be solid. China, India, the Middle East and South Africa are particularly active in developing their infrastructure and utilizing their large natural resource base while time investing in technologies which comply with tighter environmental and energy efficiency requirements. There are several iron ore processing plant expansions and new investments under development particularly in Brazil and India. In addition, the depletion of lump ore deposits is driving sinter and pellet plant investments in India. The competitive landscape remains unchanged but varies depending on the market and technology area. Deliveries in the Ferrous Solutions business area are primarily large, turnkey projects and fluctuations in sales and profit recognition based on the

timing and completion level of a particular project are inherent in this type of business.

#### Energy, Light Metals and Environmental Solutions

Concerns about global warming, rising oil prices and the depletion of oil reserves increase the demand for technologies suitable for alternative sources of energy, such as oil shale, oil sands and biomass. The world's recoverable oil shale and oil sand resources have been estimated to be approximately ten times greater than those of conventional oil reserves, with large deposits found in the US, Canada, Brazil, China, Jordan, Russia and Estonia.

The demand for aluminum is also growing. Consequently, aluminum and thus bauxite and alumina projects are expected to materialize. The Middle East is leveraging its advantageous energy position by building new smelters and refining capacity. Outotec provides key solutions to the alumina refining process and is a vital partner to the aluminum industry.

The business area's environmental solutions include sulfuric acid plants as well as applications for gas cleaning, heat recovery systems and industrial water treatment. The outlook for the sulfuric acid technology market remains positive due to numerous hydrometallurgical copper plants which require sulfuric acid in leaching processes. In addition, sulfuric acid plants are needed in pyrometallurgical process to recover sulfur dioxide from the process in order to minimize emissions to the environment. The sulfuric acid market is also driven by increasing demands from the fertilizer industry. In addition to sulfuric acid plants, any metallurgical process requires off-gas cleaning and effluent and water treatment technologies to reduce its environmental impact.

New opportunities in environmental technologies, such as materials recycling, renewable energy solutions and waste management as well as industrial water treatment, are steadily increasing. The acquired technologies Energy

Products of Idaho (December 2011) and Ash Dec (January 2011), further strengthen the business area's portfolio.

#### Services

Outotec's Services business is driven by a life cycle service concept and capacity utilization rates. In addition to operational and CAPEX spares, Outotec's life cycle services offering include debottlenecking and capacity enhancements, modernizations, upgrading of existing operations as well as operate and maintain services. Customers' need for spare parts, services and modernizations are expected to further increase due to re-commissioning of production lines and higher capacity utilization rates. Outotec's penetration in the installed base is still relatively low offering a good potential for further service business expansion. Kiln Services Australia (December 2011) was acquired to expand the global shut down service capabilities in South East Asia Pacific region. Outotec continues to seek further acquisition opportunities in order to expand the service offering globally.

#### Financial guidance for 2012

Based on strong order backlog at the end of 2011, market outlook and customer tendering activity, management expects that in 2012:

- sales will grow to approximately EUR 1.7-1.9 billion and
- operating profit margin from business operations will be approximately 9 - 10% (excluding one-time items and PPA amortizations).

The achievement of the guidance is subject to overall development of world economy and financial markets, progress in projects in the order backlog, exchange rates, product mix, timing of new orders, license fee income 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 0.85 per share be paid from Outotec Oyj's distributable funds for December 31, 2011, and that any remaining distributable funds be allocated to retained earnings. The suggested dividend record date is March 28, 2012, with the dividend to be paid on April 11, 2012.

According to the financial statement for December 31, 2011, the parent company distributable funds total EUR 199.2 million. The proposed dividend corresponds to 49% of the Group's profit for the financial year 2011.

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 2011

Corporate governance statement has been given as a separate statement and it is available on Outotec's Internet pages, [www.outotec.com](http://www.outotec.com).

Espoo, February 9, 2012

Outotec Oyj

Board of Directors

Carl-Gustaf Bergström (Chairman)

Karri Kaitue (Vice Chairman)

Eija Ailasmaa

Tapani Järvinen

Hannu Linnoinen

Timo Ritakallio

Anssi Soila

Pertti Korhonen, President and CEO

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million		2011	2010
<b>Sales</b>	3.5	<b>1,385.6</b>	969.6
Cost of sales	8	<b>-1,053.1</b>	-715.7
<b>Gross profit</b>		<b>332.5</b>	253.9
Other income	6	<b>3.9</b>	7.1
Selling and marketing expenses	8	<b>-86.4</b>	-85.0
Administrative expenses	8	<b>-97.7</b>	-75.1
Research and development expenses	8	<b>-33.5</b>	-28.5
Other expenses	7	<b>-6.7</b>	-30.6
Share of results of associated companies	16	<b>-0.0</b>	-0.3
<b>Operating profit</b>		<b>111.9</b>	41.6
Finance income	11	<b>8.2</b>	5.4
Finance expenses	11	<b>-6.6</b>	-8.2
Market price gains and losses	11	<b>-0.3</b>	-1.7
Net finance income		<b>1.4</b>	-4.5
<b>Profit before income taxes</b>		<b>113.3</b>	37.1
Income tax expenses	12	<b>-34.0</b>	-10.4
<b>Profit for the period</b>		<b>79.3</b>	26.7
Other comprehensive income			
Exchange differences on translating foreign operations		<b>-3.9</b>	25.5
Cash flow hedges		<b>-4.3</b>	0.9
Income tax relating to cash flow hedges		<b>1.3</b>	-0.2
Available for sale financial assets		<b>-0.2</b>	0.3
Income tax relating to available for sale financial assets		<b>-</b>	0.0
<b>Other comprehensive income for the period</b>		<b>-7.2</b>	26.5
<b>Total comprehensive income for the period</b>		<b>72.1</b>	53.1
<b>Profit for the period attributable to:</b>			
Equity holders of the parent company		<b>79.3</b>	26.7
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the parent company		<b>72.1</b>	53.1
<b>Earnings per share for profit attributable to the equity</b>			
Basic earnings per share. EUR	13	<b>1.75</b>	0.59
Diluted earnings per share. EUR		<b>1.75</b>	0.59

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	Dec 31, 2011	Dec 31, 2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	14	<b>286.8</b>	223.8
Property, plant and equipment	15	<b>62.5</b>	52.7
Deferred tax assets	12	<b>47.3</b>	37.8
Investments in associated companies	16	<b>0.3</b>	0.3
Available-for-sale financial assets <sup>1)</sup>	17	<b>1.2</b>	1.4
Derivative financial instruments	19	<b>2.1</b>	1.9
Trade and other receivables	21		
Interest-bearing <sup>1)</sup>		<b>1.2</b>	1.1
Non interest-bearing		<b>0.0</b>	0.0
<b>Total non-current assets</b>		<b>401.5</b>	319.0
<b>Current assets</b>			
Inventories	20	<b>148.6</b>	101.0
Derivative financial instruments	19	<b>5.0</b>	9.2
Trade and other receivables	21		
Interest-bearing <sup>1)</sup>		<b>0.7</b>	0.5
Non interest-bearing		<b>463.1</b>	357.9
Cash and cash equivalents <sup>1)</sup>	22	<b>402.5</b>	280.3
<b>Total current assets</b>		<b>1,019.9</b>	748.9
<b>TOTAL ASSETS</b>		<b>1,421.4</b>	1,068.0

1) Included in net interest-bearing debt.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	Dec 31, 2011	Dec 31, 2010
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the equity holders of the parent company</b>			
Share capital		17.2	17.2
Share premium fund		20.2	20.2
Treasury shares		-7.5	-9.7
Reserve for invested non-restricted equity		87.7	87.7
Other reserves		0.4	0.4
Retained earnings		201.1	214.3
Profit for the period		79.3	26.7
		<b>398.4</b>	356.7
<b>Non-controlling interest</b>		<b>1.1</b>	1.0
<b>Total equity</b>	23	<b>399.5</b>	357.7
<b>Non-current liabilities</b>			
Interest-bearing debt <sup>1)</sup>	26	47.6	56.6
Derivative financial instruments	19	3.1	2.5
Deferred tax liabilities	12	56.4	46.8
Employee benefits	24	26.2	25.4
Provisions	25	15.6	18.3
Trade and other payables	27	5.7	5.2
<b>Total non-current liabilities</b>		<b>154.6</b>	154.7
<b>Current liabilities</b>			
Interest-bearing debt <sup>1)</sup>	26	18.9	25.7
Derivative financial instruments	19	13.7	10.0
Current tax liabilities		25.3	15.4
Provisions	25	25.4	23.7
Trade and other payables	27	784.0	480.7
<b>Total current liabilities</b>		<b>867.3</b>	555.5
<b>Total liabilities</b>		<b>1,021.9</b>	710.2
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,421.4</b>	1,068.0

1) Included in net interest-bearing debt.

## CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Note	2011	2010
<b>Cash flows from operating activities</b>			
Profit for the period		79.3	26.7
Adjustments for			
Taxes	12	34.0	10.4
Depreciation and amortization	14, 15	19.4	19.0
Impairments	14, 15	-	13.7
Share of results of associated companies	16	0.0	0.3
Gains and losses on sale of property, plant and equipment	6, 7	-0.3	-0.2
Interest income	11	-8.2	-5.2
Interest expense	11	2.0	2.9
Other adjustments		1.1	6.2
		48.1	47.1
Change in working capital			
Increase (-) in trade and other receivables		-107.6	-44.9
Increase (-) in inventories		-51.9	-1.3
Increase (+) in trade and other payables		294.6	90.8
Decrease (-) in provisions		-0.7	-3.6
		134.4	41.0
Interest received		8.0	5.2
Interest paid		-2.0	-0.9
Income tax paid		-20.8	-31.6
<b>Net cash from operating activities</b>		<b>247.0</b>	<b>87.5</b>
<b>Cash flows from investing activities</b>			
Acquisition of shares in associated companies	16	-0.1	-0.2
Acquisition of subsidiaries and business operations	4	-34.5	-41.1
Acquisition of available-for-sale financial assets	17	-	-0.2
Purchases of property, plant and equipment	15	-17.6	-10.5
Purchases of intangible assets	14	-16.8	-6.1
Proceeds from sale of shares of subsidiary shares	4	-	0.8
Proceeds from sale of available-for-sale financial assets	17	0.1	3.5
Proceeds from sale of property, plant and equipment	15	1.3	1.6
Proceeds from sale of intangible assets	14	0.0	0.1
Change in other non-current receivables		-0.1	0.0
<b>Net cash used in investing activities</b>		<b>-67.7</b>	<b>-52.1</b>
<b>Cash flows from financing activities</b>			
Repayments of non-current debt		-11.5	-17.3
Borrowings of non-current debt		-	30.0
Decrease in current debt		-4.9	-17.7
Increase in current debt		0.0	11.4
Related party net investment to Outotec Oyj shares <sup>1)</sup>		-0.2	-4.1
Dividends paid		-34.3	-32.0
Repayments of finance lease liabilities		-0.2	-0.1
Change in other financing activities		0.6	0.5
<b>Net cash used in financing activities</b>		<b>-50.6</b>	<b>-29.4</b>
<b>Net change in cash and cash equivalents</b>		<b>128.8</b>	<b>5.9</b>
Cash and cash equivalents at January 1		280.3	258.5
Foreign exchange rate effect on cash and cash equivalents		-6.6	15.9
Net change in cash and cash equivalents		128.8	5.9
<b>Cash and cash equivalents at December 31</b>	22	<b>402.5</b>	<b>280.3</b>

1) Consolidation of Outotec Management Oy (incentive plan for Outotec executive board members). At the end of 2011 Outotec Management Oy held 199,747 (31.12.2010: 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

EUR million	Attributable to the equity holders of the parent company									
	Share capital	Share premium fund	Other reserves	Fair value reserves	Treasury shares	Reserve for invested non-rest-icted equity	Cumulative translation differences	Retained earnings	Non-controlling interest	Total equity
Equity at January 1, 2010	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 <sup>1)</sup>	-	-	-	-	-5.2	-	-	-	1.0	-4.1
Share-based compensation	-	-	-	-	-	-	-	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
Dividends paid	-	-	-	-	-	-	-	-34.3	-	-34.3
Management incentive plan for Outotec Executive Board <sup>1)</sup>	-	-	-	-	-0.3	-	-	-	0.1	-0.2
Share-based compensation	-	-	-	-	2.4	-	-	0.9	-	3.3
Total comprehensive income for the period	-	-	-	-3.2	-	-	-3.9	79.3	-	72.1
Other changes	-	-	0.0	-	-	-	-	0.7	-	0.7
<b>Equity at December 31, 2011</b>	<b>17.2</b>	<b>20.2</b>	<b>0.4</b>	<b>-1.2</b>	<b>-7.5</b>	<b>87.7</b>	<b>25.1</b>	<b>256.5</b>	<b>1.1</b>	<b>399.5</b>

1) Consolidation of Outotec Management Oy (incentive plan for Outotec executive board members). At the end of 2011, Outotec Management Oy held 199,747 Outotec shares (31.12.2010: 191,211) which have been accounted 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 October 10, 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 2011, Outotec had 3,883 employees in 24 countries and generated sales of EUR 1,385.6 million, a copy of the financial statements of Outotec is available at the Group's website [www.outotec.com](http://www.outotec.com).

## 2. Accounting principles to 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, 2011. 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 or new standards and interpretations since the beginning of 2011, which do not have material impact on the Group's financial statements:

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

The following new standards and interpretations have been published, but they are not effective in 2011, neither has Outotec early adapted them. These changes are not expected to have material impact on Outotec's figures.

- IAS 19 - Employee benefits. The amendment will eliminate the corridor approach and will recognize all actuarial gains and losses in OCI as they occur; to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The group has yet to assess the full impact of the amendment.
- IFRS 9 - Financial instruments. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. The two parts of the IFRS 9 were issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those

measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The main change regarding the financial liabilities is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. Outotec is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 wholly no later than the accounting period beginning on or after 1 January 2015.

- IFRS 10 - Consolidated financial statements. The new standard of Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor as to whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 is not expected to have material impact on Outotec's financial statements.
- IFRS 12 - Disclosures of interests in other entities. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. Outotec has yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after January 1, 2013.
- IFRS 13 - Fair value measurement. The standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. Outotec has yet to assess IFRS13's full impact and intends to adopt IFRS 13 during the accounting period beginning on or after January 1, 2013, the latest.

### 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 companies' other comprehensive income have been booked similarly. Associated companies of the Group have not had other comprehensive income items in the reporting period 2010 or 2011.

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. 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 distri-

bution 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.

The reportable operating segments according to IFRS 8 are Non-ferrous Solutions, Ferrous Solutions, and Energy, Light Metals and Environmental Solutions. Outotec's highest operative decision maker (Chief Operating Decision Maker according to IFRS 8) is the President and CEO of Outotec Group with the support of the Executive Board. The President and CEO assesses the Group's

financial position and its development as a whole and based on the three business areas.

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 Africa and Middle East, North America, South America, Australia and Oceania, Asia, and Sub-Saharan 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 evalu-

ated 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 expenses are expensed as they are incurred. Development costs are capitalized when it is probable that a development project will generate 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 life; 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.

**Operating profit**

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

**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 similarly 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 for projects, provisions for operating expenses and other items, project provisions, netting of deferred taxes, purchase price allocation, tax loss-carry forwards, depreciation difference on property, plant and equipment, effects of consolidation and eliminations, other untaxed reserves, pension provisions and valuation gain and loss on derivative instruments. 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 or income that the management does not expect to encounter again. Non-recurring items are reported under other operating expenses or income and defined in the note 8.

**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. 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 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 equipment 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. Accordingly assigning of the treasury shares increases the shareholder's equity with the original acquisition cost.

#### 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 on April 23, 2010. 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 estab-

lished 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. The reward was based on the achievement of the targets set for cost savings, order intake and earnings per share. The reward was 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. The board of directors approved 94 individuals for the program's 2011 earning period and set targets for order intake, earning per share and sales growth. 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 num-

ber 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. Outotec's reportable operating segments are: Non-ferrous Solutions, Ferrous Solutions and Energy, Light Metals and Environmental Solutions. Outotec's highest operative decision maker (Chief Operating Decision Maker according to IFRS 8) is the President and CEO of Outotec Group with the support of the Executive Board. The President and CEO assesses the Group's financial position and its development as a whole and based on the three operating segments.

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 of Kiln Services 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 the Energy Product of Idaho 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	Eliminations	Consolidated
<b>2011</b>							
External sales	933.8	218.6	233.2	<b>1,385.6</b>	0.0	-	<b>1,385.6</b>
Inter-segment sales	13.8	2.5	2.9	<b>19.2</b>	25.0	-44.3	<b>0.0</b>
Sales	947.6	221.1	236.1	<b>1,404.8</b>	25.0	-44.3	<b>1,385.6</b>
Share of results of associated companies	-	-	-0.0	<b>-0.0</b>	-	-	<b>-0.0</b>
Operating profit	107.7	6.7	23.8	<b>138.2</b>	-19.6	-6.7	<b>111.9</b>
Financial income and expenses	-	-	-	-	-	-	<b>1.4</b>
Profit before taxes	-	-	-	-	-	-	<b>113.3</b>
Income taxes	-	-	-	-	-	-	<b>-34.0</b>
Net profit for the financial year	-	-	-	-	-	-	<b>79.3</b>
Depreciation and amortization	-14.0	-1.3	-3.0	<b>-18.3</b>	-1.1	-	<b>-19.4</b>
Non interest-bearing assets	648.3	105.6	187.6	<b>941.5</b>	114.1	-104.8	<b>950.9</b>
Investments in associated companies	-	-	0.3	<b>0.3</b>	-	-	<b>0.3</b>
Other interest-bearing assets	-	-	-	-	-	-	<b>405.6</b>
Income tax receivable	-	-	-	-	-	-	<b>17.4</b>
Deferred tax assets	-	-	-	-	-	-	<b>47.3</b>
Total assets	-	-	-	-	-	-	<b>1,421.4</b>
Non interest-bearing liabilities	541.1	93.5	290.4	<b>925.0</b>	53.5	-104.8	<b>873.7</b>
Interest-bearing liabilities	-	-	-	-	-	-	<b>66.5</b>
Income tax liabilities	-	-	-	-	-	-	<b>25.3</b>
Deferred tax liabilities	-	-	-	-	-	-	<b>56.4</b>
Total liabilities	-	-	-	-	-	-	<b>1,021.9</b>
Capital expenditure	20.9	2.0	58.1	<b>80.9</b>	17.4	-	<b>98.3</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EUR million	Non-ferrous Solutions	Ferrous Solutions	Energy, Light Metals and Environmental Solutions	Reportable segments	Unallocated items	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 taxes	-	-	-	-	-	-	37.1
Income taxes	-	-	-	-	-	-	-10.4
Net profit for the financial year	-	-	-	-	-	-	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
Other interest-bearing assets	-	-	-	-	-	-	283.2
Income tax receivable	-	-	-	-	-	-	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
Income 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



3.2 Information about geographical areas

EUR million	Finland	Germany	Rest of Europe <sup>1)</sup> , North Africa and Middle East	North America	South America	Australia and Oceania	Asia	Sub Saharan Africa	Inter-area eliminations	Investments in associated companies	Consolidated
<b>2011</b>											
Sales by destination <sup>2)</sup>	85.0	8.7	300.9	126.9	306.0	189.9	159.6	208.6	-	-	<b>1,385.6</b>
Sales by origin <sup>3)</sup>	505.6	243.2	91.2	145.2	203.3	246.9	45.6	114.9	-210.3	-	<b>1,385.6</b>
Non-current assets <sup>3)</sup>	142.4	50.5	23.3	13.8	6.2	28.0	1.4	1.9	81.9	0.3	<b>249.4</b>
Capital expenditure <sup>3)</sup>	21.9	2.2	0.7	56.4	2.4	13.3	0.5	0.9	-	-	<b>98.3</b>
<b>2010</b>											
Sales by destination <sup>2)</sup>	42.9	10.2	200.9	98.8	225.5	117.9	156.1	117.3	-	-	969.6
Sales by origin <sup>3)</sup>	336.0	245.5	35.9	97.9	125.3	182.0	30.8	73.6	-157.3	-	969.6
Non-current assets <sup>3)</sup>	131.7	50.3	20.3	12.1	5.7	19.7	1.3	1.7	33.6	0.3	276.5
Capital expenditure <sup>3)</sup>	43.4	2.8	19.7	0.7	0.9	28.5	0.4	0.4	-	-	96.7

<sup>1)</sup> Includes CIS countries

<sup>2)</sup> Sales by destination is presented for external sales.

<sup>3)</sup> Sales, non-current assets and capital expenditure are presented by the location of the company.

3.3 Information about major customers

In 2011 and in 2010, 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 Energy Products of Idaho LP**

Outotec has acquired on December 30, 2011 all interests in Energy Products of Idaho Limited Partnership (referred to as 'EPI') in Coeur d'Alene, the United States. EPI has pioneered in the area of biomass and difficult waste materials combustion and delivered over 100 renewable energy solutions.

The acquisition price consists of two components: a fixed cash element of EUR 46.4 million and an earn-out payment of EUR 8.8 million (EUR 25 million at maximum) based on EPI's financial performance in 2012 and 2013. Acquisition related transaction costs of EUR 1.6 million have been expensed in 2011 and reported in other operating expenses.

The following purchase price allocation is preliminary and will be finalized during 2012. The purchase price has been allocated to intangible assets such as technologies, trademark and customer relationships. The goodwill is mainly based on experienced personnel of EPI and on the synergy benefits. Synergy benefits come partly from combining EPI and Outotec sales and service networks.

EUR million	Note	Fair values recorded on acquisition	Carrying amounts prior to acquisition
Intangible assets	14	21.9	0.3
Property, plant and equipment	15	1.2	0.7
Inventories	20	0.2	0.2
Trade and other receivables	21	6.6	6.8
Cash and cash equivalents	22	12.4	12.4
<b>Total assets</b>		<b>42.4</b>	20.3
Trade and other payables	27	17.2	17.0
<b>Total liabilities</b>		<b>17.2</b>	17.0
<b>Net assets</b>		<b>25.2</b>	3.3
<b>Acquisition cost</b>		<b>55.2</b>	
<b>Goodwill</b> *)	14	<b>30.0</b>	
Cash and cash equivalents in subsidiaries acquired		12.4	
Acquisition cost paid in cash at December 31, 2011		46.4	
Exchange differences		-2.4	
<b>Cash flow effect at December 31, 2011</b>		<b>31.6</b>	
<b>Acquisition cost as liability December 31, 2011</b>		<b>8.8</b>	

\*) Goodwill is tax deductible

**Other acquired businesses**

Outotec has strengthened its service offerings in South East Asia Pacific by acquiring a furnace refractory demolition business of Kiln Services Australia Pty Ltd. The acquisition was completed on December 9, 2011.

This acquisition supports Outotec's strategy to expand its service offerings and complements Outotec's portfolio of shutdown services to the mining, metals processing and refractory industries. The acquired business is based on special-

ized robotic refractory demolition equipment and related know how. Kiln Services Australia is based in Perth and has service centers both in Adelaide and Tasmania.

**Effect of acquired business combinations on Outotec Group's sales and profit for the period in 2011.**

Outotec's sales for January 1, 2011- December 31, 2011 would have been EUR 1,426.3 million and profit for the period EUR 79.3 million if the acqui-

sition of Energy Products of Idaho LP and Kiln Services Australia Pty Ltd, would have been completed on January 1, 2011.

**5. Construction contracts**

EUR million	2011	2010
Revenue from construction contracts recognized as income during the financial year	<b>844.5</b>	622.8
Incurred costs and profits (less recognized losses) related to work in progress constructions contracts at the end of financial year	<b>240.0</b>	107.6
Advances received related to work in progress construction contracts <sup>1)</sup>	<b>1,416.7</b>	979.1
Gross amount due from customers related to work in progress construction contracts	<b>204.2</b>	132.2
Gross amount due to customers related to work in progress construction contracts <sup>2)</sup>	<b>426.2</b>	198.9

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	2011	2010
Gains on sale of intangible and tangible assets	<b>0.5</b>	0.3
Gains on disposal of subsidiary shares	-	0.6
IFRS revaluation of Ausmelt shares	-	3.3
Market price gains from derivatives	<b>1.7</b>	1.9
One-time income related to reorganization of business	<b>1.1</b>	-
Other income	<b>0.6</b>	1.0
	<b>3.9</b>	7.1

**7. Other expenses**

EUR million	2011	2010
Losses on disposals of intangible and tangible assets	<b>-0.1</b>	-0.0
Impairments on intangible assets and property, plant and equipment related to restructuring	-	-13.7
One-time costs related to reorganization of business	<b>-3.7</b>	-12.8
Costs related to acquisitions	<b>-2.0</b>	-1.1
Other expenses	<b>-1.0</b>	-3.0
	<b>-6.7</b>	-30.6

**8. Function expenses by nature**

EUR million	2011	2010
Merchandise and raw materials	<b>-686.8</b>	-439.4
Logistics expenses	<b>-21.5</b>	-16.1
Employee benefit expenses	<b>-284.4</b>	-224.4
Rents and leases	<b>-18.9</b>	-19.1
Depreciation and amortization <sup>1)</sup>	<b>-19.4</b>	-21.5
Change in inventories	<b>11.6</b>	-3.6
Services purchased <sup>2)</sup>	<b>-135.9</b>	-88.3
Other expenses <sup>3)</sup>	<b>-115.6</b>	-91.9
	<b>-1,270.8</b>	-904.3

1) Purchase price allocation amortizations related to acquisitions were EUR 4.9 million in 2011 (2010: EUR 9.4 million).

2) Services purchased includes audit fees of EUR 0.9 million (2010: EUR 1.0 million) and fees for ancillary services of EUR 0.9 million (2010: EUR 0.5 million) paid to the companies operated by the firm of independent public accountants KPMG, in different countries.

3) Includes grants received EUR 2.1 million in 2011 (2010: EUR 1.3 million).

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

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

**Non-recurring items**

milj. EUR	2011	2010
One-time costs related to reorganization of business	-3.7	-26.5
Net effect on acquisition costs and revaluation of Ausmelt Ltd. shares	-	2.2
Gains on disposal of subsidiary shares	-	0.6
Costs related to acquisitions	-2.0	-
One-time income related to reorganization of business	1.1	-

**9. Employee benefit expenses**

EUR million	2011	2010
Wages and salaries	-236.1	-184.7
Termination benefits	-1.6	-5.8
Social security costs	-20.7	-17.3
Pension and other post-employment benefits		
Defined benefit plans	-2.1	-2.2
Defined contribution plans	-16.6	-11.7
Other post-employment benefits	-0.2	-0.2
Other personnel expenses	-7.1	-2.5
	<b>-284.4</b>	<b>-224.4</b>

**Share-based incentive programs:**

**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 on April 23, 2010. 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 maximum value of the rewards for the entire

program equals to approximately 1,000,000 shares (up to 500,000 in shares), including the cash payment which equals income taxes and comparable to tax expenses.

For the 2010 earning period, the reward was based on the achievement of the targets set for cost savings, order intake and earnings per share. The reward was 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.

For the program's 2011 earning period, the targets were set for order intake, earnings per share and sales growth. The maximum total reward for 2011 earning period is 172,257 Outotec shares and cash payments which equals income taxes and comparable to tax expenses.

For 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 by the end of the April 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.

Key characteristics of the share ownership plans are listed in the table below:

**Share ownership plan 2010-2012**

<b>Basic data concerning the share ownership plan</b>	<b>Earning period 2011</b>	<b>Earning period 2010</b>
Grant dates	March 1, 2011	April 23, 2010
Form of the reward	Equity and cash	Equity and cash
Target group	Key personnel	Key personnel
Maximum number of shares *)	415,643	272,963
Beginning of earning period	January 1, 2011	January 1, 2010
End of earning period	December 31, 2011	December 31, 2010
Vesting conditions	Net order intake, EPS, sales growth. Employment until the end of the restriction period	Net order intake, EPS, cost savings. Employment until the end of the restriction period
End of restriction period	January 1, 2014	January 1, 2013
Maximum contractual life, years	2.8	2.7
Remaining contractual life, years	2.0	1.0
Number of persons at 31 December 2011	89	68

\*) 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 the shares at the time of transfer.

The changes in the amounts of share ownership plan in the 2011 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.

<b>Changes in the 2011 financial year</b>	Earning period 2011	Earning period 2010	<b>Total</b>	Weighted remaining contractual life in years
<b>Gross amounts at January 1, 2011, number of shares **)</b>				
Outstanding at the beginning of the period	0	410,450	<b>410,450</b>	
<b>Changes during the period, number of shares</b>				
Share reward granted	415,643	0	<b>415,643</b>	
Share reward forfeited	0	0	<b>0</b>	
Share reward exercised	0	0	<b>0</b>	
Share reward expired	0	137,487	<b>137,487</b>	
<b>Gross amounts at December 31, 2011, number of shares **)</b>				
Outstanding at the end of the period	415,643	272,963	<b>688,606</b>	1.6
Exercisable at the end of the period	415,643	272,963	<b>688,606</b>	

\*\*) Number of shares include cash-settled payments of the plan (in terms of number of shares)

**Fair value determination**

IFRS2 requires an entity to measure the shares granted to employees at their fair value at the day at which the share-based payment 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.

Since the share reward is paid as a combination of shares and cash, the measurement of the

fair value of the reward consists of two parts under IFRS 2: the component settled in shares and the component settled in cash. 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 at each reporting date until the reward payment, and the fair value of the liability will thus change in accordance with the

Outotec share price. As the award will be settled both in equity and in cash the amount entered in the balance sheet will be divided into equity and liability.

Inputs to the fair value determination of the rewards expensed during the financial year 2011 are listed in the below table as weighted average values. The total fair value of the rewards is based on the company's estimate on December 31, 2011 as to the number of share to be eventually vesting.

<b>Measurement of fair value of the share reward</b>		Granted 2011	Granted 2010
Share price at the grant date, EUR		40.99	27.04
Expected dividends, EUR		0.75	0.76
Fair value per share accounted for as equity-settled reward, EUR		39.52	27.04
Fair value per share of the cash-settled reward at the settlement date/at the end of the period, EUR		36.20	44.60
<b>Fair value at December 31, 2011, EUR million</b>		<b>10.6</b>	<b>9.6</b>
<b>Effect on earnings during the period and financial position at December 31, 2011</b>			
	<b>Total</b>	Granted 2011	Granted 2010
Expense recognized for the period from share-based payments	<b>7.6</b>	3.1	4.5
Expense accounted for as equity-settled share-based payment	<b>3.3</b>	1.6	1.8
Value of liability for cash-settled share-based payments Dec 31, 2011	<b>1.5</b>	1.5	0.0
<b>Effect on earnings during the period and financial position at December 31, 2010</b>			
	Total	Granted 2010	Granted 2009
Expense recognized for the period from share-based payments	1.8	1.4	0.2
Expense accounted for as equity-settled share-based payment	0.7	0.5	0.0
Value of liability for cash-settled share-based payments Dec 31, 2010	1.2	0.9	0.3

**11. Finance income and expenses****Recognized in profit or loss**

EUR million	2011	2010
Interest income on bank deposits and commercial papers	7.9	4.8
Interest income on loans and receivables	0.3	0.4
Other finance income	0.0	0.2
Total finance income	8.2	5.4
Interest expenses		
Financial liabilities measured at amortized cost		
Current and non-current debt	-2.2	-3.7
Finance lease arrangements	-0.0	-0.0
Other finance expenses	-4.4	-4.6
Total finance expenses	-6.6	-8.2
Exchange gains and losses	-0.5	-2.4
Other market price gains and losses	0.2	0.7
Total market price gains and losses	-0.3	-1.7
Total finance income and expenses	1.4	-4.5

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

EUR million	2011	2010
In sales	0.5	-5.8
In purchases	-2.7	-5.1
In other income and expenses	1.9	1.9
In finance income and expenses	-0.5	-2.4
	-0.8	-11.3

**Recognized in other comprehensive income**

EUR million	2011	2010
Exchange differences on translating foreign operations	-3.9	25.5
Cash flow hedges	-4.3	0.9
Income tax related to cash flow hedges	1.3	-0.2
Available for sale financial assets	-0.2	0.3
Income tax related to available for sale financial assets	-	0.0
	-7.2	26.5

12. Income tax expenses

Income tax expenses recognized in profit or loss

EUR million	2011	2010
<b>Current taxes</b>		
Accrued taxes for the year		
Finnish companies	-4.4	-1.1
Companies outside Finland	-24.0	-29.9
Tax adjustments for prior years		
Finnish companies	-0.1	0.4
Companies outside Finland	-5.0	-0.3
	-33.5	-30.9
<b>Deferred taxes</b>		
Deferred taxes		
Finnish companies	-6.6	9.9
Companies outside Finland	3.7	9.1
Effect of consolidation and eliminations	2.4	1.5
	-0.5	20.5
<b>Total income tax expenses</b>	<b>-34.0</b>	<b>-10.4</b>

Income taxes recognized in other comprehensive income

EUR million	2011	2010
Income tax related to cash flow hedges	1.3	-0.2
Income tax related to available for sale investment	-	0.0
	1.3	-0.2

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	2011	2010
Hypothetical income taxes at Finnish tax rate on consolidated profit before tax	-29.5	-9.6
Effect of different tax rates outside Finland	-1.2	-1.6
Non-credited foreign withholding taxes	-0.5	-0.8
Tax effect of non-deductible expenses and tax exempt income	1.1	-0.8
Tax effect of losses for which no deferred tax asset is recognized	-1.1	-0.5
Previous year losses for which deferred tax asset is recognized	-1.0	0.0
Utilization of tax losses for which no deferred tax asset was recognized	2.4	0.2
Effect of consolidation and eliminations	-1.0	0.4
Taxes for prior years	-2.2	0.1
Effect of enacted change in future tax rates	-0.6	1.3
Share-based payment plan tax deduction in excess of IFRS cost	-0.2	0.0
Other items	-0.2	0.9
Income taxes recognized in profit or loss	-34.0	-10.4

Deferred taxes in consolidated statement of financial position

EUR million	2011	2010
Deferred tax assets	47.3	37.8
Deferred tax liabilities	56.4	46.8
	-9.1	-9.0

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
<b>2011</b>						
<b>Deferred tax assets</b>						
Tax losses carried forward	7.6	-0.5	-	-	-	7.0
Timing difference in revenue recognition	21.0	-2.3	-	-	-0.6	18.1
Pension provisions	1.4	0.1	-	-	-	1.5
Depreciation difference	0.8	-0.2	-	-	-	0.6
Project provisions	14.1	0.1	-	-	-0.4	13.8
Effects of consolidation and eliminations	1.3	1.7	-	-	-	2.9
Valuation gain on assets and derivative instruments	0.1	0.0	0.9	-	-	0.9
Provisions for operating expenses and other items	8.8	5.6	-	-	-	14.5
Purchase price allocation	0.0	0.0	-	0.2	-	0.2
Netting of deferred tax	-17.2	4.9	-	-	-	-12.3
	37.8	9.4	0.9	0.2	-1.0	47.3
<b>Deferred tax liabilities</b>						
Timing difference in revenue recognition	43.9	3.1	-	-	-	46.9
Depreciation difference	3.3	1.8	-	-	-	5.1
Other untaxed reserves	0.9	1.3	-	-	-	2.2
Purchase price allocation	13.5	-1.6	-	-	-	11.9
Valuation gain on assets and derivative instruments	0.4	0.0	-0.4	-	-	0.0
Other items	2.0	0.5	-	-	-	2.5
Netting of deferred tax	-17.2	4.9	-	-	-	-12.3
	46.8	10.0	-0.4	0.0	0.0	56.4
<b>Net deferred tax liability</b>	<b>-9.0</b>	<b>-0.6</b>	<b>1.3</b>	<b>0.2</b>	<b>-1.0</b>	<b>-9.1</b>

EUR million	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Acquired subsidiaries	Translation differences	December 31
<b>2010</b>						
<b>Deferred tax assets</b>						
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 gain on assets and derivative instruments	0.4	0.0	-0.4	-	0.1	0.1
Provisions for operating expenses and other 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
<b>Deferred tax liabilities</b>						
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
<b>Net deferred tax liability</b>	<b>-23.2</b>	<b>20.5</b>	<b>-0.2</b>	<b>-8.5</b>	<b>2.5</b>	<b>-9.0</b>

Deferred tax assets of EUR 3.5 million (2010: EUR 5.0 million) have not been recognized in the consolidated financial statements because the realization of the tax benefit included in these assets is not probable. Majority of these unrecognized deferred tax assets relate to tax losses and tax credits amounting to EUR 12.6 million (2010: EUR 15.7 million), of which EUR 8.1 million will expire within five years and EUR 4.5 million after five years.

The consolidated balance sheet includes net deferred tax assets of EUR 7.8 million (2010: EUR 15.6 million) in subsidiaries, which have generated losses in current or in 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 in the consolidated

balance sheet because distribution of the earnings is in the control of Outotec and such distribution is not probable within foreseeable future. The amount of such undistributed earnings in subsidiaries was at the end of the year 2011 EUR 235.0 million (2010: EUR 204.6 million).

### 13. Earnings per share

	2011	2010
Profit attributable to the equity holders of the parent Company, EUR million	<b>79.3</b>	26.7
Weighted average number of shares, in thousands	<b>45,379</b>	45,357
Earnings per share for profit attributable to the equity holders of the parent company:		
Basic earnings per share, EUR	<b>1.75</b>	0.59
Diluted earnings per share, EUR	<b>1.75</b>	0.59

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 <sup>1)</sup>	Intangible asset, acquired <sup>2)</sup>	Goodwill	Advances paid and construction work in progress	Total
Historical cost at January 1, 2011	3.6	119.0	149.9	0.0	272.4
Translation differences	0.0	0.3	1.4	-	1.7
Additions	-	8.1	-	8.7	16.8
Disposals	-0.0	-0.0	-	-	-0.0
Acquired subsidiaries	0.2	22.7	31.6	-	54.5
Reclassifications	-0.4	0.6	0.0	0.2	0.5
<b>Historical cost at December 31, 2011</b>	<b>3.4</b>	<b>150.7</b>	<b>182.9</b>	<b>8.9</b>	<b>345.9</b>
Accumulated amortization and impairment at January 1, 2011	-1.3	-45.9	-1.4	-	-48.6
Translation differences	0.0	-0.0	-0.2	-	-0.2
Disposals	0.0	0.0	-	-	0.0
Amortization during the period	-0.0	-10.2	-	-	-10.2
<b>Accumulated amortization and impairment at December 31, 2011</b>	<b>-1.3</b>	<b>-56.1</b>	<b>-1.6</b>	<b>-</b>	<b>-59.1</b>
<b>Carrying value at December 31, 2011</b>	<b>2.1</b>	<b>94.5</b>	<b>181.3</b>	<b>8.9</b>	<b>286.8</b>
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
<b>Carrying value at December 31, 2010</b>	<b>2.3</b>	<b>73.0</b>	<b>148.5</b>	<b>-</b>	<b>223.8</b>

1) of which carrying value of patents amounted to EUR 0.3 million (2010: EUR 0.7 million) and other internally generated intangible assets EUR 1.8 million (2010: EUR 1.6 million).

2) of which carrying value of patents amounted to EUR 11.7 million (2010: EUR 10.3 million), licenses EUR 4.3 million (2010: EUR 2.9 million), IT software EUR 5.6 million (2010: EUR 6.3 million) and other acquired intangible assets EUR 72.9 million (2010: EUR 53.4 million). Historical cost includes acquisition related purchase price fair valuation of EUR 63.6 million in 2011 (2010: EUR 40.9 million).

Amortization by function

EUR million	2011	2010
Cost of sales	-1.8	-4.2
Selling and marketing expenses	-2.0	-2.5
Administrative expenses	-2.7	-1.9
Research and development expenses	-3.6	-3.6
	<b>-10.1</b>	<b>-12.1</b>

**Impairments on intangible assets during the financial year**

There were no impairments in 2011.

Due to the new operational model of Outotec and due to 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 recorded 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 operational 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.

**Impairment testing of goodwill**

Goodwill is allocated to the Group's cash-generating units (CGUs) according to the business organization.

**Goodwill allocation to the segments**

EUR million	2011	2010
Non-ferrous Solutions	98.8	95.9
Ferrous Solutions	13.9	13.9
Energy, Light Metals and Environmental Solutions	68.7	38.8
	<b>181.3</b>	148.5

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 2011 (2010: 9.2%). 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, 2011, 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 equip- ment	Other tangible assets	Advances paid and construc- tion work in progress	Total
Historical cost at January 1, 2011	1.5	24.4	67.9	32.1	1.5	1.4	128.9
Translation differences	0.0	-0.0	-0.2	-0.3	-0.0	0.0	-0.5
Additions	-	0.4	4.6	10.7	0.3	1.9	17.9
Disposals	-	-0.2	-1.9	-2.3	-0.1	-	-4.5
Acquired subsidiaries	0.6	0.2	2.6	0.1	-	-	3.5
Reclassifications	-	0.2	0.2	0.0	0.0	-1.0	-0.6
<b>Historical cost at December 31, 2011</b>	<b>2.1</b>	<b>24.9</b>	<b>73.3</b>	<b>40.3</b>	<b>1.8</b>	<b>2.3</b>	<b>144.8</b>
Accumulated depreciation and impairment at January 1, 2011	-	-8.0	-45.5	-22.1	-0.5	-	-76.2
Translation differences	-	0.0	0.1	0.1	0.0	-	0.2
Disposals	-	0.0	1.5	1.8	0.1	-	3.4
Reclassifications	-	-0.0	-0.1	-0.1	-0.0	-	-0.3
Depreciation during the period	-	-1.1	-4.4	-3.7	-0.2	-	-9.5
<b>Accumulated depreciation and impairment at December 31, 2011</b>	<b>-</b>	<b>-9.1</b>	<b>-48.4</b>	<b>-24.1</b>	<b>-0.7</b>	<b>-</b>	<b>-82.2</b>
<b>Carrying value at December 31, 2011</b>	<b>2.1</b>	<b>15.8</b>	<b>24.9</b>	<b>16.3</b>	<b>1.1</b>	<b>2.3</b>	<b>62.5</b>
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

**Depreciation by function**

EUR million	2011	2010
Cost of sales	-4.4	-3.4
Selling and marketing expenses	-0.8	-1.3
Administrative expenses	-2.9	-2.1
Research and development expenses	-1.3	-2.5
	<b>-9.4</b>	<b>-9.4</b>

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

There were no impairments during 2011. 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 Solutions business area and presented under Other expenses in the Statement of Comprehensive Income.

**Assets leased by finance lease agreements**

EUR million	2011	2010
Historical cost	0.8	0.8
Translation differences	0.0	0.0
Reclassifications	0.0	-0.1
Accumulated depreciation	-0.6	-0.5
Carrying value at December 31	<b>0.2</b>	<b>0.3</b>

All finance lease agreements are related to machinery and equipment

**16. Investments in associated companies**

EUR million	2011	2010
Investments in associated companies at cost		
Historical cost at January 1	0.7	11.0
Translation differences	0.1	1.3
Additions	0.1	0.2
Disposal	-	-11.8
Historical cost at December 31	<b>0.9</b>	<b>0.7</b>
Equity adjustment to investments in associated companies at January 1	-0.5	-0.2
Share of results of associated companies	-0.0	-0.3
Equity adjustment to investments in associated companies at December 31	<b>-0.6</b>	<b>-0.5</b>
<b>Carrying value of investments in associated companies at December 31</b>	<b>0.3</b>	<b>0.3</b>

Summary of financial information for associated companies

EUR million	Domicile	Assets	Liabilities	Sales	Profit/loss	Ownership, %
<b>2011</b>						
Enefit	Estonia	1.9	1.8	0.3	-0.1	40.0
GreenExergy AB	Sweden	1.0	0.4	1.0	0.0	45.0
Middle East Metals Processing Company Ltd.	Saudi Arabia	0.3	0.2	-	-	49.0
<b>2010</b>						
Enefit	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

17. Available-for-sale financial assets

EUR million	2011	2010
Carrying value at January 1	1.4	4.0
Translation differences	0.0	0.0
Additions	-	0.2
Disposals	-0.1	-3.5
Fair value changes	-0.2	0.3
Acquired subsidiaries	-	0.4
Carrying value at December 31	1.2	1.4
Listed equity securities	0.2	0.5
Unlisted equity securities	1.0	0.9
Fair value	1.2	1.4
Acquisition value	-1.1	-1.1
Fair value changes	0.1	0.3
Deferred tax liability	-0.0	0.0
Fair value reserve in equity	0.1	0.3

**18. Financial risk management**

**Financial Risk Management and Insurances**

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

The Group 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 Group 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 Group's earnings, cash flows and balance sheet. As the main principle Outotec's business units hedge their market risks by entering into agreements with Group Treasury, which does most of the financial contracts with banks and

other financial institutions. Outotec's Treasury is also responsible for managing certain Group level risks, such as interest rate risk and foreign currency transaction risk in accordance with the Financial Risk Management policy. The Group is sensitive to the fluctuations of raw material, external suppliers and subcontractors. The price fluctuation is prevented and the availability of raw material ascertained by long-term contracts, timing of the acquisitions, and fixed contract prices.

**Foreign exchange rate risk**

Major part of Outotec's sales is in euros, Australian dollars, US dollars, Brazilian reals, Canadian dollars and South African rand. A significant part of costs arise in euros, Australian dollars, US dollars, Brazilian reals, Canadian 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. Major part of cash flow risk hedging takes place operatively i.a. 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.

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 is applying 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 non-hedge-accounted derivatives.

**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	
	2011	2010	2011	2010	2011	2010	2011	2010
Bank accounts	-0.5	1.0	0.9	3.5	1.1	0.2	1.4	7.2
Trade receivables	6.7	7.6	12.6	6.2	3.2	7.1	8.6	5.8
Trade payables	-1.3	-1.5	-1.0	-0.4	-1.4	-0.5	-5.4	-3.3
Loans and receivables	13.9	8.0	0.0	-	25.2	33.7	0.0	-
Net balance sheet exposure	18.8	15.1	12.5	9.2	28.1	40.4	4.7	9.7
Sales order book	59.7	17.3	34.4	68.1	2.5	2.7	53.0	77.9
Purchase order book	-4.0	-1.3	-18.3	-28.0	-2.0	-1.1	-13.2	-50.4
	55.7	16.0	16.0	40.1	0.5	1.6	39.8	27.4
Hedges:								
Foreign exchange forward contracts	-72.8	-30.8	-28.4	-49.3	-29.8	-43.3	-42.9	-38.0
Total net exposure	1.7	0.3	0.1	0.0	-1.2	-1.4	1.5	-0.9



Sensitivity of financial instruments on foreign currency exchange rates

EUR million	2011		2010	
	Effect on profit or loss	Effect on equity	Effect on profit or loss	Effect on equity
+/- 10% change in EUR/USD exchange rate	+0.8/-1.0	+4.1/-5.0	+1.4/-1.7	+0.0/-0.0
+/- 10% change in EUR/AUD exchange rate	+0.2/-0.2		+0.3/-0.3	
+/- 10% change in EUR/SEK exchange rate	-3.5/+4.3		-2.6/+3.1	
+/- 10% change in AUD/USD exchange rate	+1.6/-1.6		+4.1/-4.1	

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.

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, 2011 312.0 million euros (December 31, 2010: 237.7 million euros).

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, 2011 Outotec had the following foreign exchange derivative contract amounts, including embedded derivatives (more detailed information of foreign exchange exposures in Note 19):

EUR million	2011	2010
Foreign exchange derivative contracts	545.4	444.4

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

**Interest rate risk**

Interest rate risk is the risk of repricing and price caused by the changes in market interest rates. To control interest rate risks 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 denom-

inated debts. On December 31, 2011 the share of fixed rate loans of all interest-bearing debt was 49 percent.

Significant part of the financial investments have short-term interest rate as a reference rate. On December 31, 2011 Outotec had EUR 402.5 million of cash and cash equivalent funds (December 31, 2010: EUR 280.3 million), 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 cause occasionally interest rate risks. The largest interest rate exposures are in euros, Brazilian reais, Chilean pesos and South African rand.

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 2.4 million for 31.12.2011 (December 31, 2010: EUR 1.2 million).

**Securities price risk**

Outotec is the owner of 5 million shares of Pacific Ore Limited. The shares are quoted in 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 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. 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. During 2011 the reporting of overdue external trade receivables, their rotation periods and collection was intensified. Geographically the trade receivables are mostly from Asia 21.1% (December 31, 2010 28.0%), South America 17.5% (December 31, 2010 21.7%), North America 16.5% (December 31, 2010 10.4%), Australia 15.5% (December 31, 2010 10.3%) and Africa 13.7% (December 31, 2010 13.3%). More detailed analysis of trade receivables is included in Note 21.

Outotec's Treasury manages substantial part of the credit risk related to 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 876.0 million on December 31, 2011 (December 31, 2010: EUR 652.4 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 spe-

cific 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 type 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 availability of sufficient amount of credit lines, which have a balanced maturity profile. Efficient cash and liquidity management is also reducing liquidity risk.

Outotec's Treasury raises centrally most of the Group's interest-bearing debt. During 2011 the need for external debt on Group level has continued to be limited. However, in order to strengthen its financial reserves Outotec agreed a new EUR 100 million 5 year loan. This loan was fully undrawn in December 2011. 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 84 percent of the total interest-bearing loan portfolio.

The Group maintains the following committed lines of credit:

- EUR 50 million multicurrency revolving credit facility that is unsecured
- EUR 100 million term loan 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 low gearing ratio [-84.9% on December 31, 2011 and -56.2 % on December 31, 2010]. 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 customer 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. The Group has operated in compliance with the covenants during 2006-2011.

**Contractual cash flows of liabilities at December 31, 2011**

EUR million	2012 <sup>1)</sup>	2013	2014	2015	2016	2017-	Total
Loans from financial institutions							
Finance charges	-1.1	-0.8	-0.6	-0.4	-0.2	-0.0	-3.2
Repayments	-2.8	-7.1	-7.1	-6.7	-6.7	-3.3	-33.7
Loans from pension institutions							
Finance charges	-0.5	-0.3	-0.1	-0.0	-0.0	-	-0.9
Repayments	-7.4	-6.3	-6.3	-0.2	-0.2	-	-20.4
Finance lease liabilities							
Rents	-0.1	-	-	-	-	-	-0.1
Other long-term loans							
Finance charges	-0.2	-0.1	-0.1	-0.1	-0.1	-0.4	-1.1
Repayments	-0.5	-0.4	-0.3	-0.3	-0.3	-2.3	-4.2
Other Current loans							
Finance charges	-0.0	-	-	-	-	-	-0.0
Repayments	-8.0	-	-	-	-	-	-8.0
Derivative liabilities							
Designated as cash flow hedges							
Outflow	-32.8	-13.6	-	-	-	-	-46.4
Inflow	30.4	12.6	-	-	-	-	43.0
Other foreign exchange forward contracts							
Outflow	-219.4	-7.2	-3.9	-	-	-	-230.5
Inflow	209.3	6.7	3.6	-	-	-	219.5
Trade payables	-107.8	-	-	-	-	-	-107.8

1) Repayments in 2012 are included in current debt.

All non-current debt will be repaid by the end of 2023. Average maturity of long-term debt was 2.83 years and the average interest rate 2.67%

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

EUR million	2011 <sup>1)</sup>	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	-5.7	-0.5	-7.2	-7.2	-6.8	-10.0	-37.5
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
Other Current loans							
Finance charges	-0.0	-	-	-	-	-	-0.0
Repayments	-10.0	-	-	-	-	-	-10.0
Derivative liabilities							
Designated as cash flow hedges							
Outflow	-	-	-	-	-	-	-
Inflow	-	-	-	-	-	-	-
Other foreign exchange forward contracts							
Outflow	-146.0	-22.3	-0.4	-	-	-	-168.8
Inflow	137.2	20.1	0.4	-	-	-	157.7
Other foreign exchange option contracts							
Outflow	-	-	-	-	-	-	0.0
Trade payables	-72.8	-	-	-	-	-	-72.8

1) Repayments in 2011 are included in current debt.

Average maturity of long-term debt was 3.17 years and the average interest rate 2.49%.

**Maturity analysis for guarantee contracts at December 31, 2011**

EUR million	2012	2013	2014	2015	2016	2017-
Guarantees for financing	-12.8	-6.3	-6.3	-0.2	-0.2	-
All commercial guarantees including down payment guarantees	-472.4	-	-	-0.1	-	-4.6

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

milj. EUR	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

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. No claims were made in 2011 (two claims of EUR 1.9 million and EUR 2.7 million were made

in 2010 which were settled without payment to beneficiaries).

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

EUR million	2011	2010
Cash at bank and in hand	<b>164.8</b>	155.3
Short term bank deposits	<b>132.2</b>	76.4
Cash equivalent marketable securities	<b>105.5</b>	48.5
Overdraft facilities	<b>18.8</b>	19.7
Revolving credit facility	<b>150.0</b>	50.0

**19. Derivative instruments**

**Fair values of forward contracts**

EUR million	Positive fair value			Negative fair value			
	Remaining maturity	<1 year	1-2 years	2-3 years	<1 year	1-2 years	2-3 years
<b>2011</b>							
Foreign exchange forward contracts							
Designated as cash flow hedges	0.0	-	-	-	-2.5	-1.1	-
Other foreign exchange forward contracts	5.0	1.8	0.4	-	-11.1	-2.0	-0.0
Total	5.0	1.8	0.4	-	-13.7	-3.1	-0.0
<b>2010</b>							
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

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

## Nominal values of foreign exchange forward contracts

EUR million				
Remaining maturity		<1 year	1-2 years	2-3 years
<b>2011</b>				
Foreign exchange forward contracts				
Designated as cash flow hedges		32.7	13.1	-
Other foreign exchange forward contracts		431.2	61.6	6.9
Total		463.8	74.7	6.9
<b>2010</b>				
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

## Effect of cash flow hedges

EUR million		2011	2010
Recognized in profit and loss			
In other income		0.0	-
In other expenses		-	-0.3
Adjustment to sales		0.1	-2.4
Recognized in equity			
As deferred tax asset		1.0	0.1
As deferred tax liability		0.0	-0.4
Hedge result		-4.3	0.9

## 20. Inventories

EUR million		2011	2010
Raw materials and consumables		8.4	9.7
Work in progress		54.6	39.1
Finished goods and merchandise		42.1	34.3
Advance payments		43.5	17.9
		<b>148.6</b>	101.0

## 21. Trade and other receivables

EUR million	2011	2010
<b>Non-current</b>		
Interest-bearing		
Subordinated loans receivable	1.2	1.1
Non interest-bearing		
Other receivables	0.0	0.0
<b>Current</b>		
Interest-bearing		
Loans receivable	0.7	0.5
Non interest-bearing		
Trade receivables	202.3	172.1
Project related receivables	204.6	134.8
Current tax assets	17.4	19.9
VAT receivable	21.6	16.4
Grants and subsidies receivable	0.0	0.1
Other accruals	7.2	8.1
Other receivables	10.0	6.5
	<b>463.1</b>	<b>357.9</b>
Trade receivables (gross)	<b>206.9</b>	<b>175.8</b>
Doubtful trade receivables		
Doubtful trade receivables at January 1	3.6	2.0
Translation differences	0.0	0.0
Additions	2.7	2.7
Deductions	-1.7	-0.5
Recovery of doubtful receivables	-0.1	-0.6
Doubtful trade receivables at December 31	4.6	3.6
<b>Total trade receivables</b>	<b>202.3</b>	<b>172.1</b>
<b>The ageing of trade receivables:</b>		
Not due	116.1	104.6
Overdue by:		
Between 1 and 30 days	39.9	33.2
Between 31 and 60 days	15.1	5.7
More than 60 days	35.7	32.2
Total trade receivables (gross)	<b>206.9</b>	<b>175.8</b>
<b>Maximum exposure to credit risk for trade receivables by geographic region:</b>		
Finland	7.5	3.2
Germany	1.4	1.5
CIS	3.3	6.7
Rest of Europe	19.6	16.8
North America	33.4	17.8
South America	35.3	37.3
Australia	31.3	17.7
Asia	42.7	48.2
Africa	27.6	22.9
Total	<b>202.3</b>	<b>172.1</b>

Trade receivables are according to the customer's location.

22. Cash and cash equivalents

EUR million	2011	2010
Cash at bank and in hand	164.8	155.3
Short term bank deposits	132.2	76.4
Cash equivalent marketable securities	105.5	48.5
	<b>402.5</b>	280.3

Majority of Outotec's investments were made in the following currencies: Euro, Brazilian real, Chilean peso and South African rand. Relevant

reference rate of euro has varied during 2011 between 0.8 - 1.4%. Brazilian real reference rate varied between 10.7 - 12.4% and Chilean peso ref-

erence rate between 3.5 - 7.2%. South African rand relevant reference rate Prime remained at 9.0% during year 2011.

23. Equity

EUR million	Number of shares 1,000	Share capital	Share premium fund	Reserve for invested non-restricted equity	Total
<b>At December 31, 2011</b>	<b>45,780</b>	<b>17.2</b>	<b>20.2</b>	<b>87.7</b>	<b>125.1</b>
At December 31, 2010	45,780	17.2	20.2	87.7	125.1

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 reserve fund and other reserves. 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 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 Outo-

tec 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. 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.

Treasury shares

Outotec has an agreement with a third-party service provider concerning administration and hedging of share-based incentive program for key personnel. As part of this agreement, for hedging the underlying cash flow risk, the service provider purchased Outotec shares during 2009 and 2008. The purchase of Outotec shares by third-party service provider has been funded by Outotec and accounted as treasury shares in Outotec's consolidated balance sheet. At the end of the year 2011, the amount of these treasury shares was 194,390 (2010: 332,534). Outotec's consolidated balance sheet and consolidated changes in equity reflect

the substance of the arrangement with a deduction amounting to EUR 2.1 million (2010: 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 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. Outotec has consolidated Outotec Management Oy (incentive plan for Outotec executive board members) into the Group's balance sheet. At the end of 2011 Outotec Management Oy held 199,747 Outotec shares (2010: 191,211) which have been accounted as treasury shares in Outotec's balance sheet. This has decreased the Group's equity by EUR 5.4 million (2010: EUR 5.1 million).

Dividend

The Board of Directors will propose a dividend of EUR 0.85 per share for 2011. The parent company's distributable funds were EUR 199.2 million at December 31, 2011.

**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 the income statement**

EUR million	2011	2010
Defined benefit pension expenses	-2.1	-2.2
Defined contribution pension expenses	-16.6	-11.7
Other post-employment benefits	-0.2	-0.2
	<b>-18.8</b>	<b>-14.2</b>

EUR million	Defined benefit pension plans		Other post-employment benefits	
	2011	2010	2011	2010
<b>By function</b>				
Cost of sales	-1.4	-1.4	-0.1	-0.1
Selling and marketing expenses	-0.2	-0.4	-0.0	-0.0
Administrative expenses	-0.4	-0.3	-0.1	-0.0
Research and development expenses	-0.1	-0.1	-0.0	-0.0
	<b>-2.1</b>	<b>-2.2</b>	<b>-0.2</b>	<b>-0.2</b>

**Pension cost in employee benefit expenses**

Current service cost	-0.5	-0.5	-0.0	-0.0
Interest cost	-1.2	-1.1	-0.2	-0.2
Employee contributions	-0.2	-0.2	-	-
Recognized net actuarial gains and losses	-0.1	-0.1	-	-
	<b>-2.1</b>	<b>-2.0</b>	<b>-0.2</b>	<b>-0.2</b>

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

EUR million	2011	2010	2009	2008	2007
Present value of unfunded obligations	31.6	26.3	28.2	23.9	25.7
Unrecognized actuarial gains(+) and losses (-)	-5.4	-4.4	-3.5	-0.7	-3.4
Net liability	<b>26.2</b>	<b>21.9</b>	<b>24.7</b>	<b>23.3</b>	<b>22.3</b>

All pension and other post-employment obligations were unfunded.



**Reconciliation of liability**

EUR million	Defined benefit pension plans		Other post-employment benefits	
	2011	2010	2011	2010
Net liability at January 1	21.9	21.0	3.5	3.7
Net periodic pension cost in income statement	1.8	1.9	0.2	0.1
Benefits paid	-1.0	-0.9	-0.2	-0.2
Change in plan provisions	-	0.0	-	-0.1
Acquisition of subsidiaries	-	0.0	-	0.0
Net liability at December 31	22.8	21.9	3.4	3.5

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

EUR million	Defined benefit pension plans		Other post-employment benefits	
	2011	2010	2011	2010
Unfunded obligation at January 1	26.3	24.9	3.4	3.3
Service cost	0.5	0.5	0.0	0.0
Interest cost	1.2	1.1	0.2	0.2
Unrecognized actuarial gains(+) and losses (-)	1.2	0.6	-0.1	0.3
Employee contributions	0.2	0.2	-	0.0
Benefits paid	-1.1	-1.0	-0.2	-0.2
Change in plan provisions	-	0.0	-	-0.1
Acquisition of subsidiaries	-	0.0	-	0.0
Unfunded obligation at December 31	28.3	26.3	3.3	3.4

**Principal actuarial assumptions**

%	2011	2010
Discount rate	5.0	5.0
Future benefit increase expectation	2.0	2.0

Pensions do not depend on salary development.

25. Provisions

EUR million	Project provisions <sup>1)</sup>	Other provisions <sup>2)</sup>	2011
<b>Non-current</b>			
Provisions at January 1	18.3	-	<b>18.3</b>
Translation differences	0.0	-	<b>0.0</b>
Additions	4.8	-	<b>4.8</b>
Acquired subsidiaries	0.0	-	<b>0.0</b>
Provisions utilized during the period	-7.3	-	<b>-7.3</b>
Provisions released	-0.2	-	<b>-0.2</b>
Other changes	0.0	-	<b>0.0</b>
Provisions at December 31	15.6	-	<b>15.6</b>
<b>Current</b>			
Provisions at January 1	20.0	3.6	<b>23.7</b>
Translation differences	0.0	0.0	<b>0.0</b>
Additions	15.4	2.2	<b>17.7</b>
Acquired subsidiaries	0.6	0.0	<b>0.6</b>
Provisions utilized during the period	-10.6	-1.6	<b>-12.2</b>
Provisions released	-4.7	-0.8	<b>-5.5</b>
Other changes	1.4	-0.2	<b>1.2</b>
Provisions at December 31	22.1	3.4	<b>25.4</b>

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

1) Non-current project provisions include EUR 13.3 million warranty provisions and EUR 2.3 million project loss provisions at December 31, 2011. Current project provisions include EUR 21.2 million warranty provisions and EUR 0.9 million project loss provisions at December 31, 2011.

2) Current other provisions include EUR 2.5 million restructuring provisions at December 31, 2011.

26. Interest-bearing liabilities

EUR million	Carrying amount		Fair value	
	2011	2010	2011	2010
<b>Non-current</b>				
Loans from financial institutions	<b>30.9</b>	31.7	<b>30.9</b>	31.7
Loans from pension institutions	<b>13.0</b>	20.5	<b>13.0</b>	20.3
Finance lease liabilities	-	0.1	-	0.1
Other non-current loans	<b>3.7</b>	4.2	<b>3.7</b>	4.2
	<b>47.6</b>	56.6	<b>47.6</b>	56.4
<b>Current</b>				
Loans from financial institutions	<b>2.8</b>	5.7	<b>2.8</b>	5.8
Loans from pension institutions	<b>7.4</b>	9.7	<b>7.8</b>	10.3
Finance lease liabilities	<b>0.1</b>	0.2	<b>0.1</b>	0.2
Other current loans	<b>8.6</b>	10.1	<b>8.6</b>	10.1
	<b>18.9</b>	25.7	<b>19.3</b>	26.4

The fair value of interest-bearing liabilities is lower compared to the carrying value mainly due to low interest rates in certain subsidised loans.

**Finance lease liabilities**

EUR million	Minimum lease payments 2011	Minimum lease payments 2010	Present value of minimum lease payments 2011	Present value of minimum lease payments 2010
Not later than 1 year	0.1	0.2	0.1	0.2
1-2 years	0.0	0.1	0.0	0.1
2-3 years	0.0	-	0.0	-
3-4 years	0.0	-	0.0	-
4-5 years	0.0	-	0.0	-
Future finance charges	-0.0	-0.0	-	-
	0.1	0.3	0.1	0.3

All finance lease liabilities will be paid in 5 years.

**27. Trade and other payables**

EUR million	2011	2010
<b>Non-current</b>		
Other non-current liabilities	5.7	5.2
<b>Non interest-bearing</b>		
Trade payables	107.3	72.8
Advances received	399.0	198.7
Project related liabilities	169.9	134.8
Accrued employee-related expenses	58.6	38.8
VAT payable	10.4	8.0
Withholding tax and social security liabilities	9.5	5.5
Other accruals	19.9	18.9
Other payables	9.5	3.1
	<b>784.0</b>	<b>480.7</b>

All trade and other payables were non interest-bearing.

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

2011 EUR million	Financial assets at fair value through profit or loss	Loans and receivables	Available-for- sale financial assets	Financial liabil- ities at fair value through profit or loss	Financial liabil- ities measured at amortized cost	Carrying amounts by balance sheet item	Fair value
<b>Non-current financial assets</b>							
Derivative assets							
Foreign exchange forward contracts	2.1	-	-	-	-	2.1	2.1
Other shares and securities	-	-	1.2	-	-	1.2	1.2
Trade and other receivables							
Interest-bearing	-	1.2	-	-	-	1.2	1.2
Non interest-bearing	-	0.0	-	-	-	0.0	0.0
<b>Current financial assets</b>							
Derivative assets							
Foreign exchange forward contracts	5.0	-	-	-	-	5.0	5.0
Trade and other receivables							
Interest-bearing	-	0.7	-	-	-	0.7	0.7
Non interest-bearing	-	463.2	-	-	-	463.2	463.2
Cash and cash equivalents	-	402.5	-	-	-	402.5	402.5
<b>Carrying amount by category</b>	<b>7.2</b>	<b>867.6</b>	<b>1.2</b>	<b>-</b>	<b>-</b>	<b>876.0</b>	<b>876.0</b>
<b>Non-current financial liabilities</b>							
Loans from financial institutions	-	-	-	-	30.9	30.9	30.9
Loans from pension institutions	-	-	-	-	13.0	13.0	13.0
Finance lease liabilities	-	-	-	-	-	-	-
Derivative liabilities							
Foreign exchange forward contracts	-	-	-	3.1	-	3.1	3.1
Other non-current loans	-	-	-	-	3.7	3.7	3.7
Other non-current liabilities	-	-	-	-	5.7	5.7	5.7
<b>Current financial liabilities</b>							
Loans from financial institutions	-	-	-	-	2.8	2.8	2.8
Loans from pension institutions	-	-	-	-	7.4	7.4	7.8
Finance lease liabilities	-	-	-	-	0.1	0.1	0.1
Derivative liabilities							
Foreign exchange forward contracts	-	-	-	13.7	-	13.7	13.7
Other current loans	-	-	-	-	8.6	8.6	8.6
Trade payables	-	-	-	-	107.8	107.8	107.8
<b>Carrying amount by category</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16.8</b>	<b>180.0</b>	<b>196.8</b>	<b>197.2</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2010 EUR million	Financial assets at fair value through profit or loss	Loans and receivables	Available-for- sale financial assets	Financial liabi- ties at fair value through profit or loss	Financial liabil- ities 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
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
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

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

**Fair value hierarchy**

The revised IFRS 7 standard requires use of three-level fair value hierarchy of financial instruments.

For more information please see the principles to the consolidated financial statements.

**2011**

EUR million	Level 1	Level 2	Level 3	Total
Available for sale financial assets	0.2	-	1.0	1.2
Derivative financial assets	-	7.1	-	7.1
	0.2	7.1	1.0	8.4
Derivative financial liabilities	-	16.8	-	16.8
	-	16.8	-	16.8
2010				
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

**29. Commitments and contingent liabilities**

EUR million	2011	2010
Pledges at December 31	0.0	0.6
Guarantees for commercial commitments at December 31	209.1	184.7

The pledges and mortgages are used to secure credit facilities in Outotec (Shanghai) Co. Ltd.

The above 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 25.8 million at December 31, 2011 (at December 31, 2010: EUR 36.5 million) and for commercial guarantees including advance payment guarantees

EUR 477.1 million at December 31, 2011 (at December 31, 2010: EUR 308.1 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	2011	2010
Not later than 1 year	16.7	9.8
1-2 years	16.7	11.6
2-3 years	16.1	9.2
3-4 years	16.0	8.4
4-5 years	15.6	8.0
Later than 5 years	80.2	23.4
Present value of minimum lease payments	161.3	70.5

**Major off-balance sheet investment commitments**

The Group has no major off-balance sheet investment commitments at December 31, 2011.

**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 Tecnologia 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 Paulo, 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.

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

31. Related party transactions

Transactions and balances with associated companies

EUR million	2011	2010
Sales	0.0	0.1
Other Income	0.6	-
Purchases	-0.3	-0.7
Trade and other receivables	0.3	0.4
Current liabilities	0.6	0.2
Loan receivables	0.6	0.2

Transactions and balances with management

Employee benefits for key management

EUR million	2011	2010
<b>Executive committee (including President and CEO and Deputy CEO)</b>		
Wages, salaries and other short-term employee benefits	8.5	2.3
<b>President and CEO</b>		
Wages, salaries and other short-term employee benefits	1.6	0.5
<b>Deputy CEO</b>		
Wages, salaries and other short-term employee benefits	-	0.2

During year 2011 executive committee received a total number of 53,483 Outotec shares as part of the share-based incentive program (including in short-term employee benefits). As part of the share-based incentive program, executive board received only cash during year 2010.

The former CEO Tapani Järvinen participated according to 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 4.3 million at December 31, 2011. (31.12.2010: EUR 4.1 million) There were no loans from key management at December 31, 2011.

Fees paid to the Board of Directors

EUR thousand	2011	2010
Carl-Gustaf Bergström (Chairman)	71.0	59.5
Karri Kaitue (Vice Chairman)	58.0	53.0
Eija Ailasmaa	46.5	32.0
Tapani Järvinen	47.0	31.0
Hannu Linnoinen	58.5	54.5
Anssi Soila	45.0	42.0
Timo Ritakallio	36.5	-
Risto Virrankoski	-	16.0
	<b>362.5</b>	<b>288.0</b>

32. Events after the balance sheet date

On January 26, 2012 Outotec announced the appointment of Ms Minna Aila, Master of Laws, as Senior Vice President - Communications and Corporate Responsibility and a member of the executive board as of March 1, 2012.



33. Subsidiaries

Subsidiaries at December 31, 2011	Country	Group holding, %
Aisco Systems Inc. Chile y Compañia Ltda	Chile	100
Auburn Project Management Inc.	United States	100
Ausiron Development Corporation Pty. Ltd.	Australia	100
Cia Minera Trinidad S.A.C.	Peru	100
Energy Products of Idaho Limited Partnership	2) United States	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
	People's Republic of	
Larox Filtration Technology (Suzhou) Co.,Ltd.	China	100
Larox India Private Ltd.	India	100
Larox SA (Proprietary) Ltd.	South Africa	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.	1) Canada	100
Outotec (Ceramics) Oy	Finland	100
Outotec (Chile) S.A.	Chile	100
Outotec (Filters) GmbH	Germany	100
Outotec (Filters) Oy	1) Finland	100
Outotec (Finland) Oy	1) Finland	100
Outotec (Ghana) Limited	2) Ghana	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.	Peru	100
Outotec (Polska) Sp. z o.o.	Poland	100
Outotec (RSA) (Pty) Ltd.	South Africa	100
	People's Republic of	
Outotec (Shanghai) Co. Ltd.	1) 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 Servicios Industriales Ltda.	Chile	100
Outotec Ausmelt Pty. Ltd.	Australia	100
Outotec B.V.	The Netherlands	100

Subsidiaries at December 31, 2011	Country	Group holding, %
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 St. Petersburg	Russia	100

All companies owned directly by the parent company Outotec Oyj are included. The Group holding corresponds to the Group's share of voting rights.

- 1) Shares and stock held by the parent company Outotec Oyj.
- 2) Companies were acquired or established in 2011.

**Changes in 2011**

Larox Inc. was merged to Outotec (USA) Inc. on 1.1.2011  
 Outotec (Canada) Ltd. was merged to Outotec Auburn Ltd on 1.1.2011  
 Outotec (Chile) Ltda name was changed to Outotec (Chile) S.A. on 19.5.2011  
 Larox - Tecnologia de Separacao de Liquidos e Solidos Ltda., Brasil was merged to Outotec Tecnologia Brazil Ltda on 13.6.2011  
 Outotec Auburn Ltd. name was changed to Outotec (Canada) Ltd.  
 Outotec (Ghana) Limited was established on 11.7.2011  
 Larox Chile S.A. was merged to Outotec (Chile) S.A. on 1.8.2011  
 ZAO Outotec Moskva was liquidated on 5.8.2011  
 Edmeston AB was merged to Outotec (Sweden) AB on 12.9.2011.  
 Energy Product of Idaho Limited Partnership was acquired on 30.12.2011.

## KEY FINANCIAL FIGURES OF THE GROUP

		2011	2010	2009	2008	2007
<b>Scope of activity</b>						
Sales	EUR million	<b>1,385.6</b>	969.6	877.7	1,217.9	1,000.1
- change in sales	%	<b>42.9</b>	10.5	-27.9	21.8	35.1
- exports from and sales outside Finland, of total sales	%	<b>94.2</b>	95.6	93.6	95.0	95.7
Capital expenditure	EUR million	<b>98.3</b>	96.7	98.0	23.9	11.6
- in relation to sales	%	<b>7.1</b>	10.0	11.2	2.0	1.2
Research and development expenses	EUR million	<b>33.5</b>	28.5	20.5	20.2	19.9
- in relation to sales	%	<b>2.4</b>	2.9	2.3	1.7	2.0
Personnel at December 31		<b>3,883</b>	3,130	3,128	2,674	2,144
- average for the year		<b>3,516</b>	3,151	2,612	2,483	2,031
Order backlog at the end of the period		<b>1,985.1</b>	1,393.1	867.4	1,176.7	1,317.2
Order intake		<b>2,005.4</b>	1,394.7	557.1	1,153.8	1,463.0
<b>Profitability</b>						
Operating profit	EUR million	<b>111.9</b>	41.6	58.6	120.2	96.1
- in relation to sales	%	<b>8.1</b>	4.3	6.7	9.9	9.6
Profit before taxes	EUR million	<b>113.3</b>	37.1	60.9	136.3	104.8
- in relation to sales	%	<b>8.2</b>	3.8	6.9	11.2	10.5
Gross margin	%	<b>24.0</b>	26.2	21.7	21.5	20.4
Return on equity	%	<b>20.9</b>	7.6	14.9	42.6	43.3
Return on investment	%	<b>26.4</b>	9.2	20.9	61.6	59.8
<b>Financing and financial position</b>						
Equity-to-assets ratio at the end of the period	%	<b>39.1</b>	41.2	45.1	35.0	38.2
Gearing at the end of the period	%	<b>-84.9</b>	-56.2	-55.8	-139.0	-136.4
Net interest-bearing debt	EUR million	<b>-339.1</b>	-200.9	-191.0	-314.6	-292.9
Net cash generated from operating activities	EUR million	<b>247.0</b>	87.5	-28.5	106.6	143.0
Dividends	EUR million	<b>38.9<sup>1)</sup></b>	34.3	32.0	42.0	39.9

1) The Board of Directors' proposal to the Annual General Meeting on March 23, 2012.

## QUARTERLY INFORMATION (UNAUDITED)

EUR million	Q1/10	Q2/10	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11	Q4/11
<b>Sales</b>								
Non-ferrous Solutions	113.5	141.3	144.6	223.9	162.0	191.4	235.5	358.8
Ferrous Solutions	20.0	32.9	35.5	43.2	43.6	42.6	60.0	74.8
Energy, Light Metals and Environmental Solutions	54.6	52.6	50.3	65.3	46.1	57.7	61.4	70.9
Unallocated items <sup>1)</sup> and intra-group sales	-1.0	-3.0	-1.8	-2.2	-4.1	-3.4	-4.1	-7.7
Total	187.0	223.8	228.5	330.3	247.5	288.4	352.8	496.8
<b>Operating profit</b>								
Non-ferrous Solutions	-15.4	4.8	13.5	23.2	18.1	12.6	24.6	52.4
Ferrous Solutions	-2.5	1.4	4.2	8.2	3.2	-1.9	6.0	-0.6
Energy, Light Metals and Environmental Solutions	10.0	1.9	3.5	11.4	3.3	5.2	11.7	3.6
Unallocated items <sup>2)</sup> and intra-group sales	-2.2	-2.6	-3.1	-14.7	-5.7	-5.0	-9.1	-6.5
Total	-10.1	5.5	18.1	28.1	19.0	10.9	33.2	48.9
<b>Order backlog at the end of period</b>	1,155.7	1,310.1	1,332.2	1,393.1	1,444.4	1,664.1	2,052.5	1,985.1

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

		2011	2010	2009	2008	2007
Earnings per share	EUR	<b>1.75</b>	0.59	1.01	2.25	1.85
Equity per share	EUR	<b>8.75</b>	7.87	7.09	5.43	5.11
Dividend per share	EUR	<b>0.85<sup>1)</sup></b>	0.75	0.70	1.00	0.95
Dividend payout ratio	%	<b>48.6</b>	128.8	75.7	44.7	51.4
Dividend yield	%	<b>2.3</b>	1.6	2.8	9.3	2.5
Price/earnings ratio		<b>20.8</b>	78.6	24.5	4.8	20.4
<b>Development of share price</b>						
Average trading price	EUR	<b>35.21</b>	28.76	17.39	26.28	36.03
Lowest trading price	EUR	<b>23.86</b>	18.85	9.30	8.52	19.25
Highest trading price	EUR	<b>46.78</b>	47.25	24.87	45.76	54.75
Trading price at the end of the period	EUR	<b>36.40</b>	46.24	24.74	10.80	37.60
Market capitalization at the end of the period	EUR million	<b>1,666.4</b>	2,116.9	1,107.4	453.6	1,579.2
<b>Development in trading volume</b>						
Trading volume	1,000 shares	<b>81,610</b>	99,942	106,506	158,008	138,813
In relation to weighted average number of shares	%	<b>253.0</b>	220.3	254.5	378.1	330.5
Adjusted average number of shares		<b>45,379,408</b>	45,356,862	41,843,793	41,790,417	42,000,000
Number of shares at the end of the period <sup>2)</sup>		<b>45,520,633</b>	45,332,738	44,435,787	41,735,000	42,000,000

1) The Board of Directors' proposal to the Annual General Meeting on March 23, 2012

2) Number of registered shares at December 31, 2011 was 45,780,373 (December 31, 2010: 45,780,373).

## 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	=	$\frac{\text{Profit for the period}}{\text{Total equity (average for the period)}}$	× 100
Return on investment	=	$\frac{\text{Operating profit + finance income}}{\text{Total assets - non-interest-bearing debt (average for the period)}}$	× 100
Net interest-bearing debt	=	Interest-bearing debt - Interest-bearing assets	
Equity-to-assets ratio	=	$\frac{\text{Total equity}}{\text{Total assets - advances received}}$	× 100
Gearing	=	$\frac{\text{Net interest-bearing debt}}{\text{Total equity}}$	× 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	=	$\frac{\text{Equity attributable to the equity holders}}{\text{Number of shares at the end of the period, as adjusted for stock split}}$	
Dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Number of shares at the end of the period, as adjusted for stock split}}$	
Dividend payout ratio	=	$\frac{\text{Dividend for the financial year}}{\text{Profit for the period attributable to the equity holders of the parent company}}$	× 100
Dividend yield	=	$\frac{\text{Dividend per share}}{\text{Adjusted trading price at the end of the period}}$	× 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	2011	2010
<b>Sales</b>	2, 3	<b>29.9</b>	115.3
Cost of sales	4	<b>-3.3</b>	-85.7
<b>Gross profit</b>		<b>26.6</b>	29.6
Other operating income	5	<b>2.2</b>	27.9
Selling and marketing expenses		<b>-6.7</b>	-16.1
Administrative expenses		<b>-30.6</b>	-24.0
Research and development expenses		<b>-6.7</b>	-19.8
Other operating expenses	9	<b>-0.3</b>	-2.4
<b>Operating profit</b>		<b>-15.6</b>	-4.8
Finance income	10	<b>11.0</b>	29.2
Finance expenses	11	<b>-12.9</b>	-17.6
Net finance income		<b>-2.0</b>	11.7
<b>Profit before extraordinary items</b>		<b>-17.5</b>	6.9
Extraordinary items	12	<b>50.8</b>	3.6
<b>Profit before appropriations and taxes</b>		<b>33.3</b>	10.5
Appropriations	13	<b>0.1</b>	0.0
Income tax expenses	14	<b>-3.7</b>	-0.8
<b>Profit for the period</b>		<b>29.6</b>	9.7

## BALANCE SHEET OF THE PARENT COMPANY

EUR million	Note	Dec 31, 2011	Dec 31, 2010
<b>ASSETS</b>			
<b>Non-current assets</b>	15		
Intangible assets		21.1	15.9
Property, plant and equipment		10.2	1.7
Non-current financial assets		407.2	397.0
<b>Total non-current assets</b>		<b>438.5</b>	414.6
<b>Current assets</b>			
Inventories	16	0.1	7.1
Non-current receivables	17	17.4	27.5
Current receivables	17	175.7	104.5
Cash and cash equivalents		206.1	133.3
<b>Total current assets</b>		<b>399.3</b>	272.3
<b>TOTAL ASSETS</b>		<b>837.8</b>	687.0
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	18		
Share capital		17.2	17.2
Share premium fund		20.2	20.2
Treasury shares		-2.1	-4.6
Reserve for invested non-restricted equity		87.7	87.7
Retained earnings		82.0	104.9
Profit for the period		29.6	9.7
<b>Total shareholders' equity</b>		<b>234.5</b>	235.2
<b>Appropriations</b>	13	0.2	0.3
<b>Provisions</b>	19	-	6.8
<b>Liabilities</b>	20		
Non-current liabilities		38.1	41.1
Current liabilities		565.1	403.6
<b>Total liabilities</b>		<b>603.2</b>	444.7
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>837.8</b>	687.0

## CASH FLOW STATEMENT OF THE PARENT COMPANY

EUR million	2011	2010
<b>Cash flows from operating activities</b>		
Profit before extraordinary items	-17.5	6.9
Adjustments for		
Depreciation and amortization	3.5	3.3
Impairment	-	3.0
Interest income	-4.5	-3.5
Dividend income	-	-13.4
Interest expenses	6.5	2.5
Other adjustments <sup>1)</sup>	2.5	-22.7
	-9.5	-23.9
Change in working capital		
Increase (-)/decrease (+) in current receivables	-22.7	-6.9
Increase (-)/decrease (+) in inventories	0.1	-3.4
Increase (+)/decrease (-) in current liabilities	10.1	13.2
	-22.0	-21.0
Dividends received	4.5	8.9
Interest received	4.2	3.4
Interest paid	-6.0	-2.3
Income tax paid	-0.6	-0.2
<b>Net cash from operating activities</b>	<b>-20.0</b>	<b>-11.2</b>
<b>Cash flows from investing activities</b>		
Purchases of intangible and tangible assets	-17.4	-4.0
Acquisition of subsidiaries and other equity investments	10.1	-34.2
Proceeds from sale of intangible and tangible assets	-	0.1
Proceeds from disposal of shareholdings	-	8.1
<b>Net cash used in investing activities</b>	<b>-7.3</b>	<b>-29.9</b>
<b>Cash flows from financing activities</b>		
Increase in long-term debt	-3.4	27.1
Increase in current debt	178.0	19.7
Increase in non-current loans receivable	11.1	-14.1
Increase in current loans receivable	-41.3	-11.4
Purchases of treasury shares	-	-
Sales of treasury shares	1.2	-
Dividends paid	-34.3	-32.0
Cash flow from group contributions	3.6	11.7
Other financing cash flow	0.2	0.2
<b>Net cash from financing activities</b>	<b>115.1</b>	<b>1.3</b>
<b>Net change in cash and cash equivalents</b>	<b>87.8</b>	<b>-39.9</b>
Cash and cash equivalents at January 1	133.3	173.2
Cash related to transfer of assets	-15.0	-
Net change in cash and cash equivalents	87.8	-39.9
<b>Cash and cash equivalents at December 31</b>	<b>206.1</b>	<b>133.3</b>

1) Includes gains and losses on 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 pre-

sented under appropriations in the parent company's income statement and the accumulated depreciation difference is presented as appropriations in the balance sheet.

#### Income taxes

Income tax expenses in income statement consist of accrued taxes for the financial year and tax adjustments for 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 permanent lower than the book value, the difference is recognized as a write-down.

#### Comparable information

The notes to financial statements are not comparable to previous year due to transfer of assets related to operative business from Outotec Oyj to Outotec (Finland) Oy on 1st of January 2011.

### 2. Sales by market area

EUR million	2011	2010
Europe	19.6	37.2
Africa	1.2	15.5
Asia	1.2	46.6
North and South America	4.9	14.6
Australia	3.0	1.4
	29.9	115.3

### 3. Construction contracts

EUR million	2011	2010
Revenue recognized from the construction contracts by percentage of completion	-	66.7
Other revenue	29.9	48.6
	29.9	115.3
Revenue recognized to date from construction contracts in progress at December 31	-	14.2
Net receivables / liabilities related to construction contracts		
Receivables	-	22.0
Advance payments received	-	-14.6
	-	7.4
The value of contracts not yet recognized as revenue		
Contracts which will be booked to revenue by percentage of completion	-	109.7
Contracts which will be booked to revenue at the delivery	-	30.3
Order backlog at December 31	-	140.0



4. Cost of sales

EUR million	2011	2010
Merchandise and supplies	-0.7	-63.4
Logistics expenses	-0.1	-1.5
Employee benefit expenses	-1.3	-17.2
Rents and leases	-0.1	-2.7
Depreciation and amortization	-	-0.1
Change in inventories	-	3.4
Services purchased	-1.7	-3.5
Other expenses	0.5	-0.8
	<b>-3.3</b>	<b>-85.7</b>

5. Other operating income

EUR million	2011	2010
Gains on the sale of intangible and tangible assets and financial assets	-	26.6
One-time income related to reorganization of business	1.1	-
Exchange gains of forward contracts	1.1	1.3
	<b>2.2</b>	<b>27.9</b>

6. Personnel expenses

EUR million	2011	2010
Wages and salaries	-17.7	-27.1
Pension contributions	-2.0	-4.1
Other personnel expenses	-0.8	-1.4
	<b>-20.4</b>	<b>-32.7</b>
<b>of which wages and salaries for key management</b>		
Members of the Board of Directors	-0.4	-0.3
CEO and deputy CEO	-1.6	-0.7
Other members of Executive Committee	-6.9	-1.6
	<b>-8.9</b>	<b>-2.6</b>

As part of the share-based incentive program, executive board received 53,483 shares during year 2011 (included in short-term employee benefits). In 2010 the reward for the executive board was paid in cash (no shares).

The former CEO Tapani Järvinen participated according to CEO agreement to 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 4.3 million at December 31, 2011. There were no loans from key management at December 31, 2011.

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

Number of personnel	2011	2010
Average number of personnel for the period	127	410
Personnel at December 31	146	401

**7. Auditor fees**

EUR million	2011	2010
KPMG		
Auditing fees	0.1	0.1
Tax advising fees	0.1	0.1
Other services	0.3	0.4
	<b>0.5</b>	0.6

**8. Depreciation, amortization and impairment**

EUR million	2011	2010
Depreciation and amortization according to plan	-3.5	-3.3
Impairment of non-current assets	-	-3.0
	<b>-3.5</b>	-6.2
Depreciation, amortization and impairment by group of assets		
Intangible assets	-2.1	-3.3
Other long-term expenses	-1.0	-2.5
Machinery and equipment	-0.4	-0.4
	<b>-3.5</b>	-6.2
Depreciation, amortization and impairment by function		
Cost of sales	-	-0.1
Selling and marketing expenses	-0.0	-0.0
Administrative expenses	-1.7	-3.1
Research and development expenses	-1.7	-3.0
	<b>-3.5</b>	-6.2

**9. Other operating expenses**

EUR million	2011	2010
Reorganization expenses	-	-2.4
Liquidation of a subsidiary	-0.1	-
Exchange losses of forward contracts	-0.2	-0.0
	<b>-0.3</b>	-2.4

**10. Finance income**

EUR million	2011	2010
Dividend income	-	13.4
Interest income and other finance income	9.1	8.0
Exchange gains	1.9	7.9
	<b>11.0</b>	29.2
Finance income from subsidiaries		
Dividend income	-	13.4
Interest income and other finance income	6.2	6.5
	<b>6.2</b>	19.9

The treasury operations of Outotec are centralized to Outotec Oyj.

**11. Financial expenses**

EUR million	2011	2010
Interest expenses and other finance expenses	-9.5	-7.1
Exchange losses	-3.4	-10.5
	<b>-12.9</b>	<b>-17.6</b>
Finance expenses for subsidiaries		
Interest expenses	-5.4	-2.0

**12. Extraordinary items**

EUR million	2011	2010
Group contributions received	50.8	3.6

**13. Appropriations**

EUR million	2011	2010
Decrease in depreciation difference	0.1	0.0
Depreciation difference in the balance sheet	0.2	0.3

All appropriations relate to machinery and equipment.

**14. Income tax expenses**

EUR million	2011	2010
Income tax expenses from extraordinary items	-13.2	-0.9
Income tax expenses from operations	9.5	0.2
	<b>-3.7</b>	<b>-0.8</b>
Deferred tax assets		
Temporary differences	0.8	8.5
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, 2011	28.4	3.0
Additions	8.3	0.3
Disposals	0.0	0.0
Disposals related to business transfer	0.0	-0.4
<b>Historical cost at December 31, 2011</b>	<b>36.7</b>	<b>2.9</b>
Accumulated depreciation, amortization and impairment at January 1, 2011	-12.6	-1.5
Accumulated depreciation and amortization on disposal, asset transfer	0.0	0.2
Accumulated depreciation and amortization on disposals	0.0	0.0
Depreciation, amortization and impairment during the period	-3.1	-0.4
<b>Accumulated depreciation, amortization and impairment at December 31, 2011</b>	<b>-15.6</b>	<b>-1.6</b>
<b>Carrying value at December 31, 2011</b>	<b>21.1</b>	<b>1.3</b>
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	<b>28.4</b>	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

Long-term financial assets

EUR million	Shares in subsidiaries	Shares in associated companies	Other shares and holdings	Total
Historical cost at January 1, 2011	396.7	-	0.4	397.0
Additions	23.0	-	-	23.0
Disposals	-12.8	-	-	-12.8
<b>Carrying value at December 31, 2011</b>	<b>406.9</b>	<b>-</b>	<b>0.4</b>	<b>407.2</b>
Historical cost at January 1, 2010	313.4	5.1	0.4	318.9
Additions	89.5	-	-	89.5
Disposals	-6.3	-5.1	-	-11.4
Carrying value at December 31, 2010	396.7	-	0.4	397.0

Operational business was transferred from Outotec Oyj to Outotec (Finland) Oy on January 1, 2011. During the year Larox SA (Proprietary) Limited returned capital to Outotec Oyj, this was booked against the subsidiary share value. In addition ZAO Outotec Moskva was liquidated on 5.8.2011.

Outotec Oyj had gained title to all the Larox shares on June 10, 2010 (70.48% in 2009). During the 2010 Outotec Group also gained title to all the Ausmelt Ltd. shares. Outotec Research Oy had merged with Outotec (Finland) Oy on December 31, 2010.

Both companies are 100% owned by Outotec Oyj. Investments in subsidiary shares are disclosed in more detail in the Group note 33.

16. Inventories

EUR million	2011	2010
Materials and supplies	0.1	1.0
Work in progress	-	4.5
Advance payments	-	1.7
	0.1	7.1

17. Receivables

EUR million	2011	2010
<b>Non-current receivables</b>		
Interest-bearing		
Loans receivable	5.2	16.3
Subordinated loans	-	9.0
Non interest-bearing		
Subordinated loans	10.2	1.1
Unrealized exchange gains of forward contracts	2.1	1.1
	17.4	27.5
<b>Current receivables</b>		
Interest-bearing		
Loans receivable	83.3	49.5
Other receivables from group companies	2.3	2.6
Non interest-bearing		
Trade receivables	14.3	11.4
Prepaid expenses and accrued income	0.6	22.3
Other receivables	75.1	18.7
	175.7	104.5
Prepaid expenses and accrued income		
Receivables from long-term construction contracts	-	22.0
Other receivables	0.6	0.4
	0.6	22.3

EUR million	2011	2010
<b>Receivables from subsidiaries</b>		
<b>Non-current receivables</b>		
Interest-bearing		
Loans receivable	5.2	16.3
Subordinated loans	9.0	9.0
<b>Current receivables</b>		
Interest-bearing		
Loans receivable	83.3	49.5
Other receivables from group companies	2.3	2.6
Non interest-bearing		
Trade receivables	14.2	6.1
Prepaid expenses and accrued income	0.3	0.2
Group contribution receivables	50.8	3.6
Other receivables	19.4	6.5
	184.5	93.8

18. Shareholders' equity

EUR million	2011	2010
Share capital	17.2	17.2
Share premium fund	20.2	20.2
Treasury shares	-2.1	-4.6
Reserve for invested non-restricted equity	87.7	87.7
Retained earnings at January 1	114.7	136.7
Dividend	-34.3	-32.0
Change in value of treasury shares	1.4	-
Dividend related to treasury shares	0.2	0.2
Profit for the period	29.6	9.7
Total shareholders' equity at December 31	234.5	235.2
<b>Distributable funds</b>		
Reserve for invested non-restricted equity	87.7	87.7
Retained earnings	82.0	104.9
Profit for the period	29.6	9.7
Distributable funds at December 31	199.2	202.3

Outotec Oyj has entered into an agreement with a third-party service provider concerning administration and hedging of share-based incentive program for key personnel. As part of this agree-

ment, for hedging the underlying cash flow risk, the service provider has purchased 550,000 Outotec shares during years 2008-2009 that have been funded by Outotec Oyj and accounted as treasury

shares in the balance sheet. The amount of such shares at the year-end 2011 was 194,390.

19. Provisions

EUR million	2011	2010
Project related provisions at January 1	6.8	2.6
Transfer of assets	-6.8	-
Change in provisions	-	4.1
Project related provisions at December 31	-	6.8

Provisions for comparable year include warranty period and project loss provisions concerning the constructions contracts.

20. Liabilities

EUR million	2011	2010
<b>Non-current liabilities</b>		
Interest-bearing		
Loans from financial institutions	30.9	31.3
Pension loans	6.0	9.0
Non interest-bearing		
Unrealized exchange losses of forward contracts	1.2	0.8
	<b>38.1</b>	41.1
<b>Current liabilities</b>		
Interest-bearing		
Loans from financial institutions and subsidiaries	343.0	295.2
Other current loans from group companies	182.7	61.3
Pension loans	3.0	3.0
Non interest-bearing		
Advance payments received	-	9.4
Trade payables	9.6	5.8
Accrued expenses and prepaid income	12.8	19.6
Other current liabilities	14.1	9.3
	<b>565.1</b>	403.6
Accrued expenses and prepaid income		
Accrued personnel expenses	4.3	8.0
Accrued project expenses	-	3.2
Accrued expenses of construction contracts	-	3.4
Other liabilities	8.5	5.0
	<b>12.8</b>	19.6
<b>Liabilities to subsidiaries</b>		
<b>Current liabilities</b>		
Interest-bearing		
Current loans	334.5	284.8
Other current loans from group companies	182.7	61.3
Non interest-bearing		
Advance payments received	-	21.0
Trade payables	5.3	0.4
Accrued expenses and prepaid income	0.9	0.4
Other current liabilities	4.6	5.5
	<b>528.0</b>	373.5

21. Commitments

EUR million	2011	2010
<b>Guarantees</b>		
On behalf of subsidiaries		
For financing	16.3	24.5
For other commitments	450.6	260.0
On behalf of own commercial commitments (excluding advance payment guarantees)	10.3	15.3

The total value of commercial guarantees issued by the parent company on behalf of subsidiaries includes advance payment guarantees EUR 263.2 million at December 31, 2011 (December 31, 2010: EUR 92.9 million). The total amount of guarantees for commercial commitments including advance payment guarantees issued by the parent company amounted to EUR 461.4 million at December 31, 2011 (December 31, 2010: EUR 297.7 million).

**Minimum future lease payments on operating leases**

Not later than 1 year	0.2	0.6
Later than 1 year	0.1	0.5

**Other financial commitments**

Long-term rental agreements		
Termination year 2012	1.3	2.5
Termination year 2015	5.2	-
Termination year 2017	16.1	25.4
Termination year 2018	4.6	-
Termination year 2022	7.8	-
Termination year 2023	7.8	-
Termination year 2030	55.6	-

22. Derivative instruments

EUR million	2011	2010
Net fair values		
Contracts made with financial institutions	-5.3	2.4
Contracts made with subsidiaries	3.2	-3.5
	-2.1	-1.1
Nominal values		
Contracts made with financial institutions	427.6	283.7
Contracts made with subsidiaries	329.8	203.4
	757.4	487.1



# SHARES AND SHAREHOLDERS

Updated list of the largest shareholders:

[www.outotec.com/investors](http://www.outotec.com/investors) ➔

Updated information on board and management shareholding:

[www.outotec.com/cg](http://www.outotec.com/cg) ➔

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, 2011, 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 the company's general shareholder meetings.

## Trading and market capitalization

Outotec's shares have been listed on the NASDAQ OMX Helsinki since October 10, 2006.

In 2011, the volume-weighted average price for a share in the company was EUR 35.21, the highest quotation for a share being EUR 46.78 and the lowest EUR 23.86. The trading of Outotec shares in 2011 was over 81 million shares, with a total value of over EUR 2,884 million. On December 31, 2011, Outotec's market capitalization was EUR 1,666 million and the last quotation for the share was EUR 36.40. At the end of 2011, 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 as treasury shares in Outotec's consolidated balance sheet. At the end of 2011, the amount of these treasury shares was 194,390. There have been no purchases of Outotec shares based on this agreement during 2011.

Outotec has consolidated Outotec Management Oy (incentive plan for Outotec executive board members) into the Group's balance sheet. At the end of 2011, Outotec Management Oy held 199,747 (February 9, 2012: 199,747) Outotec

shares which have been accounted as treasury shares in Outotec's balance sheet.

At the end of 2011, Outotec had 13,921 shareholders. Shares held in 17 nominee registers accounted for 54.2% and Finnish households held 11.3% of all Outotec shares.

## Changes in shareholdings

On November 8, 2011 holding of Tamares Nordic Investments B.V. in shares of Outotec Oyj has exceeded 5% and was 2,356,519 shares which represented 5.15% of the share capital and votes in the company (January 31, 2012: 2,503,919 shares, 5.47%).

## Board's authorizations

The Annual General Meeting authorized the Board of Directors to resolve repurchasing 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 Annual General Meeting authorized the Board of Directors to resolve share issues and other special rights entitling to shares as follows:

## Dividend payment

Year		Dividend per share, EUR	Pay out ratio, %	Yield, %
2009	(financial year 2008)	1.00	45	9.3
2010	(financial year 2009)	0.70	76	2.8
2011	(financial year 2010)	0.75	129	1.6
2012	(financial year 2011)	0.85 <sup>1)</sup>	49	2.3

1) Board of Directors' proposal for dividend per share.

- 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.

These authorizations are effective until the next Annual General Meeting. These authorizations have not been executed as of February 9, 2012.

The Annual General Meeting amended Section 9 of the Articles of Association so that the notice to convene the General Meeting shall be published with a notice in one or more daily newspapers with a wide circulation or at the company's web site.

## Board and management shareholding

The total share holding of the Board of Directors, CEO and Executive Board at the end of 2011 was

324,415 shares, including shares owned through Outotec Management Oy (199,747 shares). More details of the individual shareholdings can be found on the company's website at [www.outotec.com/cg](http://www.outotec.com/cg).

#### Dividend policy

The Board of Directors adopted a dividend policy 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 0.85 per share be paid from Outotec Oyj's distributable funds for December 31, 2011, and that any remaining distributable funds be allocated to retained earnings. The suggested dividend record

date is March 28, 2012, with the dividend to be paid on April 11, 2012.

According to the financial statements for December 31, 2011, the parent company's distributable funds total EUR 199.2 million. The proposed dividend corresponds to 49% of the Group's profit for the financial year 2011.

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.

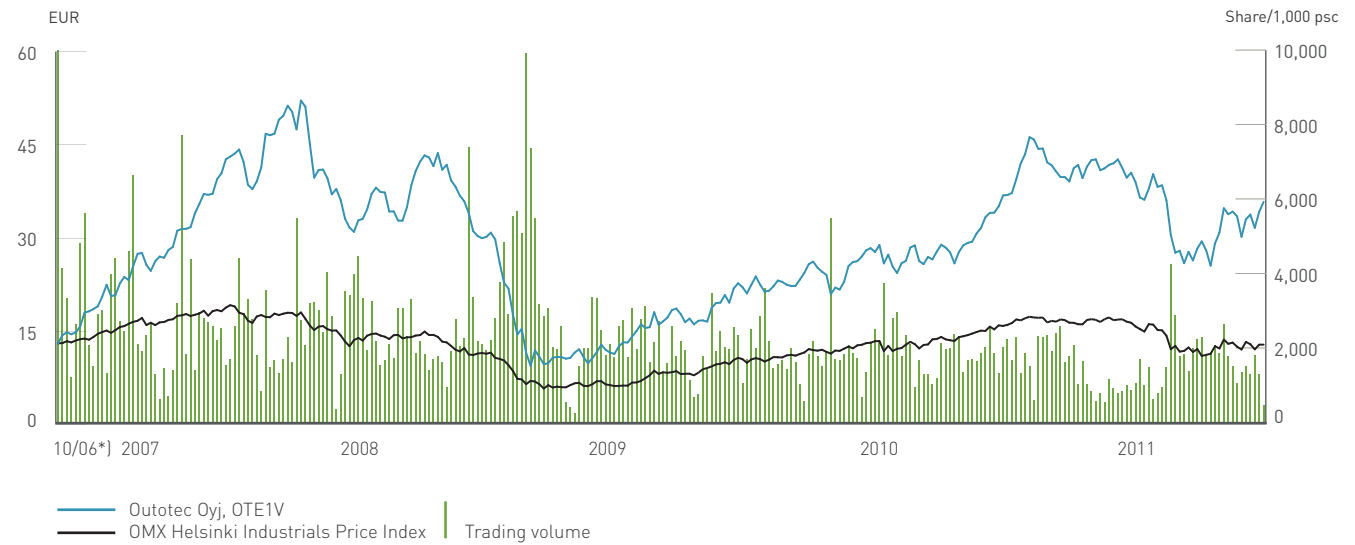
## SHARE-RELATED KEY FIGURES

		2011	2010
Earnings per share	EUR	<b>1.75</b>	0.59
Equity per share	EUR	<b>8.75</b>	7.87
Dividend per share	EUR	<b>0.85<sup>1)</sup></b>	0.75
Dividend payout ratio	%	<b>48.6</b>	128.8
Dividend yield	%	<b>2.3</b>	1.6
Price/earnings ratio		<b>20.8</b>	78.6
Development of share price			
— Average trading price	EUR	<b>35.21</b>	28.76
— Lowest trading price	EUR	<b>23.86</b>	18.85
— Highest trading price	EUR	<b>46.78</b>	47.25
— Trading price at the end of period	EUR	<b>36.40</b>	46.24
Market capitalization at the end of period	EUR million	<b>1,666.4</b>	2,116.9
Development in trading volume			
— Trading volume	1,000 shares	<b>81,610</b>	99,942
— In relation to weighted average number of shares	%	<b>253.0</b>	220.3
Adjusted average number of shares		<b>45,379,408</b>	45,356,862
Number of shares at the end of period <sup>2)</sup>		<b>45,520,633</b>	45,332,738

1) ) The Board of Directors' proposal to the Annual General Meeting on March 23, 2012

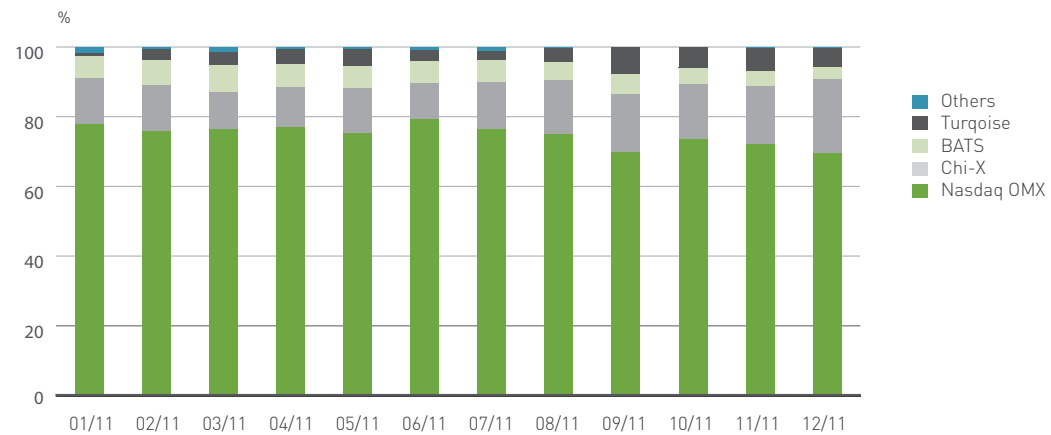
2) Number of registered shares at December 31, 2011 was 45,780,373 (at December 31, 2010: 45,780,373).

Share price performance and trading volume



\*) Initial public offering on October 10, 2006. Trading volume was 56,076,374 during week 41.

Distribution of trading in Outotec shares in 2011



## DISTRIBUTION OF SHAREHOLDINGS ON DECEMBER 31, 2011

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1 - 100	6,035	43.4	364,703	0.8
101 - 1000	6,875	49.4	2,451,903	5.4
1001 - 10000	876	6.3	2,335,520	5.1
10001 - 100000	101	0.7	3,153,633	6.9
100001 - 1000000	28	0.2	6,272,523	13.7
1000001+	6	0.0	31,202,091	68.2
Total	13,921	100.0	45,780,373	100.0
In the joint book-entry account	0	0.0		
In special accounts	0	0.0		
Number of shares issued			45,780,373	100.0
Nominee registered	17	0.0	24,809,227	54.2

## SHAREHOLDERS BY GROUP ON DECEMBER 31, 2011

Sectors	Number of holdings	% of shares and votes
Private companies	850	9.06
Financial and insurance institutions	77	7.35
Public-sector organizations	23	13.72
Households	12,675	11.30
Non-profit organizations	190	2.22
Foreigners	106	2.17
Total	13,921	45.81
In the joint book-entry account	0	0.00
In special accounts	0	0.00
Nominee registered	0	54.19

## LARGEST SHAREHOLDERS ON DECEMBER 31, 2011

Shareholders	Shares	% of shares and votes
Ilmarinen Mutual Pension Insurance Company	2,983,343	6.52
Tamara Nordic Investments B.V.	2,457,219	5.37
Varma Mutual Pension Insurance Company	1,674,173	3.66
The State Pension Fund	574,000	1.25
Mandatum Life Insurance Company Ltd.	466,478	1.02
The Local Government Pensions Institution	465,056	1.02
Nordea Fennia Fund	348,333	0.76
OP-Delta Fund	290,000	0.63
Kupias Päivi Karoliina	271,851	0.59
Odin Finland	243,617	0.53
Total	9,774,070	21.35

# AUDITOR'S 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 31 December 2011. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and 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.

## Auditor's 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 or 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, 15. February 2012  
KPMG OY AB

Mauri Palvi  
Authorized Public Accountant

# BOARD OF DIRECTORS

Detailed information  
about board members:  
[www.outotec.com/cg](http://www.outotec.com/cg) 

## 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 2005-2011  
Chairman of the Board of Directors of Destia Ltd, member of the Board of Directors of Car-gotec Corporation and deputy member of the Board of Directors of East Office of Finnish Industries Oy  
No Outotec shareholding  
Independent of the company and owner

## Eija Ailasmaa

M. Soc. Sc, Graduate of the Sanoma School of Journalism  
b. 1950, Finnish citizen

Board member since 2010, member of the Audit Committee

CEO of Sanoma Media B.V. 2003-2011  
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

## 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 Finpro, Mustavaara Kaivos Oy, Talvivaara Mining Plc, Konecranes Oyj, Okmetic Oyj, Normet Oy, Dragon Mining NL, chairman of the Board of Directors of Finnish-Latin American Trade Association, Industry Council of Technology Academy of Finland and Cleantech Finland Business Forum  
Shareholding: 40,508 Outotec shares  
Not 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 CFO of SRV Group Plc  
Member of the Board of Directors of Green-stream Network Plc and Garantia Insurance Company Ltd  
Shareholding: 4 100 Outotec shares  
Independent of the company and owner

## Timo Ritakallio

LL.M., MBA  
b. 1962, Finnish citizen  
Board member since 2011, member of the Audit Committee

Deputy Chief Executive Officer of Ilmarinen Mutual Pension Insurance Company  
Member of the Nomination Board of Uponor Corporation and Tikkurila Corporation, member of the Nomination Committee of Suominen Corporation, Kemira Corporation, WVO Corporation, Oriola-KD Corporation, Ekokem Oy Ab, Sponda Plc, Rautaruukki Corporation, Neste Oil Corporation and Orion Corporation, member of the Board of Directors and chairman of the Audit Committee of Technopolis Plc  
Shareholding: 800 Outotec shares  
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

Senior Advisor of IK Investment Partners and Celerant Consulting, member of the Board of Directors of DNA Ltd, Attendo Holding AB and Lindström Ltd, vice chairman of the Board of Directors of Normet Group Ltd and chairman of the Board of Directors of Orox Ltd  
Shareholding: 3,200 Outotec shares  
Independent of the company and owner

# EXECUTIVE BOARD

## Pertti Korhonen

President and CEO  
Chairman of the Executive Board  
M. Sc. (Electronics Engineering)  
b. 1961, Finnish citizen  
President and CEO since 2010  
Member of the executive board since 2009  
Employed by Outotec since 2009  
Shareholding: 12,824 Outotec shares<sup>1)</sup>  
Positions of trust: vice chairman of the Board of Directors of Ahlström Oyj, member of the Board of Directors of Rautaruukki Oyj, International Chamber of Commerce Finland, the Federation of Finnish Technology Industries, Finland Central Chamber of Commerce and Association of Finnish Steel and Metal Producers and member of the Advisory Board of Finnish Defense Forces

## Jari Rosendal

President, Non-ferrous Solutions business area  
M. Sc. (Eng.)  
b. 1965, Finnish citizen  
Member since 2006  
Employed by Outotec since 2006  
Employed by Outokumpu group 1989-2006  
Shareholding: 16,921 Outotec shares<sup>1)</sup>

## Pekka Erkkilä

President, Ferrous Solutions business area  
M. Sc. (Eng.)  
b. 1958, Finnish citizen  
Member since 2010  
Employed by Outotec since 2010  
Employed by Outokumpu group 1983-2000 and 2004-2010  
Shareholding: 5,549 Outotec shares<sup>1)</sup>  
Positions of trust: member of the Board of Directors of University of Oulu and Grängesberg Iron AB

## Peter Weber

President, Energy, Light Metals and Environmental Solutions business area  
Ph.D. (Tech.)  
b. 1963, German citizen  
Member since 2006  
Employed by Outotec since 2006  
Employed by Outokumpu group 1992-2006  
Shareholding: 6,712 Outotec shares<sup>1)</sup>  
Positions of trust: member of the Board of Directors of Enefit Outotec Technology Oü

## Kalle Härkki

President, Services business area  
Ph. D. (Tech.)  
b. 1969, Finnish citizen  
Member since 2010  
Employed by Outotec since 2006  
Employed by Outokumpu group 1998-2006  
Shareholding: 5,245 Outotec shares<sup>1)</sup>

## Robin Lindahl

Executive Vice President - Market Operations  
M.Sc. (Econ.)  
b. 1964, Finnish citizen  
Member and employed by the company since October 1, 2011  
Shareholding<sup>1)</sup>  
Positions of trust: member of the Board of Directors and chairman of Audit Committee of Norvestia Oyj

## Michael Frei

Senior Vice President, Supply  
Ph. D. (Tech.)  
b. 1968, Swiss citizen  
Member since 2010  
Employed by Outotec since 2010  
Shareholding: 2,763 Outotec shares<sup>1)</sup>

## Kari-Hannu Knuutila

Chief Technology Officer  
D. Sc. (Tech.)  
b. 1958, Finnish citizen  
Member since October 1, 2011  
Employed by Outotec since 2006  
Employed by Outokumpu group since 1986  
Shareholding 6,260 Outotec shares<sup>1)</sup>  
Positions of trust: chairman of the Board of Centre for Metrology and Accreditation (Mikes), member of the Board of Finnish Academy of Technology, Industry Council of Technology Academy of Finland (TAF) and European Industrial Research Management Association (EIRMA)

## Tapio Niskanen

Senior Vice President, Business Infrastructure  
M. Sc. (Engineering)  
b. 1959, Finnish citizen  
Member since 2010  
Employed by Outotec since 2010  
Shareholding: 2,773 Outotec shares<sup>1)</sup>

## Mikko Puolakka

Chief Financial Officer  
M.Sc. (Econ.)  
b. 1969, Finnish citizen  
Member since 2010  
Employed by Outotec since 2010  
Shareholding: 6,000 Outotec shares<sup>1)</sup>  
Positions of trust: member of the Board of Gold Gemex Oy

## Ari Jokilaakso

Senior Vice President, Human Capital  
Ph.D. (Tech.)  
b. 1961, Finnish citizen  
Member since 2010  
Employed by Outotec since 2006  
Employed by Outokumpu group 1998-2006  
Shareholding: 2,763 Outotec shares<sup>1)</sup>

## Mika Saariaho

Chief Strategy Officer  
Ph. D. (Tech.)  
b. 1973, Finnish citizen  
Member since 2010  
Employed by Outotec since 2010  
Employed by Outokumpu group 2004-2007  
Shareholding: 2,763 Outotec shares<sup>1)</sup>

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Detailed information about executive board members:  
[www.outotec.com/cg](http://www.outotec.com/cg) ➔

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Information about Outotec Management Oy:  
[www.outotec.com/cg](http://www.outotec.com/cg) ➔

<sup>1)</sup> Members of the executive board own Outotec Management Oy which owns 199 747 shares of Outotec Oyj (December 31, 2011).

# CORPORATE GOVERNANCE IN 2011

Outotec's Corporate Governance Statement and policy:

[www.outotec.com/cg](http://www.outotec.com/cg)

More info about Outotec's Incentive Programs:

[www.outotec.com/cg](http://www.outotec.com/cg)

Outotec's Corporate Governance Statement 2011 has been given as a separate report from the financial statements and it is available on Outotec's web site. In addition, Outotec's Corporate Governance Policy in its entirety is published and maintained on company's web site.

## Board of directors and committees

The Annual General Meeting of Outotec on March 22, 2011, elected the following members: Carl-Gustaf Bergström (Chairman), Karri Kaitue (Vice Chairman), Eija Ailasmaa, Tapani Järvinen, Hannu Linnoinen (Chairman of the Audit Committee) Anssi Soila, and Timo Ritakallio as new member. In 2011, the Board of Directors met 19 times. The average attendance of members at Board meetings was 95%. Fees paid to the Board of Directors in 2011 totaled EUR 362,468. The members of the Audit Committee are: Hannu Linnoinen (Chairman), Eija Ailasmaa, Timo Ritakallio and Anssi Soila. In 2011, the Audit Committee assembled 4 times and all members were present. The members of the Human Capital Committee are: Carl-Gustaf Bergström, Chairman, Tapani Järvinen and Karri Kaitue. In 2011, the Human Capital Committee assembled 5 times and all members were present.

## Fees paid to the board of directors in 2011

	EUR
Ailasmaa Eija	46,500
Bergström Carl-Gustaf	71,000
Järvinen Tapani	47,000
Kaitue Karri	58,000
Linnoinen Hannu	58,500
Ritakallio Timo	36,468
Soila Anssi	45,000
Total	362,468

## Dividend

The Annual General Meeting on March 22, 2011 decided that a dividend of EUR 0,75 per share will be paid from the financial year that ended December 31, 2010. The dividend (total of EUR 34,3 million) was paid on April 8, 2011.

## Authorizations

The annual general meeting in 2011 authorized Outotec's board of directors to determine the repurchasing of company's own shares, and to issue new shares. The maximum number of shares related to both authorizations is 4,578,037. Authorizations are in force until the next annual general meeting. The board has not executed its authorizations per February 9, 2012.

## President and CEO

The President and CEO of Outotec Oyj is Pertti Korhonen (b. 1961). Further information regarding the President and CEO and board of directors can be found at [www.outotec.com/cg](http://www.outotec.com/cg).

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

### Share-based Incentive Program 2010-2012

Outotec's board of directors decided on April 23, 2010 to adopt a share-based incentive program for the company's key personnel. The program incorporates three earning periods: calendar years 2010, 2011 and 2012. The board of directors determines the amount of the maximum reward for each individual, the earning criteria and the

## Remuneration paid to the CEO and executive board members in 2011

EUR	Wages	Benefits	Bonuses	Share-based benefits	Total
CEO	511,180	16,726	229,641	876,796	1,634,342
Other executive board <sup>*)</sup>	2,278,917	120,941	584,676	3,873,524	6,858,058

<sup>\*)</sup> Changes in executive board in 2011: Martti Haario Jan 1-Sep 30, Robin Lindahl and Kari Knuutila from Oct 1.

Board member participation in 2011	Board meeting	Audit Committee	Human Capital Committee
Bergström Carl-Gustaf, pj.	19/19		5/5
Kaitue Karri, varapj.	19/19		5/5
Ailasmaa Eija	18/19	4/4	
Järvinen Tapani	19/19		5/5
Linnoinen Hannu	18/19	4/4	
Ritakallio Timo	16/16	3/3	
Soila Anssi	15/19	4/4	



targets established for them separately on an annual basis. The maximum value of the rewards for the entire program equals approximately 1,000,000 shares, including a cash payment which equals income taxes.

#### Earning period 2010

The reward paid to 68 individuals was determined by reaching the targets set by the board of directors for cost savings, order intake and earnings per share. The total reward for the 2010 earning period was EUR 9.8 million with 138,144 shares allocated and EUR 6.1 million paid in cash to cover income taxes.

#### Earning period 2011

The board of directors approved (March 1, 2011) 94 individuals for the program's 2011 earning period and set targets for order intake, earning per share and sales growth. The maximum total

reward for 2011 earning period, depending on achievement of set targets, is 172,257 allocated Outotec shares and cash to cover income taxes.

Details of share based incentive programs can be found in Notes 9 and 10.

#### Executive Board share ownership plan

In 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 (incentive plan for executive board members) company, whose entire share capital is owned by them. Executive board members invested their own funds into Outotec Management Oy to finance the purchase of Outotec shares. In addition the purchase of Outotec shares to Outotec Management Oy was financed by an interest-bearing loan at the maximum amount of EUR 4,980,000 which Outotec's board

of directors granted to Outotec Management Oy. At the end of 2011 the executive board members held 0.44% of Outotec shares through the company.

Outotec has consolidated Outotec Management Oy into the Group's balance sheet. At the end of 2011, Outotec Management Oy held 199,747 (February 9, 2012: 199,747) Outotec shares which have been accounted as treasury shares in Outotec's balance sheet.

#### Audit

KPMG Oy Ab, authorized public accountants, was re-elected as the company's auditor, with Mauri Palvi as auditor-in-charge. In 2011, the company paid a fee of EUR 858,000 (2010: 997,000) for the auditing services. Additionally, the company paid EUR 880,000 (2010: 461,000) for non-auditing related consultation.

## INVESTOR INFORMATION

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Outotec's Corporate Governance Statement and policy:

[www.outotec.com/cg](http://www.outotec.com/cg)

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Outotec's AGM 2012:

[www.outotec.com/agm](http://www.outotec.com/agm)

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Information for investors:

[www.outotec.com/investors](http://www.outotec.com/investors)

Outotec's Corporate Governance Statement 2011 has been given as a separate report from the financial statements and it is available on Outotec's web site. In addition, Outotec's Corporate Governance Policy in its entirety is published and maintained on company's web site.

### Interim reports 2011

- January - March 2012, Thursday April 26
- January - June 2012, Friday July 27
- January - September 2012, Thursday, October 25

### Annual General Meeting

The Annual General Meeting will be held on Friday, March 23, 2012 at 11.00 AM (Finnish time) at Finlandia-talo, Mannerheimintie 13, 00100 Helsinki, Finland.

### Dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.85 per share be paid. The Board's dividend proposal is on page 10 of Financial Statements 2011. More information: [www.outotec.com/agm](http://www.outotec.com/agm).

### Share information

Listing: NASDAQ OMX Helsinki, OMXH

Trading symbol: OTE1V

Number of shares: 45,780,373 (February 9, 2012)

Sector: Industrials

ISIN: FI0009014575

### Silent period

Outotec observes a silent period of 21 days prior to the announcement of financial results to prevent divulging financial information and to ensure equality. During this period Outotec's officers and employees refrain from making any contacts or comments to investors, analysts and the media about the company's business prospects, financial results, or projections.

### Analysts

Analysts following Outotec:  
[www.outotec.com/investors](http://www.outotec.com/investors).

### Consensus

Consensus estimates provided by Vara Research:  
[www.outotec.com/investors](http://www.outotec.com/investors).

### Investor relations contact

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