FINANCIAL STATEMENTS REVIEW

JANUARY–DECEMBER 2017

Sustainable use of
Earth's natural resources

Outotec

OUTOTEC OYJ

FINANCIAL STATEMENTS REVIEW 2017

Order intake increased and profitability improved

"After several challenging years, 2017 was clearly more positive for Outotec. The minerals and metals processing market improved, but the market situation varied significantly by business. The demand for equipment and services in the Minerals Processing segment continued to pick up. We also saw increased demand for our hydrometallurgical and smelting solutions offered by the Metals, Energy & Water segment, whereas the demand for large metallurgical and waste-to-energy plants remained subdued. The demand for spare parts, equipment upgrades and plant modernization services continued to be steady.

Boosted by increased metals prices and demand from the electric car industry, both our business segments received orders from copper, cobalt, nickel, and lithium producers. We also received large orders for aluminum and copper/cobalt plants. Our 2017 total order intake increased by 20% from 2016 and we saw an accelerated growth towards the end of the year.

In terms of sales and profitability, our two business segments were in different phases. The sales of the Minerals Processing segment and services developed favorably throughout the year, whereas the sales of the Metals, Energy & Water segment decreased. Group sales increased by 8% and service sales by 6% from 2016.

I am pleased with the sales growth and our fixed cost savings which improved our profitability. In Minerals Processing, the adjusted EBIT improved in 2017. The adjusted EBIT of Metals, Energy & Water improved, but remained negative. Therefore, we initiated new measures – such as the outsourcing of some engineering activities – to enhance flexibility and ensure the future profitability of the segment.

I have visited many customers during my first year at Outotec. Our advanced technologies and the expertise of our people are highly valued by our customers, and we are well-positioned along the entire value chain from ore to metal. That said, all our businesses need to be profitable, and we focus on five development programs to reach our profitability target: customer focus, service business, product competitiveness, project excellence, and our employees. We have already made good progress.

To capitalize the significant growth potential in the service business, we established a Services organization in April to develop our competences and service offering. Our ambition is to grow service sales annually by over 10% on average. In the area of product competitiveness, we have launched new products for sustainable tailings and water management, as well as enhanced digitalization of our products, and have further developed our virtual plant concepts. In 2017, we invested EUR 56 million in R&D. I believe that our leading technologies, new products and plant concepts, combined with increased best-cost-country sourcing, will help us to further improve our competitiveness and win more market share.

In 2018, our target is to grow our sales as well as improve profitability. Together with improved market sentiment, global megatrends – such as resource efficiency, sustainability and digitalization – provide us with good growth opportunities," President & CEO Markku Teräsvasara sums up.

Dividend proposal

Due to the negative earnings per share, the Board of Directors proposes to the AGM that no dividend is paid for the year 2017.

Summary of key figures

EUR million	**Q4 2017**	Q4 2016	**%[1]**	%[2]	**Q1-Q4 2017**	Q1-Q4 2016	**%[1]**	%[2]
Order intake	**365.8**	282.7	**29**	32	**1,204.6**	1,007.7	**20**	18
Service order intake	**125.5**	107.8	**16**	22	**494.9**	443.3	**12**	10
Order backlog at end of period	**988.2**	1,002.1	**-1**	-	**988.2**	1,002.1	**-1**	-
Sales	**328.9**	305.4	**8**	11	**1,139.2**	1,057.9	**8**	7
Service sales	**146.0**	127.4	**15**	18	**475.2**	447.0	**6**	5
Gross margin, %	**24.4**	15.6			**23.6**	22.1		
Adjusted EBIT[3]	**16.0**	-24.8			**32.1**	-23.0		
Adjusted EBIT[3], %	**4.9**	-8.1			**2.8**	-2.2		
EBIT	**14.0**	-53.5			**24.6**	-67.7		
EBIT, %	**4.3**	-17.5			**2.2**	-6.4		
Net cash from operating activities	**47.0**	-11.9			**39.6**	-84.6		
Earnings per share, EUR	**-0.01**	-0.30			**-0.04**	-0.42		

[1] *Change, %*
[2] *Change in comparable currencies, %*
[3] *Excluding restructuring and acquisition-related items as well as PPA amortizations.*

Financial guidance for 2018

The guidance for 2018 is based on the current order backlog as well as expected order intake.

- Sales are expected to be approximately EUR 1.2 - 1.3 billion, and
- Adjusted EBIT* is expected to be approximately 5 - 7%

* Excluding restructuring and acquisition-related items, as well as purchase price allocation amortizations.

FINANCIAL STATEMENTS REVIEW JANUARY – DECEMBER 2017

MARKET DEVELOPMENT

Positive development in metal prices, demand outlook and production levels supported investments during 2017. The market activity increased towards the end of the year. The demand for spare parts, equipment upgrades, plant modernizations and services continued steady. In general, producers continued to be cost-conscious in order to improve their cash flow and profitability. For this reason, decisions regarding larger investments continued to be delayed.

The demand for Minerals Processing equipment and services continued to pick up. There was also increased demand for hydrometallurgical and smelting solutions during the year, but the demand for large metallurgical and waste-to-energy plants in the Metals, Energy & Water segment remained subdued.

Copper, gold, zinc, lithium, silver, cobolt and lead projects were the most active. Competition continued to be intense.

ORDER INTAKE AND BACKLOG

The order intake in 2017 was EUR 1,205 (1,008) million, up 20% from the comparison period. This growth was attributable to both plant and equipment orders, as well as services. Service order intake was EUR 495 (443) million, up 12% from the comparison period, due to growth in modernizations, spare parts and shutdown services.

The order intake during the fourth quarter was EUR 366 (283) million, up 29% from the comparison period. The growth was attributable to both plant and equipment orders, as well as services. Service order intake grew 16% from the comparison period and was EUR 125 (108) million, due to the increase in technical service and spare part orders.

Order intake by region, %	**Q1-Q4 2017**	Q1-Q4 2016
EMEA	**51**	49
Americas	**30**	33
APAC	**19**	18
Total	**100**	100

Announced orders

Project/location (published)	Booked into order backlog	Value, EUR million	Segment
Minerals processing technology to a new copper concentrator in Turkey (December 21)	Q4	approx. 13	MP
Hydrometallurgical and minerals processing solutions to a new copper and cobalt plant in the Democratic Republic of Congo (December 14)	Q4	approx. 65	MEW/MP
Minerals processing equipment to a greenfield copper concentrator in Australia (December 5)	Q4	approx. 17	MP
Electrowinning technology to a zinc plant modernization in Poland (November 30)	Q4	approx. 10	MEW
Gringing technology to a copper concentrator in Southern Africa (November 29)	Q4	>10	MP

Process equipment for a copper concentrator expansion in Chile (November 2)	Q4	approx. 14	MP
Gold processing technology for a greenfield gold mine in Ecuador (October 19)	Q3	>10	MP
Minerals processing technology and services for a nickel mine in Russia (September 29)	Q3	>13	MP
Copper smelter shutdown service in South America (July 17)	Q2	12	MEW
Technology and services for a greenfield gold project in West Africa (July 12)	Q2	13	MP
Technology for a lithium carbonate plant in South America (July 11)	Q2	20	MEW
Grinding technology for a greenfield gold project in Western Australia (May 11)	Q2	14	MP
Grinding and flotation technology for a copper concentrator expansion in Russia (April 19)	Q2	17	MP
Filtration plant for a copper concentrator expansion in Peru (January 19)	Q1	>15	MP
Zinc plant technology to Mexico (March 22)	Q1	24	MEW
Aluminium technology to Bahrain (April 13)	Q1	N/D	MEW

The order backlog at the end of 2017 was EUR 988 (1,002) million, down 1% from the comparison period. The order backlog included services worth EUR 194 (204) million. At the end of 2017, Outotec had 19 (24) projects with an order backlog value in excess of EUR 10 million, accounting for 50 (58) % of the total backlog. It is estimated that roughly 76 (74) % or EUR 750 (740) million of the year-end order backlog value will be delivered in 2018.

SALES AND FINANCIAL RESULT

Sales and financial result EUR million	**Q4 2017**	Q4 2016	**%[1]**	%[2]	**Q1-Q4 2017**	Q1-Q4 2016	**%[1]**	%[2]
Sales	**328.9**	305.4	**8**	11	**1,139.2**	1,057.9	**8**	7
Service sales[3]	**146.0**	127.4	**15**	18	**475.2**	447.0	**6**	5
Share of service sales, %	**44.4**	41.7			**41.7**	42.3		
Gross margin, %	**24.4**	15.6			**23.6**	22.1		
Adjusted EBIT[4]	**16.0**	-24.8			**32.1**	-23.0		
Adjusted EBIT[4], %	**4.9**	-8.1			**2.8**	-2.2		
- Restructuring and acquisition-related items[5]	**-0.3**	-26.8			**-0.2**	-37.2		
- PPA amortization	**-1.7**	-1.9			**-7.3**	-7.4		
EBIT	**14.0**	-53.5			**24.6**	-67.7		
EBIT, %	**4.3**	-17.5			**2.2**	-6.4		
Result before taxes	**11.8**	-56.6			**14.5**	-78.1		
Result for the period	**-0.1**	-52.4			**1.9**	-69.3		
Unrealized and realized exchange gains and losses[6]	**-0.9**	-4.5			**7.9**	-8.1		

[1] Change, %
[2] Change in comparable currencies, %
[3] Included in the sales figures of the two reporting segments.
[4] Excluding restructuring and acquisition-related items and PPA amortizations.
[5] Including restructuring-related items of EUR -1.4 (-31.3) million, acquisition-related items of EUR 0.3 (-1.5) million, and no arbitration costs related to past acquisition (EUR -4.4 million). The reporting period also includes the positive impact of a EUR 0.9 million reduction from an earn-out payment liability related to acquisition.
[6] Related to foreign exchange forward agreements and bank accounts.

Sales by region EUR million	**Q1-Q4 2017**	Q1-Q4 2016	%	Change %
EMEA	**562**	547	49	3
Americas	**383**	316	34	21
APAC	**194**	195	17	-1
Total	**1,139**	1,058	100	8

Sales by materials, %	**2017**	2016
Copper	**30**	28
Nickel	**4**	5
Zinc	**4**	2
Ferroalloys	**3**	3
Aluminum	**9**	11
Iron	**6**	11
Precious metals	**21**	12
Lithium[1]	**3**	-
Other metals	**2**	0
Energy and environmental solutions (incl. water, sulfuric acid and off-gas)	**7**	12
Others	**12**	16
Total metal and other sales	**100**	100

[1]*In 2016, lithium was reported as part of Other metals, due to low sales volume.*

Sales in 2017 increased 8% from the comparison period and totaled EUR 1,139 (1,058) million. Growth came from process equipment deliveries in the Minerals Processing segment. Service sales increased by 6% and represented 42 (42) % of sales. The growth came from shutdown services and spare parts.

Sales in the fourth quarter increased 8% from the comparison period. Growth was mainly attributable to services and process equipment deliveries in the Minerals Processing segment. Service sales increased by 15% from the comparison period, representing 44 (42) % of sales. This growth came mainly from modernizations and shutdown services.

Fixed costs in 2017 – including selling and marketing, administrative, R&D and fixed delivery expenses – declined 3% (in comparable currencies -3%) from the comparison period, totaling EUR 270 (277) million, or 24 (26)% of sales.

Increased sales and fixed cost savings improved the adjusted EBIT in 2017 and in the fourth quarter. Negative impacts came from sales mix and cost overruns in some project deliveries, as well as low work load in Metals, Energy & Water. In 2016, the fourth quarter included EUR 40 million risk provision related to especially one large project in the Metals, Energy & Water segment.

The result before taxes for 2017 was EUR 15 (-78) million, including net finance expenses of EUR 10 (10) million due to interest costs and the valuation of foreign exchange forward agreements. The net result was EUR 2 (-69) million. The net impact from taxes totaled EUR -13 (9) million, including EUR 6 million negative impact from the US tax reform. Earnings per share totaled EUR -0.04 (-0.42), including accrued hybrid bond interest net of tax of EUR 9 million.

MINERALS PROCESSING

Minerals Processing EUR million	**Q4 2017**	Q4 2016	**%[1]**	%[2]	**Q1-Q4 2017**	Q1-Q4 2016	**%[1]**	%[2]
Order intake	**239.7**	164.9	**45**	48	**727.0**	626.7	**16**	14
Sales	**189.2**	178.8	**6**	9	**660.8**	539.5	**22**	21
Service sales	**91.6**	85.8	**7**	10	**304.0**	283.1	**7**	6
Adjusted EBIT[3]	**19.5**	15.2			**61.3**	37.1		
Adjusted EBIT[3], %	**10.3**	8.5			**9.3**	6.9		
PPAs	**-0.7**	-0.8			**-3.1**	-3.3		
Restructuring and acquisition-related items	**-0.3**	-6.6			**-0.4**	-12.2		
EBIT	**18.5**	7.8			**57.8**	21.6		
EBIT, %	**9.8**	4.4			**8.7**	4.0		
Unrealized and realized exchange gains and losses[4]	**0.2**	-2.8			**5.9**	-3.8		

[1] Change, %
[2] Change in comparable currencies, %
[3] Excluding restructuring and acquisition-related items as well as PPA amortizations
[4] Related to foreign exchange forward agreements and bank accounts

In 2017, the order intake in the Minerals Processing segment grew 16% from the comparison period, mainly due to increased process equipment orders. The segment's sales increased by 22% due to increased plant and process equipment deliveries, as well as services. Higher sales improved the segment's profitability.

The market condition improved towards the end of the year which led to order intake growth of 45% in the fourth quarter from the comparison period.

METALS, ENERGY & WATER

Metals, Energy & Water EUR million	**Q4 2017**	Q4 2016	**%[1]**	%[2]	**Q1-Q4 2017**	Q1-Q4 2016	**%[1]**	%[2]
Order intake	**126.2**	117.8	**7**	9	**477.6**	381.0	**25**	25
Sales	**139.8**	126.4	**11**	13	**478.5**	518.4	**-8**	-8
Service sales	**54.4**	41.6	**31**	34	**171.2**	163.9	**4**	4
Adjusted EBIT[3]	**-1.4**	-38.4			**-22.3**	-55.0		
Adjusted EBIT[3], %	**-1.0**	-30.4			**-4.7**	-10.6		
PPAs	**-1.0**	-1.1			**-4.2**	-4.2		
Restructuring and acquisition-related items	**-0.0**	-20.2			**0.1**	-22.9		
EBIT	**-2.4**	-59.7			**-26.4**	-82.1		
EBIT, %	**-1.7**	-47.2			**-5.5**	-15.8		
Unrealized and realized exchange gains and losses[4]	**-1.0**	-1.5			**2.0**	-4.0		

[1] Change, %
[2] Change in comparable currencies, %
[3] Excluding restructuring and acquisition-related items as well as PPA amortizations
[4] Related to foreign exchange forward agreements and bank accounts

In 2017, the order intake in the Metals, Energy & Water segment increased by 25% from the comparison period, mainly due to increased plant orders, as well as modernization and shutdown services. The sales in the segment declined by 8%, due to low order intake in the second half of 2016 and first half of 2017. Lower sales and low utilization rates weakened the segment's profitability. In 2016, the fourth quarter included EUR 40 million risk provision related to especially one large project.

BALANCE SHEET, FINANCING AND CASH FLOW

Balance sheet, financing and cash flow EUR million	**Q4** **2017**	Q4 2016	**Q1-Q4** **2017**	Q1-Q4 2016
Net cash from operating activities	**47.0**	-11.9	**39.6**	-84.6
Net interest-bearing debt at end of period[1]	**-5.5**	-4.5	**-5.5**	-4.5
Equity at end of period	**470.1**	498.1	**470.1**	498.1
Gearing at end of period, %[1]	**-1.2**	-0.9	**-1.2**	-0.9
Equity-to-assets ratio at end of period, %[1]	**41.2**	40.0	**41.2**	40.0
Net working capital at end of period	**-4.9**	-23.5	**-4.9**	-23.5

[1] *If the hybrid bond were treated as a liability: net interest-bearing debt would be EUR 144.5 million, gearing 45.1%, and the equity-to-assets ratio 28.0% on December 31, 2017 (December 31, 2016: EUR 145.5 million,41.8% and 27.9% respectively).*

The consolidated balance sheet total on December 31, 2017 was EUR 1,346 (1,427) million. Equity attributable to shareholders of the parent company totaled EUR 467 (495) million, representing EUR 2.57 (2.73) per share. During the reporting period, equity was impacted by translation differences of EUR -23 (14) million, hybrid bond interest net of tax of EUR -9 (no interest in 2016) million, and a net result of EUR 2 (-69) million. In 2016, Outotec issued a EUR 150 million hybrid bond.

Outotec's cash and cash equivalents at the end of 2017 totaled EUR 230 (233) million. Net cash flow from operating activities improved during the third and fourth quarter and was EUR 40 (-85) million in 2017. Advance and milestone payments received in 2017 came to EUR 203 (181) million. Advance and milestone payments to subcontractors totaled EUR 33 (53) million. In 2017, Outotec paid EUR 11 (no interest in 2016) million in hybrid bond annual interest. The drawdown of the hybrid bond (EUR 150 million) in 2016 had a positive impact on cash and cash equivalents.

Net interest-bearing debt on December 31, 2017 was EUR -6 (-4) million and gearing was -1 (-1) %. Outotec's equity-to-assets ratio was 41 (40) %. The company's capital expenditure, related mainly to IT programs and IPRs, totaled EUR 21 (22) million in 2017.

Guarantees for commercial commitments totaled EUR 680 (551) million at the end of 2017, including advance payment guarantees issued by the parent and other Group companies.

RESEARCH & DEVELOPMENT

In 2017, Outotec's research and development expenses represented 5 (5) % of sales.

R&D	**Q1-Q4** **2017**	Q1-Q4 2016
R&D expenses, EUR million	**56**	55
New priority applications filed	**38**	57
New national patents granted	**672**	630
Number of patent families	**763**	786
Number of national patents or patent applications	**6,521**	6,772

Product launches

In December, Outotec introduced three new products for sustainable tailings and water management.

In April, Outotec launched a new mobile application which provides immediate feedback from equipment inspections. The app allows technicians to capture all relevant technical data and images. After inspection, a preliminary report can be sent immediately to the customer.

Outotec's new 7-Axis Beam Mill Reline Machines set a new benchmark for safety and are the only mill reline machines on the market that fully comply with the European Machinery Directive.

PERSONNEL

At the end of 2017, Outotec had a total of 4,146 (4,192) employees. In 2017, Outotec had an average of 4,149 (4,344) employees. Temporary personnel accounted for 5 (5) % of the total.

Personnel by region	**December 31, 2017**	December 31, 2016	**Change**
EMEA	**2,813**	2,824	**-11**
Americas	**758**	801	**-43**
APAC	**575**	567	**8**
Total	**4,146**	4,192	**-46**

At the end of 2017, the company had, in addition to its own personnel, 368 (330) full-time equivalent, contracted professionals working in project execution.

Salaries and other employee benefits during the reporting period totaled EUR 326 (329) million.

CHANGES IN MANAGEMENT

August 14: Tomas Hakala was appointed head of Services, starting in November.

August 3: Gustav Kildén was appointed head of Strategic Customers and Business Development. Adel Hattab left the company on August 31.

RESOLUTIONS OF OUTOTEC'S AGM 2017

Outotec Oyj's Annual General Meeting (AGM) was held on March 30, 2017, in Helsinki, Finland. The AGM approved the parent company's financial statements and the consolidated financial statements and discharged the members of the Board of Directors and the President and CEO from liability for the 2016 financial year. The AGM decided that no dividend would be distributed for the financial year ending on December 31, 2016.

The AGM decided that the total number of Board members will be seven (7). Mr. Matti Alahuhta, Ms. Eija Ailasmaa, Mr. Klaus Cawén, Ms. Anja Korhonen, Mr. Patrik Nolåker, Mr. Ian W. Pearce, and Mr. Timo Ritakallio were re-elected as members of the Board of Directors for the term expiring at the end of the next AGM. The AGM elected Mr. Alahuhta as the Chairman, and Mr. Ritakallio as Vice Chairman of the Board of Directors.

The AGM confirmed the Board's remunerations for 2017, of which 60% will be paid in cash and 40% in shares:

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

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

The AGM authorized the Board of Directors to decide on the repurchase and issuance of shares and special rights entitling holders to shares. Both authorizations relate to an aggregate maximum of 18,312,149 (approximately 10%) of the company's own shares. The authorizations will be in force until the closing of the next AGM. The authorizations have not been exercised as of February 2, 2018.

The Board of Directors elected Ms. Korhonen (Chairman of the Committee), Mr. Cawén, Mr. Pearce, and Mr. Ritakallio as members of the Audit and Risk Committee.

Ms. Ailasmaa, Dr. Alahuhta (Chairman of the Committee), and Mr. Nolåker were elected as members of the Human Capital Committee.

SHARES AND SHARE CAPITAL

Outotec's shares are listed on the Nasdaq Helsinki exchange (OTE1V). At the end of 2017, Outotec's share capital was EUR 17,186,442.52, consisting of 183,121,492 shares. Each share entitles its holder to one vote at the company's general meetings.

OUTOTEC OYJ OWN SHAREHOLDING

At the end of 2017, the company directly held a total of 1,677,929 Outotec shares, representing 0.92% of Outotec Oyj's shares and votes.

TRADING, MARKET CAPITALIZATION, AND SHAREHOLDERS

Shares on NASDAQ Helsinki

January-December 2017	Number of shares traded	Total value EUR	High EUR	Low EUR	Average EUR[1]	Last paid EUR
OTE1V	246,698,814	1,487,294,531	7.41	4.88	6.03	7.10

[1] *Volume-weighted average*

	December 31, 2017	December 31, 2016
Market capitalization, EUR million	**1,300**	914
Number of shareholders	**25,478**	26,686
Nominee registered shareholders (number of registers 11), %	**35.1**	30.6
Finnish private investors, %	**14.2**	25.6

SHARE-BASED INCENTIVES

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

LEGAL DISPUTES

January 9: Outotec and Outokumpu settled their patent dispute, commenced in 2013, concerning the rights to inventions related to ferroalloys technology.

OTHER MAIN ANNOUNCEMENTS AND EVENTS IN Q4/2017

December 27: Maximum EUR 10 million negative tax impact for Outotec from US tax reform

October 26: Outsourcing project engineering activities to Citec

October 20: Members of Outotec's Nomination Board announced

STATEMENT OF NON-FINANCIAL INFORMATION

Outotec, headquartered in Finland, operates globally with offices in 36 countries. Outotec develops and delivers resource-efficient technology and service solutions for processing minerals and metals, for water treatment, and for producing energy from biomass and wastes. Outotec can offer an entire process or plant, or single piece of equipment with related engineering, sourcing, commissioning, training and life-cycle services.

The key resources for Outotec's value creation are deep know-how of processing natural resources, technology patents, research and development, as well as Outotec brand. In addition, long customer and supplier relationships are essential resources for the company.

The safety of employees and products, environmentally sound solutions for customers, responsible business practices including working against corruption and respecting human rights, a sustainable supply chain, and competent, engaged employees are the most essential non-financial topics for Outotec. Outotec reports annually in accordance with the Global Reporting Initiative (GRI).

The Board of Directors' diversity principles are detailed in Outotec's Corporate Governance Statement 2017. Outotec has set a target to increase the percentage of female representation in senior management.

Outotec generates employment and wealth in local communities as a buyer of goods and services. The company also contributes to local communities through university cooperation and subcontracting R&D work. Outotec technologies often help to improve the environmental conditions surrounding customers' plants. Outotec is a compliant taxpayer in each country where it operates. The company pursues transparency and non-discrimination in its tax practices, and does not engage in aggressive tax planning. Outotec neither paid dividends nor contributions to charities in 2017 due to a negative result in 2016. Outotec aims to maintain its leadership in sustainable technologies and grow its service business to enhance its ability to create value over the cycle.

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

Outotec's risk management is based on its Enterprise Risk Management Policy. Environmental, social and economic sustainability-related risks are covered in the project risk assessment tool, which is used to assess all projects worth at least one million euros. Appropriate follow-up actions are defined as based on these findings. The company is globally certified to ISO 9001 (quality), ISO 14001 (environment) and OHSAS 18001 (safety) standards. In addition, the locations in Finland and Germany are certified to ISO 50001 (energy). Internal and external audits are performed regularly.

Environment

Outotec's most significant environmental impact materializes through solutions provided for customers. In line with its Technology Policy, Outotec continuously develops its technologies so that they become even more resource-efficient.

In the metallurgical industry, emissions and eco-toxic substances can cause negative environmental impacts. From Outotec's perspective, environmental risks lie in the defective use of Outotec technologies and product quality in the supply chain. To mitigate these risks, Outotec offers training and other services to customers. Furthermore, the company provides training to its suppliers, and audits them.

Outotec reduces global carbon dioxide emissions by delivering advanced technologies for its customers' industrial processes. The company measures this positive impact, its handprint, by the emissions customers avoid through the use of Outotec technologies. Seven of these technologies are measured annually. Outotec has two long-term targets related to environmental performance of its products and services: 1) customers generate 20% less CO_2 when using seven Outotec technologies compared to annual baselines; and 2) keep the share of environmental goods and services in order intake, measured by OECD criteria, permanently above 90%. In 2017, Outotec's customers generated 6.2 million tonnes (2016: 5.9) less of CO_2 equivalent, representing over 20% reduction compared to annual baselines. The share of environmental goods and services was 88% (2016: 90%).

To a lesser degree, the company's environmental impact arises from its supply chain and own operations. Outotec continuously aims to reduce its impacts related to, for example, CO_2 emissions from flights and energy consumption. Only a few of Outotec's operations require an environmental permit, and the risks related to these operations are managed by certified environmental management systems.

Social responsibility and employees

According to Outotec's QEHS Policy, safety is a priority in the company's operations. Outotec targets zero harm in occupational health and safety as well as in product safety.

There are considerable occupational health and safety risks in the mining and metals processing industry. The main health and safety risks for Outotec occur on project sites, manufacturing units, and during the defective use of its technologies. The safety of products directly impacts the health and safety of employees, contractors and customers. Outotec has selected the lost-time injury rate (LTIR, lost-time injuries per million working hours) as its key indicator for safety. In 2017, the LTIR was 1.7 (2016: 1.8). This health and safety indicator covers Outotec's premises, employees and contractors working under Outotec's direct supervision, as well as project sites. All employees have the right to refuse work that would expose them to hazard or incident.

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

Outotec aims to employ the best people in the industry. HR Handbook, Competence Development Policy, and Compensation Policy are the key policies which define the principles in human resources management aimed at enhancing employee engagement. Outotec treats people in an equal and fair manner and follows the principle of equal opportunity. All employees are entitled to good leadership and professional growth.

The main risk related to low employee engagement is losing talent and competences. Outotec mitigates employee retention risks through fair and competitive compensation, culture and leadership development programs, succession planning, internal job rotation, and talent management, as well as various programs to support professional growth.

Outotec's target is to achieve 70% employee engagement by 2020, and the company measures it regularly in addition to monitoring attrition rate and reasons for departure. In 2017, several global competence development programs were launched. Outotec managers participated in leadership programs, and the progress is being followed by a new leadership index. The employee engagement index improved significantly to 60% in 2017 (2016: 42%).

Human rights

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

In line with its target for 2017, Outotec assessed the human rights risks in its own operations as based on the United Nations Guiding Principles. Potential risks and human rights impacts in Outotec's business relate to project site work in high-risk countries. In order to identify potential human rights-related risks and impacts in the company's own operations, a self-assessment was conducted in Outotec's main service and manufacturing sites, to assess local working conditions and labor practices concerning blue-collar workers. As a result, no significant human rights risks were identified. There will be targeted actions to address smaller areas of concern, and global guidelines for blue-collars' working conditions will be prepared.

As the majority of Outotec's manufacturing is sourced from external suppliers, there are potentially more human rights-related risks in the supply chain. Outotec has categorized its suppliers into three risk categories. Geographically, China, India and Mexico have been identified as countries with potentially high sustainability risks. To mitigate sustainability risks, suppliers are required to commit to Outotec's Supplier Policy, which reflects the principles of the company's Code of Conduct. However, there may be unidentified human rights risks or impacts in the supply chain.

Most of the new suppliers are assessed through the Supplier Assessment Process before approval. Outotec audits key suppliers on quality, health and safety as well as human rights-related issues regularly. Supplier development actions are drawn up according to audit findings. In 2017, there were no human rights issues or impacts raised through grievance mechanisms.

Outotec audited 21% (2016: 8%) of its key suppliers. The long-term target is to audit all key suppliers regularly over a period of two years with supplier development actions drawn up according to audit findings.

Anti-corruption and bribery

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

In order to mitigate risks related to corruption and bribery, Outotec's target is to have employees participate in e-learning on the Code of Conduct, or attend the related classroom training on a regular basis. During 2013-2017, 57% of employees have completed Code of Conduct training. In 2017, 38% of blue-collar workers participated in Code of Conduct classroom training. In addition, Outotec trains its sales agents and representatives, and requires them to commit to Outotec's principles. The company conducts compliance checks on new customers and project related third parties.

Outotec's compliance helpline on the company website is available for anyone to raise concerns related to corruption, human rights or any unethical behavior. All concerns raised are treated confidentially, and there is a clear no-retaliation policy. The Chief Compliance Officer reports compliance cases and actions taken quarterly to the Audit and Risk Committee of Outotec's Board of Directors. As a result of compliance investigations, one employment contract was terminated in 2017. Outotec did not have to pay any fines or fulfil any non-monetary sanctions for non-compliance with anti-corruption laws in 2017.

SHORT-TERM RISKS AND UNCERTAINTIES

Major investments continue to develop slowly, and new investments may be delayed or existing projects may be put on hold or cancelled. There is also a continued risk of credit losses, especially in receivables from emerging markets. Any uncertainty in China's economical outlook may impact metals demand and prices.

Outotec has identified a risk of disputes related to project execution, which may result in extra costs and/or penalties. In the contracts related to the delivery of major projects, the liquidated damages attributable to, for instance, delayed delivery or non-performance may be significant. In particular, Outotec has identified a significant risk of claims related to a few large projects in the Metals, Energy & Water segment. If the project risks are materialized in full, they could have a material impact on Outotec's financial results and could lead to decreasing headroom under financial covenants related to capital structure and liquidity.

Risks related to Outotec's business operations are high in certain markets, such as the Middle East, Russia, and Turkey. The geopolitical situation, sanctions, security situation, economic conditions and regulatory environment may change rapidly and cause ongoing business to be delayed, suspended or cancelled, or completely prevent Outotec from operating in these areas. These may result in a material impact on Outotec's financial results and valuation of its assets.

Outotec is involved in a few disputes that may lead to arbitration and court proceedings. Differing interpretations of international contracts and laws may cause uncertainty in estimating the final outcome of these disputes. The enforceability of contracts in certain market areas may be challenging or difficult to foresee.

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

MAIN EVENTS AFTER Q4 END

January 29: Outotec to deliver three modular sulfuric acid plants valued EUR 33 million for Shalina Resources in the Democratic Republic of Congo

January 23: Outotec ranked fifth in the Global 100 list of most sustainable companies

MARKET OUTLOOK

The demand for many metals is expected to continue to grow, and the sentiment in the mining and metals industry is improving. Mining and metals industry is benefiting from higher prices and many of our customers are ready to deploy capital. Generally, investments in the mining industry move along the value chain starting from the mine, followed by minerals processing and then metals refining. Replacement cycles typically range from five to ten years at the mine site to over twenty years in metals refining.

New metal uses, such as in electric vehicles, support the long-term view. New technology and reprocessing of tailings also enable customers to maximize metals recovery from an existing site. Decisions, however, may be delayed in the short-term, due to volatility in metal prices and uncertainty in China's economic outlook.

Investments in minerals processing will continue to be driven by increased mining activity, production levels and continued emphasis on optimizing existing operations. Metals demand growth projections, and more complex ores continue to provide opportunities for process optimization, equipment deliveries, and services. Copper, nickel, zinc, lithium, cobolt, aluminium and gold projects are expected to continue to be the most active.

The Metals, Energy & Water segment's wide technology portfolio provides opportunities in a number of end markets. Activity has already been increasing especially in metals refining in smelting and hydrometallurgical investments. Currently, copper, zinc, lithium and gold projects are the most active. Sulfuric acid projects and small plant modernizations are also expected to materialize.

There is a global need for waste-to-energy and sludge incineration solutions, but investments are often linked to regional needs and decisions made by the public sector.

FINANCIAL GUIDANCE FOR 2018

The guidance for 2018 is based on the current order backlog as well as expected order intake.

- Sales are expected to be approximately EUR 1.2 - 1.3 billion, and
- Adjusted EBIT* is expected to be approximately 5 - 7%

* Excluding restructuring and acquisition-related items, as well as purchase price allocation amortizations.

Espoo, February 2, 2018

Outotec Oyj
Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Consolidated statement of comprehensive income EUR million	**Q4** **2017**	Q4 2016	**Q1-Q4** **2017**	Q1-Q4 2016
Sales	**328.9**	305.4	**1,139.2**	1,057.9
Cost of sales	**-248.7**	-257.8	**-870.5**	-824.6
Gross profit	**80.2**	47.6	**268.8**	233.3
Other income	**0.2**	0.4	**10.1**	1.2
Selling and marketing expenses	**-30.0**	-29.7	**-119.6**	-114.8
Administrative expenses	**-19.4**	-25.2	**-75.9**	-85.5
Research and development expenses	**-15.2**	-14.3	**-55.6**	-55.2
Other expenses	**-1.8**	-32.2	**-3.2**	-46.4
Share of results of associated companies	**-0.0**	-0.2	**0.0**	-0.4
EBIT	**14.0**	-53.5	**24.6**	-67.7
Finance income and expenses				
Interest income and expenses	**-1.0**	-0.8	**-3.4**	-4.2
Market price gains and losses	**-0.2**	-1.7	**-2.6**	-3.6
Other finance income and expenses	**-1.1**	-0.7	**-4.0**	-2.6
Net finance income or expense	**-2.2**	-3.2	**-10.0**	-10.4
Result before income taxes	**11.8**	-56.6	**14.5**	-78.1
Income taxes	**-11.9**	4.2	**-12.6**	8.8
Result for the period	**-0.1**	-52.4	**1.9**	-69.3
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit obligations	**-1.7**	8.6	**-3.7**	-0.6
Income tax relating to items that will not be reclassified to profit or loss	**0.5**	-2.5	**1.1**	0.2
Items that may be subsequently reclassified to profit or loss				
Exchange differences on translating foreign operations	**-2.0**	12.2	**-23.0**	14.4
Cash flow hedges	**-1.1**	-2.6	**4.3**	-1.6
Available for sale financial assets	**-0.0**	-0.1	**-0.1**	0.1
Income tax relating to items that may be reclassified to profit or loss	**0.3**	0.6	**-0.9**	0.4
Other comprehensive income for the period	**-4.0**	16.2	**-22.3**	12.8
Total comprehensive income for the period	**-4.2**	-36.2	**-20.4**	-56.5
Result for the period attributable to:				
Equity holders of the parent company	**-0.2**	-52.5	**2.0**	-69.6
Non-controlling interest	**0.0**	0.1	**-0.1**	0.3
Total comprehensive income for the period attributable to:				
Equity holders of the parent company	**-4.3**	-36.3	**-20.3**	-56.9
Non-controlling interest	**0.1**	0.1	**-0.1**	0.4
Earnings per share for result attributable to the equity				
holders of the parent company:				
Basic earnings per share, EUR	**-0.01**	-0.30	**-0.04**	-0.42
Diluted earnings per share, EUR	**-0.01**	-0.30	**-0.04**	-0.42

All figures in the tables have been rounded to the nearest whole number and consequently the sum of individual figures may deviate from the sum presented. Key figures have been calculated using exact figures.

Condensed consolidated statement of financial position EUR million	**December 31, 2017**	December 31, 2016
ASSETS		
Non-current assets		
Intangible assets	**359.1**	386.3
Property, plant and equipment	**56.0**	65.9
Deferred tax asset	**89.6**	92.7
Non-current financial assets		
Interest-bearing	**3.8**	3.6
Non-interest-bearing	**7.2**	8.0
Total non-current assets	**515.7**	556.4
Current assets		
Inventories[1]	**185.8**	210.0
Current financial assets		
Interest-bearing	**0.1**	0.1
Non-interest-bearing	**413.9**	427.5
Cash and cash equivalents	**230.2**	233.0
Total current assets	**830.0**	870.6
TOTAL ASSETS	**1,345.7**	1,427.0
EQUITY AND LIABILITIES		
Equity		
Share capital	**17.2**	17.2
Retained earnings	**229.8**	237.1
Hybrid bond	**150.0**	150.0
Other components of equity	**70.0**	90.5
Equity attributable to the equity holders of the parent company	**467.0**	494.8
Non-controlling interest	**3.2**	3.3
Total equity	**470.1**	498.1
Non-current liabilities		
Interest-bearing[3]	**183.5**	189.1
Deferred tax liabilities	**39.7**	34.9
Other non-interest-bearing[3]	**66.7**	63.2
Total non-current liabilities	**289.9**	287.3
Current liabilities		
Interest-bearing	**45.0**	43.1
Non-interest-bearing		
Advances received[2]	**203.4**	180.7
Other non-interest-bearing	**337.2**	417.8
Total current liabilities	**585.6**	641.6
Total liabilities	**875.6**	928.9
TOTAL EQUITY AND LIABILITIES	**1,345.7**	1,427.0

[1] *Of which advances paid for inventories amounted to EUR 33.3 million on December 31, 2017 (December 31, 2016: EUR 52.5 million).*
[2] *Gross advances received before percentage of completion revenue recognition amounted to EUR 1,490.4 (December 31, 2016: EUR 1,446.2 million).*
[3] *Comparatives have been restated by regrouping of a bond revaluation item in Non-current liablities from Other non-interest-bearing to Interest-bearing.*

Condensed consolidated statement of cash flows EUR million	**Q1-Q4** **2017**	Q1-Q4 2016
Cash flows from operating activities		
Result for the period	**1.9**	-69.3
Adjustments for		
Depreciation and amortization	**40.9**	42.6
Other adjustments	**23.5**	20.5
Decrease (+) / Increase (-) in net working capital	**-20.4**	-66.8
Dividend received	**0.3**	-
Interest received	**4.5**	4.8
Interest paid	**-8.6**	-9.9
Income tax paid	**-2.5**	-6.4
Net cash from operating activities	**39.6**	-84.6
Purchases of assets	**-20.9**	-21.7
Acquisition of subsidiaries and business operations, net of cash	**-0.2**	-3.0
Proceeds from sale of assets	**2.3**	1.8
Cash flows from other investing activities	**-0.2**	0.0
Net cash used in investing activities	**-18.9**	-22.9
Cash flow before financing activities	**20.7**	-107.5
Repayments of non-current debt	**-7.9**	-111.5
Decrease in current debt	**-22.2**	-35.6
Increase in current debt	**29.0**	30.1
Hybrid bond	**-**	150.0
Interest paid on hybrid bond	**-11.1**	-
Cash flows from other financing activities	**-0.7**	-0.9
Net cash used in financing activities	**-12.9**	32.1
Net change in cash and cash equivalents	**7.8**	-75.5
Cash and cash equivalents at beginning of period	**233.0**	300.7
Foreign exchange rate effect on cash and cash equivalents	**-10.6**	7.8
Net change in cash and cash equivalents	**7.8**	-75.5
Cash and cash equivalents at end of period	**230.2**	233.0

Consolidated statement of changes in equity

	Attributable to the equity holders of the parent company										
EUR million	Share capital	Share premium fund	Fair value and other reserves	Treasury shares	Reserve for invested non-restricted equity	Hybrid bond	Cumulative translation differences	Retained earnings	Total equity attributable to equity holders of parent company	Non-controlling interest	Total equity
Equity at January 1, 2016	17.2	20.2	-14.2	-17.4	93.8	-	-8.1	310.3	401.8	2.9	404.7
Proceeds from hybrid bond	-	-	-	-	-	150.0	-	-	150.0	-	150.0
Hybrid bond expenses	-	-	-	-	-	-	-	-0.7	-0.7	-	-0.7
Share-based compensation	-	-	-	1.5	1.9	-	-	-2.7	0.8	-	0.8
Total comprehensive income for the period	-	-	-1.6	-	-	-	14.3	-69.6	-56.9	0.4	-56.5
Other changes	-	-	-	-	-	-	-	-0.1	-0.1	-	-0.1
Equity at December 31, 2016	17.2	20.2	-15.7	-15.9	95.7	150.0	6.2	237.1	494.8	3.3	498.1
Equity at January 1, 2017	17.2	20.2	-15.7	-15.9	95.7	150.0	6.2	237.1	494.8	3.3	498.1
Hybrid bond interest (net of tax)	-	-	-	-	-	-	-	-8.9	-8.9	-	-8.9
Share-based compensation	-	-	-	0.8	0.9	-	-	-0.5	1.2	-	1.2
Total comprehensive income for the period	-	-	0.7	-	-	-	-22.9	2.0	-20.3	-0.1	-20.4
Equity at December 31, 2017	**17.2**	**20.2**	**-15.0**	**-15.0**	**96.6**	**150.0**	**-16.7**	**229.8**	**467.0**	**3.2**	**470.1**

Key figures	Q4 2017	Q4 2016	Q1-Q4 2017	Q1-Q4 2016
Order intake, EUR million	**365.8**	282.7	**1 204.6**	1 007.7
Service order intake, EUR million	**125.5**	107.8	**494.9**	443.3
Share of service in order intake, %	**34.3**	38.2	**41.1**	44.0
Order backlog at end of period, EUR million	**988.2**	1 002.1	**988.2**	1 002.1
Sales, EUR million	**328.9**	305.4	**1 139.2**	1 057.9
Service sales, EUR million	**146.0**	127.4	**475.2**	447.0
Share of service in sales, %	**44.4**	41.7	**41.7**	42.3
Gross margin, %	**24.4**	15.6	**23.6**	22.1
Adjusted EBIT[1], EUR million	**16.0**	-24.8	**32.1**	-23.0
Adjusted EBIT[1], %	**4.9**	-8.1	**2.8**	-2.2
EBIT, EUR million	**14.0**	-53.5	**24.6**	-67.7
EBIT, %	**4.3**	-17.5	**2.2**	-6.4
Result before taxes, EUR million	**11.8**	-56.6	**14.5**	-78.1
Result before taxes in relation to sales, %	**3.6**	-18.5	**1.3**	-7.4
Result for the period in relation to sales, %	**-0.0**	-17.2	**0.2**	-6.6
Earnings per share[2], EUR	**-0.01**	-0.30	**-0.04**	-0.42
Net cash from operating activities, EUR million	**47.0**	-11.9	**39.6**	-84.6
Net interest-bearing debt at end of period, EUR million[3]	**-5.5**	-4.5	**-5.5**	-4.5
Gearing at end of period[3], %	**-1.2**	-0.9	**-1.2**	-0.9
Equity-to-assets ratio at end of period[3], %	**41.2**	40.0	**41.2**	40.0
Equity at end of period	**470.1**	498.1	**470.1**	498.1
Equity per share, EUR	**2.57**	2.73	**2.57**	2.73
Net working capital at end of period, EUR million	**-4.9**	-23.5	**-4.9**	-23.5
Capital expenditure, EUR million	**6.6**	5.4	**20.7**	21.6
Capital expenditure in relation to sales, %	**2.0**	1.8	**1.8**	2.0
Research and development expenses, EUR million	**15.2**	14.3	**55.6**	55.2
Research and development expenses in relation to sales, %	**4.6**	4.7	**4.9**	5.2
Return on investment, %, LTM	**2.8**	-9.4	**2.8**	-9.4
Return on equity, %, LTM	**0.4**	-15.4	**0.4**	-15.4
Personnel at end of period	**4,146**	4,192	**4,146**	4,192

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

[2]Weighted average number of shares used in calculation of EPS is 181,305 thousand for Q1-Q4/2017 (Q1-Q4/2016: 181,124 thousand shares). EPS includes a reduction of accrued hybrid bond interest.

[3]If the hybrid bond were treated as a liability: net interest-bearing debt would be EUR 144.5 million, gearing 45.1%, and the equity-to-assets ratio 28.0% on December 31, 2017 (December 31, 2016: EUR 145.5 million,41.8% and 27.9% respectively).

Definitions for key financial figures

Net interest-bearing debt	=	Interest-bearing debt - interest-bearing assets
Gearing	=	$\frac{\text{Net interest-bearing debt}}{\text{Total equity}} \times 100$
Equity-to-assets ratio	=	$\frac{\text{Total equity}}{\text{Total assets - advances received}} \times 100$
Return on investment	=	$\frac{\text{EBIT + finance income}}{\text{Total assets – non-interest-bearing debt (average for the period)}} \times 100$
Return on equity	=	$\frac{\text{Result for the period}}{\text{Total equity (average for the period)}} \times 100$
Research and development expenses	=	Research and development expenses in the statement of comprehensive income (including expenses covered by grants received)
Earnings per share	=	$\frac{\text{Result for the period attributable to the equity holders of the parent company – hybrid bond interest}}{\text{Average number of shares during the period}}$
Diluted earnings per share	=	$\frac{\text{Result for the period attributable to the equity holders of the parent company – hybrid bond interest}}{\text{Diluted average number of shares during the period}}$
Dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Number of shares at end of period}}$
Adjusted EBIT (aEBIT)	=	EBIT excluding (but not limited to) restructuring related transactions, costs related to mergers and acquisitions, purchase price allocation amortizations, and goodwill impairments
Comparable currencies, some key figures	=	Reporting period’s figures converted using foreign exchange rates from the comparison period
Net Working capital	=	Other non-current assets + Inventories + Trade and other receivables + Project related receivables + Derivatives (assets) - Provisions - Trade and other payables - Net advances received - Other project liabilities - Derivatives (liabilities)

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

This Financial Statements Review is prepared in accordance with IAS 34 Interim Financial Reporting. In this Financial Statements Review, the same accounting policies and methods have been applied as in the latest Annual Financial Statements. This Financial Statements Review are unaudited.

The following new standards and interpretations have been published, but they are not effective in 2017, nor has Outotec early-adopted them:

IFRS 9 – Financial Instruments

The new standard replaces the current standard IAS 39 Financial Instruments: Recognition and measurement. It addresses the classification, measurement and recognition of financial assets and financial liabilities. Based on IFRS 9, financial assets are required to be classified into three measurement categories: amortized cost, fair value through other comprehensive income or fair value through profit or loss. 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 standard also changes the recognition of credit losses and the application of hedge accounting.

Outotec has assessed the impact of IFRS 9 and will fully adopt it in January 2018. Based on the assessment, Outotec is not expecting categorization of financial assets to significantly affect the income statement or balance sheet. The tables below illustrate the changes in the transition from IAS 39 to IFRS 9:

Non-current financial assets Financial Asset Description	Classification under IAS 39	Classification under IFRS 9
Derivative Assets - Foreign Exchange Forward Contracts	Financial Assets at Fair Value through Profit and Loss	Fair Value through profit and loss
Derivative Assets - Interest Rate Swaps	Derivatives under Hedge Accounting	Fair Value through profit and loss[1]
Other Shares and Securities	Available for Sale Assets	Fair Value through other comprehensive income
Trade and other Receivables - Interest bearing	Loans and Receivables	Amortized Cost

[1] Assets under fair value hedge accounting are included here.

Current financial assets Financial Asset Description	Classification under IAS 39	Classification under IFRS 9
Derivative Assets - Foreign Exchange Forward Contracts	Financial Assets at Fair Value through Profit and Loss	Fair Value through profit and loss
Derivative Assets - Foreign Exchange Forward Contracts	Derivatives under Hedge Accounting	Fair Value through other Comprehensive income[2]
Trade and other Receivables - Interest bearing	Loans and Receivables	Amortized Cost
Trade and other Receivables - Non-Interest bearing	Loans and Receivables	Amortized Cost

[2] Assets under cash flow hedge accounting are included here. Otherwise Fair Value through profit and loss.

Outotec has particularly paid attention to the amendments in applying hedge accounting. The conclusion is that IFRS 9 does not materially affect the group cash flow hedges in terms of hedging reserves in balance sheet. Under IFRS 9 the recognition of reserves to profit and loss statement, when hedging order backlog, will have to be recognized in Sales. The overall impact on profit and loss as well as profitability is not expected to be significant. No changes are expected to the fair value hedge with regards to the interest rate swaps.

Outotec has established a model for evaluating credit losses under IFRS 9. Adopting this impairment methodology means that the existing bad debt provision policy needs to be updated, as well as the related processes. The group's current bad debt policy focus on a case by case decision making , whereas IFRS 9 requires a more systematic approach when it comes to bad debt provisions. For undue and 0-360 day overdue accounts receivable a 0.5-2.0% provision is applied. Case by case – credit loss provision decisions are still to be implemented for overdue accounts receivables over 360 days due to the project nature of Outotec's business. Bad debt provision is estimated to be increased by approximately EUR 1 million in accordance with the new policy.

Outotec will not restate the comparative periods, and the impact of the transition period will be recognized in the opening balance of retained earnings on January 1, 2018.

IFRS 15 – Revenue from Contracts with Customers

Background

The new standard aims to establish principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with its customers. It replaces the IAS 18 and IAS 11 standards and related interpretations.

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when control of the good or service underlying the particular performance obligation is transferred to the customer. These principles are applied using the following five steps: (1) Identify the contract(s) with a customer, (2) Identify the performance obligations in the contract, (3) Determine the transaction price, (4) Allocate the transaction price to the performance obligations in the contract and (5) Recognize revenue.

Impact analysis

Outotec's business constitutes of Minerals Processing and Metals, Energy & Water segments. Outotec offers mineral processing solutions, from pre-feasibility studies to complete plants and life-cycle services and solutions for metals processing, renewable energy production and industrial water treatment.

When applying the new standard Outotec has especially focused in its analysis on the need to combine contracts for revenue recognition purposes, the identification of performance obligations, how to estimate variable considerations and whether revenue will be recognized over time or at a point in time.

Outotec has performed an analysis of on-going projects to assess the impacts of IFRS 15 on its project business. Focus in the analysis has been in identifying distinct performance obligations and assessing if the criteria for recognizing revenue over time is met in Outotec's customer contracts.

Outotec delivers customized solutions of plant and equipment for its customers and thus a project delivery at Outotec is typically considered as one performance obligation under IFRS 15. Based on the analysis of Outotec's on-going projects the criteria for recognizing revenue over time is typically met in Outotec's project deliveries. Typically Outotec's performance creates an asset with no alternative use and Outotec has an enforceable right to payment for the performance completed to date. Currently Outotec uses cost-to-cost method to measure progress under the percentage of completion method. According to the management's assessment cost-to-cost method will be used also going forward to measure the stage of completion for the contracts for which revenue is recognized over time.

Management has assessed that in the project business the new standard will impact revenue recognition as certain customer contracts currently recognized as revenue over time, would be recognized as revenue at a point in time. Combining contracts and definition of performance obligations will also have an impact on the revenue recognition process.

In addition Outotec continues to recognize revenue for standard equipment and spare parts deliveries at a point in time based on delivery terms. Revenue for services is recognized when benefits have been rendered to the customer. No changes are expected in transition to IFRS 15 in standard equipment, spare part deliveries or services.

Transition

Outotec will adopt IFRS 15 as of January 1, 2018 by using the full retrospective method in transition to the new standard. The cumulative effect of the new standard is estimated to decrease the retained earnings with approximately EUR 4 million in the opening balance of, 2017 and increase the net result in 2017 with approximately EUR 1 million. Outotec will publish additional qualitative and quantitative impact analysis as a separate company announcement during the first quarter of 2018.

IFRS 16 – Leases

The new standard requires lessees to recognize assets and liabilities for most leases. Leases will no longer be classified as operating leases or finance leases, and all leases will have a single accounting model, with certain exemptions. There are no major changes for lessors. The new standard replaces the IAS 17 standard and related interpretations. Outotec will assess the impacts of the standard and intends to adopt it in 2019.

IFRS 2 – Share-based payment

The standard amendments relate to the classification and measurement of share-based payment transactions. The amendments are intended to eliminate diversity in practice in three main areas: (1) the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; (2) the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and (3) the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The amended IFRS 2 standard has not yet been endorsed for use by the European Union. Based on a preliminary assessment, the changes in Outotec relate to areas (1) and (2) and is not expected to have a significant impact on the income statement and balance sheet.

Use of estimates

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 on the date of the financial statements, and the reported amounts of income and expenses in the reporting period. Accounting estimates are employed in the financial statements to determine reported amounts, including the realizability of certain assets, useful lives of tangible and intangible assets, income taxes, provisions, pension obligations, and the impairment of goodwill. These estimates are based on the management's best knowledge of current events and actions; however, it is possible that the actual results may differ from the estimates used in the financial statements.

Restructuring and acquisition items EUR million	**Q1-Q4 2017**	Q1-Q4 2016
Personnel-related restructuring costs	**-0.5**	-18.8
Impairments on non-current assets	**-0.8**	-10.7
Other restructuring related items	**-0.1**	-1.9
Items related to restructuring, total	**-1.4**	-31.3
Items related to acquisitions	**0.3**	-1.5
Reversal of earn-out liability from acquisitions	**0.9**	-
Arbitration cost related to past acquisitions	**-**	-4.4
Restructuring and acquisition items, total [1]	**-0.2**	-37.2
Restructuring and acquisition items are allocated to:		
Minerals Processing	**-0.4**	-12.2
Metals, Energy & Water	**0.1**	-22.9
Unallocated items	**-0.0**	-2.1

[1] *Excluded from adjusted EBIT.*

Income taxes EUR million	**Q1-Q4 2017**	Q1-Q4 2016
Current taxes	**-5.1**	-10.4
Deferred taxes	**-7.6**	19.2
Total income taxes	**-12.6**	8.8

Property, plant and equipment EUR million	**December 31, 2017**	December 31, 2016
Historical cost at beginning of period	**155.5**	170.5
Translation differences	**-4.7**	2.6
Additions	**8.8**	6.2
Disposals	**-4.9**	-5.3
Reclassifications	**-0.0**	-0.1
Impairment during the period	**-3.6**	-18.3
Historical cost at end of period	**151.2**	155.5
Accumulated depreciation and impairment at beginning of period	**-89.7**	-87.5
Translation differences	**2.1**	-0.9
Disposals	**3.1**	3.6
Reclassifications	**0.0**	0.2
Depreciation during the period	**-12.6**	-14.6
Impairment during the period	**1.7**	9.5
Accumulated depreciation and impairment at end of period	**-95.2**	-89.7
Carrying value at the end of the period	**56.0**	65.9

Commitments and contingent liabilities EUR million	**December 31, 2017**	December 31, 2016
Guarantees for commercial commitments	**475.2**	434.3
Minimum future lease payments on operating leases	**89.2**	105.6

No securities or collateral have been pledged. Commercial guarantees are related to performance obligations of project and equipment deliveries. These are issued by financial institutions or Outotec Oyj on behalf of Group companies. The total value of commercial guarantees above does not include advance payment guarantees issued by the parent or other Group companies or guarantees for financial obligations. The total amount of guarantees for financing issued by Group companies amounted to EUR 7.1 million at December 31, 2017 (December 31, 2016: EUR 13.6 million) and for commercial commitments including advance payment guarantees EUR 679.8 million at December 31, 2017 (December 31, 2016: EUR 551.2 million). High exposure of on-demand guarantees may increase the risk of claims that may have an impact on the liquidity of Outotec.

Derivative instruments

Currency and interest derivatives EUR million	**Dec 31, 2017**	Dec 31, 2016
Fair values, net	**1.4**	-0.5
of which designated as cash flow hedges from currency derivatives	**-0.6**	-3.2
of which designated as fair value hedge from interest derivatives	**3.9**	5.3
Nominal values	**606.4**	646.2

Carrying amounts of financial assets and liabilities by category

December 31, 2017

EUR million	Financial assets at fair value through profit or loss	Loans and receiv-ables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Deriv-atives under hedge account-ing	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item	Fair value
Non-current financial assets								
Derivative assets								
- foreign exchange forward contracts	0.2	-	-	-	0.5	-	0.7	0.7
- interest rate swaps	-	-	-	-	3.9	-	3.9	3.9
Other shares and securities	-	-	2.2	-	-	-	2.2	2.2
Trade and other receivables								
- interest-bearing	-	1.5	-	-	-	-	1.5	1.5
- non-interest-bearing	-	0.0	-	-	-	-	0.0	0.0
Current financial assets								
Derivative assets								
- foreign exchange forward contracts	4.2	-	-	-	0.4	-	4.7	4.7
Trade and other receivables								
- interest-bearing	-	0.1	-	-	-	-	0.1	0.1
- non-interest-bearing	-	409.3	-	-	-	-	409.3	409.3
Cash and cash equivalents	-	230.2	-	-	-	-	230.2	230.2
Carrying amount by category	**4.5**	**641.2**	**2.2**	**-**	**4.8**	**-**	**652.6**	**652.6**
Non-current financial liabilities								
Bonds	-	-	-	-	-	149.3	149.3	155.3
Loans from financial institutions	-	-	-	-	-	28.6	28.6	29.6
Finance lease liabilities	-	-	-	-	-	-	-	-
Derivative liabilities								
- foreign exchange forward contracts	-	-	-	0.0	0.4	-	0.4	0.4
Other non-current loans	-	-	-	-	-	1.7	1.7	1.7
Other non-current liabilities	-	-	-	-	-	2.0	2.0	2.0
Current financial liabilities								
Loans from financial institutions	-	-	-	-	-	6.9	6.9	7.6
Financial lease liabilities	-	-	-	-	-	0.0	0.0	0.0
Derivative liabilities								
- foreign exchange forward contracts	-	-	-	6.4	1.1	-	7.5	7.5
Other current loans	-	-	-	-	-	38.1	38.1	38.1
Trade payables	-	-	-	-	-	99.5	99.5	99.5
Carrying amount by category	**-**	**-**	**-**	**6.4**	**1.5**	**326.2**	**334.1**	**341.7**

Carrying amounts of financial assets and liabilities by category

December 31, 2016

EUR million	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Derivatives under hedge accounting	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item	Fair value
Non-current financial assets								
Derivative assets								
- foreign exchange forward contracts	0.0	-	-	-	-	-	0.0	0.0
- interest rate swaps	-	-	-	-	5.3	-	5.3	5.3
Other shares and securities	-	-	2.3	-	-	-	2.3	2.3
Trade and other receivables								
- interest-bearing	-	1.3	-	-	-	-	1.3	1.3
- non-interest-bearing	-	0.0	-	-	-	-	0.0	0.0
Current financial assets								
Derivative assets								
- foreign exchange forward contracts	3.7	-	-	-	0.1	-	3.8	3.8
Trade and other receivables								
- interest-bearing	-	0.1	-	-	-	-	0.1	0.1
- non-interest-bearing	-	423.7	-	-	-	-	423.7	423.7
Cash and cash equivalents	-	233.0	-	-	-	-	233.0	233.0
Carrying amount by category	3.7	658.2	2.3	-	5.4	-	669.6	669.6
Non-current financial liabilities								
Bonds	-	-	-	-	-	149.0	149.0	151.2
Loans from financial institutions	-	-	-	-	-	32.7	32.7	34.4
Finance lease liabilities	-	-	-	-	-	0.0	0.0	0.0
Derivative liabilities								
- foreign exchange forward contracts	-	-	-	0.1	1.1	-	1.2	1.2
Other non-current loans	-	-	-	-	-	2.0	2.0	2.0
Other non-current liabilities	-	-	-	-	-	1.6	1.6	1.6
Current financial liabilities								
Loans from financial institutions	-	-	-	-	-	12.9	12.9	13.7
Finance lease liabilities	-	-	-	-	-	0.0	0.0	0.0
Derivative liabilities								
- foreign exchange forward contracts	-	-	-	6.2	2.2	-	8.4	8.4
Other current loans	-	-	-	-	-	30.2	30.2	30.2
Trade payables	-	-	-	-	-	88.4	88.4	88.4
Carrying amount by category	-	-	-	6.3	3.3	316.9	326.5	331.1

Fair value hierarchy

December 31, 2017 EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets	0.1	-	2.2	2.2
Derivative financial assets	-	9.3	-	9.3
	0.1	**9.3**	**2.2**	**11.5**
Bonds	-	155.3	-	155.3
Loans from financial institutions	-	37.2	-	37.2
Derivative financial liabilities	-	7.9	-	7.9
	-	**200.3**	-	**200.3**
December 31, 2016				
Available-for-sale financial assets	0.1	-	2.2	2.3
Derivative financial assets	-	9.1	-	9.1
	0.1	9.1	2.2	11.4
Bonds	-	151.2	-	151.2
Loans from financial institutions	-	48.1	-	48.1
Derivative financial liabilities	-	9.6	-	9.6
	-	208.9	-	208.9

Available-for-sale financial assets (level 3 of fair value hierarchy) EUR million	**Q1-Q4 2017**	Q1-Q4 2016
Carrying value on Jan 1	**2.2**	2.2
Translation differences	**-0.0**	0.0
Disposals	**-**	-
Carrying value at end of period	**2.2**	2.2

Related party transactions

Transactions and balances with associated companies EUR million	**Q1-Q4 2017**	Q1-Q4 2016
Sales	**0.3**	0.0
Other income	**-**	-
Purchases	**2.3**	1.0
Loan receivables	**1.5**	1.3
Trade and other receivables	**0.5**	0.5
Current liabilities	**0.2**	0.1

Outotec has a 40% investment in Enefit Outotec Technology Oü, from which the company had EUR 1.5 million loan receivable at December 31, 2017 (December 31, 2016: EUR 1.3 million).

Transactions and balances with management and prior management

There were no loan receivables from current key management at December 31, 2017 (December 31, 2016: no loan receivables). Loan receivables from former key management were EUR 0.1 million at December 31, 2017 (December 31, 2016: EUR 0.1 million)

Segments' sales and operating result by quarters

EUR million	**Q4/15**	Q1/16	Q2/16	Q3/16	**Q4/16**	Q1/17	Q2/17	Q3/17	**Q4/17**
Sales									
Minerals Processing	**147.0**	112.5	119.3	128.9	**178.8**	153.4	169.4	148.9	**189.2**
Metals, Energy & Water	**158.8**	127.2	148.3	116.5	**126.4**	114.3	102.8	121.5	**139.8**
Unallocated items[1] and intra-group sales	**-0.0**	0.1	-0.0	-0.2	**0.1**	0.0	0.0	0.0	**-0.1**
Total	**305.7**	239.8	267.6	245.2	**305.4**	267.7	272.2	270.4	**328.9**
EBIT									
Minerals Processing	**-27.3**	-0.3	3.3	10.8	**7.8**	10.3	14.4	14.7	**18.5**
Metals, Energy & Water	**-0.6**	-10.2	-1.1	-11.2	**-59.7**	-9.6	-11.6	-2.7	**-2.4**
Unallocated[2] and intra-group items	**-2.6**	-1.8	-3.0	-0.9	**-1.6**	-1.4	-2.0	-1.4	**-2.0**
Total	**-30.6**	-12.3	-0.8	-1.2	**-53.5**	-0.8	0.8	10.6	**14.0**

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

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

FINANCIAL REPORTING SCHEDULE AND EVENTS IN 2018

- Interim Report Q1: April 25
- Half Year Financial Report: July 25
- Interim Report Q1-Q3: October 31

Financial Statements for 2017 will be published during Week 9. The Annual General Meeting 2018 is planned for March 27, 2018.

Outotec provides leading technologies and services for the sustainable use of Earth's natural resources. As the global leader in minerals and metals processing technology, we have developed many breakthrough technologies over the decades for our customers in the metals and mining industry. We also provide innovative solutions for industrial water treatment, the utilization of alternative energy sources and the chemical industry. Outotec shares are listed on Nasdaq Helsinki. www.outotec.com.