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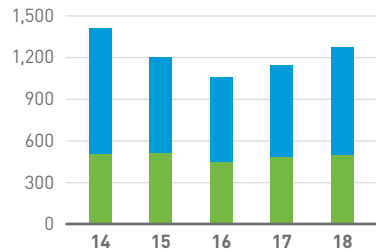
**FINANCIAL STATEMENTS
AND REPORT BY THE
BOARD OF DIRECTORS**

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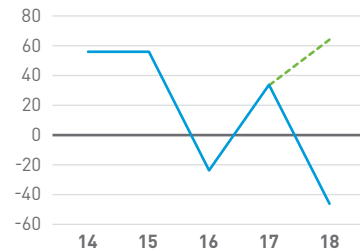
Consolidated Financial statements and Parent company
Financial statements are audited

SALES, EUR MILLION



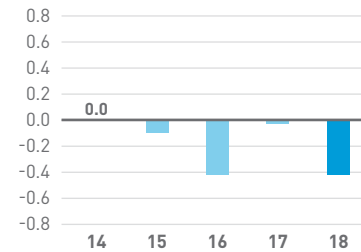
- Sales
- Service Sales

ADJUSTED EBIT*, EUR MILLION



- aEBIT excluding ilmenite smelter provision
- * excluding restructuring and acquisition-related items as well as PPA amortizations

EARNINGS PER SHARE, EUR



RETURN ON INVESTMENT, %

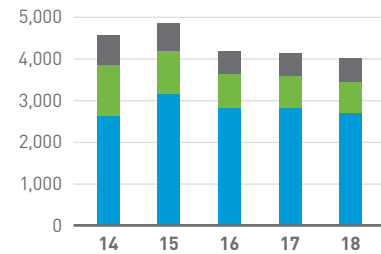


SALES BY MATERIALS, %



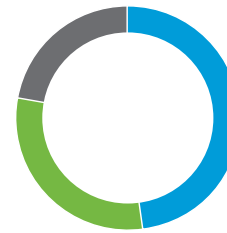
- Copper 35 (30)
- Nickel 4 (4)
- Zinc 3 (4)
- Ferroalloys 2 (3)
- Aluminum 8 (9)
- Iron 12 (6)
- Precious metals 17 (21)
- Lithium 3 (3)
- Other metals 3 (2)
- Energy and environmental solutions (incl. water, sulfuric acid and off-gas) 6 (7)
- Others 7 (12)

PERSONNEL BY REGION



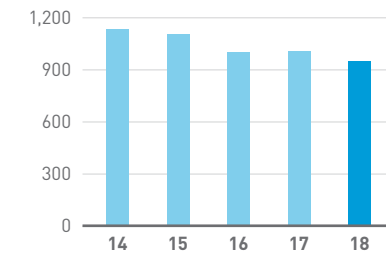
- EMEA
- Americas
- APAC

ORDER INTAKE BY REGION, %



- EMEA 48 (51)
- Americas 30 (30)
- APAC 22 (19)

ORDER BACKLOG, EUR MILLION



PRESIDENT & CEO

MARKKU TERÄSVASARA

SIGNIFICANT IMPROVEMENT IN PERFORMANCE EXCLUDING ILMENITE SMELTER PROJECT PROVISION

In 2018, we made significant progress in several areas. In the beginning of the year, the market for minerals and metals technologies improved, but global macroeconomic uncertainties and reduced metal prices started to affect the market sentiment, and we saw several larger investment decisions being delayed into 2019. This was demonstrated in our order intake, which increased 4% year-on-year (in comparable currencies 8%) but declined in the fourth quarter from the comparison period. Service orders increased 8% in 2018 (in comparable currencies 13%). Our largest order in the fourth quarter was the delivery of battery chemicals technology in Finland.

SUPPLIER SITUATION IMPROVED

Our sales increased 12% in 2018 (in comparable currencies 16%). Our service business development during the second half was encouraging as the supplier situation improved. The profitability continued to improve in the Minerals Processing segment. Excluding the provision for the ilmenite smelter project, our adjusted EBIT would have almost doubled from EUR 34 million in 2017 to EUR 64 million in 2018. Our cash flow strengthened and was EUR 70 million.

Leading
technologies
are our core
strength



PROGRESS WITH ANALYSIS OF THE ILMENITE SMELTER

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

SIMPLIFIED ORGANIZATION TO SUPPORT LONG-TERM TARGETS

We simplified our organizational structure during the first half of the year to support our long-term strategic targets. With our industry experts, simplified organization and must-win battles, we will strengthen our customer focus, service business, product competitiveness and project capabilities to further improve our profitability.

FURTHER DEVELOPMENT OF OUR TECHNOLOGICAL CAPABILITIES

Leading technologies are our core strength. We continued to develop our technological capabilities and grow our patent portfolio. I want to mention two examples of our recent product development. Firstly, a new lithium hydroxide process to respond to the market demand for battery chemicals and, secondly, a new, 40% lighter and more competitive Hybrid filter plate design to complement our spare and wear parts offering. R&D investments represented 5% of our sales and totaled EUR 57 million last year.

We help
our customers
to improve their
profitability in a
sustainable
way

OUR COMPREHENSIVE OFFERING CREATES THE BEST LIFE-CYCLE VALUE FOR OUR CUSTOMERS

With our process technologies and services, our customers will obtain the best value from their assets and operations over the course of their life cycle. During 2018 we have received valuable feedback from our customers and other stakeholders, and I am pleased to see that our customer satisfaction has already improved, and employee engagement index is going to the right direction. I would like to thank our customers and business partners for great cooperation, our employees for their commitment and contribution and our shareholders for the trust they have shown towards Outotec.

COLLABORATION FOR THE SUSTAINABLE USE OF EARTH'S NATURAL RESOURCES CONTINUES

At the beginning of 2019, Outotec was ranked 12th in the Global 100 Index of the most sustainable companies in the world. We were included in the Index for the seventh consecutive year and want to keep our inclusion for the years to come. We continue to collaborate with our stakeholders for the sustainable use of Earth's natural resources. We expect the demand outlook to remain solid in 2019.

MARKKU TERÄSVASARA

President & CEO

REPORT BY THE BOARD OF DIRECTORS 2018

MARKET DEVELOPMENT IN 2018

The minerals and metals technology market developed positively in the early part of 2018, but started to show signs of slowness during the second and third quarters as global macroeconomic uncertainty increased. The subdued sentiment and lower metal prices started delaying investment decisions, especially in larger projects. Producers continued focusing on developing their existing operations, and the activity in smaller equipment, technology packages and spare parts remained solid.

Copper, gold, and battery metals projects were the most active during 2018. The demand for Minerals Processing equipment and spare parts continued to be stable throughout 2018. In Metals, Energy & Water, there was solid demand in hydrometallurgical and pelletizing solutions, as well as sulfuric acid plants.

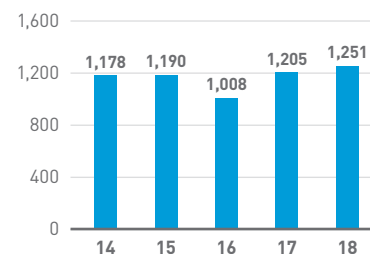
In 2018, project financing became more challenging, particularly for smaller mining companies. The competitive environment continued to be intense.

ORDER INTAKE AND BACKLOG

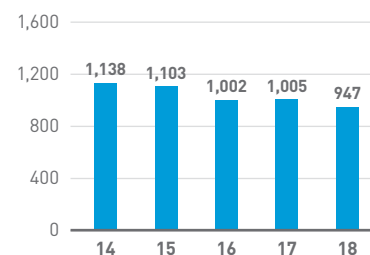
The order intake in 2018 was EUR 1,251 (1,205) million, up 4% from 2017. The increase was attributable to service orders as well as plant and equipment orders in the Metals, Energy & Water segment. The service order intake in 2018 was EUR 532 (495) million, up 8% from 2017, mainly due to spare parts and modernizations.

Order intake by region, %	2018	2017
EMEA	48	51
Americas	30	30
APAC	22	19
Total	100	100

ORDER INTAKE, EUR MILLION



ORDER BACKLOG, EUR MILLION



Announced orders

Project/location (published)	Value, EUR million	Segment
Process equipment to silver concentrator in Mexico (December 5)	approx. 30	Minerals Processing
Battery chemicals technology to Finland (December 5)	approx. 34	Metals, Energy, & Water
Feasibility study for a copper smelter in Indonesia (November 7)	approx. 10	Metals, Energy, & Water
Process equipment to a greenfield copper concentrator in South America (August 8)	approx. 25	Minerals Processing
Process equipment to a base metals concentrator in Russia (July 13)	24	Minerals Processing
Biomass power plant to Turkey (July 6)	55	Metals, Energy, & Water
Process equipment to a base metals concentrator in Kazakhstan (July 5)	15	Minerals Processing
Technology for a tin smelter in Indonesia (June 29)	not disclosed	Metals, Energy, & Water
Technology for a sulfuric acid plant in Sweden (June 20)	not disclosed	Metals, Energy, & Water
Iron ore pelletizing plant and filter press to India (March 14)	approx. 50	Metals, Energy, & Water Minerals Processing
Iron ore pelletizing technology to China (February 2)	over 40	Metals, Energy, & Water
Modular sulfuric acid plants to the Democratic Republic of Congo (January 29)	approx. 33	Metals, Energy, & Water

The order backlog at the end of 2018 was EUR 947 (1,005) million. The share of services in the order backlog totaled EUR 216 (204) million. At the end of 2018, Outotec had 21 (19) projects with an order backlog value in excess of EUR 10 million, accounting for 47 (50) % of the total backlog. It is estimated that roughly 75% or EUR 710 million of the order backlog at the end of December will be delivered in 2019.

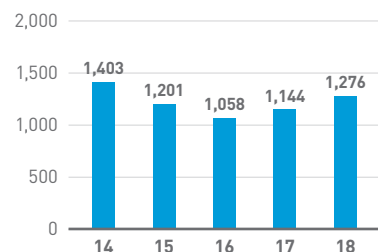
SALES AND FINANCIAL RESULT

Sales in 2018 totaled EUR 1,276 (1,144) million, up 12% from 2017. The growth came from project and equipment deliveries. Service sales increased 3% from 2017 due to spare parts and modernizations. The share of service sales was 39 (42) % of total sales.

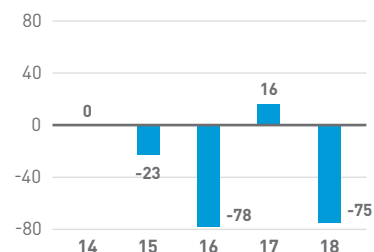
Fixed costs in 2018 – including selling and marketing, administrative, R&D and fixed delivery expenses – declined 4% (in comparable currencies -1%) from the comparison period, totaling EUR 259 (270) million, or 20 (24) % of sales.

Adjusted EBIT in 2018 was positively impacted by increased sales and lower fixed costs. Profitability was negatively impacted by the project provisions majority of which (EUR 110 million) came from the ilmenite smelter project in the Metals, Energy & Water segment.

SALES, EUR MILLION



RESULT BEFORE TAXES, EUR MILLION



Sales and financial result EUR million

	2018	2017	% ¹	% ²
Sales	1,276.5	1,143.8	12	16
Service sales ³	496.6	480.4	3	9
Share of service sales, %	38.9	42.0		
Gross margin, %	15.4	23.6		
Adjusted EBIT ^{4,7}	-46.2	33.5		
Adjusted EBIT ^{4,7} , %	-3.6	2.9		
- Restructuring- and acquisition-related costs ⁵	-13.3	-0.2		
- PPA amortization	-6.6	-7.3		
EBIT	-66.1	26.0		
EBIT, %	-5.2	2.3		
Result before taxes	-75.4	16.0		
Result for the period	-67.3	2.9		
Unrealized and realized exchange gains and losses ⁶	-1.6	7.9		

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.

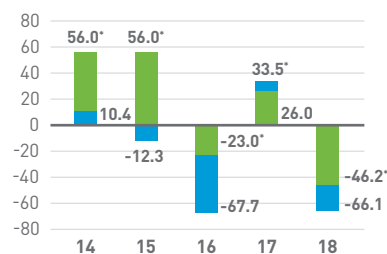
⁵ Including restructuring-related items of EUR -13.5 (-1.4) million and acquisition-related items of EUR 0.2 (EUR 0.3) million. The comparison period also includes the positive impact of a EUR 0.9 million reduction from an earn-out payment liability related to acquisition.

⁶ Related to foreign exchange forward agreements and bank accounts.

⁷ aEBIT was EUR 63.8 million (5.0%) excluding the provision for the ilmenite smelter project

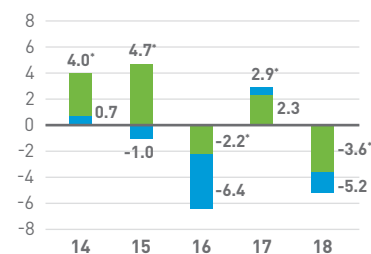
The result before taxes for 2018 was EUR -75 (16) million, including the restructuring cost of EUR 14 (0) million from the simplification program, and net finance expenses of EUR 9 (10) million due to interest, costs and the valuation of foreign exchange forward agreements. The net result was EUR -67 (3) million. The net impact from taxes totaled EUR 8 (-13) million. The effective tax rate was negatively impacted by the increase in valuation allowance on tax losses. Earnings per share totaled EUR -0.42 (-0.03), including accrued hybrid bond interest net of tax totaling EUR -9 (-9) million.

OPERATING RESULT, EUR MILLION



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

OPERATING RESULT MARGIN, %



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

Sales by region EUR million	2018	2017	% 2018	Change %
EMEA	687.3	559.1	54	23
Americas	341.4	390.9	27	-13
APAC	247.8	193.8	19	28
Total	1,276.5	1,143.8	100	12

Sales by materials %	2018	2017
Copper	35	30
Nickel	4	4
Zinc	3	4
Ferroalloys	2	3
Aluminum	8	9
Iron	12	6
Precious metals	17	21
Lithium	3	3
Other metals	3	2
Energy and environmental solutions (incl. water, sulfuric acid and off-gas)	6	7
Others	7	12
Total metal and other sales	100	100

SEGMENTS

Minerals Processing

Reporting segment – Minerals Processing EUR million	2018	2017	% ¹	% ²
Order intake	719.3	727.0	-1	4
Sales	757.8	668.4	13	19
Service sales	344.3	305.7	13	20
Adjusted EBIT ³	84.1	63.4		
Adjusted EBIT ³ , %	11.1	9.5		
PPAs	-2.7	-3.1		
Restructuring and acquisition-related costs	-3.0	-0.4		
EBIT	78.5	60.0		
EBIT, %	10.4	9.0		
Unrealized and realized exchange gains and losses ⁴	-0.6	5.9		

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 2018, the order intake in the Minerals Processing segment was flat compared to 2017. Service orders increased, while large equipment orders decreased during the second half of 2018. Sales in the segment increased by 13%, due to increased plant and process equipment deliveries and services. Higher sales and flat fixed costs improved the segment's profitability.

Metals, Energy & Water

Reporting segment – Metals, Energy & Water EUR million	2018	2017	% ¹	% ²
Order intake	532.0	477.6	11	15
Sales	518.7	475.4	9	12
Service sales	152.3	174.7	-13	-10
Adjusted EBIT ^{3,5}	-125.0	-23.1		
Adjusted EBIT ^{3,5} , %	-24.1	-4.9		
PPAs	-4.0	-4.2		
Restructuring and acquisition-related costs	-6.6	0.1		
EBIT	-135.5	-27.2		
EBIT, %	-26.1	-5.7		
Unrealized and realized exchange gains and losses ⁴	-0.9	2.0		

¹ Change, %

² Change in comparable currencies, %

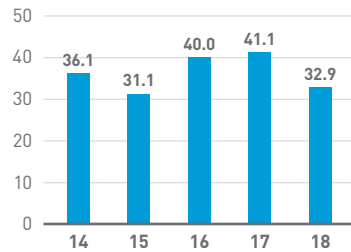
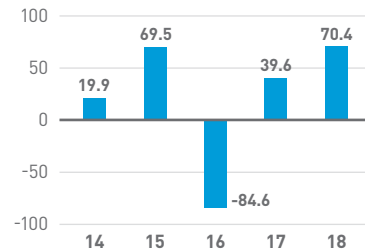
³ Excluding restructuring and acquisition-related items as well as PPA amortizations

⁴ Related to foreign exchange forward agreements and bank accounts

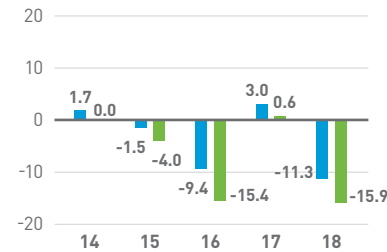
⁵ aEBIT was EUR -15.0 million (-2.9%) excluding the provision for the ilmenite smelter project.

In 2018, the order intake in the Metals, Energy & Water segment increased by 11% from the comparison period, mainly due to increased plant orders. Also, service orders increased from the comparison period due to plant modernizations. The segment's sales increased by 9%, due to growth in plant and equipment deliveries. Service sales decreased due to the lack of larger service projects. The segment's profitability was impacted by the ilmenite smelter provision of EUR 110 million.

EQUITY RATIO, %

NET CASH FROM OPERATING ACTIVITIES,
EUR MILLION

RETURN ON INVESTMENT AND EQUITY, %



● Return on investment
● Return on equity

BALANCE SHEET, FINANCING
AND CASH FLOW

The consolidated balance sheet total on December 31, 2018 was EUR 1,358 (1,357) million.

Outotec's cash and cash equivalents at the end of 2018 totaled EUR 233 (230) million. Net cash flow from operating activities during 2018 was EUR 70 (40) million. The main impact was attributable to increased payables. Advance and milestone payments received at the end of 2018 came to EUR 211 (220) million. Advance and milestone payments to subcontractors totaled EUR 49 (37) million. In 2018, Outotec paid EUR 11 (11) million in hybrid bond annual interest.

Net interest-bearing debt on December 31, 2018 was EUR -38 (-5) million, and gearing was -10 (-1) %. Outotec's equity-to-assets ratio was 33 (41) %. The ilmenite smelter project provision of EUR 110 million impacted Outotec's equity-to-asset ratio.

Balance sheet, financing and cash flow
EUR million

	2018	2017
Net cash from operating activities	70.4	39.6
Net interest-bearing debt at end of period ¹	-38.1	-5.5
Equity at end of period	377.4	466.9
Gearing at end of period, % ¹	-10.1	-1.2
Equity-to-assets ratio at end of period, % ¹	32.9	41.1
Net working capital at end of period	-122.9	-9.4

¹ If the hybrid bond were treated as a liability: net interest-bearing debt would be EUR 111.9 million, gearing 49.2%, and the equity-to-assets ratio 19.8% on December 31, 2018 (December 31, 2017: EUR 144.5 million, 45.6% and 27.9% respectively).

The company's capital expenditure, which was related mainly to IT programs and IPRs, totaled EUR 21 (21) million during the reporting period.

Guarantees for commercial commitments, including advance payment guarantees issued by the parent and other Group companies at the end of 2018, totaled EUR 688 (680) million.

Equity attributable to shareholders of the parent company totaled EUR 374 (464) million, representing EUR 2.06 (2.56) per share. In 2018, equity was impacted by the net result of EUR -67 (3) million, translation differences of EUR -11 (-23) million and hybrid bond interest net of tax totaling EUR -9 (-9) million.

RESEARCH & DEVELOPMENT

In 2018, Outotec's research and development expenses represented 5 (5) % of sales.

New products

Outotec launched the following products in 2018:

The first two industrial references of Outotec TankCell® e630's are running at the Buenavista del Cobre concentrator in Northern Mexico. The site has reported an increase of more than 3% in overall recovery with a higher-grade copper concentrate. The TankCell® e630 flotation cell has a nominal volume of 630 m³, and is equipped with a FloatForce mechanism with a diameter of 2,200 mm.

Outotec has developed and filed a patent application for a thermal leaching process to convert spodumene concentrate into battery grade lithium hydroxide. The lithium hydroxide process has been piloted at the Outotec Research Center in Pori for Critical Elements Corporation in Canada and Keliber Oy in Finland. Lithium hydroxide corresponds to the change in demand in the metal salt markets.

New Hybrid filter plates that are 40% lighter, and thereby more competitive than conventional plates, were introduced to the spare and wear parts markets. The new plates also improve the filtration capacity, provide low residual moisture in the cake, and reduce operational costs.

Outotec has designed a skid-mounted, modular prefabricated sulfuric acid plant which significantly lowers the installation cost and time. In addition, the modular plant offers lower operation costs, increased availability

R&D	2018	2017
R&D expenses, EUR million	57	56
New priority applications filed	26	38
New national patents granted	558	672
Total number of patent families	761	763
Total number of national patents or patent applications	6,467	6,521

Personnel by region	December 31, 2018	December 31, 2017	Change
EMEA	2,704	2,813	-109
Americas	737	758	-21
APAC	571	575	-4
Total	4,012	4,146	-134

and maintainability, as well as environmentally sound and safe operation. The innovative plant concept is based on Outotec's technology and expertise gained from 650 plants delivered globally.

Outotec is piloting with LKAB to treat industrial waters at the Svappavaara mine in Sweden. The pilot started in August and consists of nanofiltration and chemical precipitation of sulfate with Outotec's Ettringite process. The pilot shows that sulfate concentration can be significantly reduced from the inlet value of 1,800 mg/l to the level of 150 mg/l.

A new digital product, Outotec Health Indicator, produces data for flotation process control when used together with Courier on-stream elemental analyzers. It enables higher performance in terms of concentrate quality and recovery of valuable minerals.

Outotec has been developing MesoTherm™ bio-oxidation technology for leaching base metals. The development work has shown it to be effective on certain copper sulfides, yielding 98% copper dissolution.

PERSONNEL

At the end of 2018, Outotec had a total of 4,012 (4,146) employees. During 2018, it had an average of 4,087 (4,149) employees. Temporary personnel accounted for 6 (5) % of the total.

At the end of 2018, the company had, in addition to its own personnel, 373 (368) full-time equivalent, contracted professionals working in project execution.

Salaries and other employee benefits in 2018 totaled EUR 313 (326) million.

SIMPLIFICATION PROGRAM

The total restructuring costs for the simplification program in 2018 were EUR 14 million.

RESOLUTIONS OF OUTOTEC'S AGM 2018

Outotec Oyj's Annual General Meeting (AGM) was held on March 27, 2018, in Helsinki, Finland. The AGM approved the parent company's financial statements and consolidated financial statements, and discharged the members of the Board of Directors and the President and CEO from liability for the 2017 financial year. The AGM decided that no dividend would be distributed for the financial year ending on December 31, 2017.

The AGM decided that the total number of Board members will be eight (8). 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. Ms. Hanne de Mora was elected as a new member. 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 2018, 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 8, 2019.

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

Matti Alahuhta (Chairman of the Committee) Eija Ailasmaa, Patrik Nolåker, and Timo Ritakallio 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 the reporting period, Outotec's share capital was EUR 17,186,442.52, consisting of 183,121,492 shares. Each share entitles its holder to one vote at the company's general meetings.

OUTOTEC OYJ OWN SHAREHOLDING

At the end of 2018, the company directly held a total of 1,365,312 Outotec shares, representing 0.75% of Outotec Oyj's shares and votes.

TRADING, MARKET CAPITALIZATION, AND SHAREHOLDERS

Shares on NASDAQ Helsinki January-December 2018	No. of shares traded	Total value EUR	High EUR	Low EUR	Average EUR ¹	Last paid EUR
OTE1V	261,444,774	1,514,261,197	8.53	2.86	5.79	3.07
¹ Volume weighted average						
					31.12.2018	31.12.2017
Market capitalization, EUR million					563	1,300
Number of shareholders					26,523	25,478
Nominee registered shareholders (number of registers 10), %					37.9	35.1
Finnish private investors, %					16.2	14.2

CHANGES IN SHAREHOLDING

October 29: Catella Fondförvaltning AB's holding in shares of Outotec Oyj fell to 4.9076% with 8,986,959 shares on October 26.

October 18: Catella Fondförvaltning AB's holding in shares of Outotec Oyj exceeded 5.008% with 9,171,005 shares on October 16.

June 21: Ilmarinen Mutual Pension Insurance Company (Finland) reported that its shareholding in Outotec Oyj (OTE1V) has fallen below 5%, to 4.88% and 8,935,072 shares/votes.

March 23: Tamares Nordic Investments B.V. announced that its shareholding in Outotec Oyj has fallen below 5% to zero (0) shares/votes.

SHARE-BASED INCENTIVES

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

LEGAL DISPUTES

Outotec has no ongoing litigations or arbitration proceedings.

OTHER MAIN ANNOUNCEMENTS AND EVENTS IN 2018

December 11: Outotec's share-based incentive program 2019-2021

October 30: Outotec announced it has agreed with its customer to work together to resolve issues relating to the ilmenite smelter project.

October 26: Outotec warns about possible material additional costs related to a large project

October 15: Outotec ranked in the top 5% of suppliers for its corporate responsibility practices in supplier CSR assessment by Ecovadis.

October 2: Members of Outotec's Nomination Board

- Annareetta Lumme-Timonen (Solidium Oy)
- Pekka Pajamo (Varma Mutual Pension Insurance Company)
- Mikko Mursula (Ilmarinen Mutual Pension Insurance Company)

- Matti Alahuhta (Chairman of the Board of Directors of Outotec)

September 20: Outotec to continue the Employee Share Savings Plan in 2019

August 15: Announcement of the change in the holding of the company's own shares on

June 7: Employee cooperation negotiations in Finland were completed

April 25: Changes in own shares

April 25: Simplification of company's structure

April 25: Employee cooperation negotiations started in Finland

April 4: Outsourcing some project engineering activities to Citec

January 23: For the sixth consecutive year, Outotec was included in the Global 100 Index of the most sustainable companies in the world, ranking fifth in the index (2017: 90th).

STATEMENT OF NON-FINANCIAL INFORMATION

Outotec, headquartered in Finland, operates globally with subsidiaries and branch offices in 42 countries. The company develops and delivers leading technologies and services for the sustainable use of Earth's natural resources in the mining, metal, energy, and chemical industries. Outotec's deliveries vary from a single piece of equipment to entire processes and plants. The scope typically includes raw material testing, engineering, sourcing, commissioning, training and life-cycle services.

Sustainable technologies and innovations, Engaged experts, Responsible supply chain, and Health and safety, as well as Ethics, compliance and governance, which includes working against corruption and respecting human rights, are the most fundamental non-financial topics for Outotec.

Outotec reports its economic, social and environmental performance annually in accordance with the Global Reporting Initiative (GRI) Standards. The Sustainability Report 2018 will be published in March 2019.

Value creation

The key resources for value creation are the deep-level know-how of Outotec's 4,012 experts, 6,467 national technology patents, and three research and development centers, as well as the Outotec brand itself. In addition, long customer and supplier relationships are essential resources for the company.

Outotec generates employment and wealth in local communities as an employer and buyer of goods and services. The company also contributes to local communities through

university cooperation and subcontracting R&D work. Outotec technologies often improve the conditions of the environment surrounding customers' plants.

Outotec is a compliant tax-payer in each country where it operates. The company pursues transparency and non-discrimination in its tax practices and does not engage in aggressive tax planning. In 2018, Outotec's current income taxes were EUR 7.1 million. Outotec neither paid dividends nor contributions to charities in 2018, due to negative earnings per share in 2017. To enhance its ability to create value over the cycle, Outotec aims to maintain its leadership in sustainable technologies and grow its service business.

Policies and risk management system

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

The non-financial risks in this statement have been identified in accordance with the Finnish Accounting Act, regardless of their materiality for Outotec. Outotec's risk management is based on its Corporate Governance and Enterprise Risk Management policies. Environmental, social and economic sustainability-related risks are covered in the operational risk assessment tool, which is used to assess all projects worth at least one million euros. Appropriate follow-up actions

are defined 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.

The Board of Directors' diversity principles are detailed in Outotec's Corporate Governance Statement 2018.

Environmental responsibility

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

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

Sustainable technologies and innovations

Outotec reduces the global metallurgical industry's carbon dioxide (CO₂) and other emissions by delivering advanced technologies for its customers' industrial processes. The company measures the reduction of CO₂ emissions as its positive impact on the environment (carbon handprint), by the amount

of CO₂ emissions avoided by using Outotec technologies. Six of these technologies are measured annually. Outotec has two long-term targets related to the environmental performance of its products and services: 1) customers generate 20% less CO₂ when using six Outotec technologies compared to annual industry baselines; and 2) to keep the share of environmental goods and services in order intake, measured by OECD criteria, permanently above 90%. In 2018, Outotec's customers generated 6.2 million tonnes less of CO₂ equivalents, representing a reduction of 15%. The amount of emissions avoided depends on the actual production amounts of the technologies involved. The share of environmental goods and services in order intake was 90%. For the sixth consecutive year, Outotec was listed in the Global 100 Index of the most sustainable companies in the world, ranking fifth in the index.

Environmental impact of Outotec's own operations

To a lesser degree, the company's environmental impact arises from its own operations. Outotec continuously aims to reduce the impacts of its operations and has annual targets related to CO₂ emissions, energy consumption and waste production. The company also monitors its emissions related to flights. 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

Outotec follows the principle of equal opportunity. All employees are entitled to good leadership and professional growth. HR policies and HR handbook define the principles for human capital management at Outotec. According to Outotec's QEHS Policy, safety is a priority in the company's operations.

Engaged experts

Outotec aims to employ the best experts in the industry as well as strengthen employee engagement while offering development opportunities to employees. Driving employee engagement is one of the key targets, as losing talent and competences is a risk for Outotec. The company measures employee engagement regularly and monitors other human analytics: for example, the attrition rate. The target is to achieve 70% employee engagement by 2020. In 2018, the employee engagement index improved from 2017 and was 61%.

Outotec mitigates employee retention risks through various culture and leadership development programs, fair and competitive compensation, talent management, and internal job rotation, complemented by different types of programs designed to support professional growth. Special emphasis is put on supporting the career development of women, as diversity is high on Outotec's agenda. The Human Capital Committee of the Board of Directors follows the development of job grades and salary equality. In addition, a women's mentoring program was launched in 2018.

More than 90% of Outotec managers have participated in leadership development pro-

grams in 2017–2018. The major competence development initiative in 2018 was the service certification program. It also included basic training about different technologies. In addition, the global sales development program was completed, and a project manager certification program was launched in 2018.

Health and safety

Outotec targets zero harm in occupational health and safety as well as product safety. There are considerable occupational health and safety risks in the mining and metals processing industry. The safety of products directly impacts the health and safety of employees, contractors and customers. The main health and safety risks for Outotec employees derive from traffic in different driving cultures, as well as when working at project sites and manufacturing units.

Outotec's key indicator for safety, lost-time injuries per million working hours (LTIR), was 1.9 in 2018. The LTIR reporting covers Outotec's premises, employees and contractors working under Outotec's direct supervision, as well as project sites. In 2018, there was one fatality, as an employee died in a traffic accident. All employees and contractors have the right to refuse work that would expose them or other people to a hazard or an incident.

The Product Compliance Management process ensures that the products and services designed and supplied by Outotec worldwide reliably meet all applicable safety requirements during all phases of the product life-cycle. The company follows incidents, hazards and development initiatives through its QEHS management and product compliance

management systems, as well as through customer feedback collected after each major delivery and in customer surveys.

Human rights

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

Potential risks and human rights impacts in Outotec's business relate to project site work in high-risk countries. Outotec has assessed the human rights risks in its own operations, with the focus on service and manufacturing sites. As a result, no significant human rights risks were identified. Based on the assessment, working conditions guidelines regarding blue collar workers have been created during 2018. These guidelines were aligned with the UN Guiding Principles.

Responsible supply chain

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

Outotec's Supplier Policy, which reflects the principles of the company's Code of Conduct.

Outotec audits its 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. Outotec audited 15% of its key suppliers in 2018. The long-term target is to audit all key suppliers with these criteria regularly, 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. Outotec has zero tolerance against corruption, works against corruption in all its forms, and requires its suppliers and business partners to follow the same principles and fully comply with all applicable anti-corruption laws. Outotec's Code of Conduct, Anti-Corruption Policy, Anti-Money Laundering Policy, Export Control Policy, Agent Policy, and Operational Risk Management Policy are the key policies that define the anti-corruption measures required from Outotec's employees, agents and suppliers.

To mitigate risks related to corruption and bribery, Outotec's target is to have employees participate in e-learning on the Code of Conduct or attend related classroom training on a regular basis. During 2018, 94% of permanent employees with daily access to a computer completed the Code of Conduct training. In addition, the sales agents and representatives are required to confirm their compliance with Outotec's business conduct requirements. The company conducts compliance checks on new customers and project related third parties.

Compliance helpline on the company website is available for anyone to raise concerns related to corruption, human rights or any illegal and/or unethical behavior. All concerns raised are treated confidentially, and there is a clear no-retaliation policy. The Chief Compliance Officer reports compliance cases and actions taken quarterly to the Audit and Risk Committee of Outotec's Board of Directors. Compliance investigations led to the termination of six employment contracts of which none was related to corruption. Outotec did not have to pay any fines or fulfil any non-monetary sanctions for non-compliance with anti-corruption laws in 2018.

KEY NON-FINANCIAL PERFORMANCE INDICATORS

Non-financial topic	Key performance indicators	2018
Environmental		
Sustainable technologies and innovations	Reduction in CO ₂ emissions through using Outotec's metals-related technologies compared to annual industry baselines	15%
	The share of environmental goods and services in order intake	90%
Social and employees		
Health and safety	Lost time injuries per million work hours	1.9
Engaged experts	Employee engagement index	61%
Human rights		
Responsible supply chain	Key suppliers audited	15%
Anti-corruption and bribery		
Ethics, compliance and governance	Percentage of permanent employees with daily computer access who completed Code of Conduct training	94%

SHORT-TERM RISKS AND UNCERTAINTIES

Major investments continue to develop slowly, and new investments may either be delayed or existing projects may be put on hold or cancelled. There is also the continued risk of credit losses, especially in receivables from emerging markets. The supply situation may tighten, which may cause delays or escalations. Any uncertainty in the global macroeconomic environment, especially China's economic outlook, may impact demand for metals and their prices, as well as Outotec's operations and financials.

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. This in turn could lead to decreasing headroom under financial covenants related to capital structure and liquidity.

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

Risks related to Outotec's business operations are high in certain markets, such as the Middle East, Russia, Democratic Republic of Congo, and Turkey. The geopolitical situation, including risk of trade wars, Brexit, sanctions, security situation, economic conditions, and regulatory environment may change rapidly, causing 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 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.

MARKET OUTLOOK

The long-term outlook for metals demand is expected to be supported by new uses for metals, such as electric vehicles. New technologies for the reprocessing of materials offer opportunities to maximize the recovery of metals from existing sites. Tighter environmental regulations impose stricter limits for water and energy use. Investments are expected to focus largely on modernizations of existing processes. Investment decisions for greenfield and larger investments are expected to be slow in the short-term, due to volatility in global

macroeconomic environment which is impacting metal prices.

Investments in minerals processing will continue to be driven by increased mining activity, production levels, and continued emphasis on optimizing existing operations. Metals-specific, demand-related growth expectations, in addition to more complex ores and lower ore grades, continue to provide opportunities especially for the Minerals Processing segment in process optimization, equipment upgrades, and services. Copper, gold, battery metals and aluminum projects are expected to be most active.

The technology portfolio for the Metals, Energy & Water segment provides opportunities in several markets. Copper, zinc, lithium and gold projects are expected to be most active. There is a global need for waste-to-energy and sludge incineration solutions, but often investments are progressing slowly, as they are tied to a regional development agenda and decisions made by the public sector.

MAIN EVENTS AFTER THE END OF 2018

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

January 24: Order for a mine paste backfill system for a nickel mine in Canada. Value not disclosed but similar deliveries are approximately EUR 20–30 million.

February 5: Order for filtration technology and services for a lithium processing plant in Australia, value of approximately EUR 12 million.

February 8: Outotec makes EUR 110 million project provision relating to the ilmenite smelter.

FINANCIAL GUIDANCE FOR 2019

Based on the current market outlook, we expect our sales to increase, and our aEBIT* to increase significantly from the 2018 aEBIT (EUR 63.8 million) without the provision for the ilmenite smelter project.

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

BOARD OF DIRECTORS' PROPOSAL FOR PROFIT DISTRIBUTION

The Board of Directors of Outotec proposes to the Annual General Meeting that no dividend will be paid for the year ending December 31, 2018, due to the negative earnings per share. According to the financial statements for December 31, 2018, the parent company's distributable funds total EUR 243.1 million. There have been no substantial changes in the financial position of the company after the balance sheet date.

Corporate governance statement

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

Espoo, February 8, 2019

Board of Directors
Matti Alahuhta
Timo Ritakallio
Eija Ailasmaa
Klaus Cawén
Anja Korhonen
Hanne de Mora
Patrik Nolåker
Ian W. Pearce
Markku Teräsvasara, President and CEO

SHARES AND SHAREHOLDERS

Outotec Oyj's shares are listed on the Nasdaq Helsinki (OMXH). The trading symbol of Outotec is OTE1V and the trading lot is one share.

Shares and share capital

At the end of 2018, 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 shareholders' meetings.

Outotec Oyj's own shareholding

At the end of 2018, the company held directly a total of 1,365,312 Outotec shares, which represents a relative share of 0.75% of Outotec Oyj's shares and votes.

Board's authorizations

The Annual General Meeting 2018 authorized Outotec's Board of Directors to determine the repurchase of the company's own shares, and to issue new shares. The maximum number of shares related to both authorizations is 18,312,149. The authorizations are valid until the closing of the next Annual General Meeting.

Board and management shareholding

The total shareholding of the Board of Directors, CEO and Executive Board at the end of 2018 was 488,068 Outotec shares.

Board of Directors' proposal for profit distribution

The Board of Directors proposes to the Annual General Meeting 2019 that no dividend will be paid for the financial year 2018.

SHARES ON NASDAQ HELSINKI LTD

January-December 2018	No. of shares traded	Total value EUR	High EUR	Low EUR	Average EUR ¹	Last paid EUR
OTE1V	261,444,774	1,514,261,197	8.53	2.86	5.79	3.07
					31.12.2018	31.12.2017
Market capitalization, EUR million					563	1,300
No. of shareholders					26,523	25,478
Nominee registered shareholders (10), %					37.9	35.1
Finnish households, %					16.2	14.2

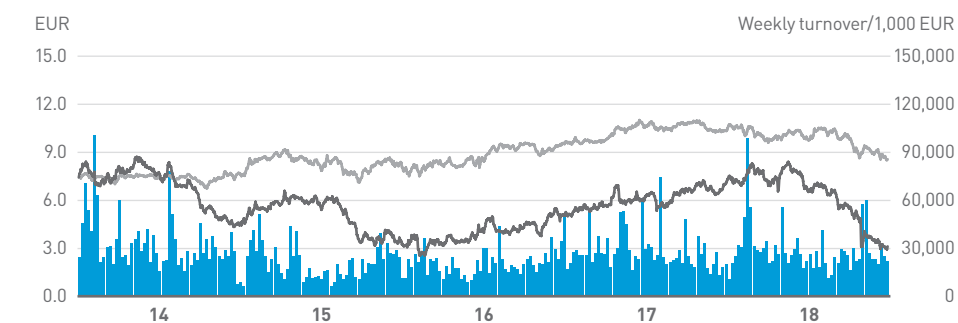
¹ Volume-weighted average

DIVIDEND PAYMENT

Year	Dividend per share, EUR	Payout ratio, %	Yield, %
2008 (financial year 2007)	0.24	51	2.5
2009 (financial year 2008)	0.25	45	9.3
2010 (financial year 2009)	0.18	76	2.8
2011 (financial year 2010)	0.19	129	1.6
2012 (financial year 2011)	0.21	49	2.3
2013 (financial year 2012)	0.30	43	2.8
2014 (financial year 2013)	0.20	40	2.6
2015 (financial year 2014)	0.10	10,497	2.3
2016 (financial year 2015)	-	-	-
2017 (financial year 2016)	-	-	-
2018 (financial year 2017)	-	-	-
2019 (financial year 2018)	- ¹	-	-

¹The Board of Directors' proposal to the Annual General Meeting on March 14, 2019.

OUTOTEC SHARE PRICE PERFORMANCE AND TURNOVER IN NASDAQ HELSINKI



— Outotec Oyj, OTE1V
— Industry (HX2000PI)
● Trading volume*

* In 2018, Nasdaq Helsinki's share accounted for 67.7% (2017: 69.2%) of all shares traded.
Source: Fidessa Fragulator

SHARE-RELATED KEY FIGURES

		2018	2017 ¹
Earnings per share	EUR	-0.42	-0.03
Equity per share	EUR	2.06	2.56
Dividend per share	EUR	- ²	-
Dividend payout ratio	%	-	-
Dividend yield	%	-	-
Price/earnings ratio		-7.3	-219.8
Development of share price			
Average trading price	EUR	5.79	6.03
Lowest trading price	EUR	2.86	4.88
Highest trading price	EUR	8.53	7.41
Trading price at the end of period	EUR	3.07	7.10
Market capitalization at the end of period	EUR million	562.9	1,300.2
Development in trading volume			
Trading volume	1,000 shares	261,445	246,699
In relation to weighted average number of shares	%	144.0	136.1
Adjusted average number of shares		181,546,715	181,305,030
Number of shares at the end of period ³		181,610,134	181,419,563

¹ The 2017 figures have been restated due to adoption of the IFRS 15 standard.

² The Board of Directors' proposal to the Annual General Meeting on March 14, 2019.

³ Number of registered shares at December 31, 2018 was 183,121,492 [at December 31, 2017: 183,121,492].

DISTRIBUTION OF SHAREHOLDINGS ON DECEMBER 31, 2018

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1-100	5,355	20.19	296,839	0.16
101-1,000	14,531	54.79	6,670,980	3.64
1,001-10,000	6,122	23.08	17,256,208	9.42
10,001-100,000	457	1.72	10,936,728	5.97
100,001-1,000,000	44	0.17	15,612,756	8.53
1,000,001+	14	0.05	132,347,981	72.27
Total	26,523	100.00	183,121,492	100.00
In the joint book-entry account	-	-	-	-
In special accounts	-	-	-	-
Number of shares issued	-	-	183,121,492	100.00
Nominee registered	11	0.04	69,416,350	37.91

SHAREHOLDERS BY GROUP ON DECEMBER 31, 2018

Sectors	Number of holdings	% of shares and votes
Non-Finnish holders	410	1.60
Finnish institutions, companies and foundations	1,173	82.17
Finnish private investors	24,940	16.22
Total	26,523	100.00
On common and special accounts	-	-
Of which nominee registered	11	37.91

LARGEST SHAREHOLDERS ON DECEMBER 31, 2018

Shareholders	Shares	% of shares and votes
Solidium Oy	27,265,232	14.89
Varma Mutual Pension Insurance Company	14,778,363	8.07
Ilmarinen Mutual Pension Insurance Company	7,341,852	4.01
The State Pension Fund	4,500,000	2.46
Keva	2,650,120	1.45
Holding Manutas Oy	1,800,000	0.98
Sijoitusrahasto Aktia Capital	1,550,751	0.85
Foundation of Brita Maria Renlunds minne	1,380,000	0.75
Outotec Oyj	1,365,312	0.75
QRT-invest Oy	1,347,290	0.74
Total	63,978,920	34.94

KEY FINANCIAL FIGURES

Key financial figures of the Group		2018	2017 ¹	2016	2015	2014
Scope of activity						
Sales	EUR million	1,276.5	1,143.8	1,057.9	1,201.2	1,402.6
change in sales	%	11.6	8.1	-11.9	-14.4	-26.6
exports from and sales outside Finland, of total sales	%	97.9	96.7	93.4	98.0	98.6
Capital expenditure	EUR million	21.4	20.7	21.6	104.8	68.5
in relation to sales	%	1.7	1.8	2.0	8.7	4.9
Research and development expenses ²	EUR million	57.4	55.6	55.2	61.2	56.9
in relation to sales	%	4.5	4.9	5.2	5.1	4.1
Personnel at December 31		4,012	4,146	4,192	4,859	4,571
average for the year		4,087	4,149	4,344	4,855	4,845
Order backlog at the end of the period	EUR million	946.6	1,005.4	1,002.1	1,102.8	1,138.0
Order intake	EUR million	1,251.3	1,204.6	1,007.7	1,189.9	1,177.9
Profitability						
Operating result	EUR million	-66.1	26.0	-67.7	-12.3	10.4
in relation to sales	%	-5.2	2.3	-6.4	-1.0	0.7
Result before taxes	EUR million	-75.4	16.0	-78.1	-22.9	0.2
in relation to sales	%	-5.9	1.4	-7.4	-1.9	0.0
Gross margin	%	15.4	23.6	22.1	27.9	22.9
Return on equity	%	-15.9	0.6	-15.4	-4.0	0.0
Return on investment	%	-11.3	3.0	-9.4	-1.5	1.7
Financing and financial position						
Equity-to-assets ratio at the end of the period	%	32.9	41.1	40.0	31.1	36.1
Gearing at the end of the period	%	-10.1	-1.2	-0.9	9.9	-1.3
Net interest-bearing debt	EUR million	-38.1	-5.5	-4.5	39.9	-5.8
Net cash from operating activities	EUR million	70.4	39.6	-84.6	69.5	19.9
Dividends	EUR million	-³	-	-	-	18.1

¹The 2017 figures have been restated due to adoption of the IFRS 15 standard.

²Reclassification of product management costs in 2015. The 2014 figures have been restated.

³The Board of Directors' proposal to the Annual General Meeting on March 14, 2019.

ALTERNATIVE PERFORMANCE MEASURES

		2018	2017 ¹	2016	2015	2014
Operating result	EUR million	-66.1	26.0	-67.7	-12.3	10.4
Restructuring and acquisition-related costs	EUR million	13.3	0.2	37.2	58.9	37.2
PPA amortization	EUR million	6.6	7.3	7.4	9.4	8.4
Adjusted EBIT ²	EUR million	-46.2	33.5	-23.0	56.0	56.0
in relation to sales	%	-3.6	2.9	-2.2	4.7	4.0

¹ The 2017 figures have been restated due to adoption of the IFRS 15 standard.

² Excluding restructuring and acquisition-related costs and PPA amortizations.

QUARTERLY INFORMATION (UNAUDITED)

EUR million	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18
Sales									
Minerals Processing	178.8	151.7	167.7	147.8	201.2	159.9	193.0	187.3	217.7
Metals, Energy & Water	126.4	111.6	98.1	126.1	139.7	127.2	138.3	132.8	120.3
Unallocated items ¹ and intra-group sales	0.1	0.0	0.0	0.0	-0.1	0.0	-0.0	0.0	-0.0
Total	305.4	263.3	265.8	273.9	340.8	287.1	331.2	320.2	338.0
Operating result									
Minerals Processing	7.8	10.4	14.2	14.3	21.1	15.0	15.7	20.8	27.1
Metals, Energy & Water	-59.7	-10.2	-13.6	-0.6	-2.9	-8.2	-13.7	-2.9	-110.9
Unallocated items ² and intra-group items	-1.6	-1.4	-2.0	-1.4	-2.0	-1.4	-5.0	-1.9	-0.8
Total	-53.5	-1.2	-1.4	12.3	16.2	5.4	-3.0	16.0	-84.5
Order backlog at the end of period	1,002.1	1,077.4	1,068.2	1,002.7	1,005.4	1,053.8	1,084.9	1,007.2	946.6

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

Share-related key figures

EUR million		2018	2017 ¹	2016	2015	2014
Earnings per share	EUR	-0.42	-0.03	-0.42	-0.10	0.00
Equity per share	EUR	2.06	2.56	2.73	2.22	2.47
Dividend per share	EUR	- ²	-	-	-	0.10
Dividend payout ratio	%	-	-	-	-	10,497
Dividend yield	%	-	-	-	-	2.3
Price/earnings ratio		-7.3	-219.8	-11.9	-34.0	4,608.1
Development of share price						
Average trading price	EUR	5.79	6.03	3.91	4.74	6.88
Lowest trading price	EUR	2.86	4.88	2.49	3.11	4.19
Highest trading price	EUR	8.53	7.41	5.63	6.85	9.28
Trading price at the end of the period	EUR	3.07	7.10	4.99	3.40	4.39
Market capitalization at the end of the period	EUR million	562.9	1,300.2	914.1	622.6	803.2
Development in trading volume						
Trading volume	1,000 shares	261,445	246,699	283,187	236,182	255,600
In relation to weighted average number of shares	%	144.0	136.1	156.4	130.5	141.6
Adjusted average number of shares		181,546,715	181,305,030	181,123,686	180,959,804	180,469,018
Number of shares at the end of the period ³		181,610,134	181,419,563	181,226,109	180,956,227	180,470,383

¹ The 2017 figures have been restated due to adoption of the IFRS 15 standard.

² The Board of Directors' proposal to the Annual General Meeting on March 14, 2019

³ Number of registered shares at December 31, 2018 was 183,121,492 (at December 31, 2017: 183,121,492).

DEFINITIONS OF KEY FINANCIAL FIGURES

Net working capital	=	$\frac{\text{Other non-current assets} + \text{Inventories} + \text{Trade and other receivables} + \text{Project related receivables} + \text{Derivatives (assets)} - \text{Provisions} - \text{Trade and other payables} - \text{Net advances received} - \text{Other project liabilities} - \text{Derivatives (liabilities)}}{\text{Total equity (average for the period)}} \times 100$	Earnings per share	=	$\frac{\text{Result for the period attributable to the equity holders of the parent company} - \text{hybrid bond interest}}{\text{Average number of shares during the period, as adjusted for stock split}}$
Return on equity	=	$\frac{\text{Result for the period}}{\text{Total equity (average for the period)}} \times 100$	Equity per share	=	$\frac{\text{Equity attributable to the equity holders}}{\text{Number of shares at the end of the period, as adjusted for stock split}}$
Return on investment	=	$\frac{\text{Operating result} + \text{finance income}}{\text{Total assets} - \text{non-interest-bearing debt (average for the period)}} \times 100$	Dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Number of the shares at the end of period, as adjusted for stock split}}$
Net interest-bearing debt	=	$\text{Interest-bearing debt} - \text{Interest-bearing assets} - \text{Other shares and securities} - \text{Cash and cash equivalents}$	Dividend payout ratio	=	$\frac{\text{Dividend for the financial year}}{\text{Result for the period attributable to the equity holders of the parent company}} \times 100$
Equity-to-assets ratio	=	$\frac{\text{Total equity}}{\text{Total assets} - \text{advances received}} \times 100$	Dividend yield	=	$\frac{\text{Dividend per share}}{\text{Adjusted trading price at the end of the period}} \times 100$
Gearing	=	$\frac{\text{Net interest-bearing debt}}{\text{Total equity}} \times 100$	Price/earnings ratio (P/E)	=	$\frac{\text{Adjusted trading price at the end of the period}}{\text{Earnings per share}}$
Research and development expenses	=	$\text{Research and development expenses in the statement of comprehensive income (including expenses covered by grants received)}$	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	=	$\text{Number of shares at the end of period} \times \text{trading price at the end of the period}$
			Trading volume	=	$\text{Number of shares traded during the period, and in relation to the weighted average number of shares during the period}$

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

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ABOUT THIS REPORT

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

Accounting principle

Accounting principles are presented on a blue background.

Accounting estimates and judgements


Accounting estimates and judgements are presented on a grey background.



Highlights and management's comments are marked with green.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	2018	2017 ¹
Sales	1.1–1.2	1,276.5	1,143.8
Cost of sales	1.3	-1,080.0	-873.6
Gross profit		196.5	270.2
Other income	1.5	0.8	10.1
Selling and marketing expenses	1.3	-115.6	-119.6
Administrative expenses	1.3	-73.9	-75.9
Research and development expenses	1.3	-57.4	-55.6
Other expenses	1.5	-16.7	-3.2
Share of results of associated companies	3.4	0.3	0.0
Operating result		-66.1	26.0
Finance income	4.4	6.1	4.8
Finance expenses	4.4	-13.2	-12.2
Market price gains and losses	4.4	-2.2	-2.6
Net finance income and expenses		-9.3	-10.0
Result before income taxes		-75.4	16.0
Income tax expenses	1.7	8.2	-13.1
Result for the period		-67.3	2.9

 Operating result was impacted by the ilmenite smelter project provision of EUR 110 million.


EUR million	Note	2018	2017 ¹
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit obligations		0.8	-3.7
Income tax relating to items that will not be reclassified to profit or loss		-0.1	1.1
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations		-10.7	-23.0
Cash flow hedges		-4.6	4.3
Changes in the fair value of other shares and securities		-0.1	-0.1
Income tax relating to items that may be reclassified to profit or loss		0.6	-0.9
Other comprehensive income for the period		-14.0	-22.3
Total comprehensive income for the period		-81.3	-19.4
Result for the period attributable to:			
Equity holders of the parent company		-67.3	3.0
Non-controlling interest		-0.0	-0.1
Total comprehensive income for the period attributable to:			
Equity holders of the parent company		-81.1	-19.3
Non-controlling interest		-0.1	-0.1
Earnings per share for result attributable to the equity holders of the parent company:			
Basic earnings per share, EUR	1.6	-0.42	-0.03
Diluted earnings per share, EUR	1.6	-0.42	-0.03

¹ Comparative figures for 2017 have been restated due to adoption of the IFRS 15 standard (further information in the introduction to the notes).

The Notes on pages 29 to 78 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	31.12.2018	31.12.2017 ¹
ASSETS			
Non-current assets			
Intangible assets	3.2-3.3	338.4	359.1
Property, plant and equipment	3.2	53.3	56.0
Deferred tax assets	1.7	78.2	90.9
Investments in associated companies	3.4	0.8	0.4
Other shares and securities	3.5	1.6	2.2
Derivative financial instruments	4.6	2.8	4.6
Trade and other receivables			
Interest-bearing	4.2	4.1	1.5
Non interest-bearing	2.2	2.3	2.3
Total non-current assets		481.5	517.0
Current assets			
Inventories	2.1	208.9	195.9
Derivative financial instruments	4.6	6.0	4.7
Current tax assets		10.6	13.9
Trade and other receivables			
Interest-bearing	4.2	0.0	0.1
Non interest-bearing	2.2	417.4	395.0
Cash and cash equivalents	4.3	233.4	230.2
Total current assets		876.3	839.8
TOTAL ASSETS		1,357.8	1,356.8

 including the provision made for the ilmenite smelter project

The Notes on pages 29 to 78 are an integral part of these consolidated financial statements.

EUR million	Note	31.12.2018	31.12.2017 ¹
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent company			
Share capital		17.2	17.2
Share premium fund		20.2	20.2
Treasury shares		-12.5	-15.0
Reserve for invested non-restricted equity		98.3	96.6
Other reserves		-18.4	-15.0
Hybrid bond		150.0	150.0
Cumulative translation differences		-27.3	-16.7
Retained earnings		214.2	223.6
Result for the period		-67.3	3.0
		374.4	463.8
Non-controlling interest		3.0	3.2
Total equity	4.1	377.4	466.9
Non-current liabilities			
Interest-bearing debt	4.2	178.1	183.5
Derivative financial instruments	4.6	0.6	0.4
Deferred tax liabilities	1.7	7.7	39.7
Pension obligations	5.2	55.9	58.2
Provisions	2.4	50.2	-
Trade and other payables	2.3	7.1	8.1
Total non-current liabilities		299.5	289.9
Current liabilities			
Interest-bearing debt	4.2	23.0	45.0
Derivative financial instruments	4.6	8.8	7.5
Current tax liabilities		8.4	8.0
Provisions	2.4	110.9	45.2
Trade and other payables	2.3	529.8	494.2
Total current liabilities		680.9	599.9
Total liabilities		980.4	889.8
TOTAL EQUITY AND LIABILITIES		1,357.8	1,356.8

¹ Comparative figures for 2017 have been restated due to adoption of the IFRS 15 standard (further information in the introduction to the notes).

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Note	2018	2017 ¹
Cash flows from operating activities			
Result for the period		-67.3	2.9
Adjustments for			
Taxes	1.7	-8.2	13.1
Depreciation and amortization	3.2	38.6	40.9
Impairment	3.2	2.0	1.1
Share of results of associated companies	3.4	-0.3	-0.0
Gains and losses on disposal of property, plant and equipment	1.5	0.0	-0.2
Interest income	4.4	-5.2	-4.5
Dividend income	4.4	-0.9	-0.3
Interest expense	4.4	6.9	7.9
Other adjustments		-2.1	6.9
		30.9	64.8
Change in working capital			
Increase (-) and decrease (+) in trade and other receivables		-33.9	-11.6
Increase (-) and decrease (+) in inventories		-17.4	18.9
Increase (+) and decrease (-) and in trade and other payables		50.3	-11.1
Increase (+) and decrease (-) in provisions		113.6	-18.0
		112.6	-21.8
Dividend received		0.9	0.3
Interest received		5.1	4.5
Interest paid		-5.7	-8.6
Income tax paid		-6.2	-2.5
Net cash from operating activities		70.4	39.6

EUR million	Note	2018	2017 ¹
Cash flows from investing activities			
Purchases of property, plant and equipment	3.2	-8.9	-9.1
Purchases of intangible assets	3.2	-12.7	-11.8
Acquisition of subsidiaries and business operations	3.1	-0.5	-0.2
Acquisition of shares in associated companies	3.4	-0.2	-
Proceeds from sale of intangible and tangible assets	3.2	0.9	2.3
Proceeds from disposal of subsidiaries		0.0	-
Change in other non-current receivables		0.0	-0.2
Net cash used in investing activities		-21.3	-18.9
Cash flows from financing activities			
Repayments of non-current debt (-)	4.2	-4.4	-7.9
Decrease in current debt (-)	4.2	-33.2	-22.2
Increase in current debt (+)	4.2	10.0	29.0
Interest paid on hybrid bond		-11.1	-11.1
Change in other financing activities		0.4	-0.7
Net cash used in financing activities		-38.3	-12.9
Net change in cash and cash equivalents		10.8	7.8
Cash and cash equivalents at January 1		230.2	233.0
Foreign exchange rate effect on cash and cash equivalents		-7.7	-10.6
Net change in cash and cash equivalents		10.8	7.8
Cash and cash equivalents at December 31	4.3	233.4	230.2

¹ Comparative figures for 2017 have been restated due to adoption of the IFRS 15 standard (further information in the introduction to the notes).

The Notes on pages 29 to 78 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Attributable to the equity holders of the Company										
	Share capital	Share premium fund	Fair value and other reserves	Treasury shares	Reserve for invested non-restricted equity	Hybrid bond	Cumulative translation differences	Retained earnings	Total, attributable to holders of parent company	Non-controlling interest	Total equity
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
IFRS 15 restatement ¹	-	-	-	-	-	-	-	-4.2	-4.2	-	-4.2
Restated equity at January 1, 2017	17.2	20.2	-15.7	-15.9	95.7	150.0	6.2	233.0	490.6	3.3	493.9
Result for the period	-	-	-	-	-	-	-	3.0	3.0	-0.1	2.9
Other comprehensive income for the period	-	-	0.7	-	-	-	-22.9	-	-22.2	0.0	-22.3
Total comprehensive income for the period	-	-	0.7	-	-	-	-22.9	3.0	-19.3	-0.1	-19.4
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
Equity at December 31, 2017	17.2	20.2	-15.0	-15.0	96.6	150.0	-16.7	226.6	463.8	3.2	466.9
Equity at January 1, 2018	17.2	20.2	-15.0	-15.0	96.6	150.0	-16.7	226.6	463.8	3.2	466.9
IFRS 9 restatement ¹	-	-	-	-	-	-	-	-0.8	-0.8	-	-0.8
IFRS 2 restatement ¹	-	-	-	-	-	-	-	0.8	0.8	-	0.8
Restated equity at January 1, 2018	17.2	20.2	-15.0	-15.0	96.6	150.0	-16.7	226.6	463.8	3.2	466.9
Result for the period	-	-	-	-	-	-	-	-67.2	-67.2	-0.0	-67.3
Other comprehensive income for the period	-	-	-3.3	-	-	-	-10.5	-	-13.9	-0.1	-14.0
Total comprehensive income for the period	-	-	-3.3	-	-	-	-10.5	-67.2	-81.1	-0.1	-81.3
Hybrid bond interest (net of tax)	-	-	-	-	-	-	-	-8.9	-8.9	-	-8.9
Share-based compensation	-	-	-	2.5	1.7	-	-	-3.8	0.4	-	0.4
Other changes	-	-	-	-	-	-	-	0.2	0.2	-	0.2
Equity at December 31, 2018	17.2	20.2	-18.4	-12.5	98.3	150.0	-27.3	146.9	374.4	3.0	377.4

¹ IAS 8 change in accounting policies (net of tax), see further information under the introduction to the notes.

The Notes on pages 29 to 78 are an integral part of these consolidated financial statements.

INTRODUCTION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

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. Outotec Oyj has been listed on the Nasdaq Helsinki since 2006.

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

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

The Board of Directors has authorized the Consolidated Financial Statements for issue on February 8, 2019. According to the Finnish Limited Liability Companies Act the shareholders have the right to approve, amend or reject the Consolidated Financial Statements in the Annual General Meeting held after issuing.

Accounting principle

The consolidated financial statements of Outotec have been prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted by the European Union through the application of the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on December 31, 2018. Notes to the consolidated financial statements have also been prepared in accordance with the Finnish accounting Standards and Finnish corporate legislation.

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

Consolidation

The consolidated financial statements include the parent company Outotec Oyj and all subsidiaries where the parent company is in control of the company. The group controls an entity when it is exposed,

or has rights, to variable returns from its involvement with the entity and is able to affect those returns through its power over the entity.

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

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

Non-controlling interests

Net profit or loss for the reporting period and comprehensive income items are allocated to the parent company's shareholders and non-controlling interest parties

INTRODUCTION

and are presented in the comprehensive income. The share of the non-controlling interest is disclosed separately from the equity belonging to the shareholders of the parent company.

Foreign currency translation

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

Foreign currency transactions

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

ADOPTION OF NEW AND AMENDED STANDARDS

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

Adoption of IFRS 15

Outotec has adopted the IFRS 15 standard (Revenue from Contracts with Customers) as of January 1, 2018. As a result, Outotec restated the figures for 2017 using the full retrospective method. The new IFRS 15 standard replaced the IAS 18 and IAS 11 standards and related interpretations.

When applying the new standard, Outotec focused especially on the need to combine contracts for revenue recognition purposes,

identification of performance obligations, estimation of variable considerations and revenue recognition over time or at a point in time.

Management assessed that certain customer contracts, previously recognized as revenue over time, were to be recognized as revenue at a point in time. The new requirements on identifying the performance obligations or combining the customer contracts mainly impacted the revenue recognition process at Outotec. There were no changes in transition to IFRS 15 with regard to standard equipment, spare part deliveries, long-term service contracts or shutdown services.

The impact of IFRS 15 on the Statement of comprehensive income and Statement of financial position for 2017 is disclosed below. The new accounting principles are disclosed in note 1.2.

Accounting estimates and judgements

The preparation of the financial statements in accordance with IFRS requires management to make estimates and judgements that affect the reported amounts. The most significant accounting estimates and judgements made by the management relate to customer contracts, impairment of goodwill, valuation of inventories and trade receivables, provisions, pension obliga-

tions and deferred tax assets and liabilities. The basis for the estimates is described in more detail in connection with the relevant disclosure. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates used in the financial statements.

INTRODUCTION

Consolidated statement of comprehensive income 2017

EUR million	Reported	Rstm.	Restated
Sales	1,139.2	4.6	1,143.8
Cost of sales	-870.5	-3.2	-873.6
Gross result	268.8	1.4	270.2
Other income	10.1	-	10.1
Selling and marketing expenses	-119.6	-	-119.6
Administrative expenses	-75.9	-	-75.9
Research and development expenses	-55.6	-	-55.6
Other expenses	-3.2	-	-3.2
Share of results of associated companies	0.0	-	0.0
Operating result	24.6	1.4	26.0
Net finance income and expenses	-10.0	-	-10.0
Result before income taxes	14.5	1.4	16.0
Income tax expenses	-12.6	-0.4	-13.1
Result for the period	1.9	1.0	2.9
Other comprehensive income for the period	-22.3	-	-22.3
Total comprehensive income for the period	-20.4	1.0	-19.4
Result for the period attributable to:			
Equity holders of the parent company	2.0	1.0	3.0
Non-controlling interest	-0.1	-	-0.1
Total comprehensive income for the period attributable to:			
Equity holders of the parent company	-20.3	1.0	-19.3
Non-controlling interest	-0.1	-	-0.1
Earnings per share for result attributable to the equity holders of the parent company:			
Basic earnings per share, EUR	-0.04	0.01	-0.03
Diluted earnings per share, EUR	-0.04	0.01	-0.03

Condensed Consolidated Statement of Financial Position 2017

EUR million	Reported	Rstm.	Restated
ASSETS			
Non-current assets			
Intangible assets	359.1	-	359.1
Property, plant and equipment	56.0	-	56.0
Deferred tax assets	89.6	1.3	90.9
Non-current financial assets			
Interest-bearing	3.8	-	3.8
Non interest-bearing	7.2	-	7.2
Total non-current assets	515.7	1.3	517.0
Current assets			
Inventories	185.8	10.1	195.9
Current financial assets			
Interest-bearing	0.1	-	0.1
Non interest-bearing	413.9	-0.4	413.6
Cash and cash equivalents	230.2	-	230.2
Total current assets	830.0	9.8	839.8
TOTAL ASSETS	1,345.7	11.1	1,356.8

INTRODUCTION

EUR million	Reported	Rstm.	Restated
EQUITY AND LIABILITIES			
Share capital	17.2	-	17.2
Retained earnings	229.8	-3.2	226.6
Hybrid bond	150.0	-	150.0
Other components of equity	70.0	-	70.0
Equity attributable to the equity holders of the parent company	467.0	-3.2	463.8
Non-controlling interest	3.2	-	3.2
Total equity	470.1	-3.2	466.9
Non-current liabilities			
Interest-bearing debt	183.5	-	183.5
Deferred tax liabilities	39.7	-	39.7
Other non interest-bearing	66.7	-	66.7
Total non-current liabilities	289.9	-	289.9
Current liabilities			
Interest-bearing	45.0	-	45.0
Non interest-bearing			
Advances received	203.4	16.8	220.2
Other non interest-bearing liabilities	337.2	-2.6	334.6
Total current liabilities	585.6	14.3	599.9
Total liabilities	875.6	14.3	889.8
TOTAL EQUITY AND LIABILITIES	1,345.7	11.1	1,356.8

Adoption of IFRS 9

Outotec has adopted the IFRS 9 standard (Financial instruments) as of January 1, 2018. The new standard replaced the items in IAS 39 related to recognition, classification and valuation of financial assets and liabilities as well as impairment of financial assets and hedge accounting. In accordance with the transition rules of the IFRS 9 standard, the comparative figures have not been restated.

Under the IFRS 9 standard, the Group's financial assets are classified as follows: fair

value through profit or loss, fair value through other comprehensive income and amortized cost. According to the standard, the classification is performed as based on business objectives for the financial asset as well as its contractual cash flows and in connection with the original recognition. The tables below illustrate the changes in the transition from IAS 39 to IFRS 9. The reclassification had no impact on the values.

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 *
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
Trade and other Receivables - Non-Interest bearing	Loans and Receivables	Amortized Cost

* 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 *
Trade and other Receivables - Interest bearing	Loans and Receivables	Amortized Cost
Trade and other Receivables - Non-Interest bearing	Loans and Receivables	Amortized Cost

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

INTRODUCTION

The amendments related to evaluation of credit losses under the new IFRS 9 standard resulted in the establishment of a new bad debt provision policy at Outotec. The Group's previous bad debt provision policy focused on case-by-case decision-making, whereas IFRS 9 requires a more systematic approach for bad debt provisions. The Group uses a simplified credit loss matrix, according to which a credit loss allowance is measured at an amount equal to the lifetime expected credit losses. The bad debt provision was increased by EUR 1.2 million (EUR 0.8 million net of tax) in accordance with the new policy. Outotec did not restate the comparative periods, and the impact of the transition period was recognized in the opening balance of retained earnings on January 1, 2018.

The new hedge accounting model introduced by IFRS 9 simplifies the application of hedge accounting and is more aligned with the risk management strategy. IFRS 9 also defines three hedge effectiveness requirements for the application of hedge accounting. These amendments did not have a material impact on the Group.

Adoption of IFRS 2

Outotec has adopted the IFRS 2 standard (Share-based payments) as of January 1, 2018. The standard amendments relate to the classification and measurement of share-based payment transactions.

The change in Outotec relates to awards with net settlement features, where the cash-settled component for withholding tax payments should be treated as equity-settled. Outotec has reclassified this component, totalling EUR 0.8 million for the on-going programs, from liabilities to equity in the opening balance at January 1, 2018. The revaluation change did not have a significant impact on the income statement and balance sheet. Outotec did not restate the comparative periods.

Adoption of IFRIC 22

Outotec has adopted the IFRIC 22 interpretation (Foreign Currency Transactions and Advance Considerations) as of January 1, 2018. IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance. The new interpretation did not have a significant impact on the income statement and balance sheet.

The following new standards, amendments and interpretations have been published, but they were not effective in 2018, neither has Outotec early adopted them:

IFRS 16 – Leases

Background

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

Impact analysis

Outotec has conducted a Group-wide analysis of the Group's lease contracts and has concluded. Outotec's lease portfolio consists mainly of offices, warehouses and company cars. Outotec will apply the exemptions for short-term leases and leases for which the underlying asset is of low value, and will not recognize the right-of-use asset and lease liability for these lease contracts. The lease expenses related to these types of contracts will be recognized on a straight-line basis in the statement of comprehensive income.

In the statement of financial position, a right-of-use asset is recognized for lease contracts. Right-of-use assets are measured as the amount of lease liability and any prepayments or initial direct costs incurred. Lease liability is recognized as the present value of the remaining lease payments in the statement of financial position. Lease payments are discounted with the interest rate implicit in the lease contract, or if that rate cannot be readily determined, Outotec incremental borrowing rates will be used. At initial application, Outotec estimates the recognition of right-of-use asset and respective lease liabilities in the range of EUR 65 million to EUR 75 million as of January 1, 2019.

Under IFRS 16, depreciation on right-of-use asset and interest expense on the discounted lease, a liability is recognized in the statement of comprehensive income in comparison to lease expense recognized under IAS 17. This change will slightly improve operating result, and the impact on net profit is immaterial.

In the consolidated statement of cash flows, net cash from operating activities will increase and net cash used in financing activities will decrease as repayment of the principal portion of the lease liabilities is classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence Outotec does not expect any significant impact on the financial statements.

INTRODUCTION

Transition

Outotec will adopt IFRS 16 as of January 1, 2019 in accordance with the modified retrospective method in transition to the new standard. The comparison period figures will not be restated. Right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

IFRIC 23 – Uncertainty over income tax treatments

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

Outotec has assessed the impact of IFRIC 23, and will fully adopt it as of January 1, 2019. Based on the assessment, Outotec is not expecting any significant effects on the income statement or balance sheet due to implementation of IFRIC 23.

Amendments to IAS 19, IFRS 3 and IAS 1

The amendments to IAS 19 (Employee benefits) clarify the accounting for defined benefit plan amendments, curtailments and settlements. The amendment to IFRS 3 (Business combinations) revises the definition of a business. The amendments to IAS 1 (Presentation of financial statements) and consequential amendments to other IFRS standards clarify the definition of materiality.

These amendments are effective for periods after January 1, 2019 (IAS 19) or January 1, 2020 (IFRS 3 and IAS 1), but have not yet been endorsed by the EU, and are not expected to have a material impact on the Group's financial statements.

BUSINESS OPERATIONS

An aerial photograph of a large-scale industrial construction project, possibly a power plant or refinery. The site is filled with various structures, including a prominent long building with a flat roof in the foreground, and numerous scaffolding and steel frameworks for other buildings. The ground is a mix of dirt, gravel, and some vegetation. The entire image is overlaid with a solid blue color, and the text 'BUSINESS OPERATIONS' is printed in large, white, bold, sans-serif capital letters across the upper left portion of the image.

1. OPERATING PERFORMANCE

SALES
1,276
EUR million

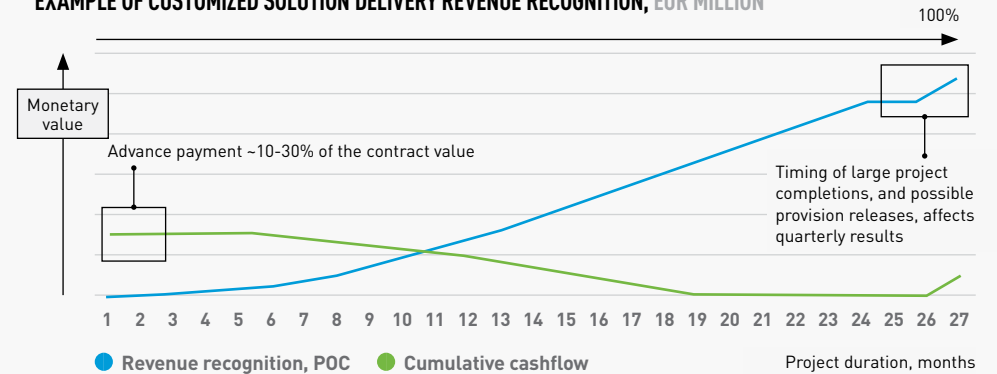
OPERATING RESULT MARGIN
-5.2
%

IN THIS SECTION

This section includes following notes to describe Outotec's operating performance in 2018:

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

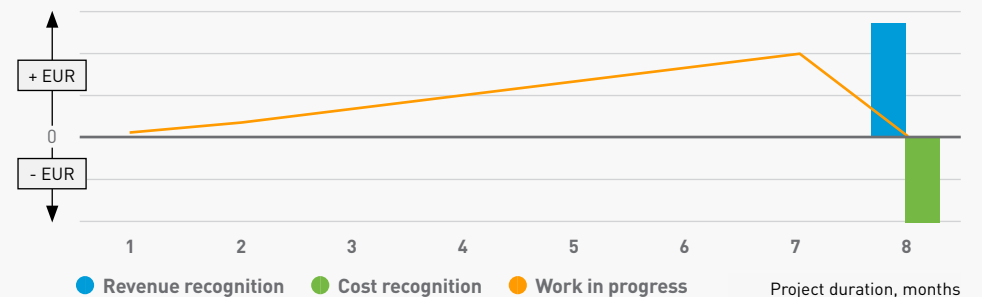
EXAMPLE OF CUSTOMIZED SOLUTION DELIVERY REVENUE RECOGNITION, EUR MILLION



CUSTOMER CONTRACTS & REVENUE RECOGNITION

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

EXAMPLE OF SERVICE DELIVERY REVENUE RECOGNITION, EUR MILLION



BUSINESS OPERATIONS > OPERATING PERFORMANCE

1.1 OPERATING SEGMENTS AND GEOGRAPHICAL AREAS

Outotec's business logic is to serve its customers by providing solutions throughout the entire life cycle of customer operations in order to ensure optimized total cost of ownership. Outotec reports its result in line with the Group's strategy and internal financial reporting structure. Outotec's reportable operating segments are: Minerals Processing and Metals, Energy & Water. The Board of Directors assesses the Group's financial position and its development as a whole and based on the two operating segments.

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

Minerals Processing

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

Metals, Energy & Water

Outotec provides sustainable solutions for metal processing, renewable energy production and industrial water treatment. Metals include extensive range of metal processing solutions for processing virtually all types of ores and concentrates to refined metals. Energy includes innovative solutions for biomass, coal, sludge, agricultural and industrial by-products as well as oil shale and phosphorus recycling from sewage sludge ashes. Water includes solutions to produce water that meets the environmental discharge standards, maximize water recycling and reduce water and energy consumption.

Accounting principle

Operating segments

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

significant changes in the business organization of the Group.

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

Operating result

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

BUSINESS OPERATIONS > OPERATING PERFORMANCE
OPERATING SEGMENTS

2018 EUR million	Metals, Energy & Water	Minerals Processing	Reportable segments total	Unallocated items	Eliminations	Group
External sales	518.7	757.8	1,276.5	-	-	1,276.5
Inter-segment sales	-	-	-	32.8	-32.8	-
Sales	518.7	757.8	1,276.5	32.8	-32.8	1,276.5
Share of results of associated companies	0.3	-	0.3	-	-	0.3
Operating result	-135.5	78.5	-57.1	-9.1	-	-66.1
Capital expenditure	9.0	11.7	20.7	0.7	-	21.4
Depreciation and amortization	-17.8	-20.6	-38.4	-0.1	-	-38.5
Impairments	-0.7	-0.8	-1.5	-0.4	-	-1.9
Non interest-bearing assets	448.8	574.9	1,023.7	20.1	-14.9	1,029.0
Investments in associated companies	0.8	-	0.8	-	-	0.8
Other interest-bearing assets	-	-	-	-	-	239.1
Income tax receivable	-	-	-	-	-	10.6
Deferred tax assets	-	-	-	-	-	78.2
Total assets						1,357.8
Non interest-bearing liabilities	462.9	271.1	734.0	29.2	0.0	763.2
Interest-bearing liabilities	-	-	-	-	-	201.1
Income tax liabilities	-	-	-	-	-	8.4
Deferred tax liabilities	-	-	-	-	-	7.7
Total liabilities	-	-	-	-	-	980.4

2017 EUR million	Metals, Energy & Water	Minerals Processing	Reportable segments total	Unallocated items	Eliminations	Group
External sales	475.4	668.4	1,143.8	-	-	1,143.8
Inter-segment sales	-	-	-	27.7	-27.7	-
Sales	475.4	668.4	1,143.8	27.7	-27.7	1,143.8
Share of results of associated companies	0.0	-	0.0	-	-	0.0
Operating result	-27.2	60.0	32.8	-6.8	-	26.0
Capital expenditure	7.5	13.0	20.5	0.2	-	20.7
Depreciation and amortization	-20.0	-20.6	-40.6	-0.3	-	-40.9
Impairments	-0.6	-0.5	-1.1	-	-	-1.1
Non interest-bearing assets	460.2	546.4	1,006.6	26.6	-15.7	1,017.6
Investments in associated companies	0.4	-	0.4	-	-	0.4
Other interest-bearing assets	-	-	-	-	-	234.1
Income tax receivable	-	-	-	-	-	13.9
Deferred tax assets	-	-	-	-	-	90.9
Total assets						1,356.8
Non interest-bearing liabilities	345.5	253.6	599.1	14.5	0.0	613.6
Interest-bearing liabilities	-	-	-	-	-	228.6
Income tax liabilities	-	-	-	-	-	8.0
Deferred tax liabilities	-	-	-	-	-	39.7
Total liabilities	-	-	-	-	-	889.8

BUSINESS OPERATIONS > OPERATING PERFORMANCE

INFORMATION ABOUT GEOGRAPHICAL AREAS

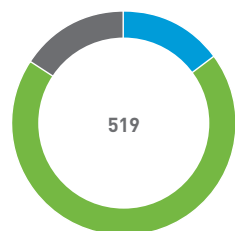
EUR million	Americas	EMEA	APAC	Inter-area eliminations	Investments in associated companies	Consolidated
2018						
External sales by destination	341.4	687.3	247.8			1,276.5
Sales by company location	326.5	1,029.5	294.3	-373.8		1,276.5
Non-current assets by company location	47.2	257.1	32.2	55.2	0.8	392.5
2017						
External sales by destination	390.9	559.1	193.8	-	-	1,143.8
Sales by company location	384.7	805.3	273.8	-320.0	-	1,143.8
Non-current assets by company location	48.9	273.1	35.8	57.3	0.4	415.5

INFORMATION ABOUT MAJOR CUSTOMERS

In 2018 and 2017 there were no such external customers from which recognized sales would have been over ten percent of Group's total sales.

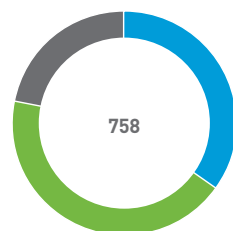
SEGMENT SALES BY DESTINATION 2018

METALS, ENERGY & WATER, EUR MILLION



- Americas 77
- EMEA 360
- APAC 82

MINERALS PROCESSING, EUR MILLION



- Americas 265
- EMEA 327
- APAC 166

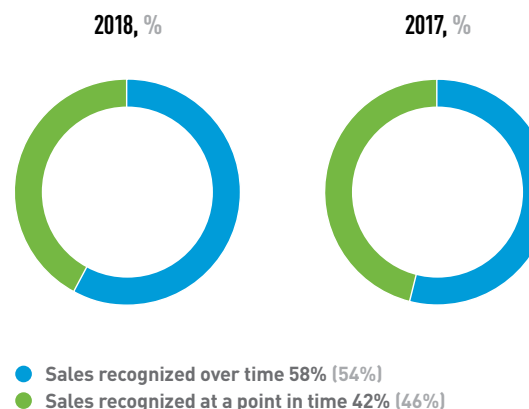
1.2 CUSTOMER CONTRACTS

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

Disaggregation of sales

EUR million	2018	2017
Minerals Processing		
Project sales (major portion recognized over time)	413.5	362.7
Service sales (major portion recognized at a point in time)	344.3	305.7
	757.8	668.4
Metals, Energy & Water		
Project sales (major portion recognized over time)	366.4	300.8
Service sales (major portion recognized at a point in time)	152.3	174.7
	518.7	475.4
Sales total	1,276.5	1,143.8

REVENUE RECOGNITION METHOD



- Sales recognized over time 58% (54%)
- Sales recognized at a point in time 42% (46%)

BUSINESS OPERATIONS > OPERATING PERFORMANCE

Contract assets EUR million	2018	2017
Contract assets at January 1	160.4	143.2
IFRS 15 restatement to opening balance	-	-2.8
Translation differences	-1.7	-2.9
Revenue recognized in excess of payments received	93.2	113.8
Change through invoicing and payments received	-103.9	-91.0
Contract assets at December 31	148.1	160.4

Contract liabilities

EUR million	Payments received	Revenue recognition adjustment	Advances received (net)
Contract liabilities at January 1, 2018	1,490.4	-1,270.2	220.2
Translation differences	-9.2	6.5	-2.7
Payments received during the period	656.2	-	656.2
Final invoicing	-580.3	427.0	-153.2
Revenue recognized to the extent payment received	-	-509.7	-509.7
Contract liabilities at December 31, 2018	1,557.1	-1,346.3	210.8
Contract liabilities at January 1, 2017	1,446.2	-1,265.5	180.7
IFRS 15 restatement to opening balance	-	19.0	19.0
Translation differences	-39.3	32.1	-7.2
Payments received during the period	633.8	-	633.8
Final invoicing	-550.3	378.0	-172.4
Revenue recognized to the extent payment received	-	-433.8	-433.8
Contract liabilities at December 31, 2017	1,490.4	-1,270.2	220.2

A major part of the opening net liabilities has been recognised as revenue during the year.

Order backlog EUR million	2018	2017
Order backlog at December 31	946.6	1,005.4
of which estimated to be recognized as revenue within one year, %	75%	76%
of which estimated to be recognized as revenue after one year or later, %	25%	24%

The order backlog corresponds to the aggregate amount of the transaction price allocated to the performance obligations that are fully or partly unsatisfied at the end of the reporting period.

Accounting principle

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

Customized solutions

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

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

significant service to integrate the goods and services, and the goods and services are highly interrelated with other goods and services promised in the contract.

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

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

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

BUSINESS OPERATIONS > OPERATING PERFORMANCE

sions for expected project losses are recognized immediately as an expense.

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

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

Service deliveries

Service deliveries include spare parts, technical and shutdown services. Spare parts are typically treated as a distinct performance obligation from the main project. Technical services mostly include operations and maintenance services, treated as a single performance obligation.

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

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

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

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

Outotec uses standard payment terms in its service contracts.

Warranties

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

Accounting estimates and judgements

When evaluating the criteria for recognizing revenue over time, judgement is required in assessing the enforceable right to payment for the performance completed to date. Furthermore, a certain amount of judgement is required in over-time revenue recognition as this is based on estimates of anticipated contract revenues and expense as well as on the measurement of project

progress. Variable consideration is estimated by using either the expected value or the most likely amount. In addition, possible provisions for project losses and changes in accruals for project expenses are made based on the judgement of management. Risks related to new commercialized products are also evaluated and quantified, and the necessary accruals recognized.

BUSINESS OPERATIONS > OPERATING PERFORMANCE

1.3 FUNCTION EXPENSES BY NATURE

EUR million	2018	2017
Merchandise and raw materials	-701.5	-515.7
Logistics expenses	-30.7	-21.0
Employee benefit expenses	-313.4	-326.4
Rents and leases	-28.8	-30.4
Depreciation and amortization (note 3.2)	-38.6	-40.9
Change in inventories	12.2	4.4
Services purchased	-139.2	-118.6
Other expenses	-86.9	-76.0
	-1,326.9	-1,124.8

Other expenses include grants received EUR 3.5 million in 2018 (2017: EUR 2.6 million).

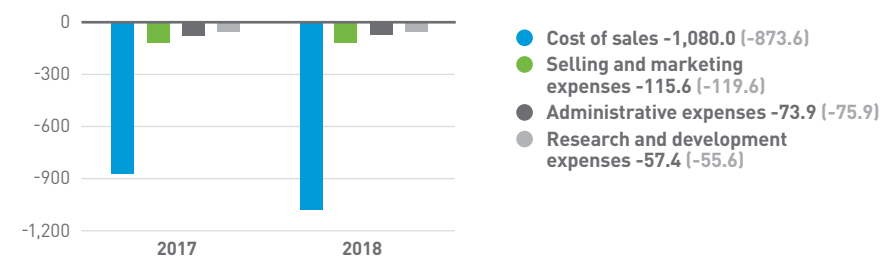
Merchandise and raw materials include the provision made for the ilmenite smelter project. Services purchased include costs from transferring resources to Citec.

Fees paid to PwC firms in different countries

EUR million	2018	2017
Audit fees	-0.8	-0.9
Fees for ancillary services	-0.5	-0.4
	-1.3	-1.2

Fees for ancillary services paid to PwC Finland amount to EUR 0.2 million in 2018 (2017: EUR 0.1 million).

FUNCTION EXPENSES, EUR MILLION



Accounting principle

Expenses

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

Research and development expenses

Research and development costs are expensed as they are incurred.

Government grants

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

1.4 EMPLOYEE BENEFIT EXPENSES

EUR million	2018	2017
Wages and salaries	-258.1	-267.6
Share based payments (note 5.1)	-1.3	-2.0
Social security costs	-22.2	-25.6
Pension and other post-employment benefits (note 5.2)		
Defined benefit plans	-2.9	-2.8
Defined contribution plans	-23.3	-23.3
Other post-employment benefits	-0.1	-0.1
Other personnel expenses	-5.6	-5.1
	-313.4	-326.4

Personnel related restructuring costs of EUR 4.7 million (2017: EUR 0.5 million) are reported in other expenses.

Personnel

EUR million	2018	2017
Personnel at end of year	4,012	4,146
Average number of personnel during the year	4,087	4,149

Personnel in Finland at the end of the year was 1,318 (2017: 1,266).

BUSINESS OPERATIONS > OPERATING PERFORMANCE

1.5 OTHER INCOME AND EXPENSES

Other income EUR million	2018	2017
Gains on sale of intangible and tangible assets	0.2	0.7
Reversal of earn-out liability from acquisitions	-	0.9
Other items related to acquisitions	0.3	0.3
Market price gains from derivatives	-	7.9
Other income	0.3	0.4
	0.8	10.1
Other expenses		
EUR million	2018	2017
Losses on sale of intangible and tangible assets	-0.2	-0.5
Impairments of intangible assets and property, plant and equipment	-2.0	-1.1
Personnel related restructuring costs	-4.7	-0.5
Other restructuring related costs	-8.2	-0.1
Market price losses from derivatives	-1.6	-
Arbitration cost	-0.0	-
Other expenses	-0.1	-1.1
	-16.7	-3.2
Restructuring and acquisition items		
EUR million	2018	2017
Personnel related restructuring costs	-4.7	-0.5
Impairments of non-current assets	-0.7	-0.8
Other restructuring related items	-8.2	-0.1
Items related to restructuring, total	-13.5	-1.4
Items related to acquisitions	0.3	0.3
Reversal of earn-out liability from acquisitions	-	0.9
Arbitration cost related to past acquisitions	-0.0	-
Restructuring and acquisition costs, total	-13.3	-0.2
Restructuring and acquisition items are allocated to:		
Minerals Processing	-3.0	-0.4
Metals, Energy & Water	-6.6	0.1
Unallocated items	-3.7	-0.0

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

1.6 EARNINGS PER SHARE

	2018	2017
Result attributable to the equity holders of the parent Company, EUR million	-67.3	3.0
Interest of hybrid bond, net of tax, EUR million	-8.9	-8.9
Total earnings attributable to the equity holders of the parent Company, EUR million	-76.1	-5.9
Weighted average number of shares, in thousands	181,547	181,305
Weighted average number of shares, dilution adjusted, in thousands	181,848	181,562
Earnings per share for profit attributable to the equity holders of the parent company:		
Basic earnings per share, EUR	-0.42	-0.03
Diluted earnings per share, EUR	-0.42	-0.03

Accounting principle

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

Diluted earnings per share are calculated by adjusting the weighted average number of shares by the effect of diluting shares of the employee share saving plan and share-based incentive programs. In addition to the weighted average number of shares outstanding, the denominator includes the shares earned in the programs. Earned shares have been proportioned to the average market price during the period if they have not yet been distributed.

BUSINESS OPERATIONS > OPERATING PERFORMANCE

1.7 INCOME TAX EXPENSES

Income tax expenses recognized during the reporting period EUR million	2018	2017
Income tax expenses recognized in profit or loss		
Current taxes	-7.3	-6.7
Adjustments to current tax for prior years	0.3	1.6
Change in deferred taxes	15.2	-8.0
Total income tax expense	8.2	-13.1
Income taxes recognized in other comprehensive income		
Income tax related to cash flow hedges	0.6	-0.9
Income tax related to defined benefit plans	-0.1	1.1
Income taxes booked to equity		
Income tax related to hybrid bond	2.2	2.2

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

EUR million	2018	2017
Hypothetical income taxes at Finnish tax rate on consolidated profit before tax	15.1	-2.9
Effect of different tax rates outside Finland	0.0	-1.4
Non-credited foreign withholding taxes	-0.5	-0.8
Non-deductible expenses and tax-exempt income	0.7	-1.3
Tax losses and temporary differences for which no deferred tax asset is recognized	-0.4	-0.7
Write-down of prior years' deferred tax asset	-7.6	-1.3
Utilization of tax losses for which no deferred tax asset was recognized	0.7	0.0
Effect of consolidation and eliminations	-0.3	-0.2
Adjustments to current tax for prior years	0.3	1.6
Adjustments to prior years' deferred taxes	0.8	0.8
Effect of enacted change in future tax rates	0.0	-6.2
Other items	-0.6	-0.6
Income taxes recognized in profit or loss	8.2	-13.1

The effective tax rate in 2018 was negatively impacted by EUR 7.6 million due to the write down of deferred tax assets relating to expiring tax losses.

The tax rate change from the US tax reform resulted in the re-measurement of deferred tax assets in 2017. The negative impact of this was EUR 6.0 million.

Accounting principle

The Group income tax expense includes taxes of the Group companies based on taxable profit for the period, tax adjustments for previous periods and the change in deferred income taxes. The income tax effects of items recognized directly in

equity or in other comprehensive income are similarly recognized. Current taxes are calculated on the taxable income based on the tax rates enacted for each country at the balance sheet date.

Accounting estimates and judgements

Outotec management evaluates regularly the positions taken in tax returns, which may be subject to interpretations. Based on the evaluation uncertain tax treatments

are recognized as tax liability if Outotec considers that it is more likely than not that the final outcome of the assessment would increase tax liabilities for Outotec.

BUSINESS OPERATIONS > OPERATING PERFORMANCE

DEFERRED TAXES IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Deferred taxes in consolidated statement of financial position EUR million	2018	2017
Deferred tax assets	78.2	90.9
Deferred tax liabilities	7.7	39.7
	70.6	51.2

Accounting principle

Deferred income taxes are calculated using the liability method and recognized on all temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements. Deferred tax is determined by using the tax rates (and laws) that are enacted or substantially enacted by the closing date and are expected to be applied at the time of settlement of the temporary difference. Deferred tax is recognized for the undistributed profits in subsidiaries and associated companies, unless the timing of

the reversal of the temporary difference is controlled by Outotec and it is probable that such temporary difference will not reverse in the foreseeable future.

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

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

Accounting estimates and judgements

In determining the deferred tax assets and liabilities, Outotec management has made certain assumptions and estimates regarding the future tax consequences related to differences between the carrying amounts of assets and liabilities as recorded in the financial statements and their tax basis. The assumptions made include estimates

regarding future operating performance and taxable income of subsidiaries, recoverability periods for tax-loss carry forwards will not change, and that the existing tax laws and rates will remain unchanged into foreseeable future in jurisdictions where Outotec operates.

Changes in deferred tax assets and liabilities during the financial year

2018 EUR million	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Charged to equity	Translation and other differences	December 31
Deferred tax assets						
Tax losses and credits carried forward	19.6	0.2	-	-	-0.2	19.6
Timing difference in revenue recognition	1.9	3.7	-	-	-	5.5
Pension provisions	1.7	-0.3	-	-	-	1.4
Depreciation difference	26.0	-1.1	-	-	-	24.9
Project provisions	13.8	17.6	-	-	-	31.5
Effects of consolidation and eliminations	6.7	-1.7	-	-	1.6	6.6
Valuation loss on assets and derivative instruments	7.5	0.0	0.2	-	-	7.7
Provisions for operating expenses and other items	13.8	3.2	-	-	-	17.0
	90.9	21.8	0.2	-	1.4	114.2
Offset against deferred tax liabilities ²	-	-36.1	-	-	-	-36.1
	90.9	-14.3	0.2	-	1.4	78.2
Deferred tax liabilities						
Timing difference in revenue recognition	18.7	-2.1	-	-	-	16.6
Depreciation difference	4.3	0.3	-	-	-	4.6
Purchase price allocation	7.6	-1.4	-	-	-	6.2
Valuation gain on assets and derivative instruments	0.5	0.0	-0.3	-	-	0.2
Hybrid loan	1.7	2.2	-	-2.2	-	1.7
Project provisions	-	5.9	-	-	-	5.9
Other items	6.9	1.6	-	-	-	8.5
	39.7	6.5	-0.3	-2.2	-	43.8
Netting of deferred tax ²	-	-36.1	-	-	-	-36.1
	39.7	-29.6	-0.3	-2.2	-	7.7
Net deferred tax asset	51.2	15.2	0.5	2.2	1.4	70.6

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

BUSINESS OPERATIONS > OPERATING PERFORMANCE

Changes in deferred tax assets and liabilities during the financial year

2017 EUR million	January 1	Recognized in profit or loss	Recognized in other com- prehensive income	Charged to equity	Translation and other differences	December 31
Deferred tax assets						
Tax losses and credits carried forward	24.9	-3.7	-	-	-1.6	19.6
Timing difference in revenue recognition	0.8	1.1	-	-	-	1.9
Pension provisions	2.1	-0.4	-	-	-	1.7
Depreciation difference	22.2	4.1	-	-	-0.4	26.0
Project provisions	14.1	-0.3	-	-	-	13.8
Effects of consolidation and eliminations ¹	3.1	3.6	-	-	-	6.7
Valuation loss on assets and derivative instruments	6.9	0.0	0.7	-	-	7.5
Provisions for operating expenses and other items	20.3	-6.1	-	-	-0.4	13.8
	94.4	-1.7	0.7	-	-2.4	90.9
Deferred tax liabilities						
Timing difference in revenue recognition	16.8	1.9	-	-	-	18.7
Depreciation difference	6.2	-1.9	-	-	-	4.3
Purchase price allocation	9.0	-1.6	-	-	0.2	7.6
Valuation gain on assets and derivative instruments	0.0	0.0	0.5	-	-	0.5
Hybrid loan	1.7	2.2	-	-2.2	-	1.7
Other items	1.2	5.7	-	-	-	6.9
	34.9	6.3	0.5	-2.2	0.2	39.7
Net deferred tax asset	59.5	-8.0	0.1	2.2	-2.6	51.2

¹ The opening balance on January 1, 2017 has been restated due to implementation of IFRS 15.

² The closing balances of deferred tax liabilities have been offset against deferred tax assets in 2018 financial statements when they relate to income taxes levied by the same taxation authority. The corresponding offsetting has not been done in 2017 financial statements.

Tax loss carry forwards

EUR million	2018	2017
Tax losses which will expire in five years	16.2	11.5
Tax losses which will expire later than in five years or will not expire	148.9	115.5
Deferred tax assets recognized for tax loss carry forwards	19.0	19.1
Deferred tax assets not recognized for tax loss carry forwards	23.3	15.2

Deferred tax assets of EUR 24.8 million (2017: EUR 16.3 million) have not been recognized in the consolidated financial statements as the realization of the tax benefit included in these assets is not probable.

The amount of undistributed earnings in subsidiaries, which may attract withholding or other tax consequences upon distribution, was EUR 186.4 million (2017: EUR 185.8 million) at the end of the year 2018.

2. NET WORKING CAPITAL

NET WORKING CAPITAL

-123

EUR million

OPERATING CASH FLOW

70

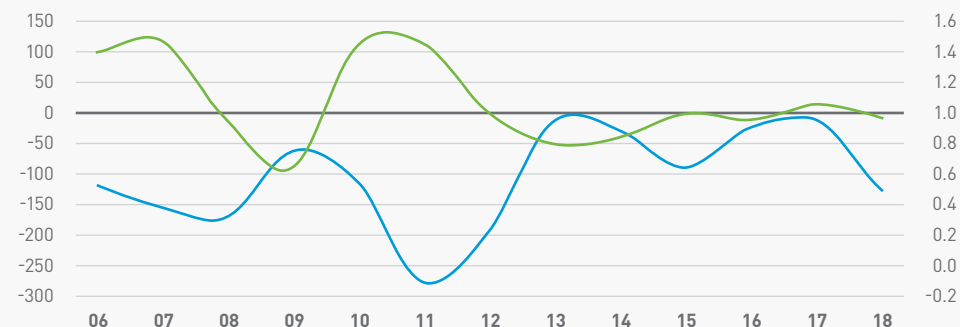
EUR million

IN THIS SECTION

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

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

NET WORKING CAPITAL, EUR MILLION



● Net working capital ● Book to bill (order intake to sales)

BOOK TO BILL

OUTOTEC'S NET WORKING CAPITAL

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

EUR million	2018	2017
Inventories	208.9	195.9
Trade receivables	209.3	187.7
Other receivables	207.6	206.9
Derivative financial instruments, assets	8.7	9.3
Other non-current assets	2.3	2.3
Contract liabilities (net advances received)	-210.8	-220.2
Trade payables	-124.8	-99.5
Other payables	-190.7	-172.2
Pension obligations	-55.9	-58.2
Provisions (incl. ilmenite smelter project provision EUR 110 million)	-161.2	-45.2
Other non-current liabilities	-7.1	-8.1
Derivative financial instruments, liabilities	-9.3	-7.9
Net working capital	-122.9	-9.4

BUSINESS OPERATIONS > NET WORKING CAPITAL

2.1 INVENTORIES

EUR million	2018	2017
Work in progress	106.7	104.1
Finished goods, merchandise and raw materials	53.3	55.3
Advance payments	48.9	36.5
	208.9	195.9

Write-downs of obsolete and slow-moving inventories to net realizable value has been recognized during the period amounting to EUR 6.5 million (2017: EUR 3.1 million).

Accounting principle

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 busi-

ness, less the estimated costs of completion and the estimated costs necessary to make the sale.

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

Accounting estimates and judgements

A provision is recorded for obsolete and slow-moving inventory items based on the best estimate of expected net realizable value at the reporting date. In the system-

atic estimation process, the composition and the age of the inventory is compared to anticipated future needs.

2.2 TRADE AND OTHER RECEIVABLES

EUR million	2018	2017
Non-current		
Other receivables	2.3	2.3
Current		
Trade receivables	209.3	187.7
Contract assets (note 1.2)	148.1	160.4
Other project related receivables	1.3	0.5
VAT receivable	43.0	22.1
Grants and subsidies receivable	0.0	2.1
Other accruals and receivables	15.3	21.8
Total, included in net working capital	416.9	394.6
Accrued interests	0.5	0.5
Current non interest-bearing receivables total	417.4	395.0

Trade receivables

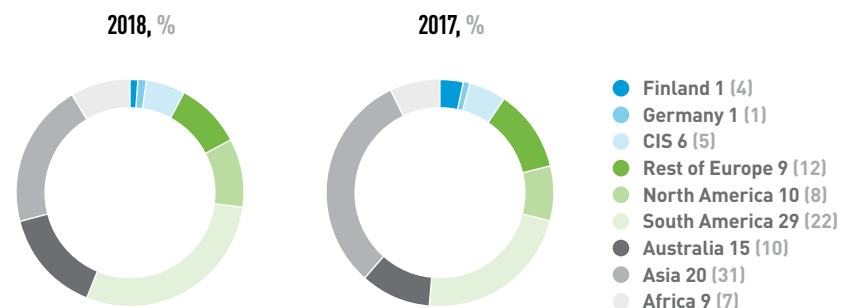
Trade receivables (gross)	215.0	192.9
Doubtful trade receivables		
Doubtful trade receivables at January 1	5.2	8.8
IFRS 9 restatement ¹	1.2	-
Translation differences	-0.1	-0.5
Additions	2.4	1.5
Deductions	-2.5	-2.4
Recovery of doubtful receivables	-0.4	-2.1
Doubtful trade receivables at December 31	5.7	5.2
Total trade receivables (net)	209.3	187.7

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

BUSINESS OPERATIONS > NET WORKING CAPITAL

The ageing of trade receivables: EUR million	2018	2017
Not due	118.9	99.4
Overdue by:		
Between 1 and 30 days	31.2	26.7
Between 31 and 60 days	14.7	8.0
Between 61 and 180 days	23.1	8.8
Between 181 and 365 days	13.1	19.0
Over 365 days	13.9	30.9
Trade receivables (gross)	215.0	192.9

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



Accounting principle

Trade receivables are carried at their anticipated realizable value, which is the original invoice amount less a valuation allowance for estimated credit losses. The

Group uses a simplified credit loss matrix, according to which a credit loss allowance is measured at an amount equal to the lifetime of expected credit losses.

Accounting estimates and judgements

Credit losses are evaluated in accordance with a model where a certain percentage of the trade receivables is recognized as a bad debt provision; 0.5% for undue and 1.0%–2.0% for less than one year overdue. The evaluation is anticipatory, and the

expected loss portion is based on amounts of historical losses. Due to the project nature of Outotec's business, the need for bad debt provision is reviewed case by case when the receivable is over one year overdue.

2.3 TRADE AND OTHER PAYABLES

EUR million	2018	2017
Non-current		
Other non-current liabilities	1.6	2.0
Earnout liability	5.5	6.1
	7.1	8.1
Current		
Trade payables	124.8	99.5
Contract liabilities (note 1.2) (net advances received)	210.8	220.2
Other project related liabilities	116.3	105.2
Accrued personnel-related expenses	35.3	33.8
Withholding tax and social security liabilities	4.0	6.5
VAT payable	18.0	14.1
Earnout liability	2.5	2.5
Other accruals and payables	14.6	10.1
Total, included in Net working capital	526.3	492.0
Accrued interests	3.4	2.2
Current non interest-bearing receivables total	529.8	494.2

BUSINESS OPERATIONS > NET WORKING CAPITAL

2.4 PROVISIONS

EUR million	Warranty provisions	Project loss provisions	Restructuring provisions	2018
Non-current				
Provisions at January 1	-	-	-	-
Additions	-	50.0	0.2	50.2
Provisions at December 31	-	50.0	0.2	50.2
Current				
Provisions at January 1	32.5	4.7	8.0	45.2
Translation differences	-0.3	0.0	-0.1	-0.4
Additions	15.7	73.1	11.1	99.9
Provisions utilized during the period	-12.7	-1.9	-9.3	-24.0
Provisions released	-5.8	-2.0	-2.0	-9.8
Provisions at December 31	29.3	74.0	7.7	110.9

Including a provision of EUR 110 million for possible costs relating to the ilmenite smelter project in Saudi Arabia. The currently estimated provision is based on progress made with the analysis of the furnace. The outcome of the analysis, together with other factors such as Outotec's contractual position, will determine the eventual liability and financial impact of this incident for Outotec.

Accounting principle

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

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

Realized warranty costs are recognized against the provision when a claim for

compensation has been received and it is likely that the claim will be accepted and settled, and its amount can be reliably estimated. This allows monitoring of the remaining warranty provisions and regular assessment of their adequacy.

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

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

Accounting estimates and judgements

Recognition and measurement of a provision is based on best estimate of the probability and the amount of the liability at the

reporting date and involve management's judgement.

CAPITAL STRUCTURE



3. FIXED ASSETS AND OTHER INVESTMENTS

RETURN ON INVESTMENT

-11.3

%

CAPITAL EXPENDITURE

21

EUR million

IN THIS SECTION

This section includes following notes related to fixed assets and other investments:

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

3.1 BUSINESS COMBINATIONS

Outotec had no acquisitions or disposals in 2018 and 2017. During 2018 Outotec paid earn-out liability relating to past acquisitions totalling EUR 0.4 million (2017: EUR 0.2 million).

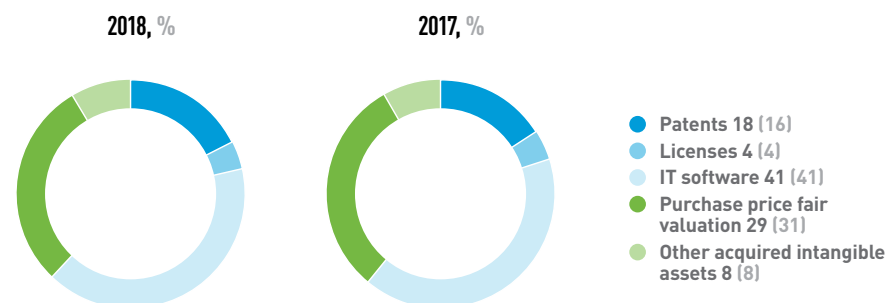
3.2 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

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

CAPITAL STRUCTURE > CAPITAL EMPLOYED

EUR million	Intangible asset, internally generated	Intangible asset, acquired	Goodwill	Advances paid and construction work in progress	Total
Historical cost at January 1, 2017	0.7	295.0	235.4	0.1	531.3
Translation differences	-0.0	-7.0	-7.1	0.0	-14.1
Additions	-	11.8	-	0.0	11.8
Disposals	-	-1.1	-	-	-1.1
Reclassifications	-	-0.3	-	0.0	-0.3
Impairment during the period	-	-1.8	-	-	-1.8
Historical cost at December 31, 2017	0.7	296.6	228.3	0.2	525.8
Accumulated amortization and impairment at January 1, 2017	-0.7	-142.8	-1.4	-	-144.9
Translation differences	0.0	4.6	-	-	4.7
Disposals	-	0.8	-	-	0.8
Amortization during the period	-	-27.9	-	-	-27.9
Impairment during the period	-	0.8	-	-	0.8
Accumulated amortization and impairment at December 31, 2017	-0.7	-164.5	-1.4	-	-166.6
Carrying value at December 31, 2017	0.0	132.1	226.8	0.2	359.1

BREAKDOWN OF THE CARRYING VALUE OF INTANGIBLE ASSETS ACQUIRED



PROPERTY, PLANT AND EQUIPMENT

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

CAPITAL STRUCTURE > CAPITAL EMPLOYED

EUR million	Land	Buildings	Machinery	Office equipment and other tangible assets	Advances paid and construc- tion work in progress	Total
Historical cost at January 1, 2017	2.6	33.8	72.9	44.4	1.9	155.5
Translation differences	-0.2	-1.0	-2.1	-1.3	-0.2	-4.7
Additions	-	0.4	2.4	3.5	2.5	8.8
Disposals	-	-0.1	-2.9	-1.5	-0.5	-4.9
Reclassifications	-	-	0.1	0.0	-0.2	0.0
Impairment during period	-	-1.2	-2.4	-0.0	-	-3.6
Historical cost at December 31, 2017	2.5	31.9	68.1	45.1	3.6	151.2
Accumulated depreciation and impairment at January 1, 2017	-	-9.8	-46.4	-33.5	-	-89.7
Translation differences	-	0.2	1.0	0.9	-	2.1
Disposals	-	0.0	2.0	1.1	-	3.1
Reclassifications	-	-	0.1	-0.0	-	0.1
Depreciation during the period	-	-1.5	-6.8	-4.3	-	-12.6
Impairment during the period	-	-0.1	1.8	0.0	-	1.7
Accumulated depreciation and impairment at December 31, 2017	-	-11.1	-48.3	-35.8	-	-95.2
Carrying value at December 31, 2017	2.5	20.8	19.7	9.3	3.6	56.0

Depreciation and amortization by function

EUR million	2018	2017
Cost of sales	-13.1	-13.8
Selling and marketing expenses	-3.9	-4.0
Administrative expenses	-7.8	-8.5
Research and development expenses	-13.8	-14.7
	-38.6	-40.9

Purchase price allocation amortizations related to acquisitions were EUR 6.6 million in 2018 (2017: EUR 7.3 million).

Impairment of assets

The Group recorded impairments of EUR 1.9 million on intangible assets (2017: EUR 1.1 million). The impairments in 2018 related to intellectual property rights and IT software.

The Group recorded impairments of EUR 0.0 million on tangible assets (2017: EUR 1.8 million). The impairments in 2018 related to machinery. The impairments in 2017 were entirely reclassified from provisions.

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

Accounting principle
Intangible assets

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

Other intangible assets include customer relationships, patents, copyrights, licenses and software. The valuation of intangible assets acquired in a business combination is based on fair value. Development costs or acquisition costs of new software clearly

associated with an identifiable product, which will be controlled by the Group and has probable economic benefit exceeding its cost beyond one year, are recognized as an intangible asset and depreciated over the software's expected useful life. Associated costs include staff costs of the development team. An intangible asset is recognized only if it is probable that the future economic benefits that are attributable to the asset will flow to the Group, and the cost of the asset can be measured reliably. All other expenditure is expensed as incurred.

CAPITAL STRUCTURE > CAPITAL EMPLOYED

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

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

Property, plant and equipment

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

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

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

Land is not depreciated.

The expected useful life of non-current assets is reviewed on each reporting date and, where they differ significantly from previous estimates, depreciation periods are changed accordingly. Ordinary repairs and maintenance costs are charged to the statement of comprehensive income during the financial year in which they are incurred. The cost of major renovations is included in the asset's carrying amount when it is probable that the Group will

derive future economic benefits in excess of the originally assessed standard of performance of the existing asset. Major renovations are depreciated over the useful life of the related assets. Gains and losses on sales and disposals are determined by comparing the received proceeds with the carrying amount and are included in the operating result.

Impairments of assets

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

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

3.3 GOODWILL

Goodwill allocation to the segments
EUR million

	2018	2017
Metals, Energy & Water	132.1	133.1
Minerals Processing	91.8	93.7
	223.9	226.8

Goodwill is allocated to the Group's cash-generating units (CGUs) which is the lowest level of assets for which there are separately identifiable cash flows. In 2018, the testing was performed on Business Area level, which is the lowest cash-generating unit for Outotec, according to the current business organization and responsibilities. Calculations are prepared during the fourth quarter of the year. Based on the conducted impairment testing there was no need for goodwill impairment in 2018.

The recoverable amount of a CGU is determined as based on value-in-use calculations (discounted cash flow method). The planning period for cash flows is five years. The cash flow projections are based on long-range financial plan which is the outcome of the strategy approved by the Management and the Board of Directors. In defining the long-range plans for each CGUs, the management makes use of growth, demand, and price estimates

by market research institutions. Furthermore, the estimated sales and profits and the CGU-specific long-range plan are based on the current backlog and estimated order intake as well as cost development. The most important assumptions relate to gross margin levels in various products and the estimated overall gross margin level in relation to fixed costs. Cash flows beyond the five-year period are calculated using the terminal value method, where the EBITDA (=earnings before interest, taxes, amortizations and depreciation) of the fifth planning period is multiplied by six.

The discount rate applied to cash flow projections is the weighted average pre-tax cost of capital (WACC) as defined for Outotec. The components of WACC are the risk-free long-term government bond rates, market and industry risk premiums, cost of debt, and target capital structure.

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Key assumptions used in the calculations:

EUR million	2018	2017
Discount rate	8.4	7.7
EBITDA multiple	6.0	6.0

The impairment testing process includes a sensitivity analysis in which the business area cash flow estimates were reduced in Metals, Energy & Water by 50% and in Minerals Processing by 35%. Discount rates were increased by 2 percentage points. Under the basic scenario, the value-in-use calculations were on average 2.5 (2017: 2.5) times higher than the

assets employed of the business areas. In the sensitivity analysis the ratio was decreased to 1.5 (2017: 1.4). Based on the sensitivity analysis, it is not probable that the recoverable amount will fall below the carrying amount at December 31, 2018, even if the assumptions used in the sensitivity analysis face reasonable permanent changes.

Accounting principle

Goodwill is tested for impairment at least annually. For the purposes of impairment testing, assets are grouped at the lowest cash generating unit level for which there is separately identifiable, mainly independent, cash inflows and outflows. An impairment loss is the amount by which the carrying amount of the assets exceeds

the recoverable amount. The recoverable amount is the asset's value in use. The value in use is determined by reference to discounted future cash flows expected to be generated by the asset. Impairment losses recognized for goodwill are not reversed.

Accounting estimates and judgements

Assessing the recoverable amount of a CGU requires significant judgement. While management believes that estimates of future cash flows are reasonable, many assumptions are subject to change because of changing economic and operational conditions. Key assumptions are the discount rate and EBITDA multiple, in addition to fu-

ture cash flows, where the most important assumptions relate to gross margin levels in various products and the estimated overall gross margin level in relation to fixed costs. Actual cash flows might vary from estimated discounted future cash flows and could result in changes in the recognition of impairment losses in future periods.

3.4 ASSOCIATED COMPANIES

Investments in associated companies

EUR million	2018	2017
Investments in associated companies at cost		
Historical cost at January 1	2.3	2.3
Translation differences	0.0	0.0
Additions	0.2	-
Disposals	-0.1	-
Historical cost at December 31	2.4	2.3
Equity adjustment to investments in associated companies at January 1	-1.9	-2.0
Share of results of associated companies	0.3	0.0
Equity adjustment to investments in associated companies at December 31	-1.6	-1.9
Carrying value of investments in associated companies at December 31	0.8	0.4

CAPITAL STRUCTURE > CAPITAL EMPLOYED

Summary of financial information for associated companies 2018

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

Middle East Metals Processing Company Ltd., Saudi Arabia, is a subsidiary on 31 Dec 2018 and thus included in the consolidated financial statements of the Group.

Summary of financial information for associated companies 2017

EUR million	Domicile	Assets	Liabilities	Sales	Profit/loss	Owner-ship, %
Enefit Outotec Technology Oü	Estonia	5.1	4.3	1.0	-0.1	40.0
GreenExergy AB	Sweden	0.6	0.4	1.4	-0.0	45.0
Middle East Metals Processing Company Ltd.	Saudi Arabia	0.2	0.2	1.0	-0.0	49.0
Sidvin Outotec Engineering Private Ltd	India	0.6	0.6	0.9	0.2	25.1

Transactions and balances with associated companies

EUR million	2018	2017
Sales	0.1	0.3
Other Income	0.1	-
Purchases	3.1	2.3
Loan receivables (due from Enefit Outotec Technology Oü)	1.5	1.5
Trade and other receivables	0.6	0.5
Current liabilities	0.1	0.2

Accounting principle

Associated companies are entities in which Outotec has significant influence, but not control. Interests in associated companies are accounted for using the equity method. The share of results of associated companies is reported in the statement of comprehensive income above EBIT, and is calculated as based on profit after tax. If Outotec's share of losses exceeds the interest in the associated company, the carrying

amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations with respect to the associated companies. The interest in an associated company is the carrying amount of the investment under the equity method together with any long-term interest that, in substance, forms part of the investor's net investment in the associated company.

3.5 OTHER SHARES AND SECURITIES

EUR million	2018	2017
Carrying value at January 1	2.2	2.3
Translation differences	-0.0	-0.0
Decreases	-0.5	-
Fair value changes	-0.0	-0.1
Carrying value at December 31	1.6	2.2
Listed equity securities	0.0	0.1
Unlisted equity securities	1.6	2.2
Fair value reserve in equity at January 1	-0.2	-0.1
Fair value changes	-0.1	-0.0
Fair value reserve in equity at December 31	-0.3	-0.2

4. FINANCING

NET INTEREST BEARING DEBT

-38

EUR million

GEARING

-10.1

%

IN THIS SECTION

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

- » 4.1 Equity
- » 4.2 Interest-bearing liabilities
- » 4.3 Cash and cash equivalents
- » 4.4 Finance income and expenses
- » 4.5 Financial risk management
- » 4.6 Derivative instruments
- » 4.7 Fair values of financial assets and liabilities

4.1 EQUITY

EUR million	2018	2017
Share capital	17.2	17.2
Share premium fund	20.2	20.2
Fair value reserves	-18.8	-15.5
Other reserves	0.4	0.4
Treasury shares	-12.5	-15.0
Reserve for invested non-restricted equity	98.3	96.6
Hybrid bond	150.0	150.0
Cumulative translation differences	-27.3	-16.7
Retained earnings	214.2	223.6
Result for the period	-67.3	3.0
Total, attributable to holders of parent company	374.4	463.8
Non-controlling interest	3.0	3.2
Total equity	377.4	466.9
Number of shares, in thousands	183,121	183,121

Share capital

Outotec Oyj's registered share capital was EUR 17,186,442.52 (2017: EUR 17,186,442.52). The share capital is fully paid. Outotec Oyj's total number of shares is 183,121,492 (2017: 183,121,492) and the number of outstanding shares was 181,610,134 (2017: 181,419,563). At the end of 2018, the number of own shares held by Outotec Oyj was 1,365,312 representing 0.75% of all shares (2017: 1,677,929 and 0.92%).

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

Funds and reserves

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

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

Other reserves include the reserve fund and other reserves. The reserve fund includes amounts transferred from the distributable equity under the Articles of Association or by a decision by the General Meeting of Share-

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holders. Other reserves include other items based on the local regulations of the group companies.

The purchase of treasury shares with related transaction costs has been deducted from shareholder's equity in the consolidated financial statements. Accordingly, assigning the treasury shares increases the shareholder's equity with a fair value. Treasury shares have been used for the share-based incentive program and the employee share savings plan. At year-end the number of own shares was 1,365,312 (2017: 1,677,929).

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

Hybrid bond

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

Dividend

The Board of Directors proposes that no dividend will be paid for 2018. The parent company's distributable funds were EUR 243.1 million at December 31, 2018.

4.2 INTEREST-BEARING RECEIVABLES AND LIABILITIES

EUR million	2018	2017
Non-current receivables		
Other shares and securities (note 3.5)	1.6	2.2
Loans receivable from associated companies (note 3.4)	1.5	1.5
Loans receivables from others	2.6	-
Current receivables		
Loans receivable	0.0	0.1
	5.7	3.8

EUR million	Carrying amount 2018	2017	Fair value 2018	2017
Non-current				
Bonds and debentures	149.5	149.3	154.4	155.3
Revaluation of bonds and debentures	2.7	3.9		
Loans from financial institutions	24.5	28.6	24.9	29.6
Finance lease liabilities	0.0	0.0	0.0	0.0
Other non-current loans	1.3	1.7	1.3	1.7
	178.1	183.5	180.6	186.5
Current				
Loans from financial institutions	4.1	6.9	4.7	7.6
Finance lease liabilities	0.0	0.0	0.0	0.0
Other current loans	18.9	38.1	18.9	38.1
	23.0	45.0	23.6	45.7

The fair value of interest-bearing liabilities is higher compared to the carrying value due to valuation of the fixed-interest loans when using current interest rate level, which is lower than the fixed rate.

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Change in net interest-bearing liabilities 2018

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

Change in net interest-bearing liabilities 2017

EUR million	Non-current interest-bearing debt	Current interest-bearing debt	Financial assets	Cash and cash equivalents	Total
Net interest-bearing liabilities at January 1	189.1	43.1	-3.7	-233.0	-4.5
Changes, cash:					
Repayments of non-current debt	-4.4	-3.5	-	-	-7.9
Increase/decrease in current debt	-	6.8	-	-	6.8
Change in investing activities	-	-	-0.2	-	-0.2
Change in cash and cash equivalents	-	-	-	-7.8	-7.8
Changes, non-cash:					
Exchange gains and losses	-	-1.4	-	10.6	9.2
Other non-cash change	-1.2	-	0.1	-	-1.1
Net interest-bearing liabilities at December 31	183.5	45.0	-3.8	-230.2	-5.5

Accounting principle

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

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

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

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4.3 CASH AND CASH EQUIVALENTS

EUR million	2018	2017
Cash at bank and in hand	154.5	169.9
Short-term bank deposits	56.0	47.0
Cash equivalent marketable securities	22.8	13.3
	233.4	230.2

The majority of Outotec's investments were made in the following currencies: euro, U.S. dollar and Chilean peso. The relevant reference rate of the euro has varied during 2018 between -0.372 – -0.309%. The U.S. dollar reference rate varied between 1.552–2.821% and the Chilean peso reference rate was between 2.90–3.80%.

4.4 FINANCE INCOME AND EXPENSES

Recognized in the statement of comprehensive income EUR million	2018	2017
Dividend income	0.9	0.3
Interest income on bank deposits and commercial papers	3.3	2.5
Interest income on loans and receivables	0.3	0.5
Interest income on derivatives	1.6	1.6
Other finance income	0.0	0.0
Total finance income	6.1	4.8
Interest expenses		
Financial liabilities measured at amortized cost		
Current and non-current debt	-7.0	-7.9
Financial liabilities at fair value through profit or loss		
Derivatives	-	-
Other finance expenses	-6.1	-4.3
Total finance expenses	-13.2	-12.2
Exchange gains and losses	-2.3	-2.6
Fair value changes from interest rate derivatives	-1.3	-1.4
Other fair value changes	1.3	1.5
Other market price gains and losses	0.1	0.0
Total market price gains and losses	-2.2	-2.6
Total finance income and expenses	-9.3	-10.0

Accounting principle

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or

less, and bank overdrafts. Bank overdrafts are included within current interest-bearing liabilities in the statement of financial position.

Exchange gains and losses recognized in the statement of comprehensive income EUR million	2018	2017
In sales	2.2	-0.6
In purchases	-3.4	-5.9
In other income and expenses	-1.6	7.9
In finance income and expenses	-2.3	-2.6
	-5.1	-1.3
Recognized in other comprehensive income EUR million	2018	2017
Exchange differences on translating foreign operations	-10.7	-23.0
Cash flow hedges	-4.6	4.3
Income tax related to cash flow hedges	0.6	-0.9
Changes in the fair value of other shares and securities	-0.1	-0.1
	-14.7	-19.6

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4.5 FINANCIAL RISK MANAGEMENT

Financial Risk Management and Insurances

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

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

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

Financial risks consist of market, credit and liquidity risks. Market risks are caused by changes in foreign exchange and interest rates, as well as commodity or other prices. Especially changes in foreign exchange rates may have a significant impact on Group's earnings, cash flows and balance sheet. As the main principle Outotec's business units hedge their market risks by entering into agreements with Group Treasury, which does most of the financial contracts with banks and

other financial institutions. Outotec's Treasury is also responsible for managing certain Group level risks, such as interest rate risk and foreign currency transaction risk in accordance with the Financial Risk Management policy.

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

Foreign exchange risk

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

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

The currencies related to sales and costs can vary materially. A major part of Outotec's sales is, and a significant part of costs arises in euros, US dollars, Australian dollars, Chilean peso and South African rand. Outotec's policy is to hedge in full the transaction risk. Cash flow risk related to firm commitments is hedged almost completely, within subsidiary specific limits defined in the Financial Risk Management policy, whereas forecasted and probable cash flows are hedged only selectively with financial instruments based on separate decisions. A major part of cash flow risk hedging takes place operatively by matching sales and cost currencies, and the remaining open net positions are normally hedged with

derivative contracts (typically forward agreements). Hedging currency pairs with large difference in interest rates may increase hedging costs. Subsidiary level foreign exchange exposures are monitored and consolidated on a monthly basis. In this description of financial risk management the term hedging has been used in its broadest sense, and therefore it also includes usage of non-hedge-accounted derivatives.

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

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

Outotec does not typically hedge its equity translation risk.

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

Interest rate risk

Interest rate risk is the risk of repricing and price caused by the changes in market interest rates. To control interest rate risks in the loan portfolio the Group has agreed both fixed and floating rate instruments. On December 31, 2018 the share of fixed rate loans of all interest-bearing debt was 100 percent.

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

The Group is designating derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model and account for fixed rate financial liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would affect profit or loss for fixed rate instruments. On December 31, 2018 the total nominal value of interest rate swaps was EUR 75.0 million (December 31, 2017: EUR 75.0 million).

For variable rate interest-bearing financial investments a shift of one percentage point would have increased (decreased) profit or loss by EUR 0.8 million for December 31, 2018 (December 31, 2017: EUR 0.6 million) and for variable rate interest bearing-debt by EUR 0.8 million for December 31, 2018 (December 31, 2017: EUR 0.8 million).

Securities price risk

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

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Credit risks

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

Outotec's trade receivables and other potential sources of sales contract related credit risk are generated by a large number of customers worldwide, but occasionally risk concentrations may develop due to large individual contracts. Outotec's operational and financial risk management policies have been created to manage the various project related risks and address them in a concised manner. The policies and related procedures require identification of counterparty risks in a project together with the evaluation of the available and cost efficient mitigation of risks with contractual terms and/or various financial instruments. The credit risks related to business operations can be mitigated for example by the use of advance payments and other payment terms under sales contracts, project specific credit insurance plans and letters of credit. The trade receivable exposures are reviewed regularly in Outotec's project level and other operative reporting. During 2018, the reporting of overdue external trade receivables, their rotation periods and collection were further intensified. More detailed analysis of trade receivables is included in note 2.2.

Outotec's Treasury manages a substantial part of the credit risk related to the Group's

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

Insurances

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

General liability is the most important line of insurance and a major part of insurance premiums paid relate to these 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. The object is to reduce liquidity and refinancing risks by means of the availability of an adequate number of credit

lines, which have a balanced maturity profile. Efficient cash and liquidity management also reduces liquidity risk.

Outotec's Treasury centrally raises most of the Group's interest-bearing debt.

Outotec's subsidiaries have had some local credit lines of their own, which mostly have been counter-guaranteed by Outotec Oyj. The share of long term loans was 90.5% of the total interest-bearing loan portfolio.

- With regard to interest bearing debt, the Group offers the following committed lines of credit: EUR 100 million multicurrency revolving credit facility that is unsecured. The final maturity is on January 15, 2020.
- EUR 60 million revolving credit facility that is unsecured. The final maturity is on January 10, 2020.

As of December 31, 2018 the above credit lines were fully unutilized.

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

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

Capital management

Outotec's gearing ratio was -10.1% on December 31, 2018 (-1.2% on December 31, 2017).

The Board's target is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business and the capability to pay dividends. The capital structure of the Group is reviewed by the Board of Directors on

a regular basis and the Board set the following long-term target in 2014:

- Gearing at maximum 50%

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

Certain externally imposed capital requirements exist. Outotec's main credit facilities from financial institutions include financial covenants related to adjusted equity ratio and liquidity. The Group has operated in compliance with the covenants during 2006–2018.

As part of Group's capital management operations Outotec Oyj, on March 24, 2016, issued a EUR 150 million five-year hybrid bond with a fixed coupon rate of 7.375 per cent per annum. The hybrid bond is treated as equity in the IFRS consolidated financial statements. Outotec can postpone interest payment if it does not distribute dividends or other equity to its shareholders. The bond has no maturity date, but the company has the right to redeem it five years after the issue date.

The hybrid bond is unsecured and in a weaker preference position than unsecured debt obligation. A holder of hybrid bond notes has no shareholder rights.

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Transaction risk	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	
	2018	2017	2018	2017	2018	2017	2018	2017
EUR million								
Bank accounts	6.1	7.3	2.2	4.4	1.2	2.4	1.1	3.7
Trade receivables	58.3	29.8	4.8	2.2	1.7	0.3	4.2	3.3
Trade payables	-0.8	-1.4	-0.2	-0.3	-5.3	-3.0	-2.0	-2.4
Loans and receivables	-24.9	-33.1	-	-	45.3	50.2	-	-
Net balance sheet exposure	38.7	2.5	6.8	6.4	43.0	49.8	3.3	4.6
Sales order book	107.4	108.2	17.9	41.6	1.8	8.7	9.2	18.5
Purchase order book	-41.3	-49.8	-3.4	-6.7	-2.5	-1.5	-4.8	-5.0
	66.1	58.4	14.5	34.9	-0.7	7.2	4.4	13.5
Hedges:								
Foreign exchange forward contracts	-113.0	-63.8	-19.9	-42.8	-46.6	-58.7	-8.0	-15.0
Total net exposure	-8.1	-2.9	1.4	-1.5	-4.3	-1.8	-0.3	3.2

Sensitivity of financial instruments on foreign currency exchange rates

EUR million	Effect on profit or loss		Effect on equity	
	2018	2017	2018	2017
+/-10% change in EUR/USD exchange rate	+1.5/-1.8	+1.4/-1.7	+5.3/-6.4	+4.2/-5.1
+/-10% change in EUR/AUD exchange rate	+0.2/-0.3	+0.8/-1.0	+0.1/-0.1	-
+/-10% change in EUR/SEK exchange rate	-0.1/0.1	+0.9/-1.2	-0.6/0.6	-
+/-10% change in AUD/USD exchange rate	-0.6/0.6	+2.0/-2.0	+1.7/-2.1	+1.5/-1.9

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 and cash flow hedges.

CAPITAL STRUCTURE > FINANCING

Contractual cash flows of liabilities at December 31, 2018

EUR million	2019 ¹	2020	2021	2022	2023	2024	2025-	Total
Bonds								
finance charges	-5.6	-5.6	-	-	-	-	-	-11.3
repayments	-	-150.0	-	-	-	-	-	-150.0
Loans from financial institutions								
finance charges	-0.6	-0.3	-	-	-	-	-	-0.9
repayments	-4.1	-24.5	-	-	-	-	-	-28.5
Finance lease liabilities								
rents	0.0	0.0	0.0	-	-	-	-	-0.0
Other long-term loans								
finance charges	-0.1	0.0	0.0	0.0	0.0	-	-	-0.2
repayments	-0.3	-0.3	-0.3	-0.3	-0.3	-	-	-1.7
Other Current loans								
finance charges	0.0	-	-	-	-	-	-	-0.0
repayments	-19.0	-	-	-	-	-	-	-19.0
Derivative liabilities								
designated as cash flow hedges								
Outflow	-149.0	-16.0	-	-	-	-	-	-165.0
Inflow	143.4	15.3	-	-	-	-	-	158.7
other derivative contracts								
Outflow	-121.0	-8.6	-	-	-	-	-	-129.6
Inflow	118.1	8.2	-	-	-	-	-	126.3
Trade payables	-124.8	-	-	-	-	-	-	-124.8

¹ Repayments in 2019 are included in current debt.

All non-current debt will be repaid by the end of 2023. Average maturity of long-term debt was 1.70 years and the average interest rate 3.63%.

Contractual cash flows of liabilities at December 31, 2017

EUR million	2018 ¹	2019	2020	2021	2022	2023	2024-	Total
Bonds								
finance charges	-5.6	-5.6	-5.6	-	-	-	-	-16.9
repayments	-	-	-150.0	-	-	-	-	-150.0
Loans from financial institutions								
finance charges	-0.7	-0.6	-0.3	-	-	-	-	-1.6
repayments	-6.9	-4.1	-24.5	-	-	-	-	-35.5
Finance lease liabilities								
rents	-0.0	-0.0	-0.0	-	-	-	-	-0.0
Other long-term loans								
finance charges	-0.1	-0.1	-0.0	-0.0	-0.0	-0.0	-	-0.2
repayments	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-	-2.0
Other Current loans								
finance charges	-0.0	-	-	-	-	-	-	-0.0
repayments	-38.0	-	-	-	-	-	-	-38.0
Derivative liabilities								
designated as cash flow hedges								
Outflow	-21.0	-7.7	-	-	-	-	-	-28.7
Inflow	20.2	7.8	-	-	-	-	-	28.0
other derivative contracts								
Outflow	-233.6	-1.7	-	-	-	-	-	-235.3
Inflow	222.5	1.6	-	-	-	-	-	224.1
Trade payables	-99.5	-	-	-	-	-	-	-99.5

¹ Repayments in 2018 are included in current debt.

All non-current debt will be repaid by the end of 2023. Average maturity of long-term debt was 2.66 years and the average interest rate 3.60%.

CAPITAL STRUCTURE > FINANCING

Maturity analysis for guarantee contracts at December 31, 2018

EUR million	2019	2020	2021	2022	2023	2024–
Guarantees for financing	-4.4	-	-	-	-	-
All commercial guarantees including down payment guarantees	-680.3	-0.1	-0.1	-0.3	0	-7.4

Maturity analysis for guarantee contracts at December 31, 2017

EUR million	2018	2019	2020	2021	2022	2023–
Guarantees for financing	-7.1	-	-	-	-	-
All commercial guarantees including down payment guarantees	-670.8	-0.7	-0.2	-0.3	-0.6	-7.3

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. There was no claim to a guarantee in 2018. The previous claim to a guarantee was settled through a payment of EUR 0.1 million in 2013.

Cash and cash equivalents and committed unutilized credit facilities

EUR million	2018	2017
Cash at bank and in hand	154.5	169.9
Short term bank deposits	56.0	47.0
Cash equivalent marketable securities	22.8	13.3
Overdraft facilities	21.2	20.9
Revolving and other credit facilities	160.0	160.0

4.6 DERIVATIVE INSTRUMENTS

Fair values of derivative contracts

EUR million	Positive fair value				Negative fair value				Total	Fair value change of hedged item
	<1 year	1–2 years	2–3 years	3– years	<1 year	1–2 years	2–3 years	3– years		
2018										
Foreign exchange forward contracts										
Designated as cash flow hedges	1.4	0.2	-	-	-5.8	-0.3	-	-	-4.5	4.5
Other foreign exchange forward contracts	4.5	0.0	-	-	-2.9	-0.3	-	-	1.3	-1.3
Interest rate swaps										
Designated as cash flow hedges	-	-	-	-	-	-	-	-	-	-
Designated as fair value hedges	-	2.6	-	-	-	-	-	-	2.6	-2.6
Total	6.0	2.8	0.0	-	-8.8	-0.6	-	-	-0.6	0.6
2017										
Foreign exchange forward contracts										
Designated as cash flow hedges	0.4	0.5	-	-	-1.1	-0.4	-	-	-0.6	0.6
Other foreign exchange forward contracts	4.2	0.2	-	-	-6.4	0.0	-	-	-1.9	1.9
Interest rate swaps										
Designated as cash flow hedges	-	-	-	-	-	-	-	-	-	-
Designated as fair value hedges	-	-	3.9	-	-	-	-	-	3.9	-3.9
Total	4.7	0.7	3.9	-	-7.5	-0.4	-	-	1.4	-1.4

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

CAPITAL STRUCTURE > FINANCING

Nominal values of derivative contracts

EUR million

Remaining maturity <1 year 1–2 years 2–3 years 3– years

2018

Remaining maturity	<1 year	1–2 years	2–3 years	3– years
2018				
Foreign exchange forward contracts				
Designated as cash flow hedges	208.0	27.5	-	-
Other foreign exchange forward contracts	343.3	8.4	-	-
Interest rate swaps				
Designated as cash flow hedges	-	-	-	-
Designated as fair value hedges	-	75.0	-	-
Total	551.3	110.9	-	-

2017

Foreign exchange forward contracts				
Designated as cash flow hedges	50.4	27.5	-	-
Other foreign exchange forward contracts	448.7	4.7	-	-
Interest rate swaps				
Designated as cash flow hedges	-	-	-	-
Designated as fair value hedges	-	-	-	75.0
Total	499.1	32.2	-	75.0

Effect of cash flow hedges

EUR million	2018	2017
Recognized in profit and loss		
In other income	-	0.1
In other expenses	0.3	-
Adjustment to sales	-1.2	0.7
Recognized in equity		
Hedge result	-2.5	0.5
As deferred taxes	0.6	0.1

Accounting principle

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

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

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

the fair value changes are recognized in financial income and expenses.

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

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

CAPITAL STRUCTURE > FINANCING

4.7 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

2018

EUR million	Fair value through profit or loss	Amortized cost	Fair value through other comprehensive income	Carrying amounts by balance sheet item	Fair value
Non-current financial assets					
Derivative assets					
foreign exchange forward contracts	0.0	-	-	0.0	0.0
interest rate swaps	2.6	-	-	2.6	2.6
foreign exchange forward contracts under hedge accounting	0.2	-	-	0.2	0.2
Other shares and securities	-	-	1.6	1.6	1.6
Trade and other receivables					
interest-bearing	-	4.1	-	4.1	4.1
non interest-bearing	-	0.0	-	0.0	0.0
Current financial assets					
Derivative assets					
foreign exchange forward contracts	4.5	-	-	4.5	4.5
foreign exchange forward contracts under hedge accounting	1.4	-	-	1.4	1.4
Trade and other receivables					
interest-bearing	-	0.0	-	0.0	0.0
non interest-bearing	-	434.0	-	434.0	434.0
Cash and cash equivalents	-	233.4	-	233.4	233.4
Carrying amount by category	8.7	671.5	1.6	681.8	681.8
Non-current financial liabilities					
Bonds	-	149.5	-	149.5	154.4
Loans from financial institutions	-	24.5	-	24.5	24.9
Finance lease liabilities	-	0.0	-	0.0	0.0
Derivative liabilities					
foreign exchange forward contracts	0.3	-	-	0.3	0.3
foreign exchange forward contracts under hedge accounting	0.3	-	-	0.3	0.3
Other non-current loans	-	1.3	-	1.3	1.3
Other non-current liabilities	-	1.6	-	1.6	1.6
Current financial liabilities					
Loans from financial institutions	-	4.1	-	4.1	4.7
Finance lease liabilities	-	0.0	-	0.0	0.0
Derivative liabilities					
foreign exchange forward contracts	2.9	-	-	2.9	2.9
foreign exchange forward contracts under hedge accounting	5.8	-	-	5.8	5.8
Other current loans	-	18.9	-	18.9	18.9
Trade payables	-	124.8	-	124.8	124.8
Carrying amount by category	9.3	324.9	-	334.2	340.0

CAPITAL STRUCTURE > FINANCING

2017	Fair value through profit or loss	Amortized cost	Fair value through other comprehensive income	Carrying amounts by balance sheet item	Fair value
EUR million					
Non-current financial assets					
Derivative assets					
foreign exchange forward contracts	0.2	-	-	0.2	0.2
interest rate swaps	3.9	-	-	3.9	3.9
foreign exchange forward contracts under hedge accounting	0.5	-	-	0.5	0.5
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	-	-	4.2	4.2
foreign exchange forward contracts under hedge accounting	0.4	-	-	0.4	0.4
Trade and other receivables					
interest-bearing	-	0.1	-	0.1	0.1
non interest-bearing	-	408.9	-	408.9	408.9
Cash and cash equivalents	-	230.2	-	230.2	230.2
Carrying amount by category	9.3	640.8	2.2	652.2	652.2
Non-current financial liabilities					
Bonds					
	-	149.3	-	149.3	155.3
Loans from financial institutions					
	-	28.6	-	28.6	29.6
Finance lease liabilities					
	-	0.0	-	0.0	0.0
Derivative liabilities					
foreign exchange forward contracts	0.0	-	-	0.0	0.0
foreign exchange forward contracts under hedge accounting	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
Finance lease liabilities					
	-	0.0	-	0.0	0.0
Derivative liabilities					
foreign exchange forward contracts	6.4	-	-	6.4	6.4
foreign exchange forward contracts under hedge accounting	1.1	-	-	1.1	1.1
Other current loans					
	-	38.1	-	38.1	38.1
Trade payables					
	-	99.5	-	99.5	99.5
Carrying amount by category	7.9	326.2	-	334.1	341.7

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

CAPITAL STRUCTURE > FINANCING

Fair value hierarchy

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

2018

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

2017

EUR million	Level 1	Level 2	Level 3	Total
Other shares and securities	0.1	-	2.2	2.2
Derivative financial assets	-	9.3	-	9.3
Derivative financial liabilities	-	7.9	-	7.9

Offsetting financial assets and financial liabilities

2018 EUR million	Derivative financial assets		Derivative financial liabilities	
	2018	2017	2018	2017
Gross amounts of recognized financial assets/liabilities	8.7	9.3	9.3	7.9
Gross amounts of recognized financial liabilities/assets set off in the balance sheet	-	-	-	-
Net amounts of financial assets/liabilities presented in the balance sheet	8.7	9.3	9.3	7.9
Related amounts not set off in the balance sheet:				
Financial instruments	-5.2	-4.5	-5.2	-4.5
Cash collateral received	-	-	-	-
Net amount	3.6	4.8	4.2	3.4

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

Accounting principle

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

The Group classifies instruments at fair value into 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.

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

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

OTHER NOTES

OTHER NOTES

IN THIS SECTION

- » 5.1 Share-based payments
- » 5.2 Pension obligations
- » 5.3 Commitments and contingent liabilities
- » 5.4 Related party transactions
- » 5.5 Disputes and litigations
- » 5.6 Events after the balance sheet date
- » 5.7 Subsidiaries

5.1 SHARE-BASED PAYMENTS

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

Share-based Incentive Program

Outotec's Board of Directors decided 29 February 2016 to adopt a Share-based Incentive Program 2016–2018 for the company's key personnel.

The program comprises three earning periods: calendar years 2016, 2017 and 2018. On an annual basis, the Board of Directors determines the maximum number of allocated shares, the participants, the length of earning period, the amount of the maximum reward for each individual, the earning criteria and the targets established for them. The length of the earning and measurement period can vary from one to three years. A precondition for the Executive Board members for being eligible for the Share-based Incentive Program is that s/he also participates in Outotec's Employee Share Savings Plan.

The reward will be paid in the spring of the year following the close of the earning period as a combination of shares and cash. The cash portion is intended for covering taxes and tax-related payments. The reward will not be paid if the person's employment ends before the 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. If the person leaves within this period, the shares will be returned to Outotec.

The targets for the 2016 earning period, being based on net profit and free cash flow, were not reached and thus no reward was paid. The targets for the 2017 earning period were based on adjusted EBIT and free cash flow, and the reward paid in June 2018 amounted to 150,014 shares in addition to a cash payment that equals income taxes. The targets for the 2018 earning period were based on adjusted EBIT and free cash flow. These were not reached and thus no reward will be paid out.

Employee Share Savings Plan

Outotec's Board of Directors decided on September 25, 2012, to launch a global Employee Share Savings Plan for Outotec employees. The participants have a possibility to save 2 to 5% of their gross salary for purchasing Outotec shares. The shares are acquired at market price quarterly. To encourage participation, Outotec offers each participant one free share for two acquired shares, after a designated holding period of approximately three years. The free shares are taxable income for the recipient; consequently, part of the granted shares is withheld as a cash portion for settlement of income taxes, the plan thus having net settlement features. On September 20, 2018, the Board of Directors decided to continue the plan also in 2019. The following savings periods are subject to a separate Board decision.

The 2015 plan ended during the reporting period, under which a reward corresponding to a total of 166,571 shares was delivered in addition to the cash portion intended for covering taxes and tax related payments.

OTHER NOTES

Share-based Incentive Programs	Earning period 2018	Earning period 2017	Earning period 2016
Maximum number of shares	670,000	700,000	700,000
Grant dates	12.3.2018	25.4.2017	10.6.2016
Outotec share price on the grant date, EUR	7.85	6.85	3.82
Expected dividends per share, EUR	-	-	-
Fair value at 31.12.2018, EUR million	-	2.4	-
Beginning of earning period	1.1.2018	1.1.2017	1.1.2016
End of earning period	31.12.2018	31.12.2017	31.12.2016
End of restriction/ownership period	1.1.2021	1.1.2020	1.1.2019
Number of persons at 31.12.2018	-	83	-
Number of shares outstanding at 31.12.2018	-	169,569	-

Employee Share Savings Plan	Savings period 2019	Savings period 2018	Savings period 2017	Savings period 2016	Savings period 2015
Maximum number of shares	350,000	299,000	488,000	907,000	544,000
Grant dates	11.12.2018	11.12.2017	14.12.2016	10.2.2016	10.12.2014
Outotec share price on the grant date, EUR	3.09	6.44	4.99	2.80	4.16
Expected dividends per share, EUR	-	-	0.31	0.10	0.34
Fair value at 31.12.2018, EUR million	0.8	0.5	0.6	0.6	-
Beginning of earning period	1.1.2019	1.1.2018	1.1.2017	1.1.2016	1.1.2015
End of earning period	15.5.2022	15.5.2021	15.5.2020	15.5.2019	15.5.2018
End of restriction/ownership period	15.5.2022	15.5.2021	15.5.2020	15.5.2019	15.5.2018
Number of persons at 31.12.2018	739	731	704	767	-
Number of shares outstanding at 31.12.2018	267,117	99,522	122,765	157,822	-

Effect on earnings during the period and financial position EUR million	2018	2017
Expenses for the financial year, total	1.3	2.2
Expenses for the financial year, recognized in equity	0.9	1.1
Liabilities arising from share-based payments at the end of the period	0.9	1.4

Accounting principle

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

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

OTHER NOTES

5.2 PENSION OBLIGATIONS

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

Defined benefit plans and other post-employment benefits

Defined benefit plans and other post-employment benefits EUR million	Defined benefit pension plans		Other post-employment benefits	
	2018	2017	2018	2017
Amounts recognized in the income statement				
Current service cost	-1.5	-1.8	-	-
Interest cost	-1.0	-1.0	-0.1	-0.1
Loss on settlement	-0.4	-	-	-
Employee contributions	-	-	-	-
	-2.9	-2.8	-0.1	-0.1
Movement in the present value of the defined benefit obligation				
Unfunded obligation at January 1	55.2	50.2	3.1	3.3
Service cost	1.5	1.8	0.0	0.0
Interest cost	1.0	1.0	0.1	0.1
Loss on settlement	0.4	-	-	-
Actuarial gains(-) and losses(+)	-1.5	3.8	0.7	-0.1
Employee contributions	-	-	-	-
Benefits paid	-1.6	-1.6	-0.2	-0.2
Settlements paid	-2.7	-	-	-
Unfunded obligation at December 31	52.3	55.2	3.6	3.1
Expected benefit payments				
2019				1.9
2020				2.0
2021				2.1
2022				2.2
2023				2.3
Next 5 years				12.2

The weighted average duration of the defined benefit obligation was 16.7 years on December 31, 2018.

OTHER NOTES

Principal actuarial assumptions %	2018	2017
Discount rate	1.90	1.75
Future benefit increase expectation	1.80	1.80

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

Sensitivity analysis of principal actuarial assumptions %	Change in assumption	Impact of increase	Impact of decrease
Discount rate	0.25%	-4.1%	4.3%
Future benefit increase expectation	0.25%	2.3%	-2.2%
Medical cost trend expectation	1.00%	0.6%	-0.5%
Change in expected lifetime	1 year	3.8%	-3.8%

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

Defined benefit plans expose the Group to different type of risks, the most relevant being the interest risk. In the event that assumptions

behind the discount rate change substantially and the discount rate decreases significantly, the present value of the defined benefit plan obligations will also increase. Outotec's discount rate is based on the markets for fixed interest long running papers.

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

Accounting principle

Group companies in various countries have different kinds of pension plans in accordance with local conditions and practices.

The plans are classified as either defined contribution plans or defined benefit plans.

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

A defined benefit plan is a pension plan that is not a defined contribution plan. The

liability recognized in the balance sheet with respect to defined benefit pension plans is the present values of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the statement of income.

Accounting estimates and judgements

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

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

OTHER NOTES

5.3 COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	2018	2017
Guarantees for commercial commitments at December 31	490.7	475.2

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 4.4 million at December 31, 2018 (December 31, 2017: EUR 7.1 million) and for commercial commitments including advance payment guarantees EUR 688.1 million at December 31, 2018 (December 31, 2017: EUR 679.8 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	2018	2017
Not later than 1 year	17.0	19.8
1-2 years	15.4	15.1
2-3 years	12.0	12.6
3-4 years	7.3	9.3
4-5 years	4.8	5.7
Later than 5 years	22.0	26.7
Present value of minimum lease payments	78.5	89.2

Major off-balance sheet investment commitments

The Group had no major off-balance sheet investment commitments at December 31, 2018.

Accounting principle

Leases

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. Leases of property, plant and equipment, where the lessee has substantially all the rewards and risks of ownership of an asset, are classified as finance leases.

OTHER NOTES

5.4 RELATED PARTY TRANSACTIONS

Outotec's related parties include Outotec subsidiaries (note 5.7), associated companies (note 3.4) and members of the Board of Directors and Executive Board.

Transactions and balances with management

There were no loan receivables from current or former key management at December 31, 2018 (December 31, 2017: EUR 0.1 million loan receivables from former key management).

Employee benefits for key management EUR million	2018	2017
Executive Board (including President and CEO)		
Wages, salaries and other short-term employee benefits	2.7	2.6
Share-based payments	1.3	0.0
Statutory pension payments	0.5	0.4
Total	4.6	3.0
President and CEO		
Wages, salaries and other short-term employee benefits	0.6	0.7
Share-based payments	0.2	-
Statutory pension payments	0.1	0.1
Total	1.0	0.8

During year 2018 the Executive Board received a total number of 72,057 Outotec shares (2017: 1,261) as part of the share-based incentive program (included in Share-based payments), of which the CEO received 13,331 shares (2017: 0 shares).

Fees paid to the Board of Directors EUR thousand	2018	2017
Matti Alahuhta (Chairman)	84.0	89.4
Timo Ritakallio (Vice Chairman)	59.4	62.4
Eija Ailasmaa	48.0	52.8
Klaus Cawén	47.4	51.0
Hanne de Mora	43.8	-
Anja Korhonen	58.2	63.0
Ian W. Pearce	46.8	49.2
Patrik Nolåker	48.0	50.4
Poju Zabłudowicz	-	5.4
	435.6	423.6

5.5 DISPUTES AND LITIGATIONS

Outotec has no on-going legal disputes.

5.6 EVENTS AFTER THE BALANCE SHEET DATE

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

January 24: Order for a mine paste backfill system for a nickel mine in Canada. Value not disclosed but similar deliveries are approximately EUR 20-30 million.

February 5: Order for filtration technology and services for a lithium processing plant in Australia, value of approximately EUR 12 million.

February 8: Outotec makes EUR 110 million project provision relating to the ilmenite smelter.

OTHER NOTES

5.7 SUBSIDIARIES

Subsidiaries at December 31, 2018	Country	Group holding, %
AO Outotec St. Petersburg	Russia	100
International Project Services Ltd. Oy	Finland	100
Larox AB	Sweden	100
Larox India Private Ltd.	India	100
Outotec (Canada) Ltd.	Canada	100
Outotec (Ceramics) Oy	Finland	100
Outotec (Chile) S.A.	Chile	100
Outotec (Filters) GmbH	Germany	100
Outotec (Filters) Oy	Finland	100
Outotec (Finland) Oy	Finland	100
Outotec (Ghana) Limited	Ghana	100
Outotec (Kazakhstan) LLP	Kazakhstan	100
Outotec (Netherlands) B.V.	The Netherlands	100
Outotec (New Caledonia), SAS	New Caledonia	100
Outotec (Norway) AS	Norway	100
Outotec (Panama) S.A.	Panama	100
Outotec (Peru) S.A.C.	Peru	100
Outotec (Polska) Sp. z o.o.	Poland	100
Outotec (RSA) (Pty) Ltd.	South Africa	100
Outotec (Spain) S.L.	Spain	100
Outotec (Sweden) AB	Sweden	100
Outotec (Tete) Lda	Mozambique	100
Outotec (UK) Limited	Great Britain	100
Outotec (USA) Inc.	United States	100
Outotec (Zambia) Limited	Zambia	100
Outotec Africa Holdings (Pty) Ltd	South Africa	100
Outotec Ausmelt Pty Ltd	Australia	100
Outotec B.V.	The Netherlands	100
Outotec Biomin (Pty) Ltd	South Africa	51
Outotec Deutschland GmbH	Germany	100
Outotec Egypt Company LLC	Egypt	100
Outotec Engineering DMCC	United Arab Emirates	100
Outotec Engineering RAK LLC	United Arab Emirates	48
Outotec GmbH & Co KG	Germany	100
Outotec Holding GmbH	Germany	100
Outotec India Private Ltd.	India	100
Outotec International Holdings Oy	Finland	100

Subsidiaries at December 31, 2018	Country	Group holding, %
Outotec Lda	Mosambique	100
Outotec Mexico S.A. de C.V.	Mexico	100
Outotec Middle East Industrial Projects Consultancy LLC ²	United Arab Emirates	49
Outotec Mongolia LLC	Mongolia	100
Outotec Morocco LLC	Morocco	100
Outotec Namibia (Pty.) Ltd	Namibia	100
Outotec Pty. Ltd.	Australia	100
Outotec Saudi Arabia LLC	Saudi Arabia	100
Outotec Services (RSA) Proprietary Limited	South Africa	100
Outotec Servicios Corporativos SA DE CV	Mexico	100
Outotec Servicios Industriales Ltda.	Chile	100
Outotec Shanghai Co. Ltd.	People's Republic of China	100
Outotec Suzhou Co.,Ltd.	People's Republic of China	100
Outotec Technology Saudi LLC	Saudi Arabia	70
Outotec Tecnologia Brasil Ltda	Brazil	100
Outotec Trading & Contracting WLL	Qatar	49
Outotec Turkey Metal Enerji ve su Teknolojileri Anonim Sirketi	Turkey	100
Outotec Turula Oy	Finland	100
Petrobau Ingenieur EOOD Bulgaria	Bulgaria	100
PT. Outotec Technology Solutions	Indonesia	100
Scanalyse Holding Pty Ltd	Australia	100
Scanalyse Pty Ltd	Australia	100

All companies owned directly by the parent company Outotec Oyj are included.

The Group holding corresponds to the Group's share of voting rights, unless otherwise specified.

¹ Shares and stock held by the parent company Outotec Oyj.

² The voting rights or control in the company differ from the percentage of ownership, the reported number represents the percent of voting rights in the company held by Outotec corporation.

³ The entity has opted for certain facilitation rules allowed under German commercial law (Par. 264b German Commercial code).

⁴ The company is exempt from the requirements of section 479A of the UK Companies Act 2006 relating to the audit of individual accounts. The parent company Outotec (Finland) Oy guarantees the debts of the subsidiary as at 31 December 2018.

Outotec Iranian Minerals and Metals Processing has ceased all operations in 2018 and is in the process of dormancy and liquidation.

OTHER NOTES**Branch Offices at December 31, 2018**

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

Changes in 2018

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

Changes in 2017

OOO Outotec Norilsk was liquidated on February 7, 2017
Scanalyse Chile S.A. was deregistered on February 8, 2017
Biomim South Africa (Pty) Ltd changed its name to Outotec Biomim (Pty) Ltd on March 2, 2017
Scheibler Filters Ltd. was dissolved on April 11, 2017
ZAO Outotec St. Petersburg changed its name to AO Outotec St. Petersburg on June 3, 2017
Larox SA (Proprietary) Ltd was liquidated on June 21, 2017
Ausiron Development Corporation Pty. Ltd. was deregistered on December 13, 2017
MP Metals Processing Engineering Oy was liquidated on December 22, 2017
Outotec (Panama) S.A. was established on December 27, 2017

PARENT COMPANY FINANCIAL STATEMENTS, FAS

INCOME STATEMENT OF THE PARENT COMPANY

EUR million	Note	2018	2017
Sales	2	32.5	27.7
Cost of sales	3, 5, 7	-7.7	-5.8
Gross result		24.8	21.9
Other operating income	4	0.7	0.3
Selling and marketing expenses	7	-2.2	-1.9
Administrative expenses	5, 6, 7	-34.0	-36.3
Research and development expenses	5, 7	-2.2	-2.9
Other operating expenses	8	-5.5	-3.1
Operating result		-18.4	-22.0
Finance income	9, 11	12.4	14.6
Finance expenses	10, 11	-26.0	-27.9
Net finance income		-13.5	-13.4
Result before appropriations and taxes		-31.9	-35.3
Appropriations	12	10.9	34.1
Income tax expenses	13	-0.2	-0.4
Result for the period		-21.2	-1.6

BALANCE SHEET OF THE PARENT COMPANY

EUR million	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
	14		
Intangible assets		46.8	53.0
Property, plant and equipment		1.2	1.6
Non-current financial assets		537.5	537.5
Total non-current assets		585.5	592.1
Current assets			
Inventories	15	0.4	0.4
Non-current receivables	16	2.8	4.6
Current receivables	16	229.5	237.7
Cash and cash equivalents		52.7	64.9
Total current assets		285.4	307.5
TOTAL ASSETS		870.8	899.6

EUR million	Note	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
Shareholders' equity			
	17		
Share capital		17.2	17.2
Share premium fund		20.2	20.2
Treasury shares		-12.5	-15.0
Reserve for cash flow hedges		-0.4	-
Reserve for invested non-restricted equity		101.8	99.3
Retained earnings		175.0	179.3
Result for the period		-21.2	-1.6
Total shareholders' equity		280.1	299.2
Liabilities			
	18		
Non-current liabilities		327.3	332.3
Current liabilities		263.4	268.1
Total liabilities		590.7	600.4
TOTAL EQUITY AND LIABILITIES		870.8	899.6

CASH FLOW STATEMENT OF THE PARENT COMPANY

EUR million	2018	2017
Cash flows from operating activities		
Result before appropriations and taxes	-31.9	-35.3
Adjustments for		
Depreciation and amortization	13.5	13.0
Impairment	0.7	1.8
Interest income	-4.6	-4.4
Dividend income	-1.6	-
Interest expenses	18.3	18.2
Other adjustments ¹	-4.5	0.0
	-10.1	-6.7
Change in working capital		
Increase (-), decrease (+) in current receivables	10.4	10.7
Increase (-), decrease (+) in inventories	-0.0	-0.0
Increase (+), decrease (-) in current liabilities	-1.3	-2.9
	-1.1	1.1
Dividend received	1.6	-
Interest received	4.7	4.3
Interest paid	-18.3	-18.2
Net cash from operating activities	-13.1	-12.8

EUR million	2018	2017
Cash flows from investing activities		
Purchases of intangible and tangible assets	-7.6	-7.7
Acquisition of subsidiaries and other equity investments	0.0	0.1
Net cash used in investing activities	-7.6	-7.6
Cash flows from financing activities		
Decrease (-) in long-term debt	-4.1	-4.1
Decrease (-) in current loans	-3.2	-8.6
Decrease (+) in current loans receivable	13.7	1.3
Sales of treasury shares	2.1	0.8
Cash flow from group contributions	-	27.3
Net cash from financing activities	8.5	16.6
Net change in cash and cash equivalents	-12.2	-3.8
Cash and cash equivalents at January 1	64.9	68.7
Net change in cash and cash equivalents	-12.2	-3.8
Cash and cash equivalents at December 31	52.7	64.9

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

1. ACCOUNTING PRINCIPLES

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

Income taxes

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

Non-current financial assets

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

2. SALES BY MARKET AREA

EUR million	2018	2017
Europe	26.9	23.3
Africa	0.6	0.5
Asia	0.8	0.6
North and South America	2.5	2.0
Australia	1.6	1.4
	32.5	27.7

3. COST OF SALES

EUR million	2018	2017
Merchandise and supplies	-0.4	-0.4
Employee benefit expenses	-	-0.0
Rents and leases	-	0.0
Depreciation and amortization	-7.7	-7.1
Services purchased	-0.0	-0.0
Other expenses	0.4	1.6
	-7.7	-5.8

4. OTHER OPERATING INCOME

EUR million	2018	2017
Exchange gains of forward contracts	-	0.3
Exchange differences from derivatives	0.7	-
Other income	0.0	0.0
	0.7	0.3

5. PERSONNEL EXPENSES

EUR million	2018	2017
Wages and salaries	-10.2	-10.9
Pension contributions	-1.6	-1.8
Other personnel expenses	-0.3	-0.5
	-12.0	-13.2

of which wages and salaries for key management

Members of the Board of Directors	-0.4	-0.4
CEO	-0.9	-0.7
Other members of Executive Committee	-1.2	-1.0
	-2.5	-2.1

of which pension expenses for key management

CEO	-0.1	-0.1
Other members of Executive Committee	-0.1	-0.2
	-0.2	-0.3

In 2018, Executive Board members in Outotec Oyj received a total number of 72,057 Outotec shares (2017: 760) as part of the share-based incentive program (including in short-term employee benefits), of which the CEO received 13,331 Outotec shares (2017: 0).

There are no special pension arrangements for key management, instead the pension arrangements are in accordance with normal legislation.

Number of personnel	2018	2017
Average number of personnel for the period	139	157
Personnel at December 31	126	145

6. AUDITOR FEES

EUR million	2018	2017
Auditing fees	-0.2	-0.3
Tax advising fees	-	-0.0
Other services	-0.2	-0.0
	-0.4	-0.4

7. DEPRECIATION AND AMORTIZATION

EUR million	2018	2017
Depreciation and amortization according to plan	-13.5	-13.0
	-13.5	-13.0
Depreciation and amortization by group of assets		
Intangible assets	-1.4	-1.6
Other long-term expenses	-11.5	-10.8
Machinery and equipment	-0.6	-0.6
	-13.5	-13.0
Depreciation and amortization by function		
Cost of sales	-7.7	-7.1
Selling and marketing expenses	-2.2	-1.7
Administrative expenses	-2.1	-2.7
Research and development expenses	-1.6	-1.5
	-13.5	-13.0

8. OTHER OPERATING EXPENSES

EUR million	2018	2017
Impairment of subsidiary shares	-	-1.8
Restructuring	-3.5	-0.5
Exchange losses of forward contracts	-1.4	-0.8
Other expenses	-0.7	-
	-5.5	-3.1

9. FINANCE INCOME

EUR million	2018	2017
Dividends received	1.6	-
Interest income	4.6	4.4
Finance income	3.1	2.8
Exchange gains from loans and receivables	1.8	3.3
Exchange gains from forward agreements	-	2.5
	11.1	13.1
Finance income from subsidiaries ¹		
Interest income and other finance income	7.4	5.5
	7.4	5.5

¹ Finance income from subsidiaries are included in finance income above

10. FINANCE EXPENSES

EUR million	2018	2017
Interest expenses	-18.3	-18.2
Finance expenses	-2.4	-2.2
Exchange losses from loans and receivables	-3.0	-5.7
Exchange losses from forward agreements	-1.1	-0.4
	-24.7	-26.5
Finance expenses to subsidiaries ¹		
Interest expenses	-0.6	-0.3

¹ Finance expenses to subsidiaries are included in finance expenses above

11. DERIVATIVES UNDER HEDGE ACCOUNTING

EUR million	2018	2017
Fair value changes from interest rate derivatives ¹	-1.3	-1.4
Other fair value changes ²	1.3	1.5
	0.0	0.0

¹ Changes in fair value are included in finance income of income statement

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

Treasury operations of the Group are centralized in Outotec Oyj.

12. APPROPRIATIONS

EUR million	2018	2017
Group contributions received	10.9	34.1

13. INCOME TAX EXPENSES

EUR million	2018	2017
Income tax expenses from previous year	0.0	-
Income tax expenses from operations	-0.2	-0.4
	-0.2	-0.4
Deferred tax assets		
Temporary differences	10.2	5.8

14. NON-CURRENT ASSETS

EUR million	Intangible assets			Tangible assets
	Patents and licenses	Long-term expense items	Total	Property, plant and equipment
Historical cost at January 1, 2018	11.8	87.3	99.1	4.5
Additions	1.0	6.4	7.4	0.2
Disposals	-2.9	-4.3	-7.2	-0.6
Historical cost at December 31, 2018	9.9	89.4	99.3	4.1
Accumulated amortization and impairment at January 1, 2018	-7.0	-39.2	-46.2	-3.0
Amortization during period	-1.4	-11.5	-12.9	-0.6
Amortization from disposals during period	2.6	3.9	6.5	0.6
Accumulated amortization and impairment at December 31, 2018	-5.8	-46.8	-52.5	-2.9
Carrying value at December 31, 2018	4.2	42.6	46.8	1.2
Historical cost at January 1, 2017	11.2	81.4	92.6	3.3
Additions	0.7	5.9	6.5	1.2
Historical cost at December 31, 2017	11.8	87.3	99.1	4.5
Accumulated amortization and impairment at January 1, 2017	-5.4	-28.3	-33.7	-2.3
Amortization during period	-1.6	-10.8	-12.4	-0.6
Accumulated amortization and impairment at December 31, 2017	-7.0	-39.2	-46.2	-3.0
Carrying value at December 31, 2017	4.8	48.1	53.0	1.6

Long-term financial assets EUR million	Shares in subsidiaries	Other shares and holdings	Total
Historical cost at January 1, 2018	537.3	0.2	537.5
Impairment	-0.0	-	-0.0
Carrying value at December 31, 2018	537.3	0.2	537.5
Historical cost at January 1, 2017	539.2	0.2	539.4
Impairment	-1.9	-	-1.9
Carrying value at December 31, 2017	537.3	0.2	537.5

Investments in subsidiary shares are disclosed in more detail in the Group note 5.7.

15. INVENTORIES

EUR million	2018	2017
Advance payments received	0.3	0.3
Materials and supplies	0.1	0.1
	0.4	0.4

16. RECEIVABLES

EUR million	2018	2017
-------------	------	------

Non-current receivables

Non interest-bearing		
Unrealized exchange gains of forward contracts	2.8	4.6
	2.8	4.6

Current receivables

Interest-bearing		
Loans receivable	122.8	136.1
Other receivables from group companies	2.3	0.7
Non interest-bearing		
Trade receivables	30.1	42.9
Prepaid expenses and accrued income	2.8	1.6
Other receivables	71.6	56.2
	229.5	237.7

Prepaid expenses and accrued income

Interest receivables	1.0	1.0
Arrangement fee of hybrid loan	0.4	0.6
Tax receivables	1.3	-
Other receivables	0.0	0.0
	2.8	1.6

Receivables from subsidiaries

Current receivables

Interest-bearing		
Loans receivable	122.8	136.1
Other receivables from group companies	2.3	0.7
Non interest-bearing		
Trade receivables	30.1	42.9
Prepaid expenses and accrued income	0.5	0.6
Group contribution receivables	54.7	43.8
Other receivables	6.9	6.4
	217.3	230.5

17. SHAREHOLDERS' EQUITY

EUR million	2018	2017
Share capital	17.2	17.2
Share premium fund	20.2	20.2
Treasury shares	-12.5	-15.0
Reserve for invested non-restricted equity	101.8	99.3
Reserve for cash flow hedges	-0.4	-
Retained earnings at January 1	177.6	180.1
Change in value of treasury shares	-2.6	-0.8
Profit/loss for the period	-21.2	-1.6
Total shareholders' equity at December 31	280.1	299.2
Distributable funds		
Reserve for invested non-restricted equity	101.8	99.3
Treasury shares	-12.5	-15.0
Retained earnings	175.0	179.3
Result for the period	-21.2	-1.6
Distributable funds at December 31	243.1	261.9

On September 10, 2012, Outotec purchased a total of 2,000,000 of the company's own shares through public trading. In December 31, 2013 Outotec Management Oy was merged with Outotec Oyj. As a result of the merger,

813,736 shares, previously owned by Outotec Management Oy, were transferred. At the end of the year the number of these shares was 1,365,312 (2017: 1,677,929) and book value EUR 12.5 million. (2017: EUR 15.0 million).

18. LIABILITIES

EUR million	2018	2017
Non-current liabilities		
Interest-bearing		
Bonds	152.2	153.2
Loans from financial institutions	24.5	28.6
Hybrid loan	150.0	150.0
Non interest-bearing		
Unrealized exchange losses of forward contracts	0.6	0.4
	327.3	332.3
Current liabilities		
Interest-bearing		
Current loans	23.1	45.2
Other current loans from group companies	210.9	192.0
Non interest-bearing		
Trade payables	1.3	3.7
Accrued expenses and prepaid income	12.7	13.7
Other current liabilities	15.5	13.6
	263.4	268.1
Accrued expenses and prepaid income		
Accrued personnel expenses	1.7	2.0
Interest liability of hybrid loan	8.5	8.5
Other liabilities	2.4	3.1
	12.7	13.7
Liabilities to subsidiaries		
Current liabilities		
Interest-bearing		
Current loans	-	3.1
Other current loans from group companies	210.9	192.0
Non interest-bearing		
Trade payables	0.1	0.4
Accrued expenses and prepaid income	0.1	0.0
Other current liabilities	4.6	4.3
	215.6	199.8

19. COMMITMENTS

EUR million	2018	2017
Guarantees		
On behalf of subsidiaries		
For financing	4.4	7.1
For other commitments	681.9	672.1
On behalf of own commercial commitments (excluding advance payment guarantees)	6.2	7.8

The total value of commercial guarantees issued by the parent company on behalf of subsidiaries includes advance payment guarantees EUR 197.4 million at December 31, 2018 (at December 31, 2017: EUR 204.6 million).

The total amount of guarantees for commercial commitments including advance payment guarantees issued by the parent company amounted to EUR 688.1 million at December 31, 2018 (at December 31, 2017: EUR 679.8 million).

Minimum future lease payments on operating leases

Not later than 1 year	5.6	6.6
1–2 years	5.5	5.5
2–3 years	5.4	5.4
3–4 years	4.7	5.4
4–5 years	4.2	4.9
Later than 5 years	21.8	25.3
	47.1	53.1

20. DERIVATIVE INSTRUMENTS

EUR million	2018	2017
Net fair values		
Contracts made with financial institutions		
Foreign exchange forward contracts	-1.5	-2.2
Interest rate swaps	2.6	3.9
Contracts made with subsidiaries		
Foreign exchange forward contracts	1.4	1.1
	2.5	2.9

Nominal values

Contracts made with financial institutions		
Foreign exchange forward contracts	526.6	430.9
Interest rate swaps	75.0	75.0
Contracts made with subsidiaries		
Foreign exchange forward contracts	380.7	388.7
	982.3	894.6

21. ADDITIONAL INFORMATION RELATED TO FINANCIAL INSTRUMENTS AND DERIVATIVE CONTRACTS

Fair values of derivative contracts

Remaining maturity EUR million	Positive fair value				Negative fair value			
	< 1 years	1-2 years	2-3 years	3- years	< 1 years	1-2 years	2-3 years	3- years
2018								
Foreign exchange forward contracts								
Designated as cash flow hedges								
With financial institutions	-	-	-	-	-	-	-	-
With subsidiaries	-	-	-	-	-	-	-	-
Other foreign exchange forward contracts								
With financial institutions	5.9	0.2	-	-	-7.0	-0.6	-	-
With subsidiaries	5.4	0.6	-	-	-4.4	-0.2	-	-
Interest rate swaps								
Designated as cash flow hedges								
With financial institutions	-	-	-	-	-	-	-	-
Designated as fair value hedges								
With financial institutions	-	2.6	-	-	-	-	-	-
Total	11.4	3.3	-	-	-11.5	-0.7	-	-
2017								
Foreign exchange forward contracts								
Designated as cash flow hedges								
With financial institutions	-	-	-	-	-	-	-	-
With subsidiaries	-	-	-	-	-	-	-	-
Other foreign exchange forward contracts								
With financial institutions	3.3	0.7	-	-	-5.8	-0.4	-	-
With subsidiaries	5.0	0.4	-	-	-3.6	-0.7	-	-
Interest rate swaps								
Designated as cash flow hedges								
With financial institutions	-	-	-	-	-	-	-	-
Designated as fair value hedges								
With financial institutions	-	-	-	3.9	-	-	-	-
Total	8.3	1.1	-	3.9	-9.4	-1.1	-	-

Nominal values of derivative contracts

Remaining maturity EUR million	<1 years	1–2 years	2–3 years	3– years
2018				
Foreign exchange forward contracts				
Designated as cash flow hedges				
With financial institutions	-	-	-	-
With subsidiaries	-	-	-	-
Other foreign exchange forward contracts				
With financial institutions	490.7	35.9	-	-
With subsidiaries	344.8	35.9	-	-
Interest rate swaps				
Designated as cash flow hedges				
With financial institutions	-	-	-	-
Designated as fair value hedges				
With financial institutions	-	75.0	-	-
Total	835.5	146.8	-	-
2017				
Foreign exchange forward contracts				
Designated as cash flow hedges				
With financial institutions	-	-	-	-
With subsidiaries	-	-	-	-
Other foreign exchange forward contracts				
With financial institutions	398.7	32.2	-	-
With subsidiaries	356.5	32.2	-	-
Interest rate swaps				
Designated as cash flow hedges				
With financial institutions	-	-	-	-
Designated as fair value hedges				
With financial institutions	-	-	-	75.0
Total	755.2	64.4	-	75.0

Transaction risk

EUR million	USD risk		AUD risk		SEK risk		ZAR risk	
	2018	2017	2018	2017	2018	2017	2018	2017
Bank accounts	-8.9	-10.7	-0.2	1.8	-9.4	-0.8	-3.1	3.1
Trade receivables	16.4	5.9	-1.9	-2.5	-0.4	-0.3	-16.3	-3.5
Trade payables	-	-	-	-	-	-	-	-
Loans and receivables								
From financial institutions	-	-	-	-	-	-	-	-
From subsidiaries	14.4	4.4	45.3	50.2	5.4	9.7	3.1	3.5
Net balance sheet exposure	22.0	-0.4	43.2	49.5	-4.4	8.6	-16.3	3.0
Hedges:								
Foreign exchange forward contracts								
With financial institutions	-162.1	-149.5	-27.7	-49.7	16.8	13.6	15.8	-13.5
With subsidiaries	139.9	150.0	-15.9	0.0	-12.4	-22.0	1.0	10.7
Total net exposure	-0.2	0.1	-0.3	-0.2	0.0	0.2	0.5	0.2

Sensitivity of financial instruments on foreign currency exchange rates

EUR million	2018	2017
	Effect on profit or loss	Effect on profit or loss
+/- 10% change in EUR/USD exchange rate	+0.02/-0.03	-0.01/0.01
+/- 10% change in EUR/AUD exchange rate	+0.03/-0.04	+0.02/-0.02
+/- 10% change in EUR/SEK exchange rate	0.00/0.00	-0.02/+0.02
+/- 10% change in EUR/ZAR exchange rate	+0.04/-0.05	+0.02/-0.03

Fair value hierarchy**2018**

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

2017

EUR million	Level 1	Level 2	Level 3	Total
Available for sale financial assets	0.1	-	0.1	0.2
Derivative financial assets				
With financial institutions	-	7.9	-	7.9
With subsidiaries	-	5.5	-	5.5
Total	0.1	13.4	0.1	13.5
Derivative financial liabilities				
With financial institutions	-	6.2	-	6.2
With subsidiaries	-	4.3	-	4.3
Total	-	10.5	-	10.5

Fair values of financial assets and liabilities

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

Fair values of financial assets and liabilities

2017	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Derivatives under hedge accounting	Carrying amounts by balance sheet item	Fair value
EUR million						
Non-current financial assets						
Derivative assets						
Foreign exchange forward contracts						
With financial institutions	0.7	-	-	-	0.7	0.7
With subsidiaries	0.4	-	-	-	0.4	0.4
Interest rate swaps						
With financial institutions	-	-	-	3.9	3.9	3.9
Other shares and securities	-	0.2	-	-	0.2	0.2
Current financial assets						
Derivative assets						
Foreign exchange forward contracts						
With financial institutions	3.3	-	-	-	3.3	3.3
With subsidiaries	5.0	-	-	-	5.0	5.0
Interest rate swaps						
With financial institutions	-	-	-	-	-	-
Carrying amount by category	9.5	0.2	-	3.9	13.5	13.5
Non-current financial liabilities						
Derivative liabilities						
Foreign exchange forward contracts						
With financial institutions	-	-	0.4	-	0.4	0.4
With subsidiaries	-	-	0.7	-	0.7	0.7
Interest rate swaps						
With financial institutions	-	-	-	-	-	-
Current financial liabilities						
Derivative liabilities						
Foreign exchange forward contracts						
With financial institutions	-	-	5.8	-	5.8	5.8
With subsidiaries	-	-	3.6	-	3.6	3.6
Interest rate swaps						
With financial institutions	-	-	-	-	-	-
Carrying amount by category	-	-	10.5	-	10.5	10.5

Offsetting financial assets and financial liabilities

2018 EUR	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Derivative financial assets						
With financial institutions	8.7	-	8.7	-5.1	-	3.6
With subsidiaries	6.0	-	6.0	-3.4	-	2.6
Total	14.7	-	14.7	-8.5	-	6.2

2018 EUR	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Derivative financial liabilities						
With financial institutions	7.6	-	7.6	-5.1	-	2.5
With subsidiaries	4.6	-	4.6	-3.4	-	1.2
Total	12.2	-	12.2	-8.5	-	3.7

2017 EUR	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Derivative financial assets						
With financial institutions	7.9	-	7.9	-3.8	-	4.1
With subsidiaries	5.5	-	5.5	-3.5	-	1.9
Total	13.4	-	13.4	-7.4	-	6.0

2017 EUR	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Derivative financial liabilities						
With financial institutions	6.2	-	6.2	-3.8	-	2.3
With subsidiaries	4.3	-	4.3	-3.5	-	0.8
Total	10.5	-	10.5	-7.4	-	3.1

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

AUDITOR'S REPORT

(Translation of the Finnish Original)

To the Annual General Meeting of Outotec Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion

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

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

What we have audited

We have audited the financial statements of Outotec Oyj (business identity code 0828105-4) for the year ended 31 December 2018. The financial statements comprise:

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

BASIS FOR OPINION

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

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

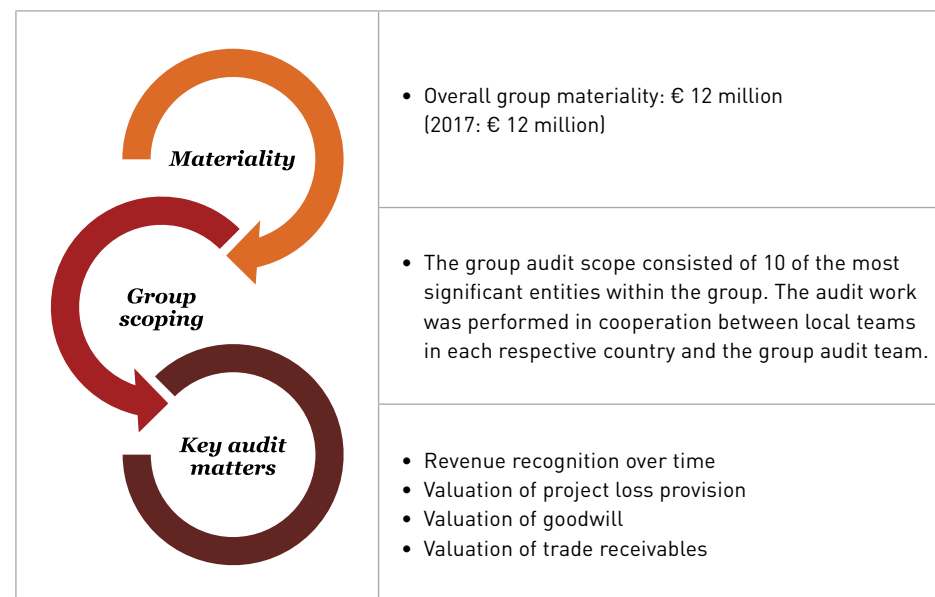
Independence

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

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

OUR AUDIT APPROACH

Overview



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

Materiality

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

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

Overall group materiality	€ 12 million (2017: € 12 million)
How we determined it	We used the combination of 1% of total revenues and 1% of total assets to determine overall group materiality.
Rationale for the materiality benchmark applied	We assessed for Outotec the suitability of the commonly accepted benchmarks for the determination of materiality. Due to the volatility in profitability of the company, we determined that total assets and total revenues as a combination provide a suitable representation of the magnitude of Outotec's operations. The percentages applied are within the commonly accepted range as set out in relevant auditing standards.

How we tailored our group audit scope

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

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

KEY AUDIT MATTERS

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

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

Key audit matter in the audit of the group	How our audit addressed the key audit matter
<p>Revenue recognition over time Refer to notes "adoption of IFRS 15", 1, 1.2 and 2.2 in the consolidated financial statements</p> <p>A significant portion of the company's sales is recognized over time. As described in the accounting principles to the consolidated financial statements, the stage of completion of a project is measured by using the cost-to-cost method under which the stage of completion is defined as the ratio of costs incurred to total estimated costs.</p> <p>Appropriate timing of revenue recognition is dependent on estimates regarding anticipated contract revenues and expenses. There is a risk that these estimates are incorrect and hence contract revenue is incorrectly recognized across reporting periods.</p> <p>This risk is emphasized when the company delivers new types of technical solutions or applications, for which there is no extensive past experience. The risk is also emphasized in comprehensive plant deliveries, where the company is responsible for construction of the plant in addition to the process technology.</p> <p>Due to the significance of revenue recognition over time and the aforementioned risks that affect appropriate recognition of revenue across accounting periods, it is considered a key audit matter.</p> <p>This matter is a significant risk of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014.</p>	<p>We tested the company's key processes that affect revenue recognition over time. In addition to processes and controls, we focused on detailed audit procedures relating to the accounting treatment of individual contracts. As part of the procedures we:</p> <ul style="list-style-type: none"> • tested the IT-system configurations for percentage of completion calculations. • tested values used in the calculations against customer contracts. • obtained an understanding of contracts to assess whether any terms with unaccounted terms are present. • tested the approval process for setting up new projects in the system. • tested the risk assessment process for determining risk provision amounts. • assessed management estimates relating to projects with particular risk characteristics. • assessed the company's ability to make reliable estimates by performing retrospective analysis of past estimates of actual outcomes.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
<p>Valuation of project loss provision Refer to note 2.4 in the consolidated financial statements</p> <p>We focused on this area because management has made a project loss provision that requires significant judgement in relation to the amount of additional costs relating to the ilmenite smelter project.</p> <p>This matter is a significant risk of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014.</p>	<p>In response to the risk related to valuation of the provision and completeness of the related disclosures in the financial statements, we:</p> <ul style="list-style-type: none"> • obtained external legal opinion from Outotec's legal advisor. • read the technical analyses prepared by internal and external experts that management has used in the estimation of the future costs. • discussed the case with management and reviewed correspondence and other documents exchanged between Outotec and the other parties involved. • read the minutes of the board meetings, and inspected the company's legal expenses in order to ensure that management has identified all relevant risks. • assessed the assumptions applied by management in the calculation of the provision recorded in the accounting records, and reviewed the disclosures for completeness based on our procedures described above.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
<p>Valuation of goodwill</p> <p>Refer to notes “basis of preparation”, 3.2 and 3.3 in the consolidated financial statements</p> <p>The company has two cash flow generating units (CGUs): Minerals Processing (MP) and Metals, Energy and Water (MEW). The goodwill balance arising from these CGU’s represent 17% of the company’s total assets as of 31 December 2018.</p> <p>The company is responsible for performing annual impairment tests on goodwill associated with the above CGU’s. Management utilizes the discounted cash flow (DCF) model in determining the value in use (VIU) associated with each of the identified CGU’s. The goodwill impairment assessment involves considerable judgment with respect to the determination of the valuation model and the key assumptions used, which involves revenue growth, profit margin, discount rate, and terminal value.</p> <p>Due to the challenging market conditions and negative results in MEW over recent years, goodwill valuation is considered a key audit matter.</p>	<p>We obtained an detailed understanding of the valuation utilized by management in their goodwill impairment assessment and tested the key assumptions as follows:</p> <ul style="list-style-type: none"> • evaluated the company’s determination of the company’s CGU’s and the allocation of the goodwill balance over the identified CGU’s. • assessed the reasonableness of the company’s assumptions relating to revenue growth rates and forecasted profit margin, considering historical results, current market conditions and industry outlooks for each CGU. • involved our valuation experts in the assessment of the reasonableness of the company’s calculated WACC, used as the discount rate in their DCF. • assessed reasonableness of management’s calculation of the CGU’s terminal value by utilizing published comparable financial information. • performed sensitivity analysis over key assumptions utilized by management, including revenue growth rate, profit margin, discount rate and terminal value, and assessed the headroom impact of changes in these assumptions for each CGU. • assessed the adequacy of the disclosures particularly related to the valuation model, key assumptions and sensitivities.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
<p>Valuation of trade receivables</p> <p>Refer to notes 2 and 2.2 in the consolidated financial statements</p> <p>The company has significant trade receivables from a wide range of customers across the world. The customers include private and state actors in a number of industries.</p> <p>Trade receivables include inherent risk of credit loss, in addition to which a significant portion of the receivables are aged, as disclosed in note 2.2 to the financial statements. Significant aging is considered an indication of heightened risk of credit loss. The Group uses a simplified credit loss matrix, according to which a credit loss allowance is measured at an amount equal to the lifetime expected credit losses. The challenging market environment in which the company operates also emphasizes the risk of credit loss.</p> <p>The company carries trade receivables at their anticipated realizable value, which is the original invoice amount less a valuation allowance for estimated credit losses.</p> <p>Due to the significant amount of aged trade receivables and the estimation risk involved in their valuation, this is considered a key audit matter.</p>	<p>We obtained an understanding of the Company’s process for monitoring trade receivables and recording provisions relating to receivables with risk of non-recoverability. We also performed audit procedures to assess the valuation of the company’s receivable portfolio at the balance sheet date. We:</p> <ul style="list-style-type: none"> • identified and tested the key controls in place to ensure identification of risks within trade receivables. • analysed the trade receivables recorded in the balance sheet and obtained evidence regarding the appropriate valuation of items with particular risk characteristics. • assessed management assessment of recoverability particularly for significant aged items by corroborating them against internal and external evidence regarding the likelihood of payment. • assessed the company’s ability to make reliable estimates by performing retrospective analysis of past estimates.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

OTHER REPORTING REQUIREMENTS

Appointment

We were first appointed as auditors by the annual general meeting on 23 March 2012. Our appointment represents a total period of uninterrupted engagement of 7 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

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

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

In our opinion

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

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

Helsinki 15 February 2019

PricewaterhouseCoopers Oy

Authorised Public Accountants

Markku Katajisto

Authorised Public Accountant (KHT)

BOARD OF DIRECTORS

Matti Alahuhta

Chairman of the Board of Directors
D.Sc.(Tech.)

b. 1952, Finnish citizen

Board member and chairman since 2013, chairman of the Human Capital Committee Independent of the company and owner President and CEO of KONE Corporation 2005–2014

Positions of trust: Chairman of the Board of Directors of DevCo Partners; member of the Board of Directors of KONE Corporation, ABB Group, and AB Volvo
Outotec shareholding and share-based rights on 31.12.2018: 160,891 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2018: 0 shares

Timo Ritakallio

Vice Chairman of the Board of Directors
D.Sc. (Tech.), D.Sc. (Econ & Bus. Adm.)
honoris causa, LL.M., MBA

b. 1962, Finnish citizen

Board member since 2011, member of the Human Capital Committee
Independent of the company and owner
OP Financial Group March, President and Group Executive Chairman since 2018

Positions of trust: Chairman of the Board of Directors of the Finnish Olympic Committee, Securities Market Association, OP Corporate Bank plc, Helsinki Area Cooperative Bank, OP Insurance Ltd and Paulo Foundation.
Outotec shareholding and share-based rights on 31.12.2018: 25,157 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2018: 0 shares

Eija Ailasmaa

M. Pol. Sc, Graduate of the Sanoma School of Journalism

b. 1950, Finnish citizen

Board member since 2010, member of the Human Capital Committee
Independent of the company, not independent of owner
President and CEO of Sanoma Media B.V. until 2011

Positions of trust: Vice Chairman of the Board of Directors of Solidium Oy and member of Board of Directors of Era Content Oy
Outotec shareholding and share-based rights on 31.12.2018: 15,338 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2018: 0 shares

Klaus Cawén

LL.M. Columbia University, LL.M. University of Helsinki

b. 1957, Finnish citizen

Board member since 2015, member of the Audit and Risk Committee
Independent of the company and owner
Executive Vice President of KONE Corporation

Positions of trust: Member of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company, Member of the Board of Directors of Oy Karl Fazer Ab, Toshiba Elevator and Building Systems Corporation, and East Office of Finnish Industries Ltd
Outotec shareholding and share-based rights on 31.12.2018: 12,804 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2018: 0 shares

Anja Korhonen

M.Sc. (Economics)

b. 1953, Finnish citizen

Board member since 2013, chairman of the Audit and Risk Committee

Independent of the company and owner
Senior Vice President, Corporate Controller of Nokia Corporation until 2011

Positions of trust: Member of the Board of Directors of Oriola Oyj and Huhtamäki Oyj
Outotec shareholding and share-based rights on 31.12.2018: 17,457 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2018: 0 shares

Hanne de Mora

Lic.oec, MBA

b. 1960, Swiss citizen

Board member since March 27, 2018, member of the Audit and Risk Committee
Independent of the company and owner
a-connect (group) ag, Switzerland, since 2002, co-founder and Chairperson.

Positions of trust: IMD Business School, Member of the Foundation and Supervisory Board. AB Volvo, Member of the Board of Directors.
Outotec shareholding and share-based rights on 31.12.2018: 2,007 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2018: 0 shares

Detailed information about members of the Board of Directors: www.outotec.com/cg.

Patrik Nolåker

B.Sc., Business Administration & Economics, MBA

b. 1963, Swedish citizen

Board member since 2016, member of the Human Capital Committee
Independent of the company and owner
Group CEO of DYWIDAG Systems International until 2016

Positions of trust: Chairman of the Board of Directors of Velcora Holding AB, Saferoad Holding ASA and Fibo Holding AS. Member of the Board of AQ Group, Systemair AB and Dywidag-Systems International S.a.r.l.;
Outotec shareholding and share-based rights on 31.12.2018: 8,288 shares (and 4,000 nominee registered shares).
Outotec shareholding and share-based rights of controlled corporations on 31.12.2018: 0 shares

Ian W. Pearce

B.Sc., University of the Witwatersrand, South Africa

b. 1957, Canadian citizen

Board member since 2015, member of the Audit and Risk Committee
Independent of the company and owner
Founding Partner of X2 Resources Partners LP Inc. until 2017

Positions of trust: Chairman of the Board of Directors of MineSense Technologies Ltd. (Canada) and Newgold (Canada)
Outotec shareholding and share-based rights on 31.12.2018: 10,804 shares
Outotec shareholding and share-based rights of controlled corporations on 31.12.2018: 0 shares

EXECUTIVE BOARD

Markku Teräsvasara

Chairman of the Executive Board
President and CEO
B.Sc. Civil engineering
b. 1965, Finnish citizen

Outotec shareholding and share-based rights
on 31.12.2018: 24,192 shares

Outotec shareholding and share-based rights
of controlled corporations on 31.12.2018:
0 shares

Gustav Kildén

Senior Vice President, Strategic Customers
and Business Development
B.Sc. (Mechanical Engineering & Energy
Technology)
b. 1971, Swedish citizen

Outotec shareholding and share-based rights
on 31.12.2018: 6,483 shares

Outotec shareholding and share-based rights
of controlled corporations on 31.12.2018:
0 shares

Kalle Härkki

Executive Vice President, President of Metals,
Energy & Water Business Unit
D.Sc. (Tech.)
b. 1969, Finnish citizen

Outotec shareholding and share-based rights
on 31.12.2018: 98,164 shares

Outotec shareholding and share-based rights
of controlled corporations on 31.12.2018:
0 shares

Kimmo Kontola

Executive Vice President, President of Miner-
als Processing Business Unit
MBA, B.Sc. (Chemical Eng.)
b. 1962, Finnish citizen

Outotec shareholding and share-based rights
on 31.12.2018: 18,440 shares

Outotec shareholding and share-based rights
of controlled corporations on 31.12.2018:
0 shares

Tomas Hakala

Executive Vice President, President of Services
Business Unit
B.Sc. Production Economics
b. 1968, Finnish citizen

Outotec shareholding and share-based rights
on 31.12.2018: 27,437 shares

Outotec shareholding and share-based rights
of controlled corporations on 31.12.2018:
0 shares

Jari Ålgars

Chief Financial Officer
M.Sc. (Econ.)
b. 1964, Finnish citizen

Outotec shareholding and share-based rights
on 31.12.2018: 36,933 shares

Outotec shareholding and share-based rights
of controlled corporations on 31.12.2018:
0 shares

Kaisa Aalto-Luoto

Senior Vice President, Human Resources and
Communications
M.Sc. (Econ.)
b. 1979, Finnish citizen

Outotec shareholding and share-based rights
on 31.12.2018: 8,967 shares

Outotec shareholding and share-based rights
of controlled corporations on 31.12.2018:
0 shares

Nina Kiviranta

General Counsel, Senior Vice President
Legal and Contract Management, Corporate
Responsibility
Master of Laws, trained on the bench
b. 1964, Finnish citizen

Outotec shareholding and share-based rights
on 31.12.2018: 16,343 shares

Outotec shareholding and share-based rights
of controlled corporations on 31.12.2018:
0 shares

Olli Nastamo

Senior Vice President, Operational Excellence
M.Sc. (Engineering)
b. 1956, Finnish citizen

Outotec shareholding and share-based rights
on 31.12.2018: 15,820 shares

Outotec shareholding and share-based rights
of controlled corporations on 31.12.2018:
0 shares

Executive Board members' complete
CVs are available at www.outotec.com

INVESTOR INFORMATION

CORPORATE GOVERNANCE STATEMENT AND POLICY

Outotec's Corporate Governance Statement 2018 has been given separately from the Financial Statements. The Statement as well as Outotec's Corporate Governance Policy in its entirety are available on Outotec's website at www.outotec.com/cg.

ANNUAL GENERAL MEETING 2019

The AGM will be held on March 14.
More information at www.outotec.com/agm.

DIVIDEND

The Board of Directors proposes to the Annual General Meeting 2019 that no dividend will be paid for the financial year 2018.

INTERIM REPORTS 2019

- January–March: May 8
- Half Year Financial Report: July 26
- January–September: October 31

SHARE INFORMATION

Listing: Nasdaq Helsinki, OMXH
Trading symbol: OTE1V
No of shares: 183,121,492 (Feb 8, 2019)
Sector: Industry
ISIN: FI0009014575

ANALYSTS

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

CONSENSUS

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

CONTACT

Ms Riitta Lind, Executive Assistant
Tel. +358 (0)20 529 2005,
riitta.lind@outotec.com