

# Q1-Q4

## FINANCIAL STATEMENTS REVIEW

JANUARY-DECEMBER 2018



## FINANCIAL STATEMENTS REVIEW 2018

### 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.



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.

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.

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.

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.

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. We expect the demand for our products and services to remain solid in 2019”, summarizes President & CEO **Markku Teräsvasara**.

## Dividend proposal

The Board of Directors proposes to the Annual General Meeting on March 14, 2019, that no dividends are distributed for the financial year 2018.

## Summary of key figures

EUR million	Q4		Q4		Q1-Q4		Q1-Q4	
	2018	2017	% <sup>1</sup>	% <sup>2</sup>	2018	2017	% <sup>1</sup>	% <sup>2</sup>
Order intake	<b>298.9</b>	365.8	<b>-18</b>	-16	<b>1,251.3</b>	1,204.6	<b>4</b>	8
Service order intake	<b>129.3</b>	125.5	<b>3</b>	5	<b>532.5</b>	494.9	<b>8</b>	13
Order backlog at end of period	<b>946.6</b>	1,005.4	<b>-6</b>	-	<b>946.6</b>	1,005.4	<b>-6</b>	-
Sales	<b>338.0</b>	340.8	<b>-1</b>	2	<b>1,276.5</b>	1,143.8	<b>12</b>	16
Service sales	<b>163.2</b>	146.0	<b>12</b>	15	<b>496.6</b>	480.4	<b>3</b>	9
Gross margin, %	<b>-4.4</b>	24.2			<b>15.4</b>	23.6		
Adjusted EBIT <sup>3,4</sup>	<b>-79.3</b>	18.3			<b>-46.2</b>	33.5		
Adjusted EBIT <sup>3,4</sup> , %	<b>-23.5</b>	5.4			<b>-3.6</b>	2.9		
EBIT	<b>-84.5</b>	16.2			<b>-66.1</b>	26.0		
EBIT, %	<b>-25.0</b>	4.8			<b>-5.2</b>	2.3		
Net cash from operating activities	<b>-17.6</b>	47.0			<b>70.4</b>	39.6		
Earnings per share, EUR	<b>-0.42</b>	-0.00			<b>-0.42</b>	-0.03		

<sup>1</sup> Change, %

<sup>2</sup> Change in comparable currencies, %

<sup>3</sup> Excluding restructuring- and acquisition-related items as well as PPA amortizations.

<sup>4</sup> aEBIT for the full year was EUR 63.8 million (5.0%) and EUR 30.7 million (9.1%) for Q4/2018, excluding the provision for the ilmenite smelter project.

## 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.

## FINANCIAL STATEMENTS REVIEW JANUARY – DECEMBER 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.

The order intake during the fourth quarter was EUR 299 (366) million, down -18% from the previous year. The decline was mainly due to a smaller number of large equipment orders in the Minerals Processing segment. The service order intake during the fourth quarter totaled EUR 129 (126) million – up 3% from the comparison period due to the increase in modernizations.

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

## Announced orders

Project/location (published)	Booked into order backlog	Value, EUR million	Segment
Process equipment to silver concentrator in Mexico (Dec 5)	Q4	approx. 30	MP
Battery chemicals technology to Finland (Dec 5)	Q4	approx. 34	MEW
Feasibility study for a copper smelter in Indonesia (Nov 7)	Q4	approx. 10	MEW
Process equipment to a greenfield copper concentrator in South America (Aug 8)	Q3	approx. 25	MP
Process equipment to a base metals concentrator in Russia (July 13)	Q2	24	MP
Biomass power plant to Turkey (July 6)	Q2	55	MEW
Process equipment to a base metals concentrator in Kazakhstan (July 5)	Q2	15	MP
Technology for a tin smelter in Indonesia (June 29)	Q2	not disclosed	MEW
Technology for a sulfuric acid plant in Sweden (June 20)	Q2	not disclosed	MEW
Iron ore pelletizing plant and filter press to India (March 14)	Q1	approx. 50	MEW/MP
Iron ore pelletizing technology to China (Feb 2)	Q1	over 40	MEW
Modular sulfuric acid plants to the Democratic Republic of Congo (January 29)	Q1	approx. 33	MEW

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 and financial result EUR million	Q4		Q4		Q1-Q4		Q1-Q4	
	2018	2017	% <sup>1</sup>	% <sup>2</sup>	2018	2017	% <sup>1</sup>	% <sup>2</sup>
Sales	338.0	340.8	-1	2	1,276.5	1,143.8	12	16
Service sales <sup>3</sup>	163.2	146.0	12	15	496.6	480.4	3	9
Share of service sales, %	48.3	42.8			38.9	42.0		
Gross margin, %	-4.4	24.2			15.4	23.6		
Adjusted EBIT <sup>4 7</sup>	-79.3	18.3			-46.2	33.5		
Adjusted EBIT <sup>4 7</sup> , %	-23.5	5.4			-3.6	2.9		
- Restructuring- and acquisition-related costs <sup>5</sup>	-3.6	-0.3			-13.3	-0.2		
- PPA amortization	-1.7	-1.7			-6.6	-7.3		
EBIT	-84.5	16.2			-66.1	26.0		
EBIT, %	-25.0	4.8			-5.2	2.3		
Result before taxes	-85.6	14.0			-75.4	16.0		
Result for the period	-74.3	1.5			-67.3	2.9		
Unrealized and realized exchange gains and losses <sup>6</sup>	-1.4	-0.9			-1.6	7.9		

<sup>1</sup> Change, %

<sup>2</sup> Change in comparable currencies, %

<sup>3</sup> Included in the sales figures of the two reporting segments.

<sup>4</sup> Excluding restructuring- and acquisition-related items and PPA amortizations.

<sup>5</sup> 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.

<sup>6</sup> Related to foreign exchange forward agreements and bank accounts.

<sup>7</sup> aEBIT for the full year was EUR 63.8 million (5.0%) and EUR 30.7 million (9.1%) for Q4/2018, excluding the provision for the ilmenite smelter project.

### Sales by region

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

### 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
<b>Total metal and other sales</b>	<b>100</b>	100

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.

Sales in the fourth quarter remained flat compared to the fourth quarter of 2017, mainly because of fewer projects in Metals, Energy & Water and process equipment deliveries in Minerals Processing. Service sales increased by 12% from the comparison period mainly due to spare parts and modernizations. Service sales represented 48 (43) % 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.

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.

## MINERALS PROCESSING

Minerals Processing EUR million	Q4		Q4		Q1-Q4		Q1-Q4	
	2018	2017	% <sup>1</sup>	% <sup>2</sup>	2018	2017	% <sup>1</sup>	% <sup>2</sup>
Order intake	184.1	239.6	-23	-21	719.3	727.0	-1	4
Sales	217.7	201.2	8	11	757.8	668.4	13	19
Service sales	110.1	91.6	20	25	344.3	305.7	13	20
Adjusted EBIT <sup>3</sup>	29.4	22.2			84.1	63.4		
Adjusted EBIT <sup>3</sup> , %	13.5	11.0			11.1	9.5		
PPAs	-0.7	-0.7			-2.7	-3.1		
Restructuring and acquisition-related costs	-1.6	-0.3			-3.0	-0.4		
EBIT	27.1	21.1			78.5	60.0		
EBIT, %	12.5	10.5			10.4	9.0		
Unrealized and realized exchange gains and losses <sup>4</sup>	-0.6	0.2			-0.6	5.9		

<sup>1</sup> Change, %

<sup>2</sup> Change in comparable currencies, %

<sup>3</sup> Excluding restructuring and acquisition-related items as well as PPA amortizations

<sup>4</sup> 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. In the fourth quarter, order intake declined by 23% as decisions in some of the larger sales prospects were postponed. Sales increased 8% due to plant and process equipment deliveries received during the early part of 2018. Service sales grew strongly at 20% as the delivery situation in spare parts improved.

## METALS, ENERGY & WATER

Metals, Energy & Water EUR million	Q4		Q4		Q1-Q4		Q1-Q4	
	2018	2017	% <sup>1</sup>	% <sup>2</sup>	2018	2017	% <sup>1</sup>	% <sup>2</sup>
Order intake	114.8	126.2	-9	-7	532.0	477.6	11	15
Sales	120.3	139.7	-14	-12	518.7	475.4	9	12
Service sales	53.1	54.4	-2	-1	152.3	174.7	-13	-10
Adjusted EBIT <sup>3 5</sup>	-107.9	-1.9			-125.0	-23.1		
Adjusted EBIT <sup>3 5</sup> , %	-89.7	-1.3			-24.1	-4.9		
PPAs	-1.0	-1.0			-4.0	-4.2		
Restructuring and acquisition-related costs	-2.0	-0.0			-6.6	0.1		
EBIT	-110.9	-2.9			-135.5	-27.2		
EBIT, %	-92.1	-2.0			-26.1	-5.7		
Unrealized and realized exchange gains and losses <sup>4</sup>	-0.8	-1.0			-0.9	2.0		

<sup>1</sup> Change, %

<sup>2</sup> Change in comparable currencies, %

<sup>3</sup> Excluding restructuring and acquisition-related items as well as PPA amortizations

<sup>4</sup> Related to foreign exchange forward agreements and bank accounts

<sup>5</sup> aEBIT for the full year was EUR -15.0 million (-2.9%) and EUR 2.1 million (1.7%) for Q4/2018, 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. In the fourth quarter, order intake declined 9% from the comparison period due to delays in decision-making, especially in larger investments. Sales declined 14% due to a declining backlog. The segment's profitability was impacted by the ilmenite smelter provision of EUR 110 million. Without the provision, the segment's profitability would have been slightly positive in the fourth quarter, due to provision releases from completed projects.

## BALANCE SHEET, FINANCING AND CASH FLOW

Balance sheet, financing and cash flow EUR million	Q4 2018	Q4 2017	Q1-Q4 2018	Q1-Q4 2017
Net cash from operating activities	-17.6	47.0	70.4	39.6
Net interest-bearing debt at end of period <sup>1</sup>	-38.1	-5.5	-38.1	-5.5
Equity at end of period	377.4	466.9	377.4	466.9
Gearing at end of period, % <sup>1</sup>	-10.1	-1.2	-10.1	-1.2
Equity-to-assets ratio at end of period, % <sup>1</sup>	32.9	41.1	32.9	41.1
Net working capital at end of period	-122.9	-9.4	-122.9	-9.4

<sup>1</sup> 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 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.

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.

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

### 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 m<sup>3</sup>, 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 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.

Personnel by region	December 30, 2018	December 30, 2017	Change
EMEA	2,704	2,813	-109
Americas	737	758	-21
APAC	571	575	-4
<b>Total</b>	<b>4,012</b>	<b>4,146</b>	<b>-134</b>

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.

## 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.

## TRADING, MARKET CAPITALIZATION, AND SHAREHOLDERS

### Shares on NASDAQ Helsinki

January-December 2018	Number of shares traded	Total value EUR	High EUR	Low EUR	Average EUR <sup>1</sup>	Last paid EUR
OTE1V	261 444 774	1 514 261 197	8.53	2.86	5.79	3.07

<sup>1</sup> Volume-weighted average

	December 31, 2018	December 31, 2017
Market capitalization, EUR million	<b>563</b>	1,300
Number of shareholders	<b>26,523</b>	25,478
Nominee registered shareholders (number of registers 10), %	<b>37.9</b>	35.1
Finnish private investors, %	<b>16.2</b>	14.2

## SHARE-BASED INCENTIVES

Outotec has a Share-based Incentive Program for the company's key personnel as well as an Employee Share Savings Program for all employees 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](http://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 (CO<sub>2</sub>) and other emissions by delivering advanced technologies for its customers' industrial processes. The company measures the reduction of CO<sub>2</sub> emissions as its positive impact on the environment (carbon handprint), by the amount of CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 programs 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	KPI	2018
Environmental	Sustainable technologies and innovations	Reduction in CO <sub>2</sub> 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](http://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.*

Espoo, February 8, 2019

Outotec Oyj  
Board of Directors

## CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

<b>Consolidated statement of comprehensive income</b>	<b>Q4</b>	<b>Q4</b>	<b>Q1-Q4</b>	<b>Q1-Q4</b>
EUR million	<b>2018</b>	2017	<b>2018</b>	2017
<b>Sales</b>	<b>338.0</b>	340.8	<b>1,276.5</b>	1,143.8
Cost of sales	<b>-352.9</b>	-258.3	<b>-1,080.0</b>	-873.6
<b>Gross profit</b>	<b>-15.0</b>	82.5	<b>196.5</b>	270.2
Other income	<b>0.4</b>	0.2	<b>0.8</b>	10.1
Selling and marketing expenses	<b>-28.4</b>	-30.0	<b>-115.6</b>	-119.6
Administrative expenses	<b>-19.8</b>	-19.4	<b>-73.9</b>	-75.9
Research and development expenses	<b>-15.2</b>	-15.2	<b>-57.4</b>	-55.6
Other expenses	<b>-6.7</b>	-1.8	<b>-16.7</b>	-3.2
Share of results of associated companies	<b>0.2</b>	-0.0	<b>0.3</b>	0.0
<b>EBIT</b>	<b>-84.5</b>	16.2	<b>-66.1</b>	26.0
Finance income and expenses				
Interest income and expenses	<b>-0.5</b>	-1.0	<b>-1.9</b>	-3.4
Market price gains and losses	<b>0.2</b>	-0.2	<b>-2.2</b>	-2.6
Other finance income and expenses	<b>-0.8</b>	-1.1	<b>-5.2</b>	-4.0
Net finance income or expense	<b>-1.1</b>	-2.2	<b>-9.3</b>	-10.0
<b>Result before income taxes</b>	<b>-85.6</b>	14.0	<b>-75.4</b>	16.0
Income taxes	<b>11.4</b>	-12.5	<b>8.2</b>	-13.1
<b>Result for the period</b>	<b>-74.3</b>	1.5	<b>-67.3</b>	2.9
<b>Other comprehensive income</b>				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit obligations	<b>0.8</b>	-1.7	<b>0.8</b>	-3.7
Income tax relating to items that will not be reclassified to profit or loss	<b>-0.1</b>	0.5	<b>-0.1</b>	1.1
Items that may be subsequently reclassified to profit or loss				
Exchange differences on translating foreign operations	<b>-3.7</b>	-2.0	<b>-10.7</b>	-23.0
Cash flow hedges	<b>-0.6</b>	-1.1	<b>-4.6</b>	4.3
Changes in the fair value of other shares and securities	<b>-0.0</b>	-0.0	<b>-0.1</b>	-0.1
Income tax relating to items that may be reclassified to profit or loss	<b>0.3</b>	0.3	<b>0.6</b>	-0.9
<b>Other comprehensive income for the period</b>	<b>-3.2</b>	-4.0	<b>-14.0</b>	-22.3
<b>Total comprehensive income for the period</b>	<b>-77.5</b>	-2.6	<b>-81.3</b>	-19.4
<b>Result for the period attributable to:</b>				
Equity holders of the parent company	<b>-74.3</b>	1.4	<b>-67.3</b>	3.0
Non-controlling interest	<b>-0.0</b>	0.0	<b>-0.0</b>	-0.1
<b>Total comprehensive income for the period attributable to:</b>				
Equity holders of the parent company	<b>-77.3</b>	-2.7	<b>-81.1</b>	-19.3
Non-controlling interest	<b>-0.2</b>	0.1	<b>-0.1</b>	-0.1
<b>Earnings per share for result attributable to the equity holders of the parent company:</b>				
Basic earnings per share, EUR	<b>-0.42</b>	-0.00	<b>-0.42</b>	-0.03
Diluted earnings per share, EUR	<b>-0.42</b>	-0.00	<b>-0.42</b>	-0.03

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

All 2017 comparative figures have been restated due to adoption of the IFRS 15 standard (see further information in the notes).

Condensed consolidated statement of financial position EUR million	December 31, 2018	December 31, 2017
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	338.4	359.1
Property, plant and equipment	53.3	56.0
Deferred tax asset	78.2	90.9
<b>Non-current financial assets</b>		
Interest-bearing	5.7	3.8
Non-interest-bearing	5.9	7.2
<b>Total non-current assets</b>	<b>481.5</b>	517.0
<b>Current assets</b>		
Inventories <sup>1</sup>	208.9	195.9
<b>Current financial assets</b>		
Interest-bearing	0.0	0.1
Non-interest-bearing	434.0	413.6
Cash and cash equivalents	233.4	230.2
<b>Total current assets</b>	<b>876.3</b>	839.8
<b>TOTAL ASSETS</b>	<b>1,357.8</b>	1,356.8
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	17.2	17.2
Retained earnings	146.9	226.6
Hybrid bond	150.0	150.0
Other components of equity	60.3	70.0
<b>Equity attributable to the equity holders of the parent company</b>	<b>374.4</b>	463.8
Non-controlling interest	3.0	3.2
<b>Total equity</b>	<b>377.4</b>	466.9
<b>Non-current liabilities</b>		
Interest-bearing	178.1	183.5
Deferred tax liabilities	7.7	39.7
Non-interest-bearing	113.8	66.7
<b>Total non-current liabilities</b>	<b>299.5</b>	289.9
<b>Current liabilities</b>		
Interest-bearing	23.0	45.0
Non-interest-bearing		
Advances received <sup>2</sup>	210.8	220.2
Other non interest-bearing liabilities	447.1	334.6
<b>Total current liabilities</b>	<b>680.9</b>	599.9
<b>Total liabilities</b>	<b>980.4</b>	889.8
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,357.8</b>	1,356.8

<sup>1</sup> Of which advances paid for inventories amounted to EUR 48.9 million at December 31, 2018 (December 31, 2017: EUR 36.5 million).

<sup>2</sup> Gross advances received before percentage of completion revenue recognition amounted to EUR 1,557.1 million at December 31, 2018 (December 31, 2017: EUR 1,490.4 million).

<b>Condensed consolidated statement of cash flows</b>	<b>Q1-Q4</b>	<b>Q1-Q4</b>
EUR million	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Result for the period	<b>-67.3</b>	2.9
Adjustments for		
Depreciation and amortization	<b>38.6</b>	40.9
Other adjustments	<b>-7.7</b>	23.9
Decrease (+) / Increase (-) in net working capital	<b>112.6</b>	-21.8
Dividend received	<b>0.9</b>	0.3
Interest received	<b>5.1</b>	4.5
Interest paid	<b>-5.7</b>	-8.6
Income tax paid	<b>-6.2</b>	-2.5
<b>Net cash from operating activities</b>	<b>70.4</b>	39.6
Purchases of assets	<b>-21.5</b>	-20.9
Acquisition of subsidiaries and business operations, net of cash	<b>-0.5</b>	-0.2
Acquisition of shares in associated companies	<b>-0.2</b>	-
Proceeds from sale of assets	<b>0.9</b>	2.3
Proceeds from disposal of subsidiaries	<b>0.0</b>	-
Cash flows from other investing activities	<b>0.0</b>	-0.2
<b>Net cash used in investing activities</b>	<b>-21.3</b>	-18.9
<b>Cash flow before financing activities</b>	<b>49.2</b>	20.7
Repayments of non-current debt	<b>-4.4</b>	-7.9
Decrease in current debt	<b>-33.2</b>	-22.2
Increase in current debt	<b>10.0</b>	29.0
Interest paid on hybrid bond	<b>-11.1</b>	-11.1
Cash flows from other financing activities	<b>0.4</b>	-0.7
<b>Net cash used in financing activities</b>	<b>-38.3</b>	-12.9
<b>Net change in cash and cash equivalents</b>	<b>10.8</b>	7.8
<b>Cash and cash equivalents at beginning of period</b>	<b>230.2</b>	233.0
Foreign exchange rate effect on cash and cash equivalents	<b>-7.7</b>	-10.6
Net change in cash and cash equivalents	<b>10.8</b>	7.8
<b>Cash and cash equivalents at end of period</b>	<b>233.4</b>	230.2

## Consolidated statement of changes in equity

EUR million	Attributable to the equity holders of the parent company										
	Share capital	Share premium fund	Fair value and other reserves	Treasury shares	Reserve for invested non-restricted equity	Hybrid bond	Cumulative translation differences	Retained earnings	Total equity attributable to equity holders of parent company	Non-controlling interest	Total equity
Equity at 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 <sup>1</sup>	-	-	-	-	-	-	-	-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
Hybrid bond interest (net of tax)	-	-	-	-	-	-	-	-8.9	-8.9	-	-8.9
Share-based compensation	-	-	-	0.8	0.9	-	-	-0.5	1.2	-	1.2
Total comprehensive income for the period	-	-	0.7	-	-	-	-22.9	3.0	-19.3	-0.1	-19.4
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 <sup>1</sup>	-	-	-	-	-	-	-	-0.8	-0.8	-	-0.8
IFRS 2 restatement <sup>1</sup>	-	-	-	-	-	-	-	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
Hybrid bond interest (net of tax)	-	-	-	-	-	-	-	-8.9	-8.9	-	-8.9
Share-based compensation	-	-	-	2.5	1.7	-	-	-3.8	0.4	-	0.4
Total comprehensive income for the period	-	-	-3.3	-	-	-	-10.5	-67.2	-81.1	-0.1	-81.3
Other changes	-	-	-	-	-	-	-	0.2	0.2	-	0.2
<b>Equity at December 31, 2018</b>	<b>17.2</b>	<b>20.2</b>	<b>-18.4</b>	<b>-12.6</b>	<b>98.3</b>	<b>150.0</b>	<b>-27.3</b>	<b>146.9</b>	<b>374.4</b>	<b>3.0</b>	<b>377.4</b>

<sup>1</sup> IAS 8 change in accounting policies (net of tax)

Key figures	Q4	Q4	Q1-Q4	Q1-Q4
	2018	2017	2018	2017
Order intake, EUR million	298.9	365.8	1,251.3	1,204.6
Service order intake, EUR million	129.3	125.5	532.5	494.9
Share of service in order intake, %	43.3	34.3	42.6	41.1
Order backlog at end of period, EUR million	946.6	1,005.4	946.6	1,005.4
Sales, EUR million	338.0	340.8	1,276.5	1,143.8
Service sales, EUR million	163.2	146.0	496.6	480.4
Share of service in sales, %	48.3	42.8	38.9	42.0
Gross margin, %	-4.4	24.2	15.4	23.6
EBIT, EUR million	-84.5	16.2	-66.1	26.0
EBIT, %	-25.0	4.8	-5.2	2.3
Result before taxes, EUR million	-85.6	14.0	-75.4	16.0
Result before taxes in relation to sales, %	-25.3	4.1	-5.9	1.4
Result for the period in relation to sales, %	-22.0	0.4	-5.3	0.3
Earnings per share <sup>1</sup> , EUR	-0.42	-0.00	-0.42	-0.03
Net cash from operating activities, EUR million	-17.6	47.0	70.4	39.6
Net interest-bearing debt at end of period, EUR million <sup>2</sup>	-38.1	-5.5	-38.1	-5.5
Gearing at end of period <sup>2</sup> , %	-10.1	-1.2	-10.1	-1.2
Equity-to-assets ratio at end of period <sup>2</sup> , %	32.9	41.1	32.9	41.1
Equity at end of period	377.4	466.9	377.4	466.9
Equity per share, EUR	2.06	2.56	2.06	2.56
Net working capital at end of period, EUR million	-122.9	-9.4	-122.9	-9.4
Capital expenditure, EUR million	5.0	6.6	21.4	20.7
Capital expenditure in relation to sales, %	1.5	1.9	1.7	1.8
Research and development expenses, EUR million	15.2	15.2	57.4	55.6
Research and development expenses in relation to sales, %	4.5	4.5	4.5	4.9
Return on investment, %, LTM	-11.3	3.0	-11.3	3.0
Return on equity, %, LTM	-15.9	0.6	-15.9	0.6
Personnel at end of period	4,012	4,146	4,012	4,146

<sup>1</sup>Weighted average number of shares used in calculating the EPS is 181,547 thousand for Q1-Q4/2018 (Q1-Q4/2017: 181,305 thousand shares). EPS includes a reduction of accrued hybrid bond interest.

<sup>2</sup>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).

Alternative performance measures	Q4	Q4	Q1-Q4	Q1-Q4
	2018	2017	2018	2017
EBIT, EUR million	-84.5	16.2	-66.1	26.0
- Restructuring and acquisition-related costs	3.6	0.3	13.3	0.2
- PPA amortization	1.7	1.7	6.6	7.3
Adjusted EBIT <sup>1</sup> , EUR million	-79.3	18.3	-46.2	33.5
Adjusted EBIT <sup>1</sup> , %	-23.5	5.4	-3.6	2.9

<sup>1</sup>Excluding restructuring- and acquisition-related items and PPA amortizations.

## Definitions for key financial figures

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



## NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

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

**The following new standards and interpretations have been adopted as of January 1, 2018:**

### IFRS 15 – Revenue from Contracts with Customers

Outotec has adopted the IFRS 15 standard 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. The main impacts of the restatement are:

- EUR 4.2 million negative cumulative restatement in retained earnings as of January 1, 2017, which represents the cumulative change in net result for previous periods
- EUR 4.6 million increase in revenue in the income statement for 2017
- EUR 1.4 million increase in EBIT and adjusted EBIT in the income statement for 2017
- EUR 1.0 million increase in the result of the period in the income statement for 2017
- EUR 11.1 million increase in the total assets, of which EUR 9.8 million relates to current assets and EUR 1.3 million to non-current assets as of December 31, 2017
- EUR 14.3 million increase in the current liabilities as of December 31, 2017
- EUR 17.2 million increase in the order backlog as of December 31, 2017; the restated order backlog is EUR 1,005.4 million as of December 31, 2017

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.

<b>Consolidated statement of comprehensive income 2017</b>						
EUR million	Q4 Rep.	Q4 Rstm.	Q4 Restated	Q1-Q4 Rep.	Q1-Q4 Rstm.	Q1-Q4 Restated
<b>Sales</b>	328.9	11.9	<b>340.8</b>	1,139.2	4.6	<b>1,143.8</b>
Cost of sales	-248.7	-9.6	<b>-258.3</b>	-870.5	-3.2	<b>-873.6</b>
<b>Gross profit</b>	80.2	2.3	<b>82.5</b>	268.8	1.4	<b>270.2</b>
Other income	0.2	-	<b>0.2</b>	10.1	-	<b>10.1</b>
Selling and marketing expenses	-30.0	-	<b>-30.0</b>	-119.6	-	<b>-119.6</b>
Administrative expenses	-19.4	-	<b>-19.4</b>	-75.9	-	<b>-75.9</b>
Research and development expenses	-15.2	-	<b>-15.2</b>	-55.6	-	<b>-55.6</b>
Other expenses	-1.8	-	<b>-1.8</b>	-3.2	-	<b>-3.2</b>
Share of results of associated companies	-0.0	-	<b>-0.0</b>	0.0	-	<b>0.0</b>
<b>EBIT</b>	14.0	2.3	<b>16.2</b>	24.6	1.4	<b>26.0</b>
Finance income and expenses						
Interest income and expenses	-1.0	-	<b>-1.0</b>	-3.4	-	<b>-3.4</b>
Market price gains and losses	-0.2	-	<b>-0.2</b>	-2.6	-	<b>-2.6</b>
Other finance income and expenses	-1.1	-	<b>-1.1</b>	-4.0	-	<b>-4.0</b>
Net finance income or expense	-2.2	-	<b>-2.2</b>	-10.0	-	<b>-10.0</b>
<b>Result before income taxes</b>	11.8	2.3	<b>14.0</b>	14.5	1.4	<b>16.0</b>
Income taxes	-11.9	-0.7	<b>-12.5</b>	-12.6	-0.4	<b>-13.1</b>
<b>Result for the period</b>	-0.1	1.6	<b>1.5</b>	1.9	1.0	<b>2.9</b>
Other comprehensive income for the period	-4.0	-	<b>-4.0</b>	-22.3	-	<b>-22.3</b>
<b>Total comprehensive income for the period</b>	-4.2	1.6	<b>-2.6</b>	-20.4	1.0	<b>-19.4</b>
<b>Result for the period attributable to:</b>						
Equity holders of the parent company	-0.2	1.6	<b>1.4</b>	2.0	1.0	<b>3.0</b>
Non-controlling interest	0.0	-	<b>0.0</b>	-0.1	-	<b>-0.1</b>
<b>Total comprehensive income for the period attributable to:</b>						
Equity holders of the parent company	-4.3	1.6	<b>-2.7</b>	-20.3	1.0	<b>-19.3</b>
Non-controlling interest	0.1	-	<b>0.1</b>	-0.1	-	<b>-0.1</b>
<b>Earnings per share for result attributable to the equity holders of the parent company:</b>						
Basic earnings per share, EUR	-0.01	0.01	<b>-0.00</b>	-0.04	0.01	<b>-0.03</b>
Diluted earnings per share, EUR	-0.01	0.01	<b>-0.00</b>	-0.04	0.01	<b>-0.03</b>

<b>Condensed consolidated statement of financial position 2017</b>	Dec 31	Dec 31	Dec 31
EUR million	Rep.	Rstm	Restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	359.1	-	<b>359.1</b>
Property, plant and equipment	56.0	-	<b>56.0</b>
Deferred tax asset	89.6	1.3	<b>90.9</b>
<b>Non-current financial assets</b>			
Interest-bearing	3.8	-	<b>3.8</b>
Non-interest-bearing	7.2	-	<b>7.2</b>
<b>Total non-current assets</b>	<b>515.7</b>	<b>1.3</b>	<b>517.0</b>
<b>Current assets</b>			
Inventories <sup>1</sup>	185.8	10.1	<b>195.9</b>
<b>Current financial assets</b>			
Interest-bearing	0.1	-	<b>0.1</b>
Non-interest-bearing	413.9	-0.4	<b>413.6</b>
Cash and cash equivalents	230.2	-	<b>230.2</b>
<b>Total current assets</b>	<b>830.0</b>	<b>9.8</b>	<b>839.8</b>
<b>TOTAL ASSETS</b>	<b>1,345.7</b>	<b>11.1</b>	<b>1,356.8</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	17.2	-	<b>17.2</b>
Retained earnings	229.8	-3.2	<b>226.6</b>
Hybrid bond	150.0	-	<b>150.0</b>
Other components of equity	70.0	-	<b>70.0</b>
<b>Equity attributable to the equity holders of the parent company</b>	<b>467.0</b>	<b>-3.2</b>	<b>463.8</b>
Non-controlling interest	3.2	-	<b>3.2</b>
<b>Total equity</b>	<b>470.1</b>	<b>-3.2</b>	<b>466.9</b>
<b>Non-current liabilities</b>			
Interest-bearing	183.5	-	<b>183.5</b>
Deferred tax liabilities	39.7	-	<b>39.7</b>
Other non-interest-bearing	66.7	-	<b>66.7</b>
<b>Total non-current liabilities</b>	<b>289.9</b>	<b>-</b>	<b>289.9</b>
<b>Current liabilities</b>			
Interest-bearing	45.0	-	<b>45.0</b>
Non-interest-bearing			
Advances received <sup>2</sup>	203.4	16.8	<b>220.2</b>
Other non-interest-bearing	337.2	-2.6	<b>334.6</b>
<b>Total current liabilities</b>	<b>585.6</b>	<b>14.3</b>	<b>599.9</b>
<b>Total liabilities</b>	<b>875.6</b>	<b>14.3</b>	<b>889.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,345.7</b>	<b>11.1</b>	<b>1,356.8</b>
<sup>1</sup> of which advances paid for inventories	33.3	3.2	<b>36.5</b>
<sup>2</sup> gross advances received before revenue recognition over time (percentage of completion)	1,490.4	-	<b>1,490.4</b>

## IFRS 9 – Financial Instruments

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.

<b>Non-current financial assets</b>		
<b>Financial Asset Description</b>	<b>Classification under IAS 39</b>	<b>Classification under IFRS 9</b>
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 <sup>1</sup>
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

<sup>1</sup> Assets under fair value hedge accounting are included here.

<b>Current financial assets</b>		
<b>Financial Asset Description</b>	<b>Classification under IAS 39</b>	<b>Classification under IFRS 9</b>
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 <sup>2</sup>
Trade and other Receivables - Interest bearing	Loans and Receivables	Amortized Cost
Trade and other Receivables - Non-Interest bearing	Loans and Receivables	Amortized Cost

<sup>2</sup> Assets under cash flow hedge accounting are included here. Otherwise Fair Value through profit and loss.

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.

#### IFRS 2 – Share-based payment

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.

#### IFRIC 22 – Foreign Currency Transactions and Advance Considerations

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 and interpretations have been published, but they are not effective in 2018, nor 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 type of contracts will be recognized on a straight line basis to the income statement.

On balance sheet a right-of-use asset is recognized for lease contracts. Right-of-use asset is measured at the amount of lease liability and any prepayments or initial direct costs incurred. Lease liability is recognized at the present value of the remaining lease payments on balance sheet. Lease payments are discounted with the interest rate implicit in the lease contract, or if that rate can not 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 liability is recognized on the income statement in comparison to lease expense recognized under IAS 17. This change will slightly improve operating profit and the impact on net profit is immaterial.

On the cash flow statement 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, hence, Outotec does not expect any significant impact on the financial statements.

#### **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 in January 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 1 January 2019 (IAS 19) or 1 January 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.

#### **Accounting estimates and judgements**

IFRS requires management to make estimates and judgements that affect the reported amounts. The most significant accounting estimates and judgements made by the management relate to

customer contracts, impairment of goodwill, valuation of inventories and trade receivables, provisions, pension obligations and deferred tax assets and liabilities. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates used in the financial statements.

<b>Allocation of sales</b>	<b>Q1-Q4</b>	<b>Q1-Q4</b>
EUR million	<b>2018</b>	2017
<b>Minerals Processing</b>		
Project sales (major portion recognized over time)	<b>413.5</b>	362.7
Service sales (major portion recognized at a point in time)	<b>344.3</b>	305.7
<b>Sales total</b>	<b>757.8</b>	668.4
<b>Metals, Energy &amp; Water</b>		
Project sales (major portion recognized over time)	<b>366.4</b>	300.8
Service sales (major portion recognized at a point in time)	<b>152.3</b>	174.7
<b>Sales total</b>	<b>518.7</b>	475.4

<b>Balance sheet items, customer contracts</b>	<b>December 31,</b>	December 31,
EUR million	<b>2018</b>	2017
Gross advances received	<b>1,557.1</b>	1,490.4
Over time revenue recognition	<b>-1,346.3</b>	-1,270.2
<b>Contract liabilities (net advances received)</b>	<b>210.8</b>	220.2
<b>Contract assets</b>	<b>148.1</b>	160.4

<b>Restructuring and acquisition items</b>	<b>Q1-Q4</b>	<b>Q1-Q4</b>
EUR million	<b>2018</b>	2017
Personnel-related restructuring costs	<b>-4.7</b>	-0.5
Impairments on non-current assets	<b>-0.7</b>	-0.8
Other restructuring-related items	<b>-8.2</b>	-0.1
Items related to restructuring, total	<b>-13.5</b>	-1.4
Items related to acquisitions	<b>0.3</b>	0.3
Reversal of earn-out liability from acquisitions	<b>-</b>	0.9
Arbitration cost related to past acquisitions	<b>-0.0</b>	-
<b>Restructuring and acquisition items, total <sup>1</sup></b>	<b>-13.3</b>	-0.25
Restructuring and acquisition items are allocated to:		
Minerals Processing	<b>-3.0</b>	-0.4
Metals, Energy & Water	<b>-6.6</b>	0.1
Unallocated items	<b>-3.7</b>	-0.0

<sup>1</sup> Excluded from adjusted EBIT.

<b>Income taxes</b>	<b>Q1-Q4</b>	<b>Q1-Q4</b>
EUR million	<b>2018</b>	2017
Current taxes	<b>-7.1</b>	-5.1
Deferred taxes	<b>15.2</b>	-8.0

<b>Total income taxes</b>	<b>8.2</b>	-13.1
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<b>Property, plant and equipment</b>	<b>December 31,</b>	December 31,
EUR million	<b>2018</b>	2017
Historical cost at beginning of period	<b>151.2</b>	155.5
Translation differences	<b>-1.9</b>	-4.7
Additions	<b>8.8</b>	8.8
Disposals	<b>-2.5</b>	-4.9
Reclassifications	<b>1.3</b>	-0.0
Impairment during the period	<b>-0.1</b>	-3.6
Historical cost at end of period	<b>156.8</b>	151.2
Accumulated depreciation and impairment at beginning of period	<b>-95.2</b>	-89.7
Translation differences	<b>1.5</b>	2.1
Disposals	<b>1.8</b>	3.1
Reclassifications	<b>-0.8</b>	0.0
Depreciation during the period	<b>-10.9</b>	-12.6
Impairment during the period	<b>0.1</b>	1.7
Accumulated depreciation and impairment at end of period	<b>-103.4</b>	-95.2
<b>Carrying value at the end of the period</b>	<b>53.3</b>	56.0

<b>Commitments and contingent liabilities</b>	<b>December 31,</b>	December 31,
EUR million	<b>2018</b>	2017
Guarantees for commercial commitments	<b>490.7</b>	475.2
Minimum future lease payments on operating leases	<b>78.5</b>	89.2

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.

#### Derivative instruments

<b>Currency and interest derivatives</b>	<b>December 31,</b>	December 31,
EUR million	<b>2018</b>	2017
Fair values, net	<b>-0.6</b>	1.4
of which designated as cash flow hedges from currency derivatives	<b>-4.5</b>	-0.6
of which designated as fair value hedge from interest derivatives	<b>2.6</b>	3.9
Nominal values	<b>662.2</b>	606.4



## Carrying amounts of financial assets and liabilities by category

December 31, 2018

EUR million	Fair value through profit or loss	Amortized cost	Fair value through other comprehensive income	Carrying amounts by balance sheet item	Fair value
<b>Non-current financial assets</b>					
Derivative assets					
- foreign exchange forward contracts	0.0	-	-	0.0	0.0
- interest rate swaps under hedge accounting	2.6	-	-	2.6	2.6
- foreign exchange forward contracts under hedge accounting	0.2	-	-	0.2	0.2
Other shares and securities	-	-	1.6	1.6	1.6
Trade and other receivables					
- interest-bearing	-	4.1	-	4.1	4.1
- non-interest-bearing	-	0.0	-	0.0	0.0
<b>Current financial assets</b>					
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
<b>Carrying amount by category</b>	<b>8.7</b>	<b>671.5</b>	<b>1.6</b>	<b>681.8</b>	<b>681.8</b>
<b>Non-current financial liabilities</b>					
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
<b>Current financial liabilities</b>					
Loans from financial institutions	-	4.1	-	4.1	4.7
Financial 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	-	124.6	-	124.6	124.6
<b>Carrying amount by category</b>	<b>9.3</b>	<b>324.6</b>	<b>-</b>	<b>333.9</b>	<b>339.7</b>

Carrying amounts of financial assets and liabilities by category

December 31, 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					
<b>Non-current financial assets</b>					
<b>Derivative assets</b>					
- foreign exchange forward contracts	0.2	-	-	0.2	0.2
- interest rate swaps under hedge accounting	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
<b>Trade and other receivables</b>					
- interest-bearing	-	1.5	-	1.5	1.5
- non-interest-bearing	-	0.0	-	0.0	0.0
<b>Current financial assets</b>					
<b>Derivative assets</b>					
- foreign exchange forward contracts	4.2	-	-	4.2	4.2
- foreign exchange forward contracts under hedge accounting	0.4	-	-	0.4	0.4
<b>Trade and other receivables</b>					
- 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
<b>Non-current financial liabilities</b>					
<b>Bonds</b>					
	-	149.3	-	149.3	155.3
<b>Loans from financial institutions</b>					
	-	28.6	-	28.6	29.6
<b>Finance lease liabilities</b>					
	-	-	-	-	-
<b>Derivative liabilities</b>					
- 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
<b>Current financial liabilities</b>					
<b>Loans from financial institutions</b>					
	-	6.9	-	6.9	7.6
<b>Financial lease liabilities</b>					
	-	0.0	-	0.0	0.0
<b>Derivative liabilities</b>					
- 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

The presentation of the comparison category table has been changed due to IFRS 9 adoption. Adopting IFRS 9 did not have material impact on the recognition and measurement principles with regard to financial assets or liabilities.

## Fair value hierarchy

### December 31, 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

### December 31, 2017

Other shares and securities	0.1	-	2.2	2.2
Derivative financial assets	-	9.3	-	9.3
Derivative financial liabilities	-	7.9	-	7.9

### Other shares and securities (level 3 of fair value hierarchy)

EUR million	Q1-Q4 2018	Q1-Q4 2017
Carrying value on Jan 1	2.2	2.2
Translation differences	-0.0	-0.0
Decreases	-0.5	-
<b>Carrying value at end of period</b>	<b>1.6</b>	2.2

## Related party transactions

### Transactions and balances with associated companies

EUR million	Q1-Q4 2018	Q1-Q4 2017
Sales	0.1	0.3
Other income	0.1	0.1
Purchases	3.1	2.3
Loan receivables	1.5	1.5
Trade and other receivables	0.6	0.5
Current liabilities	0.1	0.2

Outotec has a 40% investment in Enefit Outotec Technology Oü, from which the company had EUR 1.5 million loan receivables at December 31, 2018 (December 31, 2017: EUR 1.5 million).

### Transactions and balances with management and prior management

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

### Segments' sales and operating result by quarter

EUR million	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18
<b>Sales</b>									
Minerals Processing	<b>178.8</b>	151.7	167.7	147.8	<b>201.2</b>	159.9	193.0	187.3	<b>217.7</b>
Metals, Energy & Water	<b>126.4</b>	111.6	98.1	126.1	<b>139.7</b>	127.2	138.3	132.8	<b>120.3</b>
Unallocated items <sup>1</sup> and intra-group sales	<b>0.1</b>	0.0	0.0	0.0	<b>-0.1</b>	0.0	-0.0	0.0	<b>-0.0</b>
<b>Total</b>	<b>305.4</b>	263.3	265.8	273.9	<b>340.8</b>	287.1	331.2	320.2	<b>338.0</b>
<b>EBIT</b>									
Minerals Processing	<b>7.8</b>	10.4	14.2	14.3	<b>21.1</b>	15.0	15.7	20.8	<b>27.1</b>
Metals, Energy & Water	<b>-59.7</b>	-10.2	-13.6	-0.6	<b>-2.9</b>	-8.2	-13.7	-2.9	<b>-110.9</b>
Unallocated <sup>2</sup> and intra-group items	<b>-1.6</b>	-1.4	-2.0	-1.4	<b>-2.0</b>	-1.4	-5.0	-1.9	<b>-0.8</b>
<b>Total</b>	<b>-53.5</b>	-1.2	-1.4	12.3	<b>16.2</b>	5.4	-3.0	16.0	<b>-84.5</b>

<sup>1</sup> Unallocated items primarily include invoicing of group management and administrative services

<sup>2</sup> Unallocated items primarily include group management and administrative services

## FINANCIAL REPORTING SCHEDULE AND EVENTS

- Interim Report Q1 2019: May 8
- Half Year Financial Report 2019: July 26
- Interim Report Q1-Q3 2019: October 31

Financial Statements for 2018 will be published during week 8. The Annual General Meeting 2019 is planned for March 14, 2019.

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