

## IMPLEMENTATION OF IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

### Minor impact of IFRS 15 on Outotec's 2017 figures

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 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 order backlog as of December 31, 2017; the restated order backlog is EUR 1,005.4 million as of December 31, 2017

The impact of IFRS 15 on the quarterly Statements of comprehensive income, Statements of financial position and Segments' sales and EBIT for 2017 is disclosed below. The restated financial information is unaudited.

The restatement has no impact on Outotec's financial guidance given for year 2018.

### Background

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

Under IFRS 15, Outotec recognizes revenue when control of the good or service is transferred to the customer. The standard's accounting principles are divided into five steps: (1) Identify the contract(s) with a customer, (2) Identify the performance obligations in the contract, (3) Determine the transaction price, (4) Allocate the transaction price to the performance obligations in the contract and (5) Recognize revenue.

### Impact analysis

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

When applying the new standard, Outotec focused in its analysis 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.

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

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

The management assessed that certain customer contracts, previously recognized as revenue over time, would be recognized as revenue at a point in time. Combining contracts and definition of performance obligations impact the revenue recognition process.

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

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.

<b>Consolidated statement of comprehensive income</b>	Reported Q1	Reported Q2	Reported Q3	Reported Q4	Reported Q1-Q4	Restated Q1	Restated Q2	Restated Q3	Restated Q4	Restated Q1-Q4
EUR million	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
<b>Sales</b>	267.7	272.2	270.4	328.9	<b>1,139.2</b>	263.3	265.8	273.9	340.8	<b>1,143.8</b>
Cost of sales	-204.9	-211.3	-205.5	-248.7	<b>-870.5</b>	-200.9	-207.0	-207.4	-258.3	<b>-873.6</b>
<b>Gross profit</b>	62.8	61.0	64.8	80.2	<b>268.8</b>	62.4	58.8	66.5	82.5	<b>270.2</b>
Other income	3.4	3.2	4.2	0.2	<b>10.1</b>	3.4	3.2	4.2	0.2	<b>10.1</b>
Selling and marketing expenses	-32.5	-28.9	-28.2	-30.0	<b>-119.6</b>	-32.5	-28.9	-28.2	-30.0	<b>-119.6</b>
Administrative expenses	-19.5	-20.6	-16.4	-19.4	<b>-75.9</b>	-19.5	-20.6	-16.4	-19.4	<b>-75.9</b>
Research and development expenses	-13.6	-13.8	-12.9	-15.2	<b>-55.6</b>	-13.6	-13.8	-12.9	-15.2	<b>-55.6</b>
Other expenses	-1.2	-0.2	-0.9	-1.8	<b>-3.2</b>	-1.2	-0.2	-0.9	-1.8	<b>-3.2</b>
Share of results of associated companies	-0.1	0.1	0.0	-0.0	<b>0.0</b>	-0.1	0.1	0.0	-0.0	<b>0.0</b>
<b>EBIT</b>	-0.8	0.8	10.6	14.0	<b>24.6</b>	-1.2	-1.4	12.3	16.2	<b>26.0</b>
Finance income and expenses										
Interest income and expenses	-1.0	-0.7	-0.7	-1.0	<b>-3.4</b>	-1.0	-0.7	-0.7	-1.0	<b>-3.4</b>
Market price gains and losses	-0.6	-0.8	-1.0	-0.2	<b>-2.6</b>	-0.6	-0.8	-1.0	-0.2	<b>-2.6</b>
Other finance income and expenses	-0.7	-0.8	-1.5	-1.1	<b>-4.0</b>	-0.7	-0.8	-1.5	-1.1	<b>-4.0</b>
Net finance income or expense	-2.3	-2.3	-3.2	-2.2	<b>-10.0</b>	-2.3	-2.3	-3.2	-2.2	<b>-10.0</b>
<b>Result before income taxes</b>	-3.1	-1.5	7.4	11.8	<b>14.5</b>	-3.5	-3.7	9.1	14.0	<b>16.0</b>
Income taxes	0.5	0.1	-1.3	-11.9	<b>-12.6</b>	0.6	0.7	-1.8	-12.5	<b>-13.1</b>
<b>Result for the period</b>	-2.6	-1.5	6.1	-0.1	<b>1.9</b>	-2.9	-3.0	7.3	1.5	<b>2.9</b>

<b>Consolidated statement of comprehensive income</b>	Reported	Reported	Reported	Reported	Reported	Restated	Restated	Restated	Restated	Restated
EUR million	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1-Q4
	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
<b>Other comprehensive income</b>										
Items that will not be reclassified to profit or loss										
Remeasurements of defined benefit obligations	-2.9	1.8	-0.9	-1.7	-3.7	-2.9	1.8	-0.9	-1.7	-3.7
Income tax relating to items that will not be reclassified to profit or loss	0.8	-0.6	0.3	0.5	1.1	0.8	-0.6	0.3	0.5	1.1
Items that may be subsequently reclassified to profit or loss										
Exchange differences on translating foreign operations	2.7	-18.3	-5.4	-2.0	-23.0	2.7	-18.3	-5.4	-2.0	-23.0
Cash flow hedges	3.7	3.4	-1.6	-1.1	4.3	3.7	3.4	-1.6	-1.1	4.3
Available for sale financial assets	0.0	0.0	-0.0	-0.0	-0.1	0.0	0.0	-0.0	-0.0	-0.1
Income tax relating to items that may be reclassified to profit or loss	-1.0	-0.6	0.4	0.3	-0.9	-1.0	-0.6	0.4	0.3	-0.9
<b>Other comprehensive income for the period</b>	<b>3.2</b>	<b>-14.2</b>	<b>-7.2</b>	<b>-4.0</b>	<b>-22.3</b>	<b>3.2</b>	<b>-14.2</b>	<b>-7.2</b>	<b>-4.0</b>	<b>-22.3</b>
<b>Total comprehensive income for the period</b>	<b>0.6</b>	<b>-15.7</b>	<b>-1.1</b>	<b>-4.2</b>	<b>-20.4</b>	<b>0.4</b>	<b>-17.2</b>	<b>0.1</b>	<b>-2.6</b>	<b>-19.4</b>
<b>Result for the period attributable to:</b>										
Equity holders of the parent company	-2.6	-1.4	6.2	-0.2	2.0	-2.9	-2.9	7.4	1.4	3.0
Non-controlling interest	0.1	-0.1	-0.1	0.0	-0.1	0.1	-0.1	-0.1	0.0	-0.1
<b>Total comprehensive income for the period attributable to:</b>										
Equity holders of the parent company	0.6	-15.6	-1.0	-4.3	-20.3	0.3	-17.1	0.2	-2.7	-19.3
Non-controlling interest	0.1	-0.1	-0.1	0.1	-0.1	0.1	-0.1	-0.1	0.1	-0.1
<b>Earnings per share for result attributable to the equity holders of the parent company:</b>										
Basic earnings per share, EUR	-0.03	-0.02	0.02	-0.01	-0.04	-0.03	-0.03	0.03	-0.00	-0.03
Diluted earnings per share, EUR	-0.03	-0.02	0.02	-0.01	-0.04	-0.03	-0.03	0.03	-0.00	-0.03

<b>Condensed consolidated statement of financial position</b>	Reported March 31, 2017	Reported June 30, 2017	Reported September 30, 2017	<b>Reported December 31, 2017</b>	Restated March 31, 2017	Restated June 30, 2017	Restated September 30, 2017	<b>Restated December 31, 2017</b>
EUR million								
<b>ASSETS</b>								
<b>Non-current assets</b>								
Intangible assets	384.5	372.4	365.2	<b>359.1</b>	384.5	372.4	365.2	<b>359.1</b>
Property, plant and equipment	62.3	58.8	57.0	<b>56.0</b>	62.3	58.8	57.0	<b>56.0</b>
Deferred tax asset	100.0	102.7	107.1	<b>89.6</b>	101.8	105.1	109.1	<b>90.9</b>
<b>Non-current financial assets</b>								
Interest-bearing	3.9	3.8	3.8	<b>3.8</b>	3.9	3.8	3.8	<b>3.8</b>
Non-interest-bearing	7.4	7.3	7.2	<b>7.2</b>	7.4	7.3	7.2	<b>7.2</b>
<b>Total non-current assets</b>	<b>558.0</b>	<b>545.1</b>	<b>540.3</b>	<b>515.7</b>	<b>559.9</b>	<b>547.5</b>	<b>542.3</b>	<b>517.0</b>
<b>Current assets</b>								
Inventories <sup>1</sup>	227.6	219.1	212.6	<b>185.8</b>	246.4	239.3	231.7	<b>195.9</b>
<b>Current financial assets</b>								
Interest-bearing	0.1	0.1	0.1	<b>0.1</b>	0.1	0.1	0.1	<b>0.1</b>
Non-interest-bearing	440.3	403.4	409.0	<b>413.9</b>	433.9	395.7	403.4	<b>413.6</b>
Cash and cash equivalents	195.5	193.0	208.0	<b>230.2</b>	195.5	193.0	208.0	<b>230.2</b>
<b>Total current assets</b>	<b>863.5</b>	<b>815.6</b>	<b>829.8</b>	<b>830.0</b>	<b>875.9</b>	<b>828.1</b>	<b>843.2</b>	<b>839.8</b>
<b>TOTAL ASSETS</b>	<b>1,421.5</b>	<b>1,360.7</b>	<b>1,370.1</b>	<b>1,345.7</b>	<b>1,435.7</b>	<b>1,375.7</b>	<b>1,385.5</b>	<b>1,356.8</b>
<sup>1</sup> of which advances paid for inventories	56.8	43.1	39.4	<b>33.3</b>	63.9	50.2	41.8	<b>36.5</b>

<b>Condensed consolidated statement of financial position</b>	Reported March 31, 2017	Reported June 30, 2017	Reported September 30, 2017	Reported December 31, 2017	Restated March 31, 2017	Restated June 30, 2017	Restated September 30, 2017	Restated December 31, 2017
EUR million								
<b>EQUITY AND LIABILITIES</b>								
<b>Equity</b>								
Share capital	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2
Retained earnings	225.8	223.2	229.6	229.8	221.4	217.2	224.8	226.6
Hybrid bond	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0
Other components of equity	93.8	81.3	74.1	70.0	93.8	81.3	74.1	70.0
<b>Equity attributable to the equity holders of the parent company</b>	486.8	471.7	470.8	467.0	482.3	465.7	466.1	463.8
Non-controlling interest	3.3	3.2	3.1	3.2	3.3	3.2	3.1	3.2
<b>Total equity</b>	490.1	474.9	473.9	470.1	485.6	468.9	469.1	466.9
<b>Non-current liabilities</b>								
Interest-bearing <sup>3</sup>	188.5	188.2	183.9	183.5	188.5	188.2	183.9	183.5
Deferred tax liabilities	36.8	40.9	43.9	39.7	36.8	40.9	43.9	39.7
Other non-interest-bearing <sup>3</sup>	65.0	63.2	64.5	66.7	65.0	63.2	64.5	66.7
<b>Total non-current liabilities</b>	290.3	292.3	292.3	289.9	290.3	292.3	292.3	289.9
<b>Current liabilities</b>								
Interest-bearing	55.0	65.6	64.8	45.0	55.0	65.6	64.8	45.0
Non-interest-bearing								
Advances received <sup>2</sup>	178.3	170.8	180.3	203.4	198.1	195.6	203.7	220.2
Other non-interest-bearing	407.8	357.2	358.9	337.2	406.7	353.3	355.6	334.6
<b>Total current liabilities</b>	641.1	593.5	603.9	585.6	659.8	614.5	624.0	599.9
<b>Total liabilities</b>	931.4	885.8	896.2	875.6	950.1	906.8	916.3	889.8
<b>TOTAL EQUITY AND LIABILITIES</b>	1,421.5	1,360.7	1,370.1	1,345.7	1,435.7	1,375.7	1,385.5	1,356.8

<sup>2</sup> gross advances received before revenue recognition over time (percentage of completion)

	1,445.2	1,442.6	1,528.3	1,490.4	1,445.2	1,442.6	1,528.3	1,490.4
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<sup>3</sup> Reported numbers have been reclassified by transferring a bond revaluation item in Non-current liabilities from Other non-interest-bearing to Interest-bearing.

## Segments' sales and EBIT by quarters

EUR million	Reported Q1 2017	Reported Q2 2017	Reported Q3 2017	Reported Q4 2017	Reported Q1-Q4 2017	Restated Q1 2017	Restated Q2 2017	Restated Q3 2017	Restated Q4 2017	Restated Q1-Q4 2017
<b>Sales</b>										
Minerals Processing	153.4	169.4	148.9	189.2	<b>660.8</b>	151.7	167.7	147.8	201.2	<b>668.4</b>
Metals, Energy & Water	114.3	102.8	121.5	139.8	<b>478.5</b>	111.6	98.1	126.1	139.7	<b>475.4</b>
Unallocated items <sup>1</sup> and intra-group sales	0.0	0.0	0.0	-0.1	<b>-0.0</b>	0.0	0.0	0.0	-0.1	<b>-0.0</b>
<b>Total</b>	<b>267.7</b>	<b>272.2</b>	<b>270.4</b>	<b>328.9</b>	<b>1,139.2</b>	<b>263.3</b>	<b>265.8</b>	<b>273.9</b>	<b>340.8</b>	<b>1,143.8</b>
<b>EBIT</b>										
Minerals Processing	10.3	14.4	14.7	18.5	<b>57.8</b>	10.4	14.2	14.3	21.1	<b>60.0</b>
Metals, Energy & Water	-9.6	-11.6	-2.7	-2.4	<b>-26.4</b>	-10.2	-13.6	-0.6	-2.9	<b>-27.2</b>
Unallocated <sup>2</sup> and intra-group items	-1.4	-2.0	-1.4	-2.0	<b>-6.8</b>	-1.4	-2.0	-1.4	-2.0	<b>-6.8</b>
<b>Total</b>	<b>-0.8</b>	<b>0.8</b>	<b>10.6</b>	<b>14.0</b>	<b>24.6</b>	<b>-1.2</b>	<b>-1.4</b>	<b>12.3</b>	<b>16.2</b>	<b>26.0</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

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