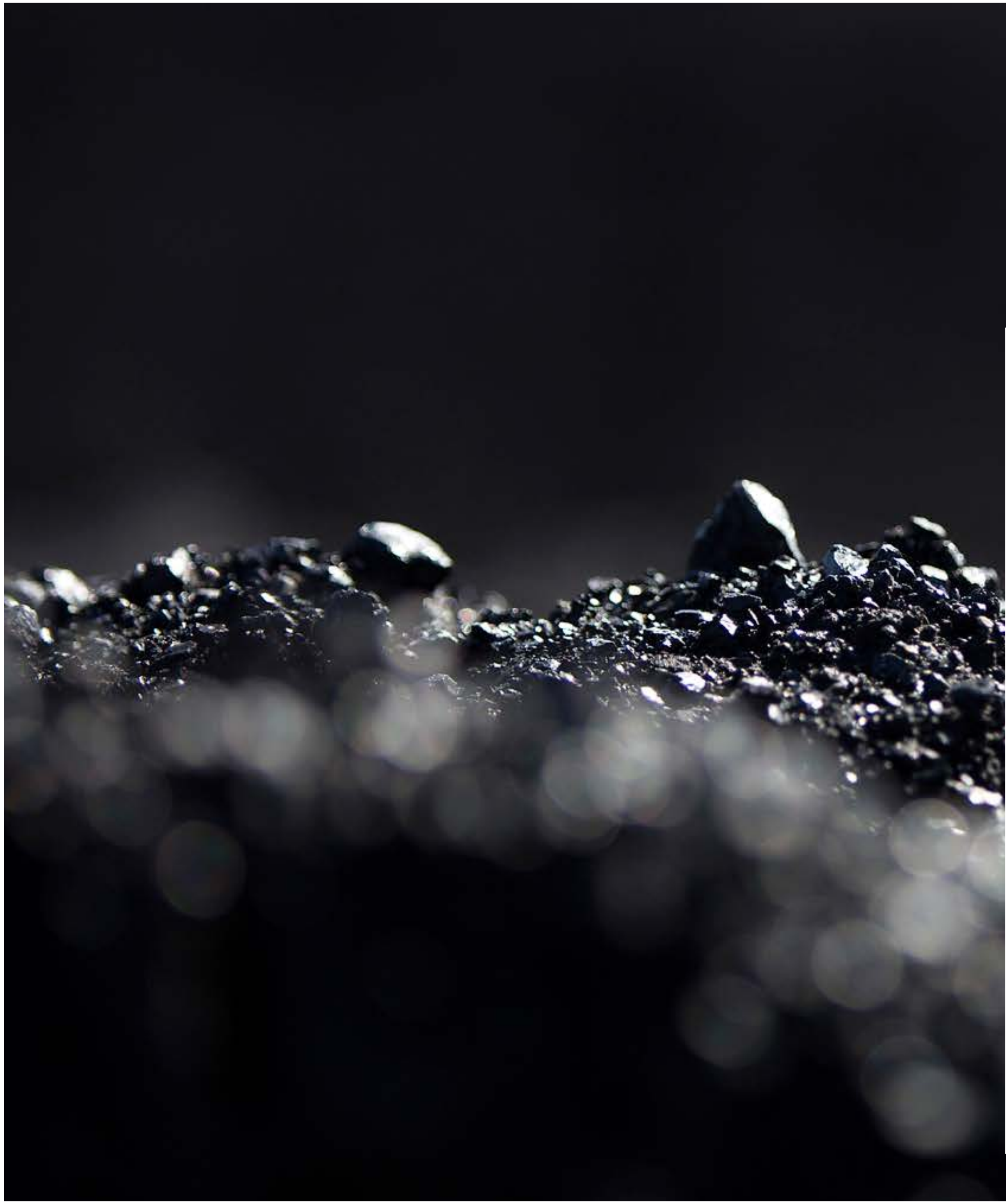
Metso:Outotec



2020

Financial Review

Partner for positive change

Metso:Outotec

There's strength in partnerships. A breadth of knowledge. A fresh perspective. An opportunity to learn.

Our company is built on partnerships.

From empowering our clients today to innovating for tomorrow.

From engineering advanced technology to growing the skills of our team.

From leading our industry to learning from our history.

From transforming production lines to inspiring people.

From maximizing precious natural resources to minimizing our combined environmental impact.

Together, we are the partner for positive change

Annual Report 2020

Metso Outotec's Annual Report 2020 consists of five sections: Business Overview, Financial Review, Corporate Governance Statement, Remuneration Report and GRI Supplement. All Annual Report sections are available in English and in Finnish. They are downloadable on our Annual Report website at mogroup.com/corporate/investors/annual-report-2020. In this Annual Report we apply integrated reporting elements.

METSO OUTOTEC CHANNELS

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Business Overview
Strategy, value creation and sustainability

Financial Review
Board of Directors' Report, Financial Statements and investor information

Corporate Governance Statement
Corporate Governance, Internal Control and Risk Management systems

Remuneration Report
Remuneration of the Board of Directors and the CEO

GRI Supplement
Externally assured sustainability information compliant with the GRI Standards

Financial review 2020

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Financial year 2020

Operating environment

After its outbreak during the first months of the year, the Covid-19 pandemic continued to affect Metso Outotec's end markets and customer operations throughout 2020. The most severe impact was seen during the second quarter, after which the situation stabilized and remained largely unchanged for the rest of the year. The most significant impacts resulted from restrictions on workforce mobility and limited access to customer sites. Metso Outotec's own operations were also affected by restrictions during the spring but have been running with additional health and safety measures and without major disruptions since early June.

The aggregates business, which faced the most rapid and negative impacts during the spring, saw market activity normalizing towards the end of the year. In the minerals and metals markets, decision-making as well as commissioning related to bigger investments was hampered by mobility restrictions. However, positive news around Covid-19 vaccine development and high metal prices activated decision-making in the fourth quarter and resulted in a strong order intake for Metso Outotec. The services business continued to be affected by limited access to planning, preparing, and carrying out maintenance and modernization work at customer sites. The demand for spare parts and consumables continued to be good, supported by healthy utilization rates at mines thanks to high metal prices.

Key figures, comparable

EUR million	2020	2019	Change %
Orders received	4,150	4,370	-5
Orders received by services business	2,071	2,304	-10
% of orders received	50	53	-
Order backlog	2,366	2,419	-2
Sales	3,897	4,030	-3
Sales by services business	2,017	2,179	-7
% of sales	52	54	-
Adjusted EBITA	448	509	-12
% of sales	11.5	12.6	-
Operating profit	253	423	-40
% of sales	6.5	10.5	-
Earnings per share, EUR (IFRS)	0.19[1)]	-	-
Earnings per share, total, EUR	0.17[2)]	-	-
Cash flow from operations (IFRS)	587	-	-
Gearing, % (IFRS)	39.2	-	-
Personnel at end of year	15,466	-	-

[1)] based on average number of outstanding shares (737,413 thousand)
[2)] based on the number of outstanding shares at the end of period (827,979 thousand)

Financial performance

Orders received in 2020 totaled EUR 4,150 million, compared to EUR 4,370 million in 2019. Sales totaled EUR 3,897 million (EUR 4,030 million). Lower order and sales volumes resulted from the negative impact of the Covid-19 pandemic on market activity.

Adjusted EBITA totaled EUR 448 million (EUR 509 million) and adjusted EBITA margin 11.5% (12.6%). The weaker profitability year-on-year resulted from lower volumes, due to Covid-19 as well as the Metals segment turning from a profit to a loss. Operating profit (EBIT) was affected by negative adjustments of EUR 97 million (EUR 46 million negative), which were related to the Metso Outotec transaction and integration costs. In addition, PPA amortization totaled EUR 71 million. EBIT totaled EUR 253 million (423 million) and EBIT margin 6.5% (10.5%).

Profit before taxes totaled EUR 201 million (IFRS), and profit for the period totaled EUR 138 million (IFRS). Earnings per share were EUR 0.17 based on the number of outstanding shares at the end of the year of 827,979,202.

Impacts from currency and structural changes on orders received

EUR million	Aggregates	Minerals	Metals	Metso Outotec total
2019	967	2,870	534	4,370
Organic growth in constant currencies, %	-3%	-3%	-15%	-5%
Impact of changes in exchange rates, %	-3%	-7%	-2%	-5%
Structural changes, %	21%	0%	0%	5%
Total change, %	15%	-9%	-17%	-5%
2020	1,107	2,601	443	4,150

Impacts from currency and structural changes on sales

EUR million	Aggregates	Minerals	Metals	Metso Outotec total
2019	928	2,627	475	4,030
Organic growth in constant currencies, %	-10%	2%	-18%	-4%
Impact of changes in exchange rates, %	-3%	-6%	-2%	-5%
Structural changes, %	20%	0%	0%	5%
Total change, %	7%	-4%	-20%	-3%
2020	992	2,523	382	3,897

Financial position

The Group's net interest-bearing liabilities were EUR 799 million at the end of 2020, gearing was 39.2%, and the debt-to-capital ratio 37.2%. The equity-to-assets ratio was 39.9%.

Metso Outotec's liquidity position is solid. In addition to liquid funds amounting to EUR 537 million, the Group had committed and undrawn revolving credit facilities of EUR 790 million at the end of the year. A syndicated EUR 600 million revolving credit facility has a maturity in 2025 with one one-year extension option. To be prepared for any Covid-19-related liquidity needs, Metso Outotec arranged further liquidity buffers during 2020, of which the EUR 100 million revolving credit facilities mature in 2021 and EUR 90 million in 2022. Metso Outotec also has a EUR 600 million Finnish commercial paper program, under which EUR 60 million was issued at the end of the year.

The Group has a Euro Medium Term Note Program (EMTN) of EUR 2 billion, under which EUR 689 million at carrying value was outstanding at the end of 2020 (EUR 388 million in 2019). EUR 589 million (EUR 288 million) of the outstanding amount was public bonds and EUR 100 million (EUR 100 million) private placements.

During the year, a EUR 100 million bank loan was drawn for general corporate purposes, and a EUR 40 million loan was drawn for research, development, and innovation purposes from the European Investment Bank. In July 2020, Metso Outotec repaid Outotec's EUR 150 million hybrid bond, using a bank term loan of EUR 150 million with a maturity in 2022 with a one-year extension option.

In addition, Metso Outotec repaid Outotec's EUR 150 million bond in September 2020 with a bank term loan with a maturity in 2022. In November, Metso Outotec issued a public bond amounting to EUR 300 million with a maturity of 7.5 years under its EMTN Program. The proceeds were used to repay a EUR 300 million bank term loan.

The average interest rate of total loans and derivatives was 1.21% (1.37%) on December 31, 2020. The duration of medium and long-term interest-bearing debt was 2.1 years (1.8 years) and the average maturity 3.7 years (2.9 years).

Moody's Investor Service has assigned Metso Outotec a 'Baa2' long-term issuer rating with stable outlook and S&P Global Ratings a 'BBB–' long-term issuer credit rating with negative outlook.

Metso Outotec integration and synergies

Metso Outotec integration, which started on July 1 after the transaction was completed on June 30, 2020, proceeded quickly during the second half of the year.

In early August, Metso Outotec announced an updated timetable and scope of the cost synergies to be realized from the merger. The cost synergy target was raised to EUR 120 million of annual pre-tax cost synergies, and the implementation will be accelerated so that the run rate of the synergies is expected to be realized by the end of 2021. Procurement is estimated to represent about 25% of the total cost synergies, and the rest will come from personnel, functional and other cost synergies.

The realization of the cost synergies is proceeding according to plan: by the end of 2020, an annual run rate of EUR 65 million had been reached, exceeding the earlier announced plan to achieve about EUR 50 million by the end of the year. The main source of the realized synergies has been the restructuring of the organization.

Also in August, the company maintained its original EUR 150 million annual revenue run-rate synergy target by the end of 2022 but noted that the Covid-19 situation creates uncertainty about the market development. The first revenue synergies were achieved and booked in orders received during the second half of the year.

The realization of cost and revenue synergies is expected to result in one-off, pre-tax costs of approximately EUR 75 million, which is below the original estimate of EUR 100 million. Around EUR 33 million of this was booked in 2020, and the majority of the remaining is expected to be incurred by the end of 2021.

The initial synergy targets, published in July 2019, were EUR 100 million of run rate pre-tax cost synergies and EUR 150 million of additional revenue synergies. Both targets were initially expected to materialize in three years after completion of the merger.

Reporting segments: Aggregates

Key figures

EUR million	2020	2019	Change %
Orders received	1,107	967	15
Orders received by services business	319	355	-10
% of orders received	29	37	–
Order backlog	402	338	19
Sales	992	928	7
Sales by services business	312	336	-7
% of sales	32	36	–
Adjusted EBITA	107	112	-4
% of sales	10.8	12.0	–
Operating profit	95	98	-3
% of sales	9.5	10.6	–

Customer activity in the equipment business improved strongly during the final quarter of the year from the earlier, Covid-19 impacted level of around 75–80% of normal. Improvement was seen in all market areas and both in direct sales and in distribution. The demand continued to be especially strong in China, supported by strong infrastructure investments in the country initiated after the Covid-19 outbreak early in the year.

Orders increased 15% and sales grew 7%, thanks to the McCloskey acquisition, which was included only in the fourth quarter in 2019. Covid-19 had a negative impact on organic orders for the first nine months of the year and on sales throughout the year. The actions to protect profitability were successful and enabled adjusted EBITA to total EUR 107 million and adjusted EBITA margin 10.8% of sales (EUR 112 million and 12.0%).

Reporting segments: Minerals

Key figures

EUR million	2020	2019	Change %
Orders received	2,601	2,870	-9
Orders received by services business	1,673	1,788	-6
% of orders received	64	62	–
Order backlog	1,426	1,547	-8
Sales	2,523	2,627	-4
Sales by services business	1,603	1,680	-5
% of sales	64	64	–
Adjusted EBITA	365	349	4
% of sales	14.5	13.3	–
Operating profit	291	319	-9
% of sales	11.5	12.1	–

The activity related to small and brownfield-driven equipment investments continued to be healthy during the year, but Covid-19 uncertainties resulted in slow decision-making in larger and more complex investments. Nevertheless, order intake in the equipment business strengthened towards the end of the fourth quarter. High metal prices and utilization rates at mines supported healthy demand for spare parts and consumables, while Covid-19 related restrictions in access to customer sites limited opportunities for upgrades, modernizations, and expert services.

Orders received totaled EUR 2,601 million (EUR 2,870 million). Sales were EUR 2,523 million (EUR 2,627 million). Orders and sales both were affected by the weaker market environment and the negative foreign exchange impact. Adjusted EBITA improved to EUR 365 million from EUR 349 million and adjusted EBITA margin to 14.5% from 13.3%. The higher margin resulted from improved operational efficiency and integration synergies.

Reporting segments: Metals

Key figures

EUR million	2020	2019	Change %
Orders received	443	534	-17
Orders received by services business	78	160	-51
% of orders received	18	30	-
Order backlog	538	533	0
Sales	382	475	-20
Sales by services business	101	162	-37
% of sales	27	34	-
Adjusted EBITA	-2	58	-
% of sales	-0.6	12.2	-
Operating profit	-23	48	-
% of sales	-6.1	10.1	-

Customer activity was low in 2020, affected by the Covid-19 related impact on decision-making regarding large projects and modernization services. The fourth quarter, however, saw a pick up in the market, resulting in an improved order intake.

Orders totaled EUR 443 million (EUR 534 million) and sales were EUR 382 million (EUR 475 million). The significant drop in volumes, combined with a high fixed-cost base pushed the business into a loss. Adjusted EBITA was EUR -2 million (EUR 58 million) and adjusted EBITA margin -0.6% (12.2%).

Capital expenditure and investments

Gross capital expenditure, excluding business acquisitions, was EUR 86 million in 2020. The investments included the renewal of the footprint of the Consumables business, in which manufacturing operations were closed in Ersmark, Sweden, and a new production plant for high-quality rubber and poly-met wear parts for the mining industry was established in Lithuania.

Research and development

R&D expenses in 2020 were EUR 92 million, or 2.4% of sales.

Inventions and patents

Pieces	2020
Invention disclosures	104
Priority patent applications	46
Individual granted patents in force, as of December 31	6,381
Inventions protected by patents, as of December 31	981

Metso Outotec launched several products during the second half of 2020.

The next-generation Courier® 6G SL on-stream analyzer is designed for direct measurement of gold, platinum, and other valuable metal concentrations from ore feed, concentrate, and tailings streams. The new analyzer enables accurate, real-time elemental analysis measurement, which is critical for establishing efficient process control to improve process stability and maximize recovery.

The next evolution of the high-pressure grinding roll, the HRC™e brings energy efficiency, lower circulating loads, and increased throughput. It comes with a decreased installation capex, compared to the existing HRC. Changes in design allow for maximum productivity with proven technology that leads to superior grinding efficiency.

The mechanical skew control HPGR (High Pressure Grinding Roll) retrofit kit was launched for improved throughput and energy efficiency on the heels of the new HRC™e HPGR release. The new retrofit kit takes the key components responsible for minimizing skew from HRC™ and makes the technology more accessible without the major investment or need to acquire a new machine.

The mill discharge pump line was extended with new sizes for reliable and efficient slurry handling in minerals processing. The Metso Outotec MD Series pumps offer outstanding uptime and sustained efficiencies. They have been designed for efficient operation and the longest wear life to match the mill's uptime.

The innovative Filter Optimizer further boosts the performance of Metso Outotec's Larox® PF filter in the mining and chemical industry processes. The Filter Optimizer enables more precise control over the solid/liquid separation process. The new optimizer stabilizes the effect of upstream process variations, provides tools for improved process control, and reduces the need for manual intervention.

An extension was launched to Metso Outotec's primary gyratory crusher range: the SUPERIOR™ MKIII 6275UG. The new crusher, which can be used in different types of applications, both above and underground, provides large capacity with significant savings in capex and operating costs.

Metso Outotec's mill reline equipment offering was extended with a high-capacity Mill Reline Machine (MRM). The new MRM enables easy and safe replacement of steel lining systems inside even the largest grinding mills.

Metso Outotec's line of mobile and modular stationary crushing solutions was complemented with a sizer option specially designed for soft ore and aggregate applications. The new additions to the mobile Lokotrack® product line are equipped with Komatsu's sizer technology and are available in five models ranging from 500 to 4,500 tons per hour.

Metso Outotec launched a full range of overland conveyor solutions that provide economic and reliable material transportation for both open-pit and underground operations at the lowest total cost of ownership. The conveyors come with the patented Energy Saving Idlers® (ESI), which bring significant energy savings.

Compliance management

Regarding data privacy, Metso Outotec has developed practices and processes related to personal data processing, specifically focusing on harmonizing the privacy related processes in the company.

In the second half of 2020, Metso Outotec received ten reports of suspected financial misconduct and ten reports of suspected non-financial misconduct via its Whistleblower channel. In addition to the Whistleblower reports, seven reports were investigated after they had been submitted directly to Compliance or Internal Audit. All cases were investigated, and none had significant financial implications on Metso Outotec.

Metso Outotec has an audit framework in place to support risk management by ensuring compliance and continuous business development. In total, 19 internal audits were performed during the second half of the year after the merger was completed.

Corporate Governance and remuneration

Outotec Annual General Meeting 2020

Outotec Oyj's Annual General Meeting (AGM) was held on March 11, 2020, in Helsinki, Finland. The AGM adopted the parent company and consolidated Financial Statements and discharged the members of the Board of Directors and the CEO from liability for the financial year 2019.

The AGM resolved that a dividend of EUR 0.10 per share, i.e. EUR 18,212,825.40 in total, be paid for the financial year 2019. The dividend was paid on March 31, 2020.

The AGM resolved to adopt the Remuneration Policy for the governing bodies (including the members of the Board of Directors and the President and CEO).

The AGM authorized the Board of Directors to decide on the repurchase of an aggregate maximum of 18,312,149 of the company's own shares. The number of shares corresponds to approximately 10 percent of all shares prior to the merger. However, the company together with its subsidiaries cannot at any moment own more than 10 percent of all the shares of the company.

Authorized Public Accountants Ernst & Young Oy was chosen as the company's Auditor for a term commencing on the completion of the merger and ending at the end of the next annual general meeting of Metso Outotec. The Auditor will be paid remuneration against the Auditor's reasonable invoice approved by the company.

Metso Outotec Board of Directors

Outotec Oyj's Annual General Meeting resolved to increase the number of members of the Board of Directors by two, i.e. to a total of ten Board members, upon competition of the merger The AGM elected Matti Alahuhta, Ian W. Pearce, Klaus Cawén, and Hanne de Mora, each previously members of the Outotec Board, to serve on the Board of Metso Outotec. From the Board of Directors of Metso, the AGM elected Mikael Lilius, Christer Gardell, Antti Mäkinen, Kari Stadigh, and Arja Talma as new members of the Board of Metso Outotec. In addition, Emanuela Speranza was elected as a member of the Board of Metso Outotec, conditional upon her election to Metso's Board of Directors at Metso's AGM 2020. Mikael Lilius was elected as the Chair of the Board of Metso Outotec and Matti Alahuhta as the Vice Chair. The Board's term commenced on June 30, 2020 and will end at the end of the next Annual General Meeting of Metso Outotec.

On July 1, 2020, after the registration of the demerger of Metso Corporation, Metso Outotec's Board of Directors established an Audit Committee and a Remuneration and HR Committee.

Arja Talma was elected Chair and Klaus Cawén and Antti Mäkinen as members of the Audit Committee. Antti Mäkinen was elected Chair and Christer Gardell and Hanne de Mora as members of the Remuneration and HR Committee.

The following annual remunerations were decided to be paid to the members of the Board as well as to the members of the Board committees:

- EUR 150,000 for Chair of the Board
- EUR 80,000 for Vice Chair of the Board
- EUR 65,000 for each member of the Board
- EUR 23,000 for Chair of the Audit Committee
- EUR 10,000 for each member of the Audit Committee
- EUR 12,000 for Chair of the Remuneration and HR Committee
- EUR 5,000 for each member of the Remuneration and HR Committee

The Board´s annual remuneration has been paid pro rata to the length of the term of office commencing on July 1, 2020, until the end of the company's next Annual General Meeting.

In addition, the Annual General Meeting resolved that meeting fees for attendance at each board and committee meeting be paid to members of the Board of Metso Outotec as follows: EUR 900 for each member residing in the Nordic countries, EUR 1,800 for each member residing in other European countries, and EUR 2,700 for each member residing outside Europe. In addition, Board members shall be reimbursed for direct costs arising from Board work.

Metso Outotec Executive Team

Metso Outotec's Executive Team consists of the following members:
Pekka Vauramo, President and CEO
Eeva Sipilä, CFO, Deputy CEO
Markku Simula, President, Aggregates
Stephan Kirsch, President, Minerals
Jari Ålgars, President, Metals
Uffe Hansen, President, Recycling
Markku Teräsvasara, President, Services, Deputy CEO
Sami Takaluoma, President, Consumables
Nina Kiviranta, General Counsel
Piia Karhu, Senior Vice President, Business Development
Carita Himberg, Senior Vice President, Human Resources

New earning periods for senior management's long-term incentive plans

The Board of Directors of Metso Outotec Corporation decided, on July 1, 2020, on the establishment of new share-based long-term incentive programs for the Company's management and selected key employees. The programs include a Performance Share Plan (also "PSP") for the top management, a Deferred Share Plan (also "DSP") for other senior management and selected key employees, and a Restricted Share Plan (also "RSP") as a complementary structure for specific situations.

The objectives of the share-based long-term incentive programs are to align the interests of Metso Outotec's management and key employees with those of the Company's shareholders and, thus, to promote shareholder value creation in the long term, to motivate the management and key employees to achieving Metso Outotec's strategic targets, and to commit key employees to the company.

Personnel

Metso Outotec had 15,466 employees at the end of December 2020.

Personnel by area December 31, 2020

	Share, %
Europe	37
North America and Central America	13
South America	26
Asia Pacific	13
Africa, Middle East and India	11
Total	100

Metso Outotec employees represent 95 nationalities, operating in over 58 countries and in 197 locations. The combination of different backgrounds and a wide range of service years and ages ensures diverse capabilities.

Shares and share trading

Before the combination of Metso's Minerals business and Outotec was completed, Outotec's share capital was EUR 17,186,442.52 and the total number of shares was 183,121,492. After the transaction was completed on June 30, 2020, a total of 645,850,948 new Outotec shares were issued as demerger consideration to Metso's shareholders based on their shareholdings in Metso on the same day. Trading in the new shares on the official list of Nasdaq Helsinki commenced on July 1, 2020. After the transaction was completed, the total number of Metso Outotec shares was 828,972,440 and its share capital was EUR 107,186,442.52. Treasury shares totaled 993,238 on December 31, 2020.

Outotec share performance on Nasdaq Helsinki January 1 — June 30, 2020

EUR	
Closing price	4.91
Highest share price	6.33
Lowest share price	2.84
Volume-weighted average trading price	4.50

Metso Outotec share performance on Nasdaq Helsinki July 1—December 31, 2020

EUR	
Closing price	8.18
Highest share price	8.20
Lowest share price	4.47
Volume-weighted average trading price	6.28

Flagging notifications

On July 2, 2020, Cevian Capital Partners Ltd. flagged its 8.5% holding and Varma Mutual Insurance Company flagged its less than 5% holding in Metso Outotec. Metso Outotec is not aware of any shareholders' agreements regarding the ownership of the company's shares and voting rights. Metso Outotec has 828,972,440 issued shares.

Strategy and financial targets

On October 28, 2020, Metso Outotec announced its new strategy and financial targets. According to its strategy, the company will focus on growth and improving profitability. It aims to become a top-tier supplier of products, technologies, and services in the aggregates and minerals industries and a top financial performer.

The strategy will be implemented through four priorities: integration and financial performance, customer centricity, sustainability, and performance culture

As a result of the strategy work, Metso Outotec decided to divest its Recycling business, which sells products and services for metal and waste recycling. Its sales in 2020 were EUR 125 million, and it reported an adjusted EBITA margin of approximately 3%. The business has around 300 employees and its main locations are Horsens, Denmark; Düsseldorf, Germany; and San Antonio, Texas.

The Board of Directors approved the following financial targets for the company:

- Adjusted EBITA margin of >15% over the cycle
- Maintaining an 'investment-grade' credit rating
- Dividend pay-out of at least 50% of earnings per share
- Progress in sustainability in alignment with the 1.5 °C commitment

Metso Outotec aims to be a sustainability leader in its industry. The company strives for a net positive impact on the planet and is committed to the 1.5 °C journey, with targets that are validated by the Science Based Targets initiative. This will be implemented through a focus on sustainable offerings and innovations and by being a responsible and trusted partner.

Metso Outotec has set targets to reduce the emissions of its own operations by 50% by 2030, compared to the 2019 baseline, and to reduce the emissions of logistics by 20% by 2025. It is also targeting that 30% of the supplier spend by the end of 2025 is with partners who have set a CO_2 target.

Metso Outotec will continuously develop sustainable solutions for its customers, with a focus on energy and emissions efficiency, water efficiency, circular solutions, and safety. Over 90% of the company's R&D projects are targeted to have energy, emissions, or water targets.

Main events between July 1 and December 31, 2020

On July 1, 2020, the Board of Directors of Metso Outotec decided on the establishment of new share-based, long-term incentive programs for the Company's management and selected key employees. The programs include a Performance Share Plan (also "PSP") for the top management, a Deferred Share Plan (also "DSP") for other senior management and selected key employees, and a Restricted Share Plan (also "RSP") as a complementary structure for specific situations.

On July 1, 2020, Metso Outotec announced that it will redeem Outotec's EUR 150,000,000 Hybrid Bond issued on March 24, 2016. The redemption was made on July 31, 2020, for the amount equal to 101 per cent of the principal amount, in whole, together with any accrued interest.

On August 3, 2020, Metso Outotec closed the acquisition of the Australia-based fastener and wear monitoring technology provider Davies Wear Plate Systems. The acquired company will extend Metso Outotec's wear lining portfolio and capabilities. Its sales in fiscal year 2020 were around AUD 17 million, or EUR 10 million, and it has approx. 30 employees.

On September 28, 2020, Metso Outotec started operations at its new manufacturing site in the region of Šiauliai (Šiauliai län) in northern Lithuania. The new plant further strengthens the company's capability to produce high-quality rubber and poly-met wear parts for its mining customers. The investment was announced in March 2020.

On October 28, 2020, it was announced that Pekka Vauramo will continue as the President and CEO of Metso Outotec until the end of 2023.

On November 3, 2020, Metso Outotec announced the divestment of the fabrication, machining, and assembly operations and the closure or rearrangement of the rest of operations at its site in Vereeniging, South Africa. The unit in Vereeniging has provided pumps, spare parts, consumables, and repair services for the mining industry. The unit has had approximately 200 employees.

On November 11, 2020, Metso Outotec issued its first bond under its EMTN (Euro Medium Term Note) program, which was established on November 13. The EUR 300 million bond matures in May 2028 and pays a fixed coupon of 0.875%. The issue price was 99.167% and is equal to EUR-swaps + 135 basis points. There are no financial covenants attached.

On December 9, 2020, Metso Outotec published a plan to reorganize its Metals business as part of the turnaround program. The target is to create an operational model for Metals capital and services that suits the scale and nature of the business today and meets the specific demands of the Metals refining segment customer base. Approximately 1,100 employees working with the Metals capital and services business around the world are within the scope of the restructuring program. Restructuring is estimated to lead to a maximum 160 redundancies in the Metals operations globally, corresponding to targeted savings of EUR 15 million.

On December 28, 2020, Metso Outotec announced that it will sell its aluminium business to REEL International. The aluminium business has been reported under discontinued operations since late 2019, when it was announced to be on sale. The business comprises green anode plants, anode rodshops, and casthouses used in aluminium smelters, as well as related equipment and services. Approximately 120 Metso Outotec employees will join REEL upon closing, which is expected to take place during the first quarter of 2021. The value of the transaction has not been disclosed. The sale will have no material impact on Metso Outotec's financial result.

Events after the reporting period

Shareholders' Nomination Board's proposals regarding the composition and remuneration of the Board of Directors of Metso Outotec

The Shareholders' Nomination Board published its proposals regarding the composition and remuneration of the Board of Directors of Metso Outotec Corporation on January 22, 2021.

The Shareholders' Nomination Board proposes to the Annual General Meeting scheduled for April 23, 2021 that the Board of Directors should have seven members and that Klaus Cawén, Christer Gardell, Antti Mäkinen, Ian W. Pearce, Kari Stadigh, Emanuela Speranza, and Arja Talma should be re-elected as Board members.

Mikael Lilius, Matti Alahuhta, and Hanne de Mora were not available for re-election.

The Nomination Board proposes that Kari Stadigh should be elected Chair of the Board and Klaus Cawén Vice Chair.

All the Board member candidates have given their consent to be elected and have been assessed to be independent of the company and its significant shareholders, except for Antti Mäkinen, who has been assessed to be independent of the company but not independent of its significant shareholder.

The Nomination Board proposes the same fixed annual remuneration to the Board members as in the previous term:
- Chair EUR 150,000
- Vice Chair EUR 80,000
- Other members EUR 65,000 each

The same additional remuneration as in the previous term is proposed for the Board members that are elected as members of the Audit Committee and the Remuneration and HR Committee:
- Chair of the Audit Committee EUR 23,000
- Members of the Audit Committee EUR 10,000
- Chair of the Remuneration and HR Committee EUR 12,000
- Member of the Remuneration and HR Committee EUR 5,000

The Nomination Board proposes that, as a condition for the annual remuneration, the Board members should be obliged, directly based on the Annual General Meeting's decision, to use 20% or 40% of their fixed total annual remuneration for purchasing Metso Outotec shares from the market at a price formed in public trading, and that the purchase will be carried out within two weeks from the publication of the interim report for January 1 – March 31, 2021.

The Nomination Board proposes the same meeting fees as in the previous term as follows: a fee of EUR 900 be paid to the members residing in the Nordic countries, a fee of EUR 1,800 be paid to the members residing in other European countries, and a fee of EUR 2,700 be paid to the members residing outside Europe.

Composition of the Nomination Board

Metso Outotec's Shareholders' Nomination Board comprises Annareetta Lumme-Timonen (Investment Director, Solidium Oy) as the Chair, and Niko Pakalén (Partner, Cevian Capital Partners Ltd.), Risto Murto (President and CEO, Varma Mutual Pension Insurance Company), Mikko Mursula (Deputy CEO, Ilmarinen Mutual Pension Insurance Company), and Mikael Lilius (Chair of Metso's Board of Directors). The Shareholders' Nomination Board consists of the representatives of the four largest registered shareholders of the company based on the ownership situation as of August 15 annually.

Mikael Lilius did not participate in the decision-making concerning the remuneration of the Board members.

Metso Outotec ranked 8th on the Global 100 list of the world's most sustainable companies

On January 25, 2021, it was announced that Metso Outotec is ranked 8th on the Corporate Knights 2021 Global 100 Index of the most sustainable companies in the world and places as a top-ranking company among its peers.

Corporate Knights analyzed 8,080 companies on various indicators relative to industry peers.

Short-term business risks and market uncertainties

Covid-19 continues to pose significant short-term risks and uncertainties to Metso Outotec's market and operations. The development and longevity of the pandemic and its impact on economic growth is difficult to predict. Further possible abrupt measures taken by various national and local governments to restrict the spread may impact the demand for Metso Outotec's products and services, as well as Metso Outotec's operations, which could restrict our ability to provide services at customer sites and to run our manufacturing sites. The company may also, to protect its personnel, need to take abrupt measures that are likely to affect the efficiency of its operations and customer deliveries.

The pandemic can continue to reduce the investment appetite and spending among our customers, weaken the demand for Metso Outotec's products and services, as well as affect our business operations. Trade imbalances caused by the pandemic have, for example, caused challenges in the availability of containers globally and could, when continued, impact supply chain efficiency.

There are also risks and uncertainties related to a more positive outcome in the pandemic, as demand may quickly rise to catch up on pent-up demand, and thereby cause inflationary pressures and challenge the supply chain to react quickly enough.

There are also other market- and customer-related risks that could cause on-going projects to be postponed, delayed, or discontinued.

Uncertain market conditions could adversely affect our customers' payment behavior and increase the risk of lawsuits, claims, and disputes taken against Metso Outotec in various countries related to, among other things, Metso Outotec's products, projects, and other operations.

Tariffs or other trade barriers could pose challenges to our supply chain and price management, impacting our capability to secure customer deliveries and margins.

Exchange rate fluctuations and changes in commodity prices could affect our orders received, sales, and financial position. Metso Outotec hedges currency exposure linked to firm delivery and purchase agreements.

Information security and cyber threats could disturb or disrupt Metso Outotec's businesses and operations.

Metso Outotec has identified a significant risk related to its ilmenite smelter project in Saudi Arabia in line with earlier disclosures. Provisions have been made against this risk. The contractual position and other factual circumstances will ultimately determine the eventual liability and financial impact.

Disputes related to project execution and resulting in extra costs and/or penalties are a risk for Metso Outotec. 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. Even though provisions are provided for, in accordance with accounting principles, there is no certainty that additional liabilities would not materialize.

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

Market outlook

According to its disclosure policy, Metso Outotec's market outlook describes the expected sequential development of market activity during the following six-month period using three categories: improve, remain at the current level, or decline.

Metso Outotec expects the market activity to improve, subject to the development of the Covid-19 pandemic.

Corporate Governance Statement

Metso Outotec published a separate Corporate Governance Statement for 2020 that complies with the recommendations of the Finnish Corporate Governance Code for listed companies and covers other central areas of corporate governance. The statement is available on our website, separately from the Board of Directors' Report.

Non-financial information

The demerger of Metso Corporation and combination of Metso's Minerals business and Outotec was completed on June 30, 2020. Metso Outotec, headquartered in Finland, operates globally and has subsidiaries and branch offices in 58 countries. The company is a forerunner in sustainable products, end-to-end solutions, and aftermarket services for aggregates, minerals processing, and metals refining industries globally. Metso Outotec was ranked 8th on the Corporate Knights 2021 Global 100 Index of the most sustainable companies in the world.

Metso Outotec's sustainability agenda comprises of two focus areas: *Sustainable offering and innovations* and *Responsible and trusted partner.* In order to be a trusted partner, Metso Outotec focuses on continuous development of *Engaged and diverse experts, Responsible procurement, Health and safety,* and *Environmental efficiency in operations*, which, in addition to *Sustainable offering and innovations,* are identified as the most material sustainability topics. Metso Outotec has established targets and key performance indicators for each of the material topics in order to steer its sustainability activities.

Metso Outotec reports its economic, social and environmental performance annually in accordance with the Global Reporting Initiative (GRI) Standards: Core option. The Annual Report 2020, which includes a GRI Supplement 2020, will be published in March 2021.

This Statement of non-financial information contains a description of the business model as well as risks, key performance indicators, and other details for Environmental responsibility, Social responsibility and employees, Human rights, and Anti-corruption and bribery, as required by the Finnish Accounting Act.

Metso Outotec's business model and value creation

Metso Outotec's extensive offering for aggregates, minerals and metals refining customers, from equipment to a broad range of services and consumables, helps customers improve their productivity and lower their operating costs and risks. Metso Outotec offers products and spare and wear parts that consume less energy and water, when compared to conventional solutions, by increasing process efficiency, recycling, and reprocessing of tailings and waste. The minerals industry offering is mainly electric, allowing customers to choose renewable energy sources. Our aggregates industry offering includes dual power source products, which we aim to further expand. Metso Outotec continuously develops its offering to meet customers' growing needs for energy and emissions reduction, water resources management, resource efficiency, recovery, and safety.

The key resources for value creation are the deep know-how of Metso Outotec's experts, installed base and offering, 6,381 national technology patents, and research and development centers. Long-term customer and supplier relationships are essential resources for the company in creating value for stakeholders.

Metso 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 cooperation with universities and other research institutes.

In 2020, Metso paid EUR 221 million in dividends of which Metso Minerals' share was EUR 177, million and Outotec paid EUR 18 million. Metso Outotec's 2020 taxes paid were EUR 62 million.

Risks, risk management system and policies

Principal risks related to Metso Outotec's sustainability are associated with health and safety, quality, environment, compliance, brand and reputation, as well as human and labor rights, especially in the supply chain.

Metso Outotec regularly analyses climate change related risks and opportunities and their potential impact to business. As part of the sustainability content presented in the Business Overview, Metso Outotec reports on risks and opportunities caused by climate change in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Operating throughout the value chain in a sustainable way is a high priority for Metso Outotec, as environmental, social or governance misconduct can affect the company's reputation and have long-term financial and other consequences. Non-financial risks can also lead to business interruption, lost working hours and other financial implications.

Metso Outotec takes a systematic approach to managing non-financial matters, including appropriate policies, due diligence processes, governance and organization. Metso 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 Code of Conduct, HR policies, and Donation & Sponsorship Policy, as well as Quality and Environment, Health and Safety (EHS) Policies, all define the basic requirements for Metso Outotec's environmental, social, and economic sustainability.

The Board of Directors oversees the appropriate governance of overall enterprise risk management. Internal control practices are aligned with Metso Outotec's risk management process approved by the Board of Directors. The non-financial risks in this statement have been identified in accordance with the Finnish Accounting Act, separately to the financial risks identified in the Corporate Governance Statement page 14. An audit frame is in place to support risk management by ensuring compliance and continuous business development.

Metso Outotec complies with the requirements of international standards for management systems. The majority of Metso Outotec's major units are certified to ISO 9001 (quality), and the main operational units also have ISO 14001 (environment), ISO 45001, or OHSAS18001 (safety) standards as a framework.

Environmental responsibility

Metso Outotec's most significant environmental impact materializes through the use of its products and processes delivered to customers. Key for Metso Outotec is to support customers' long-term success through energy saving, electrification, and water efficiency, as well as circular and safety solutions. Metso Outotec has defined sustainability as a strategic priority and has set its commitment to limit the global average temperature increase to 1.5 °C as one of its financial targets to measure value creation.

In Metso Outotec's value chain, safety of the equipment, quality in the supply chain, and the environmental impact of own operations are critical. Metso Outotec continuously develops its offering and supply chain to address these matters. Furthermore, Metso Outotec offers training and other services to customers, as well as trains and audits its suppliers regularly.

Sustainable offering and innovations

Metso Outotec's product, process and service design is focused on helping customers to operate safely with higher productivity while reducing their resource intensity. The mining and aggregates industries face increasing energy reduction and water resource demands, as well as more stringent environmental legislation. Innovating for solutions that are more energy efficient is one of the key drivers in the mining industry, where the comminution process, including crushing and grinding, is the most energy-intensive stage of minerals production – especially due to the decreasing grade of ore bodies. Improvements in comminution efficiency result in significant energy savings, have a large impact on the operating cost of a plant, as well as conserve resources and reduce greenhouse gas emissions.

Metso Outotec reduces the global mining industry's carbon dioxide (CO_2) and other emissions by delivering technically more advanced products for its customers' industrial processes. The company measures the amount of CO_2 emissions avoided from the use of using Metso Outotec technologies compared to industry baselines or alternative technology. Emissions of seventeen of Metso Outotec's technologies are measured against the industry baseline or alternative technologies annually. Metso Outotec has long-term targets related to the environmental performance of its products and services with the aim of doubling the CO_2 handprint by 2035 compared to the 2019 baseline. In 2020, Metso Outotec's CO_2 handprint was 8.2 million tonnes less of CO_2 equivalents in the seventeen technology areas. The company also aims to set energy-efficiency, emission or water-efficiency targets for 90% of R&D projects from 2021 onwards.

Environmental efficiency in operations

Metso Outotec continuously aims to reduce the impacts of its operations and has set new science-based CO_2 emission targets aiming to halve the emissions of its own production by 2030, reduce emissions from logistics by 20% by 2025, increase the positive impact of the product use phase by 20% by 2025 and work with suppliers to encourage them to set their own science-based CO_2 emission targets. The Science Based Targets Initiative has validated Metso Outotec's climate targets.

The combined CO_2 emissions of Metso Outotec's footprint, including own operations, logistics, and suppliers, was 1,036,590 tonnes of CO_2 in 2020.

Social responsibility and employees

Metso Outotec's Code of Conduct defines the main principles of conducting business.

Metso Outotec values diversity at the workplace and follows the principle of equal opportunities. Fair and equal treatment is expected from all employees towards every person in the company, and this extends to contractors, vendors, customers, and others with whom Metso Outotec interacts with.

Metso Outotec has an Equal Opportunity and Diversity Policy that provides concrete content to the general principles of Metso Outotec's Code of Conduct. The underlying principle of the policy is Metso Outotec's commitment to promoting equal opportunities and fair treatment for all employees, regardless of gender, age, race, religion, caste or religious beliefs, ethnic or national origins, marital/civil partnership status, union membership, political affiliation, sexuality, or disability. Employees are selected based on merit and experience.

Engaged and diverse experts

In 2020, Metso Outotec's focus was on integration and building the new organization. The company purpose, vision, strategy, values, and four strategic priorities were published in November 2020. Culture was defined as one of the four strategic priorities.

Retaining talented and competent employees is important, as people are key in maintaining Metso Outotec's position as the leading company. Driving company ambition towards tier-one means building a strong culture defined by high performance and employee engagement, values that guide behavior and ways of working, and by attracting, developing, and retaining top talent.

As the first step in building the new company culture, new values were launched. After the launch, in addition to virtual workshops, a digital platform was introduced to engage people and to enable companywide discussion around the values. The results are used to further develop the values descriptions.

A new employee engagement survey was introduced in November 2020. The first "Our voice" survey gives information on employee sentiment and a baseline for future areas of focus. Employee Net Promoter Score (eNPS) is one of the key indicators followed in employee engagement, and the result in 2020 was 29.

Health and safety

Metso Outotec targets zero harm. There are occupational health and safety risks in the aggregates, mining, and metals refining industries which Metso Outotec continuously and actively mitigates. The most common risks in operations are related to lifting, working at heights, machinery, hot work, and road travel. These risks are mitigated by a variety of means, including continuous training, monitoring, and leadership involvement.

The merger of two companies, Metso and Outotec, enables ambitious targets also in the area of health and safety. These challenge the whole organization to take action and strive for true leadership in health and safety. In 2020, a new health and safety organization was established, a new safe working behavior model called Modus Operandi was introduced, and a safety training program focusing on safety roles and responsibilities throughout the organization.

Year 2020 posed challenges, as the Covid-19 pandemic spread around the world with unprecedented effects. Metso Outotec's first priority has been on securing the health and safety of its employees, customers, and partners by doing its best to control the virus from spreading. The company had to adapt to changes quickly and support its employees in staying safe by either working remotely or by introducing additional safety procedures at sites.

Employee safety, risk observations, safety conversations, and safety training hours are continuously measured. Metso Outotec's key indicators for safety are lost-time injuries per million working hours (LTIF), which was 1.6 in 2020, and total recordable incident frequency (TRIF), which was 4.1 in 2020. The LTIF and TRIF reporting covers Metso Outotec's premises, employees, and contractors working under Metso Outotec's direct supervision, as well as project sites. All serious accidents are reviewed by the top management to ensure proper investigations and corrective actions. All employees and contractors not only have the right but also an obligation to refuse and report any unsafe work.

Another important safety focus is on making sure that products and services are safe to use and maintain; thus, the safety of service is considered in the early phase of product and service development. Product safety is also one of the key drivers in Metso Outotec's research and development work.

The Product Compliance Management process ensures that products and services designed and supplied by Metso Outotec worldwide meet all applicable safety requirements during 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

Metso Outotec respects internationally proclaimed human rights and is committed to the United Nations (UN) Guiding Principles on Business and Human Rights. Metso Outotec is also committed to the UN Global Compact Initiative and its principles, as well as to the principles of the Universal Declaration of Human Rights and the International Labour Organization's Declaration of Fundamental Principles and Rights at Work. These commitments are re-iterated in Metso Outotec's Code of Conduct and substantiated in the Supplier Code of Conduct, and in HR, Quality and EHS policies.

Metso Outotec respects and supports human rights. All employees are entitled to be treated with respect, with zero tolerance for discrimination, harassment, or illegal threats. Any form of compulsory, forced, or child labor is unacceptable. Applicable national laws and regulations regarding working hours and employee compensation are respected. Metso Outotec requires that suppliers, business partners, and other stakeholders also follow similar standards. A range of internal controls are in place, such as an anonymous whistleblower channel that employees and externals can report to.

Potential risks and human rights impacts are related to the supply chain and to project site work in high-risk countries. Human rights-related topics, including safety and labor rights, are reviewed regularly in operations and within the operations of suppliers.

Responsible procurement

Due to the cyclical nature of Metso Outotec's customer industries, a business model of outsourcing manufacturing plays an important role. Metso Outotec expects its suppliers to follow the Supplier Code of Conduct, which is based on Metso Outotec's Code of Conduct, and the international principles that Metso Outotec follows.

Based on supplier assessments for existing and new suppliers, the need for third-party or internal supplier sustainability audits as well as other further actions are defined. Assessing new suppliers is included in procurement's ongoing processes, with a target to evaluate all new direct suppliers in high-risk countries against Metso Outotec's sustainability criteria.

Processes are in place to continuously develop a shared understanding with suppliers in the areas of innovation, cost efficiency, quality, and sustainability in order to manage the risks related to outsourcing. Human and labor rights, environmental and safety practices, compliance with laws and regulations, and anti-bribery are covered by third-party supplier audits, supplier self-assessments, and Metso Outotec's internal supplier sustainability audits. Key supplier requirements are also incorporated into contract obligations, and a contract breach can lead to consequences that include the termination of a supplier relationship.

Risk mapping within the existing supplier base enables a focus on the suppliers with the highest potential risks in their operations. Supplier sustainability audits are conducted in higher risk countries. After an audit has been performed, corrective action plans are agreed upon; suppliers are asked to provide Metso Outotec with evidence that these actions have been implemented and they are subject to possible re-audits. In 2020, 142 supplier sustainability audits were conducted that included human rights topics. In addition, an e-learning course about Metso Outotec's Supplier Code of Conduct was launched; the course informs suppliers about the expectations and requirements.

Anti-corruption and bribery

Metso Outotec endorses responsible business practices and complies with national and international laws and regulations. The company has zero tolerance against corruption. Metso Outotec works against corruption in all its forms and requires its suppliers and business partners to follow the same principles and to fully comply with all applicable anti-corruption laws. Metso Outotec's Code of Conduct, Supplier Code of Conduct, and Anti-Corruption Policy are the key policies that define the anti-corruption measures required from Metso Outotec's employees, customers, agents, suppliers, distributors, and other business partners.

To mitigate risks and to ensure compliance with the company's new Code of Conduct, training was implemented. Going forward, mandatory training will be part of the annual process. 96.1% of Metso Outotec employees completed the training by the end of 2020. The Code of Conduct training is also a part of the induction program for new employees. In addition, all Metso Outotec's senior managers are required to confirm their compliance with Metso Outotec's Code of Conduct requirements.

Metso Outotec conducts compliance checks on customers, suppliers, and other business partners through third-party screening tools, portals that are linked to Metso Outotec's customer relationship management and supplier data management systems. All sales agents are further required to confirm their compliance with the company's Code of Conduct requirements.

All Metso Outotec people have a responsibility for compliance. A range of internal controls are in place, and people are strongly encouraged to report any suspected wrongdoing or misconduct to their supervisors, to management, or to Compliance or Internal Audit, e.g. using Metso Outotec's internally and externally available whistleblower channel. All reports are treated as confidential and anonymous, and Metso Outotec commits to no negative repercussions for the reporting person.

The VP, Compliance and Risk Management regularly reports compliance cases and actions taken to the Audit Committee of Metso Outotec's Board of Directors.

Key non-financial performance indicators [1]

Non-financial topic	Target for 2021	Key performance indicators	2020	2019
Environmental responsibility				
CO_2 handprint	Increase carbon handprint to 7.9 M tonnes of CO_2 by using Metso Outotec's technologies, compared to annual industry baselines or alternative technology	Reduction in CO_2 emissions by using Metso Outotec's technologies, compared to annual industry baselines or alternative technology [2]	8.2 M tonnes of CO_2	7.2M tonnes of CO_2
CO_2 emissions: Production (scope 1 &2 (market based))	Decrease CO_2 emissions by 8%, compared to 2019 baseline	CO_2 emission of own production	51,097 tCO_2	127,792 tCO_2
CO_2 emissions: Logistics	Decrease CO_2 emissions by 8%, compared to 2019 baseline	CO_2 emission of logistics	84,458 tCO_2	118,656 tCO_2
Suppliers' CO_2 targets	3% of suppliers by spend to have an SBT CO_2 emission target	% of suppliers with an SBT target	2.2%	New target
Total footprint CO_2 emissions	See targets above for production, logistics, and suppliers	CO_2 emissions of production, logistics, and purchased goods and services	1,036,590 tCO_2	1,171,763 tCO_2
Social responsibility and employees				
Health and safety	Continuous improvement in lost-time injuries frequency rate	Lost time injuries per million work hours (LTIF) [3]	1.6	1.4
	Continuous improvement in total recordable incident frequency rate	Total recordable incident frequency per million hours worked (TRIF) [3]	4.1	4.3
Engaged and diverse experts	High response rate for annual employee engagement survey and increase eNPS	eNPS [4]	29	49.1 (Metso) 7.5/10 (Outotec)
Human rights				
Responsible procurement	100 supplier sustainability audits per year conducted in higher-risk areas	Number of supplier sustainability audits conducted	142	160
Anti-corruption and bribery				
Code of Conduct training	All active employees, including blue-collar workers ,trained on Code of Conduct, external workforce excluded	Code of Conduct training participation rate (%)	96.1%	99.2% (Metso) n/a [5] (Outotec)

[1] Both companies had targets for 2020 separately, but no combined targets were set for Metso Outotec for 2020, due to the merger taking place on July 1, 2020. Sustainability data for the full-year 2020 for Metso and Outotec has been combined to illustrate the new company Metso Outotec, which was formed on July 1, 2020. Unless otherwise stated, our historical sustainability data is also presented as a combined basis for Metso Outotec.

[2] This positive impact to combat climate change, the handprint, is measured by the emissions avoided by the mining industry using seventeen Metso Outotec technologies for 2020 and seven Metso Outotec technologies for 2019.

[3] Includes employees and contractors

[4] Metso Outotec implemented a new tool for measuring employee engagement in December 2020 and the scores are not fully comparable with the previous employee engagement index.

[5] During 2019, Outotec's updated Code of Conduct training material was distributed to all employees and contractors with daily access to a computer for self-study with a new eLearning campaign targeted for 2020.

Further information

In addition, as required by the Finnish Accounting Act and set forth in EU Directive 2014/95/EU (rules on disclosure of non-financial and diversity information by large companies), information related to non-financial matters is also available in:

- Business Overview: Strategy, value creation and sustainability
- Corporate Governance Statement: Corporate Governance, Internal Control and Risk Management systems
- Remuneration report: Remuneration of the Board of Directors and CEO
- GRI Supplement :Externally assured sustainability information compliant with GRI Standards

Shares and shareholders

Metso Outotec has one share series, and each share entitles its holder to one vote at a General Meeting and to an equal amount of dividend. Metso Outotec's shares are registered in the Finnish book-entry system maintained by Euroclear.

Basic share information

Listed on	Nasdaq Helsinki
Trading code	MOCORP
ISIN code	FI0009014575
Industry	Industrials
Number of shares on December 31, 2020	828,972,440
Share capital on December 31, 2020	EUR 107,186,442.52
Market value on December 31, 2020	EUR 6,756.13 million
Listing date	July 1, 2020

Metso shares are also traded on alternative marketplaces, like BATS CXE and BATS BXE.

Metso Outotec's share and shareholders in 2020

On December 31, 2020, Metso Outotec's share capital was EUR 107,186,442.52 and the total number of shares was 828,972,440. More information on the past share capital changes is available at **www.mogroup.com/corporate/investors/shares**.

At the end of 2020, Metso had approximately 79,749 shareholders in the book-entry system. The largest shareholder was Solidium, with 123,477,168 shares and 14.9 percent of the share capital. A total of 453,167,736 Metso Outotec shares were traded on the Nasdaq Helsinki during 2020, equivalent to a turnover of EUR 2,666,695,603 million.

At year-end, the members of Metso Outotec's Board of Directors and President and CEO Pekka Vauramo held a total of 595,338 Metso Outotec shares, corresponding to 0.07 percent of the total number of shares and votes. More information about management holdings is available in note 1.5.

	2020
Number of shares	
Outotec Oyj's number of outstanding shares at beginning of year	181,849,864
Shares granted from share ownership plans for Outotec management	278,390
New shares related to the reverse acquisition	645,850,948
Number of outstanding shares at end of year	827,979,202
Own shares held by the Parent Company	993,238
Total number of shares at end of year	828,972,440
Average number of outstanding shares	737,412,693
Average number of diluted shares	737,661,470
Earnings / share, basic, EUR	0.19
Earnings / share, diluted, EUR	0.19
Earnings / share, basic, based on outstanding shares, EUR	0.17
Net cash flow from operating activities / share, EUR	0.59
Dividend / share [1], EUR	0.20
Dividend [1], EUR	166
Dividend / earnings [1], %	120
Effective dividend yield [1], %	2.4
P/E ratio [2]	48.1
Equity / share [2], EUR	2.46

[1] Board proposal to the AGM

[2] Based on outstanding shares

Share performance and trading on Nasdaq Helsinki July 1 — December 31, 2020

	2020
Closing price, December 31, EUR	8.18
Market capitalization, December 31, EUR million	6,756.13
Trading volume, Nasdaq OMX Helsinki Ltd, pieces	453,167,736
% of shares [1]	54.66%
Trading volume, Nasdaq OMX Helsinki Ltd, EUR million	2,666,695,603
Average daily trading volume, pieces	3,512,928
Relative turnover, %	0.4%
Share performance, %	65%
Highest share price, EUR	8.20
Lowest share price, EUR	4.47
Average share price, EUR	6.28

[1] Of the total amount of shares for public trading

Largest shareholders on December 31, 2020

		Shares and votes	% of share capital and voting rights
1	Solidium Oy	123,477,168	14.90
2	Varma Mutual Pension Insurance Company	26,255,359	3.17
3	Ilmarinen Mutual Pension Insurance Company	22,752,343	2.74
4	Elo Mutual Pension Insurance Company	11,199,318	1.35
5	The State Pension Fund	9,645,000	1.16
6	OP-Finland Funds	7,653,393	1.12
	OP Life Assurance Company Ltd	1,645,026	0.20
	OP-Finland Fund	5,918,843	0.71
	OP-Finland Small Firms Fund	955,729	0.12
	OP-Finland Index Fund	778,821	0.09
7	Aktia Funds	6,556,000	0.78
	Sijoitusrahasto Aktia Capital	3,500,000	0.42
	Sijoitusrahasto Aktia Nordic Small Cap	1,025,000	0.12
	Aktia Secura Fund	801,000	0.10
	Investment fund Aktia Nordic	780,000	0.09
	Aktia Euro Fund	450,000	0.05
8	Nordea Funds	6,085,726	0.74
	Nordea Fennia Fund	1,629,963	0.20
	Nordea Finnish Index Fund	1,428,761	0.17
	Nordea Life Assurance Finland Ltd.	958,588	0.12
	Nordea Pro Finland Fund	592,859	0.07
	Sijoitusrahasto Nordea Premium Varainhoito Tasapaino	459,875	0.06
	Sijoitusrahasto Nordea Premium Varainhoito Maltti	425,700	0.05
	Nordea Säästö 50	354,528	0.04
	Sijoitusrahasto Nordea Säästö 25	235,452	0.03
9	Danske Invest Finnish Equity Fund	4,780,000	0.58
10	Svenska litteratursällskapet i Finland r.f.	4,709,256	0.57
11	Mandatum Life Insurance Company Limited	4,647,467	0.56
12	Veritas Pension Insurance Company Ltd.	3,550,000	0.43
13	Sigrid Jusélius Foundation	2,848,598	0.34
14	Evli Funds	2,830,000	0.34
	Evli Finnish Small Cap Fund	1,550,000	0.19
	Evli Finland Select Fund	1,280,000	0.15
15	Säästöpankki Kotimaa	2,472,248	0.30
16	Oy Etra Invest Ab	2,000,000	0.24
17	The Finnish Cultural Foundation	1,720,528	0.21
18	The Social Insurance Institution of Finland, KELA	1,704,158	0.21
19	Schweizer Nationalbank	1,406,764	0.17
20	Samfundet folkhälsan i Svenska Finland rf	1,380,235	0.17
	20 largest owner groups in total	**272,443,706**	**33.06**
	Nominee-registered holders	**408,025,380**	**49.22**
	Other shareholders	**148,503,354**	**17.72**
	In the joint book-entry account	34,314	0.00
	Total	**828,972,440**	**100.00**

Breakdown of share ownership on December 31, 2020

Number of shares	Shareholders	% of shareholders	Total number of shares and votes	% of share capital and voting rights
1–100	16,717	20.96	852,374	0.10
101–1,000	40,069	50.24	17,249,768	2.08
1,001–10,000	20,800	26.08	59,851,908	7.22
10,001–100,000	1,982	2.49	48,044,950	5.80
100,001–1,000,000	144	0.18	42,872,708	5.17
1,000,001-	37	0.05	252,041,038	30.41
Total	**79,749**	**100.00**	**420,912,746**	**50.78**
Nominee-registered shares	12		**408,025,380**	**49.22**
In the joint book-entry account	0	0.00	34,314	0.00
Number of shares issued			**828,972,440**	**100.0**

Breakdown by shareholder category on December 31, 2020

	Share, %
Nominee-registered and non-Finnish holders	51%
Solidium Oy	15%
Private investors	13%
Finnish institutions, companies and foundations	21%
Total	100%

Flaggings

Under the provisions of the Finnish Securities Markets Act, shareholders of listed companies have an obligation to notify both the Finnish Financial Supervision Authority and the company of changes when their holdings reach, exceed, or fall below a certain threshold. Metso Outotec is not aware of any shareholders' agreements regarding Metso Outotec shares or voting rights. All flagging notifications have been released as a stock exchange release are available at **www.mogroup.com/corporate/media/news**

Incentive plans

Metso Outotec's share ownership plans are part of the management remuneration program. For further information, see at **www.mogroup.com/corporate/investors/governance/remuneration and notes 1.5** and 1.6. Any shares to be potentially rewarded are acquired through public trading, and therefore the incentive plans have no diluting effect on the share value.

Key figures

EUR million	2020	2019	2018	2017	2016
Sales	3,319	2,819	2,581	2,177	2,059
Operating profit (EBIT)	239	316	268	156	159
% of sales	7.2%	11.2%	10.4%	7.2%	7.7%
Profit before taxes	201	282	242	128	129
% of sales	6.1%	10.0%	9.4%	5.9%	6.3%
Profit for the period for continuing operations	149	217	169	70	91
% of sales	4.5%	7.7%	6.5%	3.2%	4.4%
Profit for the period for discontinued operations	-11	7	–	–	–
Profit for the period	138	223	169	70	91
% of sales	4.2%	7.9%	6.5%	3.2%	4.4%
Profit attributable to shareholders of the company	138	224	170	70	91
Amortization of intangible assets	85	16	16	15	15
Depreciation of tangible assets	41	31	30	31	33
Depreciations of right-of-use assets	30	22	0	0	0
Depreciation and amortization, total	157	69	46	46	47
% of sales	4.7%	2.4%	1.8%	2.1%	2.3%
EBITA	324	332	283	171	174
% of sales	9.8%	11.8%	11.0%	7.8%	8.4%
EBITDA	396	385	314	202	206
% of sales	11.9%	13.6%	12.2%	9.3%	10.0%
Finance income and expenses, net	38	33	26	27	30
% of sales	1.2%	1.2%	1.0%	1.3%	1.5%
Interest expenses	30	32	26	24	30
% of sales	0.9%	1.1%	1.0%	1.1%	1.4%
Interest cover (EBITDA)	8.8	10.2			
Gross capital expenditure	86	90			
% of sales	2.6%	3.2%			
Net capital expenditure	83	82			
% of sales	2.5%	2.9%			
Net cash flow from operating activities before financial items and taxes	587	173	207	240	318
Cash conversion, %	148%	45%			
Research and development	56	39			
% of sales	1.7%	1.4%			

EUR million	2020	2019	2018	2017	2016
Balance sheet total	5,508	3,457	2,979	3,015	2,994
Equity attributable to shareholders	2,037	1,252	1,173	1,059	1,170
Total equity	2,040	1,254	1,183	1,066	1,177
Interest bearing liabilities	1,345	1,001	673	990	944
Net working capital (NWC)	421	853	629	458	486
% of sales	12.7%	30.3%	24.4%	21.0%	23.6%
Capital emplyed	3,387	2,255	1,863	2,063	2,134
Return on equity (ROE), %	8.4%	18.4%	15.1%	6.3%	7.6%
Return on capital employed (ROCE) before taxes, %	8.5%	16.2%	14.2%	8.3%	8.0%
Return on capital employed (ROCE) after taxes, %	6.5%	12.9%	10.5%	5.6%	6.3%
Net debt	799	772	239	165	116
Gearing, %	39.2%	61.5%	20.2%	15.5%	9.9%
Equity to asset ratio, %	39.9%	39.1%	44.0%	38.3%	42.4%
Debt to capital, %	37.2%	42.1%	36.3%	48.1%	44.5%
Debt to equity, %	59.1%	72.6%	56.9%	92.8%	80.3%
Orders received	4,340	3,009	2,871	2,427	2,220
Order backlog, December 31	2,233	1,408	1,411	1,204	1,105
Personnel at the end of year	15,466	12,894	10,367	9,670	9,166

Key figures for 2020 are calculated based on IFRS data. All comparable key figures are based on Metso Minerals carve-out data.

Formulas for the key figures

Earnings before financial expenses, net, taxes and amortization, adjusted (adjusted EBITA)

Operating profit + adjustment items + amortization

Earnings per share, basic

$$\frac{\text{Profit attributable to shareholders}}{\text{Average number of outstanding shares during the period}}$$

Earnings per share, diluted

$$\frac{\text{Profit attributable to shareholders}}{\text{Average number of diluted shares during the period}}$$

Interest cover (EBITDA)

$$\frac{\text{EBITDA}}{\text{Finance income and expenses, net}}$$

Cash conversion, %

$$\frac{\text{Net cash flow from operating activities before financial}}{\text{EBITDA}} \times 100$$

Return on equity (ROE), %

$$\frac{\text{Profit for the period}}{\text{Total equity (average for the period)}} \times 100$$

Return on capital employed (ROCE) before taxes, %

$$\frac{\text{Profit before tax + financial expenses}}{\text{Capital employed (average for the period)}} \times 100$$

Return on capital employed (ROCE) after taxes, %

$$\frac{\text{Profit for the period + financial expenses}}{\text{Capital employed (average for the period)}} \times 100$$

Gearing, %

$$\frac{\text{Net interest-bearing liabilities}}{\text{Total equity}} \times 100$$

Equity-to-assets ratio, %

$$\frac{\text{Total equity}}{\text{Balance sheet total − advances received}} \times 100$$

Debt to capital, %

$$\frac{\text{Interest-bearing liabilities − lease liabilities}}{\text{Total equity + interest-bearing liabilities − lease liabilities}} \times 100$$

Debt to equity, %

$$\frac{\text{Interest-bearing liabilities − lease liabilities}}{\text{Total equity}} \times 100$$

Interest-bearing liabilities

Interest-bearing liabilities, non-current and current + lease liabilities, non-current and current

Net interest-bearing liabilities

Interest-bearing liabilities – Non-current financial assets – loan and other interest-bearing receivables (current and non-current) – liquid funds

Net working capital (NWC)

Inventories + trade receivables + other non-interest-bearing receivables + customer contract assets and liabilities, net – trade payables – advances received – other non-interest-bearing liabilities

Capital employed

Net working capital + intangible assets and tangible assets + right-of-use assets + non-current investments + interest-bearing receivables + liquid funds + tax receivables, net + interest payables, net

Net cash flow from operating activities / share, EUR

$$\frac{\text{Net cash flow from operating activities}}{\text{Outstanding shares at end of period}}$$

Effective dividend yield, %

$$\frac{\text{Dividend per share}}{\text{Trading price at the end of the year}} \times 100$$

Price / earnings ratio (P/E)

$$\frac{\text{Trading price at the end of the year}}{\text{Earnings per share}}$$

Equity/share

$$\frac{\text{Equity attributable to shareholders}}{\text{Number of outstanding shares at the end of the period}}$$

Board of Directors' proposal on the use of profit

On December 31, 2020, the distributable equity of Metso Outotec Corporation was:

Invested non-restricted equity fund	EUR	434,549,357.76
Own shares	EUR	-9,493,030.00
Retained earnings	EUR	506,017,295.94
Net profit for the year	EUR	9,794,814.31
Distributable equity, total	EUR	**940,868,438.01**

The Board of Directors proposes that a dividend of EUR 0,20 per share be paid based on the balance sheet to be adopted for the financial year, which ended December 31, 2020. Insofar as the dividend to be paid exceeds the net profit for the year ended December 31, 2020, the remaining amount will be paid from retained earnings from previous years.

Dividend payment	EUR	165,595,840.40
Distributable equity after dividend payment	EUR	775,272,597.61

These financial statements were authorized for issue by the Board of Directors on February 15, 2021, after which, in accordance with Finnish Companies Act, the financial statements are either approved, amended or rejected in the Annual General Meeting.

Voluntary Unaudited Pro Forma Financial Information

Metso Outotec presents unaudited pro forma financial information for the twelve months ended December 31, 2020, and for the year ended December 31, 2019 to illustrate the impacts of the combination of Metso Minerals and Outotec on the business performance of Metso Outotec. The pro forma financial information has been presented for illustrative purposes only and addresses a hypothetical situation as if the combination took place on January 1, 2019, therefore, it does not represent Metso Outotec's actual historical results of operations and does not purport to project the operating results of Metso Outotec.

For financial reporting purposes, the combination is accounted for as a reverse acquisition using the IFRS acquisition method of accounting where Metso Minerals has been defined to be the accounting acquirer and Outotec the acquiree. As the consolidated financial statements of Metso Outotec are prepared as a continuation of the carve-out financial statements of Metso Minerals following the completion of the combination, the pro forma financial information has been prepared in accordance with the accounting principles of Metso Outotec which are consistent with the accounting principles applied by Metso Minerals in its carve-out financial statements.

Outotec's net assets have been identified and recognized at their fair values as of the acquisition date on June 30, 2020, and the pro forma statements of income for the periods presented illustrate the P&L impact on these fair values. The pro forma financial information also takes into account the effects of the demerger on the financial information, estimated direct transaction costs related to the demerger and combination, certain accounting policy alignments between Metso Minerals and Outotec, as well as certain refinancing transactions. Certain reclassifications have also been made to Outotec's historical financial information to align to Metso Outotec's financial statements presentation. The pro forma financial information does not reflect any cost savings, synergy benefits, or future integration costs that are expected to be generated or may be incurred as a result of the combination.

Pro forma adjustments

The pro forma financial information reflects the application of pro forma adjustments that are based upon certain assumptions, described below, that management believes are reasonable under the circumstances.

Fair valuation of Outotec's net assets

Upon the completion of the combination, Metso Outotec prepared the detailed valuation of all assets and liabilities of Outotec as of the acquisition date. As a result, aggregate fair value adjustment of EUR 810 million of intangible assets related to customer relationships, marketing, technology and order backlog were recognized in the acquisition balance sheet. Amortization period for these intangible assets varies from 0.5 to 20 years. Respectively fair value adjustment of EUR 5 million of property, plant and equipment were recognized to the acquisition balance sheet. Depreciation period is 5.5 years. The depreciations and amortizations from the fair value adjustments have been recognized to pro forma periods accordingly. In addition, historical amortizations for certain intangible assets written off in the combination have been eliminated from the pro forma periods.

Demerger impact and accounting alignment

The existing interest-bearing intra-group receivables and liabilities, including cash pool receivables and liabilities between the Metso Minerals and Metso Group have been settled on the date of the combination. The impact of arising intra-group finance income and expenses has been eliminated from the pro forma statements of income as a demerger impact.

Transaction costs of EUR 71 million expensed in connection with the demerger and combination, primarily comprise financial, legal, and advisory costs (excluding financing transaction costs and costs related to the issuance of Demerger Consideration Shares), as well as certain employee benefits to be paid to the management and personnel in connection with the completion of the demerger. These transactions costs have been recorded as Administrative expenses in the pro forma statement of income as if they have been incurred at January 1, 2019. For pro forma purposes, the costs already recorded as an expense of EUR 47 million for the twelve months ended December 31, 2020, have been eliminated. In addition, a tax expense of EUR 1 million recorded by Metso Minerals in connection with the demerger for the twelve months ended December 31, 2020, has been eliminated and recorded as a tax expense in the pro forma statement of income as if incurred at January 1, 2019.

In connection with the accounting policy alignment, sales related to certain Outotec's current receivables written off in the combination have been eliminated from the pro forma periods.

Refinancing and taxation

On July 1, 2020, Metso Outotec redeemed Outotec's EUR 150 million hybrid bond. To refinance the hybrid bond, the Company has drawn up the EUR 150 million term loan. The impact of refinancing is recorded in the pro forma statement of income as a finance expense. The pro forma adjustment reflects the interest calculated using the effective interest rate method for the EUR 150 million term loan assumed to be drawn for pro forma purposes as at January 1, 2019, including the estimated impact of transaction costs and fees.

The pro forma adjustment for income taxes has been calculated based on the tax deductibility of the pro forma adjustments in the jurisdiction, and accordingly, tax rates used for pro forma purposes differ depending on the nature of the underlying pro forma adjustment. The tax rate used for the fair value adjustments has been the Finnish statutory tax rate of 20 percent or the blended tax rate of 22.9 percent, as applicable.

Pro forma Income Statement 1–12/2020, Continuing Operations

Pro forma income statement

EUR million	Metso Outotec, IFRS 1–12/2020	Outotec historical reclassified 1–6/2020	Metso Outotec combined 1–12/2020	Pro forma adjustments 1–12/2020	Metso Outotec pro forma 1–12/2020
Sales	3,319	579	3,897	1	3,899
Cost of sales	-2,429	-433	-2,863	35	-2,828
Gross profit	889	146	1,035	36	1,071
Selling and marketing expenses	-283	-52	-336	-7	-343
Administrative expenses	-303	-30	-334	48	-286
Research and development expenses	-53	-26	-79	-4	-83
Other operating income and expenses, net	-10	-24	-34	–	-34
Share of results of associated companies	0	0	1	–	1
Operating profit	239	14	253	73	326
Finance income	5	2	8	–	8
Finance income, Metso Group	–	–	–	–	–
Foreign exchange gains/ losses	0	-3	-3	–	-3
Finance expenses	-44	-5	-49	0	-49
Profit before taxes	201	8	209	73	282
Income taxes	-52	2	-50	-14	-64
Profit for the year, continuing operations	149	10	159	59	218
Earnings per share					0.26

Adjusted EBITA and operating profit

EUR million	Metso Outotec, IFRS 1–12/2020	Outotec historical reclassified 1–6/2020	Metso Outotec combined 1–12/2020	Pro forma adjustments 1–12/2020	Metso Outotec pro forma 1–12/2020
Adjusted EBITA	397	51	448	1	449
% of sales	11.9	8.9	11.5		11.5
Amortization of intangible assets	-85	-12	-98	25	-72
Adjustment items	-72	-26	-97	47	-51
Operating profit	239	14	253	73	326
% of sales	7.2	2.4	6.5		8.3
Amortization of intangible assets	-85	-12	-98	25	-72
Depreciation of tangible assets	-41	-4	-45	0	-45
Depreciation of right-of-use assets	-30	-7	-38	–	-38
Amortization and depreciation total	-157	-23	-180	25	-156
Capacity adjustment costs	-38	-2	-41	–	-41
Acquisition costs	5	0	5	–	6
Gain / loss on disposal	–	–	–	–	–
Metso Outotec integration costs	-14	-2	-16	–	-16
Metso Outotec transaction costs	-25	-21	-46	47	0
Adjustment items total	-72	-26	-97	47	-51

Pro forma income statement 1–12/2019 Continuing operations

Pro forma adjustments

EUR million	Fair valuation of Outotec's net assets 1–12/2020	Demerger impact and accounting alignment 1–12/2020	Refinancing 1–12/2020	Pro forma adjustments 1–12/2020
Sales	-	1	-	1
Cost of sales	35	-	-	35
Gross profit	35	1	0	36
Selling and marketing expenses	-7	-	-	-7
Administrative expenses	1	47	-	48
Research and development expenses	-4	-	-	-4
Other operating income and expenses, net	-	-	-	-
Share of results of associated companies	-	-	-	-
Operating profit	25	48	0	73
Finance income	-	-	-	-
Finance income, Metso Group	-	-	-	0
Foreign exchange gains/ losses	-	-	-	-
Finance expenses	-	-	0	0
Profit before taxes	25	48	0	73
Income taxes	-6	-8	0	-14
Profit for the year, continuing operations	19	40	0	59

Pro forma income statement

EUR million	Metso Minerals carve-out historical [1] 1–12/2019	Outotec historical reclassified 1–12/2019	Metso Outotec combined 1–12/2019	Pro forma adjustments 1–12/2019	Metso Outotec pro forma 1–12/2019
Sales	2,819	1,210	4,030	-54	3,976
Cost of sales	-1,998	-850	-2,848	-47	-2,895
Gross profit	821	360	1,181	-101	1,080
Selling and marketing expenses	-249	-117	-366	-14	-381
Administrative expenses	-204	-77	-280	-45	-326
Research and development expenses	-28	-55	-84	-7	-91
Other operating income and expenses, net	-25	-4	-29	-	-29
Share of results of associated companies	1	1	2	-	2
Operating profit	316	107	423	-168	255
Finance income	4	6	10	-	10
Finance income, Metso Group	3	0	3	-3	0
Foreign exchange gains/ losses	1	-3	-2	-	-2
Finance expenses	-41	-17	-59	-1	-60
Profit before taxes	282	93	376	-173	203
Income taxes	-66	-21	-86	35	-52
Profit for the year, continuing operations	217	73	289	-138	151
Earnings per share					0.18

1) Restated

Adjusted EBITA and operating profit

EUR million	Metso Minerals carve-out historical [1] 1–12/2019	Outotec historical reclassified 1–12/2019	Metso Outotec combined 1–12/2019	Pro forma adjustments 1–12/2019	Metso Outotec pro forma 1–12/2019
Adjusted EBITA	368	142	509	-55	455
% of sales	13.0	11.7	12.6		11.4
Amortization of intangible assets	-16	-24	-40	-67	-107
Adjustment items	-36	-10	-46	-47	-93
Operating profit	316	107	423	-168	255
% of sales	11.2	8.9	10.5		6.4
Amortization of intangible assets	-16	-24	-40	-67	-107
Depreciation of tangible assets	-31	-9	-40	-1	-41
Depreciation of right-of-use assets	-22	-15	-37	-	-37
Amortization and depreciation total	-69	-48	-117	-67	-184
Capacity adjustment costs	-15	1	-14	-	-14
Acquisition costs	-4	1	-3	-	-3
Gain / loss on disposal	-2	-	-2	-	-2
Metso Outotec integration costs	-3	-1	-4	-	-4
Metso Outotec transaction costs	-12	-11	-23	-47	-70
Adjustment items total	-36	-10	-46	-47	-93

[1] Restated

Pro forma adjustments

EUR million	Fair valuation of Outotec's net assets 1–12/2019	Demerger impact and accounting alignment 1–12/2019	Refinancing 1–12/2019	Pro forma adjustments 1–12/2019
Sales	-	-54	-	-54
Cost of sales	-47	-	-	-47
Gross profit	-47	-54	0	-101
Selling and marketing expenses	-14	-	-	-14
Administrative expenses	1	-47	-	-45
Research and development expenses	-7	-	-	-7
Other operating income and expenses, net	-	-	-	-
Share of results of associated companies	-	-	-	-
Operating profit	-67	-101	0	-168
Finance income	-	-	-	-
Finance income, Metso Group	-	-3	-	-3
Foreign exchange gains/losses	-	-	-	-
Finance expenses	-	-	-1	-1
Profit before taxes	-67	-104	-1	-173
Income taxes	15	20	0	35
Profit for the year, continuing operations	-52	-85	-1	-138

Illustrative segment information

In order to improve comparability, Metso Outotec has prepared both illustrative and IFRS-based historical quarterly segment information for 2019 and January -June 2020. The illustrative historical segment information is presented as a combination of Metso Minerals carve-out information and Outotec information, according to the Metso Outotec segment structure. The Outotec information is based on Outotec's historical accounting principles; Outotec's Minerals Processing segment is included in Metso Outotec's Minerals segment and Outotec's Metals Refining segment is included in Metso Outotec's Metals segment.

Orders received and sales, 2020

EUR million	1–3/2020	4–6/2020	7–9/2020	10–12/2020
Orders received				
Aggregates	290	222	232	363
Minerals	710	645	516	730
Metals	84	87	61	212
Metso Outotec total	1,084	953	809	1,304
Orders received by services business				
Aggregates	91	70	75	83
% of orders received	31.4	31.6	32.3	22.9
Minerals	448	440	375	410
% of orders received	63.1	68.2	72.6	56.2
Metals	22	21	10	26
% of orders received	26.2	24.2	16.1	12.1
Metso Outotec total	561	531	460	519
% of orders received	51.7	55.7	56.8	39.8
Sales				
Aggregates	244	253	244	251
Minerals	596	653	634	640
Metals	107	110	79	86
Metso Outotec total	947	1,016	957	977
Sales by services business				
Aggregates	84	80	75	73
% of sales	34.6	31.7	30.6	29.1
Minerals	387	410	413	394
% of sales	64.9	62.7	65.1	61.6
Metals	28	23	34	17
% of sales	26.2	20.5	43.2	19.2
Metso Outotec total	499	513	522	483
% of sales	52.7	50.5	54.5	49.5

Adjusted EBITA and operating profit, 2020

EUR million	1–3/2020	4–6/2020	7–9/2020	10–12/2020
Aggregates				
Adjusted EBITA	16	34	26	31
% of sales	6.6	13.5	10.7	12.2
Operating profit	13	30	21	31
% of sales	5.2	12.0	8.7	12.2
Minerals				
Adjusted EBITA	72	110	97	85
% of sales	12.1	16.9	15.4	13.3
Operating profit	66	104	72	49
% of sales	11.1	15.9	11.3	7.6
Metals				
Adjusted EBITA	7	8	-8	-9
% of sales	6.4	7.2	-10.3	-10.1
Operating profit	4	4	-18	-14
% of sales	3.7	3.6	-22.3	-15.7
Group head office and other				
Adjusted EBITA	0	-14	-5	-3
Operating profit	-14	-49	-24	-22
Metso Outotec total				
Adjusted EBITA	95	139	111	103
% of sales	10.0	13.7	11.6	10.6
Operating profit	68	89	51	44
% of sales	7.2	8.8	5.4	4.5

Orders received and sales, 2019

EUR million	1–3/2019	4–6/2019	7–9/2019	10–12/2019
Orders received				
Aggregates	251	230	211	274
Minerals	684	689	781	716
Metals	182	152	145	55
Metso Outotec total	1,117	1,071	1,137	1,045
Orders received by services business				
Aggregates	86	90	87	91
% of orders received	34.3	39.2	41.4	33.2
Minerals	431	434	467	455
% of orders received	63.1	63.0	59.8	63.6
Metals	54	56	25	25
% of orders received	29.8	37.0	17.3	45.5
Metso Outotec total	571	581	580	571
% of orders received	51.2	54.2	51.0	54.7
Sales				
Aggregates	212	229	217	271
Minerals	578	650	704	696
Metals	102	137	115	121
Metso Outotec total	892	1,015	1,036	1,087
Sales by services business				
Aggregates	82	88	85	81
% of sales	39.0	38.5	39.1	29.9
Minerals	379	405	444	452
% of sales	65.5	62.4	63.1	65.0
Metals	30	44	45	42
% of sales	29.8	32.3	39.4	34.7
Metso Outotec total	492	538	574	575
% of sales	55.1	52.9	55.5	52.9

Adjusted EBITA and operating profit, 2019

EUR million	1–3/2019	4–6/2019	7–9/2019	10–12/2019
Aggregates				
Adjusted EBITA	25	29	28	30
% of sales	11.7	12.5	12.7	11.2
Operating profit	24	26	23	25
% of sales	11.3	11.5	10.7	9.2
Minerals				
Adjusted EBITA	77	88	100	84
% of sales	13.3	13.5	14.3	12.1
Operating profit	71	83	90	74
% of sales	12.4	12.8	12.8	10.7
Metals				
Adjusted EBITA	2	8	27	21
% of sales	2.1	5.8	23.1	17.7
Operating profit	0	5	24	18
% of sales	-0.3	4.0	21.0	15.2
Group head office and other				
Adjusted EBITA	-5	-3	-4	1
Operating profit	-6	-6	-14	-15
Metso Outotec total				
Adjusted EBITA	99	122	151	138
% of sales	11.1	12.0	14.6	12.7
Operating profit	89	109	123	103
% of sales	9.9	10.7	11.9	9.4

Consolidated financial statements

Consolidated statement of income, IFRS

EUR million	Note	2020	Restated 2019
Sales	1.1, 1.2	3,319	2,819
Cost of sales	1.5, 3.3	-2,429	-1,998
Gross profit		889	821
Selling and marketing expenses	1.3, 1.5, 3.3	-283	-249
Administrative expenses	1.3, 1.5, 3.3	-303	-204
Research and development expenses	1.3, 1.5, 3.3	-53	-28
Other operating income and expenses, net	1.4	-10	-25
Share of results of associated companies	5.3	0	1
Operating profit		239	316
Finance income	1.7	5	6
Foreign exchange gains/losses	1.7	0	1
Finance expenses	1.7	-44	-41
Finance income and expenses, net		-38	-33
Profit before taxes		201	282
Income taxes	1.8	-52	-66
Profit for the year for continuing operations		149	217
Profit from discontinued operations	5.5	-11	7
Profit for the year		138	223
Profit from continuing operations attributable to			
Shareholders of the parent company		138	224
Non-controlling interests		0	-1
Earnings per share, EUR [1]	1.9	0.19	0.35
Earnings per share for continuing operations EUR [1]	1.9	0.20	0.34

[1] More information under Key figures

Consolidated statement of comprehensive income, IFRS

EUR million	Note	2020	Restated 2019
Continuing and discontinued operations			
Profit for the year		138	223
Other comprehensive income			
Cash flow hedges, net of tax	1.8, 4.4, 4.8	9	3
Currency translation on subsidiary net investment	1.8, 4.4	-58	2
Items that may be reclassified to profit or loss in subsequent periods		-49	4
Defined benefit plan actuarial gains and losses, net of tax	1.8, 2.7	-6	-3
Items that will not be reclassified to profit or loss		-6	-3
Other comprehensive income		-56	1
Total comprehensive income		82	224
Attributable to			
Shareholders of parent company		83	225
Non-controlling interests		0	-1

Consolidated balance sheet – Assets, IFRS

EUR million	Note	2020	2019
Non-current assets			
Intangible assets	3.1, 3.3		
Goodwill		1,052	556
Other intangible assets		942	167
Total intangible assets		1,994	723
Property, plant and equipment	3.2, 3.3		
Land and water areas		42	43
Buildings and structures		116	98
Machinery and equipment		157	128
Assets under construction		41	46
Total property, plant and equipment		356	315
Right-of-use assets	3.3, 3.4	132	89
Other non-current assets			
Investments in associated companies	5.3	10	8
Non-current financial assets	4.2	4	3
Loan receivables	4.2	6	31
Derivative financial instruments	4.8	3	2
Deferred tax assets	1.8	157	108
Other non-current receivables	2.2, 2.3, 4.2	43	130
Total other non-current assets		223	282
Total non-current assets		2,705	1,409
Current assets			
Inventories	2.4	1,038	975
Trade receivables	2.2	556	588
Customer contract assets	1.2	298	87
Loan receivables	4.2	2	42
Derivative financial instruments	4.8	43	16
Income tax receivables	1.8	36	44
Other current receivables	2.3	147	139
Liquid funds	4.3	537	156
Total current assets		2,658	2,048
Assets held for sale	5.5	145	–
TOTAL ASSETS		5,508	3,457

Consolidated balance sheet – Equity and Liabilities, IFRS

EUR million	Note	2020	2019
Equity	4.4		
Share capital		107	–
Share premium fund		20	–
Cumulative translation adjustments		-210	-151
Fair value and other reserves		1,136	0
Retained earnings		983	1,403
Equity attributable to shareholders		2,037	1,252
Non-controlling interests		3	3
Total equity		2,040	1,254
Liabilities			
Non-current liabilities			
Borrowings	4.2, 4.5	1,129	801
Lease liabilities	4.2, 4.5	106	69
Post-employment benefit obligations	2.7	102	61
Provisions	2.6	73	33
Derivative financial instruments	4.8	2	2
Deferred tax liabilities	1.8	223	66
Other non-current liabilities	2.5	4	8
Total non-current liabilities		1,639	1,040
Current liabilities			
Borrowings	4.2, 4.5	78	110
Lease liabilities	4.2	32	21
Trade payables	2.5	539	386
Provisions	2.6	122	71
Advances received	1.2	161	189
Customer contract liabilities	1.2	236	63
Derivative financial instruments	4.8	29	13
Income tax liabilities	1.8	40	47
Other current liabilities	2.5	445	263
Total current liabilities		1,682	1,163
Total liabilities		3,320	2,202
Liabilities held for sale	5.5	148	–
TOTAL EQUITY AND LIABILITIES		5,508	3,457

Consolidated statement of changes in shareholders' equity, IFRS

EUR million	Share capital	Share premium fund	Cumulative translation adjustments	Fair value and other reserves	Retained earnings	Equity attributable to shareholders	Non-controlling interests	Total equity
Jan 1, 2019	–	–	-153	-3	1,325	1,170	10	1,180
Profit for the year	–	–	–	–	224	224	-1	223
Other comprehensive income								
Cash flow hedges, net of tax	–	–	–	3	–	3	–	3
Currency translation on subsidiary net investments	–	–	2	–	–	2	0	2
Defined benefit plan actuarial gains (+) / losses (-), net of tax	–	–	–	–	-3	-3	–	-3
Total comprehensive income	–	–	2	3	221	225	-1	224
Dividends	–	–	–	–	-144	-144	0	-144
Dividends to related party	–	–	–	–	-4	-4	–	-4
Share-based payments, net of tax	–	–	–	–	1	1	–	1
Changes in invested equity	–	–	–	–	10	10	–	10
Net change from winding up the consolidated tax groups	–	–	–	–	1	1	–	1
Other items	–	–	–	0	-1	-1	0	-1
Changes in non-controlling interests	–	–	–	–	-7	-7	-7	-13
Dec 31, 2019	–	–	-151	0	1,403	1,252	3	1,254
Jan 1, 2020	–	–	-151	0	1,403	1,252	3	1,254
Profit for the year	–	–	–	–	138	138	0	138
Other comprehensive income								
Cash flow hedges, net of tax	–	–	–	9	–	9	–	9
Currency translation on subsidiary net investments	–	–	-58	–	–	-58	0	-58
Defined benefit plan actuarial gains (+) / losses (-), net of tax	–	–	–	–	-6	-6	–	-6
Total comprehensive income	–	–	-58	9	132	83	0	82
Dividends	–	–	–	–	-177	-177	0	-177
Dividends to related party	–	–	–	–	-2	-2	–	-2
Share-based payments, net of tax	–	–	–	2	-4	-2	–	-2
Changes in invested equity	–	–	–	–	-19	-19	–	-19
Net change from winding up the consolidated tax groups	–	–	–	–	–	0	–	–
Demerger effect	90	–	–	265	-355	–	–	–
Reverse acquisition	17	20	–	860	–	898	1	898
Other items	–	–	–	–	6	6	0	6
Changes in non-controlling interests	–	–	–	–	–	0	–	–
Dec 31, 2020	107	20	-210	1,136	983	2,037	3	2,040

Consolidated statement of cash flows, IFRS

EUR million	Note	2020	2019
Operating activities			
Profit for the period		138	223
Adjustments			
Depreciation and amortization	3.3	160	71
Finance expenses, net	1.7	38	34
Income taxes	1.8	58	69
Other items		0	-7
Change in net working capital		193	-216
Net cash flow from operating activities before financial items and taxes		587	173
Interests paid		-29	-35
Interests received		5	5
Other financing items, net		-11	-1
Finance income and expenses paid, net		-35	-31
Income taxes paid	1.8	-62	-100
Net cash flow from operating activities		491	43
Investing activities			
Capital expenditures on intangible and tangible assets	3.1, 3.2	-88	-87
Proceeds from sale of intangible and tangible assets	3.1, 3.2	3	8
Proceeds from sale of intangible and tangible assets, Metso Group		6	-
Proceeds from and investments in financial assets, net		0	31
Business acquisitions, net of cash acquired	5.4	209	-214
Business acquisitions, net of cash acquired, Metso Group		-6	-
Proceeds from sale of businesses, net of cash sold	5.4	-	9
Proceeds from sale of businesses, net of cash sold, Metso Group		87	50
Investments in associated companies	5.3	-	-3
Net cash flow from investing activities		211	-207

EUR million	Note	2020	2019
Financing activities			
Dividends paid		-177	-144
Dividends paid, Metso group		-2	-4
Increase in loan receivables	4.6	-1	-
Transactions with non-controlling interests		-	-13
Proceeds from increases in non-current debt	4.6	836	414
Repayment of non-current debt	4.6	-400	-175
Proceeds from and repayment of current debt, net	4.6	-395	-91
Proceeds from and repayment of debt, net, Metso Group	4.6	-139	31
Repayment of lease liablities	4.6	-31	-24
Net cash flow from financing activities		-309	-5
Net change in liquid funds		393	-169
Effect from changes in exchange rates		-6	0
Cash classified as assets held for sale		-6	-
Liquid funds equivalents at beginning of year	4.3, 4.6	156	325
Liquid funds at end of year	4.3, 4.6	537	156

Notes to the Consolidated Financial Statements

Basic information

Metso Outotec Corporation (the "Parent Company") with its subsidiaries ("Metso Outotec" or the "Group") is a leading global supplier of sustainable technologies, end-to-end solutions and services for the minerals processing, aggregates, and metals refining industries. The Group has three reporting segments, Aggregates, Minerals, and Metals. More information about the segments is presented in note 1.1.

Metso Outotec Corporation is a publicly quoted company with its shares listed on Nasdaq Helsinki under the trading symbol MOCORP. Metso Outotec Corporation is domiciled in Finland, and the address of the Group Head Office is Töölönlahdenkatu 2, 00100 Helsinki, Finland.

These consolidated financial statements were authorized for issue by Metso Outotec Corporation's Board of Directors on February 15, 2021, after which, in accordance with the Finnish Companies Act, the financial statements are either approved, amended or rejected at the next Annual General Meeting.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC Interpretations as adopted by the European Union. The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and liabilities classified as at fair value through profit and loss accounts.

The partial demerger of Metso Corporation and the combination of Metso's Minerals business and Outotec was completed on June 30, 2020. In the transaction, the legal acquirer Outotec issued new shares to Metso shareholders and received all assets, rights, debts and liabilities related to Metso's Minerals business. In the consolidated financial statements, according to IFRS, this transaction is treated as a reverse acquisition, where Metso Minerals is the accounting acquirer and Outotec the accounting acquiree. The historical IFRS based financial statements for 2019 and January—June 2020 include only Metso Minerals carve-out data. July—December 2020 consolidated financial statements include Metso Outotec Group financial data.

The consolidated statement of income and statement of cash flows for January—June 2020 present Metso Minerals as a single economic entity and are based on historical financial information of the relevant entities and business by using the same accounting principles and carrying amounts as in Metso Group. Metso Minerals carve-out financial statements have been prepared on a basis that combined the financial statements of the legal entities and operating units attributable to the Minerals business to Outotec Group.

On October 28, 2020, Metso Outotec announced its decision to divest the Recycling business. The Recycling business has been classified as discontinued operations in 2020. Consequently, the figures for 2020 related to the consolidated statement of income are presented for continuing operations, and the comparative figures for 2019 have been restated accordingly. The assets and liabilities held for sale have been transferred to separate lines in the consolidated balance sheet. The comparative figures for 2019 related to the consolidated balance sheet have not been restated. The divestments are disclosed in note 5.5 "Discontinued operations".

The financial statements are presented in euros, which is the Parent Company's functional currency and Metso Outotec's presentation currency. The figures presented have been rounded; consequently, the sum of individual figures might differ from the presented total figure.

Critical accounting estimates and judgments by management

The preparation of financial statements, in conformity with the IFRS, requires management to make estimates and assumptions and to exercise its judgment in the process of applying the Group's accounting policies. These affect the reported amounts of balance sheet items, the presentation of contingent assets and liabilities, and the income and expenses for the financial year. Actual results may differ from the estimates made. The assets and liabilities involving a higher degree of judgment or complexity, or areas where the assumptions and estimates are significant to Metso Outotec 's consolidated financial statements, are disclosed in the following notes:

Note 1.2	Sales	Note 2.6	Provisions
Note 1.6	Share-based payments	Note 2.7	Post-employment obligations
Note 1.8	Income taxes	Note 3.1	Goodwill and other intangible assets
Note 2.2	Trade receivables	Note 3.2	Tangible assets
Note 2.3	Other receivables	Note 3.4	Right-of-use assets
Note 2.4	Inventory	Note 5.4	Acquisitions and business disposals

Due to the Covid-19 pandemic, Metso Outotec has reviewed the estimates and assumptions used in the preparation of the consolidated financial statements. The possible impact of the Covid-19 pandemic on the relevant factors in estimates and assumptions has been considered. The estimates used and assumptions reflect management's best judgement on the possible impacts of the pandemic.

Abbreviations used in the Financial Statements

The following abbreviations are used in the financial statements.

AGM	Annual General Meeting
EGM	Extraordinary General Meeting
CGU	Cash generating unit
EBIT	Earnings before financial expenses, net and taxes
EBITA	Earnings before financial expenses net, taxes and amortization
EBITDA	Earnings before financial expenses net, taxes, amortization and depreciation
EMTN	Euro Medium Term Note program
EPS	Earnings per share
FAS	Finnish accounting standards
HSE	Health, safety, and environment
IFRIC	Interpretations of International financial reporting standards
IFRS/IAS	International financial reporting standards
KPI	Key performance indicator
LTIF	Lost-time incident frequency
NWC	Net working capital
OCI	Other comprehensive income
OTC	Over the counter
P/E	Price/earnings ratio
PSP	Performance share incentive plan
R&D	Research and development
ROCE	Return on capital employed
ROE	Return on equity
RSP	Restricted share incentive plan
TSR	Total shareholder return
WACC	Weighted average cost of capital

1 Group performance

1.1. Reporting segments

ACCOUNTING POLICY Reportable segments of Metso Outotec are based on end customer groups, which are differentiated by both offering and business model: Aggregates, Minerals and Metals. The segments are reported in a manner consistent with the internal reporting provided to the Board of Directors, Metso Outotec's chief operating decision-maker responsible for allocating resources and assessing the performance of the segments, deciding on strategy, selecting key employees, as well as deciding on major development projects, business acquisitions, investments, organizational structure and financing. The accounting principles applied to segment reporting are the same as those used in preparing the consolidated financial statements.

Segment performance is measured with operating profit/loss (EBIT). In addition, Metso Outotec uses alternative performance measures to reflect the underlying business performance and to improve comparability between financial periods: Earnings before interest, tax and amortization (EBITA), adjusted and net working capital. Adjustment items comprise capacity adjustment costs, acquisition costs, gains and losses on business transactions as well as Metso Outotec transaction and integration costs. Their nature and net effect on cost of goods sold, selling, general and administrative expenses, as well as other income and expenses are presented in the segment information. Alternative performance measures, however, should not be considered as a substitute for measures of performance in accordance with the IFRS.

Corporate structure

Metso Outotec Group is a global supplier of sustainable technologies, end-to-end solutions, and services for the minerals processing, aggregates, and metals refining industries. Metso Outotec has a broad offering in terms of equipment, solutions, and aftermarket services.

Reportable segments of Metso Outotec are based on end customer groups, which are differentiated by both offering and business model: Aggregates, Minerals, and Metals.

Aggregates offers a wide range of equipment, aftermarket parts and services for quarries, aggregates contractors and construction companies.

Minerals supplies a wide portfolio of process solutions, equipment and aftermarket services, as well as plant delivery capability for mining operations.

Metals provides sustainable solutions for processing virtually all types of ores and concentrates to refined metals.

Group Head Office and other segment is comprised of the parent company with centralized group functions, such as treasury and tax, as well as shared service centers and holding companies.

Financial income and expenses as well as income taxes are not allocated to segments but included in the income statement of Group Head Office and other. The treasury activities of Metso Outotec are centralized into the Group Treasury to benefit from cost efficiency obtained from pooling arrangements, financial risk management, bargaining power, cash management, and other measures. Metso Outotec has a centralized Group tax management function. The objective of Group tax management is to ensure tax compliance and an optimized and predictable overall tax cost for Metso Outotec.

Segment net working capital assets comprises inventories and non-interest bearing operating assets and receivables. Segment net working capital liabilities comprises non-interest-bearing operating liabilities.

Non-cash write-downs include write-offs made to the value of receivables and inventories, and impairment and other write-offs recognized to reduce the value of intangible or tangible assets and other assets.

Gross capital expenditure comprises investments in intangible and tangible assets, associated companies, and joint ventures.

Intra-group transactions are made on an arm's length basis.

Segment information for the year 2020

2020 EUR million	Aggregates	Minerals	Metals	Group Head Office and Other	Total
External sales	992	2,112	215	0	3,319
Intra-group sales	–	–	–	–	–
Sales	992	2,112	215	0	3,319
Earnings before interest, tax, and amortization (EBITA)	108	308	-10	-81	325
% of sales	10.9	14.6	-4.6		9.8
Adjusted EBITA	107	318	-10	-18	397
% of sales	10.8	15.0	-4.6		11.9
Operating profit (-loss)	95	253	-24	-84	239
% of sales	9.5	12.0	-11.2		7.2
Adjustment items and amortization of intangible assets					
Adjusted EBITA	107	318	-10	-18	397
Adjustment items, total	1	-10	0	-63	-72
Amortization of other intangible assets total	-13	-55	-14	-4	-86
Operating profit (-loss)	95	253	-24	-84	239
Inventories	360	575	100	2	1,038
Trade receivables	156	371	21	8	556
Other non-interest-bearing receivables	34	159	26	18	237
Customer contract assets and liabilities, net	0	93	-31	0	62
Trade payables	-142	-316	-56	-25	-539
Advances received	-46	-110	-2	-3	-161
Other non-interest-bearing liabilities	-107	-396	-243	-26	-772
Net working capital	255	375	-185	-25	421

Segment information for the year 2019, restated

2019 EUR million	Aggregates	Minerals	Metals	Group Head Office and Other [1)]	Total
External sales	928	1,828	64	0	2,819
Intra-group sales	–	–	–	–	-
Sales	928	1,828	64	0	2,819
Earnings before interest, tax, and amortization (EBITA)	103	243	4	-18	332
% of sales	11.1	13.3	5.6		11.8
Adjusted EBITA	112	256	4	-4	368
% of sales	12.0	14.0	5.6		13.0
Operating profit (-loss)	98	239	4	-25	316
% of sales	10.6	13.1	5.6		11.2
Adjustment items and amortization of intangible assets					
Adjusted EBITA	112	256	4	-4	368
Adjustment items, total	-9	-13	0	-14	-36
Amortization of other intangible assets total	-5	-4	0	-7	-16
Operating profit (-loss)	98	239	4	-25	316
Inventories	448	470	57	0	975
Trade receivables	223	335	19	10	588
Other non-interest-bearing receivables	39	94	11	142	287
Customer contract assets and liabilities, net	2	16	6	0	24
Trade payables	-142	-218	-14	-12	-386
Advances received	-45	-119	-25	0	-189
Other non-interest-bearing liabilities	-116	-236	-27	-68	-446
Net working capital	410	343	27	73	853

[1)] Includes Metso- Group related items

Geographical information

ACCOUNTING POLICY Metso Outotec presents the geographical distribution of the segments' sales by location of customers. Non-current assets and gross capital expenditure are presented by location of assets.

Metso Outotec's businesses are present in more than 50 countries, providing strong diversification. The main market areas are Europe and North and Central America, accounting for approximately 48 percent of sales. Metso Outotec has a global network of production units located in key continents.

Sales to unaffiliated customers by destination

EUR million	2020	Restated 2019
Finland	101	64
Europe	778	668
North and Central America	721	589
South America	569	543
APAC	669	575
Africa, Middle East and India	481	379
Sales	3,319	2,819

Metso Outotec's exports from Finland by destination, including intra-group sales

EUR million	2020	2019
Europe	401	221
North and Central America	93	88
South America	20	21
APAC	156	99
Africa, Middle East and India	80	35
Total	750	464

Non-current assets by location

EUR million	2020	2019
Finland	240	79
Europe	149	111
North and Central America	86	79
South America	66	69
APAC	124	80
Africa, Middle East and India	129	104
Non-allocated	1,745	747
Total	2,539	1,268

Non-current assets presented in the table above comprise intangible and tangible assets, right-of-use assets, investments in associated companies, and joint ventures, equity investments and other non-interest bearing non-current assets. Non-allocated assets include mainly goodwill and other assets arising from business acquisitions that have not been pushed down to the subsidiaries' books.

Gross capital expenditure by location

EUR million	2020	2019
Finland	12	10
Europe	15	14
North and Central America	17	27
South America	17	16
APAC	12	12
Africa, Middle East and India	14	11
Total	86	89

Gross capital expenditure comprises investments in intangible and tangible assets, associated companies and joint ventures. Right-of-use assets are not included in the gross capital expenditure calculation.

1.2. Sales

ACCOUNTING POLICY Metso Outotec applies the IFRS 15 Revenue from Contracts with Customers standard. The principle is that sales are recognized at an amount that reflects the consideration, which Metso Outotec expects to receive in exchange for transferring goods or services to a customer. Sales are recognized when the control of goods or services is transferred to a customer. Control is transferred either at a point in time or over time.

When Metso Outotec provides standardized equipment and wear or spare parts to customers, sales are recognized at a point in time when control of the goods is transferred, typically at the delivery of the goods or after commissioning. Sales to distributors are recognized at delivery when the distributor is not acting as an agent. If the distributor is acting as an agent, sales are recognized only when delivered to the ultimate client.

When Metso Outotec provides customized engineered system deliveries or complete plant deliveries, where the asset produced does not have alternative use and Metso Outotec has enforceable right to payment for the performance completed, sales are recognized over time. Sales recognition is based on estimated sales, costs, and profit. Metso Outotec measures the progress using the cost-to-cost method, where sales and profits are recorded after considering the ratio of accumulated costs to estimated total costs to complete each contract. This method is considered to best reflect the satisfaction of the performance obligation. The estimated sales, costs, and profit, together with the planned delivery schedule of the contract, are subject to regular revisions as the contract progresses to completion. Revisions in profit estimates as well as any projected potential loss on contract are charged through the profit and loss account in the period in which they become known.

Sales from providing services are recognized when the performance obligation is satisfied. For long-term fixed price service contracts, sales are recognized over time, because the customer receives the performance obligation simultaneously when the service is rendered. The measure of the progress is based on costs of actual services provided as a proportion of the costs of total services to be rendered. The estimated sales, costs and profit, together with the planned delivery schedule of the contract are subject to regular revisions as the contract progresses to completion. Revisions in contract estimates as well as any projected potential loss on contract are charged through the profit and loss account in the period in which they become known.

For short-term service contracts with an hourly fee based on a valid price list, sales are recognized to the extent Metso Outotec has the right to invoice the customer, and for service contracts with a fixed hourly fee agreed to in the contract, sales are recognized based on invoicing.

Client contracts may include promises such as volume-based rebates, late delivery penalties, or the right to return delivered parts. The impact of these promises on the final consideration will be estimated when recognition is started and systematically during the contract period. Sales will be recognized to the extent that Metso Outotec is entitled to the consideration. Also, creditworthiness of the client and collectability of the consideration is assessed throughout the contract period. Extended warranties are treated as a separate performance obligation, and an appropriate transaction price is allocated to them and recognized in sales when occurred.

Metso Outotec often requires advance payments from clients. Applying IFRS 15, advances received do not include a financing component, because the payment schedule of them follows closely the timing of performance obligations to be satisfied.

ESTIMATES AND ASSESSMENTS BY MANAGEMENT Sales recognized at a point in time may require judgment on facts and circumstances when the control is considered to have passed to the client, affecting on timing of sales to be recognized. Transfer of control is assessed mainly based on the terms of delivery in the contract and local legislation. Customer contracts including clauses on rebates, late delivery penalties, right to return promises, or extended warranties require management judgment on the probability of such clauses to have an effect on contracts sales. Judgments are based on earlier experience and market practice when available.

Sales recognized over time is based on the cost-to-cost method, which requires management to be able to estimate total sales, costs, margin, and cash flow to complete the project. The assessment of the progress and margin to be recognized as well as the total costs estimated to complete the contracts requires judgments by management throughout the contract period. The most critical judgments are needed in the case of a loss-making contract when estimating the performance needed to be able to satisfy the contract. Changes in general market conditions and the possible impact on the contracts need to be predicted as well. The credit worthiness of the customer is verified and the collectability of the consideration assessed before entering into a contract. However, a risk of non-payment might arise afterwards, and it requires management judgement on the impact on final sales recognition.

Hedging of foreign currency denominated firm commitments

Metso Outotec's hedging policy requires business units to hedge their foreign currency risk when they become engaged in a firm commitment denominated in a currency other than their functional currency. When a firm commitment qualifies for over time recognition, the business unit applies hedge accounting and recognizes the effect of the hedging instruments in other comprehensive income (OCI) until the commitment is recognized. Though Metso Outotec has defined the characteristics triggering a firm commitment, the final realization of the unrecognized commitment depends also on factors beyond management control, which cannot be foreseen when initiating the hedging relationship. Such factors can be a change in the market environment causing the other party to postpone or cancel the commitment. To the extent possible, management strives to include clauses in its contracts that reduce the impact of such adverse events on its results.

Disaggregation of sales

Sales by segments

EUR million	2020	Restated 2019
Aggregates	992	928
Minerals	2,112	1,828
Metals	215	64
Sales total	3,319	2,819

External sales by category

EUR million	2020	Restated 2019
Sales of services	1,793	1,628
Aggregates	312	336
Minerals	1,430	1,292
Metals	51	–
Sales of projects, equipment, and goods	1,526	1,191
Aggregates	680	592
Minerals	682	535
Metals	164	64
Sales total	3,319	2,819

External sales by timing of sales recognition

EUR million	2020	Restated 2019
At a point in time	2,613	2,329
Over time	706	491
Sales total	3,319	2,819

External sales by destination

EUR million	2020	Restated 2019
Finland	101	64
Europe	778	668
North and Central America	721	589
South America	569	543
APAC	669	575
Africa, Middle East and India	481	379
Sales	3,319	2,819

Contract balances

EUR million	2020	2019
Trade receivables	556	588
Customer contract assets	298	87
Customer contract liabilities	236	63
Advances received	161	189

Customer contract liabilities and advances received are annually recognized as sales mainly during the following year.

When providing standardized equipment, such as wear or spare parts, invoicing takes place in general at the delivery or after commissioning. In engineered system deliveries, plant deliveries, and long-term service contracts, invoicing is based on the client contracts. Short-term service contracts are invoiced, when service is rendered.

Trade receivables are based on the invoicing to customers and are generally on terms of 30–90 days. The acquisitions in 2020 resulted in an increase in trade receivables of EUR 116 million (EUR 15 million in 2019), see note 5.4. Information about a provision for expected credit losses on trade receivables is presented in note 2.2.

Engineered system and plant delivery contracts, and long-term service contracts are mainly fixed-price contracts, where customers are invoiced with fixed amounts based on the contract schedule. If the performance obligation satisfied exceeds the invoiced payment from the customer, a contract asset is recognized. If the invoiced payment from the customer exceeds the performance obligation satisfied, a contract liability is recognized.

Advances received is the amount paid in advance to Metso Outotec by customers. Typically, Metso Outotec receives advance payments in customized large-scale engineered system and equipment delivery projects as well as in plant delivery projects.

Changes in receivables from customers or in liabilities to customers and advances received are typically the result of changes in business volume in the current year compared to the previous year.

Unsatisfied performance obligations

The order backlog, amounting to EUR 2,366 million on December 31, 2020, corresponds to the aggregate amount of the transaction price allocated to performance obligations that are fully or partly unsatisfied at the end of the reporting period. These performance obligations are expected to be materially satisfied in two years.

Performance obligations

Metso Outotec's sales consist of the sale of standardized equipment deliveries and services with wear or spare parts, customized large-scale engineered system and/or equipment deliveries as well as plant deliveries. Metso Outotec's performance obligations are as follows:

Equipment and wear or spare parts deliveries

When Metso Outotec provides standardized equipment and wear or spare parts to customers, revenue will be recognized at a point in time, when control of the goods is transferred, typically at the delivery of the goods or after commissioning. These contracts may include promises, such as volume-based rebates, late delivery penalties, or the right to return delivered parts. The impact of these promises on the final consideration will be estimated and sales will be recognized to the extent that Metso Outotec is entitled. Extended warranties are treated as a separate performance obligation, and an appropriate transaction price is allocated to them and recognized in sales when occurred.

Metso Outotec cooperates with distributors especially in the aggregates business. Based on the current distributor contracts, Metso Outotec recognizes sales at the delivery to a distributor. Promises on volume-based rebates and the right to return goods are assessed and sales will be recognized to the extent that Metso Outotec is entitled.

Engineered system and equipment deliveries

With customized large-scale engineered system and equipment deliveries and plant deliveries, where assets produced do not have an alternative use for another client, and Metso Outotec has the right to payment for the performance completed, revenue will be recognized over time. Each large-scale engineered system and equipment delivery contract is assessed separately. These contracts usually have a customer-specific, one total performance obligation agreed with the client.

These contracts may include promises, such as late delivery penalties, performance guarantees, and extended warranties. The impact of these promises on the final consideration will be estimated and sales will be recognized to the extent that Metso Outotec is entitled. Metso Outotec typically requires advance payments from clients, which in general, do not include a financing component, because the payment schedule of advances follows closely the timing of performance obligations to be satisfied.

Service contracts

Sales from providing services are recognized when the services are rendered. For long-term-fixed price contracts, sales are recognized over time. The measure of the progress is based on the costs of actual services provided as a proportion of the costs of total services to be rendered. For short-term service contracts with an hourly fee based on a valid price list, revenue is recognized to the extent Metso Outotec has right to invoice the customer, and for service contracts with a fixed hourly fee agreed in the contract, revenue is recognized based on invoicing. Typical promises in service contacts are late delivery penalties, performance guarantees, or right to return promises; the impact of these promises are assessed, and sales recognized to the extent that Metso Outotec is entitled.

Major customers

In 2020 and 2019, Metso Outotec did not have any single customer whose sales would have exceeded 10 percent of consolidated sales.

1.3. Selling, general, and administrative expenses

EUR million	2020	Restated 2019
Marketing and selling expenses [1]	-281	-241
Research and development expenses, net	-53	-28
Digitalization costs [1]	-3	-10
Administrative expenses [1]	-303	-201
Selling, general, and administrative expenses	-640	-481

[1] Digitalization expenses are included in marketing and selling expenses and in administrative expenses in the consolidated statement of income.

ACCOUNTING POLICY Research and development expenses comprise salaries, administration costs, digital investments, and depreciation and amortization of tangible and intangible assets, and are mainly recognized as incurred. When material development costs meet certain capitalization criteria under IAS 38, they are capitalized and amortized over the expected useful life of the underlying technology.

Research and development expenses

EUR million	2020	Restated 2019
Research and development expenses, total	-59	-39
Capital expenditure	11	1
Grants received	1	0
Depreciation and amortization	-9	0
Research and development expenses, net	**-56**	-39

1.4. Other operating income and expenses

ACCOUNTING POLICY Other operating income and expenses comprise income and expenses that do not directly relate to the operating activity of businesses within Metso Outotec or which arise from unrealized and realized changes in the fair value of foreign currency denominated financial instruments related to operations, including forward exchange contracts. Such items include costs related to significant restructuring programs, gains and losses on disposal of assets, and foreign exchange gains and losses, excluding those qualifying for hedge accounting and those, reported under financial income and expenses, net. Additionally, non-recoverable foreign taxes, which are not based on taxable profits, are reported in other operating income and expenses, net. These include foreign taxes and tax-like payments that are not based on double taxation treaties in force.

EUR million	2020	Restated 2019
Other operating income		
Gain on sale of intangible and tangible assets	1	0
Rental income	1	0
Foreign exchange gains [1]	90	55
Other income	9	6
Other operating income total	100	61
Other operating expenses		
Loss on disposed businesses	–	-2
Loss on sale of intangible and tangible assets	-1	0
Impairment of intangible and tangible assets	0	-7
Foreign exchange losses [1]	-99	-75
Other expenses	-11	-3
Other operating expenses total	-111	-86
Other operating income and expenses, net	-10	-25

[1] Includes foreign exchange gains and losses resulting from trade receivables and payables and related derivatives.

1.5. Personnel expenses and number of personnel

Personnel expenses

EUR million	2020	2019
Salaries and wages	-556	-464
Pension costs, defined contribution plans	-36	-27
Pension costs, defined benefit plans [1]	-2	-3
Other post-employment benefits [1]	-1	-1
Share-based payments [2]	-10	-5
Other indirect employee costs	-81	-84
Total	-686	-585

[1] For more information on pension costs, see note 2.7.
[2] For more information on share-based payments, see note 1.6.

Number of personnel at end of year and average number of personnel during the year

	2020	2019
Personnel at end of the year	15,466	12,894
Average number of personnel during the year	14,821	n/a

Board remuneration

EUR thousand	2020	2019
Serving Board members December 31, 2020:		
Mikael Lilius	-136	-140
Matti Alahuhta [1]	-71	–
Christer Gardell	-72	-81
Antti Mäkinen	-89	-73
Kari Stadigh	-69	-60
Arja Talma	-87	-83
Emanuela Speranza [1]	-63	–
Ian W. Pearce [1]	-68	–
Klaus Cawén [1]	-70	–
Hanne de Mora [1]	-73	–
Raimo Brand [2]	-6	-10
Former Board members		
Ozey K. Horton, Jr. [3]	–	-13
Nina Kopola [4]	–	-44
Peter Carlsson [5]	-6	-58
Lars Josefsson [6]	-6	-68
Total	-816	-631

[1] Metso Outotec Board member from July 1, 2020
[2] Attended meetings as a personnel representative, without voting rights until June 30, 2020
[3] Metso Board member until April 25, 2019
[4] Resigned from Metso's Board as of August 1, 2019
[5] Metso Board member until June 16, 2020
[6] Metso Board member until June 30, 2020

According to the decision of the 2020 Annual General Meeting, the annual fees paid to the Board members were: Chairman of the Board EUR 150,000, Vice Chairman of the Board EUR 80,000 and other Board members EUR 65,000. An additional annual remuneration is paid to the member of the Board elected in the position of Chairman of the Audit Committee EUR 23,000, members of the Audit Committee EUR 10,000, Chairman of the Remuneration and HR Committee EUR 12,000, and members of the Remuneration and HR Committee EUR 5,000. The annual fixed fees shall be paid to the Board members of Metso Outotec in proportion to the actual length of their term of office.

In addition, the Annual General Meeting resolved that meeting fees for attendance at each Board and Committee meeting be paid to members of the Board of Metso Outotec as follows: EUR 900 to each member of the Board residing in the Nordic countries, EUR 1,800 for members of the Board residing in other European countries, and EUR 2,700 to each member of the Board residing outside Europe. In addition, Board members shall be reimbursed for direct costs arising from Board work.

Remuneration paid to Chief Executive Officer and other Executive Team members

EUR	Salary	Fringe benefits	Performance bonus paid	Share-based payment	Total
2020					
President and CEO Pekka Vauramo	747,451	33,100	404,625	–	1,185,176
Other Executive Team members	2,334,066	58,123	634,657	869,039	3,895,885
Total	3,081,517	91,223	1,039,282	869,039	5,081,061

EUR	Salary	Fringe benefits	Performance bonus paid	Share-based payment	Total
2019					
President and CEO Pekka Vauramo	539,915	–	24,516	–	564,431
Other Executive Team members	1,650,835	664,191	20,635	481,085	2,816,746
Total	2,190,750	664,191	45,151	481,085	3,381,177

Remuneration paid to President and CEO Pekka Vauramo in 2020 is presented in the table above. Mr. Vauramo participates in the remuneration programs according to the respective terms and conditions decided by the Board. For more information on share-based payments, see note 1.6.

It has been agreed that Mr. Pekka Vauramo will continue as the President and CEO of Metso Outotec until the end of 2023. The President and CEO is entitled to participate in a supplementary defined contribution pension plan. The supplementary pension contribution is equivalent to 25% of the annual salary. For years ended December 31, 2020 and December 31, 2019 these pension premium payments for the supplementary defined contribution pension plan totaled approximately EUR 206 thousand and EUR 188 thousand. The notice period for both parties is six months. Severance pay is full monthly salary multiplied by twelve (12) if the agreement is terminated by the company.

Metso Outotec has a subscribed supplementary pension plan for other Metso Outotec Executive Team members in Finland. For the years ended December 31, 2020, and December 31, 2019, these pension premium payments totaled approximately EUR 369 thousand and EUR 278 thousand, respectively.

Board share ownership in Metso Outotec

Mikael Lilius	162,527
Matti Alahuhta	173,456
Christer Gardell	37,861
Antti Mäkinen	11,982
Kari Stadigh	54,523
Arja Talma	22,624
Emanuela Speranza	1,878
Ian W. Pearce	19,855
Klaus Cawén	29,709
Hanne de Mora	10,023
Total	524,438

Executive Team share ownership in Metso Outotec

Pekka Vauramo	70,900
Markku Simula	40,474
Stephan Kirsch	4,150
Jari Ålgars	44,401
Uffe Hansen	4,209
Markku Teräsvasara	37,774
Sami Takaluoma	8,259
Eeva Sipilä	81,798
Nina Kiviranta	21,825
Piia Karhu	675
Carita Himberg	0
Total	314,465

1.6. Share-based payments

ACCOUNTING POLICY Metso Outotec has share-based incentive plans for its key personnel.

The equity-settled share awards are valued based on the market price of the Metso Outotec share on the grant date and recognized as an employee benefit expense over the vesting period with a corresponding entry in other reserves of the equity. The historical development of the Metso Outotec share and the expected dividends have been taken into account when calculating the fair value. The entire share incentive, including the cash-for-taxes portion, is recognized in equity. Also the value of the cash portion is based on the grant date value. As a market condition, total shareholder return of the Performance Share Plans will be taken into account when determining the fair value at grant, and it will not be changed during the plan. The fair value of the cost estimate of the Performance Share Plans will only be changed when service or non-market conditions are concerned.

At each balance sheet date, Metso Outotec revises its estimates on the amount of share-based payments that are expected to vest. The impact of a revision to a previous estimate is accrued as an employee benefit expense with a corresponding entry to equity. The historical development of Metso Outotec share and the expected dividends have been taken into account when calculating the fair value.

ESTIMATES AND ASSESSMENTS BY MANAGEMENT At each balance sheet date, management reviews its estimates for the number of shares that are expected to vest. As part of this evaluation, Metso Outotec takes into account changes in the forecasted performance of the Group and its reporting segments, expected turnover of the personnel benefiting from the incentive plan, and other pertinent information impacting the number of shares to be vested.

Metso Outotec Performance and Restricted Share Plans 2020

In June 2020, Metso Outotec's Board decided on long-term share-based incentive plans: the Performance Share Plan (PSP) and Restricted Share Plan (RSP). The commencement of each new PSP and RSP and the earnings criteria for each new PSP plan will be subject to a separate decision by the Board. The PSP consists of an annually commencing plan, each with a three-year earning period, and the complementary RSP consists of an annually commencing plan, each with a three-year vesting period. The possible rewards are paid partly in Metso Outotec's shares and partly in cash.

If the participant's employment or service ends for reasons relating to the participant before the reward payment, no reward will be paid from the long-term incentive plans.

Performance Share Plan 2020–2022

The earning criteria for the PSP 2020–2022 is based on the total shareholder return of Metso Outotec's share and the achievement of the synergy targets set in connection with the combination of the businesses. At the end of 2020, there were 10 participants in the plan, and the potential reward corresponds to a maximum of 963,600 Metso Outotec shares, out of which the Metso Outotec Executive Team can receive a maximum reward of 963,600 shares. The potential reward will be paid in 2023.

Metso Outotec Deferred Share Plan 2020

In July 2020, Metso Outotec's Board of Directors decided to establish a new long-term incentive plan for senior managers and key employees. The Deferred Share Plan (DSP) is a long-term incentive plan that aligns and rewards the employee's performance and Metso Outotec share value development during a performance period. Metso Outotec Executive Team members aren't eligible to participate in the DSP.

If the participant's employment or service ends for reasons relating to the participant before the reward payment, no reward will be paid from the long-term incentive plans.

Deferred Share Plan 2020–2022

At the end of 2020, there were 163 participants in the DSP 2020–2022 plan, and the potential reward corresponds to a maximum of 2,190,300 Metso Outotec shares. The potential reward will be paid in 2023.

Metso Performance and Restricted Share Plans 2015–2019

In December 2014, Metso's Board decided on long-term share-based incentive plans: the Performance Share Plan (PSP) and Restricted Share Plan (RSP). The commencement of each new PSP and RSP and the earnings criteria for each new PSP plan will be subject to a separate decision by the Board. The PSP consists of an annually commencing plan, each with a three-year earning period, and the complementary RSP consists of an annually commencing plan, each with a three-year vesting period. The possible outstanding rewards are paid partly in Metso Outotec's shares and partly in cash.

If the participant's employment or service ends for reasons relating to the participant before the reward payment, no reward will be paid from the long-term incentive plans.

Performance Share Plan 2016–2018

The earning criteria for the PSP 2016–2018 and the potential reward are based on the total shareholder return (TSR) of Metso's share during 2016–2018. A total of 79,040 Metso treasury shares were used to pay rewards to 80 participants in March 2019.

Performance Share Plan 2017–2019

The earning criteria for the PSP 2017–2019 and the potential reward are based on the total shareholder return (TSR) of Metso's share during 2017–2019. A total of 120,551 Metso treasury shares were used to pay rewards to 80 participants in February 2020.

Restricted Share Plan 2017–2019

A total of 1,176 Metso treasury shares were used to pay rewards to 2 participants in February 2020.

Performance Share Plan 2018–2020

The earning criteria for the PSP 2018–2020 and the potential reward are based on the total shareholder return (TSR) of Metso's share during 2018–2020. The plan was evaluated in June 2020 and the earning criteria were not met; there will be no payout from PSP 2018–2020 plan.

Restricted Share Plan 2018–2020

At the end of 2020, there was 1 participant in the RSP plan; the potential reward corresponds to 93,660 Metso Outotec shares, out of which the Metso Outotec Executive Team members can receive a reward of 93,660 shares. The potential reward will be paid in 2021.

Performance Share Plan 2019–2021

The earning criteria for the PSP 2019–2021 was based on the total shareholder return of Metso's share during 2019–2021. The plan performance was evaluated in June 2020. A total of 631,710 Metso Outotec shares will be used to pay rewards to 8 participants in 2022.

Restricted Share Plan 2019–2021

At the end of 2020, there were 2 participants in the RSP plan; and the potential reward corresponds to 124,880 Metso Outotec shares, out of which Metso Outotec Executive Team members can receive a reward of 124,880 shares. The potential reward will be paid in 2022.

Deferred Share Unit Plan

In December 2017, Metso's Board of Directors decided to establish a new long-term incentive plan for senior managers and key employees. The Deferred Share Unit Plan (DSUP) is a long-term share value-based incentive plan that aligns and rewards the employee's performance and Metso share value development during a performance period. Metso Outotec Executive Team members aren't eligible to participate in the DSUP.

Deferred Share Unit Plan 2018–2020

At the end of 2020, there were 83 participants in the DSUP plan. The potential reward will be paid in 2021.

Deferred Share Unit plan 2019–2021

At the end of 2020, there were 95 participants in the DSUP plan. The potential reward will be paid in 2022.

Outotec Performance Share Plan 2019–2021

Outotec's Board of Directors decided on December 11, 2018, to adopt a Share-based Incentive Program 2019–2021 for the company's key personnel.

The earning criteria for the Outotec Performance Share Plan 2019–2021 were based on operating result (EBIT) and free cash flow. A total of 321,779 Metso Outotec shares are to be paid to 64 participants, out of which 3 Metso Outotec Executive Team members can receive a reward of 57,335 shares. The potential reward will be paid in 2022.

Matching Share Plan 2018–2022

Metso Outotec has one active Matching Share Plan for President and CEO Pekka Vauramo. The plan requires personal investment in Metso shares. The potential reward corresponds to a maximum 117,075 Metso Outotec shares and will be delivered in three installments which are subject to fulfilling the performance criterion of adjusted EBITA for each installment.

Beneficiaries of and granted shares under the share ownership plan as at December 31, 2020

	Beneficiaries total	Shares total
Plan 2017–2019		
Granted 2020	69	102,419
Plan 2016–2018		
Granted 2019	76	64,881

Expenses of share-based payments

EUR thousand	2020	2019
Plan PSP 2016–2018	–	-354
Plan PSP 2017–2019	-156	-598
Plan PSP and DSUP 2018–2020	-4,586	-2,455
Plan PSP and DSUP 2019–2021	-3,372	-1,701
Plan PSP and DSUP 2020–2022	-1,181	–
Outotec LTIP 2019	-1,114	–
Total	-10,409	-5,108

1.7. Finance income and expenses

EUR million	2020	Restated 2019
Finance income		
Dividends received	0	–
Interest income on cash and cash equivalents	4	3
Income on financial investments	0	–
Other finance income	1	3
Finance income total	**5**	**6**
Foreign exchange gains/losses	**0**	**1**
Finance expenses		
Interest expenses from financial liabilities at amortized cost	-25	-28
Interest expenses on lease liabilities	-4	-4
Other finance expenses	-14	-9
Finance expenses total	-44	-41
Finance income and expenses, net	-38	-33

1.8. Income taxes

ACCOUNTING POLICY Income taxes in the consolidated income statement includes taxes of subsidiaries based on taxable income for the current period, tax adjustments for previous periods, and the changes in deferred taxes. The other comprehensive income statement (OCI) includes taxes on items presented in the OCI. Deferred taxes are determined for temporary differences arising between the tax base of assets and liabilities and their financial statement carrying amounts, measured using substantially enacted tax rates.

ESTIMATES AND ASSESSMENTS BY MANAGEMENT Metso Outotec is subject to income tax in its operating countries. Metso Outotec's management is required to make certain assumptions and estimates in preparing the annual tax calculations for which the ultimate tax consequence is uncertain. Annually, Metso Outotec has tax audits ongoing in several subsidiaries and recognizes tax liabilities for anticipated tax audit issues based on a estimate of whether additional taxes will be due. Where the final outcome of these issues is different from the estimated amounts, the difference will impact the income tax in the period in which such determination is made.

Components of income taxes

EUR million	2020	Restated 2019
Income taxes for current year	-79	-72
Income taxes for prior years	4	15
Change in deferred tax asset and liability	23	-8
Income taxes	-52	-66

Differences between income tax expense computed at the Finnish statutory rate and income tax expense provided on earnings

EUR million	2020	Restated 2019
Profit before taxes	201	282
Income tax at Finnish statutory tax rate of 20.0%	-40	-56
Effect of different tax rates in foreign subsidiaries	-10	-10
Non-deductible expenses	-6	-8
Tax-exempt income or tax incentives	7	7
Foreign non-creditable withholding taxes	-4	-2
Deferred tax assets not booked on current year loss	-8	0
Deferred tax liability on undistributed earnings	4	-9
Effect of enacted change in tax rates	0	0
Income tax for prior years	4	15
Other	0	-2
Income taxes	-52	-66

Tax effects of components in other comprehensive income

	2020			2019		
EUR million	Before taxes	Tax	After taxes	Before taxes	Tax	After taxes
Cash flow hedges	11	-2	9	4	-1	3
Defined benefit plan actuarial gains (+) / losses (-)	-9	3	-6	-4	1	-3
Currency translation on subsidiary net investments	-58	0	-58	2	-	2
Total comprehensive income (+) / expense (-)	-57	1	-56	1	0	1
Current year tax		0			-1	
Deferred tax		1			1	
Total		1			0	

ACCOUNTING POLICY The deferred tax asset or liability is determined for temporary differences arising between the tax bases of assets and liabilities and their financial statement carrying amounts using the substantially enacted tax rates expected to apply in future years. Typical temporary differences arise from provisions, depreciation and amortization expense, inter-company inventory margins, defined benefit plans, and tax loss carry-forwards. Deferred tax liabilities are recognized in the balance sheet in full, and the deferred tax assets are only recognized if it is probable there will be taxable income in the future against which deferred tax can be used. Deferred tax assets are offset against deferred tax liabilities if they relate to taxes levied by the same taxation authority.

ESTIMATES AND ASSESSMENTS BY MANAGEMENT In determining deferred tax assets and liabilities, Metso Outotec is required to make certain assumptions and estimates on, in particular, future operating performance and the taxable income of subsidiaries, recoverability of tax loss carry-forwards and potential changes in tax laws in jurisdictions where Metso Outotec operates. A deferred tax liability based on foreign subsidiaries' undistributed earnings has been provided only where Metso Outotec's management has elected to distribute such earnings in the coming years and the distribution is subject to taxation. Because tax consequences are difficult to predict, deferred tax assets and liabilities may need to be adjusted in future coming financial years, which may have an impact in the period in which such determination is made.

Reconciliation of deferred tax balances

2020 EUR million	Jan 1	Charged to income statement	Charged to shareholders' equity	Acquisitions and disposals	Translation differences and Group items	Dec 31
Deferred tax assets						
Tax losses carried forward	8	-10	-	16	0	13
Intangible assets and property, plant and equipment	11	0	-	19	0	30
Inventory	36	2	0	9	0	47
Provisions	17	-18	0	35	-3	32
Accruals	9	4	0	1	1	15
Pension related items	10	0	3	-5	1	10
Other	30	-5	0	20	-12	33
Total deferred tax assets	122	-26	3	95	-12	181
Offset against deferred tax liabilities	-13	-	-	32	-42	-24
Net deferred tax assets	108	-26	3	127	-55	157
Deferred tax liabilities						
Purchase price allocations	34	-17	-	170	0	188
Intangible assets and property, plant, and equipment	5	2	0	7	0	14
Other	40	-34	2	43	-6	45
Total deferred tax liabilities	79	-49	2	220	-6	247
Offset against deferred tax assets	-13	-	-	32	-42	-24
Net deferred tax liabilities	66	-49	2	252	-48	223
Deferred tax assets (+) / liabilities (-), net	43	23	1	-125	-7	-66

Reconciliation of deferred tax balances, comparison period

2019 EUR million	Jan 1	Charged to income statement	Charged to share-holders' equity	Acquisi-tions and disposals	Translation differences and Group items	Dec 31
Deferred tax assets						
Tax losses carried forward	6	1	0	1	-	8
Intangible assets and property, plant and equipment	13	-2	0	-1	-	11
Inventory	21	0	0	-	0	21
Provisions	17	-2	0	2	0	17
Accruals	10	0	0	-	-1	9
Pension related items	4	0	0	-	6	10
Other	22	10	0	1	16	49
Total deferred tax assets	93	7	0	3	21	124
Offset against deferred tax liabilities	-12	0	-	-	-4	-16
Net deferred tax assets	81	7	0	3	17	108
Deferred tax liabilities						
Purchase price allocations	8	-2	0	28	-	34
Intangible assets and property, plant and equipment	6	0	-1	-	0	5
Other	24	19	0	0	0	43
Total deferred tax liabilities	38	17	-1	28	0	82
Offset against deferred tax assets	-12	-	-	-	-4	-16
Net deferred tax liabilities	26	17	-1	28	-4	66
Deferred tax assets (+) / liabilities (–), net	55	-10	1	-25	21	43

Deferred tax liability on undistributed retained earnings in subsidiaries will be recognized when the dividend distribution is probable in the near future and it will cause a tax impact. At the end of year 2020 there were no substantial undistributed earnings in subsidiaries from which a deferred tax liability is not booked.

1.9. Earnings per share

Basic

When Metso Minerals and Outotec were combined, a total of 645,851 thousand new shares were issued as demerger consideration to Metso's shareholders. After the share issue, the number of Metso Outotec shares totals 828,972 thousand.

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the company by the weighted average number of shares issued and outstanding for the year, excluding own shares held by the Parent company. The average number of shares consists of 645,851 thousand shares addressed to Metso's shareholders for January—June and the total number of shares for July—December.

Earnings per share

	2020	2019
Profit attributable to shareholders of the company, EUR million	138	224
Weighted average number of shares issued and outstanding (in thousands)	737,413	645,851
Earnings per share, basic, EUR	0.19	0.35 [1)]

[1)] Based on new shares issued to Metso's shareholders (645,851)

Earnings per share, continuing operations

	2020	2019
Profit attributable to shareholders of the company, EUR million	149	218
Weighted average number of shares issued and outstanding (in thousands)	737,413	645,851
Earnings per share, basic, EUR	0.20	0.34 [1)]

[1)] Based on new shares issued to Metso's shareholders (645,851)

Basic, calculated with outstanding shares on December 31, 2020

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the company by the number of outstanding shares at the end of the period, excluding own shares held by the Parent company.

Earnings per share

	2020
Profit attributable to shareholders of the company, EUR million	138
The number of outstanding shares at end of year (in thousands)	827,979
Earnings per share, basic, EUR	0.17

Diluted

The shares to be potentially issued in the future are treated as outstanding shares when calculating the diluted earnings per share, if they have a dilutive effect. The own shares held by Metso Outotec are reissued within the terms of the share ownership plan to the key personnel, if the targets defined in the plan are met. Diluted earnings per share are calculated by increasing the weighted average number of outstanding shares by the number of shares, would be distributed to the beneficiaries based on the results achieved, if the conditional earnings period ended at the end of the financial period in question. As at December 31, 2020, Metso Outotec held 993,238 own shares to be used as consideration under the share ownership plans.

Earnings per share

	2020	2019
Profit attributable to shareholders of the company, EUR million	138	224
Weighted average number of shares issued and outstanding (in thousands)	737,413	645,851
Adjustment for potential shares distributed (in thousands)	249	–
Weighted average number of diluted shares issued and outstanding (in thousands)	737,661	645,851
Earnings per share, diluted, EUR	0.19	0.35

2 Operational assets and liabilities

2.1. Net working capital and capital employed

Net working capital, balance sheet value

EUR million	2020	2019
Inventories	1,038	975
Trade receivables	556	588
Other non-interest-bearing receivables	237	287
Customer contract assets and liabilities., net	62	24
Trade payables	-539	-386
Advances received	-161	-189
Other non-interest bearing liabilities	-772	-446
Net working capital	421	853

Capital employed

EUR million	2020	2019
Net working capital	421	853
Intangible assets	1,994	723
Property, plant and equipment	356	315
Right-of-use assets	132	89
Non-current investments	14	10
Interest-bearing receivables	8	73
Liquid funds	537	156
Tax payables and receivables, net	-71	39
Interest payables, net	-4	-4
Capital employed	3,387	2,255

2.2. Trade receivables

ACCOUNTING POLICY Trade receivables are invoiced receivables from customers related to Metso Outotec's ordinary business transactions. General payment terms are typically from 30 days to 90 days and they are non-interest-bearing receivables. Trade receivables are initially recognized at recoverable value and subsequently valued at amortized cost. If, exceptionally an over 360- day payment term was offered to a client, the invoiced amount is discounted to its fair value.

Metso Outotec may enter into an agreement to sell trade receivables. Trade receivables will be derecognized when payment has been received and there is certainty that the credit risk and other risks and rewards have been transferred to a third party.

In measuring expected credit losses, Metso Outotec applies the IFRS 9 simplified approach, which uses a lifetime expected loss allowance to be assessed and recognized regularly. Credit loss risk related to customer contract assets is covered mainly by the advance payments received from the clients.

Based on an analysis of the previous year's credit losses by ageing category and nature, as well as a macroeconomic outlook in the near future, Metso Outotec recognizes a credit loss allowance from 0.2% to 5% on trade receivables undue or less than 180 days overdue. For trade receivables more than 180 days overdue, the impairment is assessed individually, but without any credit guarantee, collateral, or similar assurance on the recoverability, a minimum credit loss provision of 25% (over 180 days overdue) and 100% (over 360 days overdue) will be recognized. Trade receivables are written off when there is no reasonable expectation of recovery. Probability of bankruptcy, other financial reorganization, or a similar situation indicating insolvency of the client triggers a final write off.

ESTIMATES AND ASSESSMENTS BY MANAGEMENT Estimates on expected credit losses and credit loss provisions to be recognized are based on management's best judgment. The judgment is based on experience with past years' credit losses, current economic outlook and client segment, and location information. Trade receivables are collected actively, and possible impairment analyzed regularly by the businesses and Metso Outotec legal units, and the necessary actions to secure receivables are made by management. When a credit loss provision of a trade receivable is assessed individually, collateral, credit guarantees, financial position of the client, and earlier payment behavior are taken into consideration.

EUR million	2020	2019
Trade receivables	552	583
Trade receivables for sale	3	5
Trade receivables total	**556**	588
Trade receivables classified as held for sale	16	–
Total	**571**	588

Provision on trade receivables by ageing category

	2020		2019	
EUR million	Trade receivables, gross	of which provided	Trade receivables, gross	of which provided
Undue	388	1	405	1
overdue 1–30 days	97	0	93	1
overdue 31–180 days	68	2	81	3
overdue 181–360 days	21	4	17	4
overdue 360– days	82	78	18	17
Total, gross	656	85	613	26
Total, net	571		588	

Realized write-offs amounted to EUR 3 million in 2020 (EUR 4 million in 2019).

Provision for impairment of trade receivables

EUR million	2020	2019
Accumulated provision at beginning of year	26	27
Impact of exchange rates	-2	2
Acquisitions	64	-
Impact in income statement	-4	-4
Other change	1	1
Accumulated provision at end of year	**85**	26

2.3. Other receivables

ACCOUNTING POLICY Other non-interest-bearing receivables are recognized in the balance sheet at fair value which can be subsequently written down due to impairment. The impairment is expensed under selling, general and administrative expenses.

ESTIMATES AND ASSESSMENTS BY MANAGEMENT The Group policy is to calculate an impairment loss based on the best estimate of the amounts that are potentially uncollectable at the balance sheet date. Metso Outotec management actively monitors the amount of receivables past due globally and initiates action as necessary.

	2020			2019		
EUR million	Non-current	Current	Total	Non-current	Current	Total
Loan receivables	-	-	-	-	1	1
Prepaid expenses and accrued income	-	35	35	-	44	44
VAT, payroll tax, and social charge receivables	-	87	87	-	76	76
Pension assets	13	-	13	16	-	16
Other receivables	30	25	55	114	18	132
Non-interest-bearing receivables total	**43**	**147**	**190**	**130**	**139**	**269**

Other non-interest-bearing receivables included EUR 11 million in 2020 and EUR 15 million in 2019 of Brazilian tax credits arising from delivery of goods and transfer of services (ICMS) recognized by local subsidiaries. Of that amount, EUR 2 million in 2020 and 3 million in 2019 was classified as long term.

2.4. Inventory

ACCOUNTING POLICY Inventories are valued at the lower of historical cost calculated or net realizable value. Costs are measured on a weighted average cost basis and include purchase costs as well as transportation and processing costs. The costs of finished goods include direct materials, wages, and salaries plus employer social contributions, subcontracting, and other direct costs, as well as a portion of production and project administration overheads. Net realizable value is the estimated amount that can be realized from the sale of the asset in the normal course of business, less the cost to sell.

Inventories are shown net of a provision for obsolete and slow-moving inventories. Metso Outotec's policy is to maintain a provision for slow-moving and obsolete inventory based on the best estimate of such amounts at the balance sheet date. An obsolescence provision is charged to the income statement in the period in which the obsolescence is determined. Estimates are based on a systematic, on-going review and evaluation of inventory balance

Trade-in equipment received is recorded as inventory at the lower of cost or net realizable value.

ESTIMATES AND ASSESSMENTS BY MANAGEMENT Inventory valuation requires management to make estimates and judgments particularly relating to obsolescence and expected selling prices in different market conditions. It also entails management's assessment of the general market trends in global markets.

EUR million	2020	2019
Materials and supplies	132	157
Work in progress	357	195
Finished products	549	624
Inventories	1,038	975

For continuing operations, the cost of inventories recognized as expense amounted EUR 2,331 million in 2020 and EUR 1,958 million in 2019.

Changes in provision for inventory obsolescence

EUR million	2020	2019
Balance at beginning of year	46	53
Impact of exchange rates	-3	0
Additions charged to expense	14	5
Acquisitions	8	3
Used reserve	-10	-6
Deductions / other additions	-12	-9
Classification as held for sale	-2	-
Balance at end of year	41	46

2.5. Trade and other payables

ACCOUNTING POLICY The fair values and carrying amounts of trade and other payables are considered to be the same, due to the short-term maturities. The maturities of the current non-interest-bearing liabilities rarely exceed six months. The maturities of trade payables are largely determined by trade practices and individual agreements between Metso Outotec and its suppliers.

Accrued personnel costs, including holiday pay, are settled in accordance with local laws and regulations.

	2020			2019		
EUR million	Non-current	Current	Total	Non-current	Current	Total
Trade payables	–	539	539	–	386	386
Derivative instruments	2	29	31	2	13	15
Other payables						
Accrued interests	–	4	4	–	4	4
Accrued personnel costs	–	145	145	–	90	90
Accrued project costs	–	180	180	–	55	55
VAT, payroll tax, and social charge payables	–	58	58	–	39	39
Other payables	4	58	62	8	75	83
Other payables	4	445	449	8	263	271

2.6. Provisions

ACCOUNTING POLICY Provisions are recognized when the Group has a legal or constructive obligation as a result of a past event, and it is probable that financial benefits will be required to settle the obligation and a reliable estimate the amount of the obligation can be made.

Provisions, for which settlement is expected to occur more than one year after the initial recognition, are discounted to their present value and adjusted in subsequent closings for the time effect.

Warranty and guarantee provisions

Metso Outotec issues various types of contractual product warranties under which it generally guarantees the performance levels agreed in the sales contract, the performance of products delivered during an agreed warranty period and services rendered for a certain period or term. The provision for estimated warranty costs is based on historical realized warranty costs for deliveries of standard products and services in the past. The typical warranty period is 12 months from the accepted delivery. The adequacy of provisions is assessed periodically on a case by case basis.

Restructuring and capacity adjustment costs

A provision for restructuring and capacity adjustment costs is recognized only after management has approved, committed to and started to implement a formal plan. Employee termination benefits are recognized after the representatives of employees or individual employees have been informed of the intended measures in detail and the related compensation packages can be reliably measured. The costs included in a provision for capacity adjustment are those costs that are either incremental or incurred as a direct result of the plan or as the result of a continuing contractual obligation with no continuing economic benefit to Metso Outotec or a penalty incurred to cancel the contractual obligation. Restructuring and capacity adjustment expenses are recognized in either cost of goods sold or in selling, general and administrative expenses depending on the nature of the restructuring expenses. Restructuring costs, which are recorded under other operating income and expenses, net, can also include other costs incurred as a result of the plan, such as asset write-downs.

Environmental remediation costs

Metso Outotec recognizes provisions associated with environmental remediation obligations when there is a present obligation as a result of past events, an outflow of resources is considered probable and the obligation can be estimated reliably. Such provisions are adjusted as further information develops or circumstances change. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed virtually certain.

Provision for loss making projects

A provision for loss making projects is booked when the costs needed to settle the performance obligations of the contract exceed the consideration to be received. Such a provision for the unrecognized portion of the loss is recognized immediately when these conditions have been met and is revised according to the progress of the project.

ESTIMATES AND ASSESSMENTS BY MANAGEMENT Provisions booked require management to estimate the future costs needed to settle the obligations and to estimate the possible outcomes of claims or lawsuits. The outcome depends on future development and events, so the final costs needed and the timing to settle the obligation may differ from the initial provision estimated.

For larger and long-term delivery projects and sales involving new technology, additional warranty provisions can be established on a case by case basis to take into account the potentially increased risk.

Provisions

	2020			2019		
EUR million	Non-current	Current	Total	Non-current	Current	Total
Warranty and guarantee provisions	0	62	62	0	43	43
Project loss provisions	41	24	65	0	1	1
Restructuring provisions	1	23	23	1	11	11
Environmental remedial provisions	0	0	1	1	0	1
Other provisions [1]	31	13	44	31	17	48
Total	73	122	195	33	71	104

[1] Include provisions related to lawsuits and personnel liabilities.

Changes in provisions

	2020				
EUR million	Warranty and guarantee provisions	Project loss provisions	Restructuring provisions	Environmental remediation provisions	Total
Carrying value at beginning of year	43	1	11	1	56
Impact of exchange rates	-2	-0	-1	-0	-3
Acquisitions	19	100	1	-	120
Addition charged to expense	39	14	22	0	75
Used reserve	-23	-39	-6	-0	-68
Reversal of reserve / other changes	-10	-15	-2	-0	-28
Classification as held for sale	-4	5	-2	-0	-1
Carrying value at end of year	62	65	23	1	151

2.7. Post-employment obligations

ACCOUNTING POLICY Metso Outotec has several different pension schemes in accordance with local regulations and practices in countries where it operates. In certain countries, the pension schemes are defined benefit plans with retirement, disability, death, and other post-retirement benefits, such as health services, and termination income benefits. The retirement benefits are usually based on the number of service years and the salary levels of the final service years. Metso Outotec has both defined contribution and defined benefit schemes. The schemes are generally funded through payments to insurance companies or to trustee-administered funds. Other arrangements are unfunded with benefits being paid directly by Metso Outotec as they fall due. All arrangements are subject to local tax and legal restrictions in their respective jurisdictions.

In the case of defined benefit plans, the liability recognized from the plan is the present value of the defined benefit obligation as of the balance sheet date less the fair value of the plan assets. Independent actuaries calculate the defined benefit obligation by applying the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and having maturity approximating to the terms of the related pension obligation. The cost of providing retirement and other post-retirement benefits to personnel is charged to profit and loss concurrently with the service rendered by personnel. Net interest is recorded through financial income and expenses in the income statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized through OCI in shareholders' equity in the period in which they arise. Past service costs, gains and losses on curtailments, or settlements are recognized immediately in the income statement.

The contributions to defined contribution plans and multi-employer and insured plans are charged to profit and loss concurrently with the payment obligations.

ESTIMATES AND ASSESSMENTS BY MANAGEMENT The present value of the pension obligations is based on annual actuarial calculations, which use several assumptions, such as the discount rate and expected return on assets, salary and pension increases, and other actuarial factors. As a result, the liability recorded on Metso Outotec's balance sheet and cash contributions to funded arrangements are sensitive to changes. Where the actuarial experience differs from those assumptions, gains and losses result, which are recognized in OCI. Sensitivity analyses on the present value of the defined benefit obligation have been presented in the tables. Assets of Metso Outotec's funded arrangements are managed by external fund managers. The allocation of assets is reviewed regularly by those responsible for managing Metso Outotec's arrangements based on local legislation, professional advice, and consultation with Metso Outotec, based on acceptable risk tolerances.

Metso Outotec's pension and other post-employment plans

The pension arrangements in Germany, the US, the UK and Canada together represent 87% of Metso Outotec's defined benefit obligation and 81% of its pension assets. These arrangements provide retirement income, which is substantially based on salary and service at or near retirement.

The German plans are unfunded with benefits paid directly by the company as they fall due. In the US and Canada, annual valuations are carried out to determine whether cash funding contributions are required in accordance with local legislation. In the UK, Metso Outotec's defined benefit pension arrangement is closed to future accrual. Plan assets are held by a separate pension fund and are administered by a board of trustees. Cash contributions are determined on a triennial basis in accordance with local funding legislation, with the level of cash payments being agreed between the trustees and Metso Outotec.

Assets of Metso Outotec's funded arrangements are managed by external fund managers. The allocation of assets is reviewed regularly by those responsible for managing Metso's arrangements based on local legislation, professional advice, and consultation with Metso Outotec, based on acceptable risk tolerances.

The expected contributions to plans in 2021 are EUR 4 million. Metso Outotec paid contributions of EUR 7 million to defined benefit plans in 2020.

Amounts recognized in the balance sheet as of December 31

	Pension benefits		Other post-employment benefits		Total	
EUR million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Present value of funded obligations	145	151	–	–	145	151
Fair value of plan assets	-159	-165	–	–	-159	-165
	-13	-15	–	–	-13	-15
Present value of unfunded obligations	96	33	29	27	126	61
Unrecognized assets	–	–	–	–	–	–
	96	33	29	27	126	61
Amounts in the balance sheet						
liabilities	72	33	29	27	102	61
assets	-13	-15	–	–	-13	-15
liabilities classified as held for sale	24	–	0	–	24	–
Net liability	83	18	29	27	112	45

Movements in net liability recognized in the balance sheet (total)

	Total	Total
EUR million	**2020**	**2019**
Net liability at beginning of year	45	42
Adjustments due to business combinations	64	–
Net expense recognized in the income statement	3	3
Employer contributions	-7	-6
Gain (–) / loss (+) recognized through OCI	9	6
Translation differences	-2	0
Net liability at end of year	112	45

Amounts recognized in the income statement

	Pension benefits		Other post-employment benefits		Total	
EUR million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Employer's current service cost	1	1	0	0	2	1
Net interest on net surplus (+) / deficit (–)	0	0	1	1	1	1
Settlements	0	-1	-1	–	-1	-1
Gain (–) / loss (+) recognized in the income statement	0	–	0	–	0	–
Recognition of past service cost (+) / credit (–)	0	1	0	–	0	1
Administration costs paid by the scheme	0	1	–	–	0	1
Expense (+) / income (–) recognized in the income statement	2	2	1	1	3	3

Amounts recognized through OCI

	Pension benefits		Other post-employment benefits		Total	
EUR million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Return on plan assets, excluding amounts included in interest expense (+) / income (–)	-10	-10	–	–	-10	-10
Actuarial gain (–) / loss (+) on liabilities due to change in financial assumptions	19	12	1	5	20	17
Actuarial gain (–) / loss (+) on liabilities due to change in demographic assumptions	0	0	–	–	0	0
Actuarial gain (–) / loss (+) on liabilities due to experience	-2	0	0	–	-2	0
Gain (–) / loss (+) as result of asset ceiling	–	-1	–	–	–	-1
Total gain (–) / loss (+) recognized through OCI	8	1	1	5	9	6

Changes in the value of the defined benefit obligation

	Pension benefits		Other post-employment benefits		Total	
EUR million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Defined benefit obligation at beginning of year	184	196	26	25	210	221
Other adjustment to present value	0	–	0	0	0	0
Employer's current service cost	1	1	0	0	2	1
Interest cost	3	4	1	1	4	5
Business combinations	60	–	6	–	65	–
Plan participant contributions	0	0	0	–	0	0
Past service cost (+) / credit (–)	0	-1	0	–	0	-1
Actuarial gain (–) / loss (+) due to change in financial assumptions	19	14	1	3	20	17
Actuarial gain (–) / loss (+) on liabilities due to change in demographic assumptions	0	0	0	–	0	0
Actuarial gain (–) / loss (+) due to experience	-1	3	0	-1	-1	2
Settlements	-4	-29	-1	–	-4	-29
Benefits paid from the arrangement	-9	-7	0	–	-9	-7
Benefits paid direct by employer	-5	-3	-2	-2	-7	-5
Translation differences	-8	6	-2	1	-10	7
Defined benefit obligation at end of year	242	184	29	27	271	211

Changes in the fair value of the plan assets during the year

	Pension and other post-employment benefits total	
EUR million	**2020**	**2019**
Fair value of assets at beginning of year	165	180
Interest income on assets	3	4
Return on plan assets, excluding interest income	10	10
Assets distributed on settlements	-3	-28
Business combinations	1	–
Employer contributions	7	6
Plan participant contributions	0	0
Benefits paid from the arrangements	-9	-7
Benefits paid direct by employer	-7	-5
Administration expenses paid from the scheme	0	-1
Translation differences	-9	7
Fair value of assets at end of year	159	165

Major categories of plan assets as a percentage of total plan assets as at December 31

	Quoted		Unquoted		Total	
	2020	2019	2020	2019	2020	2019
Equity securities	7%	9%	0%	0%	7%	9%
Bonds	17%	40%	0%	2%	17%	42%
Property	1%	1%	0%	0%	1%	1%
Cash	4%	1%	0%	0%	4%	1%
Insurance contracts	0%	2%	19%	10%	19%	12%
Other	22%	22%	31%	13%	53%	35%
Total	**50%**	75%	**50%**	25%	**100%**	100%

As at December 31, 2020 there were no plan assets invested in affiliated or property occupied by affiliated companies.

Principal actuarial assumptions at December 31 expressed as weighted averages

%	2020	2019
Benefit obligation:		
Discount rate	1.16%	3.48%
Rate of salary increase	2.63%	2.48%
Rate of pension increase	2.01%	1.57%
Expense in income statement:		
Discount rate	2.04%	2.27%
Rate of salary increase	2.64%	2.32%
Rate of pension increase	2.18%	1.08%

The calculated life expectancy of persons covered by defined benefit plans is based on regularly updated local mortality tables. These are shown in the table below.

Weighted average life expectancy used for the major defined benefit plans

	Life expectancy at age of 65 for a male member currently aged 65		Life expectancy at age of 65 for a male member currently aged 45	
In years	2020	2019	2020	2019
Germany	20.4	20.1	23.2	23.0
United States	20.5	20.6	22.0	22.2
United Kingdom	22.1	22.0	22.7	22.6
Canada	21.9	21.8	22.9	22.9

Life expectancy is allowed for in the assessment of the Defined Benefit Obligation using mortality tables that are generally based on experience within the country in which the arrangement is located with (in many cases) an allowance made for anticipated future changes in longevity.

Sensitivity analyses on the present value of the Defined Benefit Obligation in the below table presents the present value of the Defined Benefit Obligation when major assumptions are changed while others held constant.

Sensitivity analyses

	2020			2019		
%	Pension	Other	Total	Pension	Other	Total
Discount rate						
Increase of 0.25%	-8.6	-0.7	-9.3	-8.1	-0.6	-8.7
Decrease of 0.25%	8.9	0.8	9.7	8.8	0.7	9.5
Salary increase rate						
Increase of 0.25%	0.2	0.1	0.3	0.2	0.1	0.3
Decrease of 0.25%	-0.2	-0.1	-0.3	-0.2	-0.1	-0.3
Pension increase rate						
Increase of 0.25%	2.9	–	2.9	3.1	–	3.1
Decrease of 0.25%	-2.7	–	-2.7	-2.8	–	-2.8
Medical cost trend						
Increase of 0.25%	–	0.7	0.7	–	1.3	1.3
Decrease of 0.25%	–	-0.6	-0.6	–	-1.2	-1.2
Life expectancy						
Increase of one year	11.8	0.9	12.7	13.1	0.9	14.0
Decrease of one year	-11.3	-0.9	-12.2	-12.5	-0.9	-13.4

Weighted average duration of Defined Benefit Obligation, expressed in years

	2020			2019		
In years	Pension	Other	Total	Pension	Other	Total
At December 31	14.7	10.5	14.2	12.5	9.9	12.2

3 Intangible and tangible assets

3.1. Goodwill and other intangible assets

ACCOUNTING POLICY

Goodwill and other intangible assets with an indefinite useful life

Goodwill represents the excess of acquisition costs over the fair value of net identified assets acquired and liabilities assumed and the fair values of previously owned interests and non-controlling interests. Goodwill is allocated to cash generating units (CGUs), which are the reportable segments Aggregates, Minerals, and Metals. If Metso Outotec reorganizes its reporting structure, goodwill is reallocated to the cash generating units affected based on their relative fair values at the time of the reorganization. The carrying value of goodwill is tested with the CGU's value in use or the CGU's fair value less costs of disposal, when appropriate. Previously recognized impairment losses on goodwill are not reversed.

Other intangible assets with an indefinite useful life, such as brand values, are not amortized. Currently, such assets are tested for impairment annually as part of the appropriate CGU tested for impairment. Previous losses on impairment are only reversed to the extent that the new carrying amount of the assets does not exceed the carrying amount the asset would have had, if the asset had not been impaired.

Other intangible assets

Other intangible assets with a definite useful life, mainly trademarks, patents, licenses, IT software, or acquired order backlog are measured at costs less accumulated amortizations and impairment losses.

Amortization of intangible assets

Amortization of intangible assets with a definite useful life is calculated on a straight-line basis over the useful life of the assets as follows:

Patents and licenses 5–10 years
Computer software 3–5 years
Technology 3–20 years
Customer relationships 3–20 years
Other intangible assets < 1–20 years

The probable useful lives of assets are reviewed annually. If material deviations from previous estimates arise, the useful lives are reassessed. The carrying value of intangible assets subject to amortization is reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. A previously recognized impairment loss may be reversed if there is a significant improvement of the circumstances having initially caused the impairment, but not to a higher value than the carrying amount, that would have been recorded had there been no impairment in prior years.

Research and development expenses comprise salaries, administration costs, depreciation and amortization of tangible and intangible assets, and they are mainly recognized as incurred. When material development costs meet certain capitalization criteria under IAS 38, they are capitalized and amortized during the expected useful life of the underlying technology.

Goodwill and other intangible assets

EUR million	Goodwill	Patents and licenses	Capitalized software	Other intangible assets	Intangible assets total
2020					
Acquisition cost at beginning of year	556	28	77	215	876
Translation differences	-8	0	-2	-3	-12
Business acquisitions	521	105	27	843	1,496
Business disposals	–	–	–	–	–
Capital expenditure	–	3	2	13	19
Reclassifications	–	–	0	0	0
Other changes	–	-17	-2	-29	-48
Acquisition cost at end of year	1,069	120	102	1,039	2,330
Accumulated depreciation at beginning of year	–	-22	-71	-56	-149
Translation differences	–	0	2	2	3
Business acquisitions	–	-79	-9	-28	-116
Business disposals	–	–	–	–	–
Other changes	–	15	1	23	38
Impairment losses	–	0	–	0	0
Amortization charges for the year, continuing operations	–	-4	-5	-76	-85
Amortization charges for the year, discontinued operations	–	–	0	0	0
Accumulated depreciation at end of year	–	-91	-83	-136	-310
Reclassified to held for sale	-18	–	0	-9	-26
Net book value at end of year	1,052	29	19	894	1,994

EUR million	Goodwill	Patents and licences	Capitalized software	Other intangible assets	Intangible assets total
2019					
Acquisition cost at beginning of year	462	27	75	108	672
Translation differences	-2	0	0	0	-2
Business acquisitions	99	–	1	109	209
Business disposals	-3	–	-0	-12	-15
Capital expenditure	–	1	1	6	9
Reclassifications	–	–	1	0	0
Other changes	-0	0	-1	3	2
Acquisition cost at end of year	556	28	77	215	876
Accumulated depreciation at beginning of year	–	-19	-66	-60	-145
Translation differences	–	0	0	0	-1
Business acquisitions	–	–	0	–	0
Business disposals	–	–	–	10	10
Other changes	–	0	1	0	1
Impairment losses	–	0	–	0	0
Amortization charges for the year	–	-2	-6	-8	-16
Accumulated depreciation at end of year	–	-22	-71	-59	-152
Net book value at end of year	556	6	5	156	723

Impairment testing

ACCOUNTING POLICY Goodwill and other intangible assets with an indefinite useful life are tested for impairment annually. The testing of goodwill and other intangible assets with an indefinite useful life is performed at the cash generating unit level. If the carrying value of goodwill exceeds the recoverable value, an impairment is recognized in the income statement under depreciations and amortizations. Impairment losses on goodwill are not reversed. Currently, Metso Outotec's management has defined three separate CGU's, Aggregates, Minerals, and Metals, to which goodwill has been allocated.

The recoverable amounts of CGUs are based on value in use calculations, where the estimated future cash flows of CGUs are discounted to their present value. The cash flows are derived from the current year's last-quarter estimate, the following year's budget, and the approved strategy for the next four years, beyond which cash flows are calculated using the terminal value method. The terminal growth rate used is based on management's judgment regarding the average long-term growth. Cash flows include only normal maintenance investments and exclude any potential investments that enhance the CGU's performance and acquisitions.

ESTIMATES AND ASSESSMENTS BY MANAGEMENT Value in use calculations are inherently judgmental and highly susceptible to change from period to period because they require management to make assumptions about future supply and demand related to its individual business units, future sales prices, profit margins, and achievable efficiency savings over time. The value of benefits and savings expected from the efficiency improvement programs are inherently subjective. Metso Outotec management estimates sales growth rate and EBITDA development for the testing period as well as the discount factor used. The present value of the cash generating units is discounted using the CGU's weighted average cost of capital (WACC) calculated by Metso Outotec. WACC calculations include judgments regarding, among other things, relevant beta factors, peer companies, and capital structure to use.

Metso Outotec performs impairment testing annually, or whenever there is an indication of impairment. Typical triggering events are material and permanent deterioration in the global economy or political environment, observed significant under-performance relative to projected future performance, and significant changes in Metso Outotec's strategic orientations.

Expected useful lives and remaining amortization periods for other intangible assets are reviewed annually by management. Acquisitions, disposals, and restructuring actions typically generate a need for the reassessment of the recoverable amounts and remaining useful lives of the assets. When the other intangible assets are measured at fair value, less costs of disposal, the selling price, incremental costs, and selling costs need to be estimated by management.

Upon initial acquisition, Metso Outotec uses readily available market values to determine the fair values of acquired net assets to be allocated. However, when this is not possible, the valuation is based on past performance of such an asset and expected future cash generating capacity, which requires management to make estimates and assumptions of the future performance and use of these assets. Any change in Metso Outotec's future business priorities may affect the recoverable amounts.

Goodwill allocation to cash generating units

EUR million	2020	2019
Balance at the beginning of year	556	462
Translation differences	-6	-2
Allocation to discontinued operations	-18	–
Acquisitions and disposals	520	96
Balance at end of year	1,052	556

EUR million	Minerals	Aggregates	Metals	Total
Balance at end of year	772	200	79	1,052

During 2020, goodwill increased by EUR 520 million, due to the reverse acquisition of Outotec Group and the acquisition of Brian Investment Pty Ltd. In addition, EUR 18 million was allocated to the Recycling business, which has been classified as a discontinued operation. For more details, see notes 5.4 and 5.5.

The goodwill from the reverse acquisition of Outotec Group has been allocated to the Minerals and Metals segments. According to the value in use calculation, EUR 437 million of goodwill is allocated to the Minerals segment and EUR 79 million to the Metals segment.

The value of other intangible assets with indefinite useful life totaled EUR 8 million in 2020 (EUR 16 million in 2019), which comprises the brand values in the Minerals segment. The discontinued operations portion of the brand values totaled EUR 8 million.

Annual impairment test in 2020

As at December 31, 2020, goodwill totaled EUR 1,052 million. In accordance with the Metso Outotec reporting structure, goodwill is allocated to cash generating units, Aggregates, Minerals, and Metals. The goodwill related to the reverse acquisition of Outotec Group was allocated to the Minerals and Metals segments. The cost of centralized Group services were allocated to CGUs based on their proportional share of sales volume. Metso Minerals carve-out financial statement 2019 goodwill was allocated entirely to Metso's Minerals segment.

Given that the recoverable amounts of each CGU significantly exceeded the carrying value of goodwill and other tested assets, no indication of impairment was found in 2020. The value in CGUs were derived from estimates, budgets, and strategy figures reviewed by Metso Outotec's management and approved by the Board of Directors.

The key assumptions used in assessing the recoverable amount are the profitability and growth rate in the estimate period, long-term average growth in the terminal period and discount rate. The key values used were the following:

%	Minerals	Aggregates	Metals
Sales growth in four-year estimate period	8.6%	8.0%	9.5%
EBITDA % range in four-year estimate period	15.0%–19.3%	11.6%–14.0%	4.3%–8.9%
Growth rate in the terminal period	1.7%	1.7%	1.7%
WACC after tax	9.8%	9.8%	9.8%
WACC before tax	12.4%	12.5%	12.8%

Values assigned to key assumptions reflect past experience and the management's expectations on the future sales and production volumes, which are based on the current structure and production capacity of each CGU. The seasonality and current market situation of each cash generating unit have been considered separately. In addition, data on growth, demand, and price development, provided by various research institutions, have been utilized. The growth rate of 1.7% for the terminal period is based on the long-term expectations on the growth in the Metso Outotec's market environments, considering the current low interest rate environment and overall financial market situation.

WACC before tax is used as a discount factor in the calculations. It takes into account the expected return on both debt and equity and has been derived from the WACC on comparable peer industry betas, capital structure, and tax rates. CGU WACCs are evaluated annually for testing, and CGU-specific risk is incorporated through individual beta factors from the market data of the segment's peer companies.

Sensitivity analysis

The sensitivity to impairment of the calculations of each cash generating unit was tested in the following scenarios:

- Scenario 1: increasing WACC by 2.0 percentage points
- Scenario 2: reducing the terminal growth rate from 1.7% to 1.2%

Impact on the value in use of the CGUs in the sensitivity analysis

%	WACC increase by 2 p.p.	Terminal growth from 1.7% to 1.2%.
Minerals	-21%	-4%
Aggregates	-22%	-5%
Metals	-34%	-8%

The sensitivity analysis also includes several cash projections on break-even levels of EBITDA %, WACC, and sales growth, based on a reasonable change in the future performance of the CGU. However, the impact on the present value obtained is limited, as long as there is no permanent weakening expected for the business, which would affect the terminal value. Based on these sensitivity analyses, the management believes that no reasonably possible change of the key assumptions used would cause the carrying value of any CGU to exceed its recoverable amount. A decrease in the terminal growth rate from 1.7% to 1.2% did not cause an impairment risk. A 2 percent increase in WACC would cause an impairment risk of EUR 23 million in the Metals segment.

3.2. Tangible assets

ACCOUNTING POLICY Tangible assets are stated at historical cost, less accumulated depreciation and impairment loss, if any. The tangible assets of acquired subsidiaries are measured at their fair value at the acquisition date.

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets as follows:

Buildings and structures	15–40 years
Machinery and equipment	3–20 years

Land and water areas are not depreciated.

Expected useful lives are reviewed at each balance sheet date and, if they differ significantly from previous estimates, the remaining depreciation periods are adjusted accordingly.

Subsequent improvement costs related to an asset are included in the carrying value of such asset or recognized as a separate asset, as appropriate, only when the future economic benefits associated with the costs are probable and the related costs can be separated from normal maintenance costs.

Metso Outotec reviews tangible assets to be held and used by the company for impairment whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Gains and losses on the disposal of tangible assets and possible impairments are recognized in operating income and expenses. A previously recognized impairment loss may be reversed if there is a significant improvement in the circumstances having initially caused the impairment, however not to a higher value than the carrying amount that, would have been recorded had there been no impairment in prior years.

Capitalized interests

The interest expenses of self-constructed tangible assets are capitalized in Metso Outotec's financial statements. The capitalized interest expense is amortized over the estimated useful life of the underlying asset.

Government grants

Government grants relating to additions to tangible assets are deducted from the acquisition cost of the asset and they reduce the depreciation charge of the related asset. Other government grants are deferred and recognized as profit concurrently with the costs they compensate.

ESTIMATES AND ASSESSMENTS BY MANAGEMENT Acquisitions, disposals and restructuring actions typically generate a need for reassessment of the recoverable values and remaining useful lives of assets. When tangible assets are valued at fair value less costs of disposal, the selling price, incremental costs and selling costs need to be estimated by management.

Tangible assets

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Assets under constrution	Tangible assets total
2020					
Acquisition cost at beginning of year	43	206	460	46	755
Translation differences	-2	-11	-38	-4	-54
Business acquisitions	2	32	116	2	152
Capital expenditure	–	4	28	37	70
Reclassifications	–	15	25	-40	–
Other changes	-1	-10	-16	0	-27
Acquisition cost at end of year	43	236	576	41	895
Accumulated depreciation at beginning of year	–	-107	-332	–	-439
Translation differences	–	4	27	–	32
Business acquisitions	–	-14	-94	–	-108
Other changes	–	7	15	–	22
Impairment losses	–	0	0	–	0
Depreciation charges for the year, continuing operations	–	-8	-33	–	-41
Depreciation charges for the year, discontinued operations	–	0	0	–	-1
Accumulated depreciation at end of year	–	-118	-417	–	-535
Classification as held for sale	-1	-1	-1	–	-4
Net book value at end of year	42	116	157	41	356

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Assets under construc-tion	Tangible assets total
2019					
Acquisition cost at beginning of year	35	181	438	31	684
Translation differences	0	0	0	0	0
Business acquisitions	9	18	17	0	45
Business disposals	-0	-1	-14	-0	-16
Capital expenditure	–	3	23	52	78
Reclassifications	–	12	21	-32	0
Other changes	0	-7	-25	-4	-36
Acquisition cost at end of year	43	206	460	46	755
Accumulated depreciation at beginning of year	–	-105	-333	–	-438
Translation differences	–	0	0	–	0
Business acquisitions	–	-1	-3	–	-4
Business disposals	–	0	12	–	12
Other changes	–	2	20	–	23
Impairment losses	–	3	-2	–	1
Depreciation charges for the year, continuing operations	–	-6	-25	–	-32
Depreciation charges for the year, discontinued operations	–	0	-1	–	-1
Accumulated depreciation at end of year	–	-107	-332	–	-439
Net book value at end of year	43	98	128	46	315

3.3. Depreciation and amortization

Depreciation and amortization

EUR million	2020	2019
Intangible assets from acquisitions	-71	-5
Other intangible assets	-15	-11
Tangible assets		
Buildings and structures	-8	-6
Machinery and equipment	-33	-25
Right-of-use assets		
Land areas	0	0
Buildings and structures	-22	-14
Machinery and equipment	-8	-8
Total	-157	-69

Depreciation and amortization by function

EUR million	2020	2019
Cost of goods sold	-98	-40
Selling, general, and administrative expenses	-59	-29
Total	-157	-69

The depreciation and amortizations of discontinued operations totaled EUR –2 million in year 2020.

3.4. Right-of-use assets

ACCOUNTING POLICY Metso Outotec recognizes a right-of-use asset in the balance sheet for lease agreements which give the right to use the asset during the lease period and the lease liability based on the lease payment obligation. The right-of-use assets and corresponding lease liabilities are recognized at present value. Lease liabilities include the following payments:

- fixed payments, less any lease incentives provided by the lessor;
- variable payments that depend on an index or a rate;
- expected payments under residual value guarantees;
- the exercise price of purchase options when exercise is estimated to be reasonably certain; and
- penalties for terminating the lease if the lease term reflects the exercise of a termination option.

Lease payments are discounted by using the implicit interest rate in the lease to the extent it can be readily determined. Otherwise the currency specific incremental borrowing rate is used as the discount rate. Interest expenses are recognized in the income statement as finance expense.

Right-of-use assets are measured at cost. The cost comprises of the following:

- lease liability;
- lease payments made at or before the commencement of the lease, less lease incentives received;
- initial direct costs; and
- estimated dismantling and restoration costs.

Subsequently, right-of-use assets are measured at cost and depreciated over the shorter of estimated useful life and the lease term. Metso Outotec's right-of-use assets consist primarily of operative and office premises in the category of Buildings, and cars, operative machinery, and equipment in the category of Machinery and equipment. The depreciations of right-of-use assets are recognized in the in the income statement in cost of sales and selling and administrative expenses.

Metso Outotec uses practical expedients provided for leases. Lease payments for leases of low value assets and short-term leases (shorter than twelve months) are expensed in the income statement on a straight-line basis. Low value assets comprise IT equipment and other small office items.

The lease payments are presented in the cash flow from financing activities, and the interest related to leases are presented in the cash flow from operating activities. Lease payments related to short-term leases and low-value assets are presented in the cash flow from operating activities.

Modifications to lease agreements may result in adjustments to existing right-of-use assets and lease liabilities. A gain or loss arising from a modification or a termination of a lease agreement is recognized as other operating income or other operating expenses in the income statement.

A number of lease contracts include extension and termination options. Such options have been taken into account when determining the lease term. A period covered by Metso Outotec's option to extend the lease is included in the lease term if such option is sufficiently likely to be exercised. Further, a period covered by Metso Outotec's option to terminate the lease is included in the lease term if it is reasonably certain that such option will not be exercised.

ESTIMATES AND ASSESSMENTS BY MANAGEMENT The most significant management judgment relates to lease agreements that include extension or early termination options for Metso Outotec. For these contracts, management needs to assess the probability of exercising such option, which may significantly affect the estimated length of the lease term and, consequently, the amounts of right-of-use asset and lease liability, as well as the related depreciation and interest expense. Management judgment is also applied in defining the incremental borrowing rate used to calculate the present value of the future lease payments.

Amounts recognized in balance sheet

2020 EUR million	Land and water areas	Buildings	Machinery and equipment	Right-of-use assets total
Acquisition cost at beginning of year	1	87	23	110
Translation differences	0	-3	-1	-5
Acquisitions	0	56	3	60
Additions	0	30	6	36
Derecognition	0	-15	-5	-20
Acquisition cost at end of year	0	155	26	181
Accumulated depreciation at beginning of year	0	-14	-7	-22
Translation differences	0	0	0	1
Accumulated depreciations for derecognized contracts	0	4	4	8
Depreciation charges for the year, continuing operations	0	-22	-8	-31
Depreciation charges for the year, discontinued operations	–	-1	-1	-1
Accumulated depreciation at end of year	0	-33	-12	-45
Classification as held for sale	–	-3	-1	-4
Net book value at end of year	0	119	13	132

2019 EUR million	Land and water areas	Buildings	Machinery and equipment	Right-of-use assets total
Acquisition cost at beginning of year	–	58	16	74
Translation differences	–	0	0	0
Acquisitions	–	3	3	6
Additions	1	29	6	35
Derecognition	–	-3	-1	-4
Acquisition cost at end of year	1	87	23	110
Accumulated depreciation at beginning of year	–	–	–	–
Translation differences	0	0	0	0
Accumulated depreciations for derecognized contracts	–	1	1	1
Depreciation charges for the year, continuing operations	0	-14	-8	-22
Depreciation charges for the year, discontinued operations	–	-1	0	-1
Accumulated depreciation at end of year	0	-14	-7	-22
Net book value at end of year	1	73	16	89

Amounts recognized in profit and loss

EUR million	2020	2019
Operating profit		
Depreciation expense on right-of-use assets	-31	-22
Rental expense relating to leases of low-value assets	-3	-2
Rental expense relating to leases of short-term assets	-5	-2
Finance expenses		
Interest expense on lease liabilities	-4	-4
Total amount recognized in profit and loss	-43	-31

The total cash outflow for leases including short-term leases and leases of low-value assets, in 2020 was EUR 42 million (EUR 30 million in 2019).

A maturity analysis of lease liabilities is presented in note 4.5.

4 Capital structure and financial instruments

4.1. Financial risk management

As a global company, Metso Outotec is exposed to a variety of business and financial risks. Financial risks are managed centrally by the Group Treasury under annually reviewed written policies approved by the Board of Directors. Treasury operations are monitored by the Treasury Management Team chaired by the CFO. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the operating units. Group Treasury functions as counterparty to the operating units, manages centrally external funding, and is responsible for the management of financial assets and appropriate hedging measures. The objective of financial risk management is to minimize potential adverse effects on Metso Outotec's financial performance.

Sensitivity analysis

Sensitivity analysis figures presented in connection with different financial risks are based on the risk exposures at the balance sheet date. The sensitivity is calculated by assuming a change in one of the risk factors of a financial instrument, such as interest or currency. It is not likely that the future volatility of a risk factor will develop in accordance with the test assumptions and that only one factor would be impacted.

When calculating the sensitivity, Metso Outotec has chosen to use market conventions in assuming a one percentage point (100 basis points) variation in interest rates, and a 10 percent change in foreign exchange rates because this provides better comparability from one period to another and information on the volatility to users of financial statements. Metso Outotec is aware that such assumptions may not be realistic when compared to past volatility and they are not intended to reflect the future. Metso Outotec has chosen not to use past volatility as this could mislead the users of financial statements to assume the analysis reflects management's view on future volatility of the financial instruments.

Liquidity and refinancing risk and capital structure management

Liquidity or refinancing risk arises when a company is not able to arrange funding at terms and conditions corresponding to its creditworthiness. Sufficient cash, short-term investments, and committed and uncommitted credit facilities are maintained to protect short-term liquidity. Diversification of funding among different markets and an adequate number of financial institutions is used to safeguard the availability of liquidity at all times. Group Treasury monitors bank account structures, cash balances and forecasts of the operating units, and manages the utilization of the consolidated cash resources.

The liquidity position of Metso Outotec remained good supported by the operative cash flow, maturity structure of the funding, and available back up credit facilities. Liquid funds, consisting of cash and cash equivalents, amounted to EUR 537 million (EUR 156 million in 2019), and there were no deposits or securities with a maturity more than three months (EUR 0 million in 2019).

In addition, the company had committed and undrawn revolving credit facilities of EUR 790 million at the end of the year. A syndicated EUR 600 million revolving credit facility has a maturity in 2025 with one one-year extension option. In order to be prepared for any Covid-19 related liquidity needs, Metso Outotec arranged further liquidity buffers during the reporting period. EUR 100 million revolving credit facilities mature in 2021 and EUR 90 million in 2022. Metso Outotec also has a EUR 600 million Finnish commercial paper program, under which EUR 60 million was issued at the end of the period.

During the year a EUR 100 million bank loan was drawn for general corporate purposes, and a EUR 40 million loan for research, development and innovation costs was drawn from European Investment Bank. Metso Outotec issued a public bond amounting to EUR 300 million with a maturity of 7.5 years under the Euro Medium Term Note Program (EMTN Program) in November 2020. The proceeds were used to repay a EUR 300 million bank term loan.

Metso Outotec repaid Outotec's EUR 150 million hybrid bond in July 2020. The refinancing of the hybrid bond was done with a bank term loan of EUR 150 million with a maturity in 2022 with a one-year extension option.

Metso Outotec repaid Outotec's EUR 150 million bond in September 2020 with a bank term loan with a maturity in 2022.

Metso Outotec's refinancing risk is managed by balancing the proportion of short-term and long-term debt as well as the average remaining maturity of long-term debt. The tables below analyze the repayments and interests on Metso Outotec's liabilities by the remaining maturities from the balance sheet date to the contractual maturity date. The net interest payments of interest-rate swaps hedging long-term loans are included in the long-term debt repayment figures.

Maturities of debts

	Dec 31, 2020			Dec 31, 2019		
EUR million	**<1 year**	**1–5 years**	**>5 years**	**<1 year**	**1–5 years**	**>5 years**
Long-term debt						
Repayments	0	841	300	–	814	–
Interests	11	25	8	11	24	–
Other liabilities	–	4	–	–	2	–
Short-term debt						
Repayments	77	–	–	24	–	–
Interests	0	–	–	–	–	–
Trade payables	539	–	–	385	–	–
Other liabilities	18	–	–	23	–	–
Total	645	869	308	443	840	–

Detailed information on balance sheet items is presented in other notes to the consolidated financial statements. Capital structure is assessed regularly by the Board of Directors and managed operationally by Group Treasury.

Capital structure management in Metso Outotec comprises both equity and interest-bearing debt. As of December 31, 2020, the equity attributable to shareholders was EUR 2,037 million (EUR 1,252 million in 2019), and the amount of interest-bearing debt was EUR 1,206 million (EUR 1,001 million in 2019). Metso Outotec has a target to maintain an investment-grade credit rating.

Moody's Investor Service has assigned a 'Baa2' long-term issuer rating with stable outlook and S&P Global Ratings a 'BBB–' long-term issuer credit rating with negative outlook to Metso Outotec.

There are no prepayment covenants in Metso Outotec's financial contracts that would be triggered by changes in the credit rating. Covenants included in some financing agreements refer to a combination of a certain credit rating level and Metso Outotec's capital structure. Metso Outotec is in compliance with all covenants and other terms of its debt instruments.

Interest rate risk

Interest rate risk arises when changes in market interest rates and interest margins influence finance costs, returns on financial investments and valuation of interest-bearing balance sheet items. Interest rate risks are managed by balancing the ratio between fixed and floating interest rates and by managing the duration of debt and investment portfolios. Additionally, Metso Outotec may use derivative instruments, such as forward rate agreements, swaps, options, and futures contracts, to mitigate the risks arising from interest-bearing assets and liabilities. The interest rate risk is managed and controlled by the Group Treasury and measured using sensitivity analysis and duration of long-term debt. The duration of long-term debt was 2.1 years as at December 31, 2020 (1.8 years in 2019).

At the end of 2020, the balance sheet items exposed to interest rate risk were interest-bearing assets of EUR 544 million (EUR 229 million in 2019), and interest-bearing debt amounted to EUR 1,206 million (EUR 1,001 million in 2019).

The basis for the interest rate sensitivity analysis is an aggregate group-level interest exposure, composed of interest-bearing assets, interest-bearing debt, and financial derivatives, such as interest rate swaps and options, which are used to hedge the underlying exposures. For all interest-bearing current debt and assets to be fixed during the next 12 months, a one percentage point move upwards or downwards in interest rates with all other variables held constant would have an effect on Metso Outotec's net interest expenses, net of taxes, of EUR -/+ 1.0 million (EUR -/+ 2.0 million in 2019).

For financial assets valued at fair value, a one percentage point change upwards or downwards in all interest rates with all other variables held constant would have the following effects, net of taxes, in the income statement and equity:

EUR million	2020	2019
Effects in		
Income statement	+/- 1.4	+/- 1.7
Equity	+/- 0.0	+/- 0.0

The effect in the income statement comprises the changes in the fair value on the financial instruments, which are measured at fair value through profit and loss. The effect in equity is comprised of the changes in the fair value on the financial instruments, which are measured at fair value through other comprehensive income, such as derivatives under hedge accounting.

Foreign exchange risk

Metso Outotec operates globally and is exposed to foreign exchange risk in several currencies, although the geographical diversity of operations decreases the significance of any individual currency. About 80 percent of Metso Outotec's sales originate from outside the euro zone; the main currencies being Euro, US dollar, Australian dollar, Chilean peso, Canadian dollar, and Swedish krona.

Transaction exposure

Foreign exchange transaction exposure arises when an operating unit has commercial or financial transactions and payments in other than its own functional currency and when related cash inflow and outflow amounts are not equal or concurrent.

In accordance with the Metso Outotec Treasury Policy, operating units are required to hedge in full the foreign currency exposures on balance sheet and other firm commitments. Future cash flows denominated in a currency other than the functional currency of the unit are hedged with internal foreign exchange contracts with the Group Treasury for periods, that usually do not exceed two years. Operating units also do some hedging directly with banks in countries where regulation does not allow group internal cross-border foreign exchange hedging contracts.

Group Treasury monitors the net position of each currency and decides to what extent a currency position is to be closed. Group Treasury is, however, responsible for entering into an external forward transaction whenever an operating unit applies hedge accounting. Metso Outotec Treasury Policy defines upper limits on the open currency exposures managed by the Group Treasury; limits have been calculated on the basis of their potential profit impact. To manage the foreign currency exposure, Group Treasury may use forward exchange contracts and foreign exchange options.

Total amount of foreign currency exposures on December 31

EUR million	2020	2019
Operational items	287	232
Financial items	569	499
Hedges	-830	-712
Total exposure	26	16

This aggregate group-level currency exposure is the basis for the sensitivity analysis of foreign exchange risk. This exposure, net of respective hedges, is composed of all assets and liabilities denominated in foreign currencies, projected cash flows for unrecognized firm commitments, both short- and long-term sales and purchase contracts, and anticipated operational cash flows to the extent their realization has been deemed highly probable and therefore hedged. This analysis excludes net foreign currency investments in subsidiaries together with instruments hedging these investments.

If the euro were to appreciate or depreciate ten percent against all other currencies, the impact on cash flows, net of taxes, derived from the year-end net exposure as defined above, would be EUR +/– 2.3 million (EUR -/+ 1.3 million in 2019). Transaction exposure is spread to about 50 currencies and as of December 31, 2020, the biggest open exposure was in the US dollar, 30 percent.

A sensitivity analysis of financial instruments as required by IFRS 7, excludes the following items: projected cash flows for unrecognized firm commitments, advance payments, both short- and long-term purchase contracts, and anticipated operational cash flows. The next table presents the effects, net of taxes, of a +/– 10 percent change in EUR foreign exchange rates:

				2020	2019
EUR million	**USD**	**SEK**	**Other**	**Total**	**Total**
Effects in					
Income statement	–/+4.4	–/+0.8	+/–2.7	–/+2.4	–/+ 1.5
Equity	–/+8.6	–/+1.4	–/+0.3	–/+10.3	–/+ 0.2

The effect in equity is the fair value change in derivatives contracts qualifying as cash flow hedges for unrecognized firm commitments. The effect in income statement is the fair value change for all other financial instruments exposed to foreign exchange risk including derivatives, which qualify as cash flow hedges, to the extent the underlying sales transaction, recognized over time, has been recognized as revenue.

Translation or equity exposure

Foreign exchange translation exposure arises when the equity of a subsidiary is denominated in currency other than the functional currency of the Parent Company. The major translation exposures are in US dollar, Swedish krona, Chinese yuan, Australian dollar, and Pound sterling, which altogether comprise approximately 69 percent of the total equity exposure. Metso Outotec is currently not hedging any equity exposure.

Credit and counterparty risk

Credit or counterparty risk is defined as the possibility of a customer or a financial counterparty not fulfilling its commitments towards Metso Outotec. The operating units of Metso Outotec are primarily responsible for credit risks pertaining to sales and procurement activities. The units assess the credit quality of their customers, by taking into account their financial position, past experience, and other relevant factors. When appropriate, advance payments, letters of credit, and third party guarantees or credit insurance are used to mitigate credit risks. Group Treasury provides centralized services related to customer financing and seeks to ensure that the principles of the Treasury Policy are adhered to with respect to terms of payment and required collateral. Metso Outotec has no significant concentrations of credit risks.

The maximum credit risk equals the carrying value of trade and loan receivables. The credit quality is evaluated both on the basis of aging of the trade receivables and on the basis of customer-specific analysis. The aging structure of trade receivables is presented in note 2.2.

Counterparty risk arises also from financial transactions agreed upon with banks, financial institutions, and corporates. The risk is managed by careful selection of banks and other counterparties, by counterparty-specific limits determined in the Treasury Policy, and netting agreements, such as ISDA (Master agreement of International Swaps and Derivatives Association). The compliance with counterparty limits is regularly monitored.

Credit risk exposure relates to the carrying value of financial assets valued at amortized cost, such as trade receivables, interest bearing receivables, other receivables, deposits and security investments and cash and cash equivalents, and customer contract assets.

Impairment on cash on hand, bank accounts, deposits, and interest- bearing investments is assessed regularly, but deemed minor because of their high investment grade and short duration. Group Treasury makes a financial analysis of corporate counterparties regularly. In addition, the investments are constantly monitored by Group Treasury, and Metso Outotec does not expect any future credit losses from these investments.

For trade receivables and customer contract assets, Metso Outotec applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance to be assessed and recognized regularly, see note 2.2.

Fair value estimation

For those financial assets and liabilities that have been recognized at fair value in the balance sheet, the following measurement hierarchy and valuation methods have been applied:

Level 1 Unadjusted quoted prices in active markets at the balance sheet date. The market prices are readily and regularly available from an exchange, dealer, broker, market information service system, pricing service, or regulatory agency. The quoted market price used for financial assets is the current bid price. Level 1 financial instruments include fund investments classified as fair value through profit and loss.

Level 2 The fair value of financial instruments in Level 2 is determined using valuation techniques. These techniques utilize observable market data readily and regularly available from an exchange, dealer, broker, market information service system, pricing service, or regulatory agency. Level 2 financial instruments include:
- Over-the-counter derivatives classified as financial assets/liabilities at fair value through profit and loss or qualified for hedge accounting
- Debt securities classified as financial instruments at fair value through profit and loss
- Fixed-rate debt under fair value hedge accounting

Level 3 A financial instrument is categorized into Level 3 if the calculation of the fair value cannot be based on observable market data. Metso Outotec had no such instruments in 2020 or in 2019.

Metso Outotec's financial assets and liabilities measured at fair value

EUR million	Dec 31, 2020 Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
Derivatives not under hedge accounting	–	20	–
Financial assets at fair value through other comprehensive income			
Derivatives under hedge accounting	–	27	–
Total	–	47	–
Liabilities			
Financial liabilities at fair value through profit and loss			
Derivatives not under hedge accounting	–	21	–
Financial liabilities at fair value through other comprehensive income			
Derivatives under hedge accounting	–	10	–
Total	–	31	–

Metso Outotec's financial assets and liabilities measured at fair value, comparison period

EUR million	Dec 31, 2019 Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
Derivatives not under hedge accounting	–	10	–
Financial assets at fair value through other comprehensive income			
Derivatives under hedge accounting	–	8	–
Total	–	18	–
Liabilities			
Financial liabilities at fair value through profit and loss			
Derivatives not under hedge accounting	–	11	–
Financial liabilities at fair value through other comprehensive income			
Derivatives under hedge accounting	–	5	–
Total	–	16	–

4.2. Financial assets and liabilities by category

ACCOUNTING POLICY Under IFRS 9, Metso Outotec classifies financial assets and liabilities in measurement categories according to contractual terms of the cash flows and Metso Outotec's business model to manage the investment at the inception. Reclassification of the categories will be made only if the business model for managing those assets changes. Financial assets and liabilities are classified as non-current items when the remaining maturity exceeds 12 months and as current items when the remaining maturity is 12 months or less. Financial assets and liabilities are classified as follows:

At amortized cost

Financial assets

Financial assets valued at amortized cost are investments in debt instruments or receivables, that are held to maturity and for the collection of contractual cash flows, where those cash flows are solely payments of principal and/or interest. These are recognized at fair value, less transaction costs, and subsequently measured at amortized cost using the effective interest method. Interest income is recognized in financial income in the income statement. Financial assets at amortized cost include deposits, commercial papers, interest-bearing loans and receivables, trade receivables, and non-interest-bearing receivables. Impairment is assessed regularly, and when the carrying value exceed the recoverable value of discounted cash flows, the appropriate impairment is recognized in the income statement.

For trade receivables, Metso Outotec applies the IFRS 9 simplified method, which requires expected lifetime losses to be recognized from the initial recognition of the receivables. See more in Note 2.2 Trade receivables.

Financial liabilities

Issued bonds and withdrawn loan facilities from financial institutions as well as trade and other liabilities are valued at fair value, net transaction costs, and subsequently measured at amortized cost using the effective interest method. Trade and other receivables are non-interest-bearing short-term unpaid debts.

The difference between the debt amount, net transaction costs, of bonds and loans from financial institutions and the redemption amount is recognized in the income statement as an interest expense over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized in the income statement as other finance expenses over the period of the facility, or, if withdrawal of the loan is probable, as part of the transaction cost.

At fair value through other comprehensive income (FVOCI)

Financial assets

Financial assets valued at fair value through other comprehensive income are debt instruments or receivables, which are held for collection of contractual cash flows or held for selling the assets, and where contractual cash flows are solely payments of principal and/or interest.

Interest income is recognized in the income statement using the effective interest method. Change in fair value is recognized in other comprehensive income (OCI). At derecognition, the cumulative previously booked gains and losses in OCI are released from equity to the income statement. Metso Outotec includes in this measurement category derivatives under hedge accounting, trade receivables for sale, and security investments with a maturity of less than three months. Impairment is assessed regularly, and when the carrying value exceeds the recoverable value of discounted cash flows, the appropriate impairment is recognized in the income statement.

At fair value through profit and loss (FVPL)

Financial assets

Financial assets valued at fair value through profit and loss are equity investments, investments in funds, and derivatives not under hedge accounting. Change in fair value and gain or loss at derecognition are recognized in the income statement. The change in fair value includes the valuation of impairment risk as well.

The fair value of listed equity shares or investments in funds is the quoted market price on the balance sheet date. Unlisted shares are valued at cost, less impairment, if any.

Financial liabilities

Fixed-rate debts covered by fair value hedge accounting and derivatives not under hedge accounting are included in this measurement category. Change in fair value and gains or losses at derecognition are recognized in the income statement.

Financial assets and liabilities by category as of December 31, 2020

2020 EUR million	At fair value through profit and loss	At fair value through other compre-hensive income	At amortized cost	Carrying value	Fair value
Non-current financial assets					
Equity investments	4	–	–	4	4
Loan receivables	–	–	6	6	6
Derivatives	3	–	–	3	3
Other receivables	–	–	13	13	13
Total	7	–	19	27	27
Current financial assets					
Trade receivables	–	–	552	552	552
Trade receivables, for sale	–	3	–	3	3
Loan receivables	–	–	2	2	2
Derivatives	20	24	–	43	43
Deposits and securities, maturity three months or less	–	–	43	43	43
Cash on hand and in bank accounts	–	–	494	494	494
Total	20	27	1,092	1,139	1,139
Non-current liabilities					
Bonds [1]	–	–	689	689	713
Lease liabilities	–	–	106	106	106
Other non-current debt	–	–	440	440	440
Derivatives	2	–	–	2	2
Other liabilities	–	–	4	4	4
Total	2	–	1,238	1,241	1,265
Current liabilities					
Current portion of non-current debt	–	–	0	0	0
Lease liabilities	–	–	32	32	32
Loans from financial institutions	–	–	18	18	18
Commercial papers	–	–	60	60	60
Trade payables	–	–	539	539	539
Derivatives	19	10	–	29	29
Total	19	10	649	678	678

[1] The bonds have been measured at amortized cost, adjusted by the fair value to the extent of the hedged risk.

Financial assets and liabilities by category as of December 31, 2019

2019 EUR million	At fair value through profit and loss	At fair value through other comprehensive income	At amortized cost	Carrying value	Fair value
Non-current financial assets					
Equity investments	3	–	–	3	3
Loan receivables	–	–	31	31	31
Derivatives financial instruments	2	0	–	2	2
Other receivables	–	–	10	10	10
Total	6	0	41	46	46
Current financial assets					
Trade receivables	–	–	583	583	583
Trade receivables, for sale	–	5	–	5	5
Loan receivables	–	–	42	42	42
Derivatives financial instruments	10	6	–	16	16
Deposits and securities, maturity three months or less	–	–	15	15	15
Cash on hand and in bank accounts	–	–	141	141	141
Total	10	11	781	802	802
Non-current liabilities					
Bonds	–	–	388	388	406
Lease liabilities	–	–	69	69	69
Other non-current debt	–	–	413	413	414
Derivatives	2	–	–	2	2
Other liabilities	–	–	8	8	8
Total	2	0	878	880	899
Current liabilities					
Current portion of non-current debt	–	–	–	–	–
Lease liabilities	–	–	21	21	21
Loans from financial institutions	–	–	14	14	14
Commercial papers	–	–	10	10	10
Other current loans	–	–	86	86	86
Trade payables	–	–	386	386	386
Derivatives	8	5	–	13	13
Total	8	5	517	530	530

For more information on derivative financial instruments, see note 4.8.

4.3. Liquid funds

ACCOUNTING POLICY Deposits and securities with a maturity of more than 3 months consist of highly liquid investments, which are part of Metso Outotec's cash management. These commercial papers, deposits and debt investments have a maturity of less than twelve months, and they are measured at amortized cost.

Cash and cash equivalents consist of cash on hand and bank accounts, deposits, and interest-bearing investments that can be easily converted into a known amount of cash within a period of three months or less, as well as bond fund investments, with the same risk profile.

Cash on hand, bank accounts, deposits, and interest-bearing investments are measured at amortized cost. The bond fund investments are measured at fair value through profit and loss accounts.

Impairment on cash on hand, bank accounts, deposits, and interest-bearing investments is assessed regularly, but deemed minor because of their high investment grade and short duration. Impairment risk of bond fund investments is included in the change in fair value of them.

EUR million	2020	2019
Deposits and securities, maturity more than three months	–	–
Cash and cash equivalents		
Deposits and securities, maturity three months or less	43	15
Cash on hand and in bank accounts	494	141
Cash and cash equivalents total	537	156
Liquid funds total	537	156

Average returns for deposits and securities

%	2020	2019
With maturity more than three months	–	–
With maturity three months or less	1.87%	4.24%

4.4. Equity

ACCOUNTING POLICY

Issue of new shares and own shares

Transaction costs directly attributable to the issue of new shares or options are shown net of their tax effect in equity as a deduction from the proceeds.

Own shares held by the Parent Company valued at the historical acquisition price are deducted from equity. Should such shares be subsequently sold or reissued, the consideration received, net of any directly attributable transaction costs and related income tax, is recorded in equity.

Translation differences

The translation differences arising from subsidiary net investments and non-current subsidiary loans without agreed settlement dates are recognized through Other Comprehensive Income (OCI) to cumulative translation adjustments under equity. When Metso Outotec hedges the net investment of its foreign subsidiaries with foreign currency loans and with financial derivatives, the translation difference is adjusted by the currency effect of the hedging instruments which has been recorded, net of taxes, through OCI in equity. When a foreign entity is disposed of, the respective accumulated translation difference, including the effect from qualifying hedging instruments, is reversed through OCI and recognized in the consolidated statements of income as part of the gain or loss on the sale. If the equity of a subsidiary denominated in a foreign currency is reduced by a return of capital, the translation difference relating to the reduction is reversed through OCI and recognized in the consolidated statements of income.

Dividends

Dividends proposed by the Board of Directors are not recognized in the financial statements until they have been approved by the shareholders in the Annual General Meeting.

Share capital and number of shares

The partial demerger of Metso Corporation and the combination of Metso's Minerals business and Outotec was completed on June 30, 2020. Metso shareholders received 4.3 newly issued shares in Outotec for each share owned in Metso on the record date. Thus, a total of 645,850,948 new Outotec shares were issued as demerger consideration to Metso's shareholders based on their shareholdings in Metso on June 30, 2020. After the transaction was completed, the total number of Metso Outotec shares was 828,972,440 and its share capital was EUR 107,186,442.52.

Metso Outotec Corporation's registered share capital, which is fully paid, was EUR 107,186,442.52 as of December 31, 2020 and Outotec Corporation's share capital was EUR 17,186,442.52 as of December 31, 2019.

	2020	2019
Number of outstanding shares at beginning of year	181,849,864	181,710,115
Shares related to Outotec PSP program, in escrow account	–	139,749
Redemption of own shares by the Parent Company	–	–
Shares granted from share ownership plans	278,390	0
New shares related the reverse acquisition	645,850,948	0
Number of outstanding shares at end of year	827,979,202	181,849,864
Own shares held by the Parent Company	993,238	1,271,628
Total number of shares at end of year	828,972,440	183,121,492

As of December 31, 2020, the acquisition price of 993,238 own shares held by the Parent Company was EUR 9,493,030.00 and was recognized in treasury stock.

Dividends

The Board of Directors proposes that a dividend of EUR 0.20 per share be paid based on the balance sheet to be adopted for the financial year, which ended December 31, 2020. Insofar as the dividend to be paid exceeds the net profit for the year ended December 31, 2020, the remaining amount will be paid from retained earnings from previous years. These financial statements do not reflect this dividend payable of EUR 166 million.

Fair value and other reserves

The hedge reserve includes the fair value movements of derivative financial instruments which qualify as cash flow hedges.

The fair value reserve includes the change in fair values of trade receivables for sale. Share-based payments are presented within the fair value reserve.

The legal reserve consists of restricted equity, which has been transferred from distributable funds under the Articles of Association, local company act or by a decision of the shareholders.

The other reserves consist of the distributable fund and the invested non-restricted equity fund held by the Parent Company.

Changes in fair value and other reserves

EUR million	Treasury stock	Hedge reserve	Fair value reserve	Legal reserve	Other reserves	Total
January 1, 2019	–	-3	–	–	–	-3
Cash flow hedges						
Fair value gains (+) / losses (–), net of tax	–	8	–	–	–	8
Transferred to profit and loss, net of tax						
Sales	–	-4	–	–	–	-4
Cost of goods sold / Administrative expenses	–	–	–	–	–	–
Interest income / expenses	–	-2	–	–	–	-2
Share-based payments, net of tax	–	–	–	–	–	–
Other	–	–	–	–	–	–
December 31, 2019	–	0	–	–	–	0
Cash flow hedges						
Fair value gains (+) / losses (–), net of tax	–	13	–	–	–	13
Transferred to profit and loss, net of tax						
Sales	–	-3	–	–	–	-3
Cost of goods sold / Administrative expenses	–	–	–	–	–	–
Interest income / expenses	–	-1	–	–	–	-1
Share-based payments, net of tax	–	–	2	–	–	2
Demerger	–	–	–	0	265	265
Reverse acquisition	-9	–	–	–	870	860
Other	–	0	–	–	–	0
December 31, 2020	-9	9	2	0	1,134	1,136

Information on changes in fair value and other reserves for 2019 is based on Metso Minerals carve-out data, and 2020 information is based on Metso Outotec data.

Cumulative translation adjustments included in shareholders' equity

EUR million	2020	2019
Cumulative translation adjustment at beginning of year	-151	-153
Currency translation, change	-58	2
Cumulative translation adjustment at end of year	-210	-151

4.5. Borrowings and lease liabilities

ACCOUNTING POLICY Long-term debt is initially recognized at fair value, net of transaction costs incurred and subsequently measured at amortized cost using the effective interest method. The difference, between the debt amount recognized and the redemption amount, is recognized in income statement as interest expense over the period of the borrowings. The fair value changes in borrowings covered by fair value hedge are, in respect of hedged risk, recognized through profit and loss. A portion of long-term debt is classified as short-term debt, when the settlement of the liability is due within 12 months from the balance sheet date. Borrowings are derecognized only, if the contractual obligation is discharged, cancelled or expired.

Fees paid on the establishment of loan facilities are recognized in income statement as other finance expenses over the period of the facility, or, if withdrawal of the loan is probable, as part of the transaction cost. Transaction costs arising from modification to debt instruments are included in the carrying value of the debt and amortized using the effective interest method over the remaining period of the modified liability, provided that the new conditions obtained through the modification do not substantially differ from those of the original debt. Modification gains or losses are recognized in the income statement at the time of non-substantial modification.

	2020		2019	
EUR million	Carrying values	Fair values	Carrying values	Fair values
Bonds	689	713	388	406
Loans from financial institutions	440	440	413	414
Other long-term debt	–	–	–	–
Total borrowings	1,129	1,153	801	820
Lease liabilities	106	106	69	69
Total long-term interest-bearing debt	1235	1259	870	889
Loans from financial institutions	18	18	14	14
Commercial papers	60	60	10	10
Cash pool liabilities, Metso Group	0	0	86	86
Total short-term borrowings	78	78	110	110
Lease liabilities	32	32	21	21
Total short-term interest-bearing debt	110	110	131	131
Total interest-bearing debt	1,345	1,369	1,001	1,020

Bonds

2020

EUR million	Nominal interest rate	Effective interest rate	Outstanding original loan amount	Outstanding carrying value
Public bond 2017–2024	1.125%	2.33%	300	292
Public bond 2020–2028	0.875%	1,04%	300	297
Private placements 2022	3.80%	3.80%	100	100
Bonds total			700	689

Bonds, comparison period

2019

EUR million	Nominal interest rate	Effective interest rate	Outstanding original loan amount	Outstanding carrying value
Public bond 2017–2024	1.125%	2.33%	300	288
Private placements 2022		3.80%	100	100
Bonds total			400	388

Metso Outotec has a Euro Medium Term Note Program (EMTN) of EUR 2 billion, under which EUR 689 million at carrying value was outstanding at the end of 2020 (EUR 388 million in 2019). EUR 589 million (EUR 288 million) of the outstanding amount was public bonds and EUR 100 million (EUR 100 million) private placements.

During the year, a EUR 100 million bank loan was withdrawn for general corporate purposes, and a EUR 40 million loan for research, development, and innovation costs was withdrawn from European Investment Bank.

In July 2020, Metso Outotec repaid Outotec's EUR 150 million hybrid bond. The refinancing of the hybrid bond was done with a bank term loan of EUR 150 million with a maturity in 2022 with a one-year extension option.

Metso Outotec repaid Outotec's EUR 150 million bond in September 2020 with a bank term loan with a maturity until 2022.

Metso Outotec issued a public bond amounting to EUR 300 million with a maturity of 7.5 years under the EMTN Program in November 2020. The proceeds were used to repay a EUR 300 million bank term loan.

The average interest rate of total loans and derivatives was 1.21% (1.37%) on December 31, 2020. The duration of medium and long-term debt interest-bearing debt was 2.1 years (1.8 years) and the average maturity 3.7 years (2.9 years) on December 31, 2020.

Short-term loans from financial institutions consist of bank loans withdrawn by Metso Outotec subsidiaries to fund local operations. The subsidiary loans are Indian rupee denominated. In addition, the nominal value of commercial papers was EUR 60 million at the end of 2020. The weighted average interest rate applicable to the short-term borrowing at December 31, 2020, was 0.8% (4.8% in 2019). In 2021, interest amounting to EUR 0.3 million is expected to be paid concurrently with respective principals on the short-term debt presented above.

Metso Outotec had committed and undrawn revolving credit facilities of EUR 790 million at the end of the year. A syndicated EUR 600 million revolving credit facility has a maturity in 2025 with one one-year extension option. In order to be prepared for any Covid-19 related liquidity needs, Metso Outotec arranged further liquidity buffers during 2020. EUR 100 million revolving credit facilities mature in 2021 and EUR 90 million in 2022. Metso Outotec also has a EUR 600 million Finnish commercial paper program, under which EUR 60 million was issued at the end of the period.

Contractual maturities of interest-bearing debt

2020

EUR million	Borrowings	Repayments	Interest	Lease liabilities [1]
2021	89	78	11	36
2022	511	500	11	26
2023	5	–	5	21
2024	305	300	5	17
2025	43	40	3	13
Later	308	300	8	43
Total	1,262	1,218	44	156

[1] Future lease payments at nominal value.

Contractual maturities of interest-bearing debt, comparison year

2019

EUR million	Borrowings	Repayments	Interest	Lease liabilities [1]
2020	35	24	11	26
2021	310	300	10	19
2022	221	214	8	14
2023	3	–	3	10
2024	303	300	4	8
Later	–	–	–	30
Total	872	838	36	108

[1] Future lease payments at nominal value.

The maturities of derivative financial instruments are presented in note 4.8.

4.6. Interest-bearing net debt reconciliation

Net interest-bearing liabilities

EUR million	2020	2019
Borrowings, non-current	1,129	801
Lease liabilities	138	90
Borrowings, current [1)]	78	110
Loan receivables [2)]	-8	-73
Liquid funds	-537	-156
Net interest-bearing liabilities	**799**	**772**

[1)] Figure for 2019 includes EUR 86 million Metso Group cash pool liabilities.
[2)] Figure for year 2019 includes EUR 17 million cash pool receivables and EUR 50 million loan receivables within Metso Group.

Changes in net interest-bearing liabilities

2020 EUR million	Balance at beginning of year	Cash flows	Acquisitions	Translation differences	Other non-cash movements	Classification as held for sale	Balance at end of year
Borrowings, non-current	801	322	1	–	5	–	1,129
Lease liabilities	90	-31	61	-4	25	-3	138
Borrowings, current	110	-481	450	-2	–	–	77
Loan receivables	-73	66	-1	0	-1	–	-8
Liquid funds	-156	-175	-218	6	–	6	-537
Net interest bearing liabilities	772	-300	294	0	29	3	799

2019 EUR million	Balance at beginning of year	Cash flows	Acquisitions	Disposals	Translation differences	Other non-cash movements	Balance at end of year
Borrowings, non-current	557	239	–	–	0	5	801
Lease liabilities	74	-24	6	–	0	35	90
Borrowings, current	116	-87	87	–	1	-7	110
Loan receivables	-109	68	–	-31	-2	1	-73
Liquid funds	-325	177	-8	–	0	–	-156
Net interest bearing liabilities	313	373	85	-31	-1	34	772

4.7. Contingent liabilities and other commitments

ACCOUNTING POLICY Guarantees have been given for obligations arising in the ordinary course of business of Metso Outotec Group companies. Guarantees have been given by financial institutions or by Metso Outotec Corporation on behalf of group companies. These guarantees have typically been given to secure a customer's advance payments or to secure commercial contractual obligations, or given as counter guarantees to banks, that have given commercial guarantees to a Group company.

The repurchase commitments represent engagements whereby Metso Outotec agrees to a purchase back equipment sold to customer. The conditions triggering the buy-back obligation are specific to each sales contract.

EUR million	2020	2019
Guarantees		
External guarantees given by Parent and Group companies	1,260	268
Other commitments		
Repurchase commitments	0	1
Other contingencies	1	1
Total	1,262	270

4.8. Derivative instruments

ACCOUNTING POLICY Derivatives are initially recognized in the balance sheet at fair value and subsequently measured at their fair value at each balance sheet date. Derivatives are designated at inception either as hedges of firm commitments or forecasted transactions (cash flow hedge) or as hedges of fixed-rate debt (fair value hedge), or as hedges of net investment in a foreign operation (net investment hedge), or as derivatives at fair value through profit and loss that do not meet the hedge accounting criteria.

In hedge accounting, Metso Outotec documents at inception the relationship between the hedging instruments and the hedged items in accordance with its risk management strategy and objectives. Metso Outotec also tests the effectiveness of the hedge relationships at hedge inception, and quarterly both prospectively and retrospectively.

Derivatives are classified as non-current assets or liabilities when the remaining maturities exceed 12 months and as current assets or liabilities when the remaining maturities are less than 12 months.

Cash flow hedge

Metso Outotec applies cash flow hedge accounting to certain interest rate swaps, foreign currency forward contracts and to electricity forwards.

Metso Outotec designates only the currency component of the foreign currency forward contracts as the hedging instrument to hedge foreign currency-denominated firm commitments. The interest component is recognized under other operating income and expenses, net. The gain or loss relating to the effective portion of the currency forward contracts is recognized in the income statement concurrently with the underlying in the same line item. The effective portion of foreign currency forwards hedging sales and purchases is recognized in the sales and the cost of goods sold, respectively. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is reversed from the hedge reserve through other comprehensive income (OCI) to the income statement within financial items concurrently with the recognition of the underlying liability. Both at hedge inception and at each balance sheet date, an assessment is performed to ensure the continued effectiveness of the designated component of the derivatives in offsetting changes in the fair values of the cash flows of hedged items.

Metso Outotec regularly assesses the effectiveness of fair value changes of electricity forwards in offsetting fair value changes of the underlying forecasted electricity purchases in different countries. The gain or loss relating to the effective portion of the electricity forward contracts is recognized in the cost of goods sold. The effective portion of the derivatives is recognized through OCI in the hedge reserve under equity and reversed through OCI to be recorded through profit and loss concurrently with the underlying transaction being hedged.

The gain or loss relating to the ineffective portion of the derivatives is reported under other operating income or expenses, net or under financial items when contracted to hedge variable rate borrowings. Should a hedged transaction no longer be expected to occur, any cumulative gain or loss previously recognized under equity is reversed through OCI to profit and loss.

Fair value hedge

Metso Outotec applies fair value hedge accounting to certain fixed-rate loans. The change in fair value of the interest rate swap hedging the loan is recognized through profit and loss concurrently with the change in value of the underlying. Both at inception and quarterly, the effectiveness of the derivatives is tested by comparing their change in fair value against those of the underlying instruments.

Derivatives at fair value through profit and loss

Certain derivative instruments do not qualify for hedge accounting. These instruments, which have been contracted to mitigate risks arising from operating and financing activities, comprise foreign exchange forward contracts, currency and interest rate options, interest rate swaps, and swap agreements for nickel.

Changes in the fair value of interest rate swaps are recognized in interest expenses. Changes in the fair value of foreign exchange forward contracts are mainly recognized in other operating income and expenses. However, when the foreign exchange forwards have been contracted to mitigate the exchange rate risks arising from foreign currency-denominated cash and from financial instruments used for cash management, the changes in fair value of the derivatives are recognized in financial income and expenses. Changes in the fair value of other derivative instruments, such as commodity instruments, are recognized in other operating income and expenses.

Fair value estimation of derivative instruments

The fair value of the foreign currency forward contracts is determined using forward exchange market rates at the balance sheet date. The fair value of the interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of the commodity forwards and swaps are based on quoted market prices at the balance sheet date. The fair value of options is determined using the Black-Scholes valuation model.

Notional amounts and fair values of derivative financial instruments at December 31:

EUR million	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net
2020				
Forward exchange contracts [1]	1,638	44	29	15
Interest rate swaps	295	3	2	1
Total	1,933	47	31	16
2019				
Forward exchange contracts [1]	1,488	16	13	3
Interest rate swaps	145	2	2	0
Total	1,633	18	16	3

[1] Some 32 percent and 23 percent of the notional amount at the end of 2020 and 2019, respectively, qualified for cash flow hedge accounting.

The notional amounts indicate the volumes in the use of derivatives, but do not indicate the exposure to risk.

Derivative financial instruments recognized in the balance sheet at December 31

	2020		2019	
EUR million	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps — cash flow hedges	–	–	–	–
Interest rate swaps — fair value hedges	3	0	2	–
Interest rate swaps — non-qualifying hedges	–	2	–	2
	3	**2**	2	2
Forward exchange contracts — cash flow hedges	24	10	6	5
Forward exchange contracts — non-qualifying hedges	20	19	10	8
	44	29	16	13
Derivatives total	47	31	18	16

In 2020 and 2019, there was no ineffectiveness related to the cash flow hedges. As at December 31, 2020 the fixed interest rates of swaps varied from −0.51 percent to 2.6 percent.

Maturities of financial derivatives as at December 31, 2020 (expressed as notional amounts)

EUR million	2021	2022	2023	2024	2025 and later
Forward exchange contracts	1,583	55	–	–	–
Interest rate swaps	20	–	–	100	175

Notional and carrying amounts of financial derivatives applying hedge accounting at end of year

EUR million	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net
2020				
Forward exchange contracts	523	24	10	14
Interest rate swaps	250	3	0	3
Total	**773**	**27**	**10**	**17**
2019				
Forward exchange contracts	346	6	5	1
Interest rate swaps	100	2	–	2
Total	**446**	**8**	**5**	**3**

Forward exchange contracts hedge commercial cash flows of projects applying hedge accounting. The hedge ratio is 1:1. 89% of hedged cash flows mature in year 2021, 11% in year 2022.

Impact of cash flow hedge in the statement of financial position in 2020

EUR million	Notional amount	Hedging gain / loss recognized in OCI, net of tax	Amount reclassified from OCI to P/L	Cost of hedging recognized in OCI
	523	3	5	−1

Metso Outotec applies fair value hedge accounting to the bonds maturing in 2024 and 2028. The hedge accounted total notional value is EUR 250 million (EUR 100 million in 2019). The terms of the interest rate swap match the terms of the fixed rate bonds (maturity date, interest fixing and payments dates). Fair values of cash flows of interest rate swap and bond are compared when measuring hedge accounting effectiveness. Credit margin is added to the discount curve of the bond.

Bonds applying fair value hedge accounting as at December 31, 2020

Notional amount of loan, EUR million	Hedge ratio	Maturity date of loan	Fair value of loan, EUR million	Notional amount of interest rate swap,	Maturity date of interest rate swap	Fair value of interest rate swap, EUR million
300	33%	June 13, 2024	−3	100	June 13, 2024	3
300	50%	May 26, 2028	0	150	May 26, 2028	0

5 Consolidation

5.1. Principles of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the Parent Company and each of those companies over which Metso Outotec exercises control. Control is achieved when Metso Outotec is exposed, or has rights, to variable returns from the investee and has the ability to affect those returns through its power over the investee. The companies acquired during the financial period have been consolidated from the date Metso Outotec acquired control. Subsidiaries sold or distributed to the owners have been included up to their date of disposal.

All intercompany transactions, balances, and gains or losses on transactions between subsidiaries are eliminated as part of the consolidation process. Non-controlling interests are presented in the consolidated balance sheet within equity, separate from equity attributable to shareholders. Non-controlling interests are separately disclosed in the consolidated statement of income.

Acquisitions of businesses are accounted for using the acquisition method. The purchase consideration of an acquisition is measured at fair value over the assets given up, shares issued, or liabilities incurred or assumed at the date of acquisition. For each acquisition, the non-controlling interest in the acquiree, if any, can be recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess acquisition price over the fair value of net assets acquired is recognized as goodwill (see also intangible assets). If the purchase consideration is less than the fair value of the Group's share of the net assets acquired, the difference is recognized directly through profit and loss.

When Metso Outotec ceases to have control, any retained interest in equity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture, or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity is accounted for as if the Group had directly disposed of the related assets or liabilities.

Non-controlling interest

Transactions with non-controlling interests are regarded as transactions with equity owners. In the case of purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets acquired in the subsidiary is recorded in shareholders' equity. Gains or losses on disposal to non-controlling interests are also recorded directly in shareholders' equity.

Non-current assets or disposal group held-for-sale

Metso Outotec classifies a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are valued at the lower of its carrying value and fair value, less costs to sell, and assets subject to depreciation or amortization are no longer amortized. Assets related to non-current assets or a disposal group classified as held-for-sale are disclosed separately from other assets, but financial statements for prior periods are not reclassified.

Foreign currency translation

The financial statements are presented in euros, which is the Parent Company's functional currency and Metso Outotec's presentation currency.

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the date of the transaction. At the end of the reporting period, unsettled foreign currency transaction balances are valued at the rates of exchange prevailing at the balance sheet date. Trade-related foreign currency exchange gains and losses are recorded in other operating income and expenses, unless the foreign currency-denominated transactions are subject to hedge accounting, in which case the related exchange gains and losses are recorded in the same line item as the hedged transaction. Foreign exchange gains and losses associated with financing are entered as a net amount under financial income and expenses.

The statement of income of a subsidiary with a functional currency different from the presentation currency is translated into euros at the average month end exchange rate for the financial year, and the balance sheet is translated at the exchange rate in effect on the balance sheet date. This exchange rate difference is recorded through other comprehensive income (OCI) within cumulative translation adjustments under equity.

The translation differences arising from subsidiary net investments and long-term subsidiary loans without agreed settlement dates are recognized through OCI within cumulative translation adjustments under equity. When Metso Outotec hedges the net investment of its foreign subsidiaries with foreign currency loans and financial derivatives, the translation difference is adjusted by the currency effect of hedging instruments that has been recorded, net of taxes, through OCI under equity. When a foreign entity is disposed of, the respective accumulated translation difference, including the effect from qualifying hedging instruments, is reversed through OCI and recognized in the consolidated statement of income as part of the gain or loss on the sale. If the equity of a foreign currency-denominated subsidiary is reduced by reimbursement of invested funds, the translation difference relating to the reduction is reversed through OCI and recognized in the consolidated statement of income.

Net investment hedge

Metso Outotec may hedge its net foreign investments in certain currencies to reduce the effect of exchange rate fluctuations. The hedging instruments are mainly foreign currency loans and foreign currency forward contracts. Both realized and unrealized exchange gains and losses measured on these instruments are recorded, net of taxes, through OCI in a separate component of equity against the translation differences arising from consolidation to the extent these hedges are effective. The interest portion of derivatives qualifying as hedges of net investment is recognized under financial income and expenses.

5.2. Subsidiaries

Company name	Ownership Dec 31, 2020
Algeria	
Metso Algerie EURL	100.0%
Argentina	
Metso Outotec Argentina SA	100.0%
Australia	
Brian Investments Pty Ltd	100.0%
Metso Australia Ltd	100.0%
Outotec Ausmelt Pty Ltd	100.0%
Outotec Pty Ltd	100.0%
Scanalyse Holding Pty Ltd	100.0%
Austria	
Metso Austria GmbH	100.0%
Brazil	
Metso Brazil Indústria e Comércio Ltda	100.0%
Outotec Tecnologia Brasil Ltda	100.0%
Bulgaria	
Metso Bulgaria EOOD	100.0%
Petrobau Ingenieur EOOD Bulgaria	100.0%
Canada	
Metso Shared Services Ltd	100.0%
Outotec (Canada) Ltd	100.0%
Metso Canada Holdings Inc	100.0%
McCloskey International Limited	100.0%
Metso Minerals Canada Inc.	100.0%
Chile	
Industrial Support Company SpA	100.0%
Metso Chile SpA	100.0%
Outotec (Chile) S.A.	100.0%
Outotec Servicios Industriales Ltda.	100.0%
China	
Outotec Shanghai Co Ltd.	100.0%
Metso Minerals (Quzhou) Co. Ltd	100.0%
Metso Minerals (Tianjin) Co. Ltd	100.0%
Metso Minerals (Tianjin) International Trade Co. Ltd	100.0%
Outotec Suzhou Co. Ltd	100.0%
Shaoguan City Shaorui Heavy Industries Co. Ltd	100.0%
SISUPER Machinery Heavy Industry (Suzhou) Co. Ltd	100.0%
Czech Republic	
Metso Czech Republic s.r.o.	100.0%
Denmark	100.0%
Metso Denmark A/S	100.0%
Metso Denmark Properties Aps	100.0%
Ecuador	
Outotec-Technology (Ecuador) S.A.	100.0%
Egypt	
Outotec Egypt Company LLC	100.0%
Finland	
Metso Minerals Oy	100.0%
International Project Services Ltd. Oy	100.0%
Outotec (Ceramics) Oy	100.0%
Outotec (Filters) Oy	100.0%
Outotec (Finland) Oy	100.0%
Outotec International Holdings Oy	100.0%
Outotec Turula Oy	100.0%
Rauma Oy	100.0%
France	
Metso France SAS	100.0%
Germany	
Metso Germany GmbH	100.0%
Outotec Deutschland GmbH	100.0%
Outotec GmbH & Co KG	100.0%
Outotec Holding GmbH	100.0%
Ghana	
Metso Ghana Ltd	100.0%
Outotec (Ghana) Limited	100.0%
India	
Larox India Private Ltd	100.0%
Metso India Private Ltd	100.0%
Outotec India Private Ltd	100.0%
Indonesia	
PT Metso Minerals Indonesia 1)	99.9%
PT Outotec Technology Solutions	100.0%
Iran	
Outotec Iranian Minerals and Metals Processing	100.0%
Italy	
Metsotec Italy Srl	100.0%
Japan	
Metso Japan Co. Ltd	100.0%
Kazakhstan	
Metso (Kazakhstan) LLP	100.0%
Outotec (Kazakhstan) LLP	100.0%
Lithuania	
Metso Outotec Global Business Services UAB	100.0%
Metso Outotec Lithuania UAB	100.0%
Macedonia	
Metso Minerals Dooel Skopje	100.0%
Malaysia	
Metso Outotectec Malaysia Sdn Bhd	100.0%
Mexico	
Metso Outotec Mexico SA de CV	100.0%
Metso Outotec SA de CV	100.0%
Outotec Mexico SA de CV	100.0%
Outotec Servicios Corporativos SA DE CV	100.0%
Mongolia	
Outotec Mongolia LLC	100.0%
Morocco	
Outotec Morocco LLC	100.0%
Namibia	
Outotec Namibia (Pty) Ltd	100.0%
New Caledonia	
Outotec (New Caledonia) SAS	100.0%
Netherlands	
Metsotec NL BV	100.0%
Outotec (Netherlands) BV	100.0%
Outotec B.V.	100.0%
Norway	
Metso Norway A/S	100.0%
Outotec (Norway) A/S	100.0%
Panama	
Metso Central America SA	100.0%
Outotec (Panama) SA	100.0%
Papua New Guinea	
Metso PNG Limited	100.0%
Peru	
Metso Perú SA	100.0%
Outotec (Peru) S.A.C.	100.0%
Poland	
Outotec (Polska) Sp. z o.o.	100.0%
Portugal	
Metso Portugal Lda	100.0%
Qatar	
Outotec Trading & Contracting WLL 2)	49.0%
Russia	
AO Outotec St. Petersburg	100.0%
OOO Metso	100.0%
Romania	
Metso Minerals Romania S.R.L.	100.0%
Saudi Arabia	
Outotec Saudi Arabia LLC	100.0%
Outotec Technology Saudi LLC	100.0%
Serbia	
Metso d.o.o. Beograd	100.0%
Singapore	
Metso Asia Pacific Pte Ltd	100.0%
South Africa	
Metso South Africa Pty Ltd	86.7%
Metso South Africa Sales Pty Ltd	86.7%
Outotec (RSA) (Pty) Ltd.	100.0%
Outotec Africa Holdings (Pty) Ltd	100.0%
Outotec Biomin (Pty) Ltd	52.9%
Outotec Services (RSA) Proprietary Limited	100.0%
Spain	
Metso Espana SA	100.0%
Outotec (Spain) S.L.	100.0%
Sweden	
AB P. J. Jonsson och Söner	100.0%
Larox AB	100.0%
Metso Sweden AB	100.0%
Outotec (Sweden) AB	100.0%

Company name	Ownership Dec 31, 2020
Thailand	
Metso Outotec (Thailand) Limited	100.0%
Turkey	
Metso Minerals Anonim Sirketi	100.0%
Outotec Turkey Metal Enerji ve su Teknolojileri Anonim Sirketi	100.0%
United Arab Emirates	
Metsotec FZE	100.0%
Outotec Engineering DMCC	100.0%
Outotec Engineering RAK LLC [1]	48.0%
Outotec Middle East Industrial Projects Consultancy LLC [3]	49.0%
United Kingdom	
Kiln Flame Systems Enterprises Limited	100.0%
Kiln Flame Systems Ltd	100.0%
McCloskey International Ltd	100.0%
Metso Outotec Captive Insurance Limited	100.0%
Metso UK Ltd	100.0%
Outotec (UK) Limited	100.0%
United States	
Metso McCloskey USA LLC	100.0%
Metso Minerals Industries Inc.	100.0%
Metso Outotec USA Inc.	100.0%
Outotec (USA) Inc.	100.0%
Vietnam	
Metso Vietnam Co. Ltd	100.0%
Zambia	
Metso Zambia Ltd	100.0%
Outotec (Zambia) Limited	100.0%

[1] Has been 100% consolidated
[2] Has been 70% consolidated
[3] Has been 90% consolidated

5.3. Associated companies, joint ventures and related party transactions

ACCOUNTING POLICY The equity method of accounting is used for investments in associated companies in which the investment provides Metso Outotec the ability to exercise significant influence over the operating and financial policies of the investee company. Such influence is presumed to exist for investments in companies in which Metso Outotec's direct or indirect shareholding is between 20 and 50 percent of the voting rights or if Metso Outotec is able to exercise significant influence. Investments in associated companies are initially recognized at cost after which Metso Outotec's share of their post-acquisition retained profits and losses is included as part of investments in associated companies in the consolidated balance sheets.

Under the equity method, the share of profits and losses of associated companies and joint ventures is presented separately in the consolidated statements of income.

A joint arrangement is an arrangement in which two or more parties have joint control. Within Metso Outotec, all the joint arrangements are joint ventures. Investments in joint ventures in which Metso Outotec has the power to jointly govern the financial and operating activities of the investee company are accounted for using the equity method. Investments in joint ventures in which Metso Outotec has control over the financial and operating activities of the investee company are fully consolidated and a non-controlling interest is recognized.

Associated companies and joint ventures

	2020		2019	
EUR million	Ownership	Carrying value	Ownership	Carrying value
Liugong Metso Construction Equipment (Shanghai) Co. Ltd	50.0%	7	50.0%	7
Sefate Capital (Pty) Limited	49.0%	1	49.0%	1
Enefit Outotec Technology Oü	40.0%	2	–	–
GreenExergy AB	49.0%	0	–	–
Sidvin Outotec Engineering Private Ltd	25.1%	0	–	–
Total		10		8

The movements in the carrying value of investments in associated companies and joint ventures

EUR million	2020	2019
Investments in associated companies and joint ventures		
Acquisition cost at beginning of year	8	6
New subsidiaries	2	–
Investments	–	3
Acquisition cost at end of year	11	8
Equity adjustments in investments in associated companies and joint ventures		
Equity adjustments at beginning of year	-1	-2
New subsidiaries	0	–
Share of results	0	1
Translation differences	0	0
Equity adjustments at end of year	-1	-1
Carrying value at end of year	10	8

Metso Outotec's share of the assets and liabilities, sales and results of the associated companies and joint ventures, which have been accounted for using the equity method

EUR million	2020	2019
Assets	18	22
Liabilities	9	15
Sales	7	15
Profit	0	1

Related party transactions

Transactions carried out and related balances with associated companies and joint ventures

EUR million	2020	2019
Sales	6	26
Purchases	-2	0
Receivables	1	15
Payables	0	0

Related party information in comparison period 2019

In the comparison period, Metso Minerals' related parties included Metso Oyj (now Neles Oyj) and Metso companies other than Metso Minerals business related.

The related party relationship between Metso Minerals and Metso ceased to exist at the effective date of the demerger. The balance sheet items between Metso Minerals and the other Metso companies for the comparison period have been disclosed as related party transactions for information purposes. The balance sheet items between Metso Minerals and Metso were settled in connection with the demerger.

Metso Minerals' sales and purchases to and from the other Metso's businesses have been insignificant during the comparison period.

In addition, Metso Group has equity and financing transactions with the Metso Minerals business that have led to the recognition of receivables and liabilities with Metso Group. Current receivables include trade receivables arising from intragroup services as well as loan receivables and positive cash pool balances as a result of the centralized cash pool arrangements.

Non-current and current liabilities represent loan balances owed by Metso Minerals entities to Metso Group that have been arranged for Metso Minerals business to meet its financing needs. Trade payables comprise items arising from intragroup services. Cash pooling liabilities represent cash owed to Metso as part of the centralized cash pool arrangements.

EUR million	2019
Receivables	
Non-current	
Loan receivables	25
Other non-current receivables	88
Current	
Loan receivables	25
Trade receivables	10
Cash pool receivables	17
Liabilities	
Non-current	
Other non-current liabilities	-6
Current	
Cash pool liabilities	-86
Trade payables	-1
Other current liabilities	-11

5.4. Acquisitions and business disposals

Acquisitions in 2020

It was announced on July 4, 2019, that Metso's Minerals business and Outotec will be combined through a partial demerger of Metso Corporation. The Extraordinary General Meetings of Metso and Outotec approved the demerger and combination on October 29, 2019. All regulatory approvals for the combination were received by June 18, 2020. The completion of Metso's partial demerger was registered with the Finnish Trade Register on June 30, 2020, and the name of the combined company was changed to Metso Outotec Corporation. Metso shareholders received 4.3 newly issued shares in Outotec for each share owned in Metso on the record date. Thus, a total of 645,850,948 new Outotec shares were issued as demerger consideration to Metso's shareholders based on their shareholdings in Metso on June 30, 2020. After the transaction was completed, the total number of Metso Outotec shares was 828,972,440 and its share capital was EUR 107,186,442.52.

The purpose of the combination is to create a leading company in process technology, equipment, and services serving the minerals, metals, and aggregates industries. The combination is expected to deliver a range of strategic, commercial, operational, and financial benefits.

The combination of Metso Minerals and Outotec is highly complementary and creates a unique company in the industry. Metso Outotec leverages the strengths of both companies, including technology and R&D, product and process excellence, scale, and global service offering footprint. The combination will deliver significant benefits to all stakeholders.

Metso Outotec expects to achieve material cost and revenue synergies. The cost synergies are expected to be realized from operations, with the balance from optimization of supply chain and procurement savings. The highly complementary product and service portfolio and the combined global footprint are expected to generate multiple cross-selling opportunities, leading to revenue synergies.

The partial demerger of Metso Corporation and combination of Metso's Minerals business and Outotec was completed on June 30, 2020. In the consolidated financial statements according to IFRS this transaction is treated as a reverse acquisition, where Metso Minerals is the accounting acquirer and Outotec the accounting acquiree. The acquisition of Outotec has been accounted for in the consolidated financial statements as a business combination using the acquisition method. Outotec has been consolidated from the acquisition date June 30, 2020 onwards to Metso Minerals. Further information of the combined assets and liabilities of the reverse acquisition can be found in the demerger plan published on July 1, 2019 in the Metso Outotec Group's website.

Consideration transferred

The consideration transferred amounted to EUR 899 million and was measured using the market price of the Outotec share (EUR 4.91) as of June 30, 2020 and the number of Outotec shares outstanding (183.1 million) before the completion of the transaction.

Recognized amounts of identifiable assets acquired and liabilities assumed

Outotec's net assets were identified and recognized at fair value as of the acquisition date on June 30, 2020. Based on new information about facts and circumstances at the acquisition date measurement period adjustments have been made on deferred tax assets of prior year losses EUR 7 million and increases in provisions related to discontinued operations EUR 11 million compared to the original fair value calculation. The following table summarizes the fair values of assets and liabilities assumed. The accounting of the acquisition is still provisional pending the finalization of the valuation of the assets and liabilities assumed. The provisional amounts recognized may be adjusted within 12 months after the date of acquisition, to reflect new information obtained about the facts and circumstances that existed at the date of the acquisition.

Preliminary assets and liabilities recognized as a result of the acquisition

EUR million	Outotec Fair value
Intangible assets	858
Property, plant and equipment	43
Right-of-use assets	61
Deferred tax assets	79
Other non-current assets	8
Inventory	219
Trade receivables	115
Customer contract assets	181
Income tax receivables	15
Other receivables	67
Liquid funds	215
Assets	1,862
Non-current interest-bearing liabilities	-43
Deferred tax liability	-188
Other non-current liabilities	-124
Current interest-bearing liabilities	-468
Trade payables	-126
Customer contract liabilities	-145
Accrued income taxes	-12
Other liabilities	-322
Liabilities	-1,428
Net liabilities, held for sale	-50
Net identifiable assets acquired at fair value	383
Goodwill	517
Purchase consideration	899

The acquired Outotec business was consolidated into the Minerals and Metals segments and contributed sales of EUR 534 million to Metso Outotec for the period from July 1, 2020 to December 31, 2020. The company's sales in the fiscal year that ended on December 31, 2019, were EUR 1,210 million. The company employs 3,877 people.

The identified intangible assets relate to technology, customer relationships, Outotec's trademark, and order backlog. Fair values for the intangible assets have been determined using appropriate valuation methods including multi-period excess earnings method (MEEM) for customer relationships and order backlog, and Relief from royalty method (Rfr) for technology and Outotec's trademark. The amortization period for these assets varies from 0.5 years to 20 years. Goodwill is attributable to market share, future products and technologies, geographical presence synergies, and workforce. Goodwill will not be deductible for tax purposes. The fair value adjustments of acquired Outotec assets and liabilities as well the goodwill have been allocated to the Minerals and Metals segments.

Fair value adjustments of the identifiable assets of Outotec

EUR million	Periods	Fair value adjustments	Amortization / depreciation 7–12/2020	Amortization / depreciation 2021
Customer-related intangible assets	20 years	269	7	13
Marketing-related intangible assets	20 years	53	1	3
Technology-related intangible assets	20 years	449	11	22
Order backlog	0.5 year	39	39	–
Total intangible assets		**810**	**58**	**38**
Property, plant, and equipment	5.5 years	5	0	1
Fair value adjustments total		**815**	**58**	**38**

Outotec fair value adjustments and goodwill are allocated to the Minerals and Metals segment.

The amount of the non-controlling interest in Outotec recognized at the acquisition date was EUR 1 million and was measured based on a proportionate share of the value of net identifiable assets acquired.

IFRS-based acquisition costs of EUR 26 million recognized by Metso Outotec and Metso Minerals during 2020 (EUR 12 million during the financial year of 2019) are expensed and included in administrative expenses in the income statement and in operating cash flow in the statement of cash flows. Outotec recognized EUR 33 million of transaction costs before the date of business combination June 30, 2020. For further detailed specification of transaction costs, please see the section "Voluntary Unaudited Pro Forma Financial Information".

According to pro forma financial information on the combination Group sales would have been EUR 3,896 million and operating profit EUR 253 million, if the combination had taken place at the beginning of the year. For a more detailed description on pro forma financial information, please see the section "Voluntary Unaudited Pro Forma Financial Information".

Other acquisitions in 2020

On August 3, 2020, Metso Outotec acquired a 100% share of the Australian company Brian Investments Pty Ltd, a fastener and wear monitoring technology provider. The acquisition extends Metso Outotec's wear lining portfolio and capabilities. The acquired business was consolidated into the Minerals segment and contributed sales of EUR 5 million to Metso Outotec for the period from August 3, 2020, to December 31, 2020. The company's fiscal year sales are about EUR 10 million. The company employs about 30 people.

Assets and liabilities recognized as a result of the acquisitions

EUR million	Brian Investments Pty Ltd
Fixed assets	4
Inventory	1
Receivables	4
Liquid funds	1
Liabilities	-3
Net identifiable assets acquired at fair value	6
Goodwill	3
Purchase consideration	9

Goodwill is attributable to personnel knowhow and synergies. Goodwill is not deductible for tax purposes. The initial calculation of goodwill generated is based on the result of acquired companies, adjusted by changes in accounting principles and effects from the fair value adjustment of acquired assets and related tax adjustments.

Net cash flow impact of the acquisitions

EUR million	Brian Investments Pty Ltd	McCloskey International Ltd	Total 2020
Cash consideration paid	-9	1	-8
Cash and cash equivalents acquired	1	–	1
Net cash flow for the year	-8	1	-7
Contingent consideration	–	4	4
Cash considerations, total	-8	5	-3

Acquisition costs of EUR 0.2 million are expensed and included in administrative expenses in the income statement and in operating cash flow in the statement of cash flows.

As the contingent consideration of the McCloskey acquisition was reassessed, an amount of EUR 4 million was recognized as other income in the income statement.

Acquisitions in 2019

On May 3, 2019, Metso Minerals acquired 100% share of the company Industrial Support Company SpA in Chile, which used to form the service division of the Chilean mining engineering, construction and technology company HighService Corp. The acquired business was consolidated into Metso Minerals and contributed sales of EUR 35 million for the period from

May 3, 2019 to December 31, 2019. The company's sales in 12 months fiscal year that ended on December 31, 2018, were EUR 57 million. The company employs 869 persons.

On October 1, 2019, Metso Minerals acquired a 100% share of the Chilean company McCloskey International Limited, a mobile crushing and screening equipment manufacturer, with operations in Canada, the United States, and the United Kingdom. With the McCloskey acquisition, Metso Minerals expanded its offering in the aggregates industry globally and strengthened its customer reach to the general contractor segment. With this acquisition, Metso Minerals is able to better take part in the attractive, long-term growth of the mobile equipment market within the aggregates industry. The acquired business was consolidated into the Metso Minerals and contributed sales of EUR 55 million for the period from October 1, 2019, to December 31, 2019. The company's sales in 12 months fiscal year that ended on September 30, 2019, were EUR 322 million. The company has about 900 employees.

Assets and liabilities recognized as a result of the acquisitions

2019 EUR million	McCloskey International Ltd	Industrial Support Company	Total
Intangible assets	101	8	109
Tangible assets	38		38
Right-of-use assets	2	3	6
Deferred tax assets	15	2	17
Inventory	113		113
Trade receivables	49	7	56
Other receivables	5	1	6
Liquid funds	8	0	8
Interest bearing liabilities	-84	-3	-87
Trade payables	-43	-4	-47
Other liabilities	-27	-6	-33
Accrued income taxes	-24	-	-24
Deferred tax liability	-25	-2	-27
Net identifiable assets acquired at fair value	126	7	133
Goodwill	77	24	100
Purchase consideration	203	30	233

Goodwill is attributable to personnel knowhow and synergies. Goodwill on the McCloskey acquisition is partly tax deductible.

The initial calculation on goodwill generated is based on the result of acquired companies, adjusted by changes in accounting principles and effects from the fair value adjustment of acquired assets and related tax adjustments.

Net cash flow impact of the acquisitions

2019 EUR million	McCloskey International Ltd	Industrial Support Company	Total
Cash consideration paid	-192	-30	-222
Cash and cash equivalents acquired	8	0	8
Net cash flow for the year	-184	-30	-214
Contingent consideration	-11	-	-11
Cash considerations, total	-195	-30	-225

Contingent consideration of the McCloskey acquisition will be paid if the profitability requirements are met for a two-year period.

Acquisition costs of 5 million are expensed and included in administrative expenses in the income statement and in operating cash flow in the statement of cash flows.

Disposals in 2019

On January 4, 2019, Metso Minerals had successfully completed the divestment of its grinding media business to Moly-Cop, a portfolio company of American Industrial Partners. The transaction included the sale of Metso Spain Holding, S.L.U, including operations in Bilbao and Seville, Spain. As part of the transaction, approximately 80 employees transferred from Metso Minerals to Moly-Cop. The turnover of the divested business in 2018 was approximately EUR 60 million. The grinding media business was part of the Minerals segment.

The cash consideration was EUR 11 million. The net assets of the disposed entity were EUR 13 million, whereby Metso Minerals booked a small loss on the transaction.

EUR million	2019
Intangible assets	6
Tangible assets	4
Inventories	21
Trade receivables	15
Other receivables	2
Cash and cash equivalents	3
Interest-bearing liabilities	-31
Trade payables	-9
Other liabilities	-1
Deferred tax liabilities	3
Net assets of disposed business	13
Consideration received in cash	11
Net assets of disposed business	-13
Loss on disposal	-2
Consideration received in cash	11
Cash and cash equivalents disposed of	-3
Debt repayments of disposal	31
Net cash inflow on disposal	39

5.5. Discontinued operations

ACCOUNTING POLICY Discontinued operations is a component of an entity that either has been disposed of or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. The result from discontinued operations is shown separately in the consolidated statement of income and the comparative figures are restated accordingly.

Non-current assets and assets and liabilities related to discontinued operations are classified as held for sale if their carrying amounts are expected to be recovered primarily through sale rather than through continuing use. Classification as held for sale requires that the following criteria are met: the sale is highly probable, the asset is available for immediate sale in its present condition – subject to usual and customary terms, the management is committed to the sale, and the sale is expected to be completed within one year from the date of classification.

Prior to classification as held for sale, the assets or assets and liabilities related to a disposal group in question are measured according to the respective IFRS standards. From the date of classification, non-current assets held for sale are measured at the lower of the carrying amount and the fair value, less costs to sell, and the recognition of depreciation and amortization is discontinued. Non-current assets held for sale are presented in the statement of financial position separately from other items. The comparative figures for statement of financial position are not restated.

Discontinued operations: Recycling business

On October 28, 2020, Metso Outotec announced its decision to divest its Recycling business. The Recycling business sells products and services for metal and waste recycling. The business has around 300 employees and its main locations are Horsens, Denmark; Düsseldorf, Germany; and San Antonio, Texas.

The business to be divested has been classified as discontinued operations, including the transfer of assets held for sale and liabilities directly attributable to them on separate lines in the balance sheet. The figures in the income statement have been adjusted to show the discontinued operations separately from continuing operations. The comparative figures for 2019 have been restated correspondingly.

The Recycling business has limited synergies with the core of the new Metso Outotec, which is why preparations to divest the business have started. The sale is expected to be executed during 2021.

Result of the discontinued operations

EUR million	2020	2019
Sales	125	156
Cost of sales	-98	-119
Sales, general and administrative expenses	-27	-28
Other income and expenses, net	0	0
Operating result	0	9
Finance income and expenses, net	0	0
Income taxes	-3	-3
Result for the period	-3	7

Balance sheet of the discontinued operations

EUR million	2020
Non-current assets	42
Inventories	34
Trade and other receivables	26
Cash and cash equivalents	6
Total assets	109
Non-current liabilities	26
Current liabilities	50
Total liabilities	76

Discontinued operations: Aluminium and Waste-to-energy businesses

At the date of the Outotec acquisition, June 30, 2020, the Aluminium and Waste-to-energy businesses were disclosed as discontinued operations, as they are also in the balance sheet of Metso Outotec on December 31, 2020. The figures in the income statement have been adjusted to show the discontinued operations separately from continuing operations.

The Aluminium business to be divested includes green anode plants, rod shops and certain casthouse technologies as well as related service operations. On December 28, 2020, Metso Outotec announced the sale of this business to REEL International, headquartered in France. The closing of the sale is expected to take place during the first quarter of 2021. The sale will have no material impact on Metso Outotec's financial result.

The Waste-to-energy business to be divested comprises of biomass, wood waste and various other fuel plants, including the related service operations. This divestment is expected to be implemented during 2021.

Result of the discontinued operations 7–12/2020

EUR million	2020
Sales	22
Operating result	-5
Result for the period	-8

Balance sheet of the discontinued operations

EUR million	2020
Non-current assets	17
Inventories	9
Trade and other receivables	10
Total assets	36
Non-current liabilities	0
Current liabilities	71
Total liabilities	72

5.6. New accounting standards

New and amended standards effective in 2020

The following new or revised IFRS standards have been adopted from January 1, 2020, in these consolidated financial statements. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

Amendments to References to the Conceptual Framework in IFRS Standards

The amendments included in Amendments to References to the Conceptual Framework in IFRS Standards include consequential amendments to affected Standards so that they refer to the new Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amended standards are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The prohibition of 'obscuring' material information with immaterial information has been included as part of the new definition. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1.

New and amended standards to be applied

At the date of authorization of these financial statements, Metso Outotec has not applied the following new and revised IFRS Standards that have been issued but are not yet effective [and (in some cases) had not yet been adopted by the EU (marked with *)]:

- IFRS 17 Insurance Contracts *
- Amendments to IFRS 4 – deferral of IFRS 9
- IFRS 10 and IAS 28 (amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Classification of liabilities as current or non-current *
- Amendments to IFRS 3 Reference to the conceptual framework *
- Amendments to IAS 16 Property, plant and equipment – proceeds before intended use *
- Amendments to IAS 37 Onerous contracts – cost of fulfilling a contract *
- Annual Improvements to IFRS Standards 2018–2020 Cycle Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 *
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of Metso Outotec in future periods.

5.7. Exchange rates used

		Average rates		Year-end rates	
		2020	2019	2020	2019
USD	(US dollar)	1.1452	1.1214	1.2271	1.1234
SEK	(Swedish krona)	10.4789	10.5572	10.0343	10.4468
GBP	(Pound sterling)	0.8864	0.8773	0.8990	0.8508
CAD	(Canadian dollar)	1.5320	1.4882	1.5633	1.4598
BRL	(Brazilian real)	5.8847	4.4195	6.3735	4.5157
CNY	(Chinese yuan)	7.8916	7.7353	8.0225	7.8205
AUD	(Australian dollar)	1.6523	1.6090	1.5896	1.5995

6 Other notes

6.1. Audit fees

EUR million	2020	2019
Audit services	-2.5	-1.9
Tax services	-0.3	-0.1
Other services	-0.4	-0.7
Total	-3.2	-2.7

The above table discloses fees to Metso Outotec's auditor EY. The disclosed fees include also the fees for Metso Minerals audits in the period before EY was appointed as the auditor of Metso Outotec. In addition, fees paid to Outotec's auditor PwC during January 1 — June 30, 2020, totaled EUR 1.0 million and were allocated as follows: audit services EUR 0.4 million, tax services EUR 0.3 million, and other services EUR 0.3 million.

6.2. Lawsuits and claims

Several lawsuits, legal claims and disputes based on various grounds are pending against Metso Outotec in various countries related, among other things, to Metso Outotec's products, projects, other operations, and customer receivables. Metso Outotec's management assesses, however, to the best of its present understanding that the outcome of these lawsuits, claims, and legal disputes would not have a material adverse effect on Metso Outotec in view of the grounds presented for them, provisions made, insurance coverage in force, and the extent of Metso Outotec's total business activities. It should be noted, however, that outcomes of pending lawsuits, legal claims, and disputes are beyond the direct influence of Metso Outotec's management and may, therefore, materially deviate from management's current assessment.

Financial Statements of the Parent Company, FAS

Statement of income of the Parent Company

EUR	Note	2020	2019
Sales		37,925,836.64	36,901,852.25
Other operating income	2	63,234.29	225,808.56
Personnel expenses	3	-18,715,230.45	-13,170,739.31
Depreciation and amortization	4	-9,363,186.25	-13,181,914.73
Other operating expenses	5	-88,287,869.09	-34,146,155.41
Operating profit (loss)		-78,377,214.86	-23,371,148.64
Finance income and expenses, net	7	26,901,419.30	-43,700,393.81
Profit before appropriations and taxes		-51,475,795.56	-67,071,542.45
Appropriations	8	62,900,000.00	67,600,000.00
Profit before taxes		11,424,204.44	528,457.55
Income taxes	9		
Current tax expense		-1,629,390.13	-383,997.70
Profit		9,794,814.31	144,459.85

Balance sheet of the Parent Company

Assets

EUR	Note	2020	2019
Non-current assets			
Intangible assets	10	18,038,467.46	39,529,781.42
Tangible assets	10	1,155,930.82	637,063.71
Investments	11		
Shares in Group companies		1,374,871,138.35	498,009,586.80
Other investments		415,488,027.67	218,798.33
Total non-current assets		1,809,553,564.30	538,395,230.26
Current assets			
Inventories		–	208,212.62
Long-term receivables	13	3,119,562.00	610,892.61
Short-term receivables	13	674,618,540.14	347,692,223.05
Bank and cash		239,733,826.31	63,121,414.68
Total current assets		917,471,928.45	411,632,742.96
Total assets		2,727,025,492.75	950,027,973.22

Shareholders' equity and liabilities

EUR	Note	2020	2019
Shareholders' equity	14		
Share capital		107,186,442.52	17,186,442.52
Share premium fund		20,180,000.00	20,180,000.00
Treasury shares		-9,493,030.00	-11,975,818.25
Invested non-restricted equity fund		434,549,357.76	102,436,211.65
Reserve for cash hedges		2,052,540.03	800,479.93
Retained earnings		506,017,295.94	153,220,538.24
Profit for the year		9,794,814.31	144,459.85
Total shareholders' equity		1,070,287,420.56	281,992,313.94
Liabilities			
Long-term liabilities	15	1,140,920,246.00	150,000,000.00
Current liabilities	16	515,817,826.19	518,035,659.28
Total liabilities		1,656,738,072.19	668,035,659.28
Total shareholders' equity and liabilities		2,727,025,492.75	950,027,973.22

Cash flow statement of the Parent Company

EUR thousand	2020	2019
Cash flows from operating activities		
Profit for the year	9,795	144
Adjustments to operating profit (loss)		
Depreciation and amortization	9,363	13,182
Impairment	15,094	39,843
Unrealized exchange gains / -losses	4,889	-
Finance income and expenses, net	-26,901	13,594
Group contributions	-62,900	-67,600
Taxes	1,629	-
Other non-cash items	2,942	-12,894
Total adjustments to operating profit (loss)	-55,884	-13,875
Increase / decrease in short-term non-interest-bearing trade receivables	-40,705	10,896
Increase / decrease in short-term non-interest-bearing debt	98,434	2,822
Change in working capital	57,729	13,718
Interest paid	-13,428	-18,376
Other financial expenses paid	-8,311	-
Dividends received	23,173	15,240
Interest received	1,373	4,542
Income taxes paid	-3,575	-
Net cash provided by operating activities	10,872	1,395

EUR thousand	2020	2019
Cash flows from investing activities		
Investments in tangible and intangible assets	-2,411	-5,408
Investments in subsidiary shares	-	-554
Long-term loans granted	-216,553	-
Repayments of long-term loans	142,345	-
Short-term loans granted	-114,289	-71,108
Repayments of short-term loans	213,988	79,930
Interest received from investments	13,010	-
Business acquisitions — transferred assets and liabilities from Metso Minerals carve-out	90,000	-
Net cash used in investing activities	126,091	2,861
Cash flows from financing activities		
Sales from treasury shares to subsidiaries	2,483	591
Changes of short-term loans, (+withdrawals, -installments)	23,888	-
Withdrawal of long-term loans	696,301	-
Repayments of long-term loans	-700,000	-4,091
Dividends paid	-18,213	-
Change in Group pool accounts	-77,411	-
Group contributions	112,601	9,700
Net cash provided by / used in financing activities	39,650	6,200
Net increase / decrease in bank and cash	176,613	10,455
Bank and cash at beginning of year	63,121	52,666
Bank and cash at end of year	239,734	63,121

Notes to the Financial Statements of the Parent Company

1 Accounting principles

The Parent Company Financial Statements have been prepared in accordance with the Finnish Generally Accepted Accounting Principles throughout the year 2020 from January 1 to December 31 of 2020. The financial statements are presented in euros.

Acquisitions

The partial demerger of Metso Corporation and combination of Metso's Minerals business and Outotec was completed on June 30, 2020. Outotec Oyj continues as the Parent Company changing its name to Metso Outotec Oyj. In this combination Metso Outotec Oyj received assets and liabilities from the former Metso Minerals on June 30, 2020. The received assets and liabilities were recorded in book values. The published demerger plan agreed on July 4, 2019 lists details of the transferred assets and liabilities.

Foreign currency translations

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the date of the transaction. At the end of the accounting period, monetary items are valued at the rate of exchange prevailing at the end of period.

Tangible and intangible assets

Tangible and intangible assets are valued at historical cost, less accumulated depreciation according to plan. Land and water areas are not depreciated.

Depreciation and amortization is calculated on a straight-line basis over the expected useful lives of the assets as follows:

Computer software	3–5 years
Other intangibles	10 years
Buildings and structures	20–25 years
Machinery and equipment	3–5 years
Other tangible assets	20 years

Financial Instruments

Metso Outotec's financial risk management is carried out by a central treasury department (Group Treasury) under the policies approved by the Board of Directors. Group Treasury functions in cooperation with the operating units to minimize financial risks in both the Parent Company and the Group. Long-term debt is initially recognized at fair value, net of transaction costs incurred. In subsequent periods, they are valued at amortized cost using the effective interest rate method. Debts, which are hedged with a fair value hedge are recognized at fair value through profit and loss, and unrealized adjustment is presented in the hedge reserve. Transaction costs arising from issuance of bonds are recognized over the life of the bond using the effective yield method. The unrecognized portion as of the balance sheet date is presented as a decrease in liabilities. Derivatives outside hedge accounting are valued at fair value through profit and loss. Forward exchange contracts are measured at fair value. The change in fair value is recognized as income or expense in the income statement. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date. Bank and cash – as well as securities – consist of cash in bank accounts and investments of liquid funds in interest bearing instruments. Financial assets are measured at historical cost, less possible impairment loss.

Provisions

Provisions are unrealized costs, for which the company is committed, and which will not provide any income in the future and which are likely to occur. Provision changes are included in profit and loss.

Leases

Leases of assets, where the lessor retains all the risks and benefits of ownership, are classified as operating leases. Payments made under operating lease agreements are expensed on a straight-line basis over the lease periods. Leases of property, plant and equipment, where the lessee has substantially all the rewards and risks of ownership of an asset, are classified as finance leases.

Income taxes

Income tax expense includes taxes calculated for the financial year, adjustments to prior year taxes, and changes in the deferred taxes. Deferred tax assets and liabilities have not been recognized in the financial statements.

2 Other operating income

EUR thousand	2020	2019
Foreign exchange gains	–	222
Other	63	3
Total	63	226

3 Personnel expenses

EUR thousand	2020	2019
Salaries and wages	-15,315	-11,148
Pension costs	-1,859	-1,578
Other indirect employee costs	-1,542	-444
Total	-18,715	-13,171

Remuneration paid to Executive Team

	2020	2020	2020	2019
EUR thousand	**Total**	**Metso Outotec Oyj**	**Outotec Oyj**	
Chief Executive Officer	-853	-414	-439	-1,262
Board members [1]	-935	-766	-169	-478
Total	-1,788	-1,179	-609	-1,741

[1] Board remuneration is presented in note 1.5 of the Consolidated Financial Statements.

The first half-year includes the remuneration figures of the Outotec Oyj Executive team until June 2020, whereas the second half-year figures correspond to Metso Outotec Oyj since July 2020.

Number of personnel

	2020	2019
Personnel at end of year	186	126
Average number of personnel during the year	157	133

4 Depreciation and amortization

EUR thousand	2020	2019
Patents and licenses	-1,105	-1,125
Capitalized software	-7,648	-11,504
Other intangible assets	-24	-
Machinery and equipment	-586	-553
Total	-9,363	-13,182

5 Other operating expenses

EUR thousand	2020	2019
Impairment of intangible assets	-15,094	-
Foreign exchange losses	-9,830	-
Other	-63,364	-34,146
Total	-88,288	-34,146

6 Audit fees

	2020	2020	2020	2019
EUR thousand	**Total**	**EY**	**PWC**	**PWC**
Audit	-657	-618	-39	-328
Tax consulting	-3	-3	—	-
Other services	-1,280	-1,103	-177	-1,278
Total	-1,940	-1,724	-216	-1,606

Outotec's auditor for the first half of 2020 was PwC in Outotec while EY was chosen as the auditor for Metso Outotec in the second half of the year. The above table discloses the fees to Metso Outotec Oyj's auditor EY for the full-year 2020, as well as the fees to Outotec Oyj's auditor PwC for the period January 1 — June 30, 2020.

7 Finance income and expenses

EUR thousand	2020	2019
Dividends received from		
Group companies	23,173	15,240
Total	23,173	15,240
Interest income from investments from		
Group companies	11,998	–
Others	38	–
Total	12,036	–
Other interest and financial income from		
Group companies	6,162	2,989
Others	1,184	1,826
Fair value change in derivatives	1,028	1,622
Exchange rate differences	14,159	0
Interest and finance income, total	57,741	21,677
Interest expenses to		
Group companies	-612	-809
Others	-22,067	-17,603
Other finance expenses		
Exchange rate differences	0	-3,907
Impairment loss on non-current assets	–	-39,843
Others	-8,160	-3,215
Interest and other finance expenses, total	-30,840	-65,377
Finance income and expenses, net	26,901	-43,700

8 Appropriations

EUR thousand	2020	2019
Group contributions received	62,900	67,600

9 Income taxes

EUR thousand	2020	2019
Income taxes on operating activities	-1,864	-384
Income taxes for prior years	234	–
Total	-1,629	-384

10 Fixed assets

EUR thousand	Patents and licenses	Capitalized software	Other intangible assets	Intangible assets total	Land areas	Buildings and structures	Machinery and equipment	Tangible assets total	Total
2020									
Acquisition cost at beginning of year	10,132	94,573	–	104,705	–	–	3,592	3,592	108,297
Additions	105	2,373	–	2,478	–	–	103	103	2,581
Additions coming from the combination	1,478	–	995	2,473	156	733	1,835	2,724	5,197
Decreases	-1,441	-70,356	–	-71,797	–	–	-1,801	-1,801	-73,598
Acquisition cost at end of year	10,274	26,591	995	37,860	156	733	3,729	4,618	42,478
Accumulated depreciation at beginning of year	-6,879	-58,296	–	-65,175	–	–	-2,955	-2,955	-68,130
Accumulated depreciation of decreases	1,441	55,008	–	56,449	–	–	1,801	1,801	58,249
Accumulated depreciation of the combination	-1,478	–	- 840	-2,318	–	- 733	-989	-1,722	-4,040
Depreciation for the year	-1,105	-7,648	- 24	-8,777	–	–	-586	-586	-9,363
Accumulated depreciation at end of year	-8,021	-10,937	-864	-19,822	–	-733	-2,729	-3,462	-23,283
Net carrying value at end of year	2,253	15,654	132	18,038	156	–	1,000	1,156	19,194

EUR thousand	Patents and licenses	Capitalized software	Other intangible assets	Intangible assets total	Land areas	Buildings and structures	Machinery and equipment	Tangible assets total	Total
2019									
Acquisition cost at beginning of year	9,936	89,367	–	99,303	–	–	4,126	4,126	103,429
Additions	196	5,214	–	5,410	–	–	6	6	5,416
Decreases	–	-8	–	-8	–	–	-541	-541	-549
Acquisition cost at end of year	10,132	94,573	–	104,705	–	–	3,592	3,592	108,297
Accumulated depreciation at beginning of year	-5,754	-46,792	–	-52,546	–	–	-2,942	-2,942	-55,489
Accumulated depreciation of decreases	–	–	–	0	–	–	541	541	541
Depreciation for the year	-1,125	-11,504	–	-12,629	–	–	-553	-553	-13,182
Accumulated depreciation at end of year	-6,879	-58,296	–	-65,175	–	–	-2,955	-2,955	-68,130
Net carrying value at end of year	3,253	36,277	–	39,530	–	–	637	637	40,167

11 Investments

EUR thousand	Shares in Group companies	Other shares	Receivables from Group companies	Receivables from other companies	Other investments total
2020					
Acquisition cost at beginning of year	498,010	219	–	–	219
Additions	–	–	865,186	–	865,186
Additions coming from the combination	876,862	2,442	361,161	1,000	364,603
Decreases	–	-4	-814,266	- 250	-814,520
Acquisition cost at end of year	1,374,871	2,657	412,081	750	415,488
2019					
Acquisition cost at beginning of year	537,299	219	–	–	219
Additions	554	–	–	–	–
Decreases	-39,843	–	–	–	–
Acquisition cost at end of year	498,010	219	–	–	219

12 Shareholdings

Subsidiaries December 31, 2020

Subsidiary	Domicile	Ownership, %
International Project Services Ltd. Oy	Finland	44.50
Metso Canada Holdings Inc	Canada	100.00
Metso Minerals Canada Inc.	Canada	100.00
Metso Minerals Oy	Finland	100.00
Metso Outotec Captive Insurance Limited	Great Britain	100.00
Metso Outotec France SAS	France	100.00
Metso USA Inc.	United States	100.00
Outotec (Brazil) Ltda	Brazil	57.28
Outotec (Canada) Ltd.	Canada	100.00
Outotec (Chile) SA	Chile	76.87
Outotec (Filters) Oy	Finland	100.00
Outotec (Finland) Oy	Finland	100.00
Outotec (Mexico), S.A. de C.V.	Mexico	91.55
Outotec (Peru) S.A.C	Peru	99.90
Outotec (Polska) Sp.z o.o.	Poland	46.30

Subsidiary	Domicile	Ownership, %
Outotec (RSA) Pty Ltd	South-Africa	59.50
Outotec (Shanghai) Co. Ltd	China	100.00
Outotec (Spain) S.L.	Spain	100.00
Outotec (Sweden) AB	Sweden	100.00
Outotec (USA) Inc.	United States	100.00
Outotec Africa Holdings	South Africa	100.00
Outotec Holding GmbH	Germany	100.00
Outotec International Holding Oy	Finland	99.90
Outotec Morocco LLC	Morocco	100.00
Outotec Pty Ltd	Australia	100.00
Outotec Servicios Corporativos SA DE CV	Mexico	99.90
Outotec Turkey Metal Enerji ve su Teknolojileri Anonim Sirketi	Turkey	100.00
Outotec Turula	Finland	100.00
Outotec-Technology (Ecuador) S.A.	Ecuador	99.90
Rauma Oy	Finland	100.00

13 Specification of receivables

Long-term receivables

EUR thousand	2020	2019
Deferred tax asset	–	–
Derivatives	3,120	611
Long-term receivables total	3,120	611

Transferred assets related to Metso Minerals business on June 30, 2020, have a Deferred tax asset impact of 50 thousand euros (not recognized in the Financial Statements) and a derivatives impact of 3,054 thousand euros.

Short-term receivables

EUR thousand	2020	2019
Trade receivables from [1]		
Group companies	53,028	23,599
Others	58	43
Total	53,086	23,642
Loan receivables from [2]		
Group companies	504,020	194,135
Others	250	–
Total	504,270	194,135
Prepaid expenses and accrued income from [3]		
Group companies	68,836	113,389
Others	20,645	5,590
Total	89,481	118,979
Other receivables [4]	27,781	10,936
Short-term receivables total	674,619	347,692

Impact of transferred assets related to Metso Minerals business on June 30, 2020, on:
[1] Trade receivables from group companies 6,559 thousand euros and from others −61 thousand euros
[2] Loan receivables from group companies 354,544 thousand euros
[3] Prepaid expenses and accrued income from group companies 6,173 thousand euros and from others 15,508 thousand euros
[4] Other receivables 27,088 thousand euros

Specification of prepaid expenses and accrued income

EUR thousand	2020	2019
Prepaid expenses and accrued income from Group companies [1]		
Group contribution receivables	62,900	112,601
Accrued interest income	5,925	788
Other accrued items	11	–
Total	68,836	113,389
Prepaid expenses and accrued income from others [2]		
Accrued interest income	1	502
Other accrued items	20,644	5,088
Total	20,645	5,590

Impact of transferred assets related to Metso Minerals business on June 30, 2020 on:
[1] Accrued interest income from group companies 6,111 thousand euros and other accrued items from group companies 62 thousand euros
[2] Other accrued items from others 15,508 thousand euros

14 Statement of changes in shareholders' equity

EUR thousand	2020	2019
Share capital at beginning of year	17,186	17,186
Change from the combination	90,000	–
Share capital at end of year	107,186	17,186
Share premium fund at beginning of year	20,180	20,180
Share premium fund at end of year	20,180	20,180
Treasury shares at beginning of year	-11,976	-12,550
Change	2,483	574
Treasury shares at end of year	-9,493	-11,976
Invested non-restricted equity fund at beginning of year	102,436	101,819
Change	2,382	617
Change from the combination	329,731	
Invested non-restricted equity fund at end of year	434,549	102,436
Reserve for cash hedges at beginning of year	800	-377
Change	1,252	1,178
Reserve for cash hedges at end of year	2,053	800
Retained earnings at beginning of year	153,365	153,856
Dividend distribution	-18,213	
Other change	-2,483	-635
Change from the combination	373,348	
Retained earnings at end of year	506,017	153,221
Profit for the year	9,795	144
Total shareholders' equity at end of year	1,070,287	281,992

Statement of distributable funds at December 31

EUR	2020	2019
Invested non-restricted equity fund	434,549	102,436
Treasury shares	-9,493	-11,976
Retained earnings	506,017	153,221
Profit for the year	9,795	144
Total distributable funds	940,868	243,825

At the end of the year 2020, Metso Outotec Oyj held 993,238 own shares, whereas at the end of the year 2019 the number of Outotec Oyj own shares was 1,271,628.

15 Long-term liabilities

EUR thousand	2020	2019
Bonds from [1] [2]		
Others	699,349	–
Hybrid loan	–	150,000
Loans from financial institutions	439,336	–
Derivatives	2,235	–
Total	1,140,920	150,000

[1] Specification of bonds and fair values in note 4.5 to the Consolidated Financial Statements.
[2] Impact of transferred liabilities related to Metso Minerals business on June 30, 2020, on Bonds from others 402,308 thousand euros, Loans from financial institutions 439,393 thousand euros, and deferred tax liability 2,525 thousand euros

Debt maturing after more than five years

EUR thousand	2020	2019
Bonds	300,000	–

Presented at nominal value

16 Short-term liabilities

EUR thousand	2020	2019
Current portion of long-term liabilities		
Bonds	–	150,839
Total	–	150,839
Short-term interest-bearing debt [1]		
Loans from financial institutions	59,931	74,169
Group pool accounts	256,100	260,175
Total	316,030	334,344
Trade payables to [2]		
Group companies	34,179	186
Others	4,911	3,352
Total	39,090	3,539
Accrued expenses and deferred income to [3]		
Group companies	-5	–
Others	10,999	15,901
Total	10,994	15,901
Provisions [4]		
Provision for restructuring	223	–
Total	223	–
Other short-term non-interest-bearing debt to [5]		
Group companies	119,832	–
Others	29,649	13,413
Total	149,481	13,413
Short-term liabilities total	515,818	367,196
Short-term liabilities to Group companies total	410,106	260,361

Impact of transferred liabilities related to Metso Minerals business on June 30, 2020 on:
[1] Group pool accounts 39,859 thousand euros
[2] Trade payables to others 1,956 thousand euros
[3] Accrued expenses and deferred income to group companies 42 thousand euros and to others 12,852 thousand euros
[4] Provisions for restructuring 200 thousand euros
[5] Other short-term non-interest-bearing debt to group companies 50,916 thousand euros and to others 269 thousand euros

Specification of accrued expenses and deferred income

EUR thousand	2020	2019
Accrued expenses and deferred income to Group companies [1]		
Accrued interest expenses	13	–
Other accrued items	-18	–
Total	-5	–
Accrued expenses and deferred income to others [2]		
Accrued interest expenses	4,369	1,789
Accrued derivatives	-10	–
Accrued salaries, wages and social costs	5,872	3,441
Other accrued items	768	10,670
Total	10,999	15,901

Imact of transferred liabilities related to Metso Minerals business on June 30, 2020 on:
[1] Accrued interest expenses to group companies 42 thousand euros.
[2] Accrued interest expenses to others 953 thousand euros, accrued salaries, wages, and social costs 2,270 thousand euros and other accrued items 9,630 thousand euros.

17 Other contingencies

Guarantees and mortgages

EUR thousand	2020	2019
Guarantees on behalf of group companies	1,097,040	853,821
Own commercial commitments	–	6,196
Total	1,097,040	860,017

The portion related to Metso Minerals business on June 30th, 2020 was 179,299 thousand euros.

Lease commitments

EUR thousand	2020	2019
Payments in the following year	5,677	5,651
Payments later	31,998	37,502
Total	37,675	43,153

18 Derivative instruments

EUR thousand	2020	2019
Net fair values		
Contracts made with financial institutions		
Foreign exchange forward contracts	15,099	-1,502
Interest rate swaps	884	1,014
Contracts made with subsidiaries		
Foreign exchange forward contracts	-16,165	1,300
Total	-182	812
Nominal values		
Contracts made with financial institutions		
Foreign exchange forward contracts	1,594,356	686,198
Interest rate swaps	295,000	75,000
Contracts made with subsidiaries		
Foreign exchange forward contracts	1,512,162	434,408
Total	3,401,518	1,195,607

The portion related Metso Minerals business related to derivative instruments on June 30, 2020, 9,743 thousand euros for net fair values and 2,503,875 thousand euros for nominal values.

Signatures of the Board of Directors' Report and Financial Statements 2020

Helsinki, February 15, 2021

Mikael Lilius
Chair of the Board

Matti Alahuhta
Vice Chair of the Board

Christer Gardell
Member of the Board

Antti Mäkinen
Member of the Board

Kari Stadigh
Member of the Board

Arja Talma
Member of the Board

Emanuela Speranza
Member of the Board

Ian W. Pearce
Member of the Board

Klaus Cawén
Member of the Board

Hanne de Mora
Member of the Board

Pekka Vauramo
President and CEO

Auditor's note

Our auditor's report has been issued today.

Helsinki, February 15, 2021

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
APA

Auditor's Report

(Translation of the Finnish original)

To the Annual General Meeting of Metso Outotec Corporation

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Metso Outotec Corporation (business identity code 0828105-4) for the year ended 31 December, 2020. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including summaries of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

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

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 6.1 to the consolidated financial statements.

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition over time, including valuation of project receivables and project loss provisions *The accounting principles and disclosures about revenue, project receivables and project loss provisions are included in Note 1.2, Note 2.2 and Note 2.6.* Metso Outotec delivers customized engineered systems and complete plants to its customers, where the moment of signing a delivery contract and the final acceptance of a delivery by the customer may take place in different financial periods. In accordance with Metso Outotec's accounting principles, revenue from such projects is recognized over time. The recognition of revenue and the estimation of the outcome of a project require significant management judgment, in particular with respect to estimating the stage of completion and cost to complete. Significant judgment is also required to assess the recoverability of project receivables and particularly to determine the project loss provision when it is expected that the total costs will exceed the total revenues from the delivery contract. Based on above, revenue recognition over time, including valuation of project receivables and project loss provisions, was a key audit matter. This matter was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement in respect of the revenue recognition over time, including valuation of project receivables and project loss provisions, included, among others: • Assessment of the Group's accounting policies over revenue recognition over time and valuation of project receivables and project loss provisions. • Inspection of the project documentation such as contracts, legal opinions and other written communication. • Evaluation of financial development and current status of projects by – analyzing the changes in assumptions relating to estimated revenues and costs, receipts of project payments and loss provisions, and – discussions with the different levels of organization including project management and group management. • Evaluation of the appropriateness of the Group's disclosures in respect of revenue recognition over time and valuation of projects receivables and project loss provisions.
Valuation of goodwill *The accounting principles and disclosures about goodwill are included in Note 3.1.* As of balance sheet date December 31, 2020, the value of goodwill in continuing operations amounted to 1 052 million euros representing 19% of the total assets and 52% of the total equity. In 2020, the goodwill increased by 496 million euros (net), of which 517 million euros was recognized from the acquisition of Outotec. The annual impairment testing of goodwill was based on the management's estimate about the values-in-use of the cash generating units. There are a number of assumptions used to determine the values-in-use of cash generating units, including revenue growth, margins and the discount rate applied on net cash-flows. Estimated values-in-use may vary significantly when the underlying assumptions are changed and the changes in above-mentioned individual assumptions may result in an impairment of goodwill. The valuation of goodwill was a key audit matter because the annual impairment testing included management judgment with respect to the key assumptions used and because of the significance of the goodwill to the financial statements.	Our audit procedures in respect of valuation of goodwill included, among others: • Evaluation of the determination of cash generating units and the goodwill allocated to those units. • Involvement of our valuation specialists to assist us in evaluating the key assumptions used in impairment testing by comparing the management's assumptions to externally derived data and to our independently calculated industry averages, in particular those relating to – the forecasted revenue growth, – the forecasted margin and – the weighted average cost of capital used to discount the net cash-flows. • Testing of the accuracy of the impairment calculations prepared by the management and comparison of the sum of discounted cash flows against Metso Outotec's market capitalization. • Evaluation of the adequacy of the disclosures of the impairment testing results.

Key Audit Matter	How our audit addressed the Key Audit Matter
Outotec business combination *The accounting principles and disclosures about the business combination are included in Note 5.4.* Outotec business combination was completed on June 30, 2020. Under IFRS, the transaction was accounted for as a reverse acquisition, where Metso Minerals was the accounting acquirer and Outotec the acquiree. The consideration transferred as well as the assets acquired and the liabilities assumed in a business combination were measured at acquisition date fair values. The management judgement related specifically to the identification of the acquired intangible assets and determination of the related fair values. Outotec business combination was a key audit matter because the fair valuation included judgment and because of the significance of the acquisition to the financial statements.	Our audit procedures in respect of Outotec business combination included, among others: • Evaluation of the criteria for reverse acquisition accounting applied in the business combination. • Involvement of our valuation team to assist us in evaluation of – the valuation processes and methodologies used – the fair valuation of the consideration transferred – the identification and fair valuation of acquired assets and assumed liabilities. • Evaluation of the adequacy of the disclosures of the business combination.
Accounting for the transferred assets and liabilities of Metso Corporation in the receiving parent company *The accounting principles and disclosures about the transferred assets and liabilities of Metso Corporation are included in the parent company's notes.* In the partial demerger of Metso Corporation, the assets and liabilities of Metso Minerals business were transferred into the receiving Metso Outotec Corporation by using carrying values as of 30 June 2020. The total book value of net assets transferred amounted to 793 million euros. The accounting for the transfer in the receiving parent company was a key audit matter because the transferred assets and liabilities had significant impact on the equity and balance sheet of Metso Outotec Corporation.	Our audit procedures in respect of the accounting for the transferred assets and liabilities included, among others: • Assessment of the compliance of the partial demerger against the Limited Liability Act and the demerger plan. • Evaluation of the appropriateness of the transferred assets and liabilities by comparing them to the demerger plan. • Testing of the carrying amounts of transferred assets and liabilities by comparing the balances in the receiving entity to the balances in the demerging entity. • Evaluation of the adequacy of the disclosures of the transferred assets and liabilities.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were appointed as auditors by the Annual General Meeting with effect from 30 June 2020.

Other information

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

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

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

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

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

Helsinki, February 15, 2021

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

Investor information

Investor Relations function and policies

The main task of Investor Relations is to support the correct valuation of Metso Outotec's share by providing up-to-date information on matters concerning our operations, operating environment, strategy, objectives, financial performance and market outlook. Our goal is to provide correct, adequate and current information regularly and impartially to all market participants. In our work, we aim for promptness, transparency, agility and excellent service.

Investor Relations is responsible for all investor communications, including contacts with representatives of the capital markets. All investor meeting requests are processed by Investor Relations. In addition to financial reports, actively updated webpages and a quarterly newsletter, our investor communications include investor meetings and seminars in which corporate executives actively participate. We also arrange Capital Markets Day events. In addition, we regularly gather and analyze market information and investor feedback for use by top management and the Board of Directors.

During the 21-day period prior to publication of the annual, half-year or interim financial results, we are not in contact with capital market representatives. At other times, we are happy to answer inquiries of analysts and investors by phone, email or at arranged investor meetings. Contact details are available on the following page.

Market estimates and analyst reports

We actively monitor market expectations and will review, if requested so by an analyst, their model against publicly available information. However, we do not comment on or take any responsibility for estimates or forecasts published by capital market representatives and we do not comment on the company's valuation or share price development, give preference to one particular analyst, or distribute analyst reports to the investment community.

We maintain a list of the analysts following Metso Outotec on a regular basis on our website at **www.mogroup.com/corporate/investors/shares/analysts/**.

Market outlook

Metso Outotec's market outlook describes the expected sequential development of market activity during the following six-month period using three categories: improve, remain at the current level, or decline.

Current market outlook, published on February 16, 2021

Metso Outotec expects the market activity to improve, subject to the development of the Covid-19 pandemic.

Guidance on our financial communications

The principle of equality in our investor communications means giving all market participants simultaneous and timely access to the information they need to be able to determine the value of the Metso Outotec share in an informed manner. We follow the rules and recommendations of:

- Finnish Corporate Governance Code 2020
- Finnish Companies Act
- Accounting Act
- Finnish Securities Markets Act
- Market Abuse Regulation ((EU) N:o 596/2014 ("MAR"))
- Rules, regulations and guidelines of Nasdaq Helsinki and the Finnish Financial Supervisory Authority

Our disclosure policy has been approved by the Board of Directors and it describes the main principles and practices of our stock exchange communications as well as other important disclosure practices we follow. The purpose of the policy is to promote reliable and consistent disclosure of information and to describe the decision-making procedures relevant to disclosing market-relevant information. More information and our Disclosure Policy are available at **www.mogroup.com/corporate/investors/financials/**.

Our releases are divided into three categories: stock exchange releases, corporate press releases and trade press releases. The category of a release is based on MAR demands, on the materiality and relevance of the information as well as on internal guidelines.

Stock exchange releases are used for releasing inside information according to the MAR and other matters required by the rules of the stock exchange. Corporate press releases are used for communicating about business events that do not include inside information but are estimated to be newsworthy or of general interest to stakeholders. Trade press releases are used for discussing our products and technology and other topics that are of interest to our customer industries and the trade media.

Our financial reviews and our releases, as well as their email subscription, are available in Finnish and English on our website at **www.mogroup.com/corporate/media/news/**. We disclose information about our financial performance according to a schedule announced in advance. Financial information and key figures are disclosed on the Metso Outotec and segment level.

Financial reporting schedule 2021

Annual Report 2020	Week commencing March 15, 2021
Interim report for January—March 2021	April 23, 2021
Half-year financial report 2021	August 4, 2021
Interim report for January—September 2021	November 2, 2021

Shareholder's change of address

Shareholders are kindly asked to notify of changes in their address to the bank, brokerage firm or other account operator with which they have a book-entry account.

Annual General Meeting 2020

Metso Outotec's Annual General Meeting 2021 will be held at 2:00 p.m. on Friday, April 23, 2021 at 2.00 p.m. (EET) at Sanomatalo at the address Töölönlahdenkatu 2, FI-00100 Helsinki, Finland. In order to ensure the health and safety of the shareholders, employees and other stakeholders of the Company, the General Meeting will be organized without shareholders' and their proxy representatives' presence at the General Meeting venue.

Shareholders can participate in the General Meeting and use their shareholder rights in connection with the General Meeting by voting in advance (either personally or through a proxy representative), by submitting counterproposals in advance and by asking questions in advance in the manner described below. Proxy representatives must also vote in advance in the manner described below.

Notice of the meeting including all meeting proposals has been published as a stock exchange release on February 16, 2021 and is also available at **www.mogroup.com/corporate/investors/governance/agm/2021**.

Important dates related to AGM 2021

Deadline for presenting questions in advances	April 9, 2021 at 4:00 pm (EEST)
Record date of AGM	April 13, 2021
Registration period ends	April 16, 2021 at 4:00 pm (EEST)
Annual General Meeting	April 23, 2021
Dividend ex-date, 1st installment	April 26, 2021
Record date of dividend payment, 1st installment	April 27, 2021
Date of dividend payment, 1st installment	May 4, 2021
Minutes of the meeting available	May 7, 2021, at the latest
Dividend payment 2nd installment	Board of Directors to resolve in November 2021

Registration and pies

A shareholder whose shares are registered on the shareholder's Finnish book-entry account can register and vote in advance on certain matters on the agenda of the General Meeting from February 24, 2021 at 4.00 p.m. (EET) until April 16, 2021 at 4.00 p.m. (EEST) by the following means:

a) through Metso Outotec's website at **https://www.mogroup.com/corporate/investors/governance/agm/2021/**. The Finnish personal identity code or business ID as well as strong identification with Finnish banking codes or mobile ID is needed for electronic registration and advance voting;

b) by sending the advance voting form available on the Company's website or corresponding information to Innovatics Ltd to the address Innovatics Oy, AGM/Metso Outotec Corporation, Ratamestarinkatu 13 A, 00520 Helsinki by letter or by email at **agm@innovatics.fi**.

Proxy and voting instruction templates will be available on the Company's website at **https://www.mogroup.com/corporate/investors/governance/agm/2021/** no later than as from February 24, 2021 onwards. Possible proxy documents shall be delivered primarily as an attachment in connection with the electronic registration and advance voting or alternatively by email to **agm@innovatics.fi** or as originals by regular mail to the address Innovatics Oy, AGM/Metso Outotec Corporation, Ratamestarinkatu 13 A, 00520 Helsinki before the end of the registration and advance voting period, i.e. before April 16, 2021 at 4.00 p.m. (EEST), by which time the proxy documents must have been received.

Nominee registered shares

A holder of nominee-registered shares has the right to participate in the General Meeting by virtue of such shares, based on which the shareholder on the record date of the General Meeting, on April 13, 2021, would be entitled to be registered in the Company's shareholders' register held by Euroclear Finland Ltd.

Further information will be available on the Company's website at **www.mogroup.com/corporate/investors/governance/agm/2021**.

Resolutions of the AGM

Resolutions of the AGM will be published as a stock exchange release without delay after the meeting has finished.

More information about the Annual General Meeting and the meeting proposals are available on our website at **www.mogroup.com/corporate/investors/governance/agm/2021**.

IR contacts

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