Metso:Outotec

# 2021

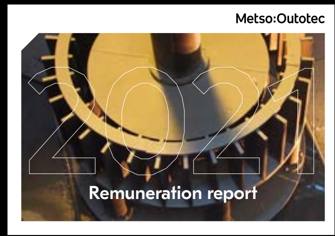
# Financial review

We are the partner
for positive change.

2021

Metso Outotec's Annual report 2021 consists of five sections: Business overview, Financial review, Corporate governance statement, Remuneration report and GRI supplement.





**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

All Annual report sections are available in English and in Finnish. They are downloadable on our Annual report website at www.mogroup.com/annualreport. In this Annual report, we apply integrated reporting elements.

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# Metso Outotec Annual report 2021 consists of five sections. This is the Financial review.

## Contents

# Table of contents, notes to the consolidated financial statements

# Board of Directors' report

## Financial year 2021

Figures for the comparison period are based on illustrative combined information for period January—June 2020.

### Operating environment and Covid-19

The activity in Metso Outotec's customer industries increased during 2021 compared to the previous year. Improvement was seen especially in the demand for new equipment in all three segments, whereas Covid-19-related restriction measures continued to limit the demand for service work at customer sites. This was seen particularly during the first half of the year, whereas the demand for services started to recover during the second half.

Local and regional restrictions and lockdowns continued to limit access to customer sites and in certain countries, also to our own premises. Despite gradual easing of restrictions, challenges related mainly to international travel remained. These are apt to slow down decision-making and overall cooperation with customers. While the Omicron variant has appeared less serious, its rapid spread has been a challenge especially to the manufacturing and warehousing operations, where a higher number of sick leaves has resulted in temporary shortages of employees. Metso Outotec's own operations, however, have run without any significant disruptions, thanks to various measures such as replanned work and increased utilization of temporary workforce.

### Key figures

| EUR million | 2021 | 2020 | Change % |
|---|---|---|---|
| Orders received | 5,421 | 4,150 | 31 |
| Orders received by services business | 2,330 | 2,071 | 13 |
| % of orders received | 43 | 50 | – |
| Order backlog | 3,536 | 2,366 | 49 |
| Sales | 4,236 | 3,897 | 9 |
| Sales by services business | 2,067 | 2,017 | 3 |
| % of sales | 49 | 52 | – |
| Adjusted EBITA | 547 | 448 | 22 |
| % of sales | 12.9 | 11.5 | – |
| Operating profit | 425 | 253 | 68 |
| % of sales | 10.0 | 6.5 | – |
| Earnings per share, EUR (IFRS) | 0.35 | 0.20 | 75 |
| Earnings per share, total, EUR | 0.41 | 0.19 | 116 |
| Cash flow from operations (IFRS) | 608 | 587 | 3 |
| Gearing, % (IFRS) | 20.9 | 39.2 | – |
| Personnel at end of year | 15,630 | 15,446 | 1 |

### Financial performance

The Group's annual orders received grew 31% and totaled EUR 5,421 million (EUR 4,150 million). The growth was driven by an almost 50% growth in equipment orders. The majority of the order intake consisted of small and mid-sized product and services orders, while a few large orders were booked in the Metals and Minerals segments. Increased demand was also seen for Planet Positive products. Annual sales increased 9% to EUR 4,236 million (EUR 3,897 million), with the strongest growth seen in the Aggregates and Metals segments. The growth accelerated during the second half, thanks to an increase in deliveries from the backlog and a strong increase in services sales in the fourth quarter. The order backlog of EUR 3,536 million at the end of December was almost 50% higher than a year before.

Adjusted EBITA increased to EUR 547 million (EUR 448 million), and adjusted EBITA margin improved to 12.9% (11.5%). Operating profit totaled EUR 425 million, or 10.0% of sales (EUR 253 million and 6.5%). Operating profit included negative adjustments of EUR 50 million (EUR 97 million negative), the majority of which were related to the Metso Outotec integration. Profit before taxes was EUR 385 million (EUR 209 million). The effective tax rate was 24% (26%). The lower tax rate resulted from certain tax-exempt one-off-items. Earnings per share for continuing operations were EUR 0.35 (EUR 0.20).

#### Impacts from currency and structural changes on orders received

| EUR million, % | Aggregates | Minerals | Metals | Total |
|---|---|---|---|---|
| 2020 | 1,107 | 2,601 | 443 | 4,151 |
| Organic growth in constant currencies, % | 24 | 23 | 108 | 32 |
| Impact of changes in exchange rates, % | 0 | −3 | −1 | −1 |
| Structural changes, % | – | 0 | 0 | 0 |
| Total change, % | 24 | 20 | 108 | 31 |
| **2021** | **1,374** | **3,127** | **919** | **5,421** |

#### Impacts from currency and structural changes on sales

| EUR million, % | Aggregates | Minerals | Metals | Total |
|---|---|---|---|---|
| 2020 | 992 | 2,523 | 382 | 3,897 |
| Organic growth in constant currencies, % | 21 | 3 | 33 | 9 |
| Impact of changes in exchange rates, % | 0 | −2 | 0 | −1 |
| Structural changes, % | – | 0 | 0 | 0 |
| Total change, % | 21 | 0 | 33 | 9 |
| **2021** | **1,202** | **2,527** | **508** | **4,236** |

## Financial position

The Group's net interest-bearing liabilities were EUR 470 million at the end of December (Dec 31, 2020: EUR 799 million), gearing decreased to 20.9% (Dec 31, 2020: 39.2%) and the debt-to-capital ratio to 26.7% (Dec 31, 2020: 37.2%). The equity-to-assets ratio was 43.2% (Dec 31, 2020: 39.5%).

The Group's liquidity position is strong, supported by its healthy operative cash flow, maturity structure of its funding, and available back-up credit facilities. Liquid funds, consisting of cash and cash equivalents, amounted to EUR 473 million (Dec 31, 2020: EUR 537 million), and there were no deposits or securities with a maturity more than three months (Dec 31, 2020: EUR 0 million).

In addition, Metso Outotec has a committed syndicated revolving credit facility of EUR 600 million with a maturity in 2026. At the end of the period the facility was undrawn. The company also has a EUR 600 million Finnish commercial paper program, which was fully unutilized at the end of the period.

Metso Outotec has a Euro Medium Term Note Program (EMTN) of EUR 2 billion, under which EUR 687 million at carrying value was outstanding at the end of December (Dec 31, 2020: EUR 689 million). EUR 587 million (Dec 31, 2020: EUR 589) of the outstanding amount was public bonds and EUR 100 million (Dec 31, 2020: EUR 100 million) private placements.

The average interest rate of total loans and derivatives was 1.38%, on December 31, 2021. The duration of medium- and long-term interest-bearing debt was 2.2 years and the average maturity 3.3 years.

Metso Outotec made several early repayments to bank loans using its liquid funds in 2021. During the first quarter, the company made an early repayment of a EUR 100 million term loan, which would have matured in 2022. During the second quarter, the company cancelled two bilateral revolving credit facilities totaling EUR 90 million, which would have matured in 2022. A term loan of EUR 150 million, which would have matured in 2022, was repaid in three EUR 50 million lots in the second, third and fourth quarters. Another loan of EUR 150 million, which would have matured in July 2022, was repaid with early repayments of EUR 100 million in December and remaining EUR 50 million after the reporting period in January 2022.

As part of its strategic commitment to sustainability, Metso Outotec initiated financing linked to its sustainability targets during 2021. Sustainability targets relating to the Group's own $CO_2$ emissions, emissions from its logistics and its suppliers having Science-Based emission targets were incorporated in its EUR 600 million Syndicated Revolving Credit Facility, and the cost of the facility will depend on the achievement of these targets.

The same sustainability targets were included in a new loan agreement with Nordic Investment Bank for EUR 100 million with a maturity of eight years. The loan was committed and undrawn at the end of 2021.

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

## Metso Outotec integration and synergies

Metso Outotec exceeded clearly its cost synergy target of reaching an annual run-rate of EUR 120 million by achieving a run-rate of EUR 142 million at the end of the year. The majority of the realized synergies resulted from the restructuring of the organization and the rest came from procurement, facilities, and IT.

As of the end of 2021, revenue synergies realized as sales totaled EUR 110 million and an additional EUR 115 million was recognized in the order backlog, resulting in the annual run-rate revenue synergy target of EUR 150 million to be well exceeded ahead of the scheduled end of 2022. Due to the successful execution of both the cost and revenue synergies, Metso Outotec will close the integration period and discontinue the reporting of synergies. As of the beginning of 2022, the company will focus on implementing its growth strategy and achieving its earlier set financial targets.

One-off, pre-tax costs of EUR 81 million materialized from the actions taken to achieve the cost and revenue synergies during the integration period. This is slightly higher than the earlier estimated EUR 75 million.

## Reporting segments: Aggregates

### Key figures (IFRS)

| EUR million | 2021 | 2020 | Change % |
|---|---|---|---|
| Orders received | 1,374 | 1,107 | 24 |
| Orders received by services business | 367 | 319 | 15 |
| % of orders received | 27 | 29 | – |
| Order backlog | 545 | 402 | 35 |
| Sales | 1,202 | 992 | 21 |
| Sales by services business | 338 | 312 | 8 |
| % of sales | 28 | 32 | – |
| Adjusted EBITA | 161 | 107 | 50 |
| % of sales | 13.4 | 10.8 | – |
| Operating profit | 148 | 95 | 56 |
| % of sales | 12.3 | 9.5 | – |

Orders received increased 24% to EUR 1,374 million, thanks to the strong customer activity especially in the European and North American markets. Sales grew 21% year-on-year, with both equipment and services sales increasing. Adjusted EBITA improved to EUR 161 million (EUR 107 million), corresponding to a margin of 13.4% (10.8%). The improvement in EBITA and profitability was driven by higher sales volumes, healthy sales margins, and operational performance.

## Reporting segments: Minerals

### Key figures

| EUR million | 2021 | 2020 | Change % |
|---|---|---|---|
| Orders received | 3,127 | 2,601 | 20 |
| Orders received by services business | 1,867 | 1,673 | 12 |
| % of orders received | 60 | 64 | – |
| Order backlog | 1,990 | 1,426 | 40 |
| Sales | 2,527 | 2,523 | 0 |
| Sales by services business | 1,628 | 1,603 | 2 |
| % of sales | 64 | 64 | – |
| Adjusted EBITA | 368 | 365 | 1 |
| % of sales | 14.6 | 14.5 | – |
| Operating profit | 312 | 291 | 7 |
| % of sales | 12.3 | 11.5 | – |

Orders received increased 20% to EUR 3,127 million (2,601 million), driven by the equipment business. Sales were flat year-on-year, due to the timing of revenue recognition in the equipment business as well as logistics and supply chain constraints in services. Implemented cost synergies and other improvement actions had a positive impact on adjusted EBITA of EUR 368 million and adjusted EBITA margin of 14.6% (EUR 365 million and 14.5%).

## Reporting segments: Metals

### Key figures

| EUR million | 2021 | 2020 | Change % |
|---|---|---|---|
| Orders received | 919 | 443 | 108 |
| Orders received by services business | 96 | 78 | 22 |
| % of orders received | 10 | 18 | – |
| Order backlog | 1,002 | 538 | 86 |
| Sales | 508 | 382 | 33 |
| Sales by services business | 101 | 101 | 0 |
| % of sales | 20 | 27 | – |
| Adjusted EBITA | 27 | -2 | – |
| % of sales | 5.3 | -0.6 | – |
| Operating profit | 12 | -23 | – |
| % of sales | 2.5 | -6.1 | – |

Customer demand strengthened significantly compared to 2020 and was reflected in an increase in proposals and quotations as well as awarded orders. Orders received more than doubled to EUR 919 million (443 million), including a significant smelter order and a few other large orders. Deliveries from the backlog started to accelerate during the second half of the year and resulted in sales growth of 33% compared to the previous year. Adjusted EBITA improved to 27 million (–2 million) and adjusted EBITA margin increased to 5.3% (–0.6%). This improvement was driven by higher volumes and cost savings implemented as part the segment's turnaround program.

## Capital expenditure and investments

Gross capital expenditure excluding business acquisitions was EUR 91 million in 2021. The investments were largely made in foundry operations and other services operations globally.

## Research and development

R&D expenses including investments in 2021 were EUR 70 million, or 1.6% of sales.

### Inventions and patents

| Pieces | 2021 | 2020 |
|---|---|---|
| Invention disclosures | 185 | 104 |
| Priority patent applications | 47 | 46 |
| Individual granted patents in force, as of December 31 | 6,810 | 6,381 |
| Inventions protected by patents, as of December 31 | 1,052 | 981 |

## Code of Conduct

All Metso Outotec employees are required to complete Code of Conduct training annually. In 2021, 97% of all employees completed the training. Code of Conduct training is a mandatory part of onboarding for all new employees. In addition, all sales third parties are required to complete a specific anti-corruption training to ensure a common understanding of Metso Outotec's zero-tolerance for corruption and bribery. Also, suppliers are expected to comply with Metso Outotec's Supplier Code of Conduct.

## Compliance management

Metso Outotec has an audit framework in place to support risk management by assessing compliance and driving continuous development. In total, 34 internal audits were performed in 2021.

In addition, 28 reports of suspected financial misconduct and 32 reports of suspected non-financial misconduct were received by Internal Audit and Compliance. The cases of suspected misconduct were reviewed by the Audit and Risk Committee in line with Metso

Outotec's guidelines on reporting misconduct. None of the cases had a significant impact on Metso Outotec's financial results.

Regarding data privacy, the focus was on the development of international data transfer requirements as well as reviewing its related processes.

## Corporate governance and remuneration

### Metso Outotec Annual General Meeting 2021

Metso Outotec Corporation's Annual General Meeting (AGM) was held on April 23, 2021, in Helsinki through exceptional procedures in accordance with temporary legislative act, which entered into force on October 3, 2020, to limit the spread of the Covid-19 pandemic. The AGM adopted the financial statements and discharged the members of the Board of Directors and the President & CEOs from liability for the financial year 2020 and adopted the company's remuneration report for governing bodies through an advisory resolution.

The AGM resolved to approve the Board of Directors' proposal to pay a dividend of EUR 0.20 per share from the financial year 2020 in two installments. The first dividend installment of EUR 0.10 per share was paid on May 4, 2021, and the second installment of EUR 0.10 per share was paid on November 10, 2021.

### Metso Outotec's Board composition and remuneration

The AGM resolved to elect seven members to the Board of Directors. The AGM resolved to re-elect the following members of the Board of Directors: Kari Stadigh was elected as the Chair, Klaus Cawén as the Vice Chair, and Christer Gardell, Antti Mäkinen, Ian W. Pearce, Emanuela Speranza, and Arja Talma as members of the Board. The term of office of the Board will expire at the end of Metso Outotec's next Annual General Meeting.

The AGM resolved that the members of the Board of Directors will be paid the same fixed annual remuneration as in the previous term as follows:

- Chair: EUR 150,000
- Vice Chair: EUR 80,000
- Other members: EUR 65,000 each

and the additional remuneration to be paid for the members of the Board of Directors that are elected as members of the committees of the Board will be also unchanged as follows:

- EUR 23,000 for the Chair of the Audit Committee
- EUR 10,000 each for the other members of the Audit Committee
- EUR 12,000 for the Chair of the Remuneration and HR Committee
- EUR 5,000 each for the other members of the Remuneration and HR Committee.

As a condition for the annual remuneration, the Board members are obliged, directly based on the AGM's decision, to use 20 or 40 percent of their fixed total annual remuneration for purchasing Metso Outotec shares from the market at a price formed in public trading. These purchases were carried out on April 27, 2021.

The AGM also resolved to approve the following meeting fees, unchanged from the previous term: for each Board and committee meeting: a fee of EUR 900 to be paid to the members residing in the Nordic countries, a fee of EUR 1,800 to be paid to the members residing in other European countries and a fee of EUR 2,700 to be paid to the members residing outside Europe. In addition, members of the Board of Directors are to be compensated for direct expenses arising from Board work.

Authorized public accounting firm Ernst & Young Oy was re-elected as Auditor for a term ending at the closing of the Annual General Meeting 2022. Ernst & Young Oy has appointed Mikko Järventausta, APA, as the principally responsible auditor. The remuneration to the Auditor was decided to be paid against the Auditor's reasonable invoice approved by the company.

The AGM approved the Board's proposals, which related to authorizing the Board to decide on the repurchase of an aggregate maximum of 82,000,000 of Metso Outotec's own shares (corresponding to approximately 9.9 percent of all shares) and authorizing the Board to decide on the issuance of shares and the issuance of special rights entitling to shares.

### 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
Markku Teräsvasara, President, Minerals, Deputy CEO
Jari Ålgars, President, Metals
Sami Takaluoma, President, Services
Heikki Metsälä, President, Consumables
Nina Kiviranta, General Counsel
Piia Karhu, Senior Vice President, Business Development
Carita Himberg, Senior Vice President, Human Resources

## Personnel

Metso Outotec had 15,630 employees at the end of December 2021.

### Personnel by area

| Share, % | 2021 |
|---|---|
| Europe | 35 |
| North America and Central America | 13 |
| South America | 27 |
| Asia Pacific | 13 |
| Africa and Middle East | 12 |
| **Total** | **100** |

## Shares and share trading

The total number of Metso Outotec shares was 828,972,440 and its share capital was EUR 107,186,442.52. Treasury shares totaled 925,021 on December 31, 2021.

### Metso Outotec share performance on Nasdaq Helsinki

| EUR | 2021 |
|---|---|
| Closing price | 9.35 |
| Highest share price | 10.29 |
| Lowest share price | 7.55 |
| Volume-weighted average trading price | 9.09 |

## Other main events in 2021

### Conveyance of own shares based on the long-term incentive plans

On February 19, 2021, a total of 68,217 of Metso Outotec's treasury shares were conveyed without consideration in accordance with the terms and conditions of the Restricted Share Plan 2018-2020 (RSP 2018–2020) and Matching Share Plan to the President and CEO. The directed share issue is based on an authorization given by the Annual General Meeting held on March 11, 2020.

### Divestment of the Aluminium business

On April 6, 2021, Metso Outotec completed the divestment of its Aluminium business to REEL International. The divested business comprises equipment and plant solutions to green anode plants, anode rod shops, and cast houses used in aluminium smelters, as well as the related services. Metso Outotec will continue to serve its customers in certain other parts of the aluminium value chain, such as alumina refinery and petroleum coke calcination technologies.

### Changes in the Metso Outotec Executive Team

On April 12, 2021, the following changes were made in the Metso Outotec Executive Team with immediate effect. Markku Teräsvasara was nominated President, Minerals business area, following the departure of Stephan Kirsch from the company. Markku Teräsvasara served previously as President, Services business area. He also continues as Deputy CEO of the company. Sami Takaluoma was nominated as the new President, Services business area. He was previously President, Consumables business area. Heikki Metsälä was appointed President, Consumables business area. Previously he served as SVP, Mill & Chute lining business line in the Consumables business area management team.

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

On November 2, 2021, Metso Outotec's Shareholders' Nomination Board published its proposals to the Annual General Meeting, planned to be held on April 21, 2022. The Nomination Board proposes that the Board of Directors would have nine members and that Klaus Cawén, Christer Gardell, Antti Mäkinen, Ian W. Pearce, Emanuela Speranza, Kari Stadigh, and Arja Talma would be re-elected as Board members.

The Nomination Board will propose that Brian Beamish and Terhi Koipijärvi would be elected as new Board members.

Furthermore, the Nomination Board will propose that Kari Stadigh would be re-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 will propose fixed annual remuneration to the Board members as follows (current remuneration in brackets):

- Chair EUR 156,000 (EUR 150,000)
- Vice Chair EUR 82,500 (EUR 80,000)
- Other members EUR 67,000 (EUR 65,000)

An additional remuneration will be proposed to be paid to the Board members that are elected as members of the Audit & Risk Committee and the Remuneration and HR Committee as follows (current remuneration in brackets):

- Chair of the Audit & Risk Committee EUR 23,800 (EUR 23,000)
- Members of the Audit & Risk Committee EUR 10,300 (EUR 10,000)
- Chair of the Remuneration and HR Committee EUR 12,400 (EUR 12,000)
- Member of the Remuneration and HR Committee EUR 5,150 (EUR 5,000)

The Nomination Board will propose 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, 2022.

The Nomination Board will propose the following meeting fees to be paid for attending the meetings of the Board and its committees:

- EUR 900 for meetings requiring travel within the Nordic countries
- EUR 1,800 for meetings requiring travel within a continent
- EUR 3,000 for meetings requiring intercontinental travel
- EUR 900 for meetings with remote attendance

Metso Outotec's Board of Directors will include all the above-mentioned proposals in the notice of the Annual General Meeting of 2022.

Metso Outotec's Shareholders' Nomination Board consists of:

- Annareetta Lumme-Timonen (Investment Director, Solidium Oy) as Chair
- 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)
- Kari Stadigh (Chair of Metso Outotec'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, as well as the Chair of Metso Outotec's Board of Directors.

Kari Stadigh did not participate in the decision-making concerning the remuneration of the Board members.

### Divestment of the Waste Recycling business

On December 1, 2021, Metso Outotec completed the divestment of its Waste Recycling business to Ahlström Capital. The Waste Recycling business continues its operations under M&J Recycling, and its headquarters is in Horsens, Denmark.

### Divestment of the Metal Recycling business

On December 31, 2021, Metso Outotec signed an agreement to divest its Metals Recycling business line to an affiliate of Mimir, an investment company based in Stockholm, Sweden. The closing of the transaction is expected to take place during the first half of 2022.

## Events after the reporting period

On January 17, 2022, Metso Outotec announced that it will take the next structural development steps in its business portfolio, following the completed integration of its Minerals business and the successful turnaround of its Metals business. The company plans to change its business area structure and related reporting segments by transferring the Hydrometallurgy business from Metals to Minerals. The objective of the change is to accelerate Metso Outotec's profitable growth in the minerals processing industry by more efficiently leveraging the opportunities and synergies in the minerals and hydrometallurgical processes. A strategic review will be conducted in the remaining Metals business area, consisting of the Smelting, Metals & Chemical Processing and the Ferrous & Heat Transfer business lines, as well as related aftermarket services. The review will focus on evaluating the best environment for developing the Metals business and its strategic fit in Metso Outotec's business portfolio.

## Short-term business risks and market uncertainties

The global development of the Covid-19 pandemic continues to pose short-term risks and uncertainties to Metso Outotec's markets and operations. While the current Omicron variant seems to pose less severe health risks possible abrupt measures taken by various national and local governments to restrict the spread may continue to have an impact on Metso Outotec's own and its customers' operations. This could restrict the ability to provide services at customer sites and to run manufacturing sites. To protect its personnel, the company may also need to take abrupt measures that are likely to affect the efficiency of its operations and customer deliveries.

Global supply chains continue to be very tight, which is visible in inflation and challenges in availability of components, and these may further increase and risk the company's ability to deliver on-time and on-budget. Recently, the volatile price of energy has emerged as an additional risk for the company's cost base. Trade imbalances caused by the pandemic and port congestion continue to have a negative impact on the availability of containers globally and risk further affecting the availability and cost of logistics and hence supply chain efficiency.

The heightened political tension and risk for further sanctions impacting trade with Russia may impact project execution and delivery of order backlog to Russia and Russian counterparties. Tariffs or other trade barriers could pose challenges to our supply chain and price management, impacting our capability to secure customer deliveries and margins. 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.

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 remain at the current strong level, subject to the development of the Covid-19 pandemic.

## Corporate governance statement

Metso Outotec has published a separate Corporate governance statement for 2021 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.

# Statement of non-financial information

Metso Outotec, headquartered in Finland, has a presence globally in over 50 countries. The company is a leader in the development of sustainable products, end-to-end solutions and aftermarket services for the aggregates, minerals processing, and metals refining industries. Metso Outotec has defined sustainability as a strategic priority, and in particular has committed to contribute to limiting the global average temperature increase to 1.5 °C through its sustainability agenda.

Metso Outotec's sustainability agenda comprises of two focus areas: Sustainable offering and innovations and being a Responsible and trusted partner. In order to be a trusted partner, Metso Outotec focuses on the continuous development of Environmental efficiency in operations, People, Health and safety, and Responsible procurement, which in addition to Sustainable offering and innovations are identified as the most material sustainability topics.

Metso Outotec reports its economic, social, and environmental performance annually in accordance with the Global Reporting Initiative (GRI) Standards: Core option.

This statement of non-financial information contains a description of Metso Outotec's business model as well as risks, key performance indicators and other details related to Environmental responsibility, Social responsibility and employees, Human rights and Anti-corruption and bribery as required by the Finnish Accounting Act. This includes an overview of the targets and key performance indicators for all Metso Outotec's material topics that steer its sustainability activities.

**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 them maintain and increase production, improve productivity and lower operating costs and risks. Metso Outotec continuously develops its offering to meet its customers' growing needs for energy and emissions reduction, water resources management, resource efficiency, circularity, and safety.

The basis for creating value are Metso Outotec's established manufacturing and operations footprint and product offering, as well as its ability to continuously innovate. Innovation is driven by the deep know-how of Metso Outotec's 15,630 employees, and several locations with research and development capabilities, as demonstrated by 6,810 national technology patents. Long-term customer and supplier relationships are also essential for creating value for stakeholders. In 2021, Metso Outotec paid EUR 166 million in dividends.

Metso Outotec generates employment and wealth in local communities as an employer and a buyer of goods and services. The company also contributes to local communities through cooperation with universities and other research institutes. In 2021 Metso Outotec paid EUR 64 million in taxes.

**Risks, risk management system and policies**

The non-financial risks in this statement have been identified in accordance with the Finnish Accounting Act, separately from the financial risks identified in the financial review on page 63.

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

Climate change affects many aspects of Metso Outotec's business. The company therefore regularly analyses climate change-related risks and opportunities and their potential impact on the business. Among the significant opportunities and risks identified for Metso Outotec are the ability to create environmentally efficient and safe products to meet future customer needs and the ability to operate in a changing business and natural environment. Additionally, environmental legislation, customer energy supply, the global regulatory environment, and political and social unrest are factors that are considered. As part of the sustainability content presented in the Business overview, Metso Outotec reports on transitional and physical risks as well as opportunities caused by climate change, in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Operating in a sustainable way throughout the value chain 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, including business interruptions and lost work hours.

The Board of Directors oversees the appropriate governance of the overall enterprise risk management. Under the direction of the Board, Metso Outotec takes a systematic approach to managing non-financial matters, including implementing appropriate policies, due diligence processes, governance and organization.

Metso Outotec's Code of Conduct, approved by the Board of Directors, sets out the company's expectations for business conduct. 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 achieving Metso Outotec's environmental, social and economic responsibility.

Internal control practices are aligned with Metso Outotec's risk management process as approved by the Board of Directors. An audit framework is in place to support risk management by ensuring compliance and continuous business development.

Metso Outotec's integrated management system 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 ISO14001 (environment), ISO 45001 or OHSAS18001 (safety) standards as a framework.

## Environmental responsibility

Across Metso Outotec's value chain, ensuring the safety of our equipment, quality in the supply chain, and minimizing the environmental impact of our own operations are critical. Metso Outotec continuously develops its product offering and the management of its supply chain to address these matters. Suppliers are regularly trained and audited. Furthermore, Metso Outotec offers training and other services to customers to help them ensure safe and efficient operations.

Metso Outotec's most significant environmental impacts are through the use of its products and processes delivered to customers. As presented in more detail below, Metso Outotec's sustainable product offering, and innovations are an important element in managing environmental impacts.

### Sustainable offering and innovations

Metso Outotec's products, processes and services are designed to help customers operate safely, achieve higher productivity, and reduce their resource intensity. The mining and aggregates industries face increasing demands to reduce the use of energy and water resources, reduce dust and noise, as well as generally more stringent environmental legislation. Developing innovative solutions that are more energy efficient is one of the key priorities for the mining industry where the comminution process, including crushing and grinding, is the most energy-intensive stage of minerals production. Given the decreasing grade of orebodies, which requires even more processing to achieve the same volume of ore, improving efficiency is key. Improvements in comminution efficiency can therefore result in significant energy savings, reduce plant operating costs, increase resource efficiency, and reduce greenhouse gas emissions.

Key for Metso Outotec is to support customers' long-term success by offering energy saving, electric equipment, water efficiency processes and equipment, as well as circular and safety solutions. Metso Outotec offers solutions that consume less energy and water when compared to conventional solutions by increasing process efficiency, recycling and the reprocessing of tailings and waste over the life cycle of the customers' process. The minerals industry offering is mainly electric, allowing customers to choose renewable energy sources. Our offering in aggregates is around 50% electric and also includes dual power source products.

Metso Outotec's Planet Positive offering, launched in 2021, is central to Metso Outotec's sustainability agenda and 1.5 °C journey. Metso Outotec's Planet Positive portfolio includes solutions that offer significant improvements in reducing energy and carbon intensity, water use, pollution and embedded carbon compared to the industry baseline or alternative technology. Metso Outotec started measuring its Planet Positive sales for capital equipment and consumables in 2021. The Planet Positive sales in 2021 were EUR 592 million [1)], which represents 20% of capital equipment and consumables' total sales. Metso Outotec aims to grow its Planet Positive sales over 10% annually. In the longer term, Metso Outotec aims to have a Planet Positive product in every part of the customer value chain where Metso Outotec operates. To achieve this, Metso Outotec aims to have 100% of R&D projects' spend on projects with annual energy efficiency, emissions, circularity, water, or safety target.

To illustrate the potential impact of the Planet Positive portfolio, Metso Outotec calculates the amount of $CO_2$ emissions avoided annually by using twenty technologies compared to industry baselines or alternative technology. These technologies are included in Metso Outotec's $CO_2$ handprint, which demonstrates how the company can help reduce the global mining industry's $CO_2$ and other emissions by delivering technically more advanced solutions. In 2021, Metso Outotec's $CO_2$ handprint was 10.3 million tonnes less of $CO_2$ equivalents across twenty technology areas.

### EU Taxonomy

The EU Taxonomy is a classification system that translates the EU's climate and environmental objectives into criteria for assessing economic activities for investment purposes. Large financial and non-financial companies that fall under the scope of the Non-Financial Reporting Directive have to disclose to what extent their activities meet the criteria set out in the EU Taxonomy.

The EU Taxonomy includes six environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Economic activities that make a substantial contribution to at least one of the Taxonomy's environmental objectives are recognized as green, or 'environmentally sustainable', as long as they do not significantly harm any of the other environmental objectives and they meet minimum social safeguards.

In June 2021, the criteria that define which activities substantially contribute to the first two (out of the six) environmental objectives, climate change mitigation and climate change adaptation, were published. The criteria for the remaining four environmental objectives are yet to be established. For the 2021 reporting period, the share of taxonomy-eligible activities (revenue, capex and opex) and qualitative information have to be disclosed.

Metso Outotec has assessed which of its activities are included in the EU Taxonomy and have the potential to contribute to either the climate change mitigation or climate change adaptation objective. Metso Outotec, as a technology company serving the aggregates, minerals processing and metals refining industries, aims to support customers' energy transition towards net zero and decarbonization of the industries. Metso Outotec's products mainly fall under the Taxonomy activity '3.6 Manufacture of other low carbon technologies'. However, some services provided by Metso Outotec, whilst enabling process optimizations and lifetime extensions through modernizations and upgrades, fall outside the scope of activities included in the EU Taxonomy and are therefore classified as non-eligible. When Metso Outotec

[1)] Planet positive sales in the Service business are under review and Metso Outotec expects to report this in 2022.

sells parts purchased from a subcontractor without altering or modifying them in any way or without owning the design of those parts, the parts also fall outside of the scope of the EU Taxonomy. In 2021, 87% of Metso Outotec's products and services in terms of revenue were assessed as taxonomy-eligible activities under the EU Taxonomy.

### Metso Outotec Taxonomy eligibility for the climate change mitigation objective of the EU Taxonomy in 2021

| KPI | Total, EUR million[1] | Proportion of Taxonomy eligible economic activities (%) | Proportion of Taxonomy non-eligible economic activities (%) |
|---|---|---|---|
| Sales | 4,236 | 87 [2] | 13 |
| Capital expenditure | 105 | 88 [3] | 12 |
| Operating expenditure | 146 | 92 [4] | 8 |

[1] Figures reported are in line with Metso Outotec's consolidated financial statements 2021 and have been prepared in accordance with International Financial Reporting Standards.

[2] Includes products where Metso Outotec owns the design of the products, although the product might be manufactured by a subcontractor.

[3] Capital expenditure (capex) includes investment in intangible assets and property, plant and equipment (EUR 91 million), as well as in right-of-use assets (EUR 38 million) less non-operative investments (EUR -24 million), which are mainly related to office buildings and company cars. For eligibility assessment the capital expenditure of each Business Area is allocated according to the eligible % sales of that Business Area.

[4] Operating expenditure (opex) is defined as expenses related to research and development, short-term and low-value leases as well as to expenses related to buildings, vehicles, machinery and equipment, which are included in Cost of Goods Sold. For eligibility assessment the operating expenditure of each Business Area is allocated according to the eligible % sales of that Business Area.

Many of Metso Outotec's products have the potential to substantially contribute to the climate change mitigation objective of the EU taxonomy. These products, which are included in the Planet Positive portfolio, are considered to be enabling activities as they enable GHG emission reductions in other sectors of the economy (mining sector). The next step in 2022 is to assess whether Metso Outotec's eligible products meet the taxonomy criteria regarding 'substantial contribution', the 'do no significant harm' (DNSH), and minimum social safeguards.

#### Environmental efficiency in operations

The combined $CO_2$ emissions of Metso Outotec's footprint, including own operations, logistics, and suppliers was 672,216 $tCO_2$ tonnes in 2021.

Metso Outotec continuously aims to reduce the impacts of its operations and has set science-based $CO_2$ emission reduction targets. This includes aiming to halve the emissions of its own production by 2030, reduce emissions from logistics by 20% by 2025, increase emissions avoided by customers using its products by 20% by 2025 and work with suppliers and encourage them to set their own science-based $CO_2$ emission targets. The Science Based Targets Initiative has validated Metso Outotec's climate targets. In 2021 Metso Outotec further strengthened its commitment by setting a new net zero target, aiming to reach net zero $CO_2$ emissions by 2030 and reducing its $CO_2$ emissions by 50% by 2024 in its own operations.

## Social responsibility and employees

Metso Outotec's Code of Conduct is the cornerstone of how it conducts business. It defines the basic principles of behavior of all Metso Outotec employees. Fair and equal treatment towards every person in the company is expected from all employees. The Code also extends to contractors, vendors, customers, and Metso Outotec´s other business partners.

Metso Outotec recognizes that a diverse workforce is a strength, which also impacts business results and aims to create and sustain a work environment that values diversity and provides equal opportunities. Metso Outotec has an Equal Opportunity and Diversity Policy that extends the general principles of Metso Outotec's Code of Conduct. The underlying principle of this policy is Metso Outotec's commitment to promoting equal opportunities and fair treatment for all employees regardless of gender, age, race, religion or beliefs, ethnic or national origins, marital/civil partnership status, sexual orientation or disability. Employees are selected based on merit and experience.

Efforts to harmonize employment practices in all Metso Outotec locations to ensure equal treatment of all employees in each country continued in 2021.

During 2021, Covid-19 impacted the ways of working, with the majority of white-collar workers working from home. The pandemic affected the well-being of employees, which was also visible in the employee engagement survey. Metso Outotec has put a lot of effort into solving those issues, mainly through actions taken at individual sites to deal with the specific challenges in each location.

Metso Outotec has started preparations for a post-pandemic world, and a global working arrangement guideline was approved to instruct the preparation of local guidelines in each country. The guideline states that a hybrid work model that suits each team's work, achieve the objectives, and balance work-life wellbeing, is the preferred approach at Metso Outotec.

#### People

Culture building was a priority for Metso Outotec in 2021, and Performance Culture was defined as one of the four Tier-1 priorities for Metso Outotec's new strategy period.

Driving Metso Outotec towards achieving its ambition to be a Tier-1 company means building a strong culture defined by high performance, employee engagement, values that guide behavior and ways of working, strong leadership, as well as attracting, developing, and retaining top talent.

In 2021, the Metso Outotec Leadership Principles were launched. The Leadership Principles are guidelines for creating an inclusive environment where everyone can do their best and reach their full potential. The principles were introduced to managers as part of the Metso Outotec strategy communication, online training was provided, and team discussions were organized. Implementation of leadership development programs has started globally and regionally.

Metso Outotec is committed to developing a workplace where diversity and inclusion are embedded in the culture, fostered and promoted. This commitment was shared with employees, and in 2021 training sessions were organized, both globally and locally, to raise awareness of diversity, inclusion, and psychological safety. Going forward, there will be emphasis on increasing diversity across the business, removing barriers and bias from processes, and further building psychological safety in the organization.

In 2021, Metso Outotec conducted four engagement surveys: two full surveys for all employees, and two shorter pulse surveys for white-collar workers. The Employee Net Promoter Score (eNPS) is one of the key indicators used to track employee engagement and the result in December 2021 was 37, which is in the top 25% industry benchmark. Metso Outotec also started following the Inclusion score with a target to be among the top 10% of the industry benchmark by the end of 2024; it achieved middle range in December 2021.

### Health and safety

Metso Outotec continuously and actively mitigates the occupational health and safety risks in its operations - Metso Outotec targets zero harm. The most common risks in operations are related to lifting, working at heights, machinery, hot work, and road travel. These risks are mitigated through a variety of means, including safety equipment and tools, working procedures, continuous training, and leadership involvement.

Metso Outotec has an uncompromising approach to health and safety for all employees, partners, customers and other stakeholders and it has ambitious targets to ensure a safe workplace. To enable the achievement of these targets, Metso Outotec implemented 20 health and safety directives that are built on the Modus Operandi behavior program, implemented a hand safety program called LEGIT, further integrated contractor safety to align all contractors with the Metso Outotec way of working, and commenced a safety leadership program.

Despite these best efforts, a fatal incident took place at a customer site in the Netherlands in 2021. Everyone in Metso Outotec was deeply saddened by this tragic accident, and Metso Outotec has thoroughly investigated the root causes and is implementing findings to minimize the chances of incidents like this taking place.

2021 continued to pose challenges, as the COVID-19 pandemic prevailed globally. Throughout the pandemic Metso Outotec's first priority has been ensuring 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 to 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 (LTIFR), which was 1.1 in 2021, and total recordable injury frequency rate (TRIFR), which was 3.1 in 2021. The scope of LTIFR and TRIFR 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 the obligation to refuse and report any unsafe work.

Another important safety priority is making sure that products and services are safe to use and maintain; thus, the safety of services is considered in the early phase of product development. The Product Compliance Management process ensures that products designed and supplied by Metso Outotec worldwide meet all applicable safety requirements during the product life cycle.

Metso Outotec manages 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 through customer surveys.

## Human rights

Metso Outotec respects 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 Labor Organization's Declaration of Fundamental Principles and Rights at Work. These commitments are incorporated in Metso Outotec's Code of Conduct and Supplier Code of Conduct, and in the HR, Quality and EHS policies. In addition, the Metso Outotec Modern Slavery and Human Trafficking Statement sets out the practices and actions to mitigate any risk of modern slavery or human trafficking in Metso Outotec's own business and in its supply chain. Any form of compulsory, forced, or child labor is unacceptable.

All employees are entitled to be treated with respect, and we have zero tolerance for discrimination, harassment, or illegal threats. 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 is available to employees and external parties.

Human rights-related topics, including safety and labor rights, are reviewed regularly in Metso Outotec's own operations and in its supply chain.

### Responsible procurement

Due to the cyclical nature of Metso Outotec's customer industries, Metso Outotec outsources a significant proportion of its manufacturing. Metso Outotec expects its suppliers to follow the Supplier Code of Conduct, which is based on Metso Outotec's Code of Conduct, as well as established international best practices.

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. Based on supplier assessments for existing and new suppliers, the need for third-party or internal supplier sustainability audits as well as any further actions are defined. New supplier assessments form part of Metso Outotec's procurement function's ongoing processes, the aim is to evaluate all new direct suppliers in high-risk countries against Metso Outotec's sustainability criteria.

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 as well as Metso Outotec's internal supplier sustainability audits. Key supplier requirements are also incorporated into contract obligations, and a contract breach can lead to consequences, including termination of a supplier relationship.

After an audit has been performed, corrective action plans are agreed upon and suppliers are asked to provide Metso Outotec with evidence that these actions have been implemented and they are subject to possible re-audits. In 2021, 152 supplier sustainability audits were conducted that included human rights topics. In addition, an e-learning course about human rights was launched that informs suppliers about human rights-related topics and their importance in conducting business with Metso Outotec. One key action in 2021 was engaging with suppliers with regard to setting a science-based target (SBT) for $CO_2$ emissions reductions. 10.1 percent of the procurement spend in 2021 was with suppliers that have set SBTs.

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 risks related to outsourcing.

## Anti-corruption and bribery

Metso Outotec endorses responsible business practices and complies with national and international laws and regulations. The company has zero tolerance for 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 Code of Conduct, a training program was launched in late 2021. Going forward employees will be required to complete similar training every year. 96.9% of Metso Outotec employees completed the training by the end of 2021. The Code of Conduct training is also a part of the induction program for new employees.

Metso Outotec conducts compliance checks on customers, suppliers, and other business partners through third-party screening tools, data portals that are linked to Metso Outotec's customer relationship management systems, 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 employees have a responsibility for ensuring compliance with anti-corruption and anti-bribery measures. A range of internal controls are in place, and employees 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 ensuring that there are no negative repercussions for the reporting person.

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

### Key non-financial performance indicators

| Non-financial topic | Target for 2021 | Key performance indicators | 2021 | 2020 |
|---|---|---|---|---|
| **Environmental responsibility** | | | | |
| $CO_2$ emissions: Production (scope 1 & 2 (market based) | Decrease $CO_2$ emissions by 8% compared to 2019 baseline | $CO_2$ emission of own production | 52,216 $tCO_2$ (–58% compared to 2019) | 44,913 $tCO_2$ |
| $CO_2$ emissions: Logistics | Decrease $CO_2$ emissions by 20% compared to 2019 baseline | $CO_2$ emissions from logistics | 97,000 $tCO_2$ (–18% compared to 2019) | 86,000 $tCO_2$ |
| Suppliers with $CO_2$ targets | 7% of procurement by spend is with suppliers that have an SBT $CO_2$ emission target | % of suppliers with an SBT target | 10.1% | 2.5% |
| Total footprint – $CO_2$ emissions | See targets above for production, logistics, and suppliers | $CO_2$ emissions of production, logistics and purchased goods and services | 672,216 $tCO_2$ | 492,913 $tCO_2$ |
| Planet Positive portfolio | Grow our Planet Positive sales over 10% annually | Planet Positive sales (MEUR) (including capital equipment and consumables' sales) | EUR 592 million | New target |
| **Social responsibility and employees** | | | | |
| Health and safety | Continuous improvement in lost-time injuries frequency rate | Lost-time injuries per million work hours (LTIFR)[1] | 1.1 | 1.4 |
| | Continuous improvement in total recordable injury frequency rate | Total recordable injury frequency per million hours worked (TRIFR)[1] | 3.1 | 3.7 |
| People | Employee Net Promoter Score (eNPS) to be in top 10% of the industry benchmark | eNPS benchmark score range % | Top 25 | Top 25 |
| **Human rights** | | | | |
| Responsible procurement | 100 supplier sustainability audits per year conducted in higher-risk areas | Number of supplier sustainability audits conducted | 152 | 142 |
| **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 (%) | 96.9% | 96.1% |

[1] Includes employees and contractors.

## 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 at:

- Business overview 2021, Metso Outotec's strategy and business model
- Business overview 2021, Metso Outotec's value creation model
- Corporate governance 2021, Risk management at Metso Outotec
- Corporate governance 2021, Metso Outotec's risk map

# 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, 2021 | 828,972,440 |
| Share capital on December 31, 2021 | EUR 107,186,442.52 |
| Market value on December 31, 2021 | EUR 7,751 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 2021

On December 31, 2021, 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 on the **Metso Outotec website**.

At the end of 2021, Metso had approximately 83,875 shareholders in the book-entry system. The largest shareholder was Solidium with 123,477,168 shares, equaling 14.9 percent of the Company's shares. A total of 456,105,740 Metso Outotec shares were traded on the Nasdaq Helsinki during 2021, equivalent to a turnover of EUR 7,751 million.

At the year-end, the members of Metso Outotec's Board of Directors and President and CEO Pekka Vauramo held a total of 293,143 Metso Outotec shares, corresponding to 0.04 percent of the total number of shares and votes. More information about management holdings is available in note 1.5.

## Share key figures

| | 2021 | 2020 |
|---|---|---|
| Share capital, at the end of year, EUR million | 107 | 107 |
| Number of shares, at the end of year | | |
| Number of outstanding shares | 828,047,419 | 827,979,202 |
| Own shares held by the Parent company | 925,021 | 993,238 |
| Total number of shares | 828,972,440 | 828,972,440 |
| Average number of outstanding shares | 828,038,074 | 737,412,693 |
| Average number of diluted shares | 828,286,851 | 737,661,470 |
| Earnings / share, basic, EUR | 0.41 | 0.19 |
| Earnings / share, diluted, EUR | 0.41 | 0.19 |
| Earnings / share, basic, based on outstanding shares on Dec 31, 2020, EUR | | 0.17 |
| Net cash flow from operating activities / share, EUR | 0.61 | 0.59 |
| Dividend/share [1], EUR | 0.24 | 0.20 |
| Dividend / share [1], EUR | 199 | 166 |
| Dividend / earnings [1], % | 58 | 120 |
| Effective dividend yield [1], % | 2.6 | 2.4 |
| P/E ratio [2] | 22.8 | 48.1 |
| Equity / share [2], EUR | 2.72 | 2.46 |

[1] The amounts for year 2021 are Board of Directors' proposal to the AGM.
[2] Comparison year is calculated based on the number of outstanding shares.

## Share performance and trading on Nasdaq Helsinki

| | 2021 | 2020 |
|---|---|---|
| Closing price, December 31, EUR | 9.35 | 8.18 |
| Market capitalization, December 31, EUR million | 7,751 | 6,756 |
| Trading volume, NASDAQ OMX Helsinki Ltd, shares | 456,105,740 | 453,167,736 |
| % of shares [1] | 55.02% | 54.66% |
| Trading volume, NASDAQ OMX Helsinki Ltd, EUR million | 4,147,978,264 | 2,666,695,603 |
| Average daily trading volume, pieces | 1,809,943 | 3,512,928 |
| Relative turnover, % | 0.20% | 0.40% |
| Share performance, % | 36.0% | 65.0% |
| Highest share price, EUR | 10.29 | 8.20 |
| Lowest share price, EUR | 7.55 | 4.47 |
| Average share price, EUR | 9.14 | 6.28 |

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

## Largest shareholders on December 31, 2021

| | Owner | Shares and votes | % of total shares and voting rights |
|---|---|---|---|
| 1 | Solidium Oy | 123,477,168 | 14.90 |
| 2 | Varma Mutual Pension Insurance Company | 30,332,359 | 3.66 |
| 3 | Ilmarinen Mutual Pension Insurance Company | 23,584,515 | 2.85 |
| 4 | Elo Mutual Pension Insurance Company | 10,012,318 | 1.21 |
| 5 | Nordea Funds | 8,262,742 | 0.99 |
| | Nordea Pro Finland Fund | 2,441,781 | 0.29 |
| | Nordea Fennia Fund | 1,860,618 | 0.22 |
| | Nordea Finnish Index Fund | 981,878 | 0.12 |
| | Nordea Life Assurance Finland Ltd. | 643,550 | 0.08 |
| | Nordea Bank ABP | 502,958 | 0.06 |
| | Sijoitusrahasto Nordea Premium Varainhoito Maltti | 502,920 | 0.06 |
| | Sijoitusrahasto Nordea Premium Varainhoito Tasapaino | 483,148 | 0.06 |
| | Nordea Säästö 50 | 356,424 | 0.04 |
| | Sijoitusrahasto Nordea Säästö 25 | 265,483 | 0.03 |
| | Nordea Säästö 75 | 223,982 | 0.03 |
| 6 | OP-Finland Funds | 8,095,787 | 0.97 |
| | OP Life Assurance Company Ltd | 1,690,085 | 0.20 |
| | OP-Finland Fund | 5,391,211 | 0.65 |
| | OP-Finland Index Fund | 1,014,491 | 0.12 |
| 7 | The State Pension Fund | 6,900,000 | 0.83 |
| 8 | Aktia Funds | 5,751,000 | 0.70 |
| | Sijoitusrahasto Aktia Capital | 3,280,000 | 0.40 |
| | Aktia Secura Fund | 801,000 | 0.10 |
| | Sijoitusrahasto Aktia Nordic Small Cap | 600,000 | 0.07 |
| | Investment fund Aktia Nordic | 570,000 | 0.07 |
| | Aktia Euro Fund | 500,000 | 0.06 |
| 9 | Mandatum Life Insurance Company Limited | 4,572,073 | 0.55 |
| 10 | Svenska litteratursällskapet i Finland r.f. | 4,409,256 | 0.53 |
| 11 | Veritas Pension Insurance Company Ltd. | 3,200,000 | 0.39 |
| 12 | Sigrid Jusélius Foundation | 2,738,598 | 0.33 |
| 13 | Danske Invest Finnish Equity Fund | 2,640,000 | 0.32 |
| 14 | Säästöpankki Kotimaa | 2,290,248 | 0.28 |
| 15 | Oy Etra Invest Ab | 2,000,000 | 0.24 |
| 16 | The Finnish Cultural Foundation | 1,720,528 | 0.21 |
| 17 | The Social Insurance Institution of Finland, KELA | 1,704,158 | 0.21 |
| 18 | OMX Helsinki 25 Exchange Traded Fund | 1,696,140 | 0.20 |
| 19 | Evli Finland Select Fund | 1,425,000 | 0.17 |
| 20 | Samfundet folkhälsan i Svenska Finland rf | 1,380,235 | 0.17 |
| | 20 largest owner groups in total | 268,301,654 | 32.37 |
| | | | |
| | Nominee-registered holders | 419,904,976 | 50.65 |
| | Other shareholders | 140,731,496 | 16.98 |
| | In the joint book-entry account | 34,314 | 0.00 |
| | **Total** | **828,972,440** | **100.00** |

### Breakdown of share ownership on December 31, 2021

| Number of shares | Shareholders | % of shareholders | Total number of shares and votes | % of total shares and voting rights |
|---|---|---|---|---|
| 1–100 | 19,404 | 23.13 | 943,025 | 0.11 |
| 101–1,000 | 41,827 | 49.87 | 17,828,767 | 2.15 |
| 1,001–10,000 | 20,512 | 24.46 | 58,389,703 | 7.04 |
| 10,001–100,000 | 1,962 | 2.34 | 47,559,855 | 5.74 |
| 100,001–1,000,000 | 136 | 0.16 | 40,569,134 | 4.89 |
| 1,000,001 and above | 34 | 0.04 | 243,742,666 | 29.42 |
| Total | 83,875 | 100.00 | 409,033,150 | 49.35 |
| | | | | |
| Nominee-registered shares | 12 | 0.0 | 419,904,976 | 50.65 |
| In the joint book-entry account | 0 | 0.0 | 34,314 | 0.00 |
| **Number of shares issued** | | | **828,972,440** | **100.00** |

### Breakdown by shareholder category on December 31, 2021

| Share, % | 2021 | 2020 |
|---|---|---|
| Nominee-registered and non-Finnish holders | 57% | 51% |
| Solidium Oy | 15% | 15% |
| Private investors | 13% | 13% |
| Finnish institutions, companies, and foundations | 15% | 21% |
| **Total** | **100%** | **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 on the **Metso Outotec website**.

## Incentive plans

Metso Outotec's share ownership plans are part of the management remuneration program. For further information, see on the **Metso Outotec website** 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

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Sales | 4,236 | 3,319 | 2,819 | 2,581 | 2,177 |
| Operating profit (EBIT) | 425 | 239 | 316 | 268 | 156 |
| % of sales | 10.0% | 7.2% | 11.2% | 10.4% | 7.2% |
| Profit before taxes | 386 | 201 | 282 | 242 | 128 |
| % of sales | 9.1% | 6.1% | 10.0% | 9.4% | 5.9% |
| Profit for the period for continuing operations | 294 | 149 | 217 | 169 | 70 |
| % of sales | 6.9% | 4.5% | 7.7% | 6.5% | 3.2% |
| Profit for the period for discontinued operations | 48 | -11 | 7 | - | - |
| Profit for the period | 342 | 138 | 223 | 169 | 70 |
| % of sales | 8.1% | 4.2% | 7.9% | 6.5% | 3.2% |
| Profit attributable to shareholders of the company | 342 | 138 | 224 | 170 | 70 |
| | | | | | |
| Amortization of intangible assets | 72 | 85 | 16 | 16 | 15 |
| Depreciation of tangible assets | 51 | 41 | 31 | 30 | 31 |
| Depreciations of right-of-use assets | 38 | 30 | 22 | 0 | 0 |
| Depreciation and amortization, total | 161 | 157 | 69 | 46 | 46 |
| % of sales | 3.8% | 4.7% | 2.4% | 1.8% | 2.1% |
| | | | | | |
| EBITA | 498 | 324 | 332 | 283 | 171 |
| % of sales | 11.7% | 9.8% | 11.8% | 11.0% | 7.8% |
| EBITDA | 587 | 396 | 385 | 314 | 202 |
| % of sales | 13.8% | 11.9% | 13.6% | 12.2% | 9.3% |
| | | | | | |
| Finance income and expenses, net | 39 | 38 | 33 | 26 | 27 |
| % of sales | 0.9% | 1.2% | 1.2% | 1.0% | 1.3% |
| Interest expenses | 23 | 30 | 32 | 26 | 24 |
| % of sales | 0.6% | 0.9% | 1.1% | 1.0% | 1.1% |
| Interest cover (EBITDA) | 14.9× | 10.4× | 11.5× | | |
| | | | | | |
| Gross capital expenditure | 91 | 86 | 90 | | |
| % of sales | 2.1% | 2.6% | 3.2% | | |
| Net capital expenditure | 69 | 83 | 82 | | |
| % of sales | 1.6% | 2.5% | 2.9% | | |
| Net cash flow from operating activities before financial items and taxes | 608 | 587 | 173 | 207 | 240 |
| Cash conversion, % | 104% | 148% | 45% | | |
| | | | | | |
| Research and development | 66 | 56 | 39 | | |
| % of sales | 1.6% | 1.7% | 1.4% | | |

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Balance sheet total | 5,830 | 5,567 | 3,457 | 2,979 | 3,015 |
| Equity attributable to shareholders | 2,250 | 2,037 | 1,252 | 1,173 | 1,059 |
| Total equity | 2,251 | 2,040 | 1,254 | 1,183 | 1,066 |
| Interest bearing liabilities | 952 | 1,345 | 1,001 | 673 | 990 |
| Net working capital (NWC) | 254 | 413 | 853 | 629 | 458 |
| % of sales | 6.0% | 12.5% | 30.3% | 24.4% | 21.0% |
| Capital employed | 3,173 | 3,437 | 2,255 | 1,863 | 2,063 |
| Return on equity (ROE), % | 16.0% | 8.3% | 18.4% | 15.1% | 6.3% |
| Return on capital employed (ROCE) before taxes, % | 14.1% | 8.6% | 16.2% | 14.2% | 8.3% |
| Return on capital employed (ROCE) after taxes, % | 11.7% | 6.5% | 12.9% | 10.5% | 5.6% |
| Net debt | 470 | 799 | 772 | 239 | 165 |
| Gearing, % | 20.9% | 39.2% | 61.5% | 20.2% | 15.5% |
| Equity to asset ratio, % | 43.2% | 39.5 | 39.1% | 44.0% | 38.3% |
| Debt to capital, % | 26.7% | 37.2% | 42.1% | 36.3% | 48.1% |
| Debt to equity, % | 36.4% | 59.1% | 72.6% | 56.9% | 92.8% |
| | | | | | |
| Orders received | 5,605 | 4,340 | 3,009 | 2,871 | 2,427 |
| Order backlog, December 31 | 3,990 | 2,233 | 1,408 | 1,411 | 1,204 |
| | | | | | |
| Personnel at end of year | 15,630 | 15,466 | 12,894 | 10,367 | 9,670 |

Key figures for 2021 and 2020 are calculated based on IFRS data. All comparable key figures are based on Metso Minerals carve-out data.

Balance sheet for 2020 has been restated due to adjustments in the fair values of Outotec at the acquisition date. The adjustments have an effect to goodwill, non-current deferred tax assets and liabilities, income tax liabilities, other current liabilities and liabilities held for sale.

## 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, 2021, the distributable equity of Metso Outotec Corporation was:

| | | |
|---|---|---|
| Invested non-restricted equity fund | EUR | 434,499,801.35 |
| Own shares | EUR | -8,832,733.61 |
| Retained earnings | EUR | 353,730,583.47 |
| Net profit for the year | EUR | 193,677,148.46 |
| **Distributable equity, total** | **EUR** | **973,074,799.67** |

The Board of Directors proposes that a dividend of EUR 0.24 per share be paid based on the balance sheet to be adopted for the financial year, which ended December 31, 2021. Insofar as the dividend to be paid exceeds the net profit for the year ended December 31, 2021, the remaining amount will be paid from retained earnings from previous years.

| | | |
|---|---|---|
| Dividend payment | EUR | 198,731,380.56 |
| **Distributable equity after dividend payment** | **EUR** | **774,343,419.11** |

These financial statements were authorized for issue by the Board of Directors on February 9, 2022, after which, in accordance with Finnish Company Law, the financial statements are either approved, amended, or rejected in the Annual General Meeting.

# Consolidated financial statements, IFRS

## Consolidated statement of income

| EUR million | Note | 2021 | 2020 |
|---|---|---|---|
| Sales | 1.1, 1.2 | 4,236 | 3,319 |
| Cost of sales | 1.5, 3.4 | -3,058 | -2,429 |
| Gross profit | | 1,178 | 889 |
| | | | |
| Selling and marketing expenses | 1.3, 1.5, 3.4 | -348 | -283 |
| Administrative expenses | 1.3, 1.5, 3.4 | -321 | -303 |
| Research and development expenses | 1.3, 1.5, 3.4 | -66 | -53 |
| Other operating income and expenses, net | 1.4 | -18 | -10 |
| Share of results of associated companies | 5.3 | -1 | 0 |
| Operating profit | | 425 | 239 |
| | | | |
| Finance income | 1.7 | 4 | 5 |
| Foreign exchange gains/losses | 1.7 | -4 | 0 |
| Finance expenses | 1.7 | -40 | -44 |
| Finance income and expenses, net | | -39 | -38 |
| | | | |
| Profit before taxes | | 385 | 201 |
| | | | |
| Income taxes | 1.8 | -92 | -52 |
| Profit for the year for continuing operations | | 294 | 149 |
| | | | |
| Profit from discontinued operations | 5.5 | 48 | -11 |
| **Profit for the year** | | **342** | **138** |
| | | | |
| Profit attributable to | | | |
| Shareholders of the Parent company | | 342 | 138 |
| Non-controlling interests | | 0 | 0 |
| | | | |
| Profit from continuing operations attributable to | | | |
| Shareholders of the Parent company | | 294 | 149 |
| Non-controlling interests | | 0 | 0 |
| | | | |
| Earnings per share, EUR [1] | 1.9 | 0.41 | 0.19 |
| Earnings per share for continuing operations EUR [1] | 1.9 | 0.35 | 0.20 |

[1] More information under Key figures

## Consolidated statement of comprehensive income

| EUR million | Note | 2021 | 2020 |
|---|---|---|---|
| Profit for the year | | 342 | 138 |
| | | | |
| Other comprehensive income | | | |
| Cash flow hedges, net of tax | 1.8, 4.4, 4.8 | -13 | 9 |
| Currency translation on subsidiary net investment | 1.8, 4.4 | 46 | -58 |
| Items that may be reclassified to profit or loss in subsequent periods | | 33 | -49 |
| | | | |
| Defined benefit plan actuarial gains and losses, net of tax | 1.8, 2.7 | 5 | -6 |
| Items that will not be reclassified to profit or loss | | 5 | -6 |
| | | | |
| Other comprehensive income total | | 38 | -56 |
| | | | |
| **Total comprehensive income** | | **380** | **82** |
| | | | |
| Attributable to | | | |
| Shareholders of Parent company | | 380 | 83 |
| Non-controlling interests | | 0 | 0 |

The IFRS-based comparison period January—June 2020 includes only Metso Minerals carve-out data, and the comparison period July—December includes Metso Outotec Group financial data.

## Consolidated balance sheet – Assets

| EUR million | Note | 2021 | Restated 2020 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 3.1, 3.4 | | |
| Goodwill | | 1,124 | 1,118 |
| Other intangible assets | | 878 | 942 |
| Total intangible assets | | 2,002 | 2,060 |
| | | | |
| Property, plant, and equipment | 3.2, 3.4 | | |
| Land and water areas | | 35 | 42 |
| Buildings and structures | | 121 | 116 |
| Machinery and equipment | | 174 | 157 |
| Assets under construction | | 43 | 41 |
| Total property, plant, and equipment | | 373 | 356 |
| | | | |
| Right-of-use assets | 3.3, 3.4 | 127 | 132 |
| | | | |
| Other non-current assets | | | |
| Investments in associated companies | 5.3 | 7 | 10 |
| Non-current financial assets | 4.2 | 4 | 4 |
| Loan receivables | 4.2 | 6 | 6 |
| Derivative financial instruments | 4.8 | 2 | 3 |
| Deferred tax assets | 1.8 | 178 | 149 |
| Other non-current receivables | 2.3, 4.2 | 38 | 43 |
| Total other non-current assets | | 234 | 215 |
| | | | |
| Total non-current assets | | 2,737 | 2,764 |
| | | | |
| **Current assets** | | | |
| Inventories | 2.4 | 1,269 | 1,038 |
| Trade receivables | 2.2 | 668 | 556 |
| Customer contract assets | 1.2 | 324 | 298 |
| Loan receivables | 4.2 | 3 | 2 |
| Derivative financial instruments | 4.8 | 46 | 43 |
| Income tax receivables | 1.8 | 36 | 36 |
| Other current receivables | 2.3 | 210 | 147 |
| Liquid funds | 4.3 | 473 | 537 |
| Total current assets | | 3,028 | 2,658 |
| | | | |
| Assets held for sale | 5.5 | 65 | 145 |
| | | | |
| **TOTAL ASSETS** | | **5,830** | **5,567** |

## Consolidated balance sheet – Equity and liabilities

| EUR million | Note | 2021 | Restated 2020 |
|---|---|---|---|
| **Equity** | 4.4 | | |
| Share capital | | 107 | 107 |
| Share premium fund | | 20 | 20 |
| Cumulative translation adjustments | | -164 | -210 |
| Fair value and other reserves | | 1,130 | 1,136 |
| Retained earnings | | 1,156 | 983 |
| Equity attributable to shareholders | | 2,250 | 2,037 |
| | | | |
| Non-controlling interests | | 1 | 3 |
| | | | |
| Total equity | | 2,251 | 2,040 |
| | | | |
| **Liabilities** | | | |
| Non-current liabilities | | | |
| Borrowings | 4.2, 4.5 | 627 | 1,129 |
| Lease liabilities | 4.2, 4.5 | 104 | 106 |
| Post-employment benefit obligations | 2.7 | 124 | 102 |
| Provisions | 2.6 | 45 | 73 |
| Derivative financial instruments | 4.8 | 6 | 2 |
| Deferred tax liabilities | 1.8 | 209 | 223 |
| Other non-current liabilities | 2.5 | 2 | 4 |
| Total non-current liabilities | | 1,117 | 1,639 |
| | | | |
| Current liabilities | | | |
| Borrowings | 4.2, 4.5 | 192 | 78 |
| Lease liabilities | 4.2 | 30 | 32 |
| Trade payables | 2.5 | 692 | 539 |
| Provisions | 2.6 | 178 | 122 |
| Advances received | 1.2 | 235 | 161 |
| Customer contract liabilities | 1.2 | 388 | 236 |
| Derivative financial instruments | 4.8 | 52 | 29 |
| Income tax liabilities | 1.8 | 76 | 42 |
| Other current liabilities | 2.5 | 585 | 453 |
| Total current liabilities | | 2,428 | 1,690 |
| | | | |
| Total non-current and current liabilities | | 3,544 | 3,329 |
| | | | |
| Liabilities held for sale | 5.5 | 35 | 198 |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **5,830** | **5,567** |

Balance sheet for year 2020 has been restated due to adjustments in the fair values of Outotec at the acquisition date. The adjustments have an effect to goodwill, non-current deferred tax assets and liabilities, income tax liabilities, other current liabilities and liabilities held for sale.

# Consolidated statement of changes in shareholders' equity

| 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 |
|---|---|---|---|---|---|---|---|---|
| January 1, 2021 | 107 | 20 | -210 | 1,136 | 983 | 2,037 | 3 | 2,040 |
| Profit for the year | – | – | – | – | 342 | 342 | 0 | 342 |
| Other comprehensive income | | | | | | | | |
| Cash flow hedges, net of tax | – | – | – | -13 | – | -13 | – | -13 |
| Currency translation on subsidiary net investments | – | – | 46 | – | – | 46 | 0 | 46 |
| Defined benefit plan actuarial gains (+) / losses (–), net of tax | – | – | – | – | 5 | 5 | – | 5 |
| Total comprehensive income | – | – | 46 | -13 | 347 | 380 | 0 | 380 |
| Dividends | – | – | – | – | -166 | -166 | – | -166 |
| Share-based payments, net of tax | – | – | – | 7 | -3 | 4 | – | 4 |
| Other items | – | – | – | – | 2 | 2 | 0 | 2 |
| Changes in non-controlling interests | – | – | – | – | -7 | -7 | -2 | -10 |
| **December 31, 2021** | **107** | **20** | **-164** | **1,130** | **1,156** | **2,250** | **1** | **2,251** |

| 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 |
|---|---|---|---|---|---|---|---|---|
| January 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 |
| Demerger effect | 90 | – | – | 265 | -355 | – | – | – |
| Reverse acquisition | 17 | 20 | – | 860 | – | 898 | 1 | 898 |
| Other items | – | – | – | – | 6 | 6 | 0 | 6 |
| **December 31, 2020** | **107** | **20** | **-210** | **1,136** | **983** | **2,037** | **3** | **2,040** |

# Consolidated statement of cash flows

| EUR million | Note | 2021 | 2020 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit for the period, continuing operations | | 294 | 149 |
| Profit for the period, discontinued operations | | 48 | -11 |
| Adjustments | | | |
| Depreciation and amortization | 3.4 | 167 | 160 |
| Finance expenses, net | 1.7 | 39 | 38 |
| Income taxes | 1.8 | 92 | 58 |
| Other items | | -2 | 0 |
| Change in net working capital | | -31 | 193 |
| Net cash flow from operating activities before financial items and taxes | | 608 | 587 |
| | | | |
| Interests paid | | -22 | -29 |
| Interests received | | 1 | 5 |
| Other financing items, net | | -14 | -11 |
| Finance income and expenses paid, net | | -35 | -35 |
| Income taxes paid | 1.8 | -64 | -62 |
| Net cash flow from operating activities | | 508 | 491 |
| | | | |
| **Investing activities** | | | |
| Capital expenditures on intangible assets and property, plant, and equipment | 3.1, 3.2 | -91 | -88 |
| Proceeds from sale of intangible assets and property, plant, and equipment | 3.1, 3.2 | 22 | 3 |
| Proceeds from sale of intangible assets and property, plant, and equipment, Metso Group | | – | 6 |
| Proceeds from and investments in financial assets, net | 4.6 | – | 0 |
| Business acquisitions, net of cash acquired | 5.4 | – | 209 |
| Business acquisitions, net of cash acquired, Metso Group | | – | -6 |
| Proceeds from sale of businesses, net of cash sold | 5.4 | 74 | – |
| Proceeds from sale of businesses, net of cash sold, Metso Group | | – | 87 |
| Proceeds from sale of associated companies | 5.3 | 1 | – |
| Net cash flow from investing activities | | 5 | 211 |

| EUR million | Note | 2021 | 2020 |
|---|---|---|---|
| **Financing activities** | | | |
| Dividends paid | | -166 | -177 |
| Dividends paid, Metso group | | – | -2 |
| Increase in loan receivables | 4.6 | -1 | -1 |
| Decrease in loan receivables | 4.6 | 1 | – |
| Proceeds from increases in non-current debt | 4.6 | – | 836 |
| Repayment of non-current debt | 4.6 | -350 | -400 |
| Proceeds from and repayment of current debt, net | 4.6 | -37 | -395 |
| Proceeds from and repayment of debt, net, Metso Group | 4.6 | – | -139 |
| Repayment of lease liabilities | 4.6 | -38 | -31 |
| Net cash flow from financing activities | | -591 | -309 |
| | | | |
| **Net change in liquid funds** | | -78 | 393 |
| | | | |
| Effect from changes in exchange rates | | 14 | -6 |
| Cash classified as assets held for sale | | 0 | -6 |
| Liquid funds equivalents at beginning of year | 4.3, 4.6 | 537 | 156 |
| Liquid funds at end of year | 4.3, 4.6 | 473 | 537 |

# 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.

Metso Outotec's consolidated financial statements were authorized for issue by Metso Outotec Corporation's Board of Directors on February 9, 2022, after which, in accordance with 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 statement of income and cash flow for the comparison period January—June 2020 includes only Metso Minerals carve-out data. The July—December 2020 consolidated statement of income and cash flows includes Metso Outotec Group financial data.

Outotec's net assets were identified and recognized at fair value as of the acquisition date on June 30, 2020. The comparative balance sheet for year 2020 has been restated due to adjustments in the fair values of Outotec at the acquisition date. The acquisitions are disclosed in the Note 5.4 Acquisitions and business disposals.

Metso Outotec has classified certain businesses to be as held for sale. The assets and liabilities related to these businesses are presented on separate lines in the balance sheet, and also the income statement items are presented on a separate line from continuing operations. For more information can be found from the 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.

The detailed Metso Outotec's accounting policies are disclosed under each relevant note of the consolidated financial statements.

## Critical accounting estimates and judgments by Management

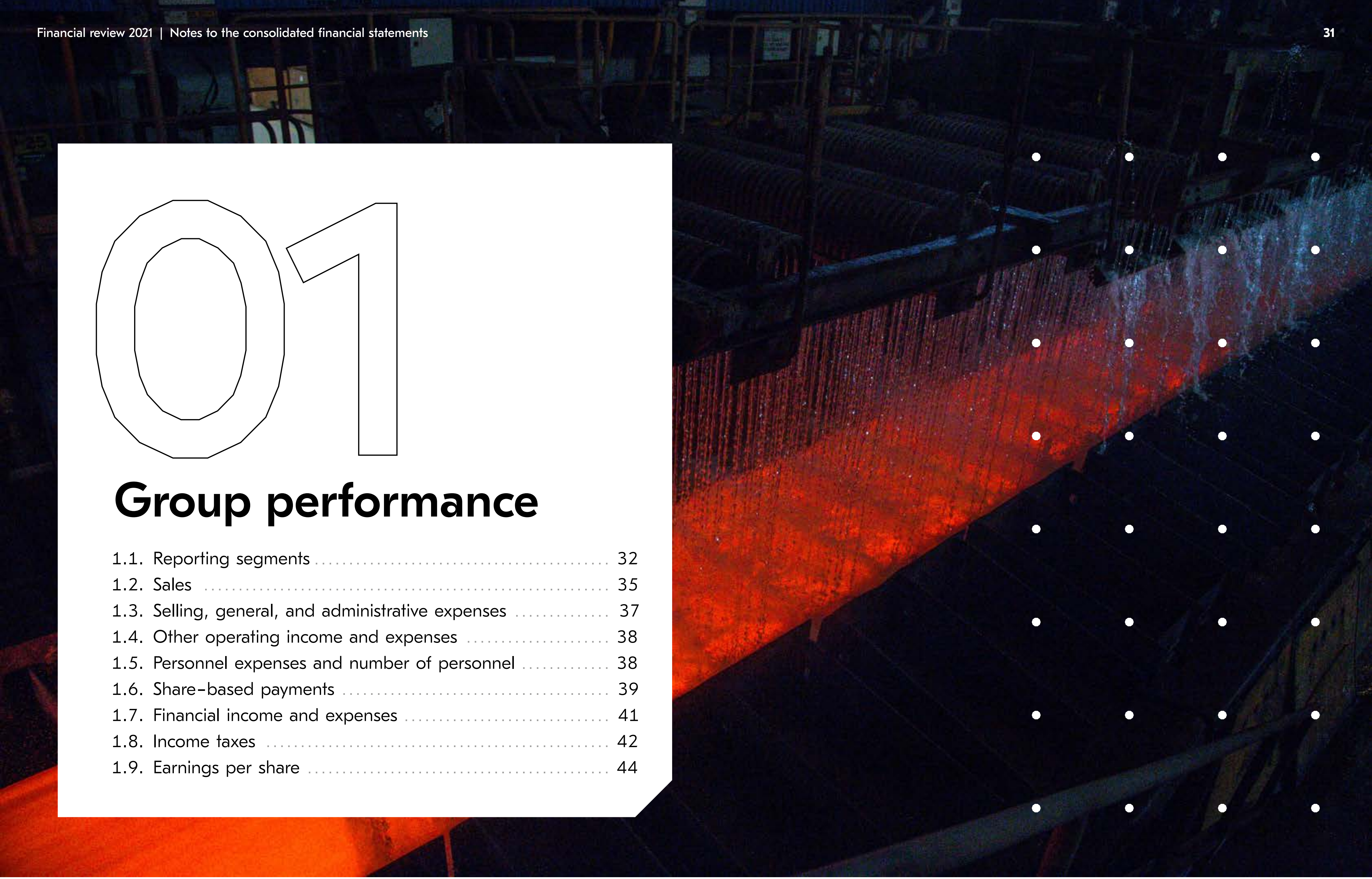
The preparation of financial statements, in conformity with the IFRS, requires management to make estimates and assumptions and to exercise its judgment in the process of applying the Group's accounting policies. These affect the reported amounts of balance sheet items, the presentation of contingent 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 | Property, plant, and equipment |
| Note 2.3 | Other receivables | Note 3.3 | 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 and assumptions used reflect management's best judgment on the possible impacts of the pandemic.

## Abbreviations 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 (operating profit) |
| 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 |
| PPE | Property, plant, and equipment |
| PSP | Performance share incentive plan |
| R&D | Research and development |
| RFR | Relief from royalty method |
| ROCE | Return on capital employed |
| ROE | Return on equity |
| RSP | Restricted share incentive plan |
| TSR | Total shareholder return |
| WACC | Weighted average cost of capital |



# 01 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 for mining operations.

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

**Group Head Office and other** is comprised of the Parent company with centralized group functions, such as treasury and tax, as well as the global business services 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 comprise 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 assets or property, plant, and equipment and other assets.

Gross capital expenditure comprises investments in intangible assets and property, plant, and equipment, associated companies, and joint ventures.

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

## Segment information

**2021**

| EUR million | Aggregates | Minerals | Metals | Group Head Office and other | Total |
|---|---|---|---|---|---|
| Sales, external | 1,202 | 2,527 | 508 | 0 | 4,236 |
| Sales, intra-group | – | – | – | – | – |
| Sales, total | 1,202 | 2,527 | 508 | 0 | 4,236 |
| | | | | | |
| Earnings before interest, tax, and amortization (EBITA) | 162 | 359 | 22 | -44 | 498 |
| % of sales | 13.5 | 14.2 | 4.3 | | 11.8 |
| | | | | | |
| Adjusted EBITA | 161 | 368 | 27 | -8 | 547 |
| % of sales | 13.4 | 14.6 | 5.3 | | 12.9 |
| | | | | | |
| Operating profit (loss) | 148 | 312 | 12 | -47 | 425 |
| % of sales | 12.3 | 12.3 | 2.5 | | 10.0 |
| | | | | | |
| Adjustment items and amortization of intangible assets | | | | | |
| Adjusted EBITA | 161 | 368 | 27 | -8 | 547 |
| Adjustment items, total | 1 | -9 | -6 | -36 | -50 |
| Amortization of other intangible assets total | -14 | -47 | -9 | -3 | -73 |
| Operating profit (loss) | 148 | 312 | 12 | -47 | 425 |
| | | | | | |
| Inventories | 463 | 734 | 87 | -15 | 1,269 |
| Trade receivables | 190 | 449 | 23 | 5 | 668 |
| Other non-interest-bearing receivables | 52 | 182 | 42 | 17 | 294 |
| Customer contract assets and liabilities, net | -1 | -34 | -33 | 4 | -64 |
| Trade payables | -197 | -402 | -68 | -25 | -692 |
| Advances received | -66 | -164 | -5 | 0 | -235 |
| Other non-interest-bearing liabilities | -155 | -486 | -320 | -26 | -986 |
| Net working capital | 285 | 279 | -273 | -38 | 254 |

## Segment information

**2020**

| EUR million | Aggregates | Minerals | Metals | Group Head Office and other | Total |
|---|---|---|---|---|---|
| Sales, external | 992 | 2,112 | 215 | 0 | 3,319 |
| Sales, intra-group | – | – | – | – | – |
| Sales, total | 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 | 9.6 | 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 | -33 | -779 |
| Net working capital | 255 | 375 | -185 | -31 | 413 |

### Adjustment items by category

| EUR million | 2021 | 2020 |
|---|---|---|
| Capacity adjustment costs | -59 | -38 |
| Acquisition costs [1] | 6 | 5 |
| Profits on disposals, net | 3 | – |
| Metso Outotec integration costs | – | -14 |
| Metso Outotec transaction costs | – | -25 |
| **Adjustments items, total** | **-50** | **-72** |

[1] Including accrued acquisition costs adjustments.

## 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 Asia-Pacific, Europe and North and Central America, accounting for approximately 69 percent of sales. Metso Outotec has a global network of production units located in key continents.

### Sales to unaffiliated customers by destination

| EUR million | 2021 | 2020 |
|---|---|---|
| Finland | 97 | 101 |
| Europe | 1,102 | 778 |
| North and Central America | 861 | 721 |
| South America | 677 | 569 |
| APAC | 878 | 669 |
| Africa, Middle East, and India | 622 | 481 |
| **Sales, total** | **4,236** | **3,319** |

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

| EUR million | 2021 | 2020 |
|---|---|---|
| Europe | 228 | 401 |
| North and Central America | 209 | 93 |
| South America | 118 | 20 |
| APAC | 273 | 156 |
| Africa, Middle East, and India | 246 | 80 |
| **Exports from Finland, total** | **1,074** | **750** |

### Non-current assets by location

| EUR million | 2021 | 2020 |
|---|---|---|
| Finland | 182 | 240 |
| Europe | 144 | 149 |
| North and Central America | 95 | 86 |
| South America | 70 | 66 |
| APAC | 107 | 124 |
| Africa, Middle East, and India | 181 | 129 |
| Non-allocated | 1,773 | 1,745 |
| **Non-current assets, total** | **2,552** | **2,539** |

Non-current assets presented in the previous table comprise intangible assets and property, plant and equipment, investments in associated companies, 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 | 2021 | 2020 |
|---|---|---|
| Finland | 14 | 12 |
| Europe | 18 | 15 |
| North and Central America | 12 | 17 |
| South America | 20 | 17 |
| APAC | 12 | 12 |
| Africa, Middle East, and India | 14 | 14 |
| **Gross capital expenditure, total** | **91** | **86** |

Gross capital expenditure comprises investments in intangible assets and property, plant, and equipment, 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 IFRS 15 standard Revenue from Contracts with Customers. 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 for 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 an ultimate client.

When Metso Outotec provides customized engineered system 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 hourly fee based on valid price list, sales are recognized to the extent Metso Outotec has the right to invoice the customer, and for service contracts with fixed hourly fee agreed in the contract, sales are recognized based on invoicing.

Client contracts may include promises such as volume-based rebates, late delivery penalties or 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 judgement 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 the control is assessed mainly based on 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 requires management judgement on the probability of such clauses to have an effect on contracts sales. Judgements are based on earlier experience and market practice when available.

Sales recognized over time is based on 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 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 needs to be predicted as well. The credit worthiness of the customer is verified, and collectability of the consideration assessed before entering 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 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 | 2021 | 2020 |
|---|---|---|
| Aggregates | 1,202 | 992 |
| Minerals | 2,527 | 2,112 |
| Metals | 508 | 215 |
| **Sales, total** | **4,236** | **3,319** |

### External sales by category

| EUR million | 2021 | 2020 |
|---|---|---|
| Sales of services | 2,067 | 1,793 |
| Aggregates | 338 | 312 |
| Minerals | 1,628 | 1,430 |
| Metals | 101 | 51 |
| Sales of projects, equipment, and goods | 2,169 | 1,526 |
| Aggregates | 864 | 680 |
| Minerals | 899 | 682 |
| Metals | 406 | 164 |
| **Sales, total** | **4,236** | **3,319** |

### External sales by timing of sales recognition

| EUR million | 2021 | 2020 |
|---|---|---|
| At a point in time | 3,215 | 2,613 |
| Over time | 1,021 | 706 |
| **Sales, total** | **4,236** | **3,319** |

### External sales by destination

| EUR million | 2021 | 2020 |
|---|---|---|
| Finland | 97 | 101 |
| Europe | 1,101 | 778 |
| North and Central America | 861 | 721 |
| South America | 677 | 569 |
| APAC | 878 | 669 |
| Africa, Middle East & India | 622 | 481 |
| **Sales, total** | **4,236** | **3,319** |

### Contract balances

| EUR million | 2021 | 2020 |
|---|---|---|
| Trade receivables | 668 | 556 |
| Customer contract assets | 324 | 298 |
| Customer contract liabilities | 388 | 236 |
| Advances received | 235 | 161 |

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

When providing standardized equipment such as pumps and wear or spare parts, invoicing takes place in general at the delivery or after commissioning. In engineered system 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. Information about provision for expected credit losses on trade receivables is presented in note 2.2.

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

Changes in receivables from customers or liabilities to customers and advances received is 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 3,536 million on December 31, 2021, corresponds to the aggregate amount of the transaction price allocated to the performance obligations that are fully or partly unsatisfied at the end of the reporting period. 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. 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, 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 2021 and 2020, 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 | 2021 | 2020 |
|---|---|---|
| Marketing and selling expenses | -348 | -281 |
| Research and development expenses, net | -66 | -56 |
| Administrative expenses | -321 | -303 |
| **Selling, general, and administrative expenses, total** | **-734** | **-640** |

**ACCOUNTING POLICY** Research and development expenses comprise salaries, administration costs, digital investments, and depreciation and amortization of property, plant, and equipment 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 | 2021 | 2020 |
|---|---|---|
| Research and development expenses, total | -61 | -59 |
| Capital expenditure | 4 | 11 |
| Grants received | 2 | 1 |
| Depreciation and amortization | -10 | -9 |
| **Research and development expenses, net** | **-66** | **-56** |

## 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 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, which are 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. In particular, these include foreign taxes and such like payments not based on Double Taxation Treaties in force.

| EUR million | 2021 | 2020 |
|---|---|---|
| Other operating income | | |
| Gain on sale of intangible assets and property, plant, and equipment | 8 | 1 |
| Rental income | 1 | 1 |
| Foreign exchange gains [1] | 86 | 90 |
| Other income | 13 | 9 |
| Other operating income total | 108 | 100 |
| | | |
| Other operating expenses | | |
| Loss on sale of intangible assets and property, plant, and equipment | -9 | -1 |
| Impairment of intangible assets and property, plant, and equipment | -13 | 0 |
| Foreign exchange losses [1] | -101 | -99 |
| Other expenses | -3 | -11 |
| Other operating expenses total | -125 | -111 |
| | | |
| **Other operating income and expenses, net** | **-18** | **-10** |

[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 | 2021 | 2020 |
|---|---|---|
| Salaries and wages | -774 | -556 |
| Pension costs, defined contribution plans | -54 | -36 |
| Pension costs, defined benefit plans [1] | -9 | -2 |
| Other post-employment benefits [1] | -1 | -1 |
| Share-based payments [2] | -8 | -10 |
| Other indirect employee costs | -96 | -81 |
| **Personnel expenses, total** | **-941** | **-686** |

[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

| Persons | 2021 | 2020 |
|---|---|---|
| Personnel at end of the year | 15,630 | 15,466 |
| Average number of personnel during the year | 15,600 | 14,821 |

### Board remuneration

| EUR thousand | 2021 | 2020 |
|---|---|---|
| Serving Board members December 31, 2021 | | |
| Kari Stadigh | -182 | -69 |
| Klaus Cawén | -107 | -70 |
| Christer Gardell | -84 | -72 |
| Antti Mäkinen | -93 | -89 |
| Ian W. Pearce | -118 | -68 |
| Emanuela Speranza | -104 | -63 |
| Arja Talma | -105 | -87 |
| | | |
| Former Board members | | |
| Mikael Lilius [1] | -3 | -136 |
| Matti Alahuhta [1] | -3 | -71 |
| Hanne de Mora [1] | -7 | -73 |
| Raimo Brand [2] | – | -6 |
| Peter Carlsson [3] | – | -6 |
| Lars Josefsson [4] | – | -6 |
| | | |
| **Board remuneration, total** | **-806** | **-816** |

[1] Metso Outotec Board member until April 23, 2021.
[2] Attended meetings as a personnel representative, without voting rights until June 30, 2020.
[3] Metso Board member until June 16, 2020.
[4] Metso Board member until June 30, 2020.

According to the resolution of the 2021 Annual General Meeting, the fixed annual fees paid to the Board members is as in the previous term as follows: Chair of the Board EUR 150,000, Vice Chair 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 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, and members of the Remuneration and HR Committee EUR 5,000.

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 will also be unchanged 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

| 2021<br>EUR | Salary | Fringe benefits | Performance bonus paid | Share-based payment | Total |
|---|---|---|---|---|---|
| President and CEO Pekka Vauramo | 815,216 | 29,438 | 1,344,255 | 349,387 | 2,538,296 |
| Other Executive Team members | 2,955,061 | 82,180 | 1,920,632 | 891,281 | 5,849,154 |
| **Remuneration, total** | **3,770,277** | **111,618** | **3,264,887** | **1,240,668** | **8,387,450** |

| 2020<br>EUR | Salary | Fringe benefits | Performance bonus paid | Share-based payment | Total |
|---|---|---|---|---|---|
| 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 |
| **Remuneration, total** | **3,081,517** | **91,223** | **1,039,282** | **869,039** | **5,081,061** |

Remuneration paid to President and CEO Pekka Vauramo in 2021 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, 2021, and December 31, 2020, these pension premium payments for the supplementary defined contribution pension plan totaled approximately EUR 211 thousand and EUR 206 thousand respectively. 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, 2021, and December 31, 2020, these pension premium payments totaled EUR 561 thousand and EUR 369 thousand, respectively.

### Board share ownership in Metso Outotec

| Shares (pcs) | 2021 |
|---|---|
| Kari Stadigh | 60,559 |
| Klaus Cawén | 33,213 |
| Christer Gardell | 40,586 |
| Antti Mäkinen | 14,980 |
| Ian W. Pearce | 22,775 |
| Emanuela Speranza | 3,338 |
| Arja Talma | 26,050 |
| **Share ownership, total** | **201,501** |

### Executive Team share ownership in Metso Outotec

| Shares (pcs) | 2021 |
|---|---|
| Pekka Vauramo | 91,642 |
| Markku Simula | 40,474 |
| Heikki Metsälä | 1,314 |
| Jari Ålgars | 44,401 |
| Markku Teräsvasara | 37,774 |
| Sami Takaluoma | 8,259 |
| Eeva Sipilä | 129,273 |
| Nina Kiviranta | 21,825 |
| Piia Karhu | 915 |
| Carita Himberg | 0 |
| **Share ownership, total** | **375,877** |

## 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 shares, 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 price 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

In June 2020, Metso Outotec's Board decided on long-term share-based incentive plans: 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 2021–2023

The earning criteria for the PSP 2021–2023 is based on the total shareholder return of Metso Outotec's share, earnings per share and an ESG measure linked to sustainable development. At the end of 2021, there were 174 participants in the plan, and the potential reward corresponds to a maximum of 2,531,060 Metso Outotec shares, out of which the Metso Outotec Executive Team can receive a maximum reward of 802,800 shares. The potential reward will be paid in 2024.

### 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 2021, there were 9 participants in the plan, and the potential reward corresponds to a maximum of 893,900 Metso Outotec shares, out of which the Metso Outotec Executive Team can receive a maximum reward of 893,900 shares. The potential reward will be paid in 2023.

## Metso Outotec Deferred Share Plan

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. No new plan periods will be started from Deferred Share Plan.

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 2021, there were 149 participants in the DSP 2020–2022 plan, and the potential reward corresponds to 875,866 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 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 two 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 were no payout from the PSP 2018–2020 plan in 2021.

### Restricted Share Plan 2018–2020

A total of 47,475 Metso Outotec treasury shares were used to pay rewards to one participant in February 2021.

### Performance Share Plan 2019–2021

The earning criteria for the PSP 2019–2021 was based on total shareholder return of Metso's share during 2019–2021. Plan performance was evaluated in June 2020. A total of 593,568 Metso Outotec shares are to be paid to 7 participants, out of which Metso Outotec Executive Team members can receive a reward of 536,346 shares. The potential reward will be paid in 2022.

#### Restricted Share Plan 2019–2021

At the end of 2021, there were two participants in the RSP plan; 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. The possible rewards are paid 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.

#### Deferred Share Unit plan 2018–2020.

DSUP 2018–2020 plan was paid in cash to 83 employees in July 2021.

#### Deferred Share Unit Plan 2019–2021

At the end of 2021, there were 86 participants in the DSUP plan. The potential cash 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.

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.

The earning criteria for the Outotec Performance Share Plan 2019–2021 were based on operating result (EBIT) and free cash flow. A total of 263,031 Metso Outotec shares are to be paid to 54 participants, out of which Metso Outotec Executive Team members can receive a reward of 58,482 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 Outotec shares. The potential reward corresponds to a maximum of 117,075 gross Metso Outotec shares and will be delivered in three installments which are subject to fulfilling the performance criterion of adjusted EBITA for each installment. The possible reward is paid partly in Metso Outotec's shares and partly in cash.

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

A total of 20,742 Metso Outotec treasury shares were used to pay reward for fulfilling the performance criterion for first installment in February 2021. The potential reward for second and third installments will be paid in 2022.

#### Beneficiaries of and granted shares under the share ownership plan

| December 31, 2021 | Beneficiaries total | Shares total |
|---|---|---|
| Plan 2018–2020 | | |
| Granted 2021 | 2 | 68,217 |
| | | |
| Plan DSUP 2018–2020 [1] | | |
| Granted 2021 | 83 | |
| | | |
| Plan PSP 2019–2021 [1] | | |
| Granted 2021 | 2 | |

[1] Cash payment.

#### Costs recognized for the share ownership plans

| EUR thousand | 2021 | 2020 |
|---|---|---|
| Plan PSP 2017–2019 | – | -156 |
| Plan PSP and DSUP 2018–2020 | -2,257 | -4,586 |
| Plan PSP and DSUP 2019–2021 | -3,696 | -3,372 |
| Plan PSP and DSUP 2020–2022 | -3,186 | -1,181 |
| Plan Outotec LTIP 2019 | -1,195 | -1,114 |
| Plan PSP 2021–2023 | -3,350 | – |
| **Costs, total** | **-13,684** | **-10,409** |

## 1.7. Financial income and expenses

| EUR million | 2021 | 2020 |
|---|---|---|
| Finance income | | |
| Dividends received | 0 | 0 |
| Interest income | 1 | 4 |
| Other finance income | 2 | 1 |
| Finance income total | 4 | 5 |
| | | |
| Foreign exchange gains/losses | -4 | 0 |
| | | |
| Finance expenses | | |
| Interest expenses from financial liabilities at amortized cost | -18 | -25 |
| Interest expenses on lease liabilities | -5 | -4 |
| Other finance expenses | -17 | -14 |
| Finance expenses total | -40 | -44 |
| | | |
| **Finance income and expenses, net** | **-39** | **-38** |

## 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 an 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.

### The components of income taxes

| EUR million | 2021 | 2020 |
|---|---|---|
| Income taxes for current year | -131 | -79 |
| Income taxes for prior years | 6 | 4 |
| Change in deferred tax asset and liability | 34 | 23 |
| **Income taxes** | **-92** | **-52** |

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

| EUR million | 2021 | 2020 |
|---|---|---|
| Profit before taxes | 385 | 201 |
| | | |
| Income tax at Finnish statutory tax rate of 20.0% | -77 | -40 |
| Effect of different tax rates in foreign subsidiaries | -14 | -10 |
| Non-deductible expenses | -12 | -6 |
| Tax-exempt income or tax incentives | 20 | 7 |
| Foreign non-creditable withholding taxes | -4 | -4 |
| Deferred tax assets not booked on current year loss | 2 | -8 |
| Deferred tax liability on undistributed earnings | 5 | 4 |
| Effect of enacted change in tax rates | -1 | 0 |
| Income tax for prior years | 1 | 4 |
| Other | -11 | 0 |
| **Income taxes** | **-92** | **-52** |

### Tax effects of components in other comprehensive income

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| EUR million | Before taxes | Tax | After taxes | Before taxes | Tax | After taxes |
| Cash flow hedges | -16 | 3 | -13 | 11 | -2 | 9 |
| Defined benefit plan actuarial gains (+) / losses (-) | 6 | -1 | 5 | -9 | 3 | -6 |
| Currency translation on subsidiary net investments | 46 | – | 46 | -58 | 0 | -58 |
| Total comprehensive income (+) / expense (-) | 36 | 2 | 38 | -57 | 1 | -56 |
| | | | | | | |
| Current year tax | | 0 | | | 0 | |
| Deferred tax | | 2 | | | 1 | |
| Total | | 2 | | | 1 | |

**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 financial years, which may have an impact in the period in which such determination is made.

## Reconciliation of deferred tax balances

| 2021<br>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 | 13 | -13 | – | – | – | – |
| Intangible assets and property, plant, and equipment | 30 | 8 | – | -1 | 0 | 37 |
| Inventory | 47 | 13 | – | 0 | 0 | 60 |
| Provisions | 32 | -1 | 0 | 0 | 0 | 31 |
| Accruals | 15 | 7 | 0 | 0 | 1 | 23 |
| Pension related items | 10 | -3 | 1 | 0 | 0 | 8 |
| Other | 25 | 12 | 2 | 0 | 9 | 49 |
| Total deferred tax assets | 173 | 23 | 3 | -1 | 11 | 209 |
| Offset against deferred tax liabilities | -24 | – | – | – | -7 | -31 |
| Net deferred tax assets | 149 | 23 | 3 | -1 | 3 | 178 |
| **Deferred tax liabilities** | | | | | | |
| Purchase price allocations | 188 | -11 | – | 0 | 2 | 178 |
| Intangible assets and property, plant, and equipment | 14 | -3 | 0 | 0 | 0 | 12 |
| Other | 45 | 3 | 1 | 0 | 1 | 51 |
| Total deferred tax liabilities | 247 | -11 | 1 | 0 | 4 | 240 |
| Offset against deferred tax assets | -24 | – | – | – | -7 | -31 |
| Net deferred tax liabilities | 223 | -11 | 1 | 0 | -4 | 209 |
| **Deferred tax assets (+) / liabilities (-), net** | **-74** | **34** | **2** | **-1** | **7** | **-32** |

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 2021 and 2020 there were no substantial undistributed earnings in subsidiaries from which a deferred tax liability is not booked.

## Reconciliation of deferred tax balances, comparison period

| 2020<br>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 | 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 |
| Adjustment related to the Outotec acquisition [1] | – | – | – | -8 | – | -8 |
| Total deferred tax assets | 122 | -26 | 3 | 87 | -12 | 173 |
| Offset against deferred tax liabilities | -13 | – | – | 32 | -42 | -24 |
| Net deferred tax assets | 108 | -26 | 3 | 119 | -55 | 149 |
| **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** | **-133** | **-7** | **-74** |

[1] Deferred tax assets for year 2020 has been restated due to adjustments in the fair values of Outotec at the acquisition date.

## 1.9. Earnings per share

### Basic

In 2020, 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.

In year 2020 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.

### 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 that, 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. On December 31, 2021, Metso Outotec held 925,021 own shares to be used as consideration under the share ownership plans.

#### Earnings per share

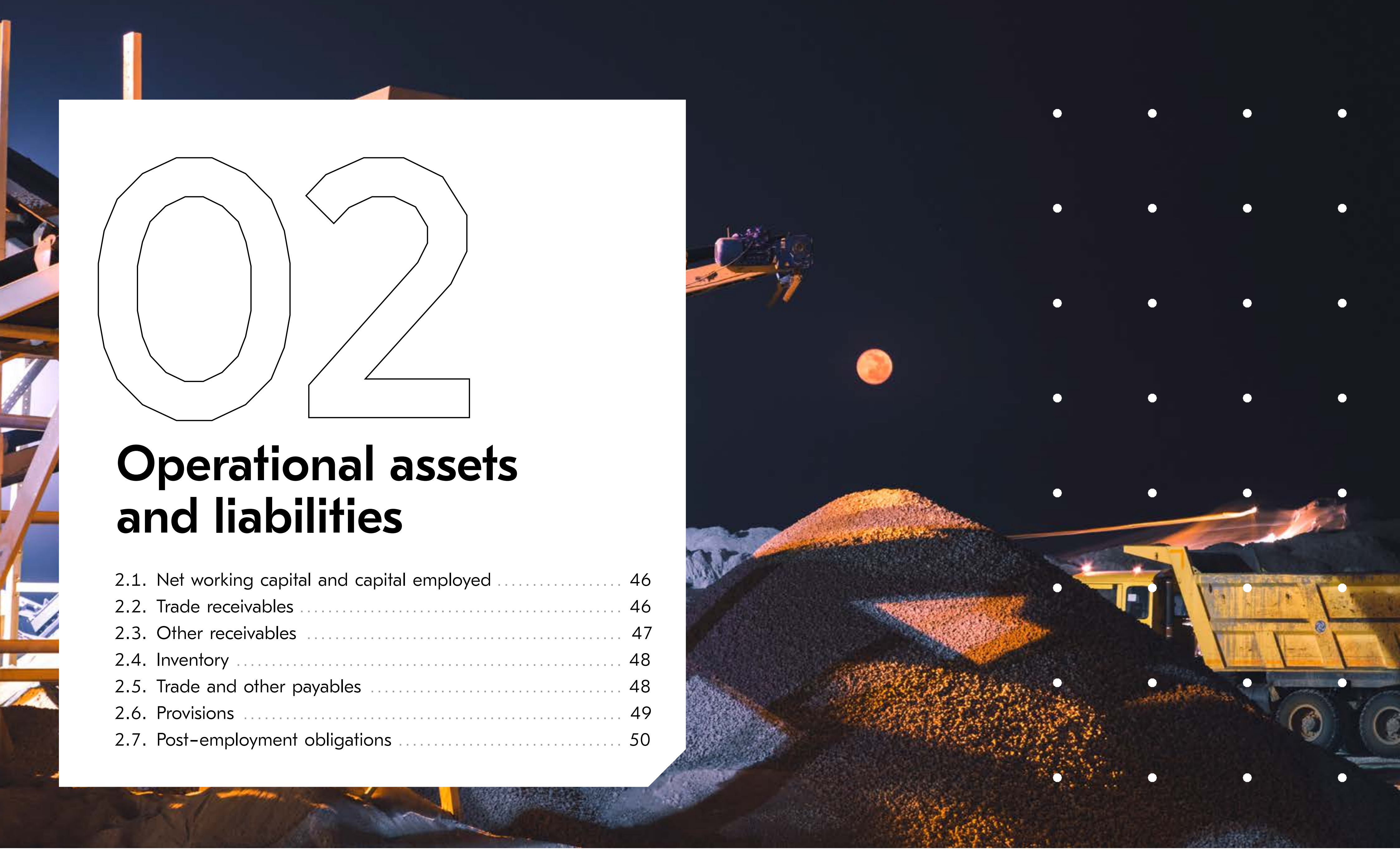
| | 2021 | 2020 |
|---|---|---|
| Profit attributable to shareholders of the company, EUR million | 342 | 138 |
| Weighted average number of shares issued and outstanding (in thousands) | 828,038 | 737,413 |
| **Earnings per share, EUR** | **0.41** | **0.19** |

#### Earnings per share, continuing operations

| | 2021 | 2020 |
|---|---|---|
| Profit attributable to shareholders of the company, EUR million | 294 | 149 |
| Weighted average number of shares issued and outstanding (in thousands) | 828,038 | 737,413 |
| **Earnings per share, continuing operations, EUR** | **0.35** | **0.20** |

#### Earnings per share, diluted

| | 2021 | 2020 |
|---|---|---|
| Profit attributable to shareholders of the company, EUR million | 342 | 138 |
| Weighted average number of shares issued and outstanding (in thousands) | 828,038 | 737,413 |
| Adjustment for potential shares distributed (in thousands) | 249 | 249 |
| Weighted average number of diluted shares issued and outstanding (in thousands) | 828,287 | 737,661 |
| **Earnings per share, diluted, EUR** | **0.41** | **0.19** |



# 02

# Operational assets and liabilities

## 2.1. Net working capital and capital employed

### Net working capital, balance sheet value

| EUR million | 2021 | 2020 |
|---|---|---|
| Inventories | 1,269 | 1,038 |
| Trade receivables | 668 | 556 |
| Other non-interest-bearing receivables | 294 | 237 |
| Customer contract assets and liabilities., net | -64 | 62 |
| Trade payables | -692 | -539 |
| Advances received | -235 | -161 |
| Other non-interest-bearing liabilities | -986 | -779 |
| **Net working capital** | **254** | **413** |

### Capital employed

| EUR million | 2021 | 2020 |
|---|---|---|
| Net working capital | 254 | 413 |
| Intangible assets | 2,002 | 2,060 |
| Property, plant, and equipment | 373 | 356 |
| Right-of-use assets | 127 | 132 |
| Non-current investments | 11 | 14 |
| Interest-bearing receivables | 9 | 8 |
| Liquid funds | 473 | 537 |
| Tax payables and receivables, net | -72 | -80 |
| Interest payables, net | -6 | -4 |
| **Capital employed** | **3,173** | **3,437** |

## 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 0.1% 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 | 2021 | 2020 |
|---|---|---|
| Trade receivables | 665 | 552 |
| Trade receivables for sale | 3 | 3 |
| Trade receivables total | 668 | 556 |
| | | |
| Trade receivables classified as held for sale | 15 | 16 |
| **Total** | **683** | **571** |

### Provision on trade receivables by ageing category

| | 2021 | | 2020 | |
|---|---|---|---|---|
| **EUR million** | **Trade receivables, gross** | **of which provided** | **Trade receivables, gross** | **of which provided** |
| Undue | 496 | 1 | 388 | 1 |
| overdue 1–30 days | 42 | 0 | 97 | 0 |
| overdue 31–180 days | 127 | 2 | 68 | 2 |
| overdue 181–360 days | 21 | 3 | 21 | 4 |
| overdue more than 360 days | 87 | 84 | 82 | 78 |
| **Total, gross** | **773** | **90** | **656** | **85** |
| Total, net | 683 | | 571 | |

Realized write-offs amounted to EUR 5 million in 2021 (EUR 3 million in 2020).

### Provision for impairment of trade receivables

| EUR million | 2021 | 2020 |
|---|---|---|
| Accumulated provision at beginning of year | 85 | 26 |
| Impact of exchange rates | 1 | -2 |
| Acquisitions | – | 64 |
| Impact in income statement | 9 | -4 |
| Other changes | -5 | 1 |
| **Accumulated provision at end of year** | **90** | **85** |

## 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.

### Non-interest-bearing receivables

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| **EUR million** | **Non-current** | **Current** | **Total** | **Non-current [1)]** | **Current** | **Total** |
| Derivative financial instruments | 2 | 46 | 47 | 3 | 43 | 47 |
| Deferred tax assets | 178 | – | 178 | 149 | – | 149 |
| Income tax receivables | – | 36 | 36 | – | 36 | 36 |
| | | | | | | |
| Other receivables | | | | | | |
| Prepaid expenses and accrued income | – | 45 | 45 | – | 35 | 35 |
| VAT, payroll tax, and social charge receivables | – | 125 | 125 | – | 87 | 87 |
| Pension assets | 18 | – | 18 | 13 | – | 13 |
| Other receivables | 20 | 40 | 60 | 30 | 25 | 55 |
| Other receivables total | 38 | 210 | 247 | 43 | 147 | 190 |
| | | | | | | |
| **Non-interest-bearing receivables total** | **217** | **291** | **508** | **195** | **227** | **422** |

[1)] Balance sheet for year 2020 has been restated due to adjustments in the fair values of Outotec at the acquisition date. The adjustments had an effect to non-current deferred tax assets.

Other non-interest-bearing receivables included EUR 14 million in 2021 (EUR 11 million in 2020) Brazilian tax credits arising from delivery of goods and transfer of services (ICMS) recognized by local subsidiaries. Of that amount in EUR 2 million in 2021 (EUR 2 million in 2020) 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 costs 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 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 | 2021 | 2020 |
|---|---|---|
| Materials and supplies | 199 | 132 |
| Work in progress | 439 | 357 |
| Finished products | 631 | 549 |
| **Inventories** | **1,269** | **1,038** |

For continuing operations, the cost of inventories recognized as expense amounted to EUR 2,974 million in 2021 (EUR 2,331 million in 2020).

### Changes in provision for inventory obsolescence

| EUR million | 2021 | 2020 |
|---|---|---|
| Balance at beginning of year | 41 | 46 |
| Impact of exchange rates | 4 | -3 |
| Additions charged to expense | 25 | 14 |
| Acquisitions | – | 8 |
| Used reserve | 0 | -10 |
| Deductions / other additions | -14 | -12 |
| Classification as held for sale | -2 | -2 |
| **Balance at end of year** | **55** | **41** |

## 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.

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| EUR million | Non-current | Current | Total | Non-current | Current | Total |
| Trade payables | – | 692 | 692 | – | 539 | 539 |
| Derivative financial instruments | 6 | 52 | 58 | 2 | 29 | 31 |
| Other payables | | | | | | |
| Accrued interests | – | 6 | 6 | – | 4 | 4 |
| Accrued personnel costs | – | 165 | 165 | – | 145 | 145 |
| Accrued project costs | – | 252 | 252 | – | 184 | 184 |
| VAT, payroll tax, and social charge payables | – | 78 | 78 | – | 62 | 62 |
| Other payables | 2 | 84 | 86 | 4 | 58 | 62 |
| Other payables total | 2 | 585 | 587 | 4 | 453 | 457 |

Balance sheet for year 2020 has been restated due to adjustments in the fair values of Outotec at the acquisition date. The adjustments have an effect to income tax liabilities, accrued project costs and VAT, payroll, and social charge payables.

## 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 of 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 can also include other costs, which are recorded under other operating income and expenses, net, 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

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| EUR million | Non-current | Current | Total | Non-current | Current | Total |
| Warranty and guarantee provision | 0 | 74 | 74 | 0 | 62 | 62 |
| Project loss provision | 15 | 79 | 94 | 41 | 24 | 65 |
| Restructuring provision | 1 | 7 | 8 | 1 | 23 | 23 |
| Environmental remedial provision | 0 | 0 | 1 | 0 | 0 | 1 |
| Other provisions [1] | 28 | 18 | 45 | 31 | 13 | 44 |
| **Provisions, total** | **45** | **178** | **223** | **73** | **122** | **195** |

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

### Changes in provisions

| 2021<br>EUR million | Warranty and guarantee provisions | Project loss provisions | Restructuring provisions | Environmental remediation provisions | Total |
|---|---|---|---|---|---|
| Carrying value at beginning of year | 62 | 65 | 23 | 1 | 151 |
| Impact of exchange rates | 2 | 1 | 0 | 0 | 3 |
| Addition charged to expense | 50 | 7 | 6 | 0 | 64 |
| Used reserve | -16 | -37 | -17 | 0 | -70 |
| Reversal of reserve / other changes | -25 | -3 | -6 | 0 | -33 |
| Classification as held for sale [1] | 2 | 60 | 1 | - | 63 |
| **Carrying value at end of year** | **74** | **94** | **8** | **1** | **177** |

[1] At the time of the Outotec acquisition, balance sheet of Outotec included assets held for sale. In year 2021 the treatment of these assets been specified, and a significant portion of these assets has been transferred to continuing operations.

## 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 under. 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 85% of Metso Outotec's defined benefit obligation and 80% of its pension assets. These arrangements provide income in retirement which is substantially based on salary and service at or near retirement.

The German plans are unfunded with benefits paid direct 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 the 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 Outotec's arrangements based on local legislation, professional advice and consultation with Metso Outotec, based on acceptable risk tolerances.

The expected contributions to plans in 2022 are EUR 4 million. Metso Outotec paid contributions of EUR 8 million to defined benefit plans in 2021.

#### Amounts recognized in the balance sheet as of December 31

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| **EUR million** | **Pension benefits** | **Other post-employment benefits** | **Total** | **Pension benefits** | **Other post-employment benefits** | **Total** |
| Present value of funded obligations | 125 | – | 125 | 145 | – | 145 |
| Fair value of plan assets | -143 | – | -143 | -159 | – | -159 |
| Total | -18 | – | -18 | -13 | – | -13 |
| | | | | | | |
| Present value of unfunded obligations | 89 | 35 | 123 | 96 | 29 | 126 |
| Unrecognized assets | 1 | 0 | 1 | – | – | – |
| Total | 90 | 35 | 124 | 96 | 29 | 126 |
| | | | | | | |
| Amounts in the balance sheet | | | | | | |
| Liabilities | 90 | 35 | 124 | 72 | 29 | 102 |
| Assets | -18 | 0 | -18 | -13 | – | -13 |
| Liabilities classified as held for sale | 0 | – | 0 | 24 | 0 | 24 |
| **Net liability** | **72** | **35** | **107** | **83** | **29** | **112** |

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

| EUR million | 2021 | 2020 |
|---|---|---|
| Net liability at beginning of year | 112 | 45 |
| Adjustments due to business combinations | -1 | 64 |
| Reclassification | 5 | – |
| Net expense recognized in the income statement | 7 | 3 |
| Employer contributions | -8 | -7 |
| Gain (-) / loss (+) recognized through OCI | -9 | 9 |
| Translation differences | 1 | -2 |
| **Net liability at end of year** | **107** | **112** |

## Amounts recognized in the income statement

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| EUR million | Pension benefits | Other post-employment benefits | Total | Pension benefits | Other post-employment benefits | Total |
| Employer's current service cost | 2 | 1 | 3 | 1 | 0 | 2 |
| Net interest on net surplus (+) / deficit (-) | 0 | 1 | 1 | 0 | 1 | 1 |
| Settlements | 2 | 0 | 2 | 0 | -1 | -1 |
| Gain (-) / loss (+) recognized in the income statement | 0 | 0 | 0 | 0 | 0 | 0 |
| Recognition of past service cost (+) / credit (-) | 0 | 0 | 0 | 0 | 0 | 0 |
| Administration costs paid by the scheme | 1 | 0 | 1 | 0 | – | 0 |
| **Expense (+) / income (-) recognized in the income statement** | **5** | **1** | **7** | **2** | **1** | **3** |

## Amounts recognized through OCI

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| EUR million | Pension benefits | Other post-employment benefits | Total | Pension benefits | Other post-employment benefits | Total |
| Return on plan assets, excluding amounts included in interest expense (+) / income (-) | -1 | – | -1 | -10 | – | -10 |
| Actuarial gain (-) / loss (+) on liabilities due to change in financial assumptions | -9 | -2 | -11 | 19 | 1 | 20 |
| Actuarial gain (-) / loss (+) on liabilities due to change in demographic assumptions | 0 | 0 | 0 | 0 | – | 0 |
| Actuarial gain (-) / loss (+) on liabilities due to experience | 0 | 1 | 1 | -2 | 0 | -2 |
| Gain (-) / loss (+) as result of asset ceiling | 1 | – | 1 | – | – | – |
| **Total gain (-) / loss (+) recognized through OCI** | **-8** | **-1** | **-9** | **8** | **1** | **9** |

### Changes in the value of the defined benefit obligation

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| EUR million | Pension benefits | Other post-employment benefits | Total | Pension benefits | Other post-employment benefits | Total |
| Defined benefit obligation at beginning of year | 242 | 29 | 271 | 184 | 26 | 210 |
| Other adjustment to present value | -1 | 6 | 5 | 0 | 0 | 0 |
| Employer's current service cost | 2 | 1 | 3 | 1 | 0 | 2 |
| Interest cost | 3 | 1 | 3 | 3 | 1 | 4 |
| Business combinations | 0 | 0 | -1 | 60 | 6 | 65 |
| Plan participant contributions | 0 | 0 | 0 | 0 | 0 | 0 |
| Past service cost (+) / credit (-) | 0 | 0 | 0 | 0 | 0 | 0 |
| Actuarial gain (-) / loss (+) due to change in financial assumptions | -9 | -2 | -11 | 19 | 1 | 20 |
| Actuarial gain (-) / loss (+) on liabilities due to change in demographic assumptions | 0 | 0 | 0 | 0 | 0 | 0 |
| Actuarial gain (-) / loss (+) due to experience | 0 | 1 | 2 | -1 | 0 | -1 |
| Settlements | -19 | 0 | -19 | -4 | -1 | -4 |
| Benefits paid from the arrangement | -7 | 0 | -7 | -9 | 0 | -9 |
| Benefits paid direct by employer | -4 | -3 | -7 | -5 | -2 | -7 |
| Translation differences | 8 | 2 | 10 | -8 | -2 | -10 |
| **Defined benefit obligation at end of year** | **214** | **35** | **249** | **242** | **29** | **271** |

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

| | 2021 | 2020 |
|---|---|---|
| EUR million | Pension and other post-employment benefits total | |
| Fair value of assets at beginning of year | 159 | 165 |
| Interest income on assets | 2 | 3 |
| Return on plan assets, excluding interest income | 1 | 10 |
| Assets distributed on settlements | -21 | -3 |
| Business combinations | 0 | 1 |
| Employer contributions | 8 | 7 |
| Plan participant contributions | 0 | 0 |
| Benefits paid from the arrangements | -7 | -9 |
| Benefits paid direct by employer | -7 | -7 |
| Administration expenses paid from the scheme | -1 | 0 |
| Translation differences | 9 | -9 |
| **Fair value of assets at end of year** | **143** | **159** |

### Major categories of plan assets as a percentage of total plan assets on December 31

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| % | Quoted | Unquoted | Total | Quoted | Unquoted | Total |
| Equity securities | 10% | 0% | 10% | 7% | 0% | 7% |
| Bonds | 3% | 0% | 3% | 17% | 0% | 17% |
| Property | 0% | 0% | 0% | 1% | 0% | 1% |
| Cash | 5% | 0% | 5% | 4% | 0% | 4% |
| Insurance contracts | 0% | 19% | 19% | 0% | 19% | 19% |
| Other | 21% | 43% | 63% | 22% | 31% | 53% |
| **Total** | **38%** | **62%** | **100%** | **50%** | **50%** | **100%** |

As at December 31, 2021, there were no plan assets invested in affiliated or property occupied by affiliated companies.

### Principal actuarial assumptions on December 31, expressed as weighted averages

| % | 2021 | 2020 |
|---|---|---|
| **Benefit obligation** | | |
| Discount rate | 1.63% | 1.16% |
| Rate of salary increase | 2.79% | 2.63% |
| Rate of pension increase | 2.37% | 2.01% |
| **Expense in income statement** | | |
| Discount rate | 1.16% | 2.04% |
| Rate of salary increase | 2.63% | 2.64% |
| Rate of pension increase | 2.01% | 2.18% |

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

| | 2021 | | 2020 | |
|---|---|---|---|---|
| **Life expectancy at age of 65 for a male member, who is** | **currently aged 65** | **currently aged 45** | **currently aged 65** | **currently aged 45** |
| Germany | 20.5 | 23.2 | 20.4 | 23.2 |
| United States | 20.6 | 22.1 | 20.5 | 22.0 |
| United Kingdom | 22.1 | 22.7 | 22.1 | 22.7 |
| Canada | 22.0 | 23.0 | 21.9 | 22.9 |

Life expectancy is allowed for in the assessment of the defined benefit obligation using mortality tables which are generally based on experience within the country in which the arrangement is located with (in many cases) an allowance made for anticipated future improvements in longevity.

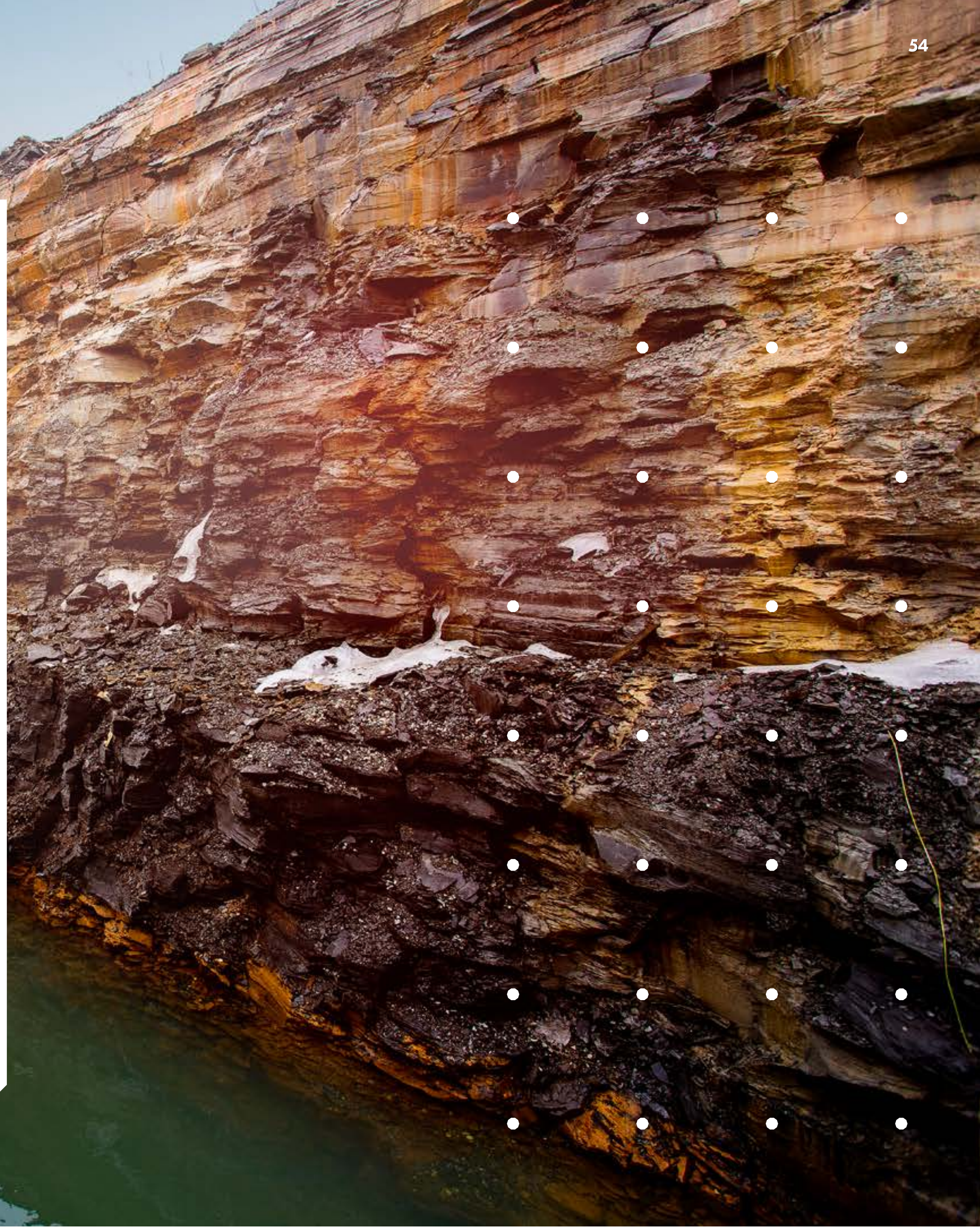
Sensitivity analyses on present value of defined benefit obligation in the next table presents the present value of the defined benefit obligation when major assumptions are changed while others held constant.

### Sensitivity analyses

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| % | **Pension** | **Other** | **Total** | **Pension** | **Other** | **Total** |
| **Discount rate** | | | | | | |
| Increase of 0.25% | -7.7 | -0.9 | -8.6 | -8.6 | -0.7 | -9.3 |
| Decrease of 0.25% | 8.2 | 0.9 | 9.1 | 8.9 | 0.8 | 9.7 |
| **Salary increase rate** | | | | | | |
| Increase of 0.25% | 0.0 | 0.2 | 0.2 | 0.2 | 0.1 | 0.3 |
| Decrease of 0.25% | 0.0 | -0.2 | -0.2 | -0.2 | -0.1 | -0.3 |
| **Pension increase rate** | | | | | | |
| Increase of 0.25% | 2.9 | – | 2.9 | 2.9 | – | 2.9 |
| Decrease of 0.25% | -2.7 | – | -2.7 | -2.7 | – | -2.7 |
| **Medical cost trend** | | | | | | |
| Increase of 0.25% | – | 1.3 | 1.3 | – | 0.7 | 0.7 |
| Decrease of 0.25% | – | -1.2 | -1.2 | – | -0.6 | -0.6 |
| **Life expectancy** | | | | | | |
| Increase of one year | 11.1 | 1.3 | 12.4 | 11.8 | 0.9 | 12.7 |
| Decrease of one year | -10.6 | -1.2 | -11.8 | -11.3 | -0.9 | -12.2 |

### Weighted average duration of defined benefit obligation

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| **In years** | **Pension** | **Other** | **Total** | **Pension** | **Other** | **Total** |
| On December 31 | 15.0 | 10.2 | 14.4 | 14.7 | 10.5 | 14.2 |



# 03

# Intangible assets and property, plant, and equipment

## 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 property, plant, and equipment 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

| 2021<br>EUR million | Goodwill | Patents and licenses | Capitalized software | Other intangible assets | Intangible assets total |
|---|---|---|---|---|---|
| Acquisition cost at beginning of year | 1,136 | 120 | 102 | 1,036 | 2,396 |
| Translation differences | 8 | 3 | 1 | 3 | 16 |
| Business disposals | -2 | – | 0 | 0 | -2 |
| Capital expenditure | – | 3 | 0 | 12 | 15 |
| Reclassifications | – | 0 | 0 | 0 | 0 |
| Other changes | – | -24 | -83 | 3 | -104 |
| Acquisition cost at end of year | 1,142 | 102 | 20 | 1,057 | 2,321 |
| | | | | | |
| Accumulated depreciation at beginning of year | – | -91 | -83 | -136 | -310 |
| Translation differences | – | -3 | -1 | -1 | -5 |
| Business disposals | – | – | – | 0 | 0 |
| Other changes | – | 27 | 83 | 3 | 113 |
| Impairment losses | – | -5 | -12 | -9 | -26 |
| Amortization charges for the year, continuing operations | – | -8 | -4 | -60 | -72 |
| Amortization charges for the year, discontinued operations | – | – | 0 | 0 | 0 |
| Accumulated depreciation at end of year | – | -80 | -17 | -203 | -300 |
| | | | | | |
| Reclassified to held for sale | – | – | 0 | -1 | -1 |
| Business disposals, discontinued operations | -18 | – | – | -1 | -19 |
| | | | | | |
| **Net book value at end of year** | **1,124** | **23** | **3** | **852** | **2,002** |

| 2020<br>EUR million | Goodwill | Patents and licences | Capitalized software | Other intangible assets | Intangible assets total |
|---|---|---|---|---|---|
| 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 |
| Adjustment | 67 | 0 | – | 0 | 67 |
| | | | | | |
| **Net book value at end of year** | **1,118** | **29** | **19** | **894** | **2,060** |

## 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 CGUs, 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 | 2021 | 2020 |
|---|---|---|
| Balance at beginning of year | 1,118 | 556 |
| Translation differences | 8 | -6 |
| Allocation to discontinued operations | – | -18 |
| Acquisitions and disposals | -2 | 520 |
| Adjustment | – | 67 |
| **Balance at end of year** | **1,124** | **1,118** |

Outotec's preliminary acquisition calculation has been adjusted to final. Due to adjustments in the fair values of Outotec at the acquisition date the goodwill increased EUR 67 million in year

2021. The balance sheet for year 2020 has been restated. Due to the divestment of Outotec Turula Oy, the amount of goodwill decreased by EUR 2 million. For more information, please see note 5.4.

The goodwill from the reverse acquisition of Outotec Group, amounted EUR 584 million, has been allocated to the Minerals and Metals segments. According to the value in use calculation, EUR 497 million of goodwill is allocated to the Minerals segment and EUR 85 million to the Metals segment.

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

| EUR million | Minerals | Aggregates | Metals | Total |
|---|---|---|---|---|
| Balance at end of year | 837 | 203 | 85 | 1,124 |

**Annual impairment test in 2021**

As at December 31, 2021, goodwill totaled EUR 1,124 million. In accordance with the Metso Outotec reporting structure, goodwill is allocated to the reportable segments, 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 was allocated to the CGUs based on their proportional share of sales volume.

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 2021. The value in use calculations 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 | 10.1% | 9,3% | 12.5% |
| EBITDA % range in four-year estimate period | 17.0%–19.6% | 16.1%–18.2% | 10.0%–12.8% |
| Growth rate in the terminal period | 2.0% | 2.0% | 2.0% |
| WACC after tax | 9.0% | 9.0% | 9.0% |
| WACC before tax | 11.1% | 11.1% | 11.1% |

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 2.0% 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 2.0% to 1.5%

**Impact to the value in use of the CGUs in the sensitivity analysis**

| % | WACC increase by 2 p.p. | Terminal growth from 2.0% to 1.5% |
|---|---|---|
| Minerals | -22% | -5% |
| Aggregates | -23% | -5% |
| Metals | -22% | -5% |

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. In 2021, the sensitivity analysis did not indicate risks of impairment.

## 3.2. Property, plant, and equipment

**ACCOUNTING POLICY** Property, plant, and equipment (PPE) are stated at historical cost, less accumulated depreciation, and write-downs, if any. The property, plant, and equipment 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 property, plant, and equipment 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 property, plant, and equipment 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 property, plant, and equipment 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 property, plant, and equipment are valued at fair value less costs of disposal, the selling price, incremental costs and selling costs need to be estimated by management.

### Property, plant, and equipment

| 2021<br>EUR million | Land and water areas | Buildings and structures | Machinery and equipment | Assets under construc-tion | PPE total |
|---|---|---|---|---|---|
| Acquisition cost at beginning of year | 43 | 236 | 576 | 41 | 895 |
| Translation differences | 1 | 8 | 13 | 2 | 24 |
| Business disposals | 0 | -6 | -11 | 0 | -18 |
| Capital expenditure | 0 | 5 | 34 | 37 | 76 |
| Reclassifications | 0 | 8 | 29 | -37 | – |
| Divestments and other changes | -10 | -14 | -55 | 0 | -79 |
| Acquisition cost at end of year | 35 | 235 | 586 | 43 | 899 |
| | | | | | |
| Accumulated depreciation at beginning of year | – | -118 | -417 | – | -535 |
| Translation differences | – | -3 | -8 | – | -11 |
| Business disposals | – | 3 | 9 | – | 13 |
| Divestments and other changes | – | 13 | 50 | – | 63 |
| Write-downs | – | 0 | -1 | – | -1 |
| Depreciation charges for the year | – | -9 | -43 | – | -51 |
| Accumulated depreciation at end of year | – | -113 | -410 | – | -523 |
| | | | | | |
| Classification as held for sale | 0 | 0 | -2 | 0 | -2 |
| Business disposals, discontinued operations | – | – | 0 | – | 0 |
| | | | | | |
| **Net book value at end of year** | **35** | **121** | **174** | **43** | **373** |

| 2020<br>EUR million | Land and water areas | Buildings and structures | Machinery and equipment | Assets under construction | PPE total |
|---|---|---|---|---|---|
| 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** |

## 3.3. 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 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 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

| 2021<br>EUR million | Land and water areas | Buildings | Machinery and equipment | Right-of-use assets total |
|---|---|---|---|---|
| Acquisition cost at beginning of year | 0 | 155 | 26 | 181 |
| Translation differences | 0 | 3 | 0 | 3 |
| Business disposals | 0 | – | 0 | 0 |
| Additions | 0 | 29 | 9 | 38 |
| Derecognition | – | -15 | -6 | -21 |
| Other changes | 1 | 0 | 0 | 2 |
| Acquisition cost at end of year | 1 | 171 | 29 | 202 |
| | | | | |
| Accumulated depreciation at beginning of year | 0 | -33 | -12 | -45 |
| Translation differences | 0 | -1 | 0 | -1 |
| Business disposals | 0 | – | 0 | 0 |
| Accumulated depreciations for derecognized contracts | 0 | 7 | 6 | 13 |
| Depreciation charges for the year | 0 | -29 | -9 | -38 |
| Other changes | 0 | 0 | 0 | 0 |
| Accumulated depreciation at end of year | 0 | -55 | -15 | -70 |
| | | | | |
| Classification as held for sale | – | -3 | -1 | -4 |
| Business disposals, discontinued operations | – | – | 0 | 0 |
| | | | | |
| **Net book value at end of year** | **1** | **113** | **13** | **127** |

| 2020<br>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** |

## Amounts recognized in profit and loss

| EUR million | 2021 | 2020 |
|---|---|---|
| Operating profit | | |
| Depreciation expense on right-of-use assets | -38 | -31 |
| Rental expense relating to leases of low-value assets | -1 | -3 |
| Rental expense relating to leases of short-term assets | -3 | -5 |
| Finance expenses | | |
| Interest expense on lease liabilities | -5 | -4 |
| **Total amount recognized in profit and loss** | **-47** | **-43** |

The total cash outflow for leases including short-term leases and leases of low-value assets in 2021 was EUR 48 million (EUR 42 million in 2020).

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

## 3.4. Depreciation and amortization

### Depreciation and amortization by asset class

| EUR million | 2021 | 2020 |
|---|---|---|
| **Intangible assets** | | |
| Intangible assets from acquisitions | -51 | -71 |
| Other intangible assets | -21 | -15 |
| **Property, plant, and equipment** | | |
| Buildings and structures | -9 | -8 |
| Machinery and equipment | -43 | -33 |
| **Right-of-use assets** | | |
| Land areas | 0 | 0 |
| Buildings and structures | -29 | -22 |
| Machinery and equipment | -9 | -8 |
| **Total** | **-161** | **-157** |

### Depreciation and amortization by function

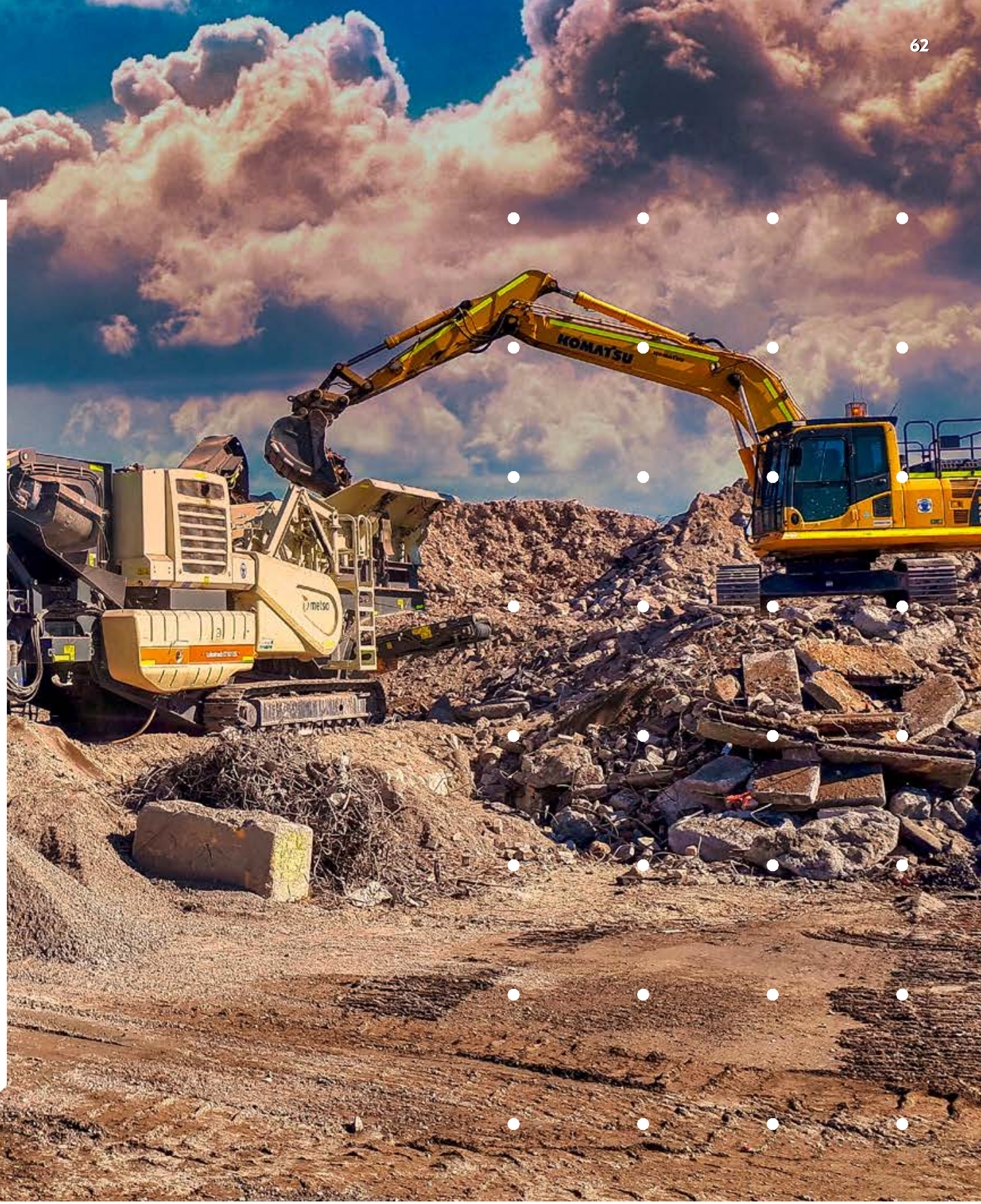
| EUR million | 2021 | 2020 |
|---|---|---|
| Cost of goods sold | -84 | -98 |
| Selling, general, and administrative expenses | -78 | -59 |
| **Total** | **-161** | **-157** |

The depreciation and amortizations of discontinued operations was totaled EUR 5 million in year 2021 (EUR 2 million in 2020).

# 04

# 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 healthy 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 473 million (EUR 537 million in 2020), and there were no deposits or securities with a maturity more than three months (EUR 0 million in 2020).

In addition, Metso Outotec has a committed and undrawn syndicated EUR 600 million revolving credit facility with a maturity in 2026. At the end of the period the facility was undrawn. The company also has a EUR 600 million Finnish commercial paper program, which was fully unutilized at the end of the period.

Metso Outotec made several early repayments to bank loans using its liquid funds in 2021. During the first quarter, the company made an early repayment of a EUR 100 million term loan, which would have matured in 2022. During the second quarter, the company cancelled two bilateral revolving credit facilities totaling EUR 90 million, which would have matured in 2022. A term loan of EUR 150 million, which would have matured in 2022, was repaid in three EUR 50 million lots in the second, third and fourth quarters. In December the company made an early repayment of EUR 100 million of the EUR 150 million loan, which will mature in July 2022.

After the reporting period in January 2022, the company made an early repayment of the remaining EUR 50 million of the originally EUR 150 million loan, which would have matured in July 2022.

During 2021 sustainability targets were incorporated in Metso Outotec's EUR 600 million Syndicated Revolving Credit Facility. The sustainability targets are related to the Group's own $CO_2$ emissions, emissions from its logistics and its suppliers having Science-Based emission targets. The development of these targets will be measured annually, and the cost of the facility will depend on the achievement of these targets.

In December Metso Outotec signed a sustainability linked loan agreement with Nordic Investment Bank for EUR 100 million with a maturity of 8 years. The loan is committed and remained undrawn at the end of the period. The loan includes the same sustainability targets as the Syndicated Revolving Credit Facility.

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, 2021 | | | Dec 31, 2020 | | |
|---|---|---|---|---|---|---|
| **EUR million** | **<1 year** | **1–5 years** | **>5 years** | **<1 year** | **1–5 years** | **>5 years** |
| Long-term debt | | | | | | |
| Repayments | 150 | 340 | 300 | 0 | 841 | 300 |
| Interests | 9 | 19 | 3 | 11 | 25 | 8 |
| Other liabilities | – | 2 | – | – | 4 | – |
| Short-term debt | | | | | | |
| Repayments | 42 | – | – | 77 | – | – |
| Interests | 0 | – | – | 0 | – | – |
| Trade payables | 692 | – | – | 539 | – | – |
| Other liabilities | 16 | – | – | 18 | – | – |
| **Debts, total** | **909** | **361** | **303** | **645** | **869** | **308** |

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, 2021, the equity attributable to shareholders was EUR 2,250 million (EUR 2,037 million in 2020), and the amount of interest-bearing debt excluding lease liabilities was EUR 819 million (EUR 1,206 million in 2020). 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 stable 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 2.2 years as of December 31, 2021 (2.1 years in 2020).

At the end of 2021, the balance sheet items exposed to interest rate risk were interest-bearing assets of EUR 482 million (EUR 544 million in 2020), and interest-bearing debt excluding lease liabilities amounted to EUR 819 million (EUR 1,206 million in 2020).

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 —/+1.0 million in 2020).

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 | 2021 | 2020 |
|---|---|---|
| Effect in income statement | -/+1.3 | -/+ 1.4 |
| Effect in 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, Chinese yuan and Canadian dollar.

### 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

| EUR million | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Operational items | 443 | 287 |
| Financial items | 486 | 569 |
| Hedges | -932 | -830 |
| **Total exposure** | **-4** | **26** |

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 +/–1.1 million (EUR –/+2.3 million in 2020). Transaction exposure is spread to about 50 currencies and as of December 31, 2021, the biggest open exposures were in the United Arab Emirates dirham and Mexican peso (approximately 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:

| | | | | 2021 | 2020 |
|---|---|---|---|---|---|
| **EUR million** | **USD** | **CNH** | **Other** | **Total** | **Total** |
| Effects in | | | | | |
| Income statement | –/+25.3 | –/+2.8 | –/+7.3 | –/+20.8 | –/+2.4 |
| Equity | –/+1.1 | –/+2.9 | –/+2.4 | –/+0.6 | –/+10.3 |

The effect in equity is the fair value change in derivatives contracts qualifying as cash flow hedges for unrecognized firm commitments. The effect in the 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, Canadian dollar, Chinese yuan, Swedish krona and Australian dollar, which altogether comprise approximately 63 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 2021 or in 2020.

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

| EUR million | Dec 31, 2021 Level 1 | Level 2 | Level 3 | Dec 31, 2020 Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Financial assets at fair value through profit and loss | | | | | | |
| Derivatives not under hedge accounting | – | 24 | – | – | 20 | – |
| Financial assets at fair value through other comprehensive income | | | | | | |
| Derivatives under hedge accounting | – | 24 | – | – | 27 | – |
| Total | – | 48 | – | – | 47 | – |
| | | | | | | |
| **Liabilities** | | | | | | |
| Financial liabilities at fair value through profit and loss | | | | | | |
| Derivatives not under hedge accounting | – | 29 | – | – | 21 | – |
| Financial liabilities at fair value through other comprehensive income | | | | | | |
| Derivatives under hedge accounting | – | 29 | – | – | 10 | – |
| Total | – | 58 | – | – | 31 | – |

## 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 exceeds 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 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 will be 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

| 2021<br>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 |
| Derivative financial instruments | – | 2 | – | 2 | 2 |
| Other receivables | – | – | 20 | 20 | 20 |
| Total | 4 | 2 | 26 | 31 | 31 |
| **Current financial assets** | | | | | |
| Trade receivables | – | – | 665 | 665 | 665 |
| Trade receivables, for sale | – | 3 | – | 3 | 3 |
| Loan receivables | – | – | 3 | 3 | 3 |
| Derivative financial instruments | 24 | 22 | – | 46 | 46 |
| Deposits and securities, maturity three months or less | – | – | 81 | 81 | 81 |
| Cash on hand and in bank accounts | – | – | 393 | 393 | 393 |
| Total | 24 | 25 | 1,141 | 1,190 | 1,190 |
| **Non-current liabilities** | | | | | |
| Bonds [1] | – | – | 587 | 587 | 597 |
| Lease liabilities | – | – | 104 | 104 | 104 |
| Other non-current debt | – | – | 40 | 40 | 40 |
| Derivative financial instruments | 1 | 5 | – | 6 | 6 |
| Other liabilities | – | – | 2 | 2 | 2 |
| Total | 1 | 5 | 732 | 738 | 749 |
| **Current liabilities** | | | | | |
| Current portion of non-current debt | – | – | 150 | 150 | 151 |
| Lease liabilities | – | – | 30 | 30 | 30 |
| Loans from financial institutions | – | – | 42 | 42 | 42 |
| Commercial papers | – | – | – | – | – |
| Trade payables | – | – | 692 | 692 | 692 |
| Derivative financial instruments | 28 | 24 | – | 52 | 52 |
| Total | 28 | 24 | 914 | 966 | 967 |

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

| 2020<br>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 |
| Derivative financial instruments | 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 |
| Derivative financial instruments | 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 |
| Derivative financial instruments | 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 |
| Derivative financial instruments | 19 | 10 | – | 29 | 29 |
| Total | 19 | 10 | 649 | 678 | 678 |

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

## 4.3. Liquid funds

**ACCOUNTING POLICY** 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 | 2021 | 2020 |
|---|---|---|
| Deposits and securities, maturity more than three months | – | – |
| | | |
| Cash and cash equivalents | | |
| Deposits and securities, maturity three months or less | 81 | 43 |
| Cash on hand and bank accounts | 393 | 494 |
| Cash and cash equivalents total | 473 | 537 |
| | | |
| **Liquid funds total** | **473** | **537** |

### Average returns for deposits and securities

| % | 2021 | 2020 |
|---|---|---|
| With maturity three months or less | 3.59% | 1.87% |

## 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, 2021, and December 31, 2020.

| | 2021 | 2020 |
|---|---|---|
| Number of outstanding shares at beginning of year | 827,979,202 | 181,849,864 |
| Shares granted from share ownership plans | 68,217 | 278,390 |
| New shares related to the reverse acquisition | – | 645,850,948 |
| Number of outstanding shares at end of year | 828,047,419 | 827,979,202 |
| Own shares held by the Parent company | 925,021 | 993,238 |
| **Total number of shares at end of year** | **828,972,440** | **828,972,440** |

As of December 31, 2021, the acquisition price of 925,021 own shares held by the Parent company was EUR 8,832,733.61 and was recognized in treasury stock.

### Dividends

The Board of Directors proposes that a dividend of EUR 0.24 per share be paid based on the balance sheet to be adopted for the financial year, which ended December 31, 2021. Insofar as the dividend to be paid exceeds the net profit for the year ended December 31, 2021, the remaining amount will be paid from retained earnings from previous years. These financial statements do not reflect this dividend payable of EUR 199 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

**2021**

| EUR million | Treasury stock | Hedge reserve | Fair value reserve | Legal reserve | Other reserves | Total |
|---|---|---|---|---|---|---|
| At beginning of year | -9 | 9 | 2 | 0 | 1,134 | 1,136 |
| Cash flow hedges | | | | | | |
| Fair value gains (+) / losses (–), net of tax | – | -8 | – | – | – | -8 |
| Transferred to profit and loss, net of tax | | | | | | |
| Sales | – | -10 | – | – | – | -10 |
| Cost of goods sold / administrative expenses | – | 5 | – | – | – | 5 |
| Share-based payments, net of tax | 0 | – | 7 | – | – | 7 |
| **At end of year** | **-9** | **-4** | **9** | **0** | **1,134** | **1,130** |

**2020**

| EUR million | Treasury stock | Hedge reserve | Fair value reserve | Legal reserve | Other reserves | Total |
|---|---|---|---|---|---|---|
| At beginning of year | – | 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 |
| Interest income / expenses | – | -1 | – | – | – | -1 |
| Share-based payments, net of tax | – | – | 2 | – | – | 2 |
| Demerger | – | – | – | 0 | 265 | 265 |
| Reverse acquisition | -9 | – | – | – | 870 | 860 |
| **At end of year** | **-9** | **9** | **2** | **0** | **1,134** | **1,136** |

#### Cumulative translation adjustments included in shareholders' equity

| EUR million | 2021 | 2020 |
|---|---|---|
| Cumulative translation adjustment at beginning of year | -210 | -151 |
| Currency translation, change | 46 | -58 |
| **Cumulative translation adjustment at end of year** | **-164** | **-210** |

## 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 the income statement as an 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 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. 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.

| | 2021 | | 2020 | |
|---|---|---|---|---|
| EUR million | Carrying values | Fair values | Carrying values | Fair values |
| **Long-term interest-bearing debt** | | | | |
| Bonds | 587 | 597 | 689 | 713 |
| Loans from financial institutions | 40 | 40 | 440 | 440 |
| Total borrowings | 627 | 634 | 1,129 | 1,153 |
| | | | | |
| Lease liabilities | 104 | 104 | 106 | 106 |
| Total long-term interest-bearing debt | 730 | 738 | 1235 | 1259 |
| | | | | |
| **Short-term borrowings** | | | | |
| Bonds, current portion | 100 | 101 | – | – |
| Loans from financial institutions, current portion | 50 | 50 | – | – |
| Loans from financial institutions | 42 | 42 | 18 | 18 |
| Commercial papers | – | – | 60 | 60 |
| Total short-term borrowings | 192 | 193 | 78 | 78 |
| | | | | |
| Lease liabilities | 30 | 30 | 32 | 32 |
| Total short-term interest-bearing debt | 222 | 223 | 110 | 110 |
| | | | | |
| **Total interest-bearing debt** | **952** | **961** | **1,345** | **1,369** |

## Bonds

**2021**

| EUR million | Nominal interest rate | Effective interest rate | Outstanding original loan amount | Outstanding carrying value |
|---|---|---|---|---|
| Public bond 2017–2024 | 1.125% | 2.33% | 300 | 294 |
| Public bond 2020–2028 | 0.875% | 1.04% | 300 | 293 |
| Private placements 2022 | 3.80% | 3.80% | 100 | 100 |
| **Bonds, total** | | | **700** | **687** |

**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** |

Metso Outotec has a Euro Medium Term Note Program (EMTN) of EUR 2 billion, under which EUR 687 million at carrying value was outstanding at the end of 2021 (EUR 689 million in 2020). EUR 587 million (EUR 589 million) of the outstanding amount was public bonds and EUR 100 million (EUR 100 million) private placements.

The average interest rate of total loans and derivatives was 1.38% (1.21%) on December 31, 2021. The duration of medium and long-term interest-bearing debt was 2.2 years (2.1 years) and the average maturity 3.3 years (3.7 years) on December 31, 2021.

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, there were no commercial papers at the end of 2021 (60 million euros in 2020). The weighted average interest rate applicable to the short-term borrowing on December 31, 2021, was 4.58% (0.8% in 2020). In 2022, interest amounting to EUR 0.4 million is expected to be paid concurrently with respective principals on the short-term debt presented above.

Metso Outotec had committed and undrawn syndicated EUR 600 million revolving credit facility with a maturity in 2026. Metso Outotec also has a EUR 600 million Finnish commercial paper program, which was fully unutilized at the end of the period.

## Contractual maturities of interest-bearing debt

**2021**

| EUR million | Borrowings | Repayments | Interest | Lease [1] liabilities |
|---|---|---|---|---|
| 2022 | 202 | 192 | 10 | 33 |
| 2023 | 5 | – | 5 | 27 |
| 2024 | 5 | – | 5 | 21 |
| 2025 | 297 | 294 | 3 | 16 |
| 2026 | 43 | 40 | 3 | 12 |
| Later | 298 | 293 | 5 | 40 |
| **Total** | **850** | **819** | **31** | **148** |

[1] Future lease payments at nominal value.

**2020**

| EUR million | Borrowings | Repayments | Interest | Lease [1] liabilities |
|---|---|---|---|---|
| 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.

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 | 2021 | 2020 |
|---|---|---|
| Borrowings, non-current [1] | 777 | 1,129 |
| Lease liabilities | 133 | 138 |
| Borrowings, current | 42 | 77 |
| Loan receivables | -9 | -8 |
| Liquid funds | -473 | -537 |
| **Net interest-bearing liabilities** | **470** | **799** |

[1] Including current portion of non-current liabilities EUR 150 million in 2021 (EUR 0 million in 2020).

### Changes in net interest-bearing liabilities

| 2021<br>EUR million | Balance at beginning of year | Cash flows | Disposals | Translation differences | Other non-cash movements | Classification as held for sale | Balance at end of year |
|---|---|---|---|---|---|---|---|
| Borrowings, non-current | 1,129 | -350 | -1 | - | -2 | - | 777 |
| Lease liabilities | 138 | -38 | 0 | 2 | 31 | - | 134 |
| Borrowings, current | 77 | -37 | - | 2 | - | - | 42 |
| Loan receivables | -8 | 1 | - | -1 | 0 | - | -9 |
| Liquid funds | -537 | 81 | -2 | -14 | - | 0 | -473 |
| **Net interest-bearing liabilities** | **799** | **-344** | **-3** | **-11** | **29** | **0** | **470** |

| 2020<br>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** |

## 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 purchase back equipment sold to customer. The conditions triggering the buy-back obligation are specific to each sales contract.

| EUR million | 2021 | 2020 |
|---|---|---|
| **Guarantees** | | |
| External guarantees given by Parent and Group companies | 1,575 | 1,260 |
| **Other commitments** | | |
| Repurchase commitments | 0 | 0 |
| Other contingencies | 1 | 1 |
| **Total** | **1,577** | **1,262** |

## 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.

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 and interest rate swaps.

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 options is determined using the Black-Scholes valuation model.

### Notional amounts and fair values of derivative financial instruments on December 31

| 2021<br>EUR million | Notional amount | Fair value, assets | Fair value, liabilities | Fair value, net |
|---|---|---|---|---|
| Forward exchange contracts [1] | 2,456 | 46 | 52 | -6 |
| Interest rate swaps | 275 | 2 | 6 | -4 |
| **Total** | **2,731** | **48** | **58** | **-10** |

| 2020<br>EUR million | Notional amount | Fair value, assets | Fair value, liabilities | Fair value, net |
|---|---|---|---|---|
| Forward exchange contracts [1] | 1,638 | 44 | 29 | 15 |
| Interest rate swaps | 295 | 3 | 2 | 1 |
| **Total** | **1,933** | **47** | **31** | **16** |

[1] Some 39 percent and 32 percent of the notional amount at the end of 2021 and 2021, 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 the end of year

| | 2021 | | 2020 | |
|---|---|---|---|---|
| EUR million | Assets | Liabilities | Assets | Liabilities |
| Interest rate swaps – fair value hedges | 2 | 5 | 3 | 0 |
| Interest rate swaps – non-qualifying hedges | – | 1 | – | 2 |
| Interest rate swaps total | 2 | 6 | 3 | 2 |
| Forward exchange contracts – cash flow hedges | 22 | 22 | 24 | 10 |
| Forward exchange contracts – non-qualifying hedges | 24 | 28 | 20 | 19 |
| Forward exchange contracts total | 46 | 52 | 44 | 29 |
| **Derivatives total** | **48** | **58** | **47** | **31** |

In 2021 and 2020, there was no ineffectiveness related to the cash flow hedges. As at December 31, 2021, the fixed interest rates of swaps varied from -0.55 percent to 1.01 percent.

## Maturities of financial derivatives on (expressed as notional amounts)

| December 31, 2021<br>EUR million | 2022 | 2023 | 2024 | 2025 | 2026 and later |
|---|---|---|---|---|---|
| Forward exchange contracts | 2,396 | 60 | – | – | – |
| Interest rate swaps | – | – | 100 | – | 175 |

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

| 2021<br>EUR million | Notional amount | Fair value, assets | Fair value, liabilities | Fair value, net |
|---|---|---|---|---|
| Forward exchange contracts | 946 | 22 | 24 | -2 |
| Interest rate swaps | 250 | 2 | 5 | -3 |
| **Total** | **1,196** | **24** | **29** | **-5** |

| 2020<br>EUR million | Notional amount | Fair value, assets | Fair value, liabilities | Fair value, net |
|---|---|---|---|---|
| Forward exchange contracts | 523 | 24 | 10 | 14 |
| Interest rate swaps | 250 | 3 | 0 | 3 |
| **Total** | **773** | **27** | **10** | **17** |

Forward exchange contracts hedge commercial cash flows of projects applying hedge accounting. The hedge ratio is 1:1. 86% of hedged cash flows mature in year 2022, 14% in year 2023.

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

| 2021<br>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 |
|---|---|---|---|---|
| | 946 | -13 | 10 | 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 250 million in 2020). 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, 2021

| 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 | -2 | 100 | June 13, 2024 | 2 |
| 300 | 50% | May 26, 2028 | 4 | 150 | May 26, 2028 | -5 |

# 05

# 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

| Country | Company name | Ownership December 31, 2021 |
|---|---|---|
| **Algeria** | Metso Algerie EURL | 100.0% |
| **Argentina** | Metso Outotec Argentina SA | 100.0% |
| **Australia** | Brian Investments Pty Ltd | 100.0% |
| | Metso Outotec Australia Ltd | 100.0% |
| | Outotec Ausmelt Pty Ltd | 100.0% |
| | Outotec Pty. Ltd. | 100.0% |
| | Scanalyse Holding Pty Ltd | 100.0% |
| **Austria** | Metso Outotec Austria GmbH | 100.0% |
| **Brazil** | Metso Outotec Brazil Indústria e Comércio Ltda | 100.0% |
| | Outotec Tecnologia Brazil Ltda | 100.0% |
| **Bulgaria** | Metso Outotec Bulgaria EOOD | 100.0% |
| **Canada** | Metso Outotec Canada Inc. | 100.0% |
| | McCloskey International Limited | 100.0% |
| **Chile** | Metso Outotec Industrial Services SpA | 100.0% |
| | Metso Outotec Chile SpA | 100.0% |
| | Outotec Servicios Industriales Ltda. | 100.0% |
| **China** | Metso Outotec New Material Technology (Shanghai) Co. Ltd | 100.0% |
| | Metso Outotec Heavy Industries (Quzhou) Co. Ltd | 100.0% |
| | Metso Outotec Heavy Industries (Tianjin) Co. Ltd | 100.0% |
| | Metso Outotec International Trade (Tianjin) Co. Ltd | 100.0% |
| | Metso Outotec Machinery Heavy Industries (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 Outotec Czech Republic s.r.o. | 100.0% |
| **Ecuador** | Metso Outotec-Technology (Ecuador) S.A. | 100.0% |
| **Egypt** | Metso Outotec Egypt Company LLC | 100.0% |
| **Finland** | International Project Services Ltd. Oy | 100.0% |
| | Metso Outotec Finland Oy | 100.0% |
| | Metso Outotec (Ceramics) Oy | 100.0% |
| | Outotec International Holdings Oy | 100.0% |
| | Rauma Oy | 100.0% |
| **France** | Metso Outotec France SAS | 100.0% |
| **Germany** | Metso Outotec Germany GmbH | 100.0% |
| | Outotec Deutschland GmbH | 100.0% |
| | Outotec GmbH & Co KG | 100.0% |
| | Outotec Holding GmbH | 100.0% |
| **Ghana** | Metso Outotec Ghana Ltd | 100.0% |
| | Outotec (Ghana) Limited | 100.0% |
| **India** | Metso Outotec India Private Ltd | 100.0% |
| | Outotec India Private Ltd. | 100.0% |
| **Indonesia** | PT Metso Outotec Indonesia [1] | 99.9% |
| | PT. Outotec Technology Solutions | 100.0% |
| **Iran** | Outotec Iranian Minerals and Metals Processing | 100.0% |
| **Italy** | Metso Outotec Italy Srl | 100.0% |
| **Japan** | Metso Japan Co. Ltd | 100.0% |
| **Kazakhstan** | Metso (Kazakhstan) LLP | 100.0% |
| | Metso Outotec (Kazakhstan) LLP | 100.0% |
| **Lithuania** | Metso Outotec Global Business Services UAB | 100.0% |
| | Metso Outotec Lithuania UAB | 100.0% |
| **Macedonia** | Metso Outotec Dooel Skopje | 100.0% |
| **Malaysia** | Metso Outotec Malaysia Sdn Bhd | 100.0% |
| **Marocco** | Metso Outotec Morocco LLC | 100.0% |
| **Mexico** | Metso Outotec Mexico SA de CV | 100.0% |
| **Mongolia** | Metso Outotec Mongolia LLC | 100.0% |
| **Namibia** | Outotec Namibia (Pty.) Ltd | 100.0% |
| **New Caledonia** | Outotec (New Caledonia), Sarl | 100.0% |
| **Netherlands** | Metsotec NL BV | 100.0% |
| | Metso Outotec (Netherlands) B.V. | 100.0% |
| | Metso Outotec B.V. | 100.0% |
| **Norway** | Metso Outotec Norway A/S | 100.0% |
| **Panama** | Metso Central America SA | 100.0% |
| | Outotec (Panama) S.A. | 100.0% |
| **Papua New Guinea** | Metso PNG Limited | 100.0% |
| **Peru** | Metso Outotec Perú SA | 100.0% |
| **Poland** | Metso Outotec Poland Sp. z o.o. | 100.0% |
| **Portugal** | Metso Outotec Portugal, Lda | 100.0% |
| **Qatar** | Outotec Trading & Contracting WLL | 49.0% |
| **Russia** | Lindemann LLC | 100.0% |
| | OOO Metso Outotec | 100.0% |
| **Romania** | Metso Outotec Romania S.R.L. | 100.0% |
| **Saudi Arabia** | Metso Outotec Saudi Arabia LLC | 100.0% |
| | Outotec Technology Saudi LLC | 70.0% |
| **Serbia** | Metso Outotec d.o.o. Beograd | 100.0% |
| **Singapore** | Metso Outotec Asia Pacific Pte Ltd | 100.0% |
| **South Africa** | Metso Outotec South Africa Pty Ltd | 100.0% |
| | Metso South Africa Sales Pty Ltd | 100.0% |
| | Outotec Africa Holdings (Pty) Ltd | 100.0% |
| | Outotec Biomin (Pty) Ltd | 52.9% |
| **Spain** | Metso Outotec Espana SA | 100.0% |
| | Outotec (Spain) S.L. | 100.0% |

[1] Has been 100% consolidated

| Country | Company name | Ownership December 31, 2021 |
|---|---|---|
| **Sweden** | AB P. J. Jonsson och Söner | 100.0% |
| | Larox AB | 100.0% |
| | Metso Outotec Sweden AB | 100.0% |
| **Thailand** | Metso Outotec (Thailand) Limited | 100.0% |
| **Turkey** | Metso Outotec Maden Teknolojileri Anonim Sirketi | 100.0% |
| **United Arab Emirates** | Metso Outotec DMCC | 100.0% |
| | Outotec Engineering RAK LLC [1] | 48.0% |
| | Outotec Middle East Industrial Projects Consultancy LLC [1] | 49.0% |
| **United Kingdom** | McCloskey International Ltd | 100.0% |
| | Metso Outotec Captive Insurance Limited | 100.0% |
| | Metso Outotec UK Ltd | 100.0% |
| | Outotec (UK) Limited | 100.0% |
| **United States** | Metso McCloskey USA LLC | 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

## 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

| | 2021 | | 2020 | |
|---|---|---|---|---|
| **EUR million** | **Ownership** | **Carrying value** | **Ownership** | **Carrying value** |
| Liugong Metso Construction Equipment (Shanghai) Co. Ltd | 50.0% | 6 | 50.0% | 7 |
| Sefate Capital (Pty) Limited | – | – | 49.0% | 1 |
| Enefit Outotec Technology Oü | 40.0% | 1 | 40.0% | 2 |
| GreenExergy AB | – | – | 49.0% | 0 |
| Sidvin Outotec Engineering Private Ltd | 25.1% | 0 | 25.1% | 0 |
| **Total** | | **7** | | **10** |

**Movements in the carrying value of investments in associated companies and joint ventures**

| EUR million | 2021 | 2020 |
|---|---|---|
| Investments in associated companies and joint ventures | | |
| Acquisition cost at beginning of year | 11 | 8 |
| New subsidiaries | – | 2 |
| Divestments | –1 | – |
| Acquisition cost at end of year | 10 | 11 |
| | | |
| Equity adjustments in investments in associated companies and joint ventures | | |
| Equity adjustments at beginning of year | –1 | –1 |
| New subsidiaries | – | 0 |
| Share of results | –2 | 0 |
| Translation differences | 0 | 0 |
| Equity adjustments at end of year | –2 | –1 |
| | | |
| **Carrying value at end of year** | **7** | **10** |

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

| EUR million | 2021 | 2020 |
|---|---|---|
| Assets | 9 | 18 |
| Liabilities | 2 | 9 |
| Sales | 4 | 7 |
| Profit | –1 | 0 |

## Related party transactions

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

| EUR million | 2021 | 2020 |
|---|---|---|
| Sales | 1 | 6 |
| Purchases | –1 | –2 |
| Receivables | 1 | 1 |
| Payables | 0 | 0 |

# 5.4. Acquisitions and business disposals

## Acquisitions in 2021

Metso Outotec made no business acquisitions in 2021.

## Acquisitions in 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. 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. It was originally announced on July 4, 2019, that Metso's Minerals business and Outotec will be combined through a partial demerger of Metso 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.

Metso Outotec expected to achieve material cost and revenue synergies. The cost synergies were 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 was treated as a reverse acquisition, where Metso Minerals was 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.

### 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 on prior year timing differences EUR –16 million, other liabilities 13 million, right-of-use assets EUR 3 million, current liabilities EUR 6 million, increases in provisions related to discontinued operations EUR

61 million compared to the original fair value calculation, and other minor items. Due to the adjustments in far values of Outotec at acquisition date, the value of goodwill increased EUR 89 million of which EUR 67 million in year 2021. The following table summarizes the fair values of assets and liabilities assumed.

### Final assets and liabilities recognized as a result of the acquisition

| EUR million | Fair value |
|---|---|
| Intangible assets | 858 |
| Property, plant, and equipment | 43 |
| Right-of-use assets | 61 |
| Deferred tax assets | 71 |
| 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 | 1,854 |
| | |
| 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 | -13 |
| Other liabilities | -329 |
| Liabilities | -1,437 |
| | |
| Net liabilities, held for sale | -100 |
| | |
| Net identifiable assets acquired at fair value | 316 |
| Goodwill | 584 |
| **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 employed 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

| | | | Amortization / depreciation | |
|---|---|---|---|---|
| EUR million | Periods | Fair value adjustments | 7–12/2020 | 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** |

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.

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.

## 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 employed 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 related to the acquisition of Brian Investments Pty Ltd are expensed and included in administrative expenses in the income statement and in operating cash flow in the statement of cash flows.

Contingent consideration of the McCloskey acquisition was revaluated and EUR 4 million of the purchase price debt was recognized as other income.

### Business disposals in 2021

On October 1, 2021, Metso Outotec completed the divestment of Outotec Turula Oy to the Lithuanian company UAB Arginta Engineering. The divested business is a manufacturer of equipment and components used in mineral processing and metals refining industries. As part of the transaction approximately 120 employees transferred from Metso Outotec to UAB Arginta Engineering. The transaction did not have impact on Metso Outotec's financial result.

### Net cash flow impact of the disposal

| EUR million | 2021 |
|---|---|
| Assets | 21 |
| Liabilities | -17 |
| Net assets of disposed business | 4 |
| | |
| Consideration received in cash | 4 |
| Net assets of disposed business | -4 |
| Result on disposal | 0 |
| | |
| Consideration received in cash | 4 |
| Cash and cash equivalents sold | -2 |
| **Net cash inflow on disposal** | **2** |

## 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.

## 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.

On December 1, 2021, Metso Outotec completed the divestment of its waste recycling business to Ahlström Capital.

On December 31, 2021, Metso Outotec signed an agreement to divest its Metal Recycling business line to an affiliate of Mimir, an investment company based in Stockholm, Sweden. The closing of the transaction is expected to take place during the first half of 2022.

## Aluminium and Waste-to-energy business

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 April 6, 2021, Metso Outotec completed the divested of its aluminium business to REEL International.

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 estimated to be implemented during 2022.

### Result of the discontinued operations

| EUR million | 2021 | 2020 |
|---|---|---|
| Sales | 153 | 148 |
| Cost of goods sold | -120 | -122 |
| Sales, general and administrative expenses | -36 | -35 |
| Other income and expenses, net | -4 | 4 |
| Operating profit (loss) | -7 | -5 |
| Finance income and expenses, net | 0 | 0 |
| Income taxes | 14 | -5 |
| Result for the period | 7 | -11 |
| Gain from business disposals | 41 | 0 |
| **Total result of period, discontinued operations** | **48** | **-11** |

### Business disposals, Waste Recycling and Aluminium

| EUR million | 2021 |
|---|---|
| Goodwill | 18 |
| Other non-current assets | 5 |
| Inventory | 15 |
| Trade and other receivables | 10 |
| Liquid funds | 4 |
| Interest-bearing liabilities | 0 |
| Non-interest-bearing liabilities | -20 |
| Accrued income taxes | -1 |
| Net assets of disposed businesses | 30 |
| | |
| Consideration received in cash | 75 |
| Net assets of disposed businesses | -30 |
| Gain on disposed businesses | 44 |
| | |
| Cost of disposals | -3 |
| Gain on disposed businesses, net | 41 |
| | |
| Consideration received in cash | 75 |
| Cash and cash equivalents sold | -4 |
| **Net cash inflow on disposal** | **71** |

### Balance sheet of the discontinued operations

| EUR million | 2021 | 2020 |
|---|---|---|
| Non-current assets | 19 | 59 |
| Inventories | 25 | 43 |
| Trade and other receivables | 21 | 36 |
| Cash and cash equivalents | 0 | 6 |
| **Total assets** | **65** | **145** |
| | | |
| Non-current liabilities | 0 | 26 |
| Current liabilities | 34 | 121 |
| **Total liabilities** | **34** | **147** |

The balance sheet items of discontinued operations are presented in fair value. The balance sheet in 2021 includes Metal Recycling and Waste-to-energy businesses. The figures for the comparison period also include the balance sheet items of the divested businesses.

## 5.6. New accounting standards

### New and amended standards effective in 2021

The following new or revised IFRSs have been adopted from January 1, 2021, 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 – Phase 2**
On August 2020, the IASB published Interest rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). Phase 2 amendments relate to issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rate.

**Amendments to IFRS 16 Leases – Covid-19-Related Rent Concession beyond June 30, 2021**
In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the Covid-19 pandemic.

**IASB's Agenda decision – Configuration or Customization Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)**
In March 2021 IASB published its conclusion on how customer accounts for costs of configuring or customizing the supplier's application software in a Software as a Service arrangement. This standard conclusion did not affect to the financial statements of Metso Outotec for year 2021.

### New and amended standards to be applied

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 *):

- Amendments to IAS 1 Classification of liabilities as current or non-current *
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies *
- Amendments to IAS 8 – Definition of Accounting Estimates *
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction *
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on December 9, 2021) *
- IFRS 17 Insurance Contracts; including Amendments to IFRS 17 (issued on June 25, 2020)
- Annual Improvements to IFRS Standards 2018–2020 Cycle Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture *
- Amendments to IFRS 4 Insurance Contracts – alignment with the effective date of IFRS 17 Insurance Contracts (January 1, 2023): Metso Outotec have evaluated that IFRS 17 Insurance Contracts is not affecting Metso Outotec.

Amendments to and Annual Improvements 2018–2020 (All issued May 14, 2020) to the below:

- Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use;
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract

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 | |
|---|---|---|---|---|---|
| | | 2021 | 2020 | 2021 | 2020 |
| USD | (US dollar) | 1.1851 | 1.1452 | 1.1326 | 1.2271 |
| SEK | (Swedish krona) | 10.1469 | 10.4789 | 10.2503 | 10.0343 |
| GBP | (Pound sterling) | 0.8615 | 0.8864 | 0.8403 | 0.8990 |
| CAD | (Canadian dollar) | 1.4868 | 1.5320 | 1.4393 | 1.5633 |
| BRL | (Brazilian real) | 6.3782 | 5.8847 | 6.3101 | 6.3735 |
| CNY | (Chinese yuan) | 7.6388 | 7.8916 | 7.1947 | 8.0225 |
| AUD | (Australian dollar) | 1.5792 | 1.6523 | 1.5615 | 1.5896 |

# 6 Other notes

## 6.1. Audit fees

| EUR million | 2021 | 2020 |
|---|---|---|
| Audit services | -2.8 | -2.5 |
| Tax services | -0.1 | -0.3 |
| Other services | -0.1 | -0.4 |
| **Total** | **-3.0** | **-3.2** |

The above table discloses fees to Metso Outotec's auditor EY. The disclosed fees for comparison year 2020 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.

## 6.3. Events after the financial year

On December 31, 2021, Metso Outotec announced that it has signed an agreement to divest its Metal Recycling business line to an affiliate of Mimir, an investment company based in Stockholm, Sweden. The closing of the transaction is expected to take place during the first half of 2022. The divestment will not have a material impact on Metso Outotec's financial results. Since October 2020, Metal Recycling has been reported as part of discontinued operations in Metso Outotec's financial statements.

On January 17, 2022, Metso Outotec announced that it will take the next structural development steps in its business portfolio, following the completed integration of its Minerals business and the successful turnaround of its Metals business. The company plans to change its business area structure and related reporting segments by transferring the Hydrometallurgy business from Metals to Minerals. The objective of the change is to accelerate Metso Outotec's profitable growth in the minerals processing industry by more efficiently leveraging the opportunities and synergies in the minerals and hydrometallurgical processes. A strategic review will be conducted in the remaining Metals business area, consisting of the Smelting, Metals & Chemical Processing and the Ferrous & Heat Transfer business lines, as well as related aftermarket services. The review will focus on evaluating the best environment for developing the Metals business and its strategic fit in Metso Outotec's business portfolio.

# Financial statements of the Parent company, FAS

## Statement of income of the Parent company

| EUR | Note | 2021 | 2020 |
|---|---|---|---|
| Sales | | 26,027,787.33 | 37,925,836.64 |
| Other operating income | 2 | 5,476,655.94 | 63,234.29 |
| Personnel expenses | 3 | -21,653,779.87 | -18,715,230.45 |
| Depreciation and amortization | 4 | -3,194,205.94 | -9,363,186.25 |
| Other operating expenses | 5 | -29,432,759.54 | -88,287,869.09 |
| Operating profit (loss) | | -22,776,302.08 | -78,377,214.86 |
| | | | |
| Finance income and expenses, net | 7 | 133,484,447.23 | 26,901,419.30 |
| Profit before appropriations and taxes | | 110,708,145.15 | -51,475,795.56 |
| | | | |
| Appropriations | 8 | 100,000,000.00 | 62,900,000.00 |
| Profit before taxes | | 210,708,145.15 | 11,424,204.44 |
| | | | |
| Income taxes | 9 | | |
| Current tax expense | | -14,146,863.83 | -1,629,390.13 |
| Change in deferred taxes | | -2,884,132.86 | - |
| **Profit** | | **193,677,148.46** | **9,794,814.31** |

## Balance sheet of the Parent company

Assets

| EUR | Note | 2021 | 2020 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 10 | 829,481.67 | 18,038,467.46 |
| Tangible assets | 10 | 579,997.33 | 1,155,930.82 |
| Investments | 11 | | |
| Shares in Group companies | | 1,363,525,778.02 | 1,374,871,138.35 |
| Other investments | | 279,365,663.15 | 415,488,027.67 |
| Total non-current assets | | 1,644,300,920.17 | 1,809,553,564.30 |
| | | | |
| **Current assets** | | | |
| Long-term receivables [1] | 13 | 2,275,705.33 | 6 647 519,02 |
| Short-term receivables | 13 | 621,646,675.13 | 674,618,540.14 |
| Bank and cash | | 195,948,681.23 | 239,733,826.31 |
| Total current assets | | 819,871,061.69 | 920,999,885.47 |
| | | | |
| **Total assets** | | **2,464,171,981.86** | **2,730,553,449.77** |

Shareholders' equity and liabilities

| EUR | Note | 2021 | 2020 |
|---|---|---|---|
| **Shareholders' equity** | 14 | | |
| Share capital | | 107,186,442.52 | 107,186,442.52 |
| Share premium fund | | 20,180,000.00 | 20,180,000.00 |
| Treasury shares | | -8,832,733.61 | -9,493,030.00 |
| Invested non-restricted equity fund | | 434,499,801.35 | 434,549,357.76 |
| Reserve for cash hedges | | - | 2,052,540.03 |
| Retained earnings | | 353,730,583.47 | 506,017,295.94 |
| Profit for the year [1] | | 193,677,148.46 | 13,322,771.33 |
| Total shareholders' equity | | 1,100,441,242.19 | 1,073,815,377.58 |
| | | | |
| **Liabilities** | | | |
| Long-term liabilities | 15 | 640,083,385.00 | 1,140,920,246.00 |
| Current liabilities | 16 | 723,647,354.67 | 515,817,826.19 |
| Total liabilities | | 1,363,730,739.67 | 1,656,738,072.19 |
| | | | |
| **Total shareholders' equity and liabilities** | | **2,464,171,981.86** | **2,730,553,449.77** |

[1] Comparison period restated due to accounting principle change in deferred tax assets and liabilities, details in note 13.

# Cash flow statement of the Parent company

| EUR thousand | 2021 | 2020 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the year | 193,677 | 9,795 |
| Adjustments to operating profit (loss) | | |
| Depreciation and amortization | 3,194 | 9,363 |
| Impairment | 10,945 | 15,094 |
| Unrealized exchange gains / losses | – | 4,889 |
| Finance income and expenses, net | -133,484 | -26,901 |
| Gains/losses on sale, net | -1,679 | – |
| Group contributions | -100,000 | -62,900 |
| Taxes | 17,031 | 1,629 |
| Other non-cash items | 493 | 2,942 |
| Total adjustments to operating profit (loss) | -203,500 | -55,884 |
| | | |
| Increase / decrease in short-term non-interest-bearing trade receivables | -45,937 | -40,705 |
| Increase / decrease in short-term non-interest-bearing debt | 116,756 | 98,434 |
| Change in working capital | 70,820 | 57,729 |
| | | |
| Interest paid | -16,598 | -13,428 |
| Other financial expenses paid | -7,689 | -8,311 |
| Dividends received | 134,897 | 23,173 |
| Interest received | 5,418 | 1,373 |
| Income taxes paid | -15,727 | -3,575 |
| Net cash provided by operating activities | 161,297 | 10,872 |

| EUR thousand | 2021 | 2020 |
|---|---|---|
| **Cash flows from investing activities** | | |
| Investments in tangible and intangible assets | – | -2,411 |
| Decrease in subsidiary shares | 13,025 | – |
| Long-term loans granted | -136,112 | -216,553 |
| Repayments of long-term loans | 244,186 | 142,345 |
| Short-term loans granted | -227,959 | -114,289 |
| Repayments of short-term loans | 385,465 | 213,988 |
| Interest received from investments | 20,954 | 13,010 |
| Business acquisitions, transferred assets and liabilities from Metso Minerals carve-out | – | 90,000 |
| Net cash used in investing activities | 303,324 | 126,091 |
| | | |
| **Cash flows from financing activities** | | |
| Decrease in treasury shares | 660 | – |
| Invested non-restricted equity fund | -2,102 | – |
| Sales from treasury shares to subsidiaries | – | 2,483 |
| Changes of short-term loans, net | -59,931 | 23,888 |
| Withdrawal of long-term loans | – | 696,301 |
| Repayments of long-term loans | -349,365 | -700,000 |
| Dividends paid | -165,605 | -18,213 |
| Change in Group pool accounts | 5,037 | -77,411 |
| Group contributions | 62,900 | 112,601 |
| Net cash provided by / used in financing activities | -508,406 | 39,650 |
| | | |
| **Net increase / decrease in bank and cash** | **-43,785** | **176,613** |
| Bank and cash at beginning of year | 239,734 | 63,121 |
| Bank and cash at end of year | 195,949 | 239,734 |

# 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 from January 1 to December 31, 2021. The financial statements are presented in euros.

### 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 the 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 liability or asset has been determined for all temporary differences in between the tax bases of assets and liabilities and their amounts in financial reporting, using the enacted tax rates effective for the future years. Deferred tax liabilities are recognized in the balance sheet in full, and deferred tax assets are recognized when it's probable that there will be sufficient taxable profit against which the asset can be utilized. The comparative period 2020 has been restated in Shareholder's equity. More details of the change enclosed in note 13 and the impact in equity detailed in note 14.

### Acquisitions

In the comparative period 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.

## 2 Other operating income

| EUR thousand | 2021 | 2020 |
|---|---|---|
| Gain on disposal of subsidiary shares | 1,679 | – |
| Foreign exchange gains | 2,683 | – |
| Other | 1,115 | 63 |
| **Total** | **5,477** | **63** |

## 3 Personnel expenses

| EUR thousand | 2021 | 2020 |
|---|---|---|
| Salaries and wages | -18,004 | -15,315 |
| Pension costs | -435 | -1,859 |
| Other indirect employee costs | -3,215 | -1,542 |
| **Total** | **-21,654** | **-18,715** |

### Remuneration paid to Executive Team

| | 2021 | 2020 | 2020 | 2020 |
|---|---|---|---|---|
| **EUR thousand** | **Total** | **Total** | **Metso Outotec Oyj** | **Outotec Oyj** |
| Chief Executive Officer | -2,538 | -853 | -414 | -439 |
| Board members [1] | -806 | -935 | -766 | -169 |
| **Total** | **-3,345** | **-1,788** | **-1,179** | **-609** |

[1] Board remuneration is presented in note 1.5 of the consolidated financial statements.

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

### Number of personnel

| | 2021 | 2020 |
|---|---|---|
| Personnel at end of year | 129 | 186 |
| Average number of personnel during the year | 146 | 157 |

## 4 Depreciation and amortization

### Depreciation and amortization expenses consist of the following:

| EUR thousand | 2021 | 2020 |
|---|---|---|
| Patents and licenses | -226 | -1,105 |
| Capitalized software | -2,583 | -7,648 |
| Other intangible assets | -28 | -24 |
| Machinery and equipment | -357 | -586 |
| **Total** | **-3,194** | **-9,363** |

## 5 Other operating expenses

| EUR thousand | 2021 | 2020 |
|---|---|---|
| Impairment of intangible assets | – | -15,094 |
| Write down of tangible assets | -10,825 | – |
| Foreign exchange losses | – | -9,830 |
| Other | -18,607 | -63,364 |
| **Total** | **-29,433** | **-88,288** |

## 6 Audit fees

| | 2021 | 2020 | 2020 | 2020 |
|---|---|---|---|---|
| **EUR thousand** | **EY** | **Total** | **EY** | **PWC** |
| Audit | -643 | -657 | -618 | -39 |
| Tax consulting | – | -3 | -3 | – |
| Other services | -46 | -1,280 | -1,103 | -177 |
| **Total** | **-689** | **-1,940** | **-1,724** | **-216** |

In the comparative period company auditor of first half-year 2020 was PwC in Outotec while EY was chosen as company auditor for Metso Outotec in the second half-year 2020. The above table discloses 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 | 2021 | 2020 |
|---|---|---|
| **Dividends received from** | | |
| Group companies | 134,897 | 23,173 |
| Total | 134,897 | 23,173 |
| | | |
| **Interest income from investments from** | | |
| Group companies | 20,883 | 11,998 |
| Others | 71 | 38 |
| Total | 20,954 | 12,036 |
| | | |
| **Other interest and finance income from** | | |
| Group companies | 6,257 | 6,162 |
| Others | 1,665 | 1,184 |
| Fair value change in derivatives | 582 | 1,028 |
| Exchange rate differences | – | 14,159 |
| Interest and finance income, total | 164,355 | 57,741 |
| | | |
| **Interest expenses to** | | |
| Group companies | -1,290 | -612 |
| Others | -20,965 | -22,067 |
| **Other finance expenses** | | |
| Exchange rate differences | -926 | 0 |
| Others | -7,689 | -8,160 |
| Interest and other finance expenses, total | -30,870 | -30,840 |
| | | |
| **Finance income and expenses, net** | **133,484** | **26,901** |

## 8 Appropriations

| EUR thousand | 2021 | 2020 |
|---|---|---|
| Group contributions received | 100,000 | 62,900 |

## 9 Income taxes

| EUR thousand | 2021 | 2020 |
|---|---|---|
| Income taxes on operating activities | -16,971 | -1,864 |
| Income taxes for prior years | 2,824 | 234 |
| Change in deferred taxes | -2,884 | – |
| **Total** | **-17,031** | **-1,629** |

## 10 Fixed assets

**2021**

| 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 |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition cost at beginning of year | 10,274 | 26,591 | 995 | 37,860 | 156 | 733 | 3,729 | 4,618 | 42,478 |
| Additions | – | – | – | – | – | – | – | – | – |
| Decreases | -8,734 | -24,217 | - 706 | -33,657 | – | – | -1,894 | -1,894 | -35,551 |
| Acquisition cost at end of year | 1,539 | 2,374 | 289 | 4,203 | 156 | 733 | 1,835 | 2,724 | 6,926 |
| | | | | | | | | | |
| Accumulated depreciation at beginning of year | -8,021 | -10,937 | - 864 | -19,822 | – | - 733 | -2,729 | -3,462 | -23,283 |
| Accumulated depreciation of decreases | 6,707 | 11,926 | 652 | 19,285 | – | – | 1,675 | 1,675 | 20,961 |
| Depreciation for the period | - 226 | -2,583 | - 28 | -2,837 | – | – | - 357 | - 357 | -3,194 |
| Accumulated depreciation at end of year | -1,539 | -1,593 | -240 | -3,373 | – | -733 | -1,411 | -2,144 | -5,517 |
| | | | | | | | | | |
| **Net carrying value at end of year** | **–** | **781** | **49** | **829** | **156** | **–** | **424** | **580** | **1,409** |

**2020**

| 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 |
|---|---|---|---|---|---|---|---|---|---|
| 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** |

## 11 Investments

| 2021<br>EUR thousand | Shares in Group companies | Other shares | Receivables from Group companies | Receivables from other companies | Other investments total |
|---|---|---|---|---|---|
| Acquisition cost at beginning of year | 1,374,871 | 2,657 | 412,081 | 750 | 415,488 |
| Additions | – | – | 136,112 | – | 136,112 |
| Decreases | -11,345 | -125 | -271,609 | -500 | -272,234 |
| **Acquisition cost at end of year** | **1,363,526** | **2,532** | **276,584** | **250** | **279,366** |

| 2020<br>EUR thousand | Shares in Group companies | Other shares | Receivables from Group companies | Receivables from other companies | Other investments total |
|---|---|---|---|---|---|
| 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** |

## 12 Shareholdings

### Subsidiaries on December 31, 2021

| Subsidiary | Domicile | Ownership, % |
|---|---|---|
| International Project Services Ltd. Oy | Finland | 44.50 |
| Metso Outotec Canada Inc. | Canada | 100.00 |
| Metso Outotec Finland Oy | Finland | 100.00 |
| Metso Outotec Captive Insurance Limited | Great Britain | 100.00 |
| Metso Outotec France SAS | France | 100.00 |
| Metso Outotec USA Inc. | United States | 100.00 |
| Outotec Tecnologia Brazil Ltda | Brazil | 57.28 |
| Metso Outotec Chile SpA | Chile | 21.54 |
| Metso Outotec Mexico SA de CV | Mexico | 1.31 |
| Metso Outotec Perú SA | Peru | 10.18 |
| Metso Outotec Poland Sp. z o.o. | Poland | 46.30 |
| Metso Outotec South Africa Pty Ltd | South Africa | 20.43 |
| Metso Outotec New Material Technology (Shanghai) Co., Ltd. | China | 100.00 |
| Outotec (Spain) S.L. | Spain | 100.00 |
| Outotec Africa Holdings (Pty) Ltd | South Africa | 100.00 |
| Outotec Holding GmbH | Germany | 100.00 |
| Outotec International Holdings Oy | Finland | 100.00 |
| Metso Outotec Morocco LLC | Morocco | 100.00 |
| Outotec Pty. Ltd. | Australia | 100.00 |
| Metso Outotec-Technology (Ecuador) S.A. | Ecuador | 99.90 |
| Rauma Oy | Finland | 100.00 |

## 13 Specification of receivables

### Long-term receivables

| EUR thousand | 2021 | 2020 |
|---|---|---|
| Deferred tax assets [1] | 694 | 3,528 |
| Derivative financial instruments | 1,582 | 3,120 |
| **Long-term receivables total** | **2,276** | **6,648** |

In the comparative period the transferred assets from Metso Minerals on June 30, 2020, impact in Deferred tax asset[1] 50 thousand euros and in Derivatives 3,054 thousand euros.

[1] Accounting principles for deferred tax have been changed so that deferred tax assets and liabilities are recognized in the financial statements. An adjustment has been done into retained earnings for the comparative period in the balance sheet, but the income statement has not been restated. Above tables discloses the detail of deferred taxes for the comparative period.

### Short-term receivables

| EUR thousand | 2021 | 2020 |
|---|---|---|
| **Trade receivables from [1]** | | |
| Group companies | 30,244 | 53,028 |
| Others | 8 | 58 |
| Total | 30,252 | 53,086 |
| | | |
| **Loan receivables from [2]** | | |
| Group companies | 384,495 | 504,020 |
| Others | 500 | 250 |
| Total | 384,995 | 504,270 |
| | | |
| **Prepaid expenses and accrued income from [3]** | | |
| Group companies | 144,693 | 52,843 |
| Others | 61,448 | 64,074 |
| Total | 206,140 | 116,917 |
| | | |
| **Other receivables [4]** | | |
| VAT receivable | 262 | – |
| Other receivables | -3 | 345 |
| Total | 259 | 345 |
| | | |
| **Short-term receivables total** | **621,647** | **674,619** |

Derivatives were presented in Other receivables in 2020 financial statements, but now they have been moved to accrued income for both years in the table 2021 and in comparative period.

In the comparative period the transferred assets from Metso Minerals on June 30, 2020, impact in:

[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 | 2021 | 2020 |
|---|---|---|
| **Prepaid expenses and accrued income from Group companies [1]** | | |
| Group contribution receivables | 100,000 | 62,900 |
| Accrued interest income | 4,555 | 5,925 |
| Accrued derivatives | 39,534 | -15,993 |
| Other accrued items | 604 | 11 |
| **Total** | **144,693** | **52,843** |
| | | |
| **Prepaid expenses and accrued income from others [2]** | | |
| Accrued interest income | 1 | 1 |
| Accrued derivatives | 45,579 | 43,429 |
| Other accrued items | 15,868 | 20,644 |
| **Total** | **61,448** | **64,074** |

In the comparative period the transferred assets from Metso Minerals on June 30, 2020, impact in:

[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 | 2021 | 2020 | Restated [1] 2020 |
|---|---|---|---|
| Share capital at beginning of year | 107,186 | 17,186 | 17,186 |
| Change from the combination | – | 90,000 | 90,000 |
| Share capital at end of year | 107,186 | 107,186 | 107,186 |
| | | | |
| Share premium fund at beginning of year | 20,180 | 20,180 | 20,180 |
| Share premium fund at end of year | 20,180 | 20,180 | 20,180 |
| | | | |
| Treasury shares at beginning of year | -9,493 | -11,976 | -11,976 |
| Change | 660 | 2,483 | 2,483 |
| Treasury shares at end of year | -8,833 | -9,493 | -9,493 |
| | | | |
| Invested non-restricted equity fund at beginning of year | 434,549 | 102,436 | 102,436 |
| Change | -50 | 2,382 | 2,382 |
| Change from the combination | – | 329,731 | 329,731 |
| Invested non-restricted equity fund at end of year | 434,500 | 434,549 | 434,549 |
| | | | |
| Reserve for cash hedges at beginning of year | 2,053 | 800 | 800 |
| Change | -2,053 | 1,252 | 1,252 |
| Reserve for cash hedges at end of year | – | 2,053 | 2,053 |
| | | | |
| Retained earnings at beginning of year | 519,340 | 153,365 | 153,365 |
| Dividend distribution | -165,609 | -18,213 | -18,213 |
| Other change | – | -2,483 | -2,483 |
| Change from the combination | – | 373,348 | 373,348 |
| Retained earnings at end of year | 353,731 | 506,017 | 506,017 |
| | | | |
| Profit for the year | 193,677 | 9,795 | 13,323 |
| | | | |
| **Total shareholders' equity at end of year** | **1,100,441** | **1,070,287** | **1,073,815** |

### Statement of distributable funds on December 31

| EUR thousand | 2021 | 2020 | Restated [1] 2020 |
|---|---|---|---|
| Invested non-restricted equity fund | 434,500 | 434,549 | 434,549 |
| Treasury shares | -8,833 | -9,493 | -9,493 |
| Retained earnings | 353,731 | 506,017 | 506,017 |
| Profit for the year | 193,677 | 9,795 | 13,323 |
| **Total distributable funds** | **973,075** | **940,868** | **944,396** |

[1] Comparison period restated due to accounting principle change in deferred tax assets and liabilities, details in note 13.

At the end of the year 2021, Metso Outotec Oyj held 925,021 own shares, whereas at the end of the year 2020 the number of own shares was 993,238.

## 15 Long-term liabilities

| EUR thousand | 2021 | 2020 |
|---|---|---|
| Bonds from [1] | | |
| Others | 594,354 | 699,349 |
| Loans from financial institutions | 40,000 | 439,336 |
| Derivatives | 5,729 | 2,235 |
| **Total** | **640,083** | **1,140,920** |

[1] Specification of bonds and fair values in note 4.5 for consolidated financial statements. In the comparative period transferred liabilities from Metso Minerals on June 30, impact in bonds from other EUR 402,308 thousand. Loans from financial institutions EUR 439,393 thousand and in Deferred tax liability EUR 2,525 thousand.

### Debt maturing after more than in five years

| EUR thousand | 2021 | 2020 |
|---|---|---|
| Bonds | 300,000 | 300,000 |

Presented at nominal value.

## 16 Short-term liabilities

| EUR thousand | 2021 | 2020 |
|---|---|---|
| **Current portion of long-term liabilities** | | |
| Bonds | 100,000.00 | – |
| Total | 100,000.00 | – |
| | | |
| **Short-term interest-bearing debt** [1] | | |
| Loans from financial institutions | 49,971 | 59,931 |
| Group pool accounts | 259,422 | 256,100 |
| Total | 309,393 | 316,030 |
| | | |
| **Trade payables to** [2] | | |
| Group companies | 17,894 | 34,179 |
| Others | 2,344 | 4,911 |
| Total | 20,238 | 39,090 |
| | | |
| **Accrued expenses and deferred income to** [3] | | |
| Group companies | 33,148 | 265 |
| Others | 62,076 | 39,183 |
| Total | 95,224 | 39,448 |
| | | |
| **Provisions** [4] | | |
| Provision for restructuring | 354 | 223 |
| Total | 354 | 223 |
| | | |
| **Other short-term non-interest-bearing debt to** [5] | | |
| Group companies | 198,252 | 119,562 |
| Others | 186 | 1,465 |
| Total | 198,438 | 121,027 |
| | | |
| **Short-term liabilities total** | **723,647** | **515,818** |
| Short-term liabilities to Group companies total | 508,716 | 410,106 |

Derivatives were presented in Other debt in 2020 financial statements, but now they have been moved to accrued expenses for both years in the table 2021 and 2020.

In the comparative period the transferred assets from Metso Minerals on June 30, 2020, impact in:

[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 | 2021 | 2020 |
|---|---|---|
| Accrued expenses and deferred income to Group companies [1] | | |
| Accrued interest expenses | 46 | 13 |
| Accrued derivatives | 33,102 | 270 |
| Other accrued items | – | -18 |
| **Total** | **33,148** | **265** |
| | | |
| Accrued expenses and deferred income to others [2] | | |
| Accrued interest expenses | 5,536 | 4,369 |
| Accrued derivatives | 51,521 | 28,174 |
| Accrued salaries, wages and social costs | 4,569 | 5,872 |
| Other accrued items | 450 | 768 |
| **Total** | **62,076** | **39,183** |

In the comparative period the transferred assets from Metso Minerals on June 30, 2020, impact in:

[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 | 2021 | 2020 |
|---|---|---|
| Guarantees on behalf of Group companies | 1,383,451 | 1,097,040 |
| **Total** | **1,383,451** | **1,097,040** |

In the comparative period the portion from Metso Minerals on June 30, 2020, was 179,299 thousand euros.

### Lease commitments

| EUR thousand | 2021 | 2020 |
|---|---|---|
| Payments in the following year | 1,111 | 5,677 |
| Payments later | 1,012 | 31,998 |
| **Total** | **2,123** | **37,675** |

## 18 Derivative instruments

| EUR thousand | 2021 | 2020 |
|---|---|---|
| **Net fair values** | | |
| | | |
| Contracts made with financial institutions | | |
| Foreign exchange forward contracts | -5,942 | 15,099 |
| Interest rate swaps | -4,147 | 884 |
| | | |
| Contracts made with subsidiaries | | |
| Foreign exchange forward contracts | 7,155 | -16,165 |
| | | |
| **Total** | **-2,934** | **-182** |
| | | |
| **Nominal values** | | |
| | | |
| Contracts made with financial institutions | | |
| Foreign exchange forward contracts | 2,384,288 | 1,594,356 |
| Interest rate swaps | 275,000 | 295,000 |
| | | |
| Contracts made with subsidiaries | | |
| Foreign exchange forward contracts | 2,641,575 | 1,512,162 |
| | | |
| **Total** | **5,300,863** | **3,401,518** |

In the comparative period the portion from Metso Minerals related to Derivative instruments on June 30, 2020, in total for Net fair values 9,743 thousand euros and 2,503,875 thousand euros for nominal values.

# Signatures of the Board of Directors' report and financial statements 2021

Helsinki, February 9, 2022

Kari Stadigh
Chair of the Board

Klaus Cawén
Vice Chair of the Board

Christer Gardell
Member of the Board

Antti Mäkinen
Member of the Board

Ian W. Pearce
Member of the Board

Emanuela Speranza
Member of the Board

Arja Talma
Member of the Board

Pekka Vauramo
President and CEO

## Auditor's note

Our auditor's report has been issued today.

Helsinki, February 9, 2022

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, 2021. 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 and Risk 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<br>*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.*<br>Metso Outotec delivers to its customers customized engineered solutions, where the signing of 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.<br>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.<br>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:<br>• Assessment of the Group's accounting policies over revenue recognition over time and valuation of project receivables and project loss provisions.<br>• Inspection of the project documentation such as contracts, legal opinions and other written communication.<br>• Evaluation of financial development and current status of projects by<br>– analyzing the changes in assumptions relating to estimated revenues and costs, receipts of project payments and loss provisions, and<br>– discussions with the different levels of organization including project management and group management.<br>• 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<br>*The accounting principles and disclosures about goodwill are included in Note 3.1.*<br>As of balance sheet date December 31, 2021, the value of goodwill in continuing operations amounted to 1 124 million euros representing 19% of the total assets and 50% of the total equity.<br>The annual impairment testing of goodwill was based on the management's estimate about the value-in-use of the cash generating units. There are a number of assumptions used to determine the value-in-use of the cash generating units, including revenue growth, margins and the discount rate applied on net cash-flows. The estimated value-in-use may vary significantly when underlying assumptions are changed and the changes in above-mentioned individual assumptions may result in an impairment of goodwill.<br>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 goodwill to the financial statements. | Our audit procedures in respect of valuation of goodwill included, among others:<br>• Evaluation of the determination of cash generating units and the goodwill allocated to those units.<br>• 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<br>– the forecasted revenue growth,<br>– the forecasted margin and<br>– the weighted average cost of capital used to discount the net cash-flows.<br>• 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.<br>• Evaluation of the adequacy of the disclosures of the impairment testing results. |

**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 first appointed as auditors by the Annual General Meeting on 30 June 2020 and our appointment represents a total period of uninterrupted engagement of two years.

**Other information**

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to 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 9, 2022

Ernst & Young Oy

Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

# Independent Auditor's Report on Metso Outotec Oyj's ESEF Consolidated Financial Statements

## (Translation of the Finnish original)

### To the Board of Directors of Metso Outotec Oyj

We have performed a reasonable assurance engagement on the iXBRL tagging of the consolidated financial statements included in the digital files MOCORP-2021-12-31-fi.zip of Metso Outotec Oyj for the financial year 1.1.–31.12.2021 to ensure that the financial statements are tagged with iXBRL mark ups in accordance with the requirements of Article 4 of EU Commission Delegated Regulation (EU) 2018/815 (ESEF RTS).

#### Responsibilities of the Board of Directors and Managing Director

The Board of Directors and Managing Director are responsible for the preparation of the Report of Board of Directors and financial statements (ESEF financial statements) that comply with the ESEF RTS. This responsibility includes:

- preparation of ESEF financial statements in accordance with Article 3 of ESEF RTS
- Tagging the consolidated financial statements included within the ESEF financial statements by using the iXBRL mark ups in accordance with Article 4 of ESEF RTS
- Ensuring consistency between ESEF financial statements and audited financial statements

The Board of Directors and Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of ESEF financial statements in accordance the requirements of ESEF RTS.

#### Auditor's Independence and Quality Control

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

The auditor applies International Standard on Quality Control (ISQC) 1 and therefore maintains a comprehensive quality control system including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### Auditor's Responsibilities

In accordance with the Engagement Letter we will express an opinion on whether the electronic tagging of the consolidated financial statements complies in all material respects with the Article 4 of ESEF RTS. We have conducted a reasonable assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000.

The engagement includes procedures to obtain evidence on:

- whether the tagging of the primary financial statements in the consolidated financial statements complies in all material respects with Article 4 of the ESEF RTS
- whether the ESEF financial statements are consistent with the audited financial statements

The nature, timing and extent of the procedures selected depend on the auditor's judgement including the assessment of risk of material departures from requirements sets out in the ESEF RTS, whether due to fraud or error.

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

Opinion

In our opinion the tagging of the consolidated financial statement included in the ESEF financial statements of Metso Outotec Oyj for the year ended 31.12.2021 complies in all material respects with the requirements of ESEF RTS.

Our audit opinion on the consolidated financial statements of Metso Outotec Oyj for the year ended 31.12.2021 is included in our Independent Auditor's Report dated 9.2.2022. In this report, we do not express an audit opinion or any other assurance on the consolidated financial statements.

Helsinki 14.3.2022

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 and actively updated webpages our investor communications include investor meetings as well as conferences 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 the 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 the **Metso Outotec website**.

## 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 10, 2022

Metso Outotec expects the market activity to remain at the current strong level, 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 on the **Metso Outotec website**.

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 the **Metso Outotec website.** 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 2022

| | |
|---|---|
| Annual report 2022 | Week commencing March 14, 2022 |
| Interim report for January–March 2022 | April 21, 2022 |
| Half-year financial report 2022 | July 22, 2022 |
| Interim report for January–September 2022 | October 28, 2022 |

# 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 2022

Metso Outotec's Annual General Meeting 2022 will be held on Thursday, April 21, 2022, at 2.00 p.m. (EEST) 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 was published as a stock exchange release on February 10, 2022, and is also available on the **Metso Outotec website.**

## Important dates related to AGM 2022

| | |
|---|---|
| Deadline for presenting questions in advances | March 3, 2022, at 10:00 a.m. (EET) |
| Record date of AGM | April 7, 2022 |
| Registration period ends | April 14, 2022, at 10:00 a.m. (EEST) |
| Annual General Meeting | April 21, 2022 |
| Record date of dividend payment, 1st installment | April 25, 2022 |
| Date of dividend payment, 1st installment | May 2, 2022 |
| Minutes of the meeting available | May 5, 2022, at the latest |
| Dividend payment 2nd installment | Board of Directors to resolve on October 27, 2022 |

## Registration and proxies

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 March 8, 2022, at 4.00 p.m. (EET) until April 14, 2022, at 10.00 a.m. (EEST) by the following means:

a) through the **Metso Outotec website**. 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 **Metso Outotec website** no later than as from March 8, 2022, 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 14, 2022, at 10.00 a.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 7, 2022, would be entitled to be registered in the Company's shareholders' register held by Euroclear Finland Ltd.

Further information will be available on the **Metso Outotec website**.

## 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 the **Metso Outotec website**.

## IR contacts

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