

# Q1-Q2 INTERIM REPORT

JANUARY-JUNE 2014

July 31, 2014

## OUTOTEC'S INTERIM REPORT JANUARY-JUNE 2014

### Order intake improved 80% from Q1, lower profitability due to higher project costs

#### January-June 2014 (comparison period in 2013):

- Order intake<sup>1)</sup>: EUR 589.8 (856.7) million, -31%, in comparable currencies -23%
- Service order intake<sup>1)</sup>: EUR 281.0 (272.0) million, 3%, in comparable currencies 18%
- Order backlog: EUR 1,259.7 (1,761.3) million, -28%
- Sales: EUR 679.1 (1,014.3) million, -33%, in comparable currencies -28%
- Service sales: EUR 225.9 (238.4) million, -5%, in comparable currencies 5%
- Operating profit from business operations<sup>2)</sup>: EUR 16.3 (78.3) million, -79%

#### April-June 2014 (comparison period in 2013)

- Order intake<sup>1)</sup>: EUR 379.5 (365.6) million, 4%, in comparable currencies 15%
- Service order intake<sup>1)</sup>: EUR 147.8 (138.5) million, 7%, in comparable currencies 21%
- Sales: EUR 335.2 (511.4) million, -34%, in comparable currencies -30%
- Service sales: EUR 118.4 (134.6) million, -12%, in comparable currencies -3%
- Operating profit from business operations<sup>2)</sup>: EUR 3.9 (43.3) million, -91%

#### Financial guidance for 2014 (published on July 28, 2014)

Based on the current market outlook, customer tendering activity and assessment of order backlog, the management expects that in 2014:

- Sales will be approximately EUR 1.4-1.6 billion, and
- Operating profit from business operations<sup>2)</sup> will be approximately 4-6%.

#### The main reasons for the change in financial guidance were:

- Lower sales in Capex business due to delayed order intake in the beginning of the year, and slowness in project implementation in Russia due to increased geopolitical uncertainty.
- Cost overruns in five large Capex projects which have been won during 2009-2012, the majority of which are expected to be completed by the end of 2014.

#### Previous financial guidance

Based on the year-end order backlog, the current market outlook, customer tendering activity, and volatility in exchange rates, the management expects that in 2014:

- Sales will be approximately EUR 1.5-1.8 billion, and
- Operating profit from business operations<sup>2)</sup> will be approximately 5-8%.

<sup>1)</sup> The change in the service reporting principles increased January-June 2014 order intake by approximately EUR 35 million (Q2 2014 approximately EUR 25 million).

<sup>2)</sup> Excluding one-time items and purchase price allocations (PPA) amortizations

## Summary of key figures

	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	Last 12 months	Q1-Q4 2013
Sales, EUR million	<b>335.2</b>	511.4	<b>679.1</b>	1,014.3	1,576.3	1,911.5
Gross margin, %	<b>19.3</b>	20.9	<b>19.4</b>	20.0	20.6	20.7
Operating profit from business operations, EUR million	<b>3.9</b>	43.3	<b>16.3</b>	78.3	100.9	162.9
Operating profit from business operations, %	<b>1.2</b>	8.5	<b>2.4</b>	7.7	6.4	8.5
Operating profit, EUR million	<b>-0.3</b>	39.9	<b>8.4</b>	71.5	78.8	141.9
Operating profit margin, %	<b>-0.1</b>	7.8	<b>1.2</b>	7.1	5.0	7.4
Profit before taxes, EUR million	<b>-2.0</b>	37.8	<b>4.4</b>	67.7	69.0	132.2
Net cash from operating activities, EUR million	<b>2.6</b>	55.2	<b>7.3</b>	21.6	-56.3	-42.1
Net interest-bearing debt at the end of period, EUR million	<b>-29.6</b>	-192.4	<b>-29.6</b>	-192.4	-29.6	-87.1
Gearing at the end of period, %	<b>-6.6</b>	-42.5	<b>-6.6</b>	-42.5	-6.6	-18.2
Working capital at the end of period, EUR million	<b>-22.4</b>	-143.8	<b>-22.4</b>	-143.8	-22.4	-14.0
Return on investment, %, LTM	<b>13.9</b>	40.0	<b>13.9</b>	40.0	13.9	25.7
Return on equity, %, LTM	<b>10.5</b>	29.8	<b>10.5</b>	29.8	10.5	19.4
Order backlog at the end of period, EUR million	<b>1,259.7</b>	1,761.3	<b>1,259.7</b>	1,761.3	1,259.7	1,371.7
Order intake, EUR million	<b>379.5</b>	365.6	<b>589.8</b>	856.7	1,245.5	1,512.4
Personnel, average for the period	<b>4,864</b>	4,979	<b>4,847</b>	4,902	4,900	4,927
Earnings per share, EUR	<b>-0.01</b>	0.15	<b>0.02</b>	0.27	0.26	0.51

### President and CEO Pertti Korhonen:

“Investment sentiment in the mining and metals industry improved in the second quarter and this is also visible in our order intake which was up 80% from the first quarter. Despite the challenging market, there were no cancellations and the margins of the new orders were on a solid level. Our sales decreased from the comparison period due to the low opening order backlog for 2014, delayed order intake in the beginning of the year, and slowness in project implementation in Russia because of increased geopolitical uncertainty.

The demand for services continued solid due to the reasonably good production levels in the industry. I am pleased that, despite the fact that our customers currently focus on reducing their operational costs, we were able to continue to grow our service order intake by offering new service concepts, increasing the penetration to our installed base and expanding geographical and technology coverage of our services.

Our profitability in the second quarter was disappointing due to the negative result of Metals, Energy & Water business caused by cost overruns in five large Capex projects. These projects have been won between 2009 and 2012, and the majority of which are expected to be completed by the end of 2014.

I am very pleased with the good profitability of the Minerals Processing business. I am also satisfied with our service margins which have continued to be on a healthy level despite the market pressures.

Our EUR 50 million efficiency improvement program announced in October 2013 has progressed well and this far achieved EUR 40 million annualized savings. In addition to the efficiency program, our continuous operational improvement activities reduced our January-June 2014 operational fixed costs by EUR 44 million compared to previous year.

Despite some positive signs from the recovering mining and metals investment market, we want to be prepared for possible continued Capex market slowness and possible effects of geopolitical uncertainties in Russia and other markets. Therefore to complement the EUR 50 million efficiency improvement program, we have initiated further actions, such as right-sizing of our resources in the areas where we have excess capacity or inefficiencies, and improving cost-competitiveness of our products and supply chain. In addition, we continue to drive the growth of services business to improve profitability and decrease volatility.

Outotec's sales funnel is solid and there is a wide range of projects under development and negotiations. However, visibility to timing of new orders remains challenging. Our large installed base and customers' need to optimize operations continue to provide good opportunities for growing our value-adding life-cycle services business.”

## CHANGE IN REPORTING OF SERVICE CONTRACTS FROM JANUARY 1, 2014

In order to improve the transparency of Outotec's service business, the long-term service contracts, which have a production-based volume-dependent variable portion, are recognized in the order intake with the estimated sales value of the next 12 months. The fixed value contracts are recognized as full value when the order becomes effective. According to old principles, the current calendar year's portion of the long-term service contract was booked once per year into the order intake. The change in the service reporting principles increased January-June 2014 order intake by approximately EUR 35 million (Q2 2014: approximately EUR 25 million).

## FURTHER INFORMATION

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## FINANCIAL REPORTING SCHEDULE IN 2014

- Interim Report for January-September: October 30, 2014
- Capital Markets Day, Outotec headquarters Espoo, Finland: December 4, 2014

## DISTRIBUTION

NASDAQ OMX Helsinki Ltd  
Main media  
[www.outotec.com](http://www.outotec.com)

## INTERIM REPORT JANUARY-JUNE 2014

### OPERATING ENVIRONMENT

The sentiment in the mining and metals industry's investment activities improved in the second quarter despite the uncertainty in macroeconomic and short-term metals demand outlook, weak metal prices performance, as well as mining and metals companies' pursuit for capital efficiency improvements. There have been signs that gradually the mining companies are starting to prepare for new investments to address weakening ore grades, increasing environmental regulation, operational inefficiencies, and to meet the eventually growing metals demand.

The sales, prospecting and deal negotiation activities strengthened in the second quarter. As there are still fewer projects in the market, competition in many areas was intensive, putting pressure on prices. The business in Russia slowed down due to geopolitical uncertainties.

The overall demand for services continued solid due to reasonably good production levels. However, in order to minimize operational costs, some customers reduced their spare part inventory levels and postponed larger periodic maintenance activities.

The demand for sustainable energy solutions was weak as current low energy prices and uncertainties in subsidy regulation for alternative and renewable energy slowed down investments.

### ORDER INTAKE

Order intake in the second quarter of 2014 increased 4% from the comparison period. Calculated with comparable currencies, the increase was 15%. Service order intake in the second quarter of 2014 increased 7% from the comparison period. Calculated with comparable currencies, the increase was 21%. The margins in new orders have been healthy.

Order intake in the first half of 2014 decreased 31% from the comparison period. Calculated with comparable currencies, the decrease in the first half of 2014 was 23%. Service order intake in the first half of 2014 increased 3%. Calculated with comparable currencies, the service order intake increased 18%. The service order intake growth came from service contracts, like operation & maintenance and shutdown services.

Change of service order intake reporting principles as of January 1, 2014 increased the first half of 2014's total order intake by approximately EUR 35 million (Q2 2014: approximately EUR 25 million).

Order intake by region, %	Q1-Q2 2014	Q1-Q2 2013	Q1-Q4 2013
EMEA (including CIS)	33	57	59
Americas	38	22	19
APAC	29	21	21
<b>Total</b>	<b>100</b>	100	100

#### Published orders in the second quarter:

Project	Customer	Project location	Value, EUR million (booked in order intake)	Business area	Expected delivery time
Operation and maintenance services (3-year contract)	Kalagadi Manganese	South Africa	approx. 17 (Q2/2014)	Metals, Energy & Water	2014-2016
Smelting technology	Nyrstar	Australia	not disclosed (Q2/2014)	Metals, Energy & Water	not disclosed
Filtration plant for alumina refinery	Alunorte	Brazil	approx. 50 (Q2/2014)	Minerals Processing	early 2016
Shut down services (3-year contract)	Samarco	Brazil	not disclosed (Q2/2014)	Metals, Energy & Water	2014-2016
Iron ore pelletizing technology	not disclosed	India	approx. 70 (Q2/2014)	Metals, Energy & Water	not disclosed
High purity alumina technology	Orbite Aluminae	Canada	below 10 (Q1/2014)	Metals, Energy & Water	early 2015

## ORDER BACKLOG

The order backlog at the end of June 2014 was EUR 1,259.7 (1,761.3) million, down 28% from the comparison period and EUR 44 million up from March-end. Services represented EUR 280.3 (209.1) million of the total order backlog at the end of June 2014.

At the end of June 2014, Outotec had 24 (37) projects with an order backlog value in excess of EUR 10 million, accounting for 63 (66)% of the total backlog. Based on management estimates, roughly 50 (53)% (approximately EUR 630 (930) million) of the June-end order backlog value will be delivered in 2014.

At the end of June 2014, the order backlog included one suspended project with a value of approximately EUR 4 million. The suspension was related to customer's site-related matters.

## SALES AND FINANCIAL RESULT

Sales and financial result EUR million	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	Last 12 Months	Q1-Q4 2013
Sales	<b>335.2</b>	511.4	<b>679.1</b>	1,014.3	1,576.3	1,911.5
Service sales <sup>1)</sup>	<b>118.4</b>	134.6	<b>225.9</b>	238.4	493.4	505.9
Share of service in sales, %	<b>35.3</b>	26.3	<b>33.3</b>	23.5	31.3	26.5
Gross margin, %	<b>19.3</b>	20.9	<b>19.4</b>	20.0	20.6	20.7
Operating profit from business operations	<b>3.9</b>	43.3	<b>16.3</b>	78.3	100.9	162.9
- one-time costs <sup>2)</sup>	<b>-2.2</b>	-0.1	<b>-3.9</b>	-0.2	-11.7	-8.0
- PPA amortization <sup>2)</sup>	<b>-2.0</b>	-3.3	<b>-4.0</b>	-6.6	-10.4	-13.0
Reported operating profit	<b>-0.3</b>	39.9	<b>8.4</b>	71.5	78.8	141.9
Unrealized and realized exchange gains and losses <sup>3)</sup>	<b>-2.5</b>	1.9	<b>-2.6</b>	3.3	3.7	9.6
Operating profit, %	<b>-0.1</b>	7.8	<b>1.2</b>	7.1	5.0	7.4
- from business operations, %	<b>1.2</b>	8.5	<b>2.4</b>	7.7	6.4	8.5

<sup>1)</sup> Included in the sales figures of the two reporting segments

<sup>2)</sup> In the first half of 2014, one-time items totaled EUR -3.9 million including acquisition-related costs of EUR 0.5 million, cost efficiency program-related costs of EUR 3.3 million. In 2013, one-time items totaled EUR -8.0 million including acquisition-related costs of EUR 0.3 million, cost efficiency program-related costs of EUR 12.8 million, and the positive impact of EUR 5.1 million related to past acquisitions.

<sup>3)</sup> Related to currency forward contracts and bank accounts

Sales in the first half of 2014 decreased 33% from the comparison period. Calculated with comparable currencies sales was 28% lower. The main reasons for the decreased sales were low opening backlog for 2014, weak order intake in the beginning of the year and slowdown of the business in Russia.

In the first half of 2014, service sales decreased 5% from the comparison period and represented 33% of the total sales. With comparable currencies service sales grew 5%. Growth came mainly from technical services.

Operating profit in the first half of 2014 was weak due to the operating loss in Metals, Energy & Water business area. This was due to approximately EUR 20 million cost overruns in five large Capex projects the majority of which are expected to be completed by the end of 2014. The key reasons for the margin deviations in these projects differ from project to project, being unexpected implementation costs, delays or quality issues in supplier and construction subcontractor performance, as well as technology risks in some new applications.

Selling, marketing, administration, and R&D expenses decreased 13% and totalled EUR 117.0 (134.9) million or 17 (13)% of sales. Calculated with comparable currencies, the decrease in these costs was 9%. Costs related to R&D activities were EUR 19.7 (23.9) million, equivalent to 2.9% (2.4%) of sales.

Profit before taxes in the first half of 2014 was EUR 4.4 (67.7) million. It included net finance expenses of EUR 3.9 (expense 3.8) million. Net profit for the first half of 2014 was EUR 3.1 (48.2) million. Taxes totalled EUR 1.3 (19.6) million. Earnings per share were EUR 0.02 (0.27).



## BALANCE SHEET, FINANCING AND CASH FLOW

Balance sheet, financing and cash flow EUR million	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	Last 12 months	Q1-Q4 2013
Net cash from operating activities	2.6	55.2	7.3	21.6	-56.3	-42.1
Net interest-bearing debt at the end of the period	-29.6	-192.4	-29.6	-192.4	-29.6	-87.1
Equity at the end of the period	445.6	452.9	445.6	452.9	445.6	477.4
Equity-to-assets ratio at the end of the period, %	39.0	38.1	39.0	38.1	39.0	38.5
Gearing at the end of the period, %	-6.6	-42.5	-6.6	-42.5	-6.6	-18.2
Working capital at the end of the period	-22.4	-143.8	-22.4	-143.8	-22.4	-14.0

The consolidated balance sheet total was EUR 1,391.1 (1,521.3) million on June 30, 2014. The equity to shareholders of the parent company was EUR 445.6 (452.9) million, representing EUR 2.46 (2.50) per share. Equity was impacted by a dividend payment of EUR 36.6 million (paid on April 17, 2014).

Outotec's cash and cash equivalents at the end of June 2014 totaled EUR 268.3 (293.7) million.

The net cash flow from operating activities in the first half of 2014 totaled EUR 7.3 (21.6) million. The decrease was due to lower profitability and less large advance payments due to lower order intake. The advance and milestone payments at the end of June 2014 were EUR 248.1 (331.1) million, representing a decrease of 25% from the comparison period. The advance and milestone payments paid to subcontractors at the end of June 2014 were EUR 36.1 (21.4) million.

In addition to the net cash from operating activities, cash and cash equivalents were impacted in the first half of 2014 mainly by EUR 36.6 (54.9) million dividend payment and EUR 27.5 (30.3) million payments relating to investing activities of which acquisition related payments totaled EUR 6.2 (12.2) million. Outotec invests its excess cash in short-term money market instruments, such as bank deposits and corporate commercial certificates of deposit.

Outotec's financing structure is solid but has been impacted by the declining order backlog and subsequent decline in advance payments. Net interest-bearing debt at the end of June 2014 was EUR -29.6 (-192.4) million, including the issuance of the EUR 150.0 million bond in September 2013. At the end of June 2014, Outotec had available EUR 155 million unused, committed credit facilities and EUR 100 million commercial paper program of which EUR 14.0 million was in use. Outotec's equity-to-assets ratio was 39.0 (38.1)%. The company's capital expenditure in the first half of 2014 was EUR 31.5 (27.7) million including investments in R&D-related equipment, information systems and an acquisition.

At the end of June 2014, guarantees for commercial commitments, including advance payment guarantees issued by the parent and other Group companies, were EUR 496.9 (627.2) million.

## EFFICIENCY IMPROVEMENT PROGRAM

On October 17, 2013, Outotec announced an efficiency improvement program targeting up to EUR 50 million annualized savings in operational costs by the end of 2014.

In the first half of 2014, a total of EUR 3.3 (2013: 12.8) million of one-time costs were booked, after which cumulative one-time costs booked to the savings program totaled EUR 16.1 million. The estimated one-time costs from the program for 2013 and 2014 will be at maximum EUR 30 million.

Annualized savings of the program by the end of June 2014 totaled EUR 40.3 (2013: 12.0) million. Savings are mainly related to permanent and temporary lay-offs (EUR 25.1 million), reduction in external services (EUR 8.0 million), and traveling (EUR 6.5 million). A total of 429 persons have been reduced since September 2013 as part of the efficiency improvement program. The majority of the personnel reductions were in Chile, Finland, and Australia.

In addition to the EUR 40.3 million (429 persons) saving, EUR 6 million cost reduction was achieved through voluntary resignments and retirements (additional 116 persons).

As a result of the efficiency improvement program, voluntary resignments and retirements Outotec's personnel has been reduced in total by 545 persons. At the same time, recruitments to resourcing of growing services business, strengthening of product management and project engineering, as well as acquisitions increased headcount by 371 persons resulting to a net headcount reduction of 174 persons since June 2013.

In the first half of 2014, operational fixed costs including selling and marketing, administrative, R&D and fixed delivery expenses were EUR 171.6 (215.5) million. The reduction of EUR 44 million includes savings from the efficiency improvement program as well as other, ongoing operational improvement actions.

Further cost saving actions have been initiated, such as right-sizing of resources, as well as improving cost-competitiveness of products and supply chain.

## CORPORATE STRUCTURE

On April 7, 2014, Outotec announced that it had acquired the business and IPRs of Republic Alternative Technologies Inc., a premium coated titanium anode engineering and fabrication company based in Cleveland, Ohio, USA. The acquisition complements Outotec's offerings for sustainable electrowinning plants and supports the company's strategy to grow its service business through providing life-cycle solutions to customers. The transaction was completed on April 4, 2014. The acquisition price was not disclosed. Republic Alternative Technologies has 18 employees and its sales in 2013 were approximately EUR 9 million.

PPA amortizations from completed acquisitions are estimated to be approximately EUR 8.5 million in 2014.

## RESEARCH AND TECHNOLOGY DEVELOPMENT

In the first half of 2014, Outotec's research and technology development expenses totaled EUR 19.7 (23.9) million, a decrease of 18% from the comparison period and representing 2.9 (2.4)% of sales. Outotec filed 30 (36) new priority applications, and 168 (151) new national patents were granted. At the end of the first half of 2014, Outotec had 722 (669) patent families, including a total of 6,293 (6,076) national patents or patent applications.

On April 7, 2014, Outotec announced that it had agreed on cooperation with Tomra Sorting GmbH in the supply of Outotec-branded sorting solutions for the mining and metallurgical industry. Sorting is used to separate ore from waste rock at mine sites. Tomra's sensor-based sorters can reduce energy consumption and the amount of process water in concentrator processing.

On April 4, 2014, Outotec completed the acquisition of the business and IPRs of Republic Alternative Technologies Inc., a premium coated titanium anode engineering and fabrication company based in Cleveland, Ohio, USA. Republic Alternative Technologies is the world's first producer of innovative mixed metal oxide coated titanium anodes, which are used as an alternative to conventional lead anodes in electrowinning operations to produce copper, zinc and other metals. Thanks to low cell voltage, these coated titanium anodes consume less energy than conventional lead anodes. They are currently used in industrial copper electrowinning plants in Arizona, New Mexico and South America.

On May 14, 2014, Outotec agreed with Alumina do Norte do Brasil S.A. (Alunorte), the largest alumina refinery in the world, on the delivery of a complete filtration plant for Alunorte's new red mud dry storage process at their alumina refinery in Brazil. The red mud dry storage solution based on Outotec's filter plant concept is environmentally the most sustainable and safe solution for red mud disposal. Red mud is caustic residual material from the bauxite refining process to produce alumina. Additional benefits will be achieved by a reduced footprint of the storage area, resulting in a longer lifetime of the disposal area, as well as by maximized water and caustic recovery for reuse in refining process.

### Product launches in Q2

In June 2014, Outotec launched a Nickel Matte Chloride Leaching process which can be used for treating a wide variety of raw material feeds. Besides the nickel matte, it can easily be modified to treat different nickel-containing concentrates and intermediates. At the heart of the process is the regeneration of ammonia and hydrochloric acid, which decreases operational expenses while simultaneously providing excellent metal recovery.

## SUSTAINABILITY

Outotec's approach to sustainability is defined in the company's mission, strategy, values, code of conduct, and management system documents. Outotec's most significant impact on sustainability occurs indirectly through its customers' more resource-efficient operations. "Sustainable use of Earth's natural resources" is the mission the company works towards achieving, in cooperation with customers. According to its core value "committed to sustainability", Outotec intends to incorporate sustainability into all aspects of its operations, comprising the social, economic, and environmental elements of sustainability.

On May 12, 2014, Outotec announced that it had agreed on a partnership with WWF Finland focusing on promoting green economy and sustainable use of natural resources. This cooperation concerns especially Finland, but Outotec has a goal to address the same issues globally and, thanks to technology innovations, sustainability has been at the core of Outotec's business for decades. As a part of the partnership Outotec and WWF will together organize a high-level national seminar on green economy and the implications of WWF's Living Planet Report 2014 on November 25, 2014 in Helsinki. The partnership was made for three years and the forms of future collaboration will be developed based on the experiences gained throughout the program.

## PERSONNEL

At the end of June 2014, Outotec had a total of 4,865 (5,039) employees of whom 1,557 (1,485) were service-related employees. A total of 545 persons have been reduced since September 2013 as part of the efficiency improvement program, voluntary resignments and retirements. The majority of the personnel reductions were in Chile, Finland, and Australia. At the same time, recruitments have been made to service business and to strengthen product management and project engineering. The acquisition of Republic Alternative Technologies increased headcount by 18 in the second quarter of 2014. As a net result, Outotec's headcount has been reduced by 174 persons from June 2013.

Outotec had on average 4,847 (4,902) employees. Temporary personnel accounted for 8 (9)% of the total personnel.

Personnel by region	June 30, 2014	June 30, 2013	Change %	December 31, 2013
EMEA (including CIS)	2,949	2,865	3	2,891
Americas	1,142	1,322	-14	1,144
APAC	774	852	-9	820
<b>Total</b>	<b>4,865</b>	<b>5,039</b>	<b>-3</b>	<b>4,855</b>

At the end of June 2014, the company had, in addition to its own personnel, 417 (603) full-time equivalent, contracted professionals working in project execution. The number of contracted workers at any given time changes with the active project mix and project commissioning, local legislation and regulations, as well as seasonal fluctuations.

In the first half of 2014, salaries and other employee benefits totaled EUR 184.0 (201.5) million.

## LEGAL DISPUTES IN Q2

On April 2, 2014, Outotec announced that it had started an arbitration process at the International Court of Arbitration against Chinese copper smelting, refining and processing company Yanggu Xiangguang Copper Co., Ltd in a dispute regarding license agreements in the Flash Smelting and Flash Converting technologies. Outotec has started this arbitration as Yanggu Xiangguang Copper has taken a number of actions in breach of the licenses granted. The arbitration is not expected to have an impact on Outotec's financial guidance for 2014.

## CHANGES IN SHAREHOLDINGS

On April 16, 2014, Outotec announced that it had received notice from Franklin Templeton Investment Management Limited that its Franklin Templeton Investment Funds' holdings in shares of Outotec Oyj (OTE1V) on April 15, 2014 has exceeded 5% and were 9,548,160 shares, which represents 5.21% of the share capital and votes in the company.

## OTHER ANNOUNCEMENTS IN Q2

On April 29, 2014, Outotec announced that the Board of Directors has used the 2014 Annual General Meeting's authorization and decided on issuance of total maximum number of 19,027 shares held by the company for payment of the reward of the Share-based Incentive Program 2013-2015 from the 2013 earning period.

## SHORT-TERM RISKS AND UNCERTAINTIES

Outotec has project deliveries in countries where political, economic, and social conditions may deviate from the original risk assessment during project lifetime and may have a sudden impact on business operations. Geopolitical risks, economic sanctions or trade restrictions may cause project delays and cancellations or prevent Outotec's business operations in those countries. Volatility in emerging market currency rates or availability of financing may rapidly change and lead customers to postpone order placement, delay project execution, and suspend or cancel projects.

Outotec delivers complex projects and service contracts which may involve significant risks related to cost of subcontracting or the functionality of the technology. Supplier and subcontractor management require the availability of skilled personnel both in the quotation and the delivery phase to secure planned cost and timeschedule. Outotec's advanced technological solutions require substantial planning and resourcing to mitigate the timeschedule, functionality and performance risks. In difficult market environment risk about disagreements concerning agreed scope or performance may increase. Projects may deviate from their original schedules thus impacting on revenue recognition and the company's quarterly and annual financial results and projections. Deterioration of the market situation may cause losses on accounts receivables which are beyond management's provisions. Different interpretations of international and local tax rules and regulations may cause additional direct or indirect taxes for Outotec.

Currency fluctuations may have a negative impact on sales, profitability and financial position. Approximately 60% of Outotec's total cash flow is denominated in euros. The rest is divided among various currencies, including the US dollar, Australian dollar, Brazilian real, Canadian dollar, and South African rand. The weight of any given currency in new projects can substantially fluctuate, but most cash flow-related risks are hedged over the short-term and long-term. The valuation of the hedges at month end may cause fluctuations in financial results. Due to volatility in foreign currencies, there can be significant exchange differences resulting from translating the income statement and balance sheet of foreign operations to euros.

Outotec is involved in a few arbitral and court proceedings. Different interpretations of international contracts may cause uncertainty in estimating the final outcome of the disputes. The outcome of these proceedings does not have any material effect on Outotec's financial position.

The most relevant risks related to Outotec's business are presented in more detail on the company's website at [www.outotec.com](http://www.outotec.com).

## EVENTS AFTER JUNE END

On July 28, 2014, Outotec announced that it had purchased the assets of KALOGEO Anlagenbau GmbH in Leobersdorf, Austria. The transaction will not impact Outotec's financial guidance for 2014.

On July 28, 2014, Outotec announced that it lowers its sales and operating profit margin guidance for 2014 and published order intake and order backlog for the second quarter of 2014.

On July 23, 2014, Outotec commented on market rumors concerning a potential bid for Outotec by The Weir Group Plc by stating that Outotec has not been approached or received a bid for a potential combination of the two companies.

## MARKET OUTLOOK

Based on several market institutes' estimates, metals demand is expected to grow on average 2 to 5% per annum in line with global GDP growth. In the short-term, however, uncertainties of the global economy, fluctuations in metal prices, and recent capacity additions especially in iron ore are expected to continue impacting both capital investments and operational spending. Uncertainty regarding China's growth is the main contributor for the current metals demand uncertainty as the country uses some 40-60% of all metals. The mining and metals industries' capital expenditure is expected to still contract in 2014. There are, however, signs that the Capex market may have reached the bottom and that gradually the mining companies see the need for new investments to address weakening ore grades, increasing environmental regulation, operational inefficiencies, and to meet the eventually growing metals demand.

Demand for service solutions is expected to continue to develop in line with the industry's volume growth and driven by the continued need to improve production efficiency. Customers' need to reduce operational expenses is causing pressure on pricing.

The global market for water, energy, and environmental solutions is expected to grow. Especially in the mining and metals sector, the combination of increasing production volumes with increasing consumption and cost of water and energy, as well as tighter environmental requirements will drive investments into more sustainable technology. Mining and metals industry is the world's second-biggest user of water and the outlook for industrial water treatment solutions continues good. The short-term outlook for alternative and renewable energy is uncertain due to lower energy prices and uncertainties in subsidy regulations. However, there is a demand for localized biomass and waste-to-energy solutions globally.

## FINANCIAL GUIDANCE FOR 2014 (PUBLISHED ON JULY 28, 2014)

Based on the current market outlook, customer tendering activity and assessment of order backlog, the management expects that in 2014:

- Sales will be approximately EUR 1.4-1.6 billion, and
- Operating profit from business operations<sup>1)</sup> will be approximately 4-6%.

### The main reasons for the change in financial guidance were:

- Lower sales in Capex business due to delayed order intake in the beginning of the year, and slowness in project implementation in Russia due to increased geopolitical uncertainty.
- Cost overruns in five large Capex projects which have been won during 2009-2012, the majority of which are expected to be completed by the end of 2014.

### Previous financial guidance

Based on the year-end order backlog, the current market outlook, customer tendering activity, and volatility in exchange rates, the management expects that in 2014:

- Sales will be approximately EUR 1.5-1.8 billion, and
- Operating profit from business operations<sup>1)</sup> will be approximately 5-8%.

<sup>1)</sup> excluding one-time items and purchase price allocations (PPA) amortizations.

Espoo, July 31, 2014

Outotec Oyj  
Board of Directors



## INTERIM FINANCIAL STATEMENTS (unaudited)

Consolidated Statement of Comprehensive Income EUR million	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	Q1-Q4 2013
<b>Sales</b>	<b>335.2</b>	511.4	<b>679.1</b>	1,014.3	1,911.5
Cost of sales	<b>-270.6</b>	-404.7	<b>-547.5</b>	-811.6	-1,516.1
<b>Gross profit</b>	<b>64.6</b>	106.7	<b>131.6</b>	202.7	395.4
Other income	<b>0.5</b>	2.2	<b>0.7</b>	4.3	17.7
Selling and marketing expenses	<b>-23.6</b>	-26.8	<b>-46.2</b>	-51.6	-98.2
Administrative expenses	<b>-26.9</b>	-29.7	<b>-51.1</b>	-59.4	-109.9
Research and development expenses	<b>-9.9</b>	-12.3	<b>-19.7</b>	-23.9	-48.7
Other expenses	<b>-5.0</b>	-0.1	<b>-6.8</b>	-0.5	-14.2
Share of results of associated companies	<b>-0.1</b>	-0.1	<b>-0.1</b>	-0.1	-0.1
<b>Operating profit</b>	<b>-0.3</b>	39.9	<b>8.4</b>	71.5	141.9
Finance income and expenses					
Interest income and expenses	<b>-0.8</b>	0.9	<b>-1.7</b>	1.4	1.2
Market price gains and losses	<b>0.4</b>	-1.7	<b>-0.1</b>	-2.6	-5.4
Other finance income and expenses	<b>-1.2</b>	-1.2	<b>-2.1</b>	-2.5	-5.6
Net finance expense	<b>-1.7</b>	-2.1	<b>-3.9</b>	-3.8	-9.7
<b>Profit before income taxes</b>	<b>-2.0</b>	37.8	<b>4.4</b>	67.7	132.2
Income tax expenses	<b>0.5</b>	-10.9	<b>-1.3</b>	-19.6	-40.2
<b>Profit for the period</b>	<b>-1.5</b>	26.9	<b>3.1</b>	48.2	92.1
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit obligations	-	-	-	-0.1	1.0
Income tax relating to items that will not be reclassified to profit or loss	-	-	-	0.0	-0.3
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translating foreign operations	<b>4.4</b>	-18.4	<b>1.7</b>	-11.7	-32.7
Cash flow hedges	<b>-0.4</b>	0.8	<b>-1.1</b>	-3.6	-5.0
Available for sale financial assets	<b>-0.0</b>	-0.1	<b>-0.1</b>	-0.1	-0.1
Income tax relating to items that may be reclassified to profit or loss	<b>-0.0</b>	-0.2	<b>0.0</b>	-0.2	-0.3
<b>Other comprehensive income for the period</b>	<b>3.9</b>	-18.0	<b>0.6</b>	-15.7	-37.4
<b>Total comprehensive income for the period</b>	<b>2.4</b>	8.9	<b>3.7</b>	32.4	54.6
<b>Profit for the period attributable to:</b>					
Equity holders of the parent company	<b>-1.5</b>	26.9	<b>3.1</b>	48.2	92.1
Non-controlling interest	-	-	-	-	-
<b>Total comprehensive income for the period attributable to:</b>					
Equity holders of the parent company	<b>2.4</b>	8.9	<b>3.7</b>	32.4	54.6
Non-controlling interest	-	-	-	-	-
<b>Earnings per share for profit attributable to the equity holders of the parent company:</b>					
Basic earnings per share, EUR	<b>-0.01</b>	0.15	<b>0.02</b>	0.27	0.51
Diluted earnings per share, EUR	<b>-0.01</b>	0.15	<b>0.02</b>	0.27	0.51

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



Condensed Consolidated Statement of Financial Position EUR million	June 30, 2014	June 30, 2013	December 31, 2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	336.6	333.8	321.1
Property, plant and equipment	82.1	76.6	78.9
Deferred tax asset	61.1	56.4	52.9
<b>Non-current financial assets</b>			
Interest-bearing	2.2	4.0	2.6
Non-interest-bearing	6.4	2.1	2.5
<b>Total non-current assets</b>	<b>488.3</b>	<b>473.0</b>	<b>458.0</b>
<b>Current assets</b>			
Inventories <sup>1)</sup>	184.5	169.9	180.2
<b>Current financial assets</b>			
Interest-bearing	0.2	0.2	0.2
Non-interest-bearing	449.8	584.5	568.1
Cash and cash equivalents	268.3	293.7	323.7
<b>Total current assets</b>	<b>902.8</b>	<b>1,048.3</b>	<b>1,072.3</b>
<b>TOTAL ASSETS</b>	<b>1,391.1</b>	<b>1,521.3</b>	<b>1,530.3</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to the equity holders of the parent company	445.6	452.9	477.4
<b>Total equity</b>	<b>445.6</b>	<b>452.9</b>	<b>477.4</b>
<b>Non-current liabilities</b>			
Interest-bearing	205.1	67.7	208.8
Non-interest-bearing	118.3	122.0	113.3
<b>Total non-current liabilities</b>	<b>323.4</b>	<b>189.7</b>	<b>322.1</b>
<b>Current liabilities</b>			
Interest-bearing	30.2	37.8	28.7
Non-interest-bearing			
Advances received <sup>2)</sup>	248.1	331.1	291.6
Other non interest-bearing liabilities	343.8	509.8	410.6
<b>Total current liabilities</b>	<b>622.1</b>	<b>878.7</b>	<b>730.8</b>
<b>Total liabilities</b>	<b>945.5</b>	<b>1,068.4</b>	<b>1,052.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,391.1</b>	<b>1,521.3</b>	<b>1,530.3</b>

<sup>1)</sup> Of which advances paid for inventories amounted to EUR 36.1 million at June 30, 2014 (June 30, 2013: EUR 21.4 million, December 31, 2013: EUR 31.1 million)

<sup>2)</sup> Gross advances received before percentage of completion revenue recognition amounted to EUR 1,896.1 million at June 30, 2014 (June 30, 2013: EUR 1,880.0 million, December 31, 2013: EUR 1,892.4 million)

<b>Condensed Consolidated Statement of Cash Flows</b> EUR million	<b>Q1-Q2</b> <b>2014</b>	<b>Q1-Q2</b> <b>2013</b>	<b>Q1-Q4</b> <b>2013</b>
<b>Cash flows from operating activities</b>			
Profit for the period	3.1	48.2	92.1
Adjustments for			
Depreciation and amortization	15.6	17.6	36.0
Other adjustments	7.2	13.0	50.7
Increase in working capital	-0.9	-32.2	-160.2
Interest received	2.0	2.7	4.9
Interest paid	-1.0	-1.0	-2.4
Income tax paid	-18.9	-26.7	-63.1
<b>Net cash from operating activities</b>	<b>7.3</b>	<b>21.6</b>	<b>-42.1</b>
Purchases of assets	-21.5	-17.9	-46.1
Acquisition of subsidiaries and business operations, net of cash	-6.2	-12.2	-11.8
Proceeds from sale of assets	0.5	0.2	0.8
Cash flows from other investing activities	-0.3	-0.4	-0.1
<b>Net cash used in investing activities</b>	<b>-27.5</b>	<b>-30.3</b>	<b>-57.3</b>
<b>Cash flow before financing activities</b>	<b>-20.2</b>	<b>-8.7</b>	<b>-99.4</b>
Repayments of non-current debt	-6.6	-6.7	-13.8
Borrowings of non-current debt	-	-	148.6
Decrease in current debt	-1.0	-0.6	-0.3
Increase in current debt	8.4	15.9	8.4
Dividends paid	-36.6	-54.9	-54.9
Cash flows from other financing activities	0.3	-0.6	-2.0
<b>Net cash used in financing activities</b>	<b>-35.6</b>	<b>-46.9</b>	<b>86.0</b>
<b>Net change in cash and cash equivalents</b>	<b>-55.8</b>	<b>-55.7</b>	<b>-13.3</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>323.7</b>	<b>358.6</b>	<b>358.6</b>
Foreign exchange rate effect on cash and cash equivalents	0.4	-9.3	-21.6
Net change in cash and cash equivalents	-55.8	-55.7	-13.3
<b>Cash and cash equivalents at the end of the period</b>	<b>268.3</b>	<b>293.7</b>	<b>323.7</b>

## Consolidated Statement of Changes in Equity

EUR million	Attributable to the equity holders of the parent company									
	Share capital	Share premium fund	Other reserves	Fair value reserves	Treasury shares	Reserve for invested non-restricted equity	Cumulative translation differences	Retained earnings	Non-controlling interest	Total equity
Equity at January 1, 2013	17.2	20.2	0.5	-1.9	-25.5	87.7	24.5	348.9	1.2	472.7
Dividends paid	-	-	-	-	-	-	-	-54.9	-	-54.9
Dissolution of Management incentive plan for Outotec Executive Board	-	-	-	-	4.3	1.4	-	-4.5	-1.2	-
Share-based compensation	-	-	-	-	3.1	-	-	-1.3	-	1.9
Total comprehensive income for the period	-	-	-	-4.0	-	-	-11.7	48.2	-	32.4
Other changes	-	-	-	-	-	-	-	0.9	-	0.9
Equity at June 30, 2013	17.2	20.2	0.5	-6.0	-18.1	89.1	12.7	337.3	-	452.9
Equity at January 1, 2014	17.2	20.2	0.5	-6.7	-18.1	92.7	-8.2	379.8	-	477.4
Dividends	-	-	-	-	-	-	-	-36.6	-	-36.6
Share-based compensation	-	-	-	-	0.2	0.2	-	0.6	-	0.9
Total comprehensive income for the period	-	-	-	-1.1	-	-	1.7	3.1	-	3.7
Other changes	-	-	-	-	-	-	-	0.2	-	0.2
<b>Equity at June 30, 2014</b>	<b>17.2</b>	<b>20.2</b>	<b>0.5</b>	<b>-7.8</b>	<b>-17.9</b>	<b>92.9</b>	<b>-6.5</b>	<b>347.1</b>	<b>-</b>	<b>445.6</b>

Group key figures	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	Last 12 months	Q1-Q4 2013
Sales, EUR million	<b>335.2</b>	511.4	<b>679.1</b>	1,014.3	1,576.3	1,911.5
Gross margin, %	<b>19.3</b>	20.9	<b>19.4</b>	20.0	20.6	20.7
Operating profit, EUR million	<b>-0.3</b>	39.9	<b>8.4</b>	71.5	78.8	141.9
Operating profit margin, %	<b>-0.1</b>	7.8	<b>1.2</b>	7.1	5.0	7.4
Profit before taxes, EUR million	<b>-2.0</b>	37.8	<b>4.4</b>	67.7	69.0	132.2
Profit before taxes in relation to sales, %	<b>-0.6</b>	7.4	<b>0.7</b>	6.7	4.4	6.9
Net cash from operating activities, EUR million	<b>2.6</b>	55.2	<b>7.3</b>	21.6	-56.3	-42.1
Net interest-bearing debt at the end of period, EUR million	<b>-29.6</b>	-192.4	<b>-29.6</b>	-192.4	-29.6	-87.1
Gearing at the end of period, %	<b>-6.6</b>	-42.5	<b>-6.6</b>	-42.5	-6.6	-18.2
Equity-to-assets ratio at the end of period, %	<b>39.0</b>	38.1	<b>39.0</b>	38.1	39.0	38.5
Working capital at the end of period, EUR million	<b>-22.4</b>	-143.8	<b>-22.4</b>	-143.8	-22.4	-14.0
Capital expenditure, EUR million	<b>23.3</b>	9.3	<b>31.5</b>	27.7	56.8	53.0
Capital expenditure in relation to sales, %	<b>7.0</b>	1.8	<b>4.6</b>	2.7	3.6	2.8
Return on investment, %, LTM	<b>13.9</b>	40.0	<b>13.9</b>	40.0	13.9	25.7
Return on equity, %, LTM	<b>10.5</b>	29.8	<b>10.5</b>	29.8	10.5	19.4
Order backlog at the end of period, EUR million	<b>1,259.7</b>	1,761.3	<b>1,259.7</b>	1,761.3	1,259.7	1,371.7
Order intake, EUR million	<b>379.5</b>	365.6	<b>589.8</b>	856.7	1,245.5	1,512.4
Personnel, average for the period	<b>4,864</b>	4,979	<b>4,847</b>	4,902	4,900	4,927
Profit for the period in relation to sales, %	<b>-0.4</b>	5.3	<b>0.5</b>	4.7	3.0	4.8
Research and development expenses, EUR million	<b>9.9</b>	12.3	<b>19.7</b>	23.9	44.5	48.7
Research and development expenses in relation to sales, %	<b>2.9</b>	2.4	<b>2.9</b>	2.4	2.8	2.6
Earnings per share, EUR	<b>-0.01</b>	0.15	<b>0.02</b>	0.27	0.26	0.51
Equity per share, EUR	<b>2.46</b>	2.50	<b>2.46</b>	2.50	2.46	2.64

## Definitions for key financial figures

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Net interest-bearing debt = Interest-bearing debt - interest-bearing assets

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Gearing =  $\frac{\text{Net interest-bearing debt}}{\text{Total equity}} \times 100$

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Equity-to-assets ratio =  $\frac{\text{Total equity}}{\text{Total assets - advances received}} \times 100$

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Return on investment =  $\frac{\text{Operating profit + finance income}}{\text{Total assets - non-interest-bearing debt (average for the period)}} \times 100$

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

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Research and development expenses = Research and development expenses in the statement of comprehensive income (including expenses covered by grants received)

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Earnings per share =  $\frac{\text{Profit for the period attributable to the equity holders of the parent company}}{\text{Average number of shares during the period, as adjusted for stock split}}$

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Dividend per share =  $\frac{\text{Dividend for the financial year}}{\text{Number of shares at the end of the period, as adjusted for stock split}}$

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

These Interim Financial Statements are prepared in accordance with IAS 34 Interim Financial Reporting. In these Interim Financial Statements, the same accounting policies and methods have been applied as in the latest Annual Financial Statements, as well as the below revised standards, which have been effective from the beginning of 2014. These Interim Financial Statements are unaudited.

### Outotec has applied the following revised or new standards and interpretations since the beginning of 2014:

- IAS 32 - Financial instruments: Presentation. These amendments are to the application guidance to the standard and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- IFRS 10 – Consolidated financial statements. The new standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. Outotec has evaluated the effects and there were no changes to the consolidation of the Outotec group entities based on the new standard.
- IFRS 11 – Joint arrangements. The new standard establishes principles for financial reporting by parties to a joint arrangement. It requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. There are two types of joint arrangements: a joint operation whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Outotec has evaluated the effects and there were no changes to the consolidation principles of the Outotec group entities based on the new standard.
- IFRS 12 – Disclosures of interests in other entities. The new standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The standard requires the entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

### Use of estimates

IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the first half of 2014. Accounting estimates are employed in the financial statements to determine reported amounts, including the realizability of certain assets, the useful lives of tangible and intangible assets, income taxes, provisions, pension obligations, and impairment of goodwill. These estimates are based on the management's best knowledge of current events and actions; however, it is possible that the actual results may differ from the estimates used in the financial statements.

Reporting segment - Minerals Processing EUR million	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	change %	Q1-Q4 2013
Sales	158.4	223.0	314.5	438.3	-28 <sup>1)</sup>	806.7
PPAs	-0.8	-1.0	-1.7	-1.9		-3.7
One-time items	-1.7	-0.1	-2.7	-0.2		1.4
Operating profit from business operations <sup>2)</sup>	13.7	16.6	29.0	39.4	-26	86.6
Operating profit from business operation, %	8.6	7.4	9.2	9.0		10.7
Operating profit	11.1	15.5	24.6	37.3	-34	84.2
Operating profit, %	7.0	6.9	7.8	8.5		10.4
Unrealized and realized exchange gains and losses <sup>3)</sup>	-1.3	1.2	-1.6	2.4		4.9

<sup>1)</sup> Calculated with comparable currencies -20%

<sup>2)</sup> Excluding one-time items and PPA amortizations

<sup>3)</sup> Related to currency forward contracts and bank accounts

Reporting segment - Metals, Energy & Water EUR million	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	change %	Q1-Q4 2013
Sales	176.9	288.3	364.6	576.1	-37 <sup>1)</sup>	1,105.2
PPAs	-1.2	-2.4	-2.3	-4.7		-9.3
One-time items	-0.6	0.0	-1.1	0.0		-1.9
Operating profit from business operations <sup>2)</sup>	-8.1	27.5	-9.3	45.7	-120	90.8
Operating profit from business operation, %	-4.6	9.5	-2.6	7.9		8.2
Operating profit	-9.9	25.1	-12.8	41.0	-131	79.7
Operating profit, %	-5.6	8.7	-3.5	7.1		7.2
Unrealized and realized exchange gains and losses <sup>3)</sup>	-1.3	0.7	-1.0	1.0		4.7

<sup>1)</sup> Calculated with comparable currencies -34%

<sup>2)</sup> Excluding one-time items and PPA amortizations

<sup>3)</sup> Related to currency forward contracts and bank accounts

Major Non-Recurring Items in Operating Profit EUR million	Q1-Q2 2014	Q1-Q2 2013	Q1-Q4 2013
One-time costs related to restructuring of business <sup>1) 2)</sup>	-3.3	-	-12.8
Impairment of available for sale shares	-	-	-0.4
Costs related to acquisitions <sup>1)</sup>	-0.5	-0.2	-0.3
Purchase price adjustment related to acquisitions <sup>1)</sup>	-	-	0.9
Reversal of earn-out liability from acquisitions <sup>1)</sup>	-	-	4.1

<sup>1)</sup> Excluded from operating profit from business operations

<sup>2)</sup> Includes no impairments on intangible and tangible assets (in 2013: EUR 5.2 million), personnel related restructurings of EUR 2.7 (in 2013: 5.1) million and other restructuring-related costs EUR 0.6 (in 2013: 2.4) million. In segment reporting the one-time costs related to the restructuring program have been divided to Metals, Energy and Water EUR 0.6 (in 2013: 3.2) million, Minerals Processing EUR 2.7 (in 2013: 2.1) million and unallocated items EUR 0.0 (in 2013: EUR 7.5) million.

Income Tax Expenses EUR million	Q1-Q2 2014	Q1-Q2 2013	Q1-Q4 2013
Current taxes	-9.5	-17.9	-46.8
Deferred taxes	8.2	-1.7	6.6
<b>Total income tax expenses</b>	<b>-1.3</b>	<b>-19.6</b>	<b>-40.2</b>

<b>Property, Plant and Equipment</b> <b>EUR million</b>	<b>June 30,</b> <b>2014</b>	<b>June 30,</b> <b>2013</b>	<b>December 31,</b> <b>2013</b>
Historical cost at the beginning of the period	170.9	166.7	166.7
Translation differences	1.4	-3.6	-7.5
Additions	9.3	9.5	22.0
Disposals	-2.2	-0.3	-3.9
Acquired subsidiaries	-	0.2	0.2
Reclassifications	-0.0	-0.4	-4.8
Impairment during the period	-	-0.0	-1.9
Historical cost at the end of the period	179.3	172.2	170.9
Accumulated depreciation and impairment at the beginning of the period	-92.0	-91.4	-91.4
Translation differences	-0.5	1.5	3.0
Disposals	2.0	0.1	3.2
Reclassifications	0.0	0.5	4.9
Impairment during the period	-	-	1.0
Depreciation during the period	-6.8	-6.3	-12.7
Accumulated depreciation and impairment at the end of the period	-97.2	-95.6	-92.0
<b>Carrying value at the end of the period</b>	<b>82.1</b>	<b>76.6</b>	<b>78.9</b>

<b>Commitments and Contingent Liabilities</b> <b>EUR million</b>	<b>June 30,</b> <b>2014</b>	<b>June 30,</b> <b>2013</b>	<b>December 31,</b> <b>2013</b>
Guarantees for commercial commitments	310.6	303.3	256.8
Minimum future lease payments on operating leases	138.7	156.3	136.4

No securities or collateral have been pledged. Commercial guarantees are related to performance obligations of project and equipment deliveries. These are issued by financial institutions or Outotec Oyj on behalf of group companies. The total value of commercial guarantees above does not include advance payment guarantees issued by the parent or other group companies or guarantees for financial obligations. The total amount of guarantees for financing issued by group companies amounted to EUR 20.6 million at June 30, 2014 (June 30, 2013: EUR 22.4 million, December 31, 2013: EUR 24.2 million) and for commercial guarantees including advance payment guarantees EUR 496.9 million at June 30, 2014 (June 30, 2013: EUR 627.2 million, December 31, 2013: EUR 549.7 million). High exposure of on-demand guarantees may increase the risk of claims that may have an impact on the liquidity of Outotec.

#### Derivative Instruments

<b>Currency and Interest derivatives</b> <b>EUR million</b>	<b>June 30,</b> <b>2014</b>	<b>June 30,</b> <b>2013</b>	<b>December 31,</b> <b>2013</b>
Fair values, net	6.4 <sup>1)</sup>	4.4 <sup>2)</sup>	12.5 <sup>3)</sup>
Nominal values	485.5	766.3	653.3

<sup>1)</sup> Of which EUR 2.5 million designated as cash flow hedges (EUR 2.8 million from currency derivatives, EUR -0.2 from interest derivatives) and EUR 5.6 million designated as fair value hedge from interest derivatives

<sup>2)</sup> Of which EUR 2.4 million designated as cash flow hedges (EUR 2.0 million from currency derivatives, EUR 0.4 million from interest derivatives)

<sup>3)</sup> Of which EUR 3.8 million designated as cash flow hedges (EUR 3.7 million from currency derivatives, EUR 0.2 million from interest derivatives) and EUR 1.8 million designated as fair value hedge from interest derivatives



**Carrying amounts of financial assets and liabilities by categories**  
**June 30, 2014**

	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item	Fair value
<b>EUR million</b>							
<b>Non-current financial assets</b>							
Derivative assets							
- foreign exchange forward contracts	0.1	-	-	-	-	0.1	0.1
- interest rate swaps	5.6	-	-	-	-	5.6	5.6
Other shares and securities	-	-	0.8	-	-	0.8	0.8
Trade and other receivables							
- interest-bearing	-	1.4	-	-	-	1.4	1.4
- non-interest-bearing	-	0.1	-	-	-	0.1	0.1
<b>Current financial assets</b>							
Derivative assets							
- foreign exchange forward contracts	4.4	-	-	-	-	4.4	4.4
Trade and other receivables							
- interest-bearing	-	0.2	-	-	-	0.2	0.2
- non-interest-bearing	-	445.4	-	-	-	445.4	445.4
Cash and cash equivalents	-	268.3	-	-	-	268.3	268.3
<b>Carrying amount by category</b>	<b>10.1</b>	<b>715.4</b>	<b>0.8</b>	<b>-</b>	<b>-</b>	<b>726.2</b>	<b>726.2</b>
<b>Non-current financial liabilities</b>							
Bonds	-	-	-	-	148.3	148.3	155.7
Loans from financial institutions	-	-	-	-	53.7	53.7	53.7
Loans from pension institutions	-	-	-	-	0.3	0.3	0.3
Finance lease liabilities	-	-	-	-	-	-	-
Derivative liabilities							
- foreign exchange forward contracts	-	-	-	0.0	-	0.0	0.0
- interest rate swaps	-	-	-	0.2	-	0.2	0.2
Other non-current loans	-	-	-	-	2.8	2.8	2.8
Other non-current liabilities	-	-	-	-	2.3	2.3	2.3
<b>Current financial liabilities</b>							
Loans from financial institutions	-	-	-	-	12.6	12.6	12.6
Loans from pension institutions	-	-	-	-	3.3	3.3	3.3
Finance lease liabilities	-	-	-	-	0.0	0.0	0.0
Derivative liabilities							
- foreign exchange forward contracts	-	-	-	3.4	-	3.4	3.4
Other current loans	-	-	-	-	14.4	14.4	14.4
Trade payables	-	-	-	-	101.0	101.0	101.0
<b>Carrying amount by category</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.6</b>	<b>338.6</b>	<b>342.3</b>	<b>349.7</b>

December 31, 2013

EUR million	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item	Fair value
<b>Non-current financial assets</b>							
<b>Derivative assets</b>							
- foreign exchange forward contracts	0.4	-	-	-	-	0.4	0.4
- interest rate swaps	2.0	-	-	-	-	2.0	2.0
Other shares and securities	-	-	0.8	-	-	0.8	0.8
<b>Trade and other receivables</b>							
- interest-bearing	-	1.8	-	-	-	1.8	1.8
- non-interest-bearing	-	0.0	-	-	-	0.0	0.0
<b>Current financial assets</b>							
<b>Derivative assets</b>							
- foreign exchange forward contracts	13.6	-	-	-	-	13.6	13.6
<b>Trade and other receivables</b>							
- interest-bearing	-	0.2	-	-	-	0.2	0.2
- non-interest-bearing	-	554.5	-	-	-	554.5	554.5
Cash and cash equivalents	-	323.7	-	-	-	323.7	323.7
Carrying amount by category	16.0	880.3	0.8	-	-	897.1	897.1
<b>Non-current financial liabilities</b>							
Bonds	-	-	-	-	148.2	148.2	148.6
Loans from financial institutions	-	-	-	-	57.2	57.2	57.2
Loans from pension institutions	-	-	-	-	0.4	0.4	0.4
Finance lease liabilities	-	-	-	-	-	-	-
<b>Derivative liabilities</b>							
- foreign exchange forward contracts	-	-	-	0.1	-	0.1	0.1
Other non-current loans	-	-	-	-	3.0	3.0	3.0
Other non-current liabilities	-	-	-	-	2.4	2.4	2.4
<b>Current financial liabilities</b>							
Loans from financial institutions	-	-	-	-	12.9	12.9	12.9
Loans from pension institutions	-	-	-	-	6.3	6.3	6.4
Finance lease liabilities	-	-	-	-	0.0	0.0	0.0
<b>Derivative liabilities</b>							
- foreign exchange forward contracts	-	-	-	3.5	-	3.5	3.5
Other current loans	-	-	-	-	9.5	9.5	9.5
Trade payables	-	-	-	-	101.2	101.2	101.2
Carrying amount by category	-	-	-	3.5	341.0	344.6	345.1

<b>Fair value hierarchy</b>				
<b>June 30, 2014</b>				
<b>EUR million</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Available for sale financial assets	0.0	-	0.7	0.8
Derivative financial assets	-	10.1	-	10.1
	<b>0.0</b>	<b>10.1</b>	<b>0.7</b>	<b>10.8</b>
Derivative financial liabilities	-	3.7	-	3.7
	-	<b>3.7</b>	-	<b>3.7</b>
<b>December 31, 2013</b>				
Available for sale financial assets	0.1	-	0.7	0.8
Derivative financial assets	-	16.0	-	16.0
	<b>0.1</b>	<b>16.0</b>	<b>0.7</b>	<b>16.8</b>
Derivative financial liabilities	-	3.5	-	3.5
	-	<b>3.5</b>	-	<b>3.5</b>

<b>Available-for-sale financial assets (level 3 of fair value hierarchy)</b>	<b>Q1-Q2</b>	<b>Q1-Q2</b>	<b>Q1-Q4</b>
<b>EUR million</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
Carrying value at the beginning of the period	<b>0.7</b>	1.2	1.2
Translation differences	<b>0.0</b>	-0.1	-0.1
Impairments	-	-	-0.4
<b>Carrying value at the end of the period</b>	<b>0.7</b>	1.1	0.7

### Related Party Transactions

<b>Transactions and Balances with Associated Companies</b>	<b>Q1-Q2</b>	<b>Q1-Q2</b>	<b>Q1-Q4</b>
<b>EUR million</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
Sales	<b>0.0</b>	2.5	3.7
Other income	<b>0.1</b>	0.1	0.1
Purchases	<b>-0.3</b>	-0.0	-0.5
Trade and other receivables	<b>0.2</b>	1.0	1.5
Current liabilities	<b>1.7</b>	0.9	1.4
Loan receivables	<b>1.4</b>	2.9	1.8

## Business combinations

Outotec has acquired the business and IPRs of Republic Alternative Technologies Inc., a premium coated titanium anode engineering and fabrication company based in Cleveland, Ohio, USA. The acquisition was completed in April 2014. Republic Alternative Technologies is the world's first producer of innovative mixed metal oxide coated titanium anodes, which are used as an alternative to conventional lead anodes in electrowinning operations to produce copper, zinc and other metals. Republic Alternative Technologies has 18 employees and its sales in 2013 were approximately 9 million euros.

The purchase price has been allocated to technologies. The remaining goodwill of approximately EUR 4.4 million is mainly based on the personnel knowhow and synergy benefits. Purchase price allocation is preliminary and will be finalized during 2014.

### Segments' sales and operating profit by quarters

EUR million	Q2/12	Q3/12	Q4/12	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14
<b>Sales</b>									
Metals, Energy & Water	<b>282.9</b>	276.2	360.7	287.8	<b>288.3</b>	266.6	262.5	187.7	<b>176.9</b>
Minerals Processing	<b>242.1</b>	226.8	288.2	215.3	<b>223.0</b>	172.8	195.6	156.2	<b>158.4</b>
Unallocated items <sup>1)</sup> and intra-group sales	<b>-0.5</b>	-0.1	0.9	-0.2	<b>0.2</b>	0.7	-0.9	0.0	<b>0.0</b>
<b>Total</b>	<b>524.4</b>	502.8	649.8	502.9	<b>511.4</b>	440.1	457.2	343.9	<b>335.2</b>
<b>Operating profit</b>									
Metals, Energy & Water	<b>20.6</b>	10.6	24.6	15.9	<b>25.1</b>	27.0	11.7	-2.9	<b>-9.9</b>
Minerals Processing	<b>24.8</b>	30.6	50.9	21.8	<b>15.5</b>	22.0	24.9	13.5	<b>11.1</b>
Unallocated <sup>2)</sup> and intra-group items	<b>-4.5</b>	-0.2	-0.6	-6.0	<b>-0.8</b>	-4.0	-11.2	-1.8	<b>-1.6</b>
<b>Total</b>	<b>40.8</b>	41.0	74.9	31.7	<b>39.9</b>	45.0	25.4	8.7	<b>-0.3</b>

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

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

## RESOLUTIONS OF THE 2014 ANNUAL GENERAL MEETING

Outotec Oyj's Annual General Meeting (AGM) was held on March 31, 2014, in Helsinki, Finland.

### Financial Statements

The AGM approved the parent company and the consolidated Financial Statements, and discharged the members of the Board of Directors and the President and CEO from liability for the financial year 2013.

### Dividend

The AGM decided that a dividend of EUR 0.20 per share be paid for the financial year ended on December 31, 2013. The dividend EUR 36.6 (54.9) million was paid on April 17, 2014.

### The Board of Directors

The AGM decided that the number of the Board members, including Chairman and Vice Chairman, shall be eight (8). Mr. Matti Alahuhta, Ms. Eija Ailasmaa, Mr. Tapani Järvinen, Ms. Anja Korhonen, Mr. Hannu Linnoinen, Mr. Timo Ritakallio and Mr. Poju Zabłudowicz were re-elected as members

of the Board of Directors, and Mr. Björn Rosengren was elected as a new member of the Board, for the term expiring at the end of the next AGM. The AGM elected Mr. Matti Alahuhta as the Chairman of the Board of Directors.

The AGM confirmed the annual remunerations to the Board members as follows: EUR 72,000 for the Chairman of the Board of Directors and EUR 36,000 for the other members of the Board of Directors each, as well as an additional EUR 12,000 for both the Vice Chairman of the Board, and the Chairman of the Audit and Risk Committee; and that the members of the Board each be paid EUR 600 for attendance at each Board and committee meeting, as well as be reimbursed for the direct costs arising from Board work.

Of the annual remuneration, 60% would be paid in cash and 40% in Outotec Oyj shares, which were acquired from the stock exchange within one week from the date of the AGM, in amounts corresponding to EUR 28,800 for the Chairman, EUR 19,200 for the Vice Chairman of the Board and the Chairman of the Audit and Risk Committee each, and EUR 14,400 for each of the other members of the Board of Directors. The part of the annual fee payable in cash corresponds to the approximate sum necessary for the payment of the income taxes on the annual remuneration and would be paid no later than on April 30, 2014. The annual fees shall encompass the full term of office of the Board of Directors. The attendance fee shall be paid in cash.

#### Auditors

Public Accountants PricewaterhouseCoopers Oy was re-elected as the company's auditor. The auditor will be paid remuneration against the auditor's reasonable invoice approved by the company.

#### Board's authorizations

The AGM authorized the Board of Directors to decide on the repurchase of the company's own shares as follows:

- Maximum number of the company's own shares to be repurchased is 18,312,149 (corresponds to approximately 10% of all the current shares of the company).
- Own shares may be repurchased on the basis of this authorization only by using unrestricted equity.
- Own shares can be repurchased at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market.
- Own shares may be repurchased otherwise than in proportion to the shares held by the shareholders (directed repurchase).
- The authorization is effective until the closing of the next AGM.

As of 31 July 2014 the Board has not executed this authorization.

The AGM authorized the Board of Directors to decide on the issuance of shares and the issuance of special rights entitling to shares referred to in Chapter 10, Section 1 of the Companies Act as follows:

- The maximum number of shares to be issued is 18,312,149 shares (corresponds to approximately 10 percent of all the current shares of the company).
- The Board of Directors is entitled to decide on the terms of the issuance of shares and of special rights entitling to shares and it is entitled to deviate from the shareholders' pre-emptive subscription rights (directed issue).
- The authorization applies to both the issuance of new shares and the distribution of own shares held by the company.
- The authorization is effective until the closing of the next AGM.

On April 29, 2014, Outotec announced that the Board of Directors has used this authorization and decided on issuance of total maximum number of 19,027 shares held by the company for payment of the reward of the Share-based Incentive Program 2013-2015 from the 2013 earning period.

The AGM further authorized the Board of Directors to decide on donations in the aggregate amount of EUR 100,000 to universities, institutions of higher education or other non-profit purposes. The authorization shall be in force until December 31, 2014. In accordance with the authorization, a total of EUR 45,000 has been donated to various causes in the first half of 2014.

#### **Amendment of Articles of Association**

The AGM decided to amend the Articles of Association so that the maximum number of members of the Board of Directors is 10, and that in addition to the Chairman of the Board of Directors, the AGM shall elect the Vice Chairman of the Board of Directors.

#### **Amendment of the Charter of the Nomination Board**

The AGM decided to amend the Charter of the Nomination Board so that the Nomination Board shall submit its proposals to the Board of Directors at the latest on January 31 preceding the AGM.

#### **Board's assembly meeting**

In its assembly meeting the Board of Directors elected Timo Ritakallio as the Vice Chairman of the Board of Directors. In addition, the Board elected Anja Korhonen, Hannu Linnoinen, Timo Ritakallio and Poju Zabłudowicz as members of the Audit and Risk Committee. Hannu Linnoinen acts as the Chairman of the Audit and Risk Committee.

Eija Ailasmaa, Matti Alahuhta and Tapani Järvinen will act as members of the Human Capital Committee with Matti Alahuhta as the Chairman of the Committee.

### **SHARES AND SHARE CAPITAL**

Outotec's shares are listed on the NASDAQ OMX Helsinki (OTE1V). At the end of the first half of 2014, Outotec's share capital was EUR 17,186,442.52, consisting of 183,121,492 shares. Each share entitles its holder to one vote at the company's general shareholder meetings.

#### **OUTOTEC OYJ OWN SHAREHOLDING**

At the end of June 2014, the company held directly a total of 2,099,118 Outotec shares which represents a relative share of 1.1% of Outotec Oyj's shares and votes.

Outotec has an agreement with a third-party service provider concerning administration and hedging of the share-based incentive program for key personnel. All remaining shares were allocated to employees as part of the share-based incentive program Earning period 2013.

## TRADING, MARKET CAPITALIZATION, AND SHAREHOLDERS

### Shares on NASDAQ OMX Helsinki Ltd

January-June 2014	No. of shares traded	Total value EUR	High EUR	Low EUR	Average EUR <sup>1)</sup>	Last paid EUR
OTE1V	128,278,002	994,701,253	8.92	6.73	7.77	7.68

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

	June 30, 2014	June 30, 2013
Market capitalization, EUR million	<b>1,406</b>	1,686
No. of shareholders	<b>29,142</b>	23,985
Nominee registered shareholders (14), %	<b>33.6</b>	35.6
Finnish households, %	<b>15.5</b>	14.0

## SHARE-BASED INCENTIVE PROGRAMS AND EMPLOYEE SHARE SAVINGS PLAN

### Share-based Incentive Program 2013-2015

On January 16, 2013, Outotec announced that the Board of Directors had decided to adopt a new Share-based Incentive Program for the company's key personnel. The program comprises three earning periods starting in 2013, 2014, and 2015. Each earning period can be from one to three years. The first earning period was the calendar year 2013. The Board of Directors determines on an annual basis the maximum amount of shares to be allocated in each calendar year, participants in the program, the amount of the maximum reward for each individual, the length of the earning period and the earning criteria, and the targets established for them. A precondition for Executive Board members being eligible for the Share-based Incentive Program is that they participate in Outotec's Employee Share Savings Plan.

#### Earning period 2013

A total of 37,831 Outotec shares were allocated for the 2013 earning period with a cost of approximately EUR 0.7 million, which is booked for the financial periods 2013-2015.

#### Earning period 2014

The Board of Directors set targets for earnings per share, order intake, and sales growth compared to key competitors as well as authorized the CEO to decide the individuals for the Program's 2014 earning period. At the end of June 2014 there were 170 participants with a right to earn a maximum number of 790,500 Outotec shares and a cash payment that equals income taxes.

### Share-based Incentive Program 2010-2012

Outotec's Board of Directors decided on April 23, 2010, to adopt a Share-based Incentive Program 2010-2012 for the company's key personnel. The costs related to these periods are allocated over three years.

### Earning period 2010

A total of 552,576 Outotec shares were allocated for the 2010 earning period with a cost of approximately EUR 9.6 million, which was booked for the financial periods 2010-2012.

### Earning period 2011

A total of 498,072 Outotec shares were allocated for the 2011 earning period with a cost of approximately EUR 9.3 million, which is booked for the financial periods 2011-2013.

### Earning period 2012

A total of 514,160 Outotec shares were allocated for the 2012 earning period with a cost of approximately EUR 10.0 million, which is booked for the financial periods 2012-2014.

### Employee Share Savings Plan

Outotec's Board of Directors decided on September 25, 2012, to launch an Employee Share Savings Plan for Outotec employees globally. The plan commenced on January 1, 2013, with the first savings period being one calendar year. In September 2013, Outotec's Board of Directors decided to continue the Employee Share Savings Plan for the calendar year 2014. The following saving periods are subject to a separate Board decision.

Outotec provides leading technologies and services for the Sustainable use of Earth's natural resources. As the global leader in minerals and metals processing technology, we have developed many breakthrough technologies over the decades for our customers in metals and mining industry. We also provide innovative solutions for industrial water treatment, the utilization of alternative energy sources and the chemical industry. With a global network of sales and service centers, research facilities and over 4,800 experts, Outotec generated annual sales of approximately EUR 1.9 billion in 2013. Outotec shares are listed on NASDAQ OMX Helsinki.