

Q1-Q2

HALF YEAR FINANCIAL REPORT

JANUARY-JUNE 2019



HALF YEAR FINANCIAL REPORT 2019

Strong growth in order intake and service sales, significant improvement in profitability

“The market for minerals and metals processing technologies continued to be active during the first half of the year. Our order intake increased by 10% from last year in the reporting period and by 18% in the second quarter. Received orders included approximately EUR 140 million gold processing plant as well as a copper concentrator and hydrometallurgical plant of approximately EUR 250 million, of which EUR 35 million was recorded in the second quarter order intake.



Sales were slightly lower for the reporting period compared to the previous year. Sales for the second quarter were on the same level as during the previous year. This was primarily due to fewer plant and equipment deliveries resulting from the lower order intake during H2 2018. Our efforts to improve the service supply chain and delivery achieved good results. Service sales increased by 27% during the reporting period and 41% during the second quarter. Profitability significantly improved both in absolute and relative terms due to the sales mix and better project execution. The profitability of the Metals, Energy & Water segment is developing in the right direction but is still unsatisfactory. Cash flow for the reporting period was solid as a result of positive development in trade receivables and for the second quarter due to increased customer advance payments.

R&D activities continued to provide valuable benefits to our customers. For example, we introduced a next generation Outotec Paste Thickener, designed especially for tailings treatment. Tailings dewatering and disposal is a challenge that every mining operation has to confront. We also introduced the FP-S Filter Press as a cost-effective product for a wide range of standard filtration applications.

Negotiations concerning the ilmenite smelter project are ongoing, and we remain confident that the EUR 110 million provision made in the last quarter of 2018 is adequate.

On July 4th, we announced the planned combination of Outotec and Metso Minerals. The strengths of these companies are highly complementary and with this merger we are creating a leading company in process technology, equipment and services serving the minerals, metals and aggregates industries. Completion is expected in the second quarter of 2020. The new company Metso Outotec will be able to leverage the heritage of both companies: technology and R&D, product and process excellence, scale and global service footprint. I am excited about this new strategic direction into which we are heading.

We expect the market outlook for mining and metals to remain positive as global GDP growth and new uses for metals, such as electric vehicles, drive long-term demand,” concludes President & CEO **Markku Teräsvasara**.

Metso Minerals and Outotec combination: addition to reported figures

Starting from the second quarter of 2019, Outotec has added adjusted EBITA to the reported numbers on the Group level to reflect the planned combination. The definition of adjusted EBITA appears on page 14.

Summary of key figures

EUR million	Q2		Q2		Q1-Q2		Q1-Q2		Q1-Q4
	2019	2018	% ¹	% ²	2019	2018	% ¹	% ²	2018
Order intake	409.6	347.2	18	19	745.7	680.9	10	10	1,251.3
Service order intake	163.1	154.3	6	7	323.0	285.0	13	14	532.5
Order backlog at end of period	1,163.8	1,084.9	7	-	1,163.8	1,084.9	7	-	946.6
Sales	326.6	331.2	-1	-1	581.4	618.4	-6	-5	1,276.5
Service sales	154.3	109.2	41	42	269.0	212.2	27	28	496.6
Gross margin, %	25.8	21.8			26.4	22.3			15.4
Adjusted EBITA ³	23.3	12.7			39.5	25.0			-25.1
Adjusted EBITA ³ , %	7.1	3.8			6.8	4.0			-2.0
Adjusted EBIT ⁴	18.2	7.6			29.2	14.6			-46.2
Adjusted EBIT ⁴ , %	5.6	2.3			5.0	2.4			-3.6
EBIT	14.7	-3.0			24.0	2.4			-66.1
EBIT, %	4.5	-0.9			4.1	0.4			-5.2
Net cash from operating activities	48.6	-24.4			30.2	44.2			70.4
Earnings per share, EUR	0.03	-0.04			0.05	-0.04			-0.42

¹ Change, %

² Change in comparable currencies, %

³ Excluding all amortizations, as well as adjustment items consisting of restructuring and capacity adjustment costs, costs related to mergers and acquisitions, outcome of material intellectual right property disputes, gains and losses on business disposals and goodwill impairments.

⁴ Excluding restructuring- and acquisition-related items as well as PPA amortizations.

Financial guidance for 2019 reiterated

Based on the current market outlook, we expect sales to increase, and adjusted EBIT* to increase significantly from the 2018 adjusted EBIT (EUR 63.8 million), excluding provision for the ilmenite smelter project.

*Excluding restructuring- and acquisition-related items, as well as PPA amortizations.

HALF YEAR FINANCIAL REPORT 2019

MARKET DEVELOPMENT

The market sentiment continued to be positive in the first half of the year. In addition to brownfield investments, which continued at the previous year's level, some greenfield investments moved ahead both in minerals processing and metal refining technology areas.

Copper and gold continued to be the most active metals. The demand for minerals processing equipment as well as related services continued to be solid. In the Metals, Energy & Water sector, demand in hydrometallurgical technologies continued to be solid. Also, the market for pelletizing and sulfuric acid plant solutions was active. On the service side, plant service inquiries and modernizations increased compared to the comparison period.

Project financing, environmental permitting and political circumstances delayed some decisions. The competitive environment continued to be intense.

ORDER INTAKE AND BACKLOG

The order intake in the reporting period was EUR 746 (681) million, up 10% from the comparison period. The order intake in the second quarter was EUR 410 (347) million, up 18% from the comparison period. The increase came primarily from two large greenfield orders: a gold processing plant order to Saudi Arabia (approximately EUR 140 million, announced on April 30) as well as a copper concentrator and hydrometallurgical plant order to Russia (approximately EUR 250 million, of which approximately EUR 35 million was recorded in the second quarter order intake, announced on June 7).

The service order intake for the reporting period was EUR 323 (285) million, up 13% from the comparison period. The growth came largely from a pellet plant modernization project. The service order intake in the second quarter was EUR 163 (154) million, up 6% from the comparison period. The growth came mainly from modernizations and spare parts.

Order intake by region, %	Q1-Q2 2019	Q1-Q2 2018	Q1-Q4 2018
EMEA	61	51	48
Americas	23	24	30
APAC	16	25	22
Total	100	100	100

Announced orders

Project/location (published)	Recorded into order backlog	Value, EUR million	Segment
Greenfield copper concentrator and hydrometallurgical plant, Russia (June 7)	Q2	approx. 250, 35 for Q2	2/3 MP 1/3 MEW
Mine paste backfill tailings management system to copper-gold mine, Australia (May 15)	Q2	approx. 15	MP
Gold processing plant, Saudi Arabia (April 30)	Q2	approx. 140	1/2 MP 1/2 MEW

The order backlog at the end of the reporting period was EUR 1,164 (1,085) million. The value of services in the order backlog totaled EUR 272 (259) million. At the end of the reporting period, Outotec had 18 (18) projects with an order backlog value in excess of EUR 10 million, accounting for 46 (49)% of the total backlog. It is estimated that roughly 50% or EUR 575 million of the order backlog at the end of June will be delivered in 2019.

SALES AND FINANCIAL RESULT

Sales and financial result EUR million	Q2				Q1-Q2				Q1-Q4
	2019	2018	% ¹	% ²	2019	2018	% ¹	% ²	2018
Sales	326.6	331.2	-1	-1	581.4	618.4	-6	-5	1,276.5
Service sales ³	154.3	109.2	41	42	269.0	212.2	27	28	496.6
Share of service sales, %	47.2	33.0			46.3	34.3			38.9
Gross margin, %	25.8	21.8			26.4	22.3			15.4
Adjusted EBIT ^{4 6}	18.2	7.6			29.2	14.6			-46.2
Adjusted EBIT ^{4 6} , %	5.6	2.3			5.0	2.4			-3.6
- Restructuring- and acquisition-related costs ⁵	-1.8	-8.9			-1.8	-8.9			-13.3
- PPA amortization	-1.7	-1.7			-3.3	-3.3			-6.6
EBIT	14.7	-3.0			24.0	2.4			-66.1
EBIT, %	4.5	-0.9			4.1	0.4			-5.2
Result before taxes	11.9	-6.0			19.4	-2.8			-75.4
Result for the period	8.5	-4.5			13.9	-2.2			-67.3
Unrealized and realized exchange gains and losses	-0.3	-2.9			-0.1	-2.1			-1.6

¹ Change, %

² Change in comparable currencies, %

³ Included in the sales figures of the two reporting segments.

⁴ Excluding restructuring- and acquisition-related items and PPA amortizations.

⁵ Including restructuring-related items of EUR -1.8 (-8.8) million and no acquisition-related items (EUR -0.1 million).

⁶ Adjusted EBIT for Q1-Q4/2018 was EUR 63.8 million (5.0%) excluding the provision for the ilmenite smelter project.

Sales in the reporting period totaled EUR 581 (618) million, down 6% from the comparison period. Sales in the second quarter totaled EUR 327 (331) million, down 1% from the comparison period. The decline came mainly from low level of sales in Metals, Energy & Water.

Service sales increased 27% in the reporting period and 41% in the second quarter mainly due to growth in sales of spare parts and modernizations. The share of service sales was 46 (34) % of total sales in the reporting period and 47 (33) % in the second quarter.

Fixed costs in the reporting period – including selling and marketing, administrative, R&D and fixed delivery expenses – grew 4% (in comparable currencies 4%) from the comparison period, totaling EUR 137 (132) million, or 24 (21) % of sales. This was mainly due to higher selling and marketing costs in the second quarter.

The improvement in the adjusted EBIT for the reporting period was attributable mainly to the higher share of service sales and better project execution.

The result before taxes for the reporting period was EUR 19 (-3) million. Net finance expenses related to interest costs and the valuation of foreign exchange forward agreements totaled EUR 5 (5) million. The net result was EUR 14 (-2) million. The net impact from taxes totaled EUR -6 (+1) million. Earnings per share was EUR 0.05 (-0.04), including an accrued hybrid bond interest net of tax of EUR -4 (-4) million.

MINERALS PROCESSING

Minerals Processing EUR million	Q2		Q2		Q1-Q2		Q1-Q2		Q1-Q4
	2019	2018	% ¹	% ²	2019	2018	% ¹	% ²	2018
Order intake	255.0	183.8	39	40	448.6	346.2	30	31	719.3
Sales	196.9	193.0	2	3	358.5	352.8	2	2	757.8
Service sales	104.7	78.5	33	35	183.5	149.6	23	24	344.3
Adjusted EBIT ³	21.3	17.5			37.2	33.2			84.1
Adjusted EBIT ³ , %	10.8	9.1			10.4	9.4			11.1
- Restructuring and acquisition-related costs	0.1	-1.2			0.1	-1.2			-3.0
- PPA amortization	-0.7	-0.7			-1.3	-1.3			-2.7
EBIT	20.7	15.7			36.0	30.7			78.5
EBIT, %	10.5	8.1			10.0	8.7			10.4

¹ Change, %

² Change in comparable currencies, %

³ Excluding restructuring and acquisition-related items as well as PPA amortizations

In the reporting period, the order intake in the Minerals Processing segment grew 30% compared to the comparison period primarily as a result of large greenfield orders. The segment's sales increased by 2%. Service sales increased by 23% while equipment sales decreased. The segment sales mix positively impacted profitability.

In the second quarter, the order intake in the Minerals Processing segment grew 39% relative to the comparison period primarily as a result of two large greenfield orders. The segments sales increased by 2%. Service sales increased by 33% while equipment sales decreased. Growth came primarily from spare parts.

METALS, ENERGY & WATER

Metals, Energy & Water EUR million	Q2		Q2		Q1-Q2		Q1-Q2		Q1-Q4
	2019	2018	% ¹	% ²	2019	2018	% ¹	% ²	2018
Order intake	154.6	163.4	-5	-5	297.1	334.7	-11	-11	532.0
Sales	129.8	138.3	-6	-6	222.9	265.5	-16	-16	518.7
Service sales	49.6	30.7	61	62	85.5	62.6	36	37	152.3
Adjusted EBIT ³	-1.5	-8.2			-5.2	-15.4			-125.0
Adjusted EBIT ^{3 4} , %	-1.2	-5.9			-2.3	-5.8			-24.1
Restructuring and acquisition-related costs	-0.0	-4.5			-0.0	-4.5			-6.6
- PPA amortization	-1.0	-1.0			-2.0	-2.0			-4.0
EBIT	-2.5	-13.7			-7.2	-21.9			-135.5
EBIT, %	-2.0	-9.9			-3.2	-8.2			-26.1

¹ Change, %

² Change in comparable currencies, %

³ Excluding restructuring and acquisition-related items as well as PPA amortizations

⁴ adjusted EBIT for Q1-Q4/2018 was EUR -15.0 million (-2.9%) excluding the provision for the ilmenite smelter project.

In the reporting period, the order intake in the Metals, Energy & Water segment decreased by 11% from the comparison period. The segment sales decreased by 16%, primarily due to the lack of orders in the second half of 2018. Service sales increased by 36% mainly as a result of plant modernizations. Better project execution had a positive impact on profitability of the segment.

In the second quarter, the order intake in the Metals, Energy & Water segment decreased by 5% from the comparison period. The segments sales decreased by 6%. Service sales increased by 61% primarily as a result of plant modernizations.

BALANCE SHEET, FINANCING AND CASH FLOW

Balance sheet, financing and cash flow	Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	2019	2018	2019	2018	2018
Net cash from operating activities	48.6	-24.4	30.2	44.2	70.4
Net interest-bearing debt at end of period ¹	19.2	-26.4	19.2	-26.4	-38.1
Equity at end of period	372.2	447.3	372.2	447.3	377.4
Gearing at end of period, % ¹	5.2	-5.9	5.2	-5.9	-10.1
Equity-to-assets ratio at end of period, % ¹	30.1	39.3	30.1	39.3	32.9
Net working capital at end of period	-126.1	-42.6	-126.1	-42.6	-122.9

¹ If the hybrid bond were treated as a liability, the net interest-bearing debt would be EUR 169.2 million, gearing 76.2%, and the equity-to-assets ratio 18.0% on June 30, 2019 (June 30, 2018: EUR 123.6 million, 41.6% and 26.1% respectively, December 31, 2018: EUR 111.9 million, 49.2% and 19.8% respectively).

² Key figures excluding the impact of implementing IFRS 16 in 2019 are disclosed in the key figures section.

The consolidated balance sheet total on June 30, 2019 was EUR 1,463 (1,333) million.

Outotec's cash and cash equivalents at the end of the reporting period totaled EUR 241 (229) million. Net cash flow from operating activities during the reporting period was EUR 30 (44) million. The main impact came from positive developments in trade receivables and trade payables and in the second quarter from an increase in the advances received. The advance and milestone payments received at the end of the reporting period totaled EUR 227 (196) million. Advance and milestone payments to subcontractors totaled EUR 63 (40) million. In the reporting period, Outotec paid annual interest of EUR 11 (11) million for the hybrid bond.

Net interest-bearing debt on June 30, 2019 was EUR 19 (-26) million (June 30, 2019: EUR -47 million excluding the impact of IFRS 16), and the gearing was 5 (-6)%. Outotec's equity-to-assets ratio was 30 (39)%.

The company's capital expenditure, which was related mainly to IT programs and IPRs, totaled EUR 9 (10) million during the reporting period.

Guarantees for commercial commitments, including advance payment guarantees issued by the parent and other Group companies at the end of the reporting period, totaled EUR 683 (685) million.

Equity attributable to shareholders of the parent company totaled EUR 369 (444) million, representing EUR 2.03 (2.45) per share. In the reporting period, equity was impacted by hybrid bond interest net of tax totaling EUR -9 (-9) million, minority acquisition of EUR 9 (0) million, translation differences of EUR 4 (-6) million and the net result of EUR 14 (-2) million.

RESEARCH & DEVELOPMENT

During the reporting period, Outotec's research and development expenses represented 5 (5) % of sales.

R&D	Q1-Q2 2019	Q1-Q2 2018	Q1-Q4 2018
R&D expenses, EUR million	30	29	57
New priority applications filed	7	13	26
New national patents granted	154	305	558
Total number of patent families	760	755	761
Total number of national patents and patent applications	6,606	6,753	6,467

June 14: Outotec launched a cost-effective FP-S filter press for standard filtration applications. It offers efficient solid-liquid separation and is available in a wide range of configurations. Outotec's expert technical services ensure reliable process performance and a long equipment lifecycle.

May 13: Outotec introduced a 2nd generation Outotec Paste Thickener for consistent and efficient dewatering performance. It is designed to enable consistent and efficient dewatering performance in ever changing process conditions with challenging mineralogy and tailings.

PERSONNEL

At the end of the reporting period, Outotec had a total of 4,064 (4,075) full-time equivalent employees. During the reporting period, the company had an average of 4,037 (4,096) employees. Temporary personnel accounted for 6 (8) % of the total.

Personnel by region	June 30, 2019	June 30, 2018 ¹	Change	December 31 2018 ¹
EMEA	2,742	2,688	54	2,677
Americas	723	794	-71	736
APAC	599	593	6	573
Total	4,064	4,075	-11	3,986

¹ The figures for 2018 have been recalculated as FTE (full-time equivalent employees).

At the end of the reporting period, the company had, in addition to its own personnel, 420 (385) full-time equivalent, contracted professionals working in project execution.

Salaries and other employee benefits in the the reporting period totaled EUR 170 (164) million.

RESOLUTIONS OF OUTOTEC'S AGM 2019

Outotec Oyj's Annual General Meeting (AGM) was held on March 14, 2019, in Helsinki, Finland. The AGM approved the parent company's financial statements and consolidated financial statements, and discharged the members of the Board of Directors and the President and CEO from liability for the 2018 financial year. The AGM decided that no dividend would be distributed for the financial year ending on December 31, 2018.

The AGM decided that the total number of Board members will be eight (8). Mr. Matti Alahuhta, Mr. Klaus Cawén, Ms. Anja Korhonen, Ms. Hanne de Mora, Mr. Patrik Nolåker and Mr. Ian W. Pearce, were re-elected as members of the Board of Directors for the term expiring at the end of the next

AGM. Ms. Anu Hämäläinen and Ms. Teija Sarajärvi were elected as new members. The AGM elected Mr. Alahuhta as the Chairman and Mr. Pearce as Vice Chairman of the Board of Directors.

The AGM confirmed the Board's remuneration for 2019, of which 60% will be paid in cash and 40% in shares:

- Chairman of the Board of Directors: EUR 72,000
- Members of the Board of Directors: EUR 36,000
- Vice Chairman of the Board and the Chairman of the Audit and Risk Committee: an additional EUR 12,000
- Attendance fee: EUR 600/meeting
- Reimbursement for the direct costs arising from Board-related work

PricewaterhouseCoopers Oy, a firm of Authorized Public Accountants, was re-elected as the company's auditor.

The AGM authorized the Board of Directors to decide on the repurchase and issuance of shares and special rights entitling holders to shares. Both authorizations relate to an aggregate maximum of 18,312,149 (approximately 10%) of the company's own shares. The authorizations will be in force until the closing of the next AGM. The authorizations have not been exercised as of July 26, 2019.

The Board of Directors elected Anu Hämäläinen (Chairman of the Committee), Klaus Cawén, Anja Korhonen, and Ian W. Pearce as members of the Audit and Risk Committee.

Hanne de Mora (Chairman of the Committee), Matti Alahuhta, Patrik Nolåker, and Teija Sarajärvi were elected as members of the Human Capital Committee.

SHARES AND SHARE CAPITAL

Outotec's shares are listed on the Nasdaq Helsinki exchange (OTE1V). At the end of the reporting period, Outotec's share capital was EUR 17,186,442.52, consisting of 183,121,492 shares. Each share entitles its holder to one vote at the company's general meetings.

OUTOTEC OYJ OWN SHAREHOLDING

At the end of the reporting period, the company directly held a total of 1,266,548 Outotec shares, representing 0.69% of Outotec Oyj's shares and votes.

TRADING, MARKET CAPITALIZATION, AND SHAREHOLDERS

Shares on NASDAQ Helsinki

January-June 2019	Number of shares traded	Total value EUR	High EUR	Low EUR	Average EUR ¹	Last paid EUR
OTE1V	158,341,750	594,514,285	4.93	2.90	3.75	4.64

¹ Volume-weighted average

	June 30, 2019	June 30, 2018
Market capitalization, EUR million	850	1,249
Number of shareholders	28,349	22,833
Nominee registered shareholders (number of registers 12), %	37.2	43.7
Finnish private investors, %	16.9	12.4

SHARE-BASED INCENTIVES

Outotec has a Share-based Incentive Program for the company's key personnel as well as an Employee Share Savings Program for all employees globally. All shares related to the programs are acquired through public trading. More detailed information about present and past programs is available at www.outotec.com/cg.

OTHER MAIN ANNOUNCEMENTS AND EVENTS IN Q2

June 24: Outotec and Central South University from China to agree on scientific cooperation

May 10: Outotec sold its fabrication and manufacturing businesses in South Africa and Mozambique

SHORT-TERM RISKS AND UNCERTAINTIES

Major investments continue to develop slowly, and new investments may either be delayed or existing projects placed on hold or canceled. There is also the continued risk of credit loss, especially in receivables from emerging markets. The supply situation may tighten, which may cause delays or escalations. Any uncertainty in the global macroeconomic environment, especially China's economic outlook, may impact the demand for metals and their prices, as well as Outotec's operations and financial results.

Outotec has identified a risk of disputes related to project execution, which may result in extra costs and/or penalties. In the contracts related to the delivery of major projects, the liquidated damages attributable to, for instance, delayed delivery or non-performance may be significant. In particular, Outotec has identified a significant risk of claims related to a few large projects in the Metals, Energy & Water segment. This could in turn lead to decreasing headroom under the financial covenants related to capital structure and liquidity.

Outotec has made a EUR 110 million provision for possible costs relating to the ilmenite smelter project in Saudi Arabia (Stock Exchange Releases on May 31, 2012; October 26, 2018; October 30, 2018 and February 8, 2019). The current estimated provision was based on progress made with the analysis of the furnace. The provision was recorded in Outotec's fourth quarter 2018 result. The outcome of the analysis, together with other factors such as Outotec's contractual position, will determine the eventual liability and financial impact of this incident for Outotec.

Risks related to Outotec's business operations are high in certain markets, such as the Middle East, Russia, Democratic Republic of Congo, and Turkey. The geopolitical situation, including risk of trade wars, Brexit, sanctions, security situations, economic conditions, and regulatory environments may change rapidly, causing ongoing business to be delayed, suspended or canceled; or may completely prevent Outotec from operating in these areas. This may result in a material impact on Outotec's financial results and valuation of its assets.

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

More information about Outotec's business risks and risk management is available in the *Notes to the Financial Statements* and on the company's website at www.outotec.com/investors.

MARKET OUTLOOK

The market outlook for mining and metals is expected to remain positive. Global GDP growth and new uses for metals, such as electric vehicles, drive the long-term demand for metals. Outotec's efficient technologies enable the extractions of metals both from challenging raw materials as well as from tailings. A continuous tightening of environmental regulations imposes stricter limits for water and energy use as well as for new licenses. In addition to brownfield investments, there is increased activity in greenfield investments, both in minerals processing and metal refining technologies.

Copper, gold, and battery metal projects are expected to be the most active. Expectations for growth provide opportunities for minerals processing in process optimization, equipment modernization, and services. Investments will continue to be driven by an increased mining activity due to lower ore head grades as well as production levels with an emphasis on the optimization of existing processes.

The Metals, Energy & Water segment has business opportunities in several sectors. Copper, gold, lithium and zinc projects are expected to be the most active in the short-term. There is also an increasing global need for waste-to-energy and sludge incineration solutions.

MAIN EVENTS AFTER THE END OF JUNE 30

July 4: Outotec and Metso Minerals will create a leading company in process technology, equipment and services serving the minerals, metals and aggregates industries.

FINANCIAL GUIDANCE FOR 2019 REITERATED

Based on the current market outlook, we expect sales to increase, and adjusted EBIT* to increase significantly from the 2018 adjusted EBIT (EUR 63.8 million), excluding provision for the ilmenite smelter project.

**Excluding restructuring- and acquisition-related items, as well as PPA amortizations.*

FINANCIAL REPORTING SCHEDULE AND EVENTS

- Interim Report Q1-Q3 2019: October 25, reporting date changed to earlier due to Metso Minerals and Outotec combination
- EGM: is expected to be held on October 29

Espoo, July 26, 2019

Outotec Oyj
Board of Directors

Segment information by quarter

EUR million	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19
Order intake									
Minerals Processing	176.3	164.6	239.6	162.5	183.8	189.0	184.1	193.6	255.0
Metals, Energy & Water	110.0	69.6	126.2	171.3	163.4	82.5	114.8	142.5	154.6
Total	286.3	234.2	365.8	333.8	347.2	271.5	298.9	336.1	409.6
Sales									
Minerals Processing	167.7	147.8	201.2	159.9	193.0	187.3	217.7	161.6	196.9
Metals, Energy & Water	98.1	126.1	139.7	127.2	138.3	132.8	120.3	93.2	129.8
Total	265.8	273.9	340.8	287.1	331.2	320.2	338.0	254.7	326.6
Adjusted EBIT (aEBIT) ¹									
Minerals Processing	14.7	15.1	22.2	15.6	17.5	21.7	29.4	15.9	21.3
Metals, Energy & Water	-12.5	0.6	-1.9	-7.2	-8.2	-1.8	-107.9	-3.7	-1.5
Unallocated ² and intra-group items	-2.0	-1.4	-2.0	-1.4	-1.7	-1.4	-0.8	-1.3	-1.6
Total	0.2	14.3	18.3	7.0	7.6	18.5	-79.3	11.0	18.2
Operating result (EBIT)									
Minerals Processing	14.2	14.3	21.1	15.0	15.7	20.8	27.1	15.3	20.7
Metals, Energy & Water	-13.6	-0.6	-2.9	-8.2	-13.7	-2.9	-110.9	-4.7	-2.5
Unallocated ² and intra-group items	-2.0	-1.4	-2.0	-1.4	-5.0	-1.9	-0.8	-1.3	-3.4
Total	-1.4	12.3	16.2	5.4	-3.0	16.0	-84.5	9.3	14.7

¹ Excluding restructuring- and acquisition-related items and PPA amortizations

² Unallocated items primarily include group management and administrative services

Key figures	Q2	Q2	Q1-Q2	Q1-Q2	Last 12	Q1-Q4
	2019	2018	2019	2018	months	2018
Order intake, EUR million	409.6	347.2	745.7	680.9	1,316.1	1,251.3
Service order intake, EUR million	163.1	154.3	323.0	285.0	570.5	532.5
Share of service in order intake, %	39.8	44.4	43.3	41.9	43.3	42.6
Order backlog at end of period, EUR million	1,163.8	1,084.9	1,163.8	1,084.9	1,163.8	946.6
Sales, EUR million	326.6	331.2	581.4	618.4	1,239.5	1,276.5
Service sales, EUR million	154.3	109.2	269.0	212.2	553.3	496.6
Share of service in sales, %	47.2	33.0	46.3	34.3	44.6	38.9
Gross margin, %	25.8	21.8	26.4	22.3	17.1	15.4
Operating result (EBIT), EUR million	14.7	-3.0	24.0	2.4	-44.5	-66.1
EBIT, %	4.5	-0.9	4.1	0.4	-3.6	-5.2
Result before taxes, EUR million	11.9	-6.0	19.4	-2.8	-53.2	-75.4
Result before taxes in relation to sales, %	3.7	-1.8	3.3	-0.5	-4.3	-5.9
Result for the period in relation to sales, %	2.6	-1.3	2.4	-0.4	-4.1	-5.3
Earnings per share ¹ , EUR	0.03	-0.04	0.05	-0.04	-0.33	-0.42
Net cash from operating activities, EUR million	48.6	-24.4	30.2	44.2	56.5	70.4
Net interest-bearing debt at end of period ^{2,3} , EUR million	19.2	-26.4	19.2	-26.4	19.2	-38.1
Gearing at end of period ^{2,3} , %	5.2	-5.9	5.2	-5.9	5.2	-10.1
Equity-to-assets ratio at end of period ^{2,3} , %	30.1	39.3	30.1	39.3	30.1	32.9
Equity at end of period, EUR million	372.2	447.3	372.2	447.3	372.2	377.4
Equity per share, EUR	2.03	2.45	2.03	2.45	2.03	2.06
Net working capital at end of period, EUR million	-126.1	-42.6	-126.1	-42.6	-126.1	-122.9
Capital expenditure, EUR million	5.7	5.4	8.9	10.5	19.8	21.4
Capital expenditure in relation to sales, %	1.8	1.6	1.5	1.7	1.6	1.7
Research and development expenses, EUR million	15.4	14.9	29.6	28.5	58.5	57.4
Research and development expenses in relation to sales, %	4.7	4.5	5.1	4.6	4.7	4.5
Return on investment ³ , %, LTM	-7.0	3.8	-7.0	3.8	-7.0	-11.3
Return on equity, %, LTM	-12.5	1.4	-12.5	1.4	-12.5	-15.9
Personnel at end of period	4,064	4,075	4,064	4,075	4,064	3,986
Number of shares outstanding at end of period, in thousands	181,710	181,610	181,710	181,610	181,710	181,610

¹Average number of shares used in calculating the EPS is 181,634 thousand for Q1-Q2/2019 (Q1-Q2/2018: 181,485 thousand, Q1-Q4/2018: 181,547 thousand shares). EPS includes a reduction of accrued hybrid bond interest (net of tax) amounting to EUR 4.4 million for Q1-Q2/2019 (Q1-Q2/2018: EUR 4.4 million, Q1-Q4/2018: EUR 8.9 million).

²If the hybrid bond were treated as a liability, the net interest-bearing debt would be EUR 169.2 million, gearing 76.2%, and the equity-to-assets ratio 18.0% on June 30, 2019 (June 30, 2018: EUR 123.6 million, 41.6% and 26.1% respectively, December 31, 2018: EUR 111.9 million, 49.2% and 19.8% respectively).

³The 2019 figures excluding the impact of implementing the IFRS 16 standard are disclosed in the table below.

Key figures excluding impact of implementing IFRS 16 in 2019	June 30, 2019		June 30, 2019
	as reported	IFRS 16 impact	excl. IFRS 16 impact
Net interest-bearing debt at end of period, EUR million	19.2	-65.9	-46.6
Gearing at end of period, %	5.2	-17.7	-12.5
Equity-to-assets ratio at end of period, %	30.1	1.7	31.8
Return on investment, %, LTM	-7.0	-0.6	-7.5

Reconciliation of adjusted EBIT and EBITA	Q2 2019	Q2 2018	Q1-Q2 2019	Q1-Q2 2018	Last 12 months	Q1-Q4 2018
Operating result (EBIT), EUR million	14.7	-3.0	24.0	2.4	-44.5	-66.1
- Restructuring and acquisition-related costs	1.8	8.9	1.8	8.9	6.2	13.3
- PPA amortization	1.7	1.7	3.3	3.3	6.7	6.6
Adjusted EBIT ¹ , EUR million	18.2	7.6	29.2	14.6	-31.6	-46.2
Adjusted EBIT ¹ , %	5.6	2.3	5.0	2.4	-2.6	-3.6
- Amortization on intangible assets (other than PPA)	5.1	5.2	10.3	10.4	21.0	21.1
Adjusted EBITA ² , EUR million	23.3	12.7	39.5	25.0	-10.6	-25.1
Adjusted EBITA ² , %	7.1	3.8	6.8	4.0	-0.9	-2.0

¹Excluding restructuring- and acquisition-related items and PPA amortizations.

²Excluding all amortizations, as well as adjustment items comprising of restructuring and capacity adjustment costs, costs related to mergers and acquisitions, outcome of material intellectual right property disputes, gains and losses on business disposals and goodwill impairments.

Outotec presents certain key figures (alternative performance measures) as additional information to the financial measures presented in the consolidated statements of comprehensive income, financial position and cash flows prepared in accordance with IFRS. In Outotec's view, alternative performance measures provide meaningful supplemental information on its operational results, financial position and cash flows and are widely used by analysts, investors and other parties.

To improve the comparability between periods, Outotec presents adjusted EBIT, being EBIT adjusted by material items beyond the ordinary course of business. Gross profit and research and development expenses are presented as complementing measures to the measures included in the consolidated statement of comprehensive income because, in Outotec's view, they increase the understanding of Outotec's results of operations. Net interest-bearing debt, gearing, equity-to-asset ratio, return on investment and return on equity are presented as complementing measures because, in Outotec's view, they are useful measures of Outotec's ability to obtain financing and service its debts. Net working capital and capital expenditure provide additional information concerning the cash flow needs of Outotec's operations.

In addition, Outotec presents net interest-bearing debt, gearing, equity-to-asset ratio and return on investment for 2019 excluding the impact of implementation of the IFRS 16 standard to improve the comparability between periods, as Outotec did not retrospectively restate the 2018 figures in the transition to the IFRS 16 standard on January 1, 2019.

Starting from the second quarter of 2019, Outotec has added adjusted EBITA to the reported key figures to reflect the upcoming combination of Metso Minerals and Outotec.

Alternative performance measures should not be viewed in isolation or as a substitute to the IFRS financial measures. All companies do not calculate alternative performance measures in a uniform manner, and therefore Outotec's alternative performance measures may not be comparable with similarly named measures presented by other companies.

Definitions of key figures

Change in comparable currencies	=	Reporting period's figures converted using foreign exchange rates from the comparison period	
Gross margin, %	=	$\frac{\text{Sales} - \text{cost of sales}}{\text{Sales}} \times 100$	
Adjusted EBITA (aEBITA)		Operating result excluding all amortizations, as well as adjustment items comprising of restructuring and capacity adjustment costs, costs related to mergers and acquisitions, outcome of material intellectual right property disputes, gains and losses on business disposals and goodwill impairments.	
Adjusted EBIT (aEBIT)	=	Operating result excluding restructuring-related items, items related to mergers and acquisitions, purchase price allocation (PPA) amortizations, and goodwill impairments	
Earnings per share	=	$\frac{\text{Result for the period attributable to the equity holders of the parent company} - \text{accrued hybrid bond interest, net of tax}}{\text{Average number of shares during the period}}$	
Diluted earnings per share	=	$\frac{\text{Result for the period attributable to the equity holders of the parent company} - \text{accrued hybrid bond interest, net of tax}}{\text{Diluted average number of shares during the period}}$	
Net interest-bearing debt	=	Borrowings + lease liabilities – other shares and securities – loan receivables – interest-bearing trade and other receivables – cash and cash equivalents	
Gearing	=	$\frac{\text{Net interest-bearing debt}}{\text{Total equity}} \times 100$	
Equity-to-assets ratio	=	$\frac{\text{Total equity}}{\text{Total assets} - \text{contract liabilities (net advances received)}} \times 100$	
Equity per share	=	$\frac{\text{Total equity attributable to the equity holders of the parent}}{\text{Number of shares outstanding at the end of period}} \times 100$	
Net working capital	=	Trade and other receivables (excl. accrued interests) + inventories + derivative financial instruments (assets) – pension obligations – provisions – trade and other payables (excl. accrued interests) – derivative financial instruments (liabilities)	
Capital expenditure	=	Additions in intangible assets and property, plant and equipment	
Research and development expenses	=	Research and development expenses in the statement of comprehensive income (including expenses covered by grants received)	
Return on investment (last 12 months)	=	$\frac{\text{Operating result} + \text{finance income (last 12 months)}}{\text{Total equity} + \text{borrowings} + \text{lease liabilities (12 months' average)}} \times 100$	
Return on equity (last 12 months)	=	$\frac{\text{Result for the period (last 12 months)}}{\text{Total equity (12 months' average)}} \times 100$	
Dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Number of shares outstanding at end of period}}$	

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

Consolidated statement of comprehensive income	Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	2019	2018	2019	2018	2018
Sales (note 1)	326.6	331.2	581.4	618.4	1,276.5
Cost of sales	-242.4	-259.0	-428.1	-480.6	-1,080.0
Gross profit	84.3	72.2	153.3	137.7	196.5
Other income	0.4	0.2	0.7	0.3	0.8
Selling and marketing expenses	-32.1	-30.3	-61.4	-60.1	-115.6
Administrative expenses	-20.6	-18.3	-37.3	-36.0	-73.9
Research and development expenses	-15.4	-14.9	-29.6	-28.5	-57.4
Other expenses	-2.0	-11.9	-2.2	-11.1	-16.7
Share of results of associated companies	0.2	0.0	0.4	0.0	0.3
Operating result (note 1)	14.7	-3.0	24.0	2.4	-66.1
Finance income	1.4	1.2	2.9	2.6	6.1
Finance expenses	-3.3	-3.5	-6.4	-6.8	-13.2
Market price gains and losses	-0.9	-0.7	-1.1	-1.1	-2.2
Net finance income or expense	-2.8	-3.0	-4.6	-5.2	-9.3
Result before income taxes	11.9	-6.0	19.4	-2.8	-75.4
Income taxes (note 3)	-3.4	1.5	-5.5	0.6	8.2
Result for the period	8.5	-4.5	13.9	-2.2	-67.3
Other comprehensive income					
Items that will not be reclassified as profit or loss					
Remeasurements of defined benefit obligations	-3.3	-0.5	-8.8	-0.0	0.8
Income tax relating to items that will not be reclassified as profit or loss	1.0	0.1	2.6	0.0	-0.1
Items that may be subsequently reclassified as profit or loss					
Exchange differences on translating foreign operations	-3.5	1.3	4.3	-6.2	-10.7
Cash flow hedges	1.9	-4.7	0.7	-3.5	-4.6
Changes in the fair value of other shares and securities	-0.0	-0.0	-0.0	-0.0	-0.1
Income tax relating to items that may be reclassified as profit or loss	-0.5	0.9	-0.1	0.6	0.6
Other comprehensive income for the period, net of tax	-4.5	-2.9	-1.3	-9.1	-14.0
Total comprehensive income for the period	4.0	-7.3	12.6	-11.4	-81.3
Result for the period attributable to:					
Equity holders of the parent company	8.5	-4.4	13.9	-2.2	-67.3
Non-controlling interest	-0.1	-0.0	-0.0	0.0	-0.0
Total comprehensive income for the period attributable to:					
Equity holders of the parent company	4.0	-7.4	12.6	-11.4	-81.1
Non-controlling interest	-0.1	0.0	0.0	0.1	-0.1
Earnings per share for result attributable to the equity holders of the parent company:					
Basic earnings per share, EUR	0.03	-0.04	0.05	-0.04	-0.42
Diluted earnings per share, EUR	0.03	-0.04	0.05	-0.04	-0.42

Consolidated statement of financial position EUR million	June 30, 2019	June 30, 2018	December 31, 2018
ASSETS			
Non-current assets			
Intangible assets (note 4)	330.0	347.8	338.4
Property, plant and equipment (note 5)	51.5	54.6	53.3
Right-of-use assets ⁶ (note 6)	65.6	-	-
Deferred tax asset	89.1	92.3	78.2
Investments in associated companies	1.2	0.4	0.8
Other shares and securities (note 14)	1.6	2.2	1.6
Derivative financial instruments (note 11, 13)	2.0	3.6	2.8
Loan receivables	4.2	1.5	4.1
Trade and other receivables	2.3	2.2	2.3
Total non-current assets	547.6	504.7	481.5
Current assets			
Inventories ¹	224.5	202.4	208.9
Derivative financial instruments (note 11, 13)	3.7	3.0	6.0
Current tax assets	8.3	9.9	10.6
Trade and other receivables ^{2 3} (note 7)	431.8	384.3	417.4
Cash and cash equivalents	241.2	228.7	233.4
Total current assets	909.6	828.4	876.3
Disposal group assets classified as held for sale (note 16)	6.1	-	-
TOTAL ASSETS	1,463.3	1,333.1	1,357.8

¹ Including advances paid for inventories of EUR 63.1 million at June 30, 2019 (June 30, 2018: EUR 40.5 million, December 31, 2018: EUR 48.9 million).

² Including EUR 0.0 million that were interest-bearing at June 30, 2019 (June 30, 2018: EUR 0.1 million, December 31, 2018: EUR 0.0 million).

³ Including accrued interests of EUR 1.2 million at June 30, 2019 (June 30, 2018: EUR 1.2 million, December 31, 2018: EUR 0.5 million).

Consolidated statement of financial position EUR million	June 30, 2019	June 30, 2018	December 31, 2018
EQUITY AND LIABILITIES			
Equity			
Share capital	17.2	17.2	17.2
Hybrid bond	150.0	150.0	150.0
Other components of equity	51.4	65.0	60.3
Retained earnings	150.6	211.9	146.9
Equity attributable to the equity holders of the parent company	369.2	444.1	374.4
Non-controlling interest	3.0	3.2	3.0
Total equity	372.2	447.3	377.4
Non-current liabilities			
Borrowings	152.8	183.0	178.1
Lease liabilities ⁶	52.0	-	-
Derivative financial instruments (note 11, 13)	0.2	0.8	0.6
Deferred tax liabilities	6.4	32.8	7.7
Pension obligations	64.6	56.1	55.9
Provisions (note 8)	50.2	-	50.2
Trade and other payables	7.1	7.9	7.1
Total non-current liabilities	333.3	280.5	299.5
Current liabilities			
Borrowings	53.0	23.2	23.0
Lease liabilities ⁶	13.9	-	-
Derivative financial instruments (note 11, 13)	7.7	7.9	8.8
Current tax liability	16.7	5.1	8.4
Provisions (note 8)	114.3	51.7	110.9
Trade and other payables ⁴ (note 7)	551.5	517.4	529.8
Total current liabilities	757.1	605.2	680.9
Total liabilities	1,090.4	885.8	980.4
Liabilities directly associated with assets classified as held for sale (note 16)	0.7	-	-
TOTAL EQUITY AND LIABILITIES	1,463.3	1,333.1	1,357.8

⁴ Including accrued interests of EUR 6.4 million at June 30, 2019 (June 30, 2018: EUR 4.8 million, December 31, 2018: EUR 3.4 million).

⁵ Key figures excluding the impact of implementing IFRS 16 in 2019 are disclosed in the Key figures section.

⁶ This item has been recognized through implementation of IFRS 16.

Condensed consolidated statement of cash flows	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	2019	2018	2018
Cash flows from operating activities			
Result for the period	13.9	-2.2	-67.3
Adjustments for			
Depreciation and amortization	26.1	19.3	38.6
Other adjustments	8.9	-1.3	-7.7
Decrease (+) / Increase (-) in net working capital	-16.5	31.9	112.6
Dividend received	0.1	-	0.9
Interest received	2.1	1.9	5.1
Interest paid	-1.5	-0.8	-5.7
Income tax paid	-2.8	-4.6	-6.2
Net cash from operating activities	30.2	44.2	70.4
Purchases of fixed assets	-9.2	-10.8	-21.5
Proceeds from sale of fixed assets	0.2	0.4	0.9
Acquisitions, net of cash	-0.3	0.4	-0.5
Proceeds from disposal of subsidiaries	-	0.0	0.0
Acquisition of shares in associated companies	-	-	-0.2
Net cash used in investing activities	-9.3	-10.0	-21.3
Cash flow before financing activities	21.0	34.2	49.2
Repayment of non-current debt	-0.2	-0.2	-4.4
Decrease in current debt	-23.0	-32.4	-33.2
Increase in current debt	28.7	10.0	10.0
Repayment of lease liabilities ¹	-7.0	-	-
Interest paid on hybrid bond	-11.1	-11.1	-11.1
Cash outflows from other financing activities	-0.5	-	-
Cash inflows from other financing activities	-	0.1	0.4
Net cash used in financing activities	-13.1	-33.5	-38.3
Net change in cash and cash equivalents	7.9	0.7	10.8
Cash and cash equivalents at beginning of period	233.4	230.2	230.2
Foreign exchange rate effect on cash and cash equivalents	3.0	-2.2	-7.7
Cash classified as assets held for sale (note 16)	-3.2	-	-
Net change in cash and cash equivalents	7.9	0.7	10.8
Cash and cash equivalents at end of period	241.2	228.7	233.4

¹ This item has occurred through implementation of IFRS 16.

Consolidated statement of changes in equity

EUR million	Attributable to the equity holders of the parent company										Total equity
	Share capital	Share premium fund	Fair value and other reserves	Treasury shares	Reserve for invested non-restricted equity	Hybrid bond	Cumulative translation differences	Retained earnings	Total equity attributable to equity holders of parent company	Non-controlling interest	
Equity at January 1, 2018	17.2	20.2	-15.0	-15.0	96.6	150.0	-16.7	226.6	463.8	3.2	466.9
IFRS 9 restatement ¹	-	-	-	-	-	-	-	-0.8	-0.8	-	-0.8
IFRS 2 restatement ¹	-	-	-	-	-	-	-	0.8	0.8	-	0.8
Restated equity at January 1, 2018	17.2	20.2	-15.0	-15.0	96.6	150.0	-16.7	226.6	463.8	3.2	466.9
Hybrid bond interest (net of tax)	-	-	-	-	-	-	-	-8.9	-8.9	-	-8.9
Share-based compensation	-	-	-	2.6	1.7	-	-	-3.9	0.3	-	0.3
Total comprehensive income for the period	-	-	-3.0	-	-	-	-6.2	-2.2	-11.4	0.1	-11.4
Other changes	-	-	-	-	-	-	-	0.3	0.3	-	0.3
Equity at June 30, 2018	17.2	20.2	-18.0	-12.5	98.3	150.0	-22.9	211.9	444.1	3.2	447.3
Equity at January 1, 2019	17.2	20.2	-18.4	-12.6	98.3	150.0	-27.3	146.9	374.4	3.0	377.4
IFRIC 23 restatement ¹	-	-	-	-	-	-	-	-0.6	-0.6	-	-0.6
Restated equity at January 1, 2019	17.2	20.2	-18.4	-12.6	98.3	150.0	-27.3	146.3	373.8	3.0	376.8
Hybrid bond interest (net of tax)	-	-	-	-	-	-	-	-8.9	-8.9	-	-8.9
Share-based compensation	-	-	-	0.6	0.4	-	-	-0.6	0.5	-	0.5
Total comprehensive income for the period	-	-	-5.6	-	-	-	4.3	13.9	12.6	0.0	12.6
Minority acquisition	-	-	-8.8	-	-	-	-	-	-8.8	0.0	-8.8
Other changes	-	-	0.2	-	-	-	-	-0.2	0.0	-	0.0
Equity at June 30, 2019	17.2	20.2	-32.5	-11.9	98.7	150.0	-23.0	150.6	369.2	3.0	372.2

¹ IAS 8 change in accounting policies (net of tax)

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

These Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting policies and methods have been applied in these Interim Financial Statements as in the latest Annual Financial Statements, except for the changes specified below. These Interim Financial Statements are unaudited.

The following new standards and interpretations have been adopted as of January 1, 2019:

IFRS 16 – Leases

Outotec has adopted the IFRS 16 standard as of January 1, 2019. As a result, right-of-use assets of EUR 70.7 million and a lease liability of EUR 70.7 million were recognized in the consolidated financial statements as of January 1, 2019. The standard change will slightly improve the operating profit, and the impact on net profit is immaterial. Outotec transitioned to IFRS 16 in accordance with the modified retrospective approach. The prior year figures were not adjusted. Right-of-use assets were measured at the amount of the lease liability (adjusted for any prepaid or accrued lease expenses).

Reconciliation of lease commitments and liabilities EUR million	January 1, 2019
Operating lease commitments at December 31, 2018	78.5
Short term lease contracts	-1.7
Low-value lease contracts	-0.5
Other	2.8
Lease liability recognized at January 1, 2019	79.1
Discounting	-8.4
Lease liability at January 1, 2019	70.7
Current lease liability	14.9
Non-current lease liability	55.9

Background

The new standard aims to provide better transparency for a lessee's financial leverage and capital employed. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The requirements for lessors remain mainly unchanged. IFRS 16 replaces the IAS 17 standard and related interpretations.

Transition to IFRS 16 and changes in accounting principles

Outotec conducted a Group-wide analysis of the Group's lease contracts. Outotec's lease portfolio consists primarily of offices, warehouses and company cars.

As part of the initial application of the IFRS 16, Outotec has decided not to apply the new guidance to leases whose contract term will end within twelve months of the date of initial application. These leases will be accounted for as short-term leases and the related lease payments will be

recognized as an expense. In addition, Outotec has chosen to apply the relief option, which allows it to adjust the right of use asset by the amount of any provision for onerous leases recognized in the statement of financial position immediately prior to the date of initial application.

Outotec will apply the exemptions for short-term leases and leases for which the underlying asset is of low value, and will not recognize the right-of-use asset and lease liability for these lease contracts. The lease expenses related to these types of contracts will be recognized on a straight-line basis in the statement of comprehensive income. Outotec assesses on an annual basis whether possible lease contract extension or termination options are exercised. If these options are to be exercised, the lease term will be adjusted accordingly. Currently, Outotec does not have lease contracts with perpetual lease terms. In the event of a perpetual lease contract, Outotec will estimate the lease term for the contract to be used for the right-of-use asset and lease liability calculations.

In the statement of financial position, a right-of-use asset is recognized for lease contracts. The right-of-use asset is measured at the amount of lease liability and any prepayments or initial direct costs incurred. Lease liability is recognized at the present value of the remaining lease payments in the statement of financial position. Lease payments are discounted with the interest rate implicit in the lease contract or, if that rate cannot be readily determined, Outotec's incremental borrowing rates will be used. Outotec has decided to use the risk free currency-based rate as the base rate for the incremental borrowing rate. On top of the currency-based rate, Outotec's margin is added, based on the cost of Outotec's external debt. In addition, the lease term is taken into account in the incremental borrowing rate. Upon the initial application of IFRS 16, the lease liabilities were discounted at the incremental borrowing rate as of January 1, 2019. The weighted average discount rate was 3.4%.

Under IFRS 16, depreciation on a right-of-use asset and the interest expense on the discounted lease liability is recognized in the statement of comprehensive income in comparison to a lease expense recognized under IAS 17. In the consolidated statement of cash flows, net cash from operating activities will increase, and the net cash used in financing activities will decrease as the repayment of the principal portion of the lease liabilities is classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the new standard did not have any significant impact on the financial statements.

IFRIC 23 – Uncertainty over income tax treatments

Outotec has adopted the IFRIC 23 interpretation as of January 1, 2019. Outotec transitioned to IFRIC 23 in accordance with the modified retrospective approach. Based on the analysis of uncertain tax treatments in the light of IFRIC 23, Outotec recognized additional income tax liabilities totaling EUR 0.6 million affecting the opening balance of retained earnings. Prior to the restatement, income tax liabilities on January 1, 2019 totaled EUR 8.4 million, and after restatement of EUR 0.6 million, the income tax liabilities were EUR 9.1 million.

The new interpretation should be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatment under IAS 12. Based on IFRIC 23, an entity must consider whether it is probable that the relevant tax authority would accept each tax treatment used in its income tax filings, assuming full visibility of all relevant information. Each uncertain tax treatment is to be considered separately or

together as a group, and the impact of uncertainty is to be measured using either the most likely amount or the expected value method, depending on which approach better predicts resolution of the uncertainty.

Amendments to IAS 19

Outotec has adopted the amendments to IAS 19 (Employee benefits) as of January 1, 2019. The amendments did not have a material impact on the Group's financial statement. The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements.

The following new standards and interpretations have been published, but they are not effective in 2019, nor has Outotec early-adopted them:

Amendments to IFRS 3 and IAS 1

The amendment to IFRS 3 (Business combinations) revises the definition of a business. The amendments to IAS 1 (Presentation of financial statements) and consequential amendments to other IFRS standards clarify the definition of materiality. These amendments are effective for periods after January 1, 2020, but have not yet been endorsed by the EU and are not expected to have a material impact on the Group's financial statements.

Accounting estimates and judgements

IFRS requires management to make estimates and judgements that affect the reported amounts. The most significant accounting estimates and judgements made by the management relate to customer contracts, impairment of goodwill, valuation of inventories and trade receivables, provisions, pension obligations and deferred tax assets and liabilities. Although these estimates are based on the management's best knowledge of current events and actions, the actual results may differ from the estimates used in the financial statements.

Note 1. Segment information

Outotec's business logic is to serve its customers by providing solutions throughout the entire life cycle of customer operations in order to ensure optimized total cost of ownership. Outotec reports its result in line with the Group's strategy and internal financial reporting structure. Outotec's reportable operating segments are: Minerals Processing and Metals, Energy & Water. The Board of Directors assesses the Group's financial position and its development as a whole and based on the two operating segments.

Minerals Processing

Outotec provides the mining industry with sustainable mineral processing solutions, from pre-feasibility studies to complete plants and life cycle services. Outotec's comprehensive offering makes the efficient and profitable treatment of virtually all ore types possible.

Metals, Energy & Water

Outotec provides sustainable solutions for metal processing, renewable energy production and industrial water treatment. Metals include an extensive range of metal processing solutions for processing virtually all types of ores and concentrates to refined metals. Energy includes innovative solutions for biomass, coal, sludge, agricultural and industrial by-products as well as oil shale and phosphorus recycling from sewage sludge ashes. Water includes solutions to produce water that meets the environmental discharge standards and maximize water recycling as well as reduce water and energy consumption.

Disaggregation of sales EUR million	Q1-Q2 2019	Q1-Q2 2018	Q1-Q4 2018
Minerals Processing			
Project sales (major portion recognized over time)	174.9	203.2	413.5
Service sales (major portion recognized at a point in time)	183.5	149.6	344.3
Sales total, Minerals Processing	358.5	352.8	757.8
Metals, Energy & Water			
Project sales (major portion recognized over time)	137.5	202.9	366.4
Service sales (major portion recognized at a point in time)	85.5	62.6	152.3
Sales total, Metals, Energy & Water	222.9	265.5	518.7
Sales total	581.4	618.4	1,276.5
of which is recognized over time	321.3	379.3	748.1
of which is recognized at a point in time	260.1	239.0	528.4
Adjusted EBIT ¹ by segment EUR million	Q1-Q2 2019	Q1-Q2 2018	Q1-Q4 2018
Minerals Processing	37.2	33.2	84.1
Metals, Energy & Water	-5.2	-15.4	-125.0
Unallocated ² and intra-group items	-2.8	-3.1	-5.4
Total adjusted EBIT¹	29.2	14.6	-46.2

¹ Excluding restructuring- and acquisition-related items and PPA amortizations disclosed in note 2.

² Unallocated items primarily include group management and administrative services

Operating result by segment EUR million	Q1-Q2 2019	Q1-Q2 2018	Q1-Q4 2018
Minerals Processing	36.0	30.7	78.5
Metals, Energy & Water	-7.2	-21.9	-135.5
Unallocated ² and intra-group items	-4.7	-6.4	-9.1
Total operating result	24.0	2.4	-66.1

² Unallocated items primarily include group management and administrative services

Reconciliation of adjusted EBIT and EBITA	Q1-Q2 2019	Q1-Q2 2018	Q1-Q4 2018
Operating result (EBIT), EUR million	24.0	2.4	-66.1
- Restructuring and acquisition-related costs (note 2)	1.8	8.9	13.3
- PPA amortization (note 2)	3.3	3.3	6.6
Adjusted EBIT ¹ , EUR million	29.2	14.6	-46.2
Adjusted EBIT ¹ , %	5.0	2.4	-3.6
- Amortization on intangible assets (other than PPA)	10.3	10.4	21.1
Adjusted EBITA ² , EUR million	39.5	25.0	-25.1
Adjusted EBITA ² , %	6.8	4.0	-2.0

¹ Excluding restructuring- and acquisition-related items and PPA amortizations.

² Excluding all amortizations, as well as adjustment items comprising of restructuring and capacity adjustment costs, costs related to mergers and acquisitions, outcome of material intellectual right property disputes, gains and losses on business disposals and goodwill impairments.

Note 2. Items excluded from adjusted EBIT

Restructuring and acquisition items EUR million	Q1-Q2 2019	Q1-Q2 2018	Q1-Q4 2018
Personnel-related restructuring costs	0.1	-3.4	-4.7
Impairments on non-current assets	-	-0.7	-0.7
Other restructuring-related items	-1.9	-4.7	-8.2
Items related to restructuring, total	-1.8	-8.8	-13.5
Items related to acquisitions	-	-	0.3
Reversal of earn-out liability from acquisitions	-	-	-
Arbitration cost related to past acquisitions	-	-0.1	-0.0
Restructuring and acquisition items, total	-1.8	-8.9	-13.3
Restructuring and acquisition items are allocated to:			
Minerals Processing	0.1	-1.2	-3.0
Metals, Energy & Water	-0.0	-4.5	-6.6
Unallocated items	-1.9	-3.3	-3.7

Purchase price allocation (PPA) amortizations EUR million	Q1-Q2 2019	Q1-Q2 2018	Q1-Q4 2018
Minerals Processing	-1.3	-1.3	-2.7
Metals, Energy & Water	-2.0	-2.0	-4.0
Total PPA amortizations	-3.3	-3.3	-6.6

Note 3. Income taxes	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	2019	2018	2018
Current taxes	-12.8	-4.4	-7.1
Deferred taxes	7.3	5.0	15.2
Total income taxes	-5.5	0.6	8.2

Note 4. Intangible assets	June 30,	June 30,	December 31,
EUR million	2019	2018	2018
Historical cost at beginning of period	524.4	525.8	525.8
Translation differences	0.6	-2.4	-3.2
Additions	4.6	5.5	12.6
Disposals	-4.3	-0.0	-0.3
Reclassifications	0.2	0.1	-0.1
Impairment during the period	-	-2.5	-10.5
Historical cost at end of period	525.5	526.4	524.4
Accumulated depreciation and impairment at beginning of period	-186.0	-166.6	-166.6
Translation differences	-0.1	-0.0	-0.4
Disposals	4.3	0.0	0.1
Amortization during the period	-13.7	-13.8	-27.7
Impairment during the period	-	1.8	8.5
Accumulated depreciation and impairment at end of period	-195.5	-178.6	-186.0
Carrying value at the end of the period	330.0	347.8	338.4

Note 5. Property, plant and equipment	June 30,	June 30,	December 31,
EUR million	2019	2018	2018
Historical cost at beginning of period	156.8	151.2	151.2
Translation differences	0.7	-1.3	-1.9
Additions	4.3	5.0	8.8
Disposals	-0.7	-0.7	-2.5
Classification as held for sale	-1.4	-	-
Reclassifications	-0.2	-0.1	1.3
Impairment during the period	-	-	-0.1
Historical cost at end of period	159.5	154.1	156.8
Accumulated depreciation and impairment at beginning of period	-103.4	-95.2	-95.2
Translation differences	-0.4	0.9	1.5
Disposals	0.5	0.4	1.8
Classification as held for sale	0.7	-	-
Reclassifications	-0.0	0.0	-0.8
Depreciation during the period	-5.2	-5.6	-10.9
Impairment during the period	-	-	0.1
Accumulated depreciation and impairment at end of period	-107.9	-99.5	-103.4
Carrying value at the end of the period	51.5	54.6	53.3

Note 6. Right-of-use assets	June 30,
EUR million	2019
Historical cost at the beginning of the period	70.7
Translation differences	0.1
Additions	2.4
Disposals	-0.0
Classification as held for sale	-0.3
Historical cost at end of period	72.8
Accumulated depreciation and impairment at the beginning of the period	-
Disposals	-
Depreciation during the period	-7.2
Accumulated depreciation and impairment at end of period	-7.2
Carrying value at the end of the period	65.6

Note 7. Breakdown of current trade and other receivables and payables

EUR million	June 30,	June 30,	December 31,
	2019	2018	2018
Trade receivables	170.9	155.3	209.3
Customer contract assets	204.0	175.9	148.1
Other accruals and receivables	56.9	53.2	60.1
Current trade and other receivables, total	431.8	384.3	417.4
Trade payables	128.6	104.9	124.6
Customer contract liabilities (net advances received)	227.4	196.0	210.8
Other accruals and payables	195.5	216.4	194.4
Current trade and other payables, total	551.5	517.4	529.8

Note 8. Changes in significant provisions

On December 31, 2018, Outotec recorded a provision of EUR 110.0 million for possible costs relating to the ilmenite smelter project in Saudi Arabia. The provision was estimated based on progress made with the analysis of the furnace. The outcome of the analysis, together with other factors such as Outotec's contractual position, will determine the eventual liability and financial impact of this incident for Outotec. During the second quarter, the provision has been utilized by EUR 2.2 million. EUR 50.0 million of the provision is recognized under non-current liabilities and EUR 57.8 million under current liabilities.

Note 9. Changes in credit facilities

Outotec's committed revolving credit facilities (EUR 100 million unsecured multicurrency facility and EUR 60 million unsecured facility) have their final maturity in January 2020 and therefore have become short-term credit facilities during the first quarter of 2019. Both credit facilities were fully unutilized as of June 30, 2019.

Note 10. Commitments and contingent liabilities

No securities or collateral have been pledged.

Commercial guarantees relating to project performance obligations and equipment deliveries totaled EUR 516.1 million on June 30, 2019 (June 30, 2018: EUR 480.4 million, December 31, 2018: EUR 490.7 million). These are issued by financial institutions or Outotec Oyj on behalf of Group companies.

The total value of the 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 3.9 million as of June 30, 2019 (June 30, 2018: EUR 4.4 million, December 31, 2018: EUR 4.4 million) and for commercial commitments including advance payment guarantees EUR 682.5 million as of June 30, 2019 (June 30, 2018: EUR 685.2 million, December 31, 2018: EUR 688.1 million). The high exposure of on-demand guarantees may increase the risk of claims that may have an impact on Outotec's liquidity.

Note 11. Derivative instruments

Currency and interest derivatives EUR million	June 30, 2019	June 30, 2018	December 31, 2018
Foreign exchange forward contracts			
Designated as cash flow hedges	-2.6	-3.6	-4.5
Other foreign exchange forward contracts	-1.6	-1.9	1.3
Interest rate swaps			
Designated as cash flow hedges	-	-	-
Designated as fair value hedges	1.9	3.4	2.6
Fair values of derivative contracts, total	-2.2	-2.1	-0.6
Nominal values	740.0	605.0	662.2

Note 12. Carrying amounts of financial assets and liabilities by category

June 30, 2019

EUR million	Fair value through profit or loss	Amortized cost	Fair value through other comprehensive income	Carrying amounts by balance sheet item	Fair value
Non-current financial assets					
Derivative assets					
- foreign exchange forward contracts	0.0	-	-	0.0	0.0
- interest rate swaps under hedge accounting	1.9	-	-	1.9	1.9
- foreign exchange forward contracts under hedge accounting	0.1	-	-	0.1	0.1
Other shares and securities	-	-	1.6	1.6	1.6
Loans receivable	-	4.2	-	4.2	4.2
Other non-current receivables	-	2.3	-	2.3	2.3
Current financial assets					
Derivative assets					
- foreign exchange forward contracts	1.3	-	-	1.3	1.3
- foreign exchange forward contracts under hedge accounting	2.5	-	-	2.5	2.5
Loans receivable and other investments	-	-0.0	-	-0.0	-0.0
Trade and other receivables	-	227.9	-	227.9	227.9
Cash and cash equivalents	-	241.2	-	241.2	241.2
Carrying amount by category	5.8	475.5	1.6	482.9	482.9
Non-current financial liabilities					
Bonds	-	149.7	-	149.7	153.3
Revaluation of bonds and debentures	-	1.9	-	1.9	-
Borrowings from financial institutions	-	0.0	-	0.0	0.0
Derivative liabilities					
- foreign exchange forward contracts	0.0	-	-	0.0	0.0
- foreign exchange forward contracts under hedge accounting	0.2	-	-	0.2	0.2
Other non-current borrowings	-	1.2	-	1.2	1.2
Other non-current liabilities	-	7.1	-	7.1	7.1
Current financial liabilities					
Borrowings from financial institutions	-	28.6	-	28.6	29.2
Derivative liabilities					
- foreign exchange forward contracts	2.8	-	-	2.8	2.8
- foreign exchange forward contracts under hedge accounting	4.9	-	-	4.9	4.9
Other current borrowings	-	24.3	-	24.3	24.3
Trade and other payables	-	270.8	-	270.8	270.8
Carrying amount by category	7.9	483.7	-	491.6	493.9

Carrying amounts of financial assets and liabilities by category

December 31, 2018

EUR million	Fair value through profit or loss	Amortized cost	Fair value through other comprehensive income	Carrying amounts by balance sheet item	Fair value
Non-current financial assets					
Derivative assets					
- foreign exchange forward contracts	0.0	-	-	0.0	0.0
- interest rate swaps under hedge accounting	2.6	-	-	2.6	2.6
- foreign exchange forward contracts under hedge accounting	0.2	-	-	0.2	0.2
Other shares and securities	-	-	1.6	1.6	1.6
Loans receivable	-	4.1	-	4.1	4.1
Other non-current receivables	-	2.3	-	2.3	2.3
Current financial assets					
Derivative assets					
- foreign exchange forward contracts	4.5	-	-	4.5	4.5
- foreign exchange forward contracts under hedge accounting	1.4	-	-	1.4	1.4
Loans receivable and other investments	-	0.0	-	0.0	0.0
Trade and other receivables	-	269.4	-	269.4	269.4
Cash and cash equivalents	-	233.4	-	233.4	233.4
Carrying amount by category	8.7	509.2	1.6	519.6	519.6
Non-current financial liabilities					
Bonds	-	149.5	-	149.5	154.4
Revaluation of bonds and debentures	-	2.7	-	2.7	-
Borrowings from financial institutions	-	24.5	-	24.5	24.9
Derivative liabilities					
- foreign exchange forward contracts	0.3	-	-	0.3	0.3
- foreign exchange forward contracts under hedge accounting	0.3	-	-	0.3	0.3
Other non-current borrowings	-	1.3	-	1.3	1.3
Other non-current liabilities	-	7.1	-	7.1	7.1
Current financial liabilities					
Borrowings from financial institutions	-	4.1	-	4.1	4.7
Derivative liabilities					
- foreign exchange forward contracts	2.9	-	-	2.9	2.9
- foreign exchange forward contracts under hedge accounting	5.8	-	-	5.8	5.8
Other current borrowings	-	18.9	-	18.9	18.9
Trade and other payables	-	266.1	-	266.1	266.1
Carrying amount by category	9.3	474.3	-	483.6	486.7

Note 13. Fair value hierarchy

June 30, 2019

EUR million	Level 1	Level 2	Level 3	Total
Other shares and securities	0.0	-	1.6	1.6
Derivative financial assets	-	5.8	-	5.8
Derivative financial liabilities	-	7.9	-	7.9
December 31, 2018				
Other shares and securities	0.0	-	1.6	1.6
Derivative financial assets	-	8.7	-	8.7
Derivative financial liabilities	-	9.3	-	9.3

Techniques used for the valuation of financial instruments included in the level 2-3 fair value hierarchy:

- For interest rate swaps (level 2), the present value of the estimated future cash flows is based on observable yield curves.
- For foreign currency forwards (level 2), the present value of future cash flows is based on the forward exchange rates at the balance sheet date.
- For unlisted equity securities (level 3), the fair value is estimated based on market information for similar types of companies.

The Group's finance department, which reports to the chief financial officer (CFO), performs the valuations of non-property assets required for financial reporting purposes, including level 3 fair values. Changes in level 3 fair values are analyzed at the end of each reporting period. In the event of any changes, the team will present a report to the CFO explaining the reason for the fair value movements.

Note 14. Other shares and securities (level 3 of fair value hierarchy)

EUR million	Q1-Q2 2019	Q1-Q2 2018	Q1-Q4 2018
Carrying value on Jan 1	1.6	2.2	2.2
Translation differences	0.0	-0.0	-0.0
Decreases	-0.0	0.0	-0.5
Carrying value at end of period	1.6	2.2	1.6

Note 15. Related party transactions

Transactions and balances with associated companies EUR million	Q1-Q2 2019	Q1-Q2 2018	Q1-Q4 2018
Sales	0.0	0.1	0.1
Other income	0.0	0.0	0.1
Purchases	0.9	1.3	3.1
Loan receivables	1.5	1.5	1.5
Trade and other receivables	0.5	0.5	0.6
Current liabilities	0.1	0.2	0.1

Outotec has a 40% investment in Enefit Outotec Technology Oü, from which the company had EUR 1.5 million loan receivables at June 30, 2019 (June 30, 2018 and December 31, 2018: EUR 1.5 million).

Transactions and balances with management and prior management

There were no loan receivables from current or former key management at June 30, 2019 (June 30, 2018: EUR 0.1 million from former key management, December 31, 2018: no loan receivables).

Note 16. Disposal group classified as held for sale

EUR million	June 30, 2019
Property, Plant and Equipment	0.8
Right-of-use assets	0.3
Inventories	0.8
Trade and other receivables	1.0
Cash and cash equivalents	3.2
Disposal group assets classified as held for sale, total	6.1
Non-current lease liabilities	0.2
Current lease liabilities	0.1
Trade and other payables	0.3
Liabilities directly associated with assets classified as held for sale, total	0.7

Outotec has classified the sale of its fabrication and manufacturing businesses in South Africa and Mozambique, announced on May 10, 2019, as held for sale. The transaction is expected to be completed by the end of the third quarter. The business held for sale is part of the Metals, Energy & Water segment.

Note 17. Events after the balance sheet date

On July 4th, Outotec announced the planned combination of Metso and Outotec. Completion is expected in the second quarter of 2020. The new company Metso Outotec will be able to leverage the heritage of both companies: technologies and R&D, product and process excellence, scale and global service footprint.

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