

# INTERIM REPORT



# 2011

January-June

*Outotec develops and provides technology solutions for the sustainable use of Earth's natural resources. As the global leader in minerals and metals processing technology, Outotec has developed over decades several breakthrough technologies. The company also offers innovative solutions for the chemical industry, industrial water treatment and the utilization of alternative energy sources. Outotec shares are listed on the NASDAQ OMX Helsinki. [www.outotec.com](http://www.outotec.com)*

**Outotec**

July 29, 2011

## INTERIM REPORT JANUARY-JUNE 2011

**Record-high order intake and backlog, strong sales growth****January-June 2011 in brief (2010):**

- Order intake: EUR 875.7 million (EUR 769.1 million), +14%
- Order backlog: EUR 1,664.1 million (EUR 1,310.1 million), +27%
- Sales: EUR 536.0 million (EUR 410.8 million), +30%
- Operating profit from business operations (excluding one-time items and purchase price allocation (PPA) amortizations): EUR 32.3 million (EUR 14.9 million), +117%
- Net cash flow from operating activities: EUR 105.7 million (EUR 42.0 million), +152%
- Earnings per share: EUR 0.45 (EUR -0.07)

**April-June 2011 in brief (2010):**

- Order intake: EUR 532.1 million (EUR 349.7 million), +52%
- Sales: EUR 288.4 million (EUR 223.8 million), +29%
- Operating profit from business operations (excluding one-time items and purchase price allocation (PPA) amortizations): EUR 12.1 million (EUR 11.3 million), +7%
- Net cash flow from operating activities: EUR 45.9 million (EUR 34.6 million), +33%

Financial guidance for 2011 reiterated.

**President and CEO Pertti Korhonen:**

"The positive market sentiment continued throughout the first half of 2011 supported by the long-term metals demand projections and historically high metal prices. The activity was especially high in gold, base metals, aluminum and iron industries. I am very pleased with our record-high order intake in the second quarter, which has led to an all-time high order backlog at the end of the reporting period. New orders in the second quarter include the design and turnkey delivery of the world's largest iron ore pelletizing plant for Samarco Mineração in Brazil. Services sales continued to grow strongly and was 30% higher than in the comparison period. Our operating profit more than doubled from the first half of 2010. The quarterly fluctuation of the operating profit was due to normal revenue and profit recognition timing patterns inherent in the project deliveries, and unrealized and realized foreign exchange gains and losses. Our cash flow was good thanks to the advance payments and the company's financial position has remained solid, putting us in a good position to further expand our technology base and business through acquisitions. Despite the turbulences of the financial markets in Europe and USA, Outotec's market outlook has remained good - as substantiated by the several large orders we have announced in July - and due to the fact that approximately two-thirds of Outotec's sales comes from emerging markets. In order to fulfill the strong demand for Outotec's solutions and services, and to meet our growth aspirations, we continued to recruit new professionals."

Summary of key figures	Q2 2011	Q2 2010	Q1-Q2 2011	Q1-Q2 2010	Last 12 months	Q1-Q4 2010
Sales, EUR million	<b>288.4</b>	223.8	<b>536.0</b>	410.8	1,094.7	969.6
Gross margin, %	<b>20.9</b>	25.5	<b>23.5</b>	25.0	25.3	26.2
Operating profit from business operations, EUR million	<b>12.1</b>	11.3	<b>32.3</b>	14.9	92.1	74.7
Operating profit from business operations, %	<b>4.2</b>	5.1	<b>6.0</b>	3.6	8.4	7.7
Operating profit, EUR million	<b>10.9</b>	5.5	<b>29.8</b>	-4.6	76.1	41.6
Operating profit margin, %	<b>3.8</b>	2.4	<b>5.6</b>	-1.1	6.9	4.3
Profit before taxes, EUR million	<b>11.2</b>	5.7	<b>29.2</b>	-4.6	71.0	37.1
Net cash from operating activities, EUR million	<b>45.9</b>	34.6	<b>105.7</b>	42.0	151.2	87.5
Net interest-bearing debt at the end of period, EUR million	<b>-250.6</b>	-166.8	<b>-250.6</b>	-166.8	-250.6	-200.9
Gearing at the end of period, %	<b>-74.6</b>	-51.8	<b>-74.6</b>	-51.8	-74.6	-56.2
Working capital at the end of period, EUR million	<b>-196.5</b>	-107.8	<b>-196.5</b>	-107.8	-196.5	-113.5
Return on investment, %	<b>12.0</b>	5.6	<b>16.6</b>	-2.9	20.6	9.2
Return on equity, %	<b>9.4</b>	5.1	<b>11.8</b>	-2.0	15.3	7.6
Order backlog at the end of period, EUR million	<b>1,664.1</b>	1,310.1	<b>1,664.1</b>	1,310.1	1,664.1	1,393.1
Order intake, EUR million	<b>532.1</b>	349.7	<b>875.7</b>	769.1	1,501.3	1,394.7
Personnel, average for the period	<b>3,428</b>	3,171	<b>3,325</b>	3,168	3,229	3,151
Earnings per share, EUR	<b>0.17</b>	0.09	<b>0.45</b>	-0.07	1.11	0.59

## INTERIM REPORT JANUARY-JUNE 2011

### OPERATING ENVIRONMENT

The overall market activity remained high in the reporting period. The mining and metals industry's investments were supported by the positive long-term outlook for metals demand and historically very high metals prices. Production capacity utilization rates continued to be good increasing the demand for spare parts and services. Markets in South America, Australia and India were particularly strong, but activity also picked up in Russia and the Middle East. In terms of metals, the strongest activity was seen in copper, gold and iron projects; however, zinc and aluminum projects also advanced. The market for sulfuric acid technology remained good as well due to investment activity in copper projects and high production levels. In some technology areas, the workload for internal experts was high due to intensive sales and proposal activity. In addition, there were some signs that delivery times in some areas of the subcontractor network started to lengthen, yet remaining well below the levels of the last up-cycle. In addition to minerals and metals processing solutions, there was strong customer activity around alternative energy, industrial water treatment and environmental solution projects.

The financial market has remained functional despite global turbulence. Furthermore, financial institutions have been willing to provide funding in emerging and developing markets. In addition, high metals prices coupled with the ensuing strong cash flows, have been supporting Outotec's customers in financing of new projects.

Interest in sustainable solutions continues to gain momentum as the legislation to restrict the use of inefficient plants and processes intensifies. The sustainability trend is positive for Outotec, since the company delivers advanced technology solutions allowing customers to minimize their life time costs for processes as well as their environmental impacts while maximizing the recovery of valuable materials.

### ORDER INTAKE

Order intake in the reporting period amounted to EUR 875.7 million (Q1-Q2/2010: EUR 769.1 million) including plant deliveries, technology and equipment deliveries as well as services. In the reporting period, orders from EMEA (Europe including CIS, Middle East and Africa) represented roughly 40%, Americas 40% and Asia Pacific 20% of the total order intake. The orders received in the second quarter of 2011 totaled EUR 532.1 million, which is 52% higher than in the comparison period (Q2/2010: EUR 349.7 million).

Major new orders in the second quarter:

- gold recovery technology for Petropavlovsk Group's JSC Pokrovskiy Mine, Russia (value not disclosed);
- copper flash smelting technology for National Iranian Copper Industries Company, Iran (EUR 61 million); and
- iron ore pelletizing plant for Samarco Mineração, Brazil (EUR 200 million).

Major new orders in the first quarter:

- copper flash smelting furnace and related services together with SNC-Lavalin for RTB Bor, Serbia (EUR 60 million);
- oil shale preparation plant for Eesti Energia, Estonia (EUR 20 million);
- effluent treatment plant for Codelco, Chile (EUR 18 million); and
- key process technologies and services for a copper/gold concentrator for Sandfire Resources, Australia (EUR 15 million).

## ORDER BACKLOG

The order backlog at the end of the reporting period was record-high and totaled EUR 1,664.1 million, which is 27% higher than at the end of the comparison period (June 30, 2010: EUR 1,310.1 million).

At the end of the reporting period, Outotec had 26 projects with an order backlog value in excess of EUR 10 million, accounting for 64% of the total backlog. Management estimates that roughly 42% (approximately EUR 700 million) of the June-end backlog value will be delivered in 2011 and the rest in 2012 and beyond. At the end of the reporting period the order backlog included roughly EUR 20 million (June 30, 2010: EUR 60 million) in suspended projects.

## SALES AND FINANCIAL RESULT

Sales in the reporting period totaled EUR 536.0 million (Q1-Q2/2010: EUR 410.8 million), a 30% increase from the comparison period. Currencies did not have any material effect on sales growth which resulted from a strong opening backlog for 2011 and good progress in project deliveries especially in the Non-ferrous Solutions business area. Also the Ferrous Solutions business area returned to a growth track. Sales for the second quarter totaled EUR 288.4 million (Q2/2010: EUR 223.8 million).

Sales in the Services business, which is included in the sales figures for the three reporting segments, totaled EUR 146.7 million in the reporting period (Q1-Q2/2010: EUR 112.5 million), up 30% from the comparison period and accounting for 27% of Outotec's sales (Q1-Q2/2010: 27%). The sales volume for the Services business in the second quarter totaled EUR 75.6 million (Q2/2010: EUR 62.0 million).

Operating profit from business operations for the reporting period was EUR 32.3 million (Q1-Q2/2010: EUR 14.9 million), representing 6.0% of sales (Q1-Q2/2010: 3.6%). The increase resulted from a higher sales volume especially in the Non-ferrous Solutions business area. In addition, unrealized and realized exchange gains related to currency forward contracts increased profitability by EUR 4.8 million (Q1-Q2/2010: EUR -1.4 million). PPA amortizations for the reporting period were EUR 2.4 million (Q1-Q2/2010: EUR 5.6 million). Operating profit for the reporting period was EUR 29.8 million (Q1-Q2/2010: EUR -4.6 million). Operating profit from business operations in the second quarter of 2011 was EUR 12.1 million (Q2/2010: EUR 11.3 million), representing 4.2% of sales (Q2/2010: 5.1%). The margin was affected by timing of the project executions including fewer project completions during the reporting period as well as higher fixed costs related to long term growth targets.

Fixed costs for the reporting period were EUR 101.0 million (Q1-Q2/2010: EUR 92.3 million). The increase was primarily due to investments in developing and deploying Outotec's global operational model, personnel increases supporting the growth especially related to the development of its service and supply organizations, fixed costs of acquired companies, business development projects and costs of the share-based incentive program. Profit before taxes for the reporting period was EUR 29.2 million (Q1-Q2/2010: EUR -4.6 million). It included net finance expense of EUR 0.6 million (Q1-Q2/2010: net finance income EUR 0.0 million). The net finance expense increased due to changes in financial instruments' market valuation and

interest and fees related to the new financing facilities. Net profit for the reporting period was EUR 20.4 million (Q1-Q2/2010: EUR -3.2 million). Taxes totaled EUR 8.8 million (Q1-Q2/2010: EUR 1.4 million positive). Earnings per share were EUR 0.45 (Q1-Q2/2010: EUR -0.07). Earnings per share in the comparison period of 2010 was impacted by the one-time costs related to the cost savings program.

Outotec's return on equity for the reporting period was 11.8% (Q1-Q2/2010: -2.0%), and return on investment was 16.6% (Q1-Q2/2010: -2.9%).

<b>Sales and Operating Profit by Segment</b>	<b>Q2</b>	<b>Q2</b>	<b>Q1-Q2</b>	<b>Q1-Q2</b>	<b>Q1-Q4</b>
EUR million	<b>2011</b>	2010	<b>2011</b>	2010	2010
<b>Sales</b>					
Non-ferrous Solutions	<b>191.4</b>	141.3	<b>353.4</b>	254.8	623.3
Ferrous Solutions	<b>42.6</b>	32.9	<b>86.3</b>	52.9	131.5
Energy, Light Metals and Environmental Solutions	<b>57.7</b>	52.6	<b>103.8</b>	107.2	222.8
Unallocated items*) and intra-group sales	<b>-3.4</b>	-3.0	<b>-7.5</b>	-4.0	-8.0
<b>Total</b>	<b>288.4</b>	223.8	<b>536.0</b>	410.8	969.6
<b>Operating profit</b>					
Non-ferrous Solutions	<b>12.6</b>	4.8	<b>30.7</b>	-10.6	26.1
Ferrous Solutions	<b>-1.9</b>	1.4	<b>1.3</b>	-1.1	11.3
Energy, Light Metals and Environmental Solutions	<b>5.2</b>	1.9	<b>8.6</b>	11.9	26.8
Unallocated**) and intra-group items	<b>-5.0</b>	-2.6	<b>-10.7</b>	-4.8	-22.6
<b>Total</b>	<b>10.9</b>	5.5	<b>29.8</b>	-4.6	41.6

\*) Unallocated items primarily include invoicing of group management and administrative services.

\*\*) Unallocated items primarily include group management and administrative services.

## Non-ferrous Solutions

Sales in the Non-ferrous Solutions business area in the reporting period increased 39% over the comparison period and totaled EUR 353.4 million (Q1-Q2/2010: EUR 254.8 million). The increase in sales was due to a strong starting order backlog for the year, continued strong order intake, growth of service business sales and good progress in deliveries during the reporting period. Operating profit from business operations was EUR 32.8 million (Q1-Q2/2010: EUR 5.9 million) and operating profit was EUR 30.7 million (Q1-Q2/2010: EUR -10.6 million). The unrealized and realized exchange gains related to currency forward contracts increased profitability by EUR 4.2 million (Q1-Q2/2010: unrealized and realized loss of EUR 3.4 million). The operating profit increase was due to the higher sales and solid project execution.

## Ferrous Solutions

Sales in the Ferrous Solutions business area in the reporting period totaled EUR 86.3 million (Q1-Q2/2010: EUR 52.9 million). The 63% increase in sales compared to 2010 was due to the execution of long-term projects from the backlog. The operating profit from business operations was EUR 1.3 million (Q1-Q2/2010: EUR 0.1 million) and operating profit was EUR 1.3 million (Q1-Q2/2010: EUR -1.1 million). The operating profit was impacted by higher expenses related to the sales and offering work in large turnkey projects, such as the Samarco Mineração project in Brazil announced in June.

## Energy, Light Metals and Environmental Solutions

Sales in the Energy, Light Metals and Environmental Solutions business area in the reporting period totaled EUR 103.8 million (Q1-Q2/2010: EUR 107.2 million). The decline in sales was mainly due to the timing of revenue recognition of long-term projects. Operating profit from business operations was EUR 8.9 million (Q1-Q2/2010: EUR 13.0 million) and operating profit was EUR 8.6 million (Q1-Q2/2010: EUR 11.9 million). The comparison period's operating profit was improved by the release of project provisions related to successful project completions. The unrealized and realized exchange gains related to currency forward contracts increased profitability by EUR 0.7 million (Q1-Q2/2010: unrealized and realized gain of EUR 1.5 million).

## BALANCE SHEET, FINANCING AND CASH FLOW

The consolidated balance sheet total was EUR 1,195.6 million at the end of the reporting period (June 30, 2010: EUR 918.2 million). The equity to shareholders of the parent company was EUR 335.1 million (June 30, 2010: EUR 321.3 million), representing EUR 7.38 (June 30, 2010: EUR 7.08) per share.

The net cash flow from operating activities in the reporting period was strong at EUR 105.7 million (Q1-Q2/2010: EUR 42.0 million). The net cash flow from operating activities increased because of advance payments. Gearing improved further from comparison period and was -74.6% (June 30, 2010: -51.8%).

Outotec's working capital amounted to EUR -196.5 million at the end of the reporting period (June 30, 2010: EUR -107.8 million). Working capital developed positively due to advance payments related to projects under execution and new orders received.

At the end of the reporting period, Outotec's cash and cash equivalents totaled EUR 313.5 million (June 30, 2010: EUR 220.9 million). The cash and cash equivalents was also affected by the dividend payment of EUR 34.3 million (EUR 0.75 per share) in April 2011 (April 2010: EUR 32.0 million). The company invests its excess cash in short-term money market instruments such as bank deposits and corporate commercial certificates of deposit.

Outotec's financing structure remained strong and liquidity was good. Net interest-bearing debt at the end of the reporting period was EUR -250.6 million (June 30, 2010: EUR -166.8 million). The advance payments received at the end of the reporting period totaled EUR 289.2 million (June 30, 2010: EUR 166.5 million), representing an increase of 74% from the comparison period. Outotec's equity-to-assets ratio was 37.1% (June 30, 2010: 42.9%). The company's capital expenditure in the reporting period was EUR 14.8 million (Q1-Q2/2010: EUR 80.7 million). Capital expenditure included investments mainly in developing and deploying Outotec's global operational model, machinery and intellectual property rights.

At the end of the reporting period, guarantees for commercial commitments, including advance payment guarantees issued by the parent and other Group companies were EUR 377.6 million (June 30, 2010: EUR 335.7 million).

## RESEARCH AND TECHNOLOGY DEVELOPMENT

In the reporting period, Outotec's research and technology development expenses totaled EUR 15.2 million (Q1-Q2/2010: EUR 13.7 million), representing 2.8% of sales (Q1-Q2/2010: 3.3%). Outotec filed 18 new priority applications (Q1-Q2/2010: 32), and 131 new national patents were granted (Q1-Q2/2010: 81).

In April, Outotec acquired the vertical pressure filter (VPF) technology and its intellectual property rights from Australian Process Technology Pty Ltd, a filters supplier for the alumina refining industry. The acquisition did not include personnel transfer. The purchase price has not been disclosed.

In February, Outotec acquired the technologies, trademarks and patents for ASH DEC Umwelt AG. This Austrian-based company has developed a process to extract recycled phosphorus fertilizer from ash which is also a by-product of incinerated biomass/sludge. The ASH DEC process complements Outotec's existing biomass incineration solutions based on fluidized bed technology. The acquisition price has not been disclosed.

## SUSTAINABILITY

In June Outotec published its first sustainability report, which defines company's approach to sustainability and discloses its performance in 2010 as well as providing future targets. The report conforms to Application Level B+ of the Global Reporting Initiative, as confirmed in a check by the GRI and is third-party assured by Ecobio Ltd. The report is available at [www.outotec.com/sustainability](http://www.outotec.com/sustainability).

## PERSONNEL

At the end of the reporting period, Outotec had a total of 3,496 employees (June 30, 2010: 3,199). Outotec had on average 3,325 employees (Q1-Q2/2010: 3,168). The average number of personnel increased by 157 over the comparison period, which supports overall business growth objectives. Temporary personnel accounted for approximately 10% (2010: 8%) of the total number of employees.

<b>Distribution of Personnel by Region</b>	<b>June 30, 2011</b>	June 30, 2010	<b>change %</b>	Dec 31, 2010
EMEA (including CIS)	<b>2,164</b>	2,016	<b>7.3</b>	1,945
Americas	<b>837</b>	748	<b>11.9</b>	759
Asia Pacific	<b>495</b>	435	<b>13.7</b>	426
<b>Total</b>	<b>3,496</b>	3,199	<b>9.3</b>	3,130

At the end of the reporting period, the company had, in addition to its own personnel, approximately 430 (June 30, 2010: 250) 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 reporting period, salaries and other employee benefits totaled EUR 133.2 million (Q1-Q2/2010: EUR 106.8 million). The increase from the comparison period was due to wage inflation, bonuses and share-based incentive programs as well as personnel increases.

## SHARE-BASED INCENTIVE PROGRAMS AND EXECUTIVE BOARD SHARE OWNERSHIP PLAN

### Share-based Incentive Program 2010-2012

Outotec's board of directors decided on April 23, 2010 to adopt a share-based incentive program for the company's key personnel. The program incorporates three earning periods: calendar years 2010, 2011 and 2012. The board of directors determines the amount of the maximum reward for each individual, the earning criteria and the targets established for them separately on an annual basis. The maximum value of the rewards for the entire program equals approximately 1,000,000 shares, including a cash payment which equals income taxes.

#### *Earning period 2010*

The reward paid to 68 individuals was determined by reaching the targets set by the board of directors for cost savings, order intake and earnings per share. The total reward for the 2010 earning period was EUR 9.8 million with 138,144 shares allocated and EUR 6.1 million paid in cash to cover income taxes.

The total reward paid to president and CEO Pertti Korhonen totaled EUR 876,796.08 (9,824 shares and cash to cover income taxes).

The former president and CEO Tapani Järvinen, also participated - according to his CEO agreement - in the incentive program 2010-2012 earning period 2010. The total reward paid to Mr. Järvinen totaled EUR 884,312.33 (9,824 shares and cash to cover income taxes).

#### *Earning period 2011*

The board of directors approved (March 1, 2011) 94 individuals for the program's 2011 earning period and set targets for order intake, earning per share and sales growth. The maximum total reward (including a cash payment which equals income taxes) for the 2011 earning period equals 435,625 Outotec shares.

## Executive Board share ownership plan

In 2010, Outotec's board of directors determined a new share ownership plan directed to the members of the Outotec executive board. As part of the plan, the executive board members established Outotec Management Oy company, whose entire share capital is owned by them. The purpose of the plan is to commit executive board members to Outotec by encouraging them to acquire and hold Outotec shares and thus increase the company's shareholder value in the long run. They invest a considerable amount of their own funds in company shares and partly through a loan provided by Outotec. The company's board of directors granted to Outotec Management Oy an interest-bearing loan at the maximum amount of EUR 4,980,000 to finance the acquisition of the Outotec shares. The executive board members hold approximately 0.34% of Outotec shares through the company.

Outotec has consolidated Outotec Management Oy into the Group's balance sheet. At the end of the reporting period, Outotec Management Oy held 191,211 (July 29, 2011: 191,211) Outotec shares which have been accounted as treasury shares in Outotec's balance sheet.

## SHARES AND SHARE CAPITAL

Outotec's shares are listed on the NASDAQ OMX Helsinki (OTE1V). At the end of the reporting period, Outotec's share capital was EUR 17,186,442.52 consisting of 45,780,373 shares. Each share entitles its holder to one vote at the company's general shareholder meetings.

The annual general meeting 2011 authorized Outotec's board of directors to determine the repurchasing of company's own shares, and to issue new shares. The maximum number of shares related to both authorizations is 4,578,037. Authorizations are in force until the next annual general meeting. The board has not executed its authorizations per July 29, 2011.

## TRADING, MARKET CAPITALIZATION AND SHAREHOLDERS

In the reporting period, the volume-weighted average price for a share in the company was EUR 40.81; the highest quotation for a share was EUR 46.78 and the lowest EUR 34.90. The trading of Outotec shares in the reporting period exceeded 36 million shares, with a total value of over EUR 1,488 million. At the end of the reporting period, Outotec's market capitalization was EUR 1,795 million and the last quotation for the share was EUR 39.20. At the end of the reporting period, the company did not hold any treasury shares for trading purposes.

Outotec has an agreement with a third-party service provider concerning administration and hedging of the share-based incentive program for key personnel. These shares are accounted as treasury shares in Outotec's consolidated balance sheet. At the end of the reporting period, the amount of these treasury shares was 194,399. There have been no purchases of Outotec shares based on this agreement during the reporting period.

Outotec has consolidated Outotec Management Oy (incentive plan for Outotec executive board members) into the Group's balance sheet. At the end of the reporting period, Outotec Management Oy held 191,211 (July 29, 2011: 191,211) Outotec shares which have been accounted as treasury shares in Outotec's balance sheet.

At the end of the reporting period, Outotec had 13,938 shareholders. Shares held in 18 nominee registers accounted for 57.5% and Finnish households held roughly 12.3% of all Outotec shares.

## EVENTS AFTER THE REPORTING PERIOD

On July 12, 2011 Outotec announced that it had agreed to deliver concentrator technology for the Petropavlovsk Group in Malomyr gold mine in the Russian Far East. The contract value is EUR 25 million and it complements the pressure-leaching process technology contract Outotec and Petropavlovsk disclosed on May 3, 2011. The order will be booked in the third quarter order intake.



On July 14, 2011 Outotec announced that it had agreed with Ma'aden Bauxite Alumina Company, a joint venture between Saudi Arabian Mining Company (Ma'aden) and Alcoa in Saudi Arabia, to deliver two calciners to the joint venture's integrated aluminum complex at Ras Al Khair (formerly Ras Az Zawr), Saudi Arabia. The overall price for the calciners is approximately EUR 62 million, of which roughly EUR 50 million will be booked in Outotec's order intake in the third quarter.

On July 15, 2011 Outotec announced that it had signed a contract with ZAO Miheevsky GOK, a subsidiary of Russian Copper Company, for the design and delivery of a new copper concentrator for the Miheevsky porphyry-copper project located in Chelyabinsk, Russia. The contract value exceeds EUR 60 million, which will be booked in Outotec's third quarter order intake.

On July 18, 2011 Outotec announced that it had signed a contract with OJSC Almalyk Mining & Metallurgical Company (AMMC) for the design and delivery of a gas cleaning and sulfuric acid plant to AMMC's existing copper production facilities, located near Almalyk, Uzbekistan. The contract is valued at approximately EUR 30 million.

## **SHORT-TERM RISKS AND UNCERTAINTIES**

### *Risks related to the global operating environment*

Outotec's global business operations are subject to various political, economic and social conditions. Operations in global markets may present risks related to economic and political instability. Turbulence in financial markets and the potential escalation of sovereign debt may have a severe negative impact on global economy and mining companies' project financing. Conditions may rapidly change and create delays and changes in order placement and execution.

### *Risks related to Outotec's business*

As part of the overall project delivery, Outotec gives performance guarantees and is liable for the warranty period defects. In the project risk assessment during the reporting period, all unfinished projects were evaluated and provisions for performance guarantees and warranty period guarantees were updated. There were no material changes in the Group's project risk provisions.

Global economic uncertainty may reduce the demand for Outotec's products and services. Volatility in sales may affect the operating profit margin since the adjustments in fixed costs may become effective with a delay. Outotec's gross margin is also impacted by product mix. Particularly orders which include license fees may have a major impact on the gross margin. Changes in labor costs, especially when operating in high inflationary countries, as well as changes in raw materials and subcontracting prices and the availability of components can affect Outotec's profitability. Outotec hedges these risks mostly contractually.

The nature of international project business, different interpretations of international and local tax rules and regulations may cause additional direct or indirect taxes for Outotec, which would reduce the company's net result.

Acquisitions are an integral part of Outotec's growth strategy. There is a risk that the estimated synergy benefits will not materialize as planned.

Outotec is involved in a few arbitral and court proceedings. Management expects that these cases and their outcomes will have no material effect on Outotec's financial result.

### *Financial risks*

There is a risk that customers and suppliers may experience financial difficulties and a lack of financing may result in project and payment delays as well as bankruptcies, which can also result in losses for Outotec. These risks are reduced by advance and milestone payments as well as letters of credit. In the reporting period, there were no material credit losses related to payments by Outotec's counter-parties and at the end of the reporting period all receivables were reviewed and credit loss provisions were updated.

Outotec's business model is based primarily on customer advance payments and on-demand guarantees issued by Outotec's relationship banks. Changes in advance payments received due to e.g. change in business volume have an impact on the company's liquidity. Exposure to on-demand guarantees has remained high. Cash held by the company is primarily invested in short-term bank deposits and in Finnish corporate short-term certificates of deposit. The lower interest rate levels reduce the interest income generated from these investments.

More than half of Outotec's total cash flow is denominated in euros. The rest is divided among various currencies, including the Australian dollar, US dollar, Brazilian real, Canadian dollar, and South African rand. The weight of any given currency in new projects can fluctuate substantially, but most cash-flow-related risks are hedged in the short- and long-term. In the short-term, currency fluctuations may create volatility in the operating profit. The forecasted and probable cash flows are selectively hedged and are always on the basis of separate decisions and risk analysis. Natural hedging is used as widely as possible and the remaining open foreign exchange exposures related to committed cash flows are fully hedged using forward agreements. The cost of hedging is taken into account in project pricing.

## MARKET OUTLOOK

The strong market activity is expected to continue based on the long-term metals demand projections, high metals prices, declining ore grades and tightening environmental regulations. The order pipeline is strong since several mining and metals companies are still in the process of re-activating projects that were put on hold during the downturn. Project financing availability has improved, especially for companies with good cash flows and investments in projects in the emerging and developing economies. However, the more complex structures of the financing packages, especially in large investments, continue to take time. Furthermore, major disturbances on global financial markets may affect the availability of project financing.

Tightening efficiency and environmental requirements and the declining ore grades continue to attract investments in plant modernization, optimization and increased automation. Rising energy prices are driving the industry to improve processes in order to achieve lower unit costs. Global relocation of production is driving the investments to new capacity.

### *Non-ferrous Solutions*

The strong activity in the non-ferrous technology market is expected to continue. Not only are gold and copper projects being activated and developed, but also zinc and some nickel projects are coming to the market. Investments in new mines and concentrators are progressing fast and the investment activity in the downstream metals refining technologies is starting to pick up. This trend is further supported by high base metals prices. Competition continues to be tight in new projects; however, there are no material changes to the competitive landscape. Long-term fundamentals remain strong as ore grades decline; thus more processing capacity and advanced technology solutions will be needed in both concentrators and metals refining. Meanwhile, environmental regulations tighten and the cost of energy and water mounts; increasing the need for new and modern technological solutions.

### *Ferrous Solutions*

The demand for raw materials used in steel making, iron ore and coking coal is expected to continue to be high. The demand for stainless steel raw materials also shows strong growth and the activity in ferroalloy projects is continuously strengthening. Brazil, India and South Africa continue to rapidly develop their infrastructure and to utilize their large natural resource base. There are several iron ore processing plant expansions and new investments under development particularly in Brazil and India, catering mainly to the Chinese market where concentrates and pellets are in constant demand. In addition, the depletion of lump ore deposits is driving sinter and pellet plant investments in India. Outotec's sustainable solutions - both in iron ore as well as ferroalloys sintering and pelletizing technologies - continue to be in strong demand because of their energy efficiency, capacity and environmental aspects. In the future, unconventional techniques, such as the direct reduction of iron ore, offer more and more opportunities to use lower grade raw material resources as well as optimized energy production and the reduction of CO<sub>2</sub> emissions. Deliveries in the Ferrous Solutions business area are mainly large, turnkey projects and fluctuations in sales and profit recognition based on the timing and completion level of a particular project are inherent in this type of business.

## *Energy, Light Metals and Environmental Solutions*

Rising oil prices and the depletion of oil reserves increase the demand for alternative energy sources, such as oil shale, oil sands and biomass. The world's recoverable oil shale and oil sand resources are at least ten times greater than those of conventional oil reserves, with large deposits found in the US, Canada, Brazil, China, Jordan, Russia and Estonia. Outotec and Eesti Energia have jointly developed a new technology solution, Enefit, utilizing Outotec's circulating fluidized bed technology. This technology will be used in Eesti Energia's oil shale plant currently under construction in Narva, Estonia. The Enefit technology can be applied globally for processing oil shales as well as oil sands in the future.

The demand for aluminum is also growing. Consequently, aluminum and thus bauxite and alumina projects, are also being revitalized. The Middle East is leveraging its advantageous energy position by building new smelters and refining capacity.

The business area's environmental solutions include sulfuric acid plants as well as applications for gas cleaning and heat recovery systems. The outlook for the sulfuric acid technology market remains positive due to the strong activity in copper projects since sulfuric acid is needed in hydrometallurgical processes and is produced as a by-product in the pyro-metallurgical processes including the minimization of the impact to the environment. The sulfuric acid market is also driven by an ongoing need from the fertilizer industry. In addition to sulfuric acid plants, any metallurgical process requires off-gas cleaning and effluent and water treatment technologies to reduce its environmental impact.

New opportunities in environmental technologies, such as materials recycling and waste management, are steadily increasing. Interest in industrial waste water treatment solutions is also growing. The technologies acquired by Outotec in the reporting period further strengthen the business area's portfolio.

## *Services business*

Outotec's Services business is driven by a life cycle service concept. In addition to operational spares, these life cycle services include the increase of capacity utilization levels, modernizations, upgrades of existing operations as well as new capital investment projects. Customers need for spare parts, services and modernizations are expected to further increase due to re-commissioning of production lines and higher utilization rates. The scope of services varies from single spare parts to completely outsourced service agreements. This industry trend creates new growth opportunities on many levels and supports the company's goal to be a life cycle partner for its customers. The businesses acquired in 2010 further bolster Outotec's service offering and strengthen its capabilities globally.

## **FINANCIAL GUIDANCE FOR 2011**

Outotec reiterates the previous guidance for the year 2011. Based on a strong opening order backlog and active market, in 2011:

- order intake is expected to continue to grow,
- sales are expected to grow to approximately EUR 1.25-1.35 billion, and
- operating profit is expected to improve from 2010 and operating profit margin from business operations is expected to be approximately 8-9%.

Operating profit is dependent on exchange rates, product mix, timing of new orders and project completions.

## FINANCIAL REPORTING SCHEDULE IN 2011

Outotec will publish the Interim Report for January - September 2011 on Thursday, October 27, 2011.

Espoo, July 29, 2011

Outotec Oyj  
Board of Directors

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## INTERIM FINANCIAL STATEMENTS (unaudited)

<b>Consolidated Statement of Comprehensive Income</b>	<b>Q2</b>	<b>Q2</b>	<b>Q1-Q2</b>	<b>Q1-Q2</b>	<b>Q1-Q4</b>
EUR million	<b>2011</b>	2010	<b>2011</b>	2010	2010
<b>Sales</b>	<b>288.4</b>	223.8	<b>536.0</b>	410.8	969.6
Cost of sales	<b>-228.3</b>	-166.8	<b>-410.0</b>	-308.3	-715.7
<b>Gross profit</b>	<b>60.2</b>	57.0	<b>125.9</b>	102.5	253.9
Other income	<b>1.2</b>	0.3	<b>5.4</b>	2.9	7.1
Selling and marketing expenses	<b>-21.8</b>	-21.4	<b>-41.6</b>	-42.2	-85.0
Administrative expenses	<b>-20.6</b>	-18.8	<b>-44.1</b>	-36.4	-75.1
Research and development expenses	<b>-7.7</b>	-6.6	<b>-15.2</b>	-13.7	-28.5
Other expenses	<b>-0.3</b>	-5.0	<b>-0.5</b>	-17.5	-30.6
Share of results of associated companies	<b>-0.0</b>	-0.1	<b>-0.0</b>	-0.3	-0.3
<b>Operating profit</b>	<b>10.9</b>	5.5	<b>29.8</b>	-4.6	41.6
Finance income and expenses					
Interest income and expenses	<b>1.2</b>	0.6	<b>2.3</b>	1.1	1.5
Market price gains and losses	<b>-0.3</b>	0.5	<b>-0.7</b>	0.6	-1.7
Other finance income and expenses	<b>-0.6</b>	-0.9	<b>-2.2</b>	-1.6	-4.4
Net finance income	<b>0.3</b>	0.2	<b>-0.6</b>	0.0	-4.5
<b>Profit before income taxes</b>	<b>11.2</b>	5.7	<b>29.2</b>	-4.6	37.1
Income tax expenses	<b>-3.3</b>	-1.6	<b>-8.8</b>	1.4	-10.4
<b>Profit for the period</b>	<b>7.8</b>	4.0	<b>20.4</b>	-3.2	26.7
Other comprehensive income					
Exchange differences on translating foreign operations	<b>0.1</b>	8.3	<b>-9.6</b>	17.6	25.5
Cash flow hedges	<b>0.0</b>	-0.3	<b>-0.0</b>	-0.4	0.9
Income tax relating to cash flow hedges	<b>-0.0</b>	0.1	<b>0.0</b>	0.1	-0.2
Available for sale financial assets	<b>-0.3</b>	0.0	<b>-0.1</b>	0.0	0.3
Income tax relating to available for sale financial assets	-	-	-	-	0.0
<b>Other comprehensive income for the period</b>	<b>-0.1</b>	8.2	<b>-9.6</b>	17.4	26.5
<b>Total comprehensive income for the period</b>	<b>7.7</b>	12.2	<b>10.8</b>	14.2	53.1
<b>Profit for the period attributable to:</b>					
Equity holders of the parent company	<b>7.8</b>	4.0	<b>20.4</b>	-3.2	26.7
Non-controlling interest	-	-	-	-	-
<b>Total comprehensive income for the period attributable to:</b>					
Equity holders of the parent company	<b>7.7</b>	12.2	<b>10.8</b>	14.2	53.1
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>0.17</b>	0.09	<b>0.45</b>	-0.07	0.59
Diluted earnings per share, EUR	<b>0.17</b>	0.09	<b>0.45</b>	-0.07	0.59

All figures in the tables have been rounded and thus 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, 2011	June 30, 2010	December 31, 2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	223.5	215.3	223.8
Property, plant and equipment	53.7	54.1	52.7
Deferred tax asset	41.5	34.7	37.8
<b>Non-current financial assets</b>			
Interest-bearing	2.4	2.0	2.5
Non interest-bearing	2.6	0.3	2.3
<b>Total non-current assets</b>	<b>323.6</b>	<b>306.3</b>	<b>319.0</b>
<b>Current assets</b>			
Inventories *)	164.6	105.0	101.0
<b>Current financial assets</b>			
Interest-bearing	0.5	0.4	0.5
Non interest-bearing	393.4	285.5	367.2
Cash and cash equivalents	313.5	220.9	280.3
<b>Total current assets</b>	<b>871.9</b>	<b>611.8</b>	<b>748.9</b>
<b>TOTAL ASSETS</b>	<b>1,195.6</b>	<b>918.2</b>	<b>1,068.0</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to the equity holders of the parent company	335.1	321.3	356.7
Non-controlling interest	1.0	0.9	1.0
<b>Total equity</b>	<b>336.1</b>	<b>322.2</b>	<b>357.7</b>
<b>Non-current liabilities</b>			
Interest-bearing	51.8	32.0	56.6
Non interest-bearing	103.0	103.7	98.1
<b>Total non-current liabilities</b>	<b>154.8</b>	<b>135.7</b>	<b>154.7</b>
<b>Current liabilities</b>			
Interest-bearing	14.0	24.5	25.7
Non interest-bearing			
Advances received **)	289.2	166.5	198.7
Other non interest-bearing liabilities	401.4	269.3	331.1
<b>Total current liabilities</b>	<b>704.7</b>	<b>460.3</b>	<b>555.5</b>
<b>Total liabilities</b>	<b>859.5</b>	<b>595.9</b>	<b>710.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,195.6</b>	<b>918.2</b>	<b>1,068.0</b>

\*) Of which advances paid for inventories amounted to EUR 28.4 million on June 30, 2011 (June 30, 2010: EUR 25.8 million, December 31, 2010: EUR 17.9 million).

\*\*\*) Gross advances received before percentage of completion revenue recognition amounted to EUR 1,244.0 million on June 30, 2011 (June 30, 2010: EUR 1,107.5 million, December 31, 2010: EUR 1,042.1 million).

Condensed Consolidated Statement of Cash Flows EUR million	Q1-Q2 2011	Q1-Q2 2010	Q1-Q4 2010
<b>Cash flows from operating activities</b>			
Profit for the period	20.4	-3.2	26.7
Adjustments for			
Depreciation and amortization	9.3	10.5	19.0
Other adjustments	10.2	7.5	28.1
Decrease in working capital	83.8	40.2	41.0
Interest received	3.2	2.0	5.2
Interest paid	-0.7	-0.7	-0.9
Income tax paid	-20.5	-14.3	-31.6
<b>Net cash from operating activities</b>	<b>105.7</b>	<b>42.0</b>	<b>87.5</b>
Purchases of assets	-13.2	-6.5	-16.8
Acquisition of subsidiaries, net of cash	-	-34.7	-38.8
Acquisition of business operations	-	-2.2	-2.3
Acquisition of shares in associated companies	-	-	-0.2
Proceeds from disposal of subsidiaries	-	-	0.8
Proceeds from sale of assets	0.6	3.9	5.2
Change in other investing activities	-0.0	-	-
<b>Net cash used in investing activities</b>	<b>-12.6</b>	<b>-39.5</b>	<b>-52.1</b>
<b>Cash flow before financing activities</b>	<b>93.1</b>	<b>2.5</b>	<b>35.3</b>
Repayments of non-current debt	-6.0	-12.3	-17.3
Borrowings of non-current debt	-	-	30.0
Decrease in current debt	-10.3	-18.1	-17.7
Increase in current debt	0.0	10.3	11.4
Related party net investment to Outotec Oyj shares	-	-0.1	-4.1
Dividends paid	-34.3	-32.0	-32.0
Change in other financing activities	-0.0	0.5	0.4
<b>Net cash used in financing activities</b>	<b>-50.7</b>	<b>-51.7</b>	<b>-29.4</b>
<b>Net change in cash and cash equivalents</b>	<b>42.4</b>	<b>-49.2</b>	<b>5.9</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>280.3</b>	<b>258.5</b>	<b>258.5</b>
Foreign exchange rate effect on cash and cash equivalents	-9.1	11.6	15.9
Net change in cash and cash equivalents	42.4	-49.2	5.9
<b>Cash and cash equivalents at the end of the period</b>	<b>313.5</b>	<b>220.9</b>	<b>280.3</b>

<b>Consolidated Statement of Changes in Equity</b>										
Attributable to the equity holders of the parent company										
EUR million	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, 2010	16.8	20.2	0.3	1.1	-4.6	63.4	3.5	214.3	27.4	342.4
Dividends paid	-	-	-	-	-	-	-	-32.0	-	-32.0
Share Issue	0.4	-	-	-	-	24.3	-	-	-	24.7
Management incentive plan for Outotec Executive Board *)	-	-	-	-	-1.0	-	-	-	0.9	-0.1
Share-based compensation	-	-	-	-	-	-	-	0.2	-	0.2
Total comprehensive income for the period	-	-	-	-0.2	-	-	17.6	-3.2	-	14.2
Non-controlling interest related to Larox Group acquisition	-	-	-	-	-	-	-	-	-27.4	-27.4
Other changes	-	-	0.0	-	-	-	-	0.2	-	0.3
<b>Equity at June 30, 2010</b>	<b>17.2</b>	<b>20.2</b>	<b>0.4</b>	<b>0.9</b>	<b>-5.6</b>	<b>87.7</b>	<b>21.1</b>	<b>179.5</b>	<b>0.9</b>	<b>322.2</b>
Equity at January 1, 2011	17.2	20.2	0.4	2.1	-9.7	87.7	29.0	210.0	1.0	357.7
Dividends paid	-	-	-	-	-	-	-	-34.3	-	-34.3
Management incentive plan for Outotec Executive Board *)	-	-	-	-	-	-	-	-	0.0	0.0
Share-based compensation	-	-	-	-	2.4	-	-	-1.0	-	1.4
Total comprehensive income for the period	-	-	-	-0.1	-	-	-9.6	20.4	-	10.8
Other changes	-	-	0.0	-	-	-	-	0.4	-	0.4
<b>Equity at June 30, 2011</b>	<b>17.2</b>	<b>20.2</b>	<b>0.4</b>	<b>2.0</b>	<b>-7.3</b>	<b>87.7</b>	<b>19.4</b>	<b>195.4</b>	<b>1.0</b>	<b>336.1</b>

\*) Consolidation of Outotec Management Oy (incentive plan for Outotec executive board members). At the end of the reporting period, Outotec Management Oy held 191,211 (July 29, 2011: 191,211) Outotec shares which have been accounted as treasury shares in Outotec's consolidated statement of financial position.



<b>Key figures</b>	<b>Q2 2011</b>	<b>Q2 2010</b>	<b>Q1-Q2 2011</b>	<b>Q1-Q2 2010</b>	<b>Last 12 months</b>	<b>Q1-Q4 2010</b>
Sales, EUR million	<b>288.4</b>	223.8	<b>536.0</b>	410.8	1 094.7	969.6
Gross margin, %	<b>20.9</b>	25.5	<b>23.5</b>	25.0	25.3	26.2
Operating profit, EUR million	<b>10.9</b>	5.5	<b>29.8</b>	-4.6	76.1	41.6
Operating profit margin, %	<b>3.8</b>	2.4	<b>5.6</b>	-1.1	6.9	4.3
Profit before taxes, EUR million	<b>11.2</b>	5.7	<b>29.2</b>	-4.6	71.0	37.1
Profit before taxes in relation to sales, %	<b>3.9</b>	2.5	<b>5.5</b>	-1.1	6.5	3.8
Net cash from operating activities, EUR million	<b>45.9</b>	34.6	<b>105.7</b>	42.0	151.2	87.5
Net interest-bearing debt at the end of period, EUR million	<b>-250.6</b>	-166.8	<b>-250.6</b>	-166.8	-250.6	-200.9
Gearing at the end of period, %	<b>-74.6</b>	-51.8	<b>-74.6</b>	-51.8	-74.6	-56.2
Equity-to-assets ratio at the end of period, %	<b>37.1</b>	42.9	<b>37.1</b>	42.9	37.1	41.2
Working capital at the end of period, EUR million	<b>-196.5</b>	-107.8	<b>-196.5</b>	-107.8	-196.5	-113.5
Capital expenditure, EUR million	<b>11.3</b>	27.0	<b>14.8</b>	80.7	30.9	96.7
Capital expenditure in relation to sales, %	<b>3.9</b>	12.1	<b>2.8</b>	19.6	2.8	10.0
Return on investment, %	<b>12.0</b>	5.6	<b>16.6</b>	-2.9	20.6	9.2
Return on equity, %	<b>9.4</b>	5.1	<b>11.8</b>	-2.0	15.3	7.6
Order backlog at the end of period, EUR million	<b>1,664.1</b>	1,310.1	<b>1,664.1</b>	1,310.1	1,664.1	1,393.1
Order intake, EUR million	<b>532.1</b>	349.7	<b>875.7</b>	769.1	1,501.3	1,394.7
Personnel, average for the period	<b>3,428</b>	3,171	<b>3,325</b>	3,168	3,229	3,151
Profit for the period in relation to sales, %	<b>2.7</b>	1.8	<b>3.8</b>	-0.8	4.6	2.8
Research and development expenses, EUR million	<b>7.7</b>	6.6	<b>15.2</b>	13.7	30.0	28.5
Research and development expenses in relation to sales, %	<b>2.7</b>	2.9	<b>2.8</b>	3.3	2.7	2.9
Earnings per share, EUR	<b>0.17</b>	0.09	<b>0.45</b>	-0.07	1.11	0.59
Equity per share, EUR	<b>7.38</b>	7.08	<b>7.38</b>	7.08	7.38	7.87
Dividend per share, EUR	-	-	-	-	0.75	0.75

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

These interim financial statements are 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 recent annual financial statements and also the following revised standards have been applied which have been effective from the beginning of 2011. These interim financial statements are unaudited.

### *Adoption of new and revised IFRS standards and IFRIC -interpretations*

Outotec has applied the following revised or new standards and interpretations since the beginning of 2011, which do not have material impact on the Group's interim financial statements or financial statements:

- IAS 24 Related Party Disclosures. The changed standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.
- IAS 32 Financial Instruments: Presentation: Classification of Rights Issues. The amendment concerns the accounting of rights issues denominated in a currency other than the issuer's operating currency. A derivative associated with the party's equity is an equity instrument if it entitles to receive a fixed number of shares in the company for a fixed amount of currency or other financial receivable. Previously, such subscription rights were classified as derivative liabilities.
- IFRIC 14 – Prepayments of a Minimum Funding Requirement (an interpretation of IAS 19). The interpretation removes unintended consequences arising from the treatment of prepayments when there is a minimum funding requirement. The amendment results in pre-payments of contributions in certain circumstances recognized as an asset rather than as an expense.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. According to the interpretation a debtor and creditor may renegotiate the terms of a financial liability with the result that the liability is fully or partially extinguished by the debtor issuing equity instruments to the creditor. This way the debt is swapped for equity. Such equity instruments are "consideration paid," in accordance with IAS 39.41 and the difference between the financial liability (or part thereof) and the fair valuation price of the granted equity instruments is recognized through profit and loss statement.
- Annual Improvements of IFRS standards

### Use of estimates

IFRS requires management to make estimates and assumptions which 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 reporting period. 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, impairment of goodwill. These estimates are based on 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.

<b>Major Non-Recurring Items in Operating Profit</b>	<b>Q1-Q2</b>	<b>Q1-Q2</b>	<b>Q1-Q4</b>
EUR million	<b>2011</b>	<b>2010</b>	<b>2010</b>
One-time costs related restructuring	-	-16.1	-26.5
Net effect from acquisition costs and revaluation of Ausmelt Ltd. Shares	-	2.2	2.2

<b>Income Tax Expenses</b>	<b>Q1-Q2</b>	<b>Q1-Q2</b>	<b>Q1-Q4</b>
EUR million	<b>2011</b>	<b>2010</b>	<b>2010</b>
Current taxes	<b>-10.3</b>	-4.8	-30.9
Deferred taxes	<b>1.5</b>	6.2	20.5
<b>Total income tax expenses</b>	<b>-8.8</b>	1.4	-10.4

<b>Property, Plant and Equipment</b>	<b>June 30,</b>	<b>June 30,</b>	<b>December 31,</b>
EUR million	<b>2011</b>	<b>2010</b>	<b>2010</b>
Historical cost at the beginning of the period	<b>128.9</b>	117.8	117.8
Translation differences	<b>-1.8</b>	4.1	4.5
Additions	<b>7.0</b>	3.6	10.7
Disposals	<b>-1.5</b>	-0.6	-3.6
Acquired subsidiaries	-	2.3	1.6
Reclassifications	<b>-0.5</b>	-0.0	-2.0
Historical cost at the end of the period	<b>132.1</b>	127.1	128.9
Accumulated depreciation and impairment at the beginning of the period	<b>-76.2</b>	-65.7	-65.7
Translation differences	<b>1.0</b>	-2.3	-2.6
Disposals	<b>1.2</b>	0.3	2.2
Reclassifications	<b>0.0</b>	-0.0	1.9
Impairment during the period	-	-0.5	-2.4
Depreciation during the period	<b>-4.4</b>	-4.9	-9.6
Accumulated depreciation and impairment at the end of the period	<b>-78.4</b>	-73.1	-76.2
<b>Carrying value at the end of the period</b>	<b>53.7</b>	54.1	52.7

<b>Commitments and Contingent Liabilities</b> EUR million	<b>June 30, 2011</b>	June 30, 2010	December 31, 2010
Pledges and mortgages	<b>0.0</b>	2.6	0.6
Guarantees for commercial commitments	<b>186.3</b>	192.6	184.7
Minimum future lease payments on operating leases	<b>69.1</b>	60.3	70.5

The pledges and mortgages are used to secure credit facilities in Outotec (Shanghai) Co. Ltd.

The above value of commercial guarantees does not include advance payment guarantees issued by the parent or other group companies. The total amount of guarantees for financing issued by group companies amounted to EUR 28.3 million on June 30, 2011 (June 30, 2010: EUR 45.7 million, December 31, 2010: EUR 36.5 million) and for commercial guarantees including advance payment guarantees EUR 377.6 million on June 30, 2011 (June 30, 2010: EUR 335.7 million, December 31, 2010: EUR 308.1 million).

<b>Derivative Instruments</b>			
<b>Currency Forwards</b> EUR million	<b>June 30, 2011</b>	June 30, 2010	December 31, 2010
Fair values, net	<b>-2.2 *)</b>	-5.5**)	-1.3 ***)
Nominal values	<b>413.1</b>	331.6	444.4

\*) of which EUR 0.0 million designated as cash flow hedges.

\*\*\*) of which EUR -0.7 million designated as cash flow hedges.

\*\*\*\*) of which EUR 0.0 million designated as cash flow hedges.

## **Related Party Transactions**

### **Balances with Key Management**

Outotec's board of directors granted to Outotec Management Oy an interest-bearing loan at the maximum amount of EUR 5.0 million to finance the acquisition of the Outotec shares. The amount of the outstanding loan was EUR 4.1 million on June 30, 2011 (June 30, 2010: EUR 3.8 million, December 31, 2010: EUR 4.1 million).

<b>Transactions and Balances with Associated Companies</b> EUR million	<b>Q1-Q2 2011</b>	Q1-Q2 2010	Q1-Q4 2010
Sales	<b>0.0</b>	0.0	0.1
Other income	<b>0.0</b>	-	-
Purchases	<b>-0.1</b>	-0.1	-0.7
Trade and other receivables	<b>0.6</b>	0.0	0.4
Current liabilities	<b>-</b>	-	0.2
Loan receivables	<b>0.2</b>	1.1	0.2

<b>Segments' Sales and Operating Profit by Quarters</b>									
EUR million	<b>Q2/09</b>	Q3/09	Q4/09	Q1/10	<b>Q2/10</b>	Q3/10	Q4/10	Q1/11	<b>Q2/11</b>
<b>Sales</b>									
Non-ferrous Solutions	<b>132.2</b>	104.6	115.9	113.5	<b>141.3</b>	144.6	223.9	162.0	<b>191.4</b>
Ferrous Solutions	<b>34.2</b>	34.9	49.9	20.0	<b>32.9</b>	35.5	43.2	43.6	<b>42.6</b>
Energy, Light Metals and Environmental Solutions	<b>74.3</b>	51.3	56.3	54.6	<b>52.6</b>	50.3	65.3	46.1	<b>57.7</b>
Unallocated items *) and intra-group sales	<b>-3.1</b>	-2.2	-2.3	-1.0	<b>-3.0</b>	-1.8	-2.2	-4.1	<b>-3.4</b>
<b>Total</b>	<b>237.6</b>	188.7	219.8	187.0	<b>223.8</b>	228.5	330.3	247.5	<b>288.4</b>
<b>Operating profit</b>									
Non-ferrous Solutions	<b>7.3</b>	9.4	7.9	-15.4	<b>4.8</b>	13.5	23.2	18.1	<b>12.6</b>
Ferrous Solutions	<b>0.2</b>	2.6	5.1	-2.5	<b>1.4</b>	4.2	8.2	3.2	<b>-1.9</b>
Energy, Light Metals and Environmental Solutions	<b>9.2</b>	4.6	6.8	10.0	<b>1.9</b>	3.5	11.4	3.3	<b>5.2</b>
Unallocated **) and intra-group items	<b>-2.7</b>	-1.5	-6.5	-2.2	<b>-2.6</b>	-3.1	-14.7	-5.7	<b>-5.0</b>
<b>Total</b>	<b>13.9</b>	15.1	13.3	-10.1	<b>5.5</b>	18.1	28.1	19.0	<b>10.9</b>

\*) Unallocated items primarily include invoicing of group management and administrative services.

\*\*) Unallocated items primarily include group management and administrative services.

## Definitions for Key Financial Figures

Net interest-bearing debt	=	Interest-bearing debt - interest-bearing assets	
Gearing	=	$\frac{\text{Net interest-bearing debt}}{\text{Total equity}} \times 100$	
Equity-to-assets ratio	=	$\frac{\text{Total equity}}{\text{Total assets - advances received}} \times 100$	
Return on investment	=	$\frac{\text{Operating profit + finance income}}{\text{Total assets - non interest-bearing debt (average for the period)}} \times 100$	
Return on equity	=	$\frac{\text{Profit for the period}}{\text{Total equity (average for the period)}} \times 100$	
Research and development expenses	=	<p>Research and development expenses in the statement of comprehensive income</p> <p>(including expenses covered by grants received)</p>	
Earnings per share	=	$\frac{\text{Profit for the period attributable to the equity holders of the parent company}}{\text{Average number of shares during the period, as adjusted for stock split}}$	
Dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Number of shares at the end of the period, as adjusted for stock split}}$	