# INTERIM REPORT

# 2012

## January-September

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

Outotec

OCTOBER 25, 2012

INTERIM REPORT JANUARY-SEPTEMBER 2012

***Strong sales growth and improved profitability, upgraded sales guidance for 2012***

**Reporting period January-September 2012 in brief (2011)**

- Order intake: EUR 1,613.2 million (EUR 1,678.4 million), -4%
- Order backlog: EUR 2,155.8 million (EUR 2,052.5 million), +5%
- Sales: EUR 1,437.6 million (EUR 888.8 million), +62%
- Operating profit from business operations (excluding one-time items and purchase price allocation (PPA) amortizations): EUR 119.8 million, 8.3% of sales (EUR 66.6 million, 7.5% of sales), +80%
- Net cash flow from operating activities: EUR 80.4 million (EUR 225.8 million), -64%
- Earnings per share: EUR 1.66 (EUR 0.93), +78%

**July-September 2012 in brief (2011)**

- Order intake: EUR 452.4 million (EUR 802.7 million), -44%
- Sales: EUR 502.8 million (EUR 352.8 million), +43%
- Operating profit from business operations (excluding one-time items and purchase price allocation (PPA) amortizations): EUR 44.7 million, 8.9% of sales (EUR 34.3 million, 9.7% of sales), +30%
- Net cash flow from operating activities: EUR 13.4 million (EUR 120.1 million), -89%

**Revised financial guidance for 2012**

Based on the first nine months' financial performance, strong order backlog at the end of September, execution of CAPEX projects and market outlook, the management expects that in 2012:

- sales will grow to approximately EUR 1.9-2.1 billion, especially driven by the project revenue recognition, and
- operating profit margin from business operations will be approximately 9-10% (excluding one-time items and PPA amortizations).

Achieving the guidance is subject to the sales mix and relative share of Services, fluctuation in foreign exchange rates, project progress in the order backlog, timing of new orders, license fee income and project completions as well as the general development of the world economy and financial markets.

**Previous financial guidance for 2012**

Based on the reporting period's financial performance, strong order backlog at the end of June, market outlook and customer tendering activity, the management expects that in 2012:

- sales will grow to approximately EUR 1.8-2.0 billion, especially driven by the project revenue recognition, and
- operating profit margin from business operations will be approximately 9-10% (excluding one-time items and PPA amortizations).

Achieving the guidance is subject to the sales mix and relative share of Services, fluctuation in foreign exchange rates, project progress in the order backlog, timing of new orders, license fee income and project completions as well as the general development of the world economy and financial markets.

**President and CEO Pertti Korhonen:**

“The market continued to be active in the third quarter of 2012. Matters such as social responsibility and environmental sustainability are increasingly high on the agenda of our customers creating demand for our sustainable technology solutions. The demand in most metals continued to be strong; however, in iron ore the decision-making for new investments has been slower. In the third quarter of 2012, our order intake remained solid and we were able to win both greenfield and brownfield orders. We have achieved over 60% sales growth this year because of successful deliveries from the high order backlog and services business growth. Strong sales growth and our ability to scale our business improved our operating profit. To expand our services offering, we acquired TME Group to strengthen our grinding mill relining and mineral processing plant maintenance services.

I am pleased that the first three quarters in 2012 have been very successful and that we have been able to scale and grow our business and continue to improve our profitability. The outlook for 2012 is solid and our focus is on expanding our addressable market, increasing our market share as well as improving profitability in 2013 and beyond. Although there is solid demand for more efficient and environmentally sound processing solutions and need to increase processing capacity, current macro-economic uncertainties may cause our customers to delay their investment decisions.”

| **Summary of key figures** | **Q3 2012** | Q3 2011 | **Q1-Q3 2012** | Q1-Q3 2011 | Last 12 months | Q1-Q4 2011 |
|---|---|---|---|---|---|---|
| Sales, EUR million | **502.8** | 352.8 | **1,437.6** | 888.8 | 1,934.4 | 1,385.6 |
| Gross margin, % | **19.3** | 24.9 | **20.3** | 24.0 | 21.2 | 24.0 |
| Operating profit from business operations, EUR million | **44.7** | 34.3 | **119.8** | 66.6 | 174.7 | 121.5 |
| Operating profit from business operations, % | **8.9** | 9.7 | **8.3** | 7.5 | 9.0 | 8.8 |
| Operating profit, EUR million | **41.0** | 33.2 | **109.4** | 63.0 | 158.3 | 111.9 |
| Operating profit margin, % | **8.1** | 9.4 | **7.6** | 7.1 | 8.2 | 8.1 |
| Profit before taxes, EUR million | **39.6** | 33.3 | **107.4** | 62.5 | 158.2 | 113.3 |
| Net cash from operating activities, EUR million | **13.4** | 120.1 | **80.4** | 225.8 | 101.6 | 247.0 |
| Net interest-bearing debt at the end of period, EUR million | **-301.4** | -356.7 | **-301.4** | -356.7 | -301.4 | -339.1 |
| Gearing at the end of period, % | **-69.8** | -101.6 | **-69.8** | -101.6 | -69.8 | -84.9 |
| Working capital at the end of period, EUR million | **-244.4** | -269.6 | **-244.4** | -269.6 | -244.4 | -270.3 |
| Return on investment, % | **34.3** | 34.6 | **31.0** | 21.8 | 35.1 | 26.4 |
| Return on equity, % | **26.6** | 25.5 | **24.2** | 15.9 | 28.7 | 20.9 |
| Order backlog at the end of period, EUR million | **2,155.8** | 2,052.5 | **2,155.8** | 2,052.5 | 2,155.8 | 1,985.1 |
| Order intake, EUR million | **452.4** | 802.7 | **1,613.2** | 1,678.4 | 1,940.2 | 2,005.4 |
| Personnel, average for the period | **4,663** | 3,610 | **4,356** | 3,420 | 4,218 | 3,516 |
| Earnings per share, EUR | **0.62** | 0.48 | **1.66** | 0.93 | 2.48 | 1.75 |

**INTERIM REPORT JANUARY-SEPTEMBER 2012**

**OPERATING ENVIRONMENT**

For the reporting period, the overall market activity was good in most of Outotec's market areas. The long-term outlook for metals demand continues to be positive, driving investments to new capacity. Though some mining companies have announced revised investment plans, there has not been material change in the demand for Outotec's processing solutions, with the exception of the iron ore value chain, where some large iron ore greenfield and large modernization investments advanced slowly due to market uncertainty and lower iron ore prices in line with weakened steel demand. In addition to the greenfield projects, customers are seeking additional operational improvements through expansion and modernization of existing processing capacity. Outotec's customer project deliveries progressed well in line with the plans and there were no cancellations or postponements of existing orders. Activity continued to be high in copper, gold, acid, and aluminum markets. Zinc market activity increased. Generally, customers' capacity utilization rates stayed high, supporting service sales. The competitive landscape remained relatively unchanged with continued industry consolidation.

Despite continued macro-economic uncertainties, investment financing for solid projects continued to be available for Outotec's customers. However, tighter environmental permitting and the complexity of financing packages slowed down sales negotiations in some projects. Furthermore, in certain regions, uncertainties and delays in political regulation slowed down investment decisions especially in alternative energy solutions.

**ORDER INTAKE**

Order intake (including plant, technology and equipment deliveries as well as services) in the reporting period totaled EUR 1,613.2 million (Q1-Q3/2011: EUR 1,678.4 million), a 4% decrease from the high comparison period. Orders from EMEA (Europe including the CIS, Middle East and Africa) represented 57%, Americas 27%, and Asia Pacific 16% of the total order intake. Orders received in the third quarter totaled EUR 452.4 million (Q3/2011: EUR 802.7 million), which was 44% lower than in the all-time-high comparison period.

Published orders in the third quarter:

- Copper and molybdenum technologies for National Iranian Copper Industries, Iran (total value EUR 265 million with 58 million booked in Q3 order intake)
- Alumina technology for Orbite Aluminae, Canada (value not disclosed)
- Copper smelter modernization for Mexicana de Cobre, Mexico (value approx. EUR 30 million)
- Technology for nickel matte treatment facility for Enerchem, South Korea (value over EUR 10 million)
- Technology and proprietary equipment for aluminum smelters and related industry, China (value approx. EUR 24 million)
- Flotation technology for copper concentrator expansion, South America (value over EUR 30 million)

Published orders in the second quarter:

- Ilmenite smelter for Cristal Global, Saudi Arabia (value over EUR 350 million)
- Solvent extraction and electrowinning technology for Grupo México, Mexico (value approx. EUR 22 million)
- Iron ore sintering technology for BPSL, India (value approx. EUR 20 million)
- Filtration technology for MMX Mineração e Metálicos, Brazil (value some tens of millions of EUR)
- Filtration technology for lithium processing pilot plant for Corporación Minera de Bolivia, Bolivia (some millions of EUR)
- Flotation technology for Kennecott Utah Copper concentrator, U.S. (value not disclosed, booked in Q1 order intake)
- Iron ore pelletizing plant for Gol-E-Gohar Mining & Industrial, Iran (value approx. EUR 80-85 million with EUR 25 million booked in Q2 order intake)

Published orders in the first quarter:

- Concentrator technology for a slag treatment plant for Codelco, Chile (value some EUR 10 million)
- Gas cleaning system and a sulfuric acid plant for Kansanshi Mining, Zambia (value over EUR 80 million)
- Copper concentrator technology for Grupo México, Mexico (value nearly EUR 28 million)
- Feasibility study for a smelter-grade alumina refinery for PT ANTAM (Persero), Indonesia

## ORDER BACKLOG

The order backlog at the end of the reporting period was EUR 2,155.8 million (September 30, 2011: EUR 2,052.5 million), up 5% from the comparison period. At the end of the reporting period, Outotec had 43 projects with an order backlog value in excess of EUR 10 million, accounting for 70% of the total backlog. Based on the quarter-end project evaluation, management estimates that roughly 27% (approximately EUR 580 million) of the September-end order backlog value will be delivered in 2012 and the rest in 2013 and beyond.

## SALES AND FINANCIAL RESULT

Outotec's sales in the reporting period totaled EUR 1,437.6 million (Q1-Q3/2011: EUR 888.8 million), up 62% from the comparison period. Sales growth resulted from successful project delivery, a strong opening order backlog, new plant, technology and equipment orders, as well as services sales growth. Foreign exchange rates did not have material effect on sales growth. Sales in the third quarter of 2012 totaled EUR 502.8 million (Q3/2011: EUR 352.8 million), up 43% from the comparison period.

Sales in the Services business area, which is included in the sales figures of the three reporting segments, totaled EUR 291.9 million in the reporting period (Q1-Q3/2011: EUR 234.4 million), up 25% from the comparison period and accounting for 20% of Outotec's sales (Q1-Q3/2011: 26%). Sales in the Services business area in the third quarter of 2012 totaled EUR 101.7 million (Q3/2011: EUR 87.7 million), up 16% from the comparison period and accounting for 20% of Outotec's sales (Q3/2011: 25%).

Operating profit from business operations in the reporting period was EUR 119.8 million (Q1-Q3/2011: EUR 66.6 million), up 80% from the comparison period and representing 8.3% of sales (Q1-Q3/2011: 7.5%). The operating profit in the reporting period increased due to higher sales and successful project completions. The operating profit margin was impacted by unrealized and realized exchange losses of EUR 0.2 million (Q1-Q3/2011: gain of EUR 2.3 million) related to currency forward contracts, a lower share of service sales, higher than planned costs and increased risk provisions in two customer projects. Operating profit for the reporting period was EUR 109.4 million (Q1-Q3/2011: EUR 63.0 million), representing 7.6% of sales (Q1-Q3/2011: 7.1% of sales). The total impact of PPA amortizations in the reporting period was EUR 9.2 million (Q1-Q3/2011: EUR 3.6 million). The increase in the PPA amortizations primarily resulted from the Energy Products of Idaho and Kiln Services Australia acquisitions in December 2011. In 2012, the total impact for PPA amortizations from completed acquisitions is estimated to be approximately EUR 12 million. One-time costs which were related to acquisition costs were EUR 1.3 million (Q1-Q3/2011: no one-time costs) in the reporting period.

Operating profit from business operations in the third quarter of 2012 was EUR 44.7 million (Q3/2011: EUR 34.3 million), representing 8.9% of sales (Q3/2011: 9.7%), and operating profit was EUR 41.0 million (Q3/2011: EUR 33.2 million), representing 8.1% of sales (Q3/2011: 9.4%). Operating profit from business operations in the third quarter of 2012 was impacted by higher than planned costs and increased risk provisions in two projects as well as fewer project completions than in the comparison period. Unrealized and realized exchange gains related to currency forward contracts in the third quarter of 2012 were EUR 3.6 million (Q3/2011: loss of EUR 2.5 million). The impact of PPA amortizations in the third quarter operating profit was EUR 3.2 million (Q3/2011: EUR 1.2 million).

Fixed costs in the reporting period were EUR 180.7 million (Q1-Q3/2011: EUR 153.1 million). The increase was primarily due to continued investments in selling and marketing, acquisitions, R&D activities as well as in developing and deploying the company's global operational model in line with the strategy. Profit before taxes in the reporting period was EUR 107.4 million (Q1-Q3/2011: EUR 62.5 million). It included net finance expenses of EUR 1.9 million (Q1-Q3/2011: net finance expenses EUR 0.5 million). Net profit for the reporting period was EUR 75.5 million (Q1-Q3/2011: EUR 42.3 million). Taxes totaled EUR 31.9 million (Q1-Q3/2011: EUR 20.2 million). Earnings per share were EUR 1.66 (Q1-Q3/2011: EUR 0.93), up 78%.

Outotec's return on equity for the reporting period was 24.2% (Q1-Q3/2011: 15.9%), and the return on investment was 31.0% (Q1-Q3/2011: 21.8%).

| **Sales and Operating Profit by Segment**<br>EUR million | **Q3**<br>**2012** | Q3<br>2011 | **Q1-Q3**<br>**2012** | Q1-Q3<br>2011 | Q1-Q4<br>2011 |
|---|---|---|---|---|---|
| **Sales** | | | | | |
| Non-ferrous Solutions | **312.5** | 235.5 | **909.0** | 588.9 | 947.6 |
| Ferrous Solutions | **92.9** | 60.0 | **244.7** | 146.3 | 221.1 |
| Energy, Light Metals and Environmental Solutions | **100.1** | 61.4 | **292.8** | 165.2 | 236.1 |
| Unallocated items*) and intra-group sales | **-2.7** | -4.1 | **-9.0** | -11.5 | -19.2 |
| **Total** | **502.8** | 352.8 | **1,437.6** | 888.8 | 1,385.6 |
| | | | | | |
| **Operating profit** | | | | | |
| Non-ferrous Solutions | **33.7** | 24.6 | **94.1** | 55.3 | 107.7 |
| Ferrous Solutions | **9.9** | 6.0 | **17.5** | 7.3 | 6.7 |
| Energy, Light Metals and Environmental Solutions | **0.6** | 11.7 | **11.7** | 20.2 | 23.8 |
| Unallocated**) and intra-group items | **-3.2** | -9.1 | **-14.0** | -19.9 | -26.3 |
| **Total** | **41.0** | 33.2 | **109.4** | 63.0 | 111.9 |

*) 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 totaled EUR 909.0 million (Q1-Q3/2011: EUR 588.9 million), up 54% from the comparison period. The increase was due to good progress in deliveries from the order backlog, continued strong order intake, and growth in Services sales. The operating profit from business operations in the reporting period was EUR 97.1 million, 10.7% of sales (Q1-Q3/2011: EUR 58.6 million, 9.9% of sales), and operating profit was EUR 94.1 million, 10.4% of sales (Q1-Q3/2011: EUR 55.3 million, 9.4% of sales). Operating profit was improved due to operating leverage resulting from higher sales and good performance in project deliveries. The unrealized and realized exchange gains related to currency forward contracts increased profitability by EUR 1.0 million (Q1-Q3/2011: gain of EUR 1.0 million).

In the third quarter of 2012, sales were EUR 312.5 million (Q3/2011: EUR 235.5 million), operating profit from business operations was EUR 34.8 million, 11.1% of sales (Q3/2011: EUR 25.7 million, 10.9% of sales), and operating profit EUR 33.7 million, 10.8% of sales (Q3/2011: EUR 24.6 million, 10.5% of sales). The unrealized and realized exchange gains related to currency forward contracts increased profitability by EUR 2.0 million (Q3/2011: loss of EUR 3.1 million).

**Ferrous Solutions**

Sales in the Ferrous Solutions business area for the reporting period totaled EUR 244.7 million (Q1-Q3/2011: EUR 146.3 million), up 67% from the comparison period. The increase was due to the successful execution of long-term projects from the backlog and growth in Services sales. Operating profit from business operations in the reporting period was EUR 18.4 million, 7.5% of sales (Q1-Q3/2011: EUR 7.3 million, 5.0% of sales) and operating profit was EUR 17.5 million, 7.2% of sales (Q1-Q3/2011: EUR 7.3 million, 5.0% of sales). Operating profit improved due to operating leverage resulting from higher sales as several large projects were in the active delivery phase.

In the third quarter of 2012, sales were EUR 92.9 million (Q3/2011: EUR 60.0 million). Operating profit from business operations was EUR 10.2 million, 11.0% of sales (Q3/2011: EUR 6.0 million, 10.0% sales), and operating profit EUR 9.9 million, 10.7% of sales (Q3/2011: EUR 6.0 million, 10.0% of sales).

**Energy, Light Metals and Environmental Solutions**

Sales in the Energy, Light Metals and Environmental Solutions business area in the reporting period totaled EUR 292.8 million (Q1-Q3/2011: EUR 165.2 million), up 77% from the comparison period. The increase was due to the good progress in the execution of long-term projects, acquisitions, and growth in Services sales. Operating profit from business operations for the reporting period was EUR 18.2 million, 6.2% of sales (Q1-Q3/2011: EUR 20.6 million, 12.5% of sales) and operating profit was EUR 11.7 million, 4.0% of sales (Q1-Q3/2011: EUR 20.2 million, 12.3% of sales). Operating profit from business operations in the reporting period decreased due to higher than planned costs and increased risk provisions in two customer projects as well as fewer project completions compared to the comparison period. In addition, unrealized and realized exchange losses of EUR 1.0 million (Q1-Q3/2011: gain of EUR 1.4 million) related to currency forward contracts impacted on profitability.

In the third quarter of 2012, sales were EUR 100.1 million (Q3/2011: EUR 61.4 million), operating profit from business operations was EUR 2.8 million, 2.8% of sales (Q3/2011: EUR 11.7 million, 19.1% of sales), and operating profit EUR 0.6 million, 0.6% of sales (Q3/2011: EUR 11.7 million, 19.0% of sales). The unrealized and realized exchange gains related to currency forward contracts increased profitability by EUR 1.1 million (Q3/2011: gain of EUR 0.7 million).

**BALANCE SHEET, FINANCING, AND CASH FLOW**

The consolidated balance sheet total was EUR 1,602.5 million at the end of the reporting period (September 30, 2011: EUR 1,295.2 million). The equity to shareholders of the parent company was EUR 430.2 million (September 30, 2011: EUR 350.2 million), representing EUR 9.56 (September 30, 2011: EUR 7.71) per share.

The net cash flow from operating activities in the reporting period was EUR 80.4 million (Q1-Q3/2011: EUR 225.8 million). The reporting period's net cash flow from operating activities was decreased from the comparison period due increased inventory levels related to business growth as well as fewer large advance payments. Gearing for the reporting period was -69.8% (September 30, 2011: -101.6%).

Outotec's working capital amounted to EUR -244.4 million at the end of the reporting period (September 30, 2011: EUR -269.6 million). The advance and milestone payments received at the end of the reporting period were EUR 424.6 million (September 30, 2011: EUR 401.0 million), representing an increase of 6% from the comparison period. The advance and milestone payments paid at the end of the reporting period were EUR 63.1 million (September 30, 2011: EUR 38.9 million).

At the end of the reporting period, Outotec's cash and cash equivalents totaled EUR 364.3 million (September 30, 2011: EUR 423.9 million). Cash and cash equivalents was affected by the dividend payment of EUR 38.9 million (EUR 0.85 per share) on April 11, 2012 (April 2011: EUR 34.3 million), acquisitions EUR 29.1 million (Q1-Q3/2011: no acquisitions), and purchases of own shares EUR 19.3 million (Q1-Q3/2011: no purchases). The company invests excess cash in short-term money market instruments such as bank deposits and corporate commercial certificates of deposit.

The European Investment Bank has granted in September 2012 a EUR 45 million loan to Outotec to finance research and development programs in sustainable minerals and metallurgical processing technologies as well as industrial water treatment and energy-related applications. The repayment period is up to 11 years. Outotec had EUR 195 million of committed undrawn credit facilities available at the end of the reporting period.

Outotec's financing structure continued to be strong and liquidity was good. Net interest-bearing debt at the end of the reporting period was EUR -301.4 million (September 30, 2011: EUR -356.7 million). Outotec's equity-to-assets ratio was 36.6% (September 30, 2011: 39.3%). The company's capital expenditure in the reporting period was EUR 48.4 million (Q1-Q3/2011:

EUR 23.4 million) including acquisitions as well as investments in IT systems, R&D-related equipment, 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 568.6 million (September 30, 2011: EUR 450.7 million).

**CORPORATE STRUCTURE**

On August 31, 2012, Outotec completed the acquisition of Australian-owned TME Group. TME is a mining services company, headquartered in Western Australia and provides grinding mill relining and mineral processing plant maintenance services to customers mainly in Australia, Africa, and South East Asia.

On June 1, 2012, Outotec completed the acquisition of Demil Manutenção Industrial Ltda. The Brazilian company provides industrial maintenance services for iron ore agglomeration plants, and is located in Guarapari, Espírito Santo.

On March 12, 2012, Outotec acquired all of the shares in Numcore Ltd, which is a technology company that develops and markets innovative online process control solutions based on 3D imaging.

In 2012, the total impact for PPA amortizations from completed acquisitions is estimated to be approximately EUR 12 million.

**RESEARCH AND TECHNOLOGY DEVELOPMENT**

In the reporting period, Outotec’s research and technology development expenses totaled EUR 29.3 million (Q1-Q3/2011: EUR 22.7 million), increasing 29% from the comparison period and representing 2.0% of sales (Q1-Q3/2011: 2.6%). Outotec filed 45 new priority patent applications (Q1-Q3/2011: 28), and 219 new national patents were granted (Q1-Q3/2011: 223). At the end of the reporting period, Outotec had 610 patent families, including a total of 5,618 national patents or patent applications.

In September, Outotec launched the world’s largest semi-autogenous (SAG) grinding mill to the market in response to growing metals demand and declining ore grades. The mill is driven by a 28 MW Gearless Motor Drive, which is the largest grinding mill power ever used in the mining industry. The SAG mill design is based on Outotec's proprietary technology. It offers increased efficiency and up to 15% larger mill capacity with low energy consumption.

In September, Outotec and Sandvik Mining announced cooperation in minerals processing solutions. This enables Outotec to offer an entire processing plant, including crushing, grinding and concentrating as well as process testing, design, basic engineering and process guarantees.

In April, Outotec launched the world's largest flotation cell, the Outotec TankCell® e500. It has been designed for plants with high material throughputs, such as large copper and gold concentrators. Outotec offers the broadest size range of flotation cells on the market (from 5 $m^3$ to 500 $m^3$), which allows for a flexible layout with symmetrical design. The benefits include lower equipment costs and energy consumption, less installation work, and a smaller plant footprint. Fewer units per installation result in fewer components, spare parts, and less maintenance.

In April, Outotec received exclusive rights from Swiss Tower Mills Minerals Ltd to distribute and sell its Tower Mills (STM) grinding technology. High-intensity grinding mills marketed as Outotec® HIGmill bring a new option to the market, enabling Outotec to compete for the position of market leader in fine and ultra-fine grinding.

Based on the cooperation agreement with the Ministry of Minerals Resources and Energy of Mongolia, Outotec organized in Finland together with Aalto University a training course in Minerals Engineering and Metallurgy for Mongolian Bachelor of Science Graduates and professors.

Outotec is providing a continuously processing Minipilot Plant for ore beneficiation for the Oulu Mining School at the University of Oulu. The minipilot has a scale of 1:5000 and it is based on the Pyhäsalmi Mine's beneficiation process. The pilot equipment is based on Outotec's technologies and it gives a close to authentic education and research environment for the minerals processing scientists and students of Oulu Mining School.

In March, Outotec launched the Outotec® Larox PF 180, the world's largest pressure filter. The PF 180 series are 50% larger than the previous model and lowering operating cost per ton.

## SUSTAINABILITY

In September, Outotec hosted a seminar in Indonesia for customers, partners, ministries, industry associations, and academics on the implementation of a framework for sustainability in the Indonesian mining and metals processing industries. The seminar was organized jointly with the Indonesian Ministry of Environment. Outotec presented sustainable solutions and environmental considerations in minerals and metals processing as well as trends in environmental legislation in Europe.

In April, Outotec published its sustainability report for 2011, which is based on the Global Reporting Initiative (GRI) guidelines. The report conforms to Application Level B+ and is third-party assured by Ecobio Ltd.

## PERSONNEL

At the end of the reporting period, Outotec had a total of 4,662 employees (September 30, 2011: 3,667). New employees were primarily recruited for project deliveries and for the service business. In addition, acquisitions increased personnel from the comparison period by 435. In the reporting period, Outotec had on average 4,356 employees (Q1-Q3/2011: 3,420). The average number of personnel grew by 936 compared to the comparison period, which supports overall business growth objectives. Temporary personnel accounted for approximately 8% (Q1-Q3/2011: 9%) of the total number of employees.

| **Distribution of Personnel by Region** | **Sep 30, 2012** | Sep 30, 2011 | **change %** | Dec 31, 2011 |
|---|---|---|---|---|
| EMEA (including CIS) | **2,565** | 2,237 | **14.6** | 2,327 |
| Americas | **1,372** | 881 | **55.7** | 972 |
| Asia Pacific | **725** | 549 | **32.1** | 584 |
| **Total** | **4,662** | 3,667 | **27.1** | 3,883 |

At the end of the reporting period, the company had, in addition to its own personnel, approximately 800 (September 30, 2011: 480) 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 252.2 million (Q1-Q3/2011: EUR 202.0 million). The increase from the comparison period was due to personnel additions, wage inflation, and wage increases.

## SHARE-BASED INCENTIVE PROGRAM AND SHARE SAVINGS PLAN

### Share-based incentive program

Outotec's board of directors decided on April 23, 2010 to adopt a share-based incentive program 2010-2012 for the company's key personnel.

*Earning period 2010*

A total of 138,144 Outotec shares were allocated for the 2010 earning period with a cost of approximately EUR 9.6 million, which is booked for the financial periods 2010-2012.

*Earning period 2011*

A total of 130,063 Outotec shares were allocated for the 2011 earning period with a cost of approximately EUR 9.5 million, which is booked for the financial periods 2011-2013.

*Earning period 2012*

The board of directors approved (March 28, 2012) 148 individuals for the program's 2012 earning period and set targets for order intake, earnings per share and sales growth. The maximum total reward for the 2012 earning period, depending on the achievement of set targets, is 195,875 allocated Outotec shares and cash to cover income taxes.

### Employee share savings plan

Outotec's board of directors decided on September 25, 2012, to launch an employee share savings plan for Outotec employees globally. The plan will commence from January 1, 2013, with the first savings period being one calendar year. The following savings periods are subject to a separate board decision.

## 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 shareholders' meetings. At the end of the reporting period, the company holds a total of 564,327 Outotec shares.

### Board authorizations

The annual general meeting for 2012 authorized Outotec's board of directors to determine the repurchase of the company's own shares, and to issue new shares. The maximum number of shares related to both authorizations is 4,578,037. The authorizations are valid until the next annual general meeting.

On September 10, Outotec announced that the board of directors has decided to exercise its authorization. During the period September 18-24, 2012, Outotec purchased a total of 500,000 of the company's own shares through public trading at an average price of approximately EUR 38.55 per share. The total purchase price paid for the shares was EUR 19,274,589.43. The acquired shares will be used for the company's near-term incentive programs.

### Third-party share-based incentive program agreement

Outotec has an agreement with a third-party service provider concerning the administration of the share-based incentive program for key personnel. These shares are accounted for as treasury shares on Outotec's consolidated balance sheet. At the end of the reporting period, the amount of these treasury shares was 64,327 (June 30, 2012: 64,327).

### Other authorizations

The annual general meeting gave the board of directors the authority to donate an aggregate amount of EUR 100,000 to for non-profit purposes or to universities. The authorization is valid until December 31, 2012.

## TRADING, MARKET CAPITALIZATION, AND SHAREHOLDERS

In the reporting period, the volume-weighted average price for a share in the company was EUR 37.89, the highest quotation for a share was EUR 46.67, and the lowest EUR 30.31. The trading of Outotec shares in the reporting period exceeded 72 million shares, with a total value of over EUR 2,731 million. At the end of the reporting period, Outotec's market capitalization was EUR 1,692 million and the last quotation for a share was EUR 36.95. At the end of the reporting period, the company did not hold any treasury shares for trading purposes.

Outotec has consolidated Outotec Management Oy into the Group's balance sheet. At the end of the reporting period, Outotec Management Oy held 203,434 or 0.44% (October 25, 2012: 203,434) of Outotec shares, which have been accounted as treasury shares in Outotec's balance sheet.

At the end of the reporting period, Outotec had 15,324 shareholders. Shares held in 16 nominee registers accounted for 47.4% and Finnish households held 11.0% of all Outotec shares.

**Changes in share holdings**

On April 18, 2012 the holdings of BlackRock, Inc (voting right held by BlackRock Investment Management (UK) Limited) in shares of Outotec Oyj exceeded 5% (2,311,857 shares), representing 5.05% of the shares and votes.

On March 6, 2012 the holdings of Solidium Oy in shares of Outotec Oyj exceeded 5% (2,314,000 shares), representing 5.05% of the shares and votes.

On March 1, 2012 the group holdings of Goldman Sachs Group, Inc. in shares of Outotec Oyj exceeded 5% (2,458,638 shares), representing 5.37% of the shares and votes and fell below 5% on March 2, 2012 (191,499 shares), representing 0.42% of the shares and votes.

## EVENTS AFTER THE REPORTING PERIOD

On October 16, 2012, Outotec announced that the following persons have been nominated as members of the nomination board established in accordance with the decision of the annual general meeting 2012: Kari A.J. Järvinen CEO (Solidium Oy), Harri Sailas CEO (Ilmarinen Mutual Pension Insurance Company), and Poju Zabludowicz CEO (Tamares Nordic Investments B.V.). The chairman of the board, Carl-Gustaf Bergström, and the vice chairman of the board, Karri Kaitue, are also members of the nomination board.

On October 3, 2012, Outotec announced it had acquired all the shares of Backfill Specialists Pty Ltd, which is a technical consulting and engineering company specialized in mine backfilling solutions mostly in Australia. Annual sales of the company have been roughly EUR 18 million. The acquisition complements Outotec's expertise in paste plants and enables the company to offer more comprehensive tailings treatment solutions to the mining industry worldwide. The acquisition price was not disclosed.

## SHORT-TERM RISKS AND UNCERTAINTIES

**Risks related to the global operating environment**

Uncertainty in financial and banking markets has increased, which together with potential further escalation of the sovereign debt crisis may have a negative impact on the global economy and the investment decisions of Outotec's customers. Outotec's global business operations are subject to various political, economic, and social conditions. Conditions may rapidly change and create delays and changes in order placement and execution as well as in the availability and conditions of financing for mining companies. Political unrest or trade restrictions may cause delays or even prevent project execution.

**Risks related to Outotec's business**

As part of its overall project delivery, Outotec often gives performance guarantees and takes liabilities for the warranty period defects. Projects in Outotec's order backlog may contain risks related to delivery, quality, functionality or costs. Large turnkey projects may involve more risks for example due to their complex scope, long delivery times, and contractual liabilities. According to standard practice, all unfinished projects are evaluated quarterly and provisions for performance guarantees and warranty period guarantees are updated.

Sales negotiations, especially in large projects, may advance more slowly due to their scope, permitting, and the complexity of financing packages. Outotec may operate in politically unstable countries where potential economic sanctions and possible future changes in the regulatory framework may have an adverse effect on Outotec's business operations. In these cases, Outotec aims to mitigate project contract risks through advance and milestone payments as well as gradual booking of orders in backlog according to actual project progress.

Global economic uncertainty may reduce the demand for Outotec's products and services. Outotec's gross margin fluctuates according to the product mix and the timing of project execution. In particular, 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 component availability can also affect Outotec's profitability.

Outotec follows the percentage of completion method for project revenue recognition. Based on project time schedules, management estimates the revenues to be recognized from the order backlog for the calendar year. As a result, deviations in project time schedules may have an impact on the company's financial projections.

The availability of skilled personnel is important for the growth of Outotec's business. Especially in some fast growing market areas and challenging project environments, personnel resourcing may be challenging. Business growth in line with Outotec's strategy requires permanent increases in the workforce, raising the company's fixed cost base and lowering cost structure adjustability.

The nature of international business, different interpretations of international and local tax rules and regulations may cause additional direct or indirect taxes for Outotec, thus reducing 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. Goodwill may be generated through acquisitions.

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 or bankruptcies, which can also result in losses for Outotec. These risks can be reduced by advance and milestone payments as well as letters of credit or other trade finance instruments.

Outotec's business model is primarily based on customer advance and milestone payments and on-demand guarantees issued by Outotec's relationship banks. Changes in advance payments received due to changes in business volume or the industry's business practices may have an impact on the company's liquidity. Securing the continuity of Outotec business operations requires that the company has sufficient funding available under all circumstances. Cash held by the company is primarily invested in short term bank deposits and in Finnish corporate short term certificates of deposit.

More than 50% of Outotec's total cash flow is denominated in euros. The rest is divided among various currencies, including the US dollar, Australian dollar, Brazilian real, Canadian dollar, and South African rand. The weight of any given currency in new projects can substantially fluctuate, but most cash-flow-related risks are hedged over the short term and long term. In the short term, currency fluctuations may create volatility in operating profit. The forecasted and probable cash flows are selectively hedged and are always subject to 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 primarily forward agreements. The cost of hedging is taken into account in project pricing.

The company is closely monitoring the developments in the EURO currency and has internal policies for managing business in the potentially affected countries.

**MARKET OUTLOOK**

The long term outlook for metals demand is expected to remain good. Investments in new production capacity, modernizations, and services will continue as current production capacity and ongoing investments in new capacity are not sufficient to fulfill the demand. Furthermore, the industry has to focus increasingly on the social and environmental impacts of their operations, increasing the need for advanced technologies. In addition, many countries are developing new export regulations to increase their value capture from their natural resources and promote domestic industries, consequently driving investments in new greenfield capacity.

According to a number of large mining companies' announcements, their CAPEX spending will remain at a high level going forward as continuous investments - both greenfield and brownfield - are needed to address declining ore grades, efficiency improvement requirements, tightening environmental regulations, and higher operational costs. This is evidenced by the large number of mining and metallurgical projects in different planning phases.

Financial resources continue to be available for solid projects and for companies with strong cash flows and balance sheets. Export financing agencies are also actively involved. In general, customer expectations for a return on investments and performance are higher, supporting the need for more advanced technologies. The potential escalation of macro-economic uncertainties may cause Outotec's customers to delay their investment decisions.

In the Non-ferrous Solutions business area, the demand for copper, gold, zinc, and silver technologies is expected to continue, and investment activity is seen in the entire ore-to-metal technology value chain. The Services business is expected to continue to grow driven by customers' high capacity utilization rates and the old plant and equipment base requiring maintenance and modernization. Competition for new projects remains tight and varies by market and offering.

In the Ferrous Solutions business area, the demand for iron ore, ferroalloy and ilmenite technologies is expected to continue. There is solid demand for services, modernizations and smaller projects, but in the short term, negotiations in large iron ore greenfield investments are expected to progress slowly due to lower prices and uncertainty in China's steel demand, which is impacting the outlook for the global iron ore value chain. The Middle East continues to develop beneficiation, pelletizing, and ilmenite projects. There are also additional opportunities for sustainable technologies in China due to increased environmental awareness.

The Energy, Light Metals and Environmental Solutions business area continues to see solid demand in alternative energy solutions as well as aluminum and sulfuric acid technologies. The market for aluminum technologies is expected to continue at a good level. Sulfuric acid technologies are needed in different markets to replace old and inefficient processes as well as in the metals production and fertilizer industry, which needs to meet the growing demand for phosphate fertilizer. Furthermore, investments are driven by stricter environmental regulations and the relocation of production capacity. Demand is also growing in alternative energy-based solutions such as biomass and waste-to-energy technologies. In addition, oil shale as well as oil sands technologies are being developed. Investments in energy solutions are strategic investments, and are thus often impacted by governmental regulations. The global market for industrial water treatment solutions is growing.

The Services business is driven by the industry's capacity utilization rates, long lifetime and performance improvements of processing plants as well as increasingly challenging raw materials. Growth in the Services business is achieved by further penetrating Outotec's large installed base and developing new service offerings. Furthermore, the current high volume delivery of Outotec's equipment and plant solutions results in new installed capacity requiring lifecycle services. In addition to traditional service offerings, more and more customers are interested in "operate and maintain" services due to the lack of skilled employees, increasingly challenging raw materials and more sophisticated processing technologies.

## REVISED FINANCIAL GUIDANCE FOR 2012

Based on the first nine months' financial performance, strong order backlog at the end of September, execution of CAPEX projects and market outlook, the management expects that in 2012:

- sales will grow to approximately EUR 1.9-2.1 billion, especially driven by the project revenue recognition, and
- operating profit margin from business operations will be approximately 9-10% (excluding one-time items and PPA amortizations).

Achieving the guidance is subject to the sales mix and relative share of Services, fluctuation in foreign exchange rates, project progress in the order backlog, timing of new orders, license fee income and project completions as well as the general development of the world economy and financial markets.

## PREVIOUS FINANCIAL GUIDANCE FOR 2012

Based on the first six months' financial performance, strong order backlog at the end of June, market outlook and customer tendering activity, the management expects that in 2012:

- sales will grow to approximately EUR 1.8-2.0 billion, especially driven by the project revenue recognition, and
- operating profit margin from business operations will be approximately 9-10% (excluding one-time items and PPA amortizations).

Achieving the guidance is subject to the sales mix and relative share of Services, fluctuation in foreign exchange rates, project progress in the order backlog, timing of new orders, license fee income and project completions as well as the general development of the world economy and financial markets.

Espoo, October 25, 2012

Outotec Oyj
Board of Directors

## FINANCIAL REPORTING SCHEDULE IN 2013

- Financial Statements for 2012: February 7, 2013
- Interim Report for January-March 2013: April 26, 2013
- Interim Report for January-June 2013: July 31, 2013
- Interim Report for January-September 2013: October 30, 2013

The Annual General Meeting in 2013 is planned to be held on March 26, 2013.

**INTERIM FINANCIAL STATEMENTS (unaudited)**

| **Consolidated Statement of Comprehensive Income**<br>EUR million | **Q3<br>2012** | Q3<br>2011 | **Q1-Q3<br>2012** | Q1-Q3<br>2011 | Q1-Q4<br>2011 |
|---|---|---|---|---|---|
| **Sales** | **502.8** | 352.8 | **1,437.6** | 888.8 | 1,385.6 |
| Cost of sales | **-405.9** | -265.1 | **-1,145.8** | -675.1 | -1,053.1 |
| **Gross profit** | **96.9** | 87.8 | **291.8** | 213.7 | 332.5 |
| Other income | **0.2** | -2.4 | **0.5** | 2.9 | 3.9 |
| Selling and marketing expenses | **-23.2** | -21.5 | **-73.0** | -63.1 | -86.4 |
| Administrative expenses | **-25.2** | -23.2 | **-78.4** | -67.3 | -97.7 |
| Research and development expenses | **-10.5** | -7.5 | **-29.3** | -22.7 | -33.5 |
| Other expenses | **2.9** | 0.0 | **-2.0** | -0.4 | -6.7 |
| Share of results of associated companies | **-0.1** | -0.0 | **-0.3** | -0.1 | -0.0 |
| **Operating profit** | **41.0** | 33.2 | **109.4** | 63.0 | 111.9 |
| Finance income and expenses | | | | | |
| Interest income and expenses | **1.2** | 1.8 | **4.3** | 4.1 | 6.0 |
| Market price gains and losses | **-1.1** | -0.7 | **-1.6** | -1.4 | -0.3 |
| Other finance income and expenses | **-1.5** | -1.0 | **-4.7** | -3.2 | -4.4 |
| Net finance income | **-1.4** | 0.1 | **-1.9** | -0.5 | 1.4 |
| **Profit before income taxes** | **39.6** | 33.3 | **107.4** | 62.5 | 113.3 |
| Income tax expenses | **-11.4** | -11.4 | **-31.9** | -20.2 | -34.0 |
| **Profit for the period** | **28.1** | 21.9 | **75.5** | 42.3 | 79.3 |
| Other comprehensive income | | | | | |
| Exchange differences on translating foreign operations | **0.1** | -6.1 | **4.8** | -15.6 | -3.9 |
| Cash flow hedges | **7.5** | -2.4 | **6.7** | -2.4 | -4.3 |
| Income tax relating to cash flow hedges | **-1.9** | 0.7 | **-1.6** | 0.7 | 1.3 |
| Available for sale financial assets | **0.0** | -0.1 | **-0.0** | -0.2 | -0.2 |
| **Other comprehensive income for the period** | **5.7** | -7.9 | **9.9** | -17.5 | -7.2 |
| **Total comprehensive income for the period** | **33.8** | 14.0 | **85.4** | 24.8 | 72.1 |
| **Profit for the period attributable to:** | | | | | |
| Equity holders of the parent company | **28.1** | 21.9 | **75.5** | 42.3 | 79.3 |
| Non-controlling interest | - | - | - | - | - |
| **Total comprehensive income for the period attributable to:** | | | | | |
| Equity holders of the parent company | **33.8** | 14.0 | **85.4** | 24.8 | 72.1 |
| Non-controlling interest | **-** | - | **-** | - | **-** |
| **Earnings per share for profit attributable to the equity holders of the parent company:** | | | | | |
| Basic earnings per share, EUR | **0.62** | 0.48 | **1.66** | 0.93 | 1.75 |
| Diluted earnings per share, EUR | **0.62** | 0.48 | **1.66** | 0.93 | 1.75 |

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

| **Condensed Consolidated Statement of Financial Position**<br>EUR million | **September 30, 2012** | September 30, 2011 | December 31, 2011 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | **323.1** | 224.0 | 286.8 |
| Property, plant and equipment | **73.3** | 54.9 | 62.5 |
| Deferred tax asset | **49.2** | 42.9 | 47.3 |
| **Non-current financial assets** | | | |
| Interest-bearing | **4.0** | 2.4 | 2.4 |
| Non interest-bearing | **2.0** | 1.3 | 2.5 |
| **Total non-current assets** | **451.7** | 325.5 | 401.5 |
| **Current assets** | | | |
| Inventories *) | **222.4** | 156.1 | 148.6 |
| **Current financial assets** | | | |
| Interest-bearing | **0.0** | 0.1 | 0.7 |
| Non interest-bearing | **564.1** | 389.6 | 468.1 |
| Cash and cash equivalents | **364.3** | 423.9 | 402.5 |
| **Total current assets** | **1,150.8** | 969.7 | 1,019.9 |
| **TOTAL ASSETS** | **1,602.5** | 1,295.2 | 1,421.4 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity attributable to the equity holders of the parent company | **430.2** | 350.2 | 398.4 |
| Non-controlling interest | **1.2** | 1.0 | 1.1 |
| **Total equity** | **431.4** | 351.2 | 399.5 |
| **Non-current liabilities** | | | |
| Interest-bearing | **41.2** | 51.6 | 47.6 |
| Non interest-bearing | **97.6** | 102.9 | 107.0 |
| **Total non-current liabilities** | **138.9** | 154.5 | 154.6 |
| **Current liabilities** | | | |
| Interest-bearing | **25.7** | 18.2 | 18.9 |
| Non interest-bearing | | | |
| Advances received **) | **424.6** | 401.0 | 399.0 |
| Other non interest-bearing liabilities | **581.8** | 370.4 | 449.4 |
| **Total current liabilities** | **1,032.1** | 789.5 | 867.3 |
| **Total liabilities** | **1,171.0** | 944.0 | 1,021.9 |
| **TOTAL EQUITY AND LIABILITIES** | **1,602.5** | 1,295.2 | 1,421.4 |

*) Of which advances paid for inventories amounted to EUR 63.1 million at September 30, 2012 (September 30, 2011: EUR 38.9 million, December 31, 2011: EUR 43.5 million).

**) Gross advances received before percentage of completion revenue recognition amounted to EUR 1,692.8 million at September 30, 2012 (September 30, 2011: EUR 1,416.4 million, December 31, 2011: EUR 1,462.3 million).

| **Condensed Consolidated Statement of Cash Flows**<br>EUR million | **Q1-Q3**<br>**2012** | Q1-Q3<br>2011 | Q1-Q4<br>2011 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the period | **75.5** | 42.3 | 79.3 |
| Adjustments for | | | |
| Depreciation and amortization | **22.9** | 14.0 | 19.4 |
| Other adjustments | **38.2** | 17.5 | 28.6 |
| Increase (-), decrease (+) in working capital | **-29.7** | 160.1 | 134.4 |
| Interest received | **5.9** | 5.6 | 8.0 |
| Interest paid | **-1.4** | -1.2 | -2.0 |
| Income tax paid | **-31.1** | -12.5 | -20.8 |
| **Net cash from operating activities** | **80.4** | 225.8 | 247.0 |
| | | | |
| Purchases of assets | **-31.5** | -22.0 | -34.4 |
| Acquisition of subsidiaries and business operations, net of cash | **-29.1** | - | -34.5 |
| Acquisition of shares in associated companies | **-** | - | -0.1 |
| Proceeds from disposal of subsidiaries | **-** | - | 0.0 |
| Proceeds from sale of assets | **0.3** | 0.5 | 1.4 |
| Change in other investing activities | **-0.1** | -0.0 | -0.1 |
| **Net cash used in investing activities** | **-60.3** | -21.5 | -67.7 |
| **Cash flow before financing activities** | **20.0** | 204.3 | 179.3 |
| | | | |
| Repayments of non-current debt | **-4.9** | -6.9 | -11.5 |
| Decrease in current debt | **-2.3** | -6.1 | -4.9 |
| Increase in current debt | **4.9** | 1.4 | 0.0 |
| Purchase of treasury shares | **-19.3** | - | - |
| Related party net investment to Outotec Oyj shares *) | **-0.2** | - | -0.2 |
| Dividends paid | **-38.9** | -34.3 | -34.3 |
| Change in other financing activities | **1.0** | 0.5 | 0.4 |
| **Net cash used in financing activities** | **-59.6** | -45.4 | -50.6 |
| | | | |
| **Net change in cash and cash equivalents** | **-39.6** | 158.9 | 128.8 |
| | | | |
| **Cash and cash equivalents at the beginning of the period** | **402.5** | 280.3 | 280.3 |
| Foreign exchange rate effect on cash and cash equivalents | **1.4** | -15.3 | -6.6 |
| Net change in cash and cash equivalents | **-39.6** | 158.9 | 128.8 |
| **Cash and cash equivalents at the end of the period** | **364.3** | 423.9 | 402.5 |

*) Consolidation of Outotec Management Oy (incentive plan for Outotec executive board members). At the end of the reporting period, Outotec Management Oy held 203,434 (December 31, 2011: 199,747) Outotec shares which have been accounted for as treasury shares in Outotec's consolidated statement of financial position.

## Consolidated Statement of Changes in Equity

| 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to the equity holders of the parent company | | | | | | | | | |
| 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 | - | - | -0.1 | - | 2.3 |
| Total comprehensive income for the period | - | - | - | -1.8 | - | - | -15.6 | 42.3 | - | 24.8 |
| Other changes | - | - | 0.0 | - | - | - | - | 0.6 | - | 0.6 |
| Equity at September 30, 2011 | 17.2 | 20.2 | 0.4 | 0.2 | -7.3 | 87.7 | 13.3 | 218.4 | 1.0 | 351.2 |
| | | | | | | | | | | |
| Equity at January 1, 2012 | 17.2 | 20.2 | 0.4 | -1.2 | -7.5 | 87.7 | 25.1 | 256.5 | 1.1 | 399.5 |
| Dividends | - | - | - | - | - | - | - | -38.9 | - | -38.9 |
| Management incentive plan for Outotec Executive Board *) | - | - | - | - | -0.2 | - | - | - | 0.1 | -0.1 |
| Purchase of treasury shares | - | - | - | - | -19.3 | - | - | - | - | -19.3 |
| Share-based compensation | - | - | - | - | 1.5 | - | - | 3.0 | - | 4.5 |
| Total comprehensive income for the period | - | - | - | 5.1 | - | - | 4.8 | 75.5 | - | 85.4 |
| Other changes | - | - | 0.0 | - | - | - | - | 0.4 | - | 0.4 |
| **Equity at September 30, 2012** | **17.2** | **20.2** | **0.5** | **3.9** | **-25.5** | **87.7** | **29.9** | **296.5** | **1.2** | **431.4** |

*) Consolidation of Outotec Management Oy (incentive plan for Outotec executive board members). At the end of the reporting period, Outotec Management Oy held 203,434 (December 31, 2011: 199,747) Outotec shares which have been accounted for as treasury shares in Outotec's consolidated statement of financial position.

| Key figures | Q3 2012 | Q3 2011 | Q1-Q3 2012 | Q1-Q3 2011 | Last 12 months | Q1-Q4 2011 |
|---|---|---|---|---|---|---|
| Sales, EUR million | **502.8** | 352.8 | **1,437.6** | 888.8 | 1,934.4 | 1,385.6 |
| Gross margin, % | **19.3** | 24.9 | **20.3** | 24.0 | 21.2 | 24.0 |
| Operating profit, EUR million | **41.0** | 33.2 | **109.4** | 63.0 | 158.3 | 111.9 |
| Operating profit margin, % | **8.1** | 9.4 | **7.6** | 7.1 | 8.2 | 8.1 |
| Profit before taxes, EUR million | **39.6** | 33.3 | **107.4** | 62.5 | 158.2 | 113.3 |
| Profit before taxes in relation to sales, % | **7.9** | 9.4 | **7.5** | 7.0 | 8.2 | 8.2 |
| Net cash from operating activities, EUR million | **13.4** | 120.1 | **80.4** | 225.8 | 101.6 | 247.0 |
| Net interest-bearing debt at the end of period, EUR million | **-301.4** | -356.7 | **-301.4** | -356.7 | -301.4 | -339.1 |
| Gearing at the end of period, % | **-69.8** | -101.6 | **-69.8** | -101.6 | -69.8 | -84.9 |
| Equity-to-assets ratio at the end of period, % | **36.6** | 39.3 | **36.6** | 39.3 | 36.6 | 39.1 |
| Working capital at the end of period, EUR million | **-244.4** | -269.6 | **-244.4** | -269.6 | -244.4 | -270.3 |
| Capital expenditure, EUR million | **14.4** | 8.5 | **48.4** | 23.4 | 123.4 | 98.3 |
| Capital expenditure in relation to sales, % | **2.9** | 2.4 | **3.4** | 2.6 | 6.4 | 7.1 |
| Return on investment, % | **34.3** | 34.6 | **31.0** | 21.8 | 35.1 | 26.4 |
| Return on equity, % | **26.6** | 25.5 | **24.2** | 15.9 | 28.7 | 20.9 |
| Order backlog at the end of period, EUR million | **2,155.8** | 2,052.5 | **2,155.8** | 2,052.5 | 2,155.8 | 1,985.1 |
| Order intake, EUR million | **452.4** | 802.7 | **1,613.2** | 1,678.4 | 1,940.2 | 2,005.4 |
| Personnel, average for the period | **4,663** | 3,610 | **4,356** | 3,420 | 4,218 | 3,516 |
| Profit for the period in relation to sales, % | **5.6** | 6.2 | **5.3** | 4.8 | 5.8 | 5.7 |
| Research and development expenses, EUR million | **10.5** | 7.5 | **29.3** | 22.7 | 40.1 | 33.5 |
| Research and development expenses in relation to sales, % | **2.1** | 2.1 | **2.0** | 2.6 | 2.1 | 2.4 |
| Earnings per share, EUR | **0.62** | 0.48 | **1.66** | 0.93 | 2.48 | 1.75 |
| Equity per share, EUR | **9.56** | 7.71 | **9.56** | 7.71 | 9.56 | 8.75 |

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

Outotec has applied the following revised or new standards and interpretations since the beginning of 2012, which do not have a material impact on the Group's financial statements:

- IFRS 7 – Financial Instruments, Disclosures – Transfer of Financial Assets (Amendment to IFRS 7). The amendment introduces new disclosure requirements concerning the transfer of financial assets in two cases; financial assets that are not derecognized in their entirety, and financial assets that are derecognized in their entirety but for which the entity retains continuing involvement. This amendment will promote transparency and improve understanding of the risk exposures relating to transfers of financial assets. Currently, Outotec Group does not have such transferred financial assets and thus the amendment does not impact on the published information.

- IAS 12 – Income taxes, Deferred tax – Deferred tax accounting for investment property at fair value (Amendment to IAS 12). The amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value according to IAS 40 (Investment property). Outotec Group does not currently have investment properties measured using the fair value model in IAS 40 and thus the amendment does not impact on the published information.

***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 realisability of certain assets, the useful lives of tangible and intangible assets, income taxes, provisions, pension obligations and impairment of goodwill. These estimates are based on the management's best knowledge of current events and actions; however, it is possible that the actual results may differ from the estimates used in the financial statements.

| **Major Non-Recurring Items in Operating Profit**<br>EUR million | **Q1-Q3 2012** | Q1-Q3 2011 | Q1-Q4 2011 |
|---|---|---|---|
| One-time costs related to reorganization of business | **-** | - | -3.7 |
| One-time income related to reorganization of business | **-** | - | 1.1 |
| Costs related to acquisitions | **-1.3** | - | -2.0 |

| **Income Tax Expenses**<br>EUR million | **Q1-Q3 2012** | Q1-Q3 2011 | Q1-Q4 2011 |
|---|---|---|---|
| Current taxes | **-45.6** | -22.3 | -33.5 |
| Deferred taxes | **13.6** | 2.1 | -0.5 |
| **Total income tax expenses** | **-31.9** | -20.2 | -34.0 |

| **Property, Plant and Equipment**<br>EUR million | **September 30, 2012** | September 30, 2011 | December 31, 2011 |
|---|---|---|---|
| Historical cost at the beginning of the period | **144.8** | 128.9 | 128.9 |
| Translation differences | **1.3** | -2.4 | -0.5 |
| Additions | **15.9** | 10.9 | 17.9 |
| Disposals | **-1.0** | -1.4 | -4.5 |
| Acquired subsidiaries | **4.5** | - | 3.5 |
| Reclassifications | **-1.4** | -0.6 | -0.6 |
| Historical cost at the end of the period | **163.9** | 135.4 | 144.8 |
| | | | |
| Accumulated depreciation and impairment at the beginning of the period | **-82.2** | -76.2 | -76.2 |
| Translation differences | **-0.6** | 1.3 | 0.2 |
| Disposals | **0.8** | 1.1 | 3.4 |
| Reclassifications | **0.1** | -0.1 | -0.3 |
| | | | |
| Depreciation during the period | **-8.6** | -6.6 | -9.5 |
| Accumulated depreciation and impairment at the end of the period | **-90.5** | -80.5 | -82.2 |
| | | | |
| **Carrying value at the end of the period** | **73.3** | 54.9 | 62.5 |

| **Commitments and Contingent Liabilities**<br>EUR million | **September 30, 2012** | September 30, 2011 | December 31, 2011 |
|---|---|---|---|
| Pledges and mortgages | **0.2** | 0.0 | 0.0 |
| Guarantees for commercial commitments | **269.8** | 206.8 | 209.1 |
| Minimum future lease payments on operating leases | **152.7** | 71.6 | 161.3 |

The pledges and mortgages are used to secure credit facilities in Numcore 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 28.5 million at September 30, 2012 (September 30, 2011: EUR 28.1 million, December 31, 2011: EUR 25.8 million) and for commercial guarantees including advance payment guarantees EUR 568.6 million at September 30, 2012 (September 30, 2011: EUR 450.7 million, December 31, 2011: EUR 477.1 million).

## Derivative Instruments

| Currency Forwards<br>EUR million | **September 30, 2012** | September 30, 2011 | December 31, 2011 |
|---|---|---|---|
| Fair values, net | **4.2 *)** | -7.9 **) | -9.6 ***) |
| Nominal values | **799.0** | 483.7 | 545.4 |

*) of which EUR 4.9 million designated as cash flow hedges.

**) of which EUR -2.2 million designated as cash flow hedges.

***) of which EUR -3.6 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 for the maximum amount of EUR 5.0 million to finance the acquisition of the Outotec shares. The amount of the outstanding loan was EUR 4.4 million at September 30, 2012 (December 31, 2011: EUR 4.3 million).

Outotec Oyj paid to Outotec Management Oy dividends amounting to EUR 0.2 million in April 2012 (EUR 0.1 million in April 2011).

| **Transactions and Balances with Associated Companies**<br>EUR million | **Q1-Q3 2012** | Q1-Q3 2011 | Q1-Q4 2011 |
|---|---|---|---|
| Sales | **-** | 0.0 | 0.0 |
| Other income | **0.0** | 0.0 | 0.6 |
| Purchases | **-0.4** | -0.3 | -0.3 |
| Trade and other receivables | **0.5** | 0.5 | 0.3 |
| Current liabilities | **2.1** | 0.1 | 0.6 |
| Loan receivables | **1.6** | 0.2 | 0.6 |

## Business Combinations

**Numcore Ltd**

Outotec has acquired Numcore Ltd in Kuopio, Finland. Numcore is a company developing and marketing innovative online process control solutions based on 3D imaging. The acquisition was completed on March 12, 2012. This acquisition supports Outotec's growth strategy and strengthens Outotec's competitive edge in providing advanced technology solutions. Numcore's technology is already proven in flotation and thickener applications. Furthermore, EIT technology can be utilized in Outotec's other business segments.

The purchase price has been allocated to technologies. The remaining goodwill of EUR 4.5 million is mainly based on Numcore's experienced personnel and synergy benefits.

**Demil Manutenção Industrial Ltda**

Outotec has acquired Demil Manutenção Industrial Ltda in Brazil. Demil provides industrial maintenance services for iron ore pelletizing plants and is located in Guarapari, Espírito Santo in Brazil.

Demil has approximately 300 employees and its annual sales are at the level of EUR 10 million. The acquisition will provide a platform for further developing Outotec's service business and capabilities in Brazil. Demil's services can be offered to Outotec's Brazilian customers, pelletizing technology users in particular.

The purchase price has been allocated mainly to customer relationships. The remaining goodwill of EUR 4.5 million is mainly based on the synergy benefits of the customer relationship.

**TME Group**

Outotec has acquired Australian-owned TME Group. TME is a mining services company with offices throughout Australia and in South Africa. TME provides grinding mill relining and mineral processing plant maintenance services to customers mainly in Australia, Africa, and South East Asia.

With annual sales of approximately EUR 35 million, TME has 130 permanent employees and a large casual labor workforce.

The purchase price has been allocated mainly to customer relationships. The remaining goodwill of EUR 14.9 million is mainly based on TME's experienced personnel and synergy benefits.

**Segments' Sales and Operating Profit by Quarters**

| EUR million | **Q3/10** | Q4/10 | Q1/11 | Q2/11 | **Q3/11** | Q4/11 | Q1/12 | Q2/12 | **Q3/12** |
|---|---|---|---|---|---|---|---|---|---|
| **Sales** | | | | | | | | | |
| Non-ferrous Solutions | **144.6** | 223.9 | 162.0 | 191.4 | **235.5** | 358.8 | 260.7 | 335.9 | **312.5** |
| Ferrous Solutions | **35.5** | 43.2 | 43.6 | 42.6 | **60.0** | 74.8 | 70.0 | 81.8 | **92.9** |
| Energy, Light Metals and Environmental Solutions | **50.3** | 65.3 | 46.1 | 57.7 | **61.4** | 70.9 | 85.9 | 106.8 | **100.1** |
| Unallocated items *) and intra-group sales | **-1.8** | -2.2 | -4.1 | -3.4 | **-4.1** | -7.7 | -6.2 | 0.0 | **-2.7** |
| **Total** | **228.5** | 330.3 | 247.5 | 288.4 | **352.8** | 496.8 | 410.4 | 524.4 | **502.8** |
| | | | | | | | | | |
| **Operating profit** | | | | | | | | | |
| Non-ferrous Solutions | **13.5** | 23.2 | 18.1 | 12.6 | **24.6** | 52.4 | 25.4 | 35.0 | **33.7** |
| Ferrous Solutions | **4.2** | 8.2 | 3.2 | -1.9 | **6.0** | -0.6 | 5.5 | 2.2 | **9.9** |
| Energy, Light Metals and Environmental Solutions | **3.5** | 11.4 | 3.3 | 5.2 | **11.7** | 3.6 | 3.8 | 7.3 | **0.6** |
| Unallocated **) and intra-group items | **-3.1** | -14.7 | -5.7 | -5.0 | **-9.1** | -6.5 | -7.2 | -3.6 | **-3.2** |
| **Total** | **18.1** | 28.1 | 19.0 | 10.9 | **33.2** | 48.9 | 27.6 | 40.8 | **41.0** |

*) 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 | = | $\frac{\text{Net interest-bearing debt}}{\text{Total equity}}$ | × 100 |
| Equity-to-assets ratio | = | $\frac{\text{Total equity}}{\text{Total assets - advances received}}$ | × 100 |
| Return on investment | = | $\frac{\text{Operating profit + finance income}}{\text{Total assets – non interest-bearing debt (average for the period)}}$ | × 100 |
| Return on equity | = | $\frac{\text{Profit for the period}}{\text{Total equity (average for the period)}}$ | × 100 |
| Research and development expenses | = | Research and development expenses in the statement of comprehensive income<br>(including expenses covered by grants received) | |
| 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 | = | $\frac{\text{Dividend for the financial year}}{\text{Number of shares at the end of the period, as adjusted for stock split}}$ | |