Q1-Q2

HALF YEAR FINANCIAL REPORT

JANUARY-JUNE 2018

Sustainable use of
Earth's natural resources

Outotec

OUTOTEC OYJ

HALF YEAR FINANCIAL REPORT 2018

Strong growth in order intake and sales, profitability improving

"Good metal production levels and metal prices supported the demand for our minerals and metals processing technologies. Our order intake increased 13% during the first half of the year and 21% in the second quarter compared with the previous year's figures. Service orders also increased by 16% in the first half of the year and 18% in the second quarter. At the end of the second quarter, we received a significant biomass power plant order for our energy business.

Our sales increased 17% in the first half of the year and 25% in the second quarter from the comparison period in 2017. We still had some supply issues in services, which impacted service sales negatively. We are actively working with our suppliers to solve this matter.

The Minerals Processing segment continued to improve its result. The Metals, Energy & Water segment showed progress compared to last year, but remained unprofitable.

We simplified our organizational structure in the second quarter to support our long-term strategic targets. The new structure became operational on July 1. The simplification and good progress in our must-win battles are strengthening our customer focus, service business, product competitiveness and delivery capabilities, which is enabling better profitability.

The market remained positive, and we have good prospects in our sales funnel. Final decisions, particularly regarding large greenfield projects, are still progressing slowly," summarized President & CEO **Markku Teräsvasara**.

Summary of key figures

EUR million	**Q2 2018**	Q2 2017	**%[1]**	%[2]	**Q1-Q2 2018**	Q1-Q2 2017	**%[1]**	%[2]	Q1-Q4 2017
Order intake	**347.2**	286.3	**21**	27	**680.9**	604.6	**13**	18	1,204.6
Service order intake	**154.3**	130.8	**18**	25	**285.0**	245.9	**16**	24	494.9
Order backlog at end of period	**1,084.9**	1,068.2	**2**	-	**1,084.9**	1,068.2	**2**	-	1,005.4
Sales	**331.2**	265.8	**25**	30	**618.4**	529.1	**17**	23	1,143.8
Service sales	**109.2**	109.6	**-0**	6	**212.2**	209.0	**2**	9	480.4
Gross margin, %	**21.8**	22.1			**22.3**	22.9			23.6
Adjusted EBIT[3]	**7.6**	0.2			**14.6**	0.9			33.5
Adjusted EBIT[3], %	**2.3**	0.1			**2.4**	0.2			2.9
EBIT	**-3.0**	-1.4			**2.4**	-2.6			26.0
EBIT, %	**-0.9**	-0.5			**0.4**	-0.5			2.3
Net cash from operating activities	**-24.4**	-0.4			**44.2**	-34.5			39.6
Earnings per share, EUR	**-0.04**	-0.03			**-0.04**	-0.06			-0.03

[1] *Change, %*
[2] *Change in comparable currencies, %*
[3] *Excluding restructuring and acquisition-related items as well as PPA amortizations.*

Financial guidance for 2018 reiterated

The guidance for 2018 is based on the current order backlog as well as expected order intake.

- Sales are expected to be approximately EUR 1.2 - 1.3 billion, and
- Adjusted EBIT* is expected to be approximately 5 – 7%

* Excluding restructuring and acquisition-related items, as well as purchase price allocation amortizations.

MARKET DEVELOPMENT

The market activity continued positive in the first half of the year. The demand for spare parts, equipment upgrades, plant modernizations and other services remained on a good level, and some larger investments materialized. Producers continued focusing on the cash flow and the profitability of their existing operations lead mainly to brownfield projects.

Copper, gold, iron, tin, sulfuric acid and biomass projects were active. The demand for Minerals Processing equipment and services continued stable. Metals, Energy & Water saw demand for technologies associated with tin and sulfuric acid. Demand for hydrometallurgical and smelting solutions continued to be solid. Competition continued to be intense.

ORDER INTAKE AND BACKLOG

The order intake during the reporting period was EUR 681 (605) million, up 13% from the comparison period. The growth was attributable mainly to service orders and a few large plant orders in the Metals, Energy & Water segment. Service order intake was EUR 285 (246) million, up 16% from the comparison period due to the growth in modernizations and spare parts.

The order intake during the second quarter was EUR 347 (286) million, up 21% from the comparison period mainly due to plant orders and services. Service order intake increased to EUR 154 (131) million, up 18% from the comparison period due to the increase mainly in modernizations and spare parts.

Order intake by region, %	**Q1-Q2 2018**	Q1-Q2 2017	Q1-Q4 2017
EMEA	**51**	50	51
Americas	**24**	32	30
APAC	**25**	17	19
Total	**100**	100	100

Announced orders

Project/location (published)	Booked into order backlog	Value, EUR million	Segment
Minerals processing equipment to a base metals concentrator in Russia (July 13)	Q2	24	MP
Biomass power plant to Turkey (July 6)	Q2	55	MEW
Minerals processing equipment to a base metals concentrator in Kazakhstan (July 5)	Q2	15	MP

Technology for a tin smelter in Indonesia (June 29)	Q2	not disclosed	MEW
Technology for sulfuric acid plant in Sweden (June 20)	Q2	not disclosed	MEW
Iron ore pelletizing plant and filter press to India (March 14)	Q1	approx. 50	MEW/MP
Iron ore pelletizing technology to China (Feb 2)	Q1	over 40	MEW
Modular sulfuric acid plants to the Democratic Republic of Congo (January 29)	Q1	approx. 33	MEW

The order backlog at the end of the reporting period was EUR 1,085 (1,068) million, up 2% from the comparison period. The share of services in the order backlog totaled EUR 259 (241) million. At the end of the reporting period, Outotec had 18 (23) projects with an order backlog value in excess of EUR 10 million, accounting for 49 (56) % of the total backlog. It is estimated that roughly 46% or EUR 500 million of the June-end order backlog value will be delivered in 2018.

SALES AND FINANCIAL RESULT

Sales and financial result EUR million	**Q2 2018**	Q2 2017	**%[1]**	%[2]	**Q1-Q2 2018**	Q1-Q2 2017	**%[1]**	%[2]	Q1-Q4 2017
Sales	**331.2**	265.8	**25**	30	**618.4**	529.1	**17**	23	1,143.8
Service sales[3]	**109.2**	109.6	**-0**	6	**212.2**	209.0	**2**	9	480.4
Share of service sales, %	**33.0**	41.2			**34.3**	39.5			42.0
Gross margin, %	**21.8**	22.1			**22.3**	22.9			23.6
Adjusted EBIT[4]	**7.6**	0.2			**14.6**	0.9			33.5
Adjusted EBIT[4], %	**2.3**	0.1			**2.4**	0.2			2.9
- Restructuring and acquisition-related costs[5]	**-8.9**	0.3			**-8.9**	0.2			-0.2
- PPA amortization	**-1.7**	-1.8			**-3.3**	-3.8			-7.3
EBIT	**-3.0**	-1.4			**2.4**	-2.6			26.0
EBIT, %	**-0.9**	-0.5			**0.4**	-0.5			2.3
Result before taxes	**-6.0**	-3.7			**-2.8**	-7.2			16.0
Result for the period	**-4.5**	-3.0			**-2.2**	-5.9			2.9
Unrealized and realized exchange gains and losses[6]	**-2.9**	2.7			**-2.1**	5.0			7.9

[1] Change, %
[2] Change in comparable currencies, %
[3] Included in the sales figures of the two reporting segments.
[4] Excluding restructuring and acquisition-related items and PPA amortizations.
[5] Including restructuring-related items of EUR -8.8 (-0.7) million and acquisition-related items of EUR -0.1 (EUR -0.0) million. The comparison period also includes the positive impact of a EUR 0.9 million reduction from an earn-out payment liability related to acquisition.
[6] Related to foreign exchange forward agreements and bank accounts.

Sales in the reporting period totaled EUR 618 (529) million, up 17% from the comparison period. Growth came from project and equipment deliveries. Service sales increased by 2%, representing 34 (40) % of sales, which was impacted by supplier constraints.

Sales in the second quarter increased 25% from the comparison period. Growth was attributable mainly to increased plant deliveries in Metals, Energy & Water and process equipment deliveries in Minerals Processing. Service sales remained on the comparison period’s level, representing 33 (41) % of sales.

Fixed costs in the reporting period – including selling and marketing, administrative, R&D and fixed delivery expenses – declined 4% (in comparable currencies -0%) from the comparison period, totaling EUR 132 (137) million, or 21 (26) % of sales.

Adjusted EBIT in the reporting period was positively impacted by increased sales and lower fixed costs. Negative impact came from project provisions and lower share of service sales.

The result before taxes for the reporting period was EUR -3 (-7) million, including restructuring cost of EUR 9 (0) million from the simplification program, net finance expenses of EUR 5 (5) million due to interest costs and the valuation of foreign exchange forward agreements. The net result was EUR -2 (-6) million. The net impact from taxes totaled EUR 1 million positive (1 million positive). Earnings per share totaled EUR -0.04 (-0.06).

MINERALS PROCESSING

Minerals Processing EUR million	**Q2 2018**	Q2 2017	**%[1]**	%[2]	**Q1-Q2 2018**	Q1-Q2 2017	**%[1]**	%[2]	Q1-Q4 2017
Order intake	**183.8**	176.3	**4**	12	**346.2**	322.7	**7**	15	727.0
Sales	**193.0**	167.7	**15**	22	**352.8**	319.4	**10**	18	668.4
Service sales	**78.5**	73.3	**7**	14	**149.6**	143.2	**4**	13	305.7
Adjusted EBIT[3]	**17.5**	14.7			**33.2**	26.2			63.4
Adjusted EBIT[3], %	**9.1**	8.8			**9.4**	8.2			9.5
PPAs	**-0.7**	-0.8			**-1.3**	-1.6			-3.1
Restructuring and acquisition-related costs	**-1.2**	0.3			**-1.2**	-0.0			-0.4
EBIT	**15.7**	14.2			**30.7**	24.6			60.0
EBIT, %	**8.1**	8.5			**8.7**	7.7			9.0
Unrealized and realized exchange gains and losses[4]	**-0.7**	1.7			**-0.5**	1.4			5.9

[1] *Change, %*
[2] *Change in comparable currencies, %*
[3] *Excluding restructuring and acquisition-related items as well as PPA amortizations*
[4] *Related to foreign exchange forward agreements and bank accounts*

In the reporting period, the order intake in the Minerals Processing segment grew 7% from the comparison period. Both services as well as plant and equipment orders increased. The segment's sales increased by 10% due to increased plant and process equipment orders in 2017. Higher sales and lower fixed costs improved the segment's profitability.

METALS, ENERGY & WATER

Metals, Energy & Water EUR million	**Q2 2018**	Q2 2017	**%[1]**	%[2]	**Q1-Q2 2018**	Q1-Q2 2017	**%[1]**	%[2]	Q1-Q4 2017
Order intake	**163.4**	110.0	**49**	53	**334.7**	281.8	**19**	22	477.6
Sales	**138.3**	98.1	**41**	44	**265.5**	209.7	**27**	30	475.4
Service sales	**30.7**	36.3	**-15**	-12	**62.6**	65.8	**-5**	1	174.7
Adjusted EBIT[3]	**-8.2**	-12.5			**-15.4**	-21.8			-23.1
Adjusted EBIT[3], %	**-5.9**	-12.8			**-5.8**	-10.4			-4.9
PPAs	**-1.0**	-1.1			**-2.0**	-2.2			-4.2
Restructuring and acquisition-related costs	**-4.5**	-0.0			**-4.5**	0.3			0.1
EBIT	**-13.7**	-13.6			**-21.9**	-23.7			-27.2
EBIT, %	**-9.9**	-13.9			**-8.2**	-11.3			-5.7

Unrealized and realized exchange gains and losses[4]	**-2.2**	1.0			**-1.6**	3.6		2.0

[1] Change, %
[2] Change in comparable currencies, %
[3] Excluding restructuring and acquisition-related items as well as PPA amortizations
[4] Related to foreign exchange forward agreements and bank accounts

In the reporting period, the order intake in the Metals, Energy & Water segment increased by 19% from the comparison period, mainly due to increased plant orders. Service orders increased from the comparison period, due to plant modernizations. The segment's sales increased by 27% due to growth in order intake in 2017. Increased sales and lower fixed costs improved the segments profitability. Project provisions had a negative impact on profitability.

BALANCE SHEET, FINANCING AND CASH FLOW

Balance sheet, financing and cash flow EUR million	**Q2** **2018**	Q2 2017	**Q1-Q2** **2018**	Q1-Q2 2017	Q1-Q4 2017
Net cash from operating activities	**-24.4**	-0.4	**44.2**	-34.5	39.6
Net interest-bearing debt at end of period [1]	**-26.4**	56.8	**-26.4**	56.8	-5.5
Equity at end of period	**447.3**	468.9	**447.3**	468.9	466.9
Gearing at end of period, % [1]	**-5.9**	12.1	**-5.9**	12.1	-1.2
Equity-to-assets ratio at end of period, % [1]	**39.3**	39.7	**39.3**	39.7	41.1
Net working capital at end of period	**-42.6**	26.9	**-42.6**	26.9	-9.4

[1] If the hybrid bond were treated as a liability: net interest-bearing debt would be EUR 123.6 million, gearing 41.6%, and the equity-to-assets ratio 26.1% on June 30, 2018 (June 30, 2017: EUR 206.8 million, 64.9% and 27.0% respectively).

The consolidated balance sheet total on June 30, 2018 was EUR 1,333 (1,376) million.

Outotec's cash and cash equivalents at the end of the reporting period totaled EUR 229 (193) million. Net cash flow from operating activities during the reporting period was EUR 44 (-35) million. Main impacts were attributable to decreased receivables, timing of advance payments and improved profitability. Advance and milestone payments received at the end of the reporting period came to EUR 196 (196) million. Advance and milestone payments to subcontractors totaled EUR 40 (50) million. During the reporting period, Outotec paid EUR 11 (11) million in hybrid bond annual interest.

Net interest-bearing debt on June 30, 2018 was EUR -26 (57) million and gearing was -6 (12) %. Outotec's equity-to-assets ratio was 39 (40) %. The company's capital expenditure, related mainly to IT programs and IPRs, totaled EUR 10 (9) million during the reporting period.

Including advance payment guarantees issued by the parent and other Group companies at the end of the reporting period, guarantees for commercial commitments totaled EUR 685 (596) million.

Equity attributable to shareholders of the parent company totaled EUR 444 (466) million, representing EUR 2.45 (2.57) per share. During the reporting period, equity was impacted by hybrid bond interest net of tax of EUR -9 (-9) million, translation differences of EUR -6 (-16) million, and net result of EUR -2 (-6) million.

RESEARCH & DEVELOPMENT

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

R&D	**Q1-Q2 2018**	Q1-Q2 2017	Q1-Q4 2017
R&D expenses, EUR million	**29**	27	56
New priority applications filed	**13**	18	38
New national patents granted	**305**	356	672
Number of patent families	**755**	780	763
Number of national patents or patent applications	**6,753**	6,821	6,521

New products

Outotec has launched the following products during the second quarter:

New digital product, Outotec Health Indicator, used together with Courier on-stream elemental analyzers, produces data for flotation process control. It enables higher performance in terms of concentrate quality and recovery of valuable minerals.

Outotec has been developing MesoTherm™ bio-oxidation technology for leaching base metals. The development work has shown it to be effective on certain copper sulfides, yielding 98% copper dissolution.

PERSONNEL

At the end of the reporting period, Outotec had a total of 4,163 (4,170) employees. During the reporting period, it had an average of 4,128 (4,153) employees. Temporary personnel accounted for 8 (7) % of the total.

Personnel by region	**June 30, 2018**	June 30, 2017	**Change**	December 31, 2017
EMEA	**2,785**	2,787	-2	2,813
Americas	**794**	825	-31	758
APAC	**584**	558	26	575
Total	**4,163**	4,170	-7	4,146

At the end of the reporting period, the company had, in addition to its own personnel, 385 (354) full-time equivalent, contracted professionals working in project execution.

Salaries and other employee benefits during the reporting period totaled EUR 164 (173) million.

SIMPLIFICATION PROGRAM

In the second quarter, the restructuring costs for the simplification program (started on April 25) were EUR 9 million.

CHANGES IN SHAREHOLDING

June 21: Ilmarinen Mutual Pension Insurance Company (Finland) notified that its shareholding in Outotec Oyj (OTE1V) has fallen below 5%, to 4.88% and 8,935,072 shares/votes.

March 23: Tamares Nordic Investments B.V. notified that its shareholding in Outotec Oyj has fallen below 5% to zero (0) shares/votes.

OTHER MAIN ANNOUNCEMENTS AND EVENTS IN Q1-Q2/2018

June 7: Employee cooperation negotiations in Finland were completed

April 25: Changes in own shares

April 25: Simplification of company's structure

April 25: Employee cooperation negotiations started in Finland

April 4: Outsourcing some project engineering activities to Citec

January 23: For the sixth consecutive year, Outotec was included in the Global 100 Index of most sustainable companies in the world, ranking fifth in the index (2017: 90th).

SHORT-TERM RISKS AND UNCERTAINTIES

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

Outotec has identified a risk of disputes related to project execution, which may result in extra costs and/or penalties. In the contracts related to the delivery of major projects, the liquidated damages attributable to, for instance, delayed delivery or non-performance may be significant. In particular, Outotec has identified a significant risk of claims related to a few large projects in the Metals, Energy & Water segment. If the project risks are materialized in full, they could have a material impact on Outotec's financial results, and could lead to decreasing headroom under financial covenants related to capital structure and liquidity.

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

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

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

MARKET OUTLOOK

The demand for many metals is expected to continue to grow, and the sentiment in the mining and metals industry is expected to remain positive.

New uses for metals, such as electric vehicles, support the growth in long-term demand. New technologies as well as reprocessing of tailings offer opportunities to maximize metals recovery from existing sites. Decisions may be delayed in the short-term due to volatility in metal prices and the macroeconomic outlook.

Investments in minerals processing will continue to be driven by increased mining activity, production levels and continued emphasis on optimizing existing operations. Metals demand growth projections and more complex ores continue to provide opportunities for the Minerals Processing segment in process optimization, equipment upgrades, and services. Copper, nickel, zinc, lithium, cobalt, aluminum and gold projects are expected to be most active.

The Metals, Energy & Water segment’s technology portfolio provides opportunities in a few end markets. Copper, zinc, lithium and gold projects are currently most active. There is a global need for waste-to-energy and sludge incineration solutions, but investments are often linked to regional development agenda and decisions made by the public sector.

Financial guidance for 2018 reiterated

The guidance for 2018 is based on the current order backlog as well as expected order intake.

- Sales are expected to be approximately EUR 1.2 - 1.3 billion, and
- Adjusted EBIT* is expected to be approximately 5 - 7%

* Excluding restructuring and acquisition-related items, as well as purchase price allocation amortizations.

Espoo, July 25, 2018

Outotec Oyj
Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Consolidated statement of comprehensive income EUR million	**Q2 2018**	Q2 2017	**Q1-Q2 2018**	Q1-Q2 2017	Q1-Q4 2017
Sales	**331.2**	265.8	**618.4**	529.1	1,143.8
Cost of sales	**-259.0**	-207.0	**-480.6**	-407.9	-873.6
Gross profit	**72.2**	58.8	**137.7**	121.2	270.2
Other income	**0.2**	3.2	**0.3**	6.6	10.1
Selling and marketing expenses	**-30.3**	-28.9	**-60.1**	-61.4	-119.6
Administrative expenses	**-18.3**	-20.6	**-36.0**	-40.1	-75.9
Research and development expenses	**-14.9**	-13.8	**-28.5**	-27.4	-55.6
Other expenses	**-11.9**	-0.2	**-11.1**	-1.4	-3.2
Share of results of associated companies	**0.0**	0.1	**0.0**	0.0	0.0
EBIT	**-3.0**	-1.4	**2.4**	-2.6	26.0
Finance income and expenses					
Interest income and expenses	**-0.6**	-0.7	**-0.9**	-1.7	-3.4
Market price gains and losses	**-0.7**	-0.8	**-1.1**	-1.4	-2.6
Other finance income and expenses	**-1.8**	-0.8	**-3.3**	-1.4	-4.0
Net finance income or expense	**-3.0**	-2.3	**-5.2**	-4.6	-10.0
Result before income taxes	**-6.0**	-3.7	**-2.8**	-7.2	16.0
Income taxes	**1.5**	0.7	**0.6**	1.3	-13.1
Result for the period	**-4.5**	-3.0	**-2.2**	-5.9	2.9
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit obligations	**-0.5**	1.8	**-0.0**	-1.1	-3.7
Income tax relating to items that will not be reclassified to profit or loss	**0.1**	-0.6	**0.0**	0.3	1.1
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translating foreign operations	**1.3**	-18.3	**-6.2**	-15.6	-23.0
Cash flow hedges	**-4.7**	3.4	**-3.5**	7.0	4.3
Available for sale financial assets	**-0.0**	0.0	**-0.0**	0.0	-0.1
Income tax relating to items that may be reclassified to profit or loss	**0.9**	-0.6	**0.6**	-1.6	-0.9
Other comprehensive income for the period	**-2.9**	-14.2	**-9.1**	-11.0	-22.3
Total comprehensive income for the period	**-7.3**	-17.2	**-11.4**	-16.9	-19.4
Result for the period attributable to:					
Equity holders of the parent company	**-4.4**	-2.9	**-2.2**	-5.8	3.0
Non-controlling interest	**-0.0**	-0.1	**0.0**	-0.0	-0.1
Total comprehensive income for the period attributable to:					
Equity holders of the parent company	**-7.4**	-17.1	**-11.4**	-16.9	-19.3
Non-controlling interest	**0.0**	-0.1	**0.1**	-0.0	-0.1
Earnings per share for result attributable to the equity holders of the parent company:					
Basic earnings per share, EUR	**-0.04**	-0.03	**-0.04**	-0.06	-0.03
Diluted earnings per share, EUR	**-0.04**	-0.03	**-0.04**	-0.06	-0.03

All figures in the tables have been rounded to the nearest whole number and consequently the sum of individual figures may deviate from the sum presented. Key figures have been calculated using exact figures.
All 2017 comparative figures have been restated due to adoption of the IFRS 15 standard (see further information in the notes).

Condensed consolidated statement of financial position EUR million	**June 30, 2018**	June 30, 2017	December 31, 2017
ASSETS			
Non-current assets			
Intangible assets	**347.8**	372.4	359.1
Property, plant and equipment	**54.6**	58.8	56.0
Deferred tax asset	**92.3**	105.1	90.9
Non-current financial assets			
Interest-bearing	**3.7**	3.8	3.8
Non-interest-bearing	**6.2**	7.3	7.2
Total non-current assets	**504.7**	547.5	517.0
Current assets			
Inventories[1]	**202.4**	239.3	195.9
Current financial assets			
Interest-bearing	**0.1**	0.1	0.1
Non-interest-bearing	**397.2**	395.7	413.6
Cash and cash equivalents	**228.7**	193.0	230.2
Total current assets	**828.4**	828.1	839.8
TOTAL ASSETS	**1,333.1**	1,375.7	1,356.8
EQUITY AND LIABILITIES			
Equity			
Share capital	**17.2**	17.2	17.2
Retained earnings	**211.9**	217.2	226.6
Hybrid bond	**150.0**	150.0	150.0
Other components of equity	**65.0**	81.3	70.0
Equity attributable to the equity holders of the parent company	**444.1**	465.7	463.8
Non-controlling interest	**3.2**	3.2	3.2
Total equity	**447.3**	468.9	466.9
Non-current liabilities			
Interest-bearing[3]	**183.0**	188.2	183.5
Deferred tax liabilities	**32.8**	40.9	39.7
Non-interest-bearing[3]	**64.8**	63.2	66.7
Total non-current liabilities	**280.5**	292.3	289.9
Current liabilities			
Interest-bearing	**23.2**	65.6	45.0
Non-interest-bearing			
Advances received[2]	**196.0**	195.6	220.2
Other non interest-bearing liabilities	**386.0**	353.3	334.6
Total current liabilities	**605.2**	614.5	599.9
Total liabilities	**885.8**	906.8	889.8
TOTAL EQUITY AND LIABILITIES	**1,333.1**	1,375.7	1,356.8

[1] Of which advances paid for inventories amounted to EUR 40.5 million at June 30, 2018 (June 30, 2017: EUR 50.2 million, December 31, 2017: EUR 36.5 million).
[2] Gross advances received before percentage of completion revenue recognition amounted to EUR 1,682.3 million at June 30, 2018 (June 30, 2017: EUR 1,442.6 million, December 31, 2017: EUR 1,490.4 million).
[3] Comparatives have been reclassified by transferring a bond revaluation item from Other non-interest-bearing to Interest-bearing.

Condensed consolidated statement of cash flows EUR million	Q1-Q2 2018	Q1-Q2 2017	Q1-Q4 2017
Cash flows from operating activities			
Result for the period	**-2.2**	-5.9	2.9
Adjustments for			
Depreciation and amortization	**19.3**	21.0	40.9
Other adjustments	**-1.3**	8.2	23.9
Decrease (+) / Increase (-) in net working capital	**31.9**	-55.3	-21.8
Dividend received	**-**	0.2	0.3
Interest received	**1.9**	1.6	4.5
Interest paid	**-0.8**	-2.4	-8.6
Income tax paid	**-4.6**	-2.0	-2.5
Net cash from operating activities	**44.2**	-34.5	39.6
Purchases of assets	**-10.8**	-9.3	-20.9
Acquisition of subsidiaries and business operations, net of cash	**-**	-0.2	-0.2
Proceeds from sale of assets	**0.4**	1.4	2.3
Cash flows from other investing activities	**0.4**	-0.2	-0.2
Net cash used in investing activities	**-10.0**	-8.3	-18.9
Cash flow before financing activities	**34.2**	-42.8	20.7
Repayments of non-current debt	**-0.2**	-3.7	-7.9
Decrease in current debt	**-32.4**	-4.2	-22.2
Increase in current debt	**10.0**	29.0	29.0
Interest paid on hybrid bond	**-11.1**	-11.1	-11.1
Cash flows from other financing activities	**0.1**	-0.4	-0.7
Net cash used in financing activities	**-33.5**	9.7	-12.9
Net change in cash and cash equivalents	**0.7**	-33.1	7.8
Cash and cash equivalents at beginning of period	**230.2**	233.0	233.0
Foreign exchange rate effect on cash and cash equivalents	**-2.2**	-6.8	-10.6
Net change in cash and cash equivalents	**0.7**	-33.1	7.8
Cash and cash equivalents at end of period	**228.7**	193.0	230.2

Consolidated statement of changes in equity

EUR million	Share capital	Share premium fund	Fair value and other reserves	Treasury shares	Reserve for invested non-restricted equity	Hybrid bond	Cumulative translation differences	Retained earnings	Total equity attributable to equity holders of parent company	Non-controlling interest	Total equity
	Attributable to the equity holders of the parent company										
Equity at January 1, 2017	17.2	20.2	-15.7	-15.9	95.7	150.0	6.2	237.1	494.8	3.3	498.1
IFRS 15 restatement[1]	-	-	-	-	-	-	-	-4.2	-4.2	-	-4.2
Restated equity at January 1, 2017	17.2	20.2	-15.7	-15.9	95.7	150.0	6.2	233.0	490.6	3.3	493.9
Hybrid bond interest (net of tax)	-	-	-	-	-	-	-	-8.9	-8.9	-	-8.9
Share-based compensation	-	-	-	0.8	0.9	-	-	-1.1	0.6	-	0.6
Total comprehensive income for the period	-	-	4.6	-	-	-	-15.6	-5.8	-16.8	-0.1	-16.9
Equity at June 30, 2017	17.2	20.2	-11.1	-15.0	96.6	150.0	-9.4	217.2	465.7	3.2	468.9
Equity at January 1, 2018[2]	17.2	20.2	-15.0	-15.0	96.6	150.0	-16.7	226.6	463.8	3.2	466.9
IFRS 9 restatement[1]	-	-	-	-	-	-	-	-0.8	-0.8	-	-0.8
IFRS 2 restatement[1]	-	-	-	-	-	-	-	0.8	0.8	-	0.8
Restated equity at January 1, 2018	17.2	20.2	-15.0	-15.0	96.6	150.0	-16.7	226.6	463.8	3.2	466.9
Hybrid bond interest (net of tax)	-	-	-	-	-	-	-	-8.9	-8.9	-	-8.9
Share-based compensation	-	-	-	2.6	1.7	-	-	-3.9	0.3	-	0.3
Total comprehensive income for the period	-	-	-3.0	-	-	-	-6.2	-2.2	-11.4	0.1	-11.4
Other changes	-	-	-	-	-	-	-	0.3	0.3	-	0.3
Equity at June 30, 2018	**17.2**	**20.2**	**-18.0**	**-12.5**	**98.3**	**150.0**	**-22.9**	**211.9**	**444.1**	**3.2**	**447.3**

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

Key figures	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	Last 12 months	Q1-Q4 2017
Order intake, EUR million	**347.2**	286.3	**680.9**	604.6	1,280.9	1,204.6
Service order intake, EUR million	**154.3**	130.8	**285.0**	245.9	534.0	494.9
Share of service in order intake, %	**44.4**	45.7	**41.9**	40.7	41.7	41.1
Order backlog at end of period, EUR million	**1,084.9**	1,068.2	**1,084.9**	1,068.2	1,084.9	1,005.4
Sales, EUR million	**331.2**	265.8	**618.4**	529.1	1,233.1	1,143.8
Service sales, EUR million	**109.2**	109.6	**212.2**	209.0	483.6	480.4
Share of service in sales, %	**33.0**	41.2	**34.3**	39.5	39.2	42.0
Gross margin, %	**21.8**	22.1	**22.3**	22.9	23.3	23.6
Adjusted EBIT[1], EUR million	**7.6**	0.2	**14.6**	0.9	47.2	33.5
Adjusted EBIT[1], %	**2.3**	0.1	**2.4**	0.2	3.8	2.9
EBIT, EUR million	**-3.0**	-1.4	**2.4**	-2.6	31.0	26.0
EBIT, %	**-0.9**	-0.5	**0.4**	-0.5	2.5	2.3
Result before taxes, EUR million	**-6.0**	-3.7	**-2.8**	-7.2	20.3	16.0
Result before taxes in relation to sales, %	**-1.8**	-1.4	**-0.5**	-1.4	1.6	1.4
Result for the period in relation to sales, %	**-1.3**	-1.1	**-0.4**	-1.1	0.5	0.3
Earnings per share, EUR	**-0.04**	-0.03	**-0.04**	-0.06	-0.01	-0.03
Net cash from operating activities, EUR million	**-24.4**	-0.4	**44.2**	-34.5	118.3	39.6
Net interest-bearing debt at end of period, EUR million [2]	**-26.4**	56.8	**-26.4**	56.8	-26.4	-5.5
Gearing at end of period[2], %	**-5.9**	12.1	**-5.9**	12.1	-5.9	-1.2
Equity-to-assets ratio at end of period[2], %	**39.3**	39.7	**39.3**	39.7	39.3	41.1
Equity at the of the period	**447.3**	468.9	**447.3**	468.9	447.3	466.9
Equity per share, EUR	**2.45**	2.57	**2.45**	2.57	2.45	2.56
Net working capital at the of period, EUR million	**-42.6**	26.9	**-42.6**	26.9	-42.6	-9.4
Capital expenditure, EUR million	**5.4**	4.9	**10.5**	9.4	21.7	20.7
Capital expenditure in relation to sales, %	**1.6**	1.8	**1.7**	1.8	1.8	1.8
Research and development expenses, EUR million	**14.9**	13.8	**28.5**	27.4	56.7	55.6
Research and development expenses in relation to sales, %	**4.5**	5.2	**4.6**	5.2	4.6	4.9
Return on investment, %, LTM	**3.8**	-8.3	**3.8**	-8.3	3.8	3.0
Return on equity, %, LTM	**1.4**	-12.1	**1.4**	-12.1	1.4	0.6
Personnel at end of period	**4,163**	4,170	**4,163**	4,170	4,163	4,146

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

[2]Weighted average number of shares used in calculating the EPS is 181,485 thousand for Q2/2018 (Q2/2017: 181,257 thousand shares). EPS includes a reduction of accrued hybrid bond interest.

[3]If the hybrid bond were treated as a liability: net interest-bearing debt would be EUR 123.6 million, gearing 41.6%, and the equity-to-assets ratio 26.1% on June 30, 2018 (June 30, 2017: EUR 206.8 million, 64.9% and 27.0% respectively).

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	=	$\frac{\text{EBIT + finance income}}{\text{Total assets – non-interest-bearing debt (average for the period)}} \times 100$
Return on equity	=	$\frac{\text{Result for the period}}{\text{Total equity (average for the period)}} \times 100$
Research and development expenses	=	Research and development expenses in the statement of comprehensive income (including expenses covered by grants received)
Earnings per share	=	$\frac{\text{Result for the period attributable to the equity holders of the parent company – hybrid bond interest}}{\text{Average number of shares during the period}}$
Diluted earnings per share	=	$\frac{\text{Result for the period attributable to the equity holders of the parent company – hybrid bond interest}}{\text{Diluted average number of shares during the period}}$
Dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Number of shares at end of period}}$
Adjusted EBIT (aEBIT)	=	EBIT excluding (but not limited to) restructuring related transactions, costs related to mergers and acquisitions, purchase price allocation amortizations, and goodwill impairments
Comparable currencies, some key figures	=	Reporting period's figures converted using foreign exchange rates from the comparison period
Net working capital	=	Other non-current assets + Inventories + Trade and other receivables + Project related receivables + Derivatives (assets) - Provisions - Trade and other payables - Net advances received - Other project liabilities - Derivatives (liabilities)

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

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

The following new standards and interpretations have been adopted as of January 1, 2018:

IFRS 15 – Revenue from Contracts with Customers

Outotec has adopted the IFRS 15 standard as of January 1, 2018. As a result, Outotec restated the figures for 2017 using the full retrospective method. The main impacts of the restatement are:

- EUR 4.2 million negative cumulative restatement in retained earnings as of January 1, 2017, which represents the cumulative change in net result for previous periods
- EUR 4.6 million increase in revenue in the income statement for 2017
- EUR 1.4 million increase in EBIT and adjusted EBIT in the income statement for 2017
- EUR 1.0 million increase in the result of the period in the income statement for 2017
- EUR 11.1 million increase in the total assets, of which EUR 9.8 million relates to current assets and EUR 1.3 million to non-current assets as of December 31, 2017
- EUR 14.3 million increase in the current liabilities as of December 31, 2017
- EUR 17.2 million increase in the order backlog as of December 31, 2017; the restated order backlog is EUR 1,005.4 million as of December 31, 2017

The impact of IFRS 15 on the Statement of comprehensive income and Statement of financial position for 2017 is disclosed below. The restated financial information is unaudited. The restatement has no impact on Outotec's financial guidance given for the year 2018.

Background

The new standard aims to establish principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with its customers. It replaced the IAS 18 and IAS 11 standards and related interpretations.

Outotec recognizes revenue when control of the good or service is transferred to the customer in an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods or services. These principles are applied using the following five steps: (1) Identify the contract(s) with a customer, (2) Identify the performance obligations in the contract, (3) Determine the transaction price, (4) Allocate the transaction price to the performance obligations in the contract and (5) Recognize revenue.

Main changes in accounting principles

When applying the new standard, Outotec focused especially on the need to combine contracts for revenue recognition purposes, identification of performance obligations, estimation of variable considerations and revenue recognition over time or at a point in time.

Identification of performance obligations

Outotec delivers customized solutions and services to its customers. Customized solution deliveries include complete plant deliveries as well as technology package and equipment deliveries. These project deliveries are typically considered as one performance obligation, as the goods and services delivered to customers are not distinct according to IFRS 15. The new standard requirements on identifying the performance obligations or combining the customer contracts mainly impacts the revenue recognition process at Outotec.

Recognition of revenue

The criteria for recognizing revenue over time is typically met in Outotec’s customized solution contracts as well as in modernization contracts. Outotec’s performance creates an asset with no alternative use, and Outotec has an enforceable right to payment for the performance completed to date. To measure progress, Outotec previously used the cost-to-cost method, under which the percentage of completion is defined as the ratio of costs incurred to total estimated costs. This method will be used also going forward to measure the stage of completion for the contracts for which revenue is recognized over time. Nevertheless, management assessed that certain customer contracts, previously recognized as revenue over time, were to be recognized as revenue at a point in time.

Outotec continues to recognize revenue for standard equipment and spare part deliveries at a point in time based on delivery terms. Revenue for long-term service contracts and shutdown services are recognized when benefits have been rendered to the customer. There were no changes in transition to IFRS 15 with regard to standard equipment, spare part deliveries, long-term service contracts or shutdown services.

Other steps of the revenue recognition model

Outotec’s management assessed that the new principles regarding the identification of a customer contract or allocation of the transaction price to the performance obligations identified in the contract do not significantly affect the amount or timing of revenue and cost recognition.

Outotec’s contracts often involve elements of variable consideration, such as penalties, liquidated damages or performance bonus arrangements. Management estimates that the reassessment of the transaction prices at each reporting date, requiring a significant amount of judgment, will not exert a material impact on the timing of revenue recognition according to the new standard.

Consolidated statement of comprehensive income 2017 EUR million	Q2 Rep.	Q2 Rstm.	**Q2 Restated**	Q1-Q2 Rep.	Q1-Q2 Rstm.	**Q1-Q2 Restated**	Q1-Q4 Rep.	Q1-Q4 Rstm	**Q1-Q4 Restated**
Sales	272.2	-6.5	**265.8**	540.0	-10.9	**529.1**	1,139.2	4.6	**1,143.8**
Cost of sales	-211.3	4.3	**-207.0**	-416.2	8.3	**-407.9**	-870.5	-3.2	**-873.6**
Gross profit	61.0	-2.1	**58.8**	123.7	-2.6	**121.2**	268.8	1.4	**270.2**
Other income	3.2	-	**3.2**	6.6	-	**6.6**	10.1	-	**10.1**
Selling and marketing expenses	-28.9	-	**-28.9**	-61.4	-	**-61.4**	-119.6	-	**-119.6**
Administrative expenses	-20.6	-	**-20.6**	-40.1	-	**-40.1**	-75.9	-	**-75.9**
Research and development expenses	-13.8	-	**-13.8**	-27.4	-	**-27.4**	-55.6	-	**-55.6**
Other expenses	-0.2	-	**-0.2**	-1.4	-	**-1.4**	-3.2	-	**-3.2**
Share of results of associated companies	0.1	-	**0.1**	0.0	-	**0.0**	0.0	-	**0.0**
EBIT	0.8	-2.1	**-1.4**	-0.0	-2.6	**-2.6**	24.6	1.4	**26.0**
Finance income and expenses									
Interest income and expenses	-0.7	-	**-0.7**	-1.7	-	**-1.7**	-3.4	-	**-3.4**
Market price gains and losses	-0.8	-	**-0.8**	-1.4	-	**-1.4**	-2.6	-	**-2.6**
Other finance income and expenses	-0.8	-	**-0.8**	-1.4	-	**-1.4**	-4.0	-	**-4.0**
Net finance income or expense	-2.3	-	**-2.3**	-4.6	-	**-4.6**	-10.0	-	**-10.0**
Result before income taxes	-1.5	-2.1	**-3.7**	-4.6	-2.6	**-7.2**	14.5	1.4	**16.0**
Income taxes	0.1	0.6	**0.7**	0.6	0.7	**1.3**	-12.6	-0.4	**-13.1**
Result for the period	-1.5	-1.5	**-3.0**	-4.1	-1.8	**-5.9**	1.9	1.0	**2.9**
Other comprehensive income for the period	-14.2	-	**-14.2**	-11.0	-	**-11.0**	-22.3	-	**-22.3**
Total comprehensive income for the period	-15.7	-1.5	**-17.2**	-15.1	-1.8	**-16.9**	-20.4	1.0	**-19.4**
Result for the period attributable to:									
Equity holders of the parent company	-1.4	-1.5	**-2.9**	-4.0	-1.8	**-5.8**	2.0	1.0	**3.0**
Non-controlling interest	-0.1	-	**-0.1**	-0.0	-	**-0.0**	-0.1	-	**-0.1**
Total comprehensive income for the period attributable to:									
Equity holders of the parent company	-15.6	-1.5	**-17.1**	-15.0	-1.8	**-16.9**	-20.3	1.0	**-19.3**
Non-controlling interest	-0.1	-	**-0.1**	-0.0	-	**-0.0**	-0.1	-	**-0.1**
Earnings per share for result attributable to the equity holders of the parent company:									
Basic earnings per share, EUR	-0.02	-0.01	**-0.03**	-0.05	-0.01	**-0.06**	-0.04	0.01	**-0.03**
Diluted earnings per share, EUR	-0.02	-0.01	**-0.03**	-0.05	-0.01	**-0.06**	-0.04	0.01	**-0.03**

Condensed consolidated statement of financial position 2017 EUR million	Jun 30 Rep.	Jun 30 Rstm.	**Jun 30 Restated**	Dec 31 Rep.	Dec 31 Rstm	**Dec 31 Restated**
ASSETS						
Non-current assets						
Intangible assets	372.4	-	**372.4**	359.1	-	**359.1**
Property, plant and equipment	58.8	-	**58.8**	56.0	-	**56.0**
Deferred tax asset	102.7	2.5	**105.1**	89.6	1.3	**90.9**
Non-current financial assets						
Interest-bearing	3.8	-	**3.8**	3.8	-	**3.8**
Non-interest-bearing	7.3	-	**7.3**	7.2	-	**7.2**
Total non-current assets	545.1	2.5	**547.5**	515.7	1.3	**517.0**
Current assets						
Inventories[1]	219.1	20.3	**239.3**	185.8	10.1	**195.9**
Current financial assets						
Interest-bearing	0.1	-	**0.1**	0.1	-	**0.1**
Non-interest-bearing	403.4	-7.8	**395.7**	413.9	-0.4	**413.6**
Cash and cash equivalents	193.0	-	**193.0**	230.2	-	**230.2**
Total current assets	815.6	12.5	**828.1**	830.0	9.8	**839.8**
TOTAL ASSETS	1,360.7	15.0	**1,375.7**	1,345.7	11.1	**1,356.8**
EQUITY AND LIABILITIES						
Equity						
Share capital	17.2	-	**17.2**	17.2	-	**17.2**
Retained earnings	223.2	-6.0	**217.2**	229.8	-3.2	**226.6**
Hybrid bond	150.0	-	**150.0**	150.0	-	**150.0**
Other components of equity	81.3	-	**81.3**	70.0	-	**70.0**
Equity attributable to the equity holders of the parent company	471.7	-6.0	**465.7**	467.0	-3.2	**463.8**
Non-controlling interest	3.2	-	**3.2**	3.2	-	**3.2**
Total equity	474.9	-6.0	**468.9**	470.1	-3.2	**466.9**
Non-current liabilities						
Interest-bearing[3]	188.2	-	**188.2**	183.5	-	**183.5**
Deferred tax liabilities	40.9	-	**40.9**	39.7	-	**39.7**
Other non-interest-bearing[3]	63.2	-	**63.2**	66.7	-	**66.7**
Total non-current liabilities	292.3	-	**292.3**	289.9	-	**289.9**
Current liabilities						
Interest-bearing	65.6	-	**65.6**	45.0	-	**45.0**
Non-interest-bearing						
Advances received[2]	170.8	24.9	**195.6**	203.4	16.8	**220.2**
Other non-interest-bearing	357.2	-3.9	**353.3**	337.2	-2.6	**334.6**
Total current liabilities	593.5	21.0	**614.5**	585.6	14.3	**599.9**
Total liabilities	885.8	21.0	**906.8**	875.6	14.3	**889.8**
TOTAL EQUITY AND LIABILITIES	1,360.7	15.0	**1,375.7**	1,345.7	11.1	**1,356.8**
[1] of which advances paid for inventories	43.1	7.1	**50.2**	33.3	3.2	**36.5**
[2] gross advances received before revenue recognition over time (percentage of completion)	1,442.6	-	**1,442.6**	1,490.4	-	**1,490.4**

[3] reported numbers have been reclassified by transferring a bond revaluation item from Other non-interest-bearing to Interest-bearing

IFRS 9 – Financial Instruments

Outotec adopted the IFRS 9 standard as of January 1, 2018. The new standard replaces the current standard IAS 39 Financial Instruments: Recognition and measurement. It addresses the classification, measurement and recognition of financial assets and financial liabilities. Based on IFRS 9, financial assets are required to be classified into three measurement categories: amortized cost, fair value through other comprehensive income, or fair value through profit or loss. Adopting IFRS 9 did not have a material impact on the recognition and measurement principles regarding the financial assets or liabilities.

The effect on the group cash flow hedges in terms of hedging reserves in the balance sheet is not material. Under IFRS 9, the hedging reserves in profit and loss statement are recognized in sales, when hedging relates to the order backlog. The overall impact on profit and loss as well as profitability was not significant. There were no changes to the fair value of hedges with regard to the interest rate swaps.

Outotec has established a model for evaluating credit losses under IFRS 9, and has updated bad debt provision policy as well as the related processes. The Group's previous bad debt policy focused on case-by-case decision-making, whereas IFRS 9 requires a more systematic approach when it comes to bad debt provisions. For undue and 0-360 day overdue accounts receivable, a 0.5 - 2.0% provision is applied:

Percentage used calculating accounts receivable bad debt provision

Undue	0 - 60 days	61 - 180 days	181 - 365 days	> 365 days
0.5%	1.0%	1.5%	2.0%	Case by case

Case by case -credit loss provision decisions are still to be implemented for overdue accounts receivables over 360 days, due to the project nature of Outotec's business. Bad debt provision was increased by EUR 1.2 million in accordance with the new policy. Outotec did not restate the comparative periods, and the impact of the transition period was recognized in the opening balance of retained earnings on January 1, 2018.

IFRS 2 – Share-based payment

Outotec has adopted the amended IFRS 2 standard as of January 1, 2018. The standard amendments relate to the classification and measurement of share-based payment transactions.

The change in Outotec relates to awards with net settlement features, where the cash settled component for withholding tax payments should be treated as equity-settled. Outotec has reclassified this component, totalling EUR 0.8 million for the on-going programs, from liabilities to equity in the opening balance at January 1, 2018. The revaluation change did not not have a significant impact on the income statement and balance sheet. Outotec did not restate the comparative periods.

The following new standards and interpretations have been published, but they are not effective in 2018, nor has Outotec early-adopted them:

IFRS 16 – Leases

The new standard requires lessees to recognize assets and liabilities for most leases. Leases will no longer be classified as operating leases or finance leases, and all leases will have a single accounting model, with certain exemptions. There are no major changes for lessors. The new standard replaces the IAS 17 standard and related interpretations. Outotec has assessed the impacts of the standard. Outotec intends to adopt the standard in 2019.

Use of estimates

IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of income and expenses in the reporting period. Accounting estimates are employed in the financial statements to determine reported amounts, including the realizability of certain assets, useful lives of tangible and intangible assets, income taxes, provisions, pension obligations, and the 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.

Allocation of sales EUR million	**Q1-Q2 2018**	Q1-Q2 2017	Q1-Q4 2017
Minerals Processing			
Project sales (major portion recognized over time)	**203.2**	176.2	362.7
Service sales (major portion recognized at a point in time)	**149.6**	143.2	305.7
Sales total	**352.8**	319.4	668.4
Metals, Energy & Water			
Project sales (major portion recognized over time)	**202.9**	143.9	300.8
Service sales (major portion recognized at a point in time)	**62.6**	65.8	174.7
Sales total	**265.5**	209.7	475.4

Balance sheet items, customer contracts EUR million	**June 30, 2018**	June 30, 2017	December 31, 2017
Gross advances received	**1,682.3**	1,442.6	1,490.4
Over time revenue recognition	**-1,486.3**	-1,246.9	-1,270.2
Contract liabilities (net advances received)	**196.0**	195.6	220.2
Contract assets	**175.9**	159.0	160.4

Restructuring and acquisition items EUR million	**Q1-Q2 2018**	Q1-Q2 2017	Q1-Q4 2017
Personnel-related restructuring costs	**-3.4**	-1.0	-0.5
Impairments on non-current assets	**-0.7**	0.0	-0.8
Other restructuring related items	**-4.7**	0.3	-0.1
Items related to restructuring, total	**-8.8**	-0.7	-1.4
Items related to acquisitions	**-**	-0.0	0.3
Reversal of earn-out liability from acquisitions	**-**	0.9	0.9
Arbitration cost related to past acquisitions	**-0.1**	-	-
Restructuring and acquisition items, total [1]	**-8.9**	0.2	-0.2
Restructuring and acquisition items are allocated to:			
Minerals Processing	**-1.2**	-0.0	-0.4
Metals, Energy & Water	**-4.5**	0.3	0.1
Unallocated items	**-3.3**	-0.0	-0.0

[1] *Excluded from adjusted EBIT.*

Income taxes EUR million	**Q1-Q2 2018**	Q1-Q2 2017	Q1-Q4 2017
Current taxes	**-4.4**	-4.4	-5.1
Deferred taxes	**5.0**	5.7	-8.0
Total income taxes	**0.6**	1.3	-13.1

Property, plant and equipment EUR million	**June 30, 2018**	June 30, 2017	December 31, 2017
Historical cost at beginning of period	**151.2**	155.5	155.5
Translation differences	**-1.3**	-2.7	-4.7
Additions	**5.0**	4.0	8.8
Disposals	**-0.7**	-2.5	-4.9
Reclassifications	**-0.1**	-0.0	-0.0
Impairment during the period	**-**	-3.4	-3.6
Historical cost at end of period	**154.1**	150.9	151.2
Accumulated depreciation and impairment at beginning of period	**-95.2**	-89.7	-89.7
Translation differences	**0.9**	1.1	2.1
Disposals	**0.4**	1.7	3.1
Reclassifications	**0.0**	0.0	0.0
Depreciation during the period	**-5.6**	-6.7	-12.6
Impairment during the period	**-**	1.5	1.7
Accumulated depreciation and impairment at end of period	**-99.5**	-92.1	-95.2
Carrying value at the end of the period	**54.6**	58.8	56.0

Commitments and contingent liabilities EUR million	**June 30, 2018**	June 30, 2017	December 31, 2017
Guarantees for commercial commitments	**480,4**	494.6	475.2
Minimum future lease payments on operating leases	**82.8**	99.9	89.2

No securities or collateral have been pledged. Commercial guarantees are related to performance obligations of project and equipment deliveries. These are issued by financial institutions or Outotec Oyj on behalf of Group companies. The total value of commercial guarantees above does not include advance payment guarantees issued by the parent or other Group companies or guarantees for financial obligations. The total amount of guarantees for financing issued by Group companies amounted to EUR 4.4 million at June 30, 2018 (June 30, 2017: EUR 7.4 million, December 31, 2017: EUR 7.1 million) and for commercial commitments including advance payment guarantees EUR 685.2 million at June 30, 2018 (June 30, 2017: EUR 595.9 million, December 31, 2017: EUR 679.8 million). High exposure of on-demand guarantees may increase the risk of claims that may have an impact on the liquidity of Outotec.

Derivative instruments

Currency and interest derivatives EUR million	**June 30, 2018**	June 30, 2017	December 31, 2017
Fair values, net	**-2.1**	9.3	1.4
of which designated as cash flow hedges from currency derivatives	**-3.6**	2.0	-0.6
of which designated as fair value hedge from interest derivatives	**3.4**	4.5	3.9
Nominal values	**605.0**	587.4	606.4

Carrying amounts of financial assets and liabilities by category

June 30, 2018 EUR million	Fair value through profit or loss	Amortized cost	Fair value through other comprehensive income	Carrying amounts by balance sheet item	Fair value
Non-current financial assets					
Derivative assets					
- foreign exchange forward contracts	0.1	-	-	0.1	0.1
- interest rate swaps	3.4	-	-	3.4	3.4
- foreign exchange forward contracts under hedge accounting	0.2	-	-	0.2	0.2
Other shares and securities	-	-	2.2	2.2	2.2
Trade and other receivables					
- interest-bearing	-	1.5	-	1.5	1.5
- non-interest-bearing	-	0.0	-	0.0	0.0
Current financial assets					
Derivative assets					
- foreign exchange forward contracts	3.0	-	-	3.0	3.0
- foreign exchange forward contracts under hedge accounting	0.0	-	-	0.0	0.0
Trade and other receivables					
- interest-bearing	-	0.1	-	0.1	0.1
- non-interest-bearing	-	394.2	-	394.2	394.2
Cash and cash equivalents	-	228.7	-	228.7	228.7
Carrying amount by category	**6.6**	**624.5**	**2.2**	**633.3**	**633.3**
Non-current financial liabilities					
Bonds	-	149.4	-	149.4	155.5
Loans from financial institutions	-	28.6	-	28.6	29.3
Finance lease liabilities	-	0.0	-	0.0	0.0
Derivative liabilities					
- foreign exchange forward contracts	0.0	-	-	0.0	0.0
- foreign exchange forward contracts under hedge accounting	0.8	-	-	0.8	0.8
Other non-current loans	-	1.5	-	1.5	1.5
Other non-current liabilities	-	1.9	-	1.9	1.9
Current financial liabilities					
Loans from financial institutions	-	4.1	-	4.1	4.7
Financial lease liabilities	-	0.0	-	0.0	0.0
Derivative liabilities					
- foreign exchange forward contracts	4.9	-	-	4.9	4.9
- foreign exchange forward contracts under hedge accounting	3.0	-	-	3.0	3.0
Other current loans	-	19.1	-	19.1	19.1
Trade payables	-	105.1	-	105.1	105.1
Carrying amount by category	**8.7**	**309.7**	**-**	**318.4**	**324.2**

Carrying amounts of financial assets and liabilities by category

December 31, 2017 EUR million	Fair value through profit or loss	Amortized cost	Fair value through other comprehensive income	Carrying amounts by balance sheet item	Fair value
Non-current financial assets					
Derivative assets					
- foreign exchange forward contracts	0.2	-	-	0.2	0.2
- interest rate swaps	0.5	-	-	0.5	0.5
- foreign exchange forward contracts under hedge accounting	3.9	-	-	3.9	3.9
Other shares and securities	-	-	2.2	2.2	2.2
Trade and other receivables					
- interest-bearing	-	1.5	-	1.5	1.5
- non-interest-bearing	-	0.0	-	0.0	0.0
Current financial assets					
Derivative assets					
- foreign exchange forward contracts	4.2	-	-	4.2	4.2
- foreign exchange forward contracts under hedge accounting	0.4	-	-	0.4	0.4
Trade and other receivables					
- interest-bearing	-	0.1	-	0.1	0.1
- non-interest-bearing	-	408.9	-	408.9	408.9
Cash and cash equivalents	-	230.2	-	230.2	230.2
Carrying amount by category	9.3	640.8	2.2	652.2	652.2
Non-current financial liabilities					
Bonds	-	149.3	-	149.3	155.3
Loans from financial institutions	-	28.6	-	28.6	29.6
Finance lease liabilities	-	-	-	-	-
Derivative liabilities					
- foreign exchange forward contracts	0.0	-	-	0.0	0.0
- foreign exchange forward contracts under hedge accounting	0.4	-	-	0.4	0.4
Other non-current loans	-	1.7	-	1.7	1.7
Other non-current liabilities	-	2.0	-	2.0	2.0
Current financial liabilities					
Loans from financial institutions	-	6.9	-	6.9	7.6
Financial lease liabilities	-	0.0	-	0.0	0.0
Derivative liabilities					
- foreign exchange forward contracts	6.4	-	-	6.4	6.4
- foreign exchange forward contracts under hedge accounting	1.1	-	-	1.1	1.1
Other current loans	-	38.1	-	38.1	38.1
Trade payables	-	99.5	-	99.5	99.5
Carrying amount by category	7.9	326.2	-	334.1	341.7

The presentation of the comparison category table has been changed due to IFRS 9 adoption. Adopting IFRS 9 did not have material impact on the recognition and measurement principles with regard to financial assets or liabilities.

Fair value hierarchy

June 30, 2018 EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**
Other shares and securities	0.1	-	2.2	2.2
Derivative financial assets	-	6.6	-	6.6
	0.1	**6.6**	**2.2**	**8.8**
Bonds	-	155.5	-	155.5
Loans from financial institutions	-	34.0	-	34.0
Derivative financial liabilities	-	8.7	-	8.7
	-	**198.3**	-	**198.3**
December 31, 2017				
Other shares and securities	0.1	-	2.2	2.2
Derivative financial assets	-	9.3	-	9.3
	0.1	9.3	2.2	11.5
Bonds	-	155.3	-	155.3
Loans from financial institutions	-	37.2	-	37.2
Derivative financial liabilities	-	7.9	-	7.9
	-	200.3	-	200.3

Other shares and securities (level 3 of fair value hierarchy) EUR million	**Q1-Q2 2018**	Q1-Q2 2017	Q1-Q4 2017
Carrying value on Jan 1	**2.2**	2.2	2.2
Translation differences	**-0.0**	-0.0	-0.0
Increases	**0.0**	-	-
Carrying value at end of period	**2.2**	2.2	2.2

Related party transactions

Transactions and balances with associated companies EUR million	**Q1-Q2 2018**	Q1-Q2 2017	Q1-Q4 2017
Sales	**0.1**	-	0.3
Other income	**0.0**	0.0	0.1
Purchases	**1.3**	0.5	2.3
Loan receivables	**1.5**	1.5	1.5
Trade and other receivables	**0.5**	0.2	0.5
Current liabilities	**0.2**	0.1	0.2

Outotec has a 40% investment in Enefit Outotec Technology Oü, from which the company had EUR 1.5 million loan receivables as at June 30, 2018 (June 30, 2017 and December 31, 2017: EUR 1.5 million).

Transactions and balances with management and prior management

Loan receivables from former key management were EUR 0.1 million as at June 30, 2018 (June 30, 2017 and December 31, 2017: EUR 0.1 million)

Segments' sales and operating result by quarter

EUR million	**Q2/16**	Q3/16	Q4/16	Q1/17	**Q2/17**	Q3/17	Q4/17	Q1/18	**Q2/18**
Sales									
Minerals Processing	**119.3**	128.9	178.8	151.7	**167.7**	147.8	201.2	159.9	**193.0**
Metals, Energy & Water	**148.3**	116.5	126.4	111.6	**98.1**	126.1	139.7	127.2	**138.3**
Unallocated items[1] and intra-group sales	**-0.0**	-0.2	0.1	0.0	**0.0**	0.0	-0.1	0.0	**-0.0**
Total	**267.6**	245.2	305.4	263.3	**265.8**	273.9	340.8	287.1	**331.2**
EBIT									
Minerals Processing	**3.3**	10.8	7.8	10.4	**14.2**	14.3	21.1	15.0	**15.7**
Metals, Energy & Water	**-1.1**	-11.2	-59.7	-10.2	**-13.6**	-0.6	-2.9	-8.2	**-13.7**
Unallocated[2] and intra-group items	**-3.0**	-0.9	-1.6	-1.4	**-2.0**	-1.4	-2.0	-1.4	**-5.0**
Total	**-0.8**	-1.2	-53.5	-1.2	**-1.4**	12.3	16.2	5.4	**-3.0**

[1] *Unallocated items primarily include invoicing of group management and administrative services*
[2] *Unallocated items primarily include group management and administrative services*

RESOLUTIONS OF OUTOTEC'S AGM 2018

Outotec Oyj's Annual General Meeting (AGM) was held on March 27, 2018, in Helsinki, Finland. The AGM approved the parent company's financial statements and the consolidated financial statements and discharged the members of the Board of Directors and the President and CEO from liability for the 2017 financial year. The AGM decided that no dividend would be distributed for the financial year ending on December 31, 2017.

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

The AGM confirmed the Board's remunerations for 2018, of which 60% will be paid in cash and 40% in shares:

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

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

The AGM authorized the Board of Directors to decide on the repurchase and issuance of shares and special rights entitling holders to shares. Both authorizations relate to an aggregate maximum of 18,312,149 (approximately 10%) of the company's own shares. The authorizations will be in force until the closing of the next AGM. The authorizations have not been exercised as of July 25, 2018.

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

Matti Alahuhta (Chairman of the Committee) Eija Ailasmaa, Patrik Nolåker, and Timo Ritakallio were elected as members of the Human Capital Committee.

SHARES AND SHARE CAPITAL

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

OUTOTEC OYJ OWN SHAREHOLDING

At the end of the reporting period, the company directly held a total of 1,358,223 Outotec shares, representing 0.74% of Outotec Oyj's shares and votes.

TRADING, MARKET CAPITALIZATION, AND SHAREHOLDERS

Shares on NASDAQ Helsinki

January-June 2018	Number of shares traded	Total value EUR	High EUR	Low EUR	Average EUR[1]	Last paid EUR
OTE1V	114,291,307	850,465,079	8.53	6.36	7.44	6.82

[1] *Volume-weighted average*

	June 30, 2018	June 30, 2017
Market capitalization, EUR million	**1,249**	1,102
Number of shareholders	**22,833**	27,705
Nominee registered shareholders (number of registers 10), %	**43.7**	32.9
Finnish private investors, %	**12.4**	16.3

SHARE-BASED INCENTIVES

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

FINANCIAL REPORTING SCHEDULE AND EVENTS IN 2018

- Interim Report Q1-Q3: October 31

Outotec provides leading technologies and services for the sustainable use of Earth's natural resources. As the global leader in minerals and metals processing technology, we have developed many breakthrough technologies over the decades for our customers in the metals and mining industry. We also provide innovative solutions for industrial water treatment, the utilization of alternative energy sources, and the chemical industry. Outotec shares are listed on Nasdaq Helsinki. www.outotec.com.