



Half-Year Review 2020

Metso:Outotec

Metso Outotec's Half-Year Report January 1 – June 30, 2020

The demerger of Metso Corporation and combination of Metso's Minerals business and Outotec was completed on June 30, 2020. In the transaction, the legal acquirer Outotec issued new shares to Metso shareholders and received all assets, rights, debts and liabilities related to Metso's Minerals business. In the IFRS reporting this transaction is treated as a reverse acquisition, where Metso Minerals is the accounting acquirer and Outotec the accounting acquiree.

Under the IFRS reporting, the consolidated Metso Outotec balance sheet is reported as at the transaction closing date of June 30, 2020, whereas for the reporting period prior to closing, the income statement and cash flow include only Metso Minerals on a carve-out basis. In addition to the IFRS reporting, additional information on Outotec as well as a pro forma based Metso Outotec income statement are provided separately. Presented Outotec financial information is based on Outotec's accounting principles. Metso Outotec pro forma financial information is presented to illustrate the impacts of the combination of Metso Minerals and Outotec on the business performance of Metso Outotec. The pro forma financial information reflects the application of pro forma adjustments that are based upon certain assumptions that management believes are reasonable under the circumstances.

In this half-year report, the segment reporting is still based on the legacy segment structure of the companies, i.e. Metso's Minerals business and Outotec's Minerals Processing and Metals Refining segments. The segment reporting based on the new Metso Outotec organization will be effective as of July 1, 2020, and will form the basis for the Q3/2020 reporting.

Figures in brackets refer to the corresponding period in 2019, unless otherwise stated.

Second-quarter 2020 in brief, pro forma

- Orders received EUR 976 million
 - Metso Minerals EUR 762 million; Outotec EUR 214 million
- Sales EUR 1,047 million
 - Metso Minerals EUR 751 million; Outotec EUR 294 million
- Adjusted EBITA EUR 143 million or 13.6%
 - Metso Minerals EUR 110 million or 14.6%
 - Outotec EUR 31 million or 10.5%

January-June 2020 in brief, pro forma

- Orders received EUR 2,090 million
 - Metso Minerals EUR 1,636 million; Outotec EUR 454 million
- Sales EUR 2,027 million
 - Metso Minerals EUR 1,447 million; Outotec EUR 579 million
- Adjusted EBITA EUR 236 million or 11.7%
 - Metso Minerals EUR 184 million or 12.7%
 - Outotec EUR 51 million or 8.9%
- Cash flow from operations: Metso Minerals EUR 357 million, Outotec EUR -67 million

Balance sheet key figures on June 30, 2020, IFRS

- Balance sheet total EUR 5,575 million
- Liquid funds EUR 528 million
- Net debt EUR 913 million
- Gearing 45.5%
- Debt-to-capital ratio 31.3%
- Equity-to-assets ratio 38.9%

President and CEO Pekka Vauramo:

The second quarter was exceptional in many ways due to the Covid-19 situation. Most importantly we needed to ensure the safety and well-being of our personnel, customers, and business partners. We succeeded in this while continuing to serve our customers despite the limitations posed by pandemic-related restrictions around the world. The virtual and digital dialogue with customers has taken major steps forward in recent months, with over 2,000 customers participating in our webinars during the first month and a significant number of sales leads coming in through our digital marketing channels. In addition, we successfully completed all the competition authority processes that enabled the combination of Metso's Minerals business with Outotec through the completion of the partial demerger of Metso.

I am proud of our performance during these challenging times. Quarterly orders increased in Metso Minerals, while the slowdown in decision-making related to larger projects resulted in a decline in Outotec's orders. The demand for smaller new mining equipment was healthy, whereas demand in aggregates was weaker in the beginning of the quarter and recovered somewhat towards the end of June. The services business saw good demand, thanks to our global presence and capabilities to secure customers' production in difficult circumstances.

Our pro forma sales for the quarter increased year-on-year, with Metso Minerals reporting growth and Outotec sales declining. Pro forma profitability in terms of adjusted EBITA was good at 13.6%, driven by solid product margins and the rapid implementation of the temporary cost saving and cash protection measures. Those measures included reduction of worktime or compensation as well as strict control on discretionary spend across the organization. In addition to adjusted EBITA, results of this were seen in the strong cash flow from operations of Metso Minerals. I want to thank everyone in the organization for contributing to this performance during the quarter.

At the end of the quarter on June 30, 2020 we completed the combination of Metso Minerals and Outotec through Metso's partial demerger. Since then we have actively started to integrate the two companies bringing about significant benefits to our customers, personnel, suppliers and shareholders. Metso Outotec is a unique combination focusing on supplying sustainable technologies, solutions and services to our customers to fulfill our promise of being the partner for positive change. We are grateful for the confidence and commitment our stakeholders have shown us and hope you will stay with us during this exciting journey. To the whole Metso Outotec team, I want to say thank you one more time for your hard work during the past 12 months. Well done!

Covid-19 market update

The Covid-19 pandemic continued to have a negative impact on Metso Outotec's own and its customers' operations during the second quarter. The overall situation was most challenging in the beginning of the quarter with lockdowns keeping our own and our customers' operations closed in several key markets as well as widespread restrictions relating to travel and workforce mobility affecting operations. The market environment gradually improved during the quarter, as lockdowns and restrictions were lifted. Market activity in China, which saw a sharp decline in the first quarter, recovered quickly during the second quarter, with especially strong demand in infrastructure. All our own equipment and consumables manufacturing and assembly operations have been operational since the beginning of June.

For Metso Outotec, the most affected business during the second quarter was the aggregates equipment business, where the investment activity of customers and distributors was significantly lower than during the normal high season. The only exception being the business in China. The aggregates equipment business saw a gradual improvement from a weak April to the end of June, when the demand globally was about 75% compared to normal levels.

In the mining and metals markets, commodity prices were under pressure early in the quarter and some mines were either shut down or had to operate with limited capacity utilization due to the lockdowns. Decision-making related to bigger investment projects especially in metals refining was affected. The mining equipment market continued to be active, driven by smaller brownfield projects. During the quarter mines were re-opened and commodity prices recovered to pre-Covid levels. The mining services business was somewhat impacted by the limited access to carry out service work at customer sites. Also, limited access to sites resulted in a slowdown of bigger modernizations. Nevertheless, the demand for spare parts and consumables was good throughout the quarter.

Restrictions on mobility continue in many countries and risk further impacting Metso Outotec during the second half. The situation continues to be challenging particularly in North and South America.

Market outlook

According to its disclosure policy, Metso Outotec's market outlook describes the expected sequential development of market activity during the following six-month period using three categories: improve, remain at the current level, or decline.

Metso Outotec expects the market activity to remain at the current level, being subject to a possible worsening of the Covid-19 pandemic.

Metso Outotec financial performance in January-June, pro forma

Metso Outotec Group's sales totaled EUR 2,027 million in January-June 2020.

Adjusted EBITA totaled EUR 236 million, or 11.7% of sales. Metso Minerals' adjusted EBITA was EUR 184 million, or 12.7% of sales, and Outotec's adjusted EBITA EUR 51 million, or 8.9% of sales.

The Group's operating profit (EBIT) was EUR 187 million, or 9.2% of sales, including positive pro forma adjustments totaling EUR 28 million. Metso Minerals' operating profit was EUR 145 million or 10.0% of sales and Outotec's operating profit EUR 14 million, or 2.4% of sales. The operating profit was impacted by costs related to the Metso Outotec transaction.

Net profit for the period for continuing operations totaled EUR 132 million.

Reporting segments: Metso Minerals

Metso Minerals segment financial information is based on Metso's accounting principles.

- **Aggregates orders heavily affected by Covid-19 but recovered towards the end of the quarter**
- **Mining orders both in equipment and services held up well**
- **Solid execution in deliveries and savings actions contributed to strong profitability**

Key figures

EUR million	Q2/2020	Q2/2019	Change %	Q1- Q2/2020	Q1- Q2/2019	2019
Orders received	762	704	8	1,636	1,527	3,009
Orders received by services business	471	468	1	969	942	1,907
% of orders received	62	66		59	62	63
Order backlog				1,431	1,552	1,408
Sales	751	735	2	1,447	1,416	2,976
Sales by services business	445	436	2	884	865	1,815
% of sales	59	59		61	61	61
Adjusted EBITA	121	94	29	194	181	381
% of sales	16.2	12.8		13.4	12.8	12.8
Operating profit	116	91	27	183	174	350
% of sales	15.4	12.3		12.7	12.3	11.8

Impacts of currency and structural changes

EUR million, %	Orders received		Sales	
	Q2	Q1–Q2	Q2	Q1–Q2
2019	704	1,527	735	1,416
Organic growth in constant currencies, %	3	-1	-3	-5
Impact of changes in exchange rates, %	-6	-4	-4	-4
Structural changes, %	11	12	10	11
Total change, %	8	7	2	2
2020	762	1,636	751	1,447

Operating environment and orders received

The demand for mining equipment held up in smaller and brownfield driven equipment investments in the second quarter, whereas the aggregates equipment market was significantly affected by Covid-19. The segment's equipment orders overall increased 23% year-on-year, which was driven by mining equipment orders and further supported by the acquisition of McCloskey in the aggregates equipment business. Organically in constant currencies orders increased 3%.

The activity in the services market was good and services orders were 1% higher compared to the same quarter in 2019. Thanks to good overall production rates at mines and successful supply chain performance management, order growth for consumables was healthy, despite the pandemic. Orders for field service and service projects were lower year-on-year, due to Covid-19-related restrictions.

In January-June, orders received increased 7% to EUR 1,636 million, driven by the McCloskey acquisition. The negative impact of Covid-19 resulted in an organic order decline of 1%.

Financial performance

Metso Minerals' sales increased 2% compared to the second quarter in 2019. The growth was driven by the acquisition of McCloskey, as organically in constant currencies sales declined 3%, due to the Covid-19 impact on the aggregates business. Services sales grew 2%, despite the lockdowns and restrictions on mobility globally affecting the service work at customer sites.

Metso Minerals' adjusted EBITA totaled EUR 121 million, or 16.2% of sales (EUR 94 million and 12.8%). The improvement in profitability resulted from solid execution in supply and delivery enabling solid product margins as well as from benefits of earlier implemented structural changes in the supply network. In addition, Covid-19-related temporary cost savings contributed strongly to the performance.

Cash flow from operations in the second quarter improved to EUR 213 million (EUR 17 million). The strong performance resulted from a decrease in net working capital, which was due to focused actions on inventory reduction and receivables management.

In January-June, the segment's sales grew 2%, thanks to the McCloskey acquisition. Organically in constant currencies sales declined 5%, as Covid-19 had a negative impact on the aggregates business. Adjusted EBITA totaled EUR 194 million or 13.4% (EUR 181 million and 12.8%).

Reporting segments: Outotec Minerals Processing

Outotec Minerals Processing financial information is based on Outotec's accounting principles excluding the fair valuation impacts from Metso Outotec combination.

- **Minerals processing equipment orders and services orders held up well, despite Covid-19**
- **Slow progress with larger customer orders continued**
- **Good delivery execution and cost savings had a positive impact on profitability**

Key figures

EUR million	Q2/2020	Q2/2019	Change %	Q1- Q2/2020	Q1- Q2/2019	2019
Orders received	159	255	-38	351	449	1 049
Orders received by services business	90	101	-11	188	201	420
% of orders received	57	40		54	45	40
Order backlog				542	502	621
Sales	214	197	9	411	358	799
Sales by services business	92	105	-12	173	184	388
% of sales	43	53		42	51	49
Adjusted EBIT *)	26	21	24	41	37	81
% of sales	12.3	10.8		9.9	10.4	10.2
Operating profit	25	21	19	38	36	80
% of sales	11.5	10.5		9.2	10.0	10.0

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

Impacts of currency and structural changes

EUR million, %	Orders received		Sales	
	Q2	Q1–Q2	Q2	Q1–Q2
2019	255	449	197	358
Organic growth in constant currencies, %	-31	-16	16	20
Impact of changes in exchange rates, %	-7	-5	-7	-6
Structural changes, %	-	-	-	-
Total change, %	-38	-22	9	15
2020	159	351	214	411

Operating environment and orders received

Customer activity in the equipment business was healthy and largely related to replacement investments. Large projects and greenfield investments continued to see slow progress. In services, demand for spare parts was strong, whereas lockdowns and travel restrictions limited activity related to service projects.

Orders received totaled EUR 159 million in the second quarter (255 million). No larger orders were booked during the quarter.

In January-June, orders received declined 22%, due to the lack of larger orders.

Financial performance

Sales of Minerals Processing increased 9% in the second quarter, driven mainly by a strong backlog and new equipment deliveries. Adjusted EBIT totaled EUR 26 million, or 12.3% (EUR 21 million and 10.8%). Volume growth and cost savings had a positive impact on profitability.

In January-June, sales grew 15% to EUR 411 million. Adjusted EBIT totaled EUR 41 million or 9.9% of sales. Relative profitability was slightly lower year-on-year due to a lower share of services in the sales mix.

Reporting segments: Outotec Metals Refining

Outotec Metals Refining financial information is based on Outotec's accounting principles excluding the fair valuation impacts from Metso Outotec combination.

- Order intake weak due to customers' postponed decision making
- Many projects in basic engineering phase, but timing of equipment orders is uncertain
- Cost saving measures initiated to improve profitability

Key figures

EUR million	Q2/2020	Q2/2019	Change %	Q1- Q2/2020	Q1- Q2/2019	2019
Orders received	55	145	-62	103	283	453
Orders received by services business	21	58	-63	43	113	166
% of orders received	38	40		41	40	37
Order backlog				330	550	448
Sales	80	122	-35	168	206	411
Sales by services business	23	44	-49	51	75	162
% of sales	28	36		30	36	39
Adjusted EBIT *)	1	5	-75	4	5	46
% of sales	1.7	4.4		2.3	2.2	11.3
Operating profit	-1	5		1	4	44
% of sales	-0.9	4.1		0.5	1.8	10.8

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

Impacts of currency and structural changes

EUR million, %	Orders received		Sales	
	Q2	Q1-Q2	Q2	Q1-Q2
2019	145	283	122	206
Organic growth in constant currencies, %	-61	-63	-34	-18
Impact of changes in exchange rates, %	-1	-1	-1	-1
Structural changes, %	-	-	-	-
Total change, %	-62	-64	-34	-18
2020	55	103	80	168

Operating environment and orders received

Customer activity was affected by Covid-19 related uncertainty and restrictions, which had an impact on both the equipment and services business. Orders received declined significantly in the second quarter and during January-June compared to the previous year, due to the slow progress in plant and equipment projects as well as the low level of modernization orders in services. Customers postponed decision-making especially in larger projects.

Financial performance

Metals Refining's quarterly sales of EUR 80 million (EUR 122 million) were affected by a decline in project deliveries as well as in upgrade and modernization services. Higher product margins and lower costs were not enough to offset the negative sales volume impact on the adjusted EBIT, which totaled EUR 1 million, or 1.7% of sales (EUR 5 million and 4.4%) in the second quarter.

Sales in January-June totaled EUR 168 million (EUR 206 million). The negative development resulted from low order backlog. Adjusted EBIT was EUR 4 million (EUR 5 million) or 2.3% of sales (2.2%).

Metso Outotec financial position

Metso Outotec's total liquid funds at the end of June 2020 were EUR 528 million. There were no investments in financial instruments with an initial maturity exceeding three months.

The Group's net interest-bearing liabilities were EUR 913 million at the end of June, gearing was 45.5% and the debt-to-capital ratio 31.3%. The equity-to-assets ratio was 38.9%.

Metso Outotec's liquidity position is solid. The company had committed and undrawn revolving credit facilities of EUR 790 million at the end of June. A syndicated EUR 600 million revolving credit facility has a maturity in 2024 with two one-year extension options, EUR 100 million revolving credit facilities mature in 2021 and EUR 90 million in 2022. A EUR 100 million term loan with a maturity until 2022 was drawn during the reporting period for general corporate purposes. The Outotec revolving credit facilities, amounting to EUR 100 million and EUR 60 million, were cancelled on the effective date of the merger. Outotec's revolving credit facility amounting to EUR 50 million with a maturity in 2021, which was fully drawn at the end of the reporting period, was cancelled after the merger.

Metso Outotec also has a EUR 600 million Finnish commercial paper program, under which EUR 100 million was issued at the end of the period.

Metso Outotec has a commitment for a term loan of EUR 150 million in place to finance the Outotec bond maturing in September 2020. The term loan's tenor is until 2022.

After the reporting period, on July 1, 2020, Metso Outotec gave notice to redeem the Outotec EUR 150 million hybrid bond which was repaid on July 31, 2020. The refinancing of the hybrid bond was done with a bank term loan of EUR 150 million with a maturity until 2022 with a one-year extension option.

Moody's Investor Service has assigned a 'Baa2' long-term issuer rating with stable outlook and S&P Global Ratings a 'BBB-' preliminary long-term issuer credit rating with negative outlook to Metso Outotec.

Capital expenditure and investments

Gross capital expenditure excluding business acquisitions in January-June 2020 was EUR 42 million (EUR 34 million) in Metso Minerals and EUR 7 million (EUR 9 million) in Outotec.

Research and development

In January-June, research and development (R&D) expenses and investments in Metso Minerals were EUR 24 million, or 1.4% of sales (EUR 23 million, or 1.3%) and R&D expenses in Outotec EUR 26 million, or 4.5% of sales (EUR 28 million, or 4.9%).

Personnel

Metso Outotec had 16,356 employees at the end of June 2020, of which 12,479 in Metso Minerals and 3,877 in Outotec.

Personnel by area on June 30, 2020

	Share, %
Europe	37
North America	12
South and Central America	24
Asia Pacific	20
Africa and Middle East	7
Total	100

Outotec Annual General Meeting 2020

Outotec Oyj's Annual General Meeting (AGM) was held on March 11, 2020 in Helsinki, Finland. The AGM adopted the parent company and the consolidated Financial Statements and discharged the members of the Board of Directors and the CEO from liability for the financial year 2019.

The AGM resolved that a dividend of EUR 0.10 per share, i.e. EUR 18,212,825.40 in total, will be paid for the financial year 2019. The dividend was paid on March 31, 2020.

The AGM resolved to adopt the Remuneration Policy for the governing bodies (including the members of the Board of Directors and the President and CEO).

The AGM authorized the Board of Directors to decide on the repurchase of an aggregate maximum of 18,312,149 of the company's own shares. The number of shares corresponds to approximately 10 percent of all shares prior to the merger. However, the company together with its subsidiaries cannot at any moment own more than 10 percent of all the shares of the company.

Authorized Public Accountants Ernst & Young Oy was chosen as the company's Auditor for a term commencing on the completion of the merger and ending at the end of the next annual general meeting of Metso Outotec. The Auditor will be paid remuneration against the Auditor's reasonable invoice approved by the company.

Metso Outotec Board of Directors

Outotec Oyj's Annual General Meeting resolved that the number of members of the Board of Directors is increased by two upon completion of the merger, i.e. to a total of ten Board members. The AGM elected Matti Alahuhta, Ian W. Pearce, Klaus Cawén and Hanne de Mora, each previously members of the Outotec Board, to serve on the Board of Metso Outotec. From the Board of Directors of Metso, the AGM elected Mikael Lilius, Christer Gardell, Antti Mäkinen, Kari Stadigh and Arja Talma as new members of the Board of Metso Outotec. In addition, Emanuela Speranza was elected as a member of the Board of Metso Outotec conditional upon her election to Metso's Board of Directors at Metso's AGM 2020. Mikael Lilius was elected as the Chair of the Board of Metso Outotec and Matti Alahuhta as the Vice Chair. The Board's term commenced on June 30, 2020 and will end at the closure of the next annual general meeting of Metso Outotec.

The following annual remunerations were decided to be paid to the members of the Board as well as to the members of the Board committees:

- EUR 150,000 for Chair of the Board
- EUR 80,000 for Vice Chair of the Board
- EUR 65,000 for each member of the Board
- EUR 23,000 for Chair of the Audit Committee
- EUR 10,000 for each member of the Audit Committee
- EUR 12,000 for Chair of the Remuneration and HR Committee
- EUR 5,000 for each member of the Remuneration and HR Committee

The Board's annual remuneration will be paid pro rata to the length of the term of office commencing on July 1, 2020, until the closure of the next annual general meeting of Metso Outotec.

In addition, the Annual General Meeting resolved that meeting fees for attendance at each board and committee meeting be paid to members of the Board of Metso Outotec as follows: EUR 900 for each member residing in the Nordic countries, EUR 1,800 for each member residing in other European countries and EUR 2,700 for each member residing outside Europe each. In addition, Board members shall be reimbursed direct costs arising from board work.

Metso Outotec Executive Team

Metso Outotec's Executive Team consists of the following members:

Pekka Vauramo, President and CEO
Eeva Sipilä, CFO, Deputy CEO
Markku Simula, President, Aggregates
Stephan Kirsch, President, Minerals
Jari Älgars, President, Metals
Uffe Hansen, President, Recycling
Markku Teräsvasara, President, Services and Deputy CEO
Sami Takaluoma, President, Consumables
Nina Kiviranta, General Counsel
Piia Karhu, Senior Vice President, Business Development
Carita Himberg, Senior Vice President, Human Resources. She will join the company before the end of the year, until which Hannele Järvistö serves as interim.

Shares and share trading

Before the combination of Metso's Minerals business and Outotec was completed, Outotec's share capital was EUR 17,186,442.52 and the total number of shares was 183,121,492. After the transaction was completed on June 30, 2020, a total of 645,850,948 new Outotec shares were issued as demerger consideration to Metso's shareholders based on their shareholdings in Metso on the same day. Trading in the new shares on the official list of Nasdaq Helsinki commenced on July 1, 2020. After the transaction was completed, the total number of Metso Outotec shares was 828,972,440 and its share capital was EUR 107,186,442.52.

Outotec share performance on Nasdaq Helsinki January 1 – June 30, 2020

EUR	
Closing price	4.91
Highest share price	6.34
Lowest share price	2.68
Volume-weighted average trading price	4.28

Flagging notifications

In the first half of the year, Outotec did not receive flagging notifications of changes in direct shareholdings, shareholdings through financial instruments or their total amount.

After the reporting period on July 2, 2020, Cevian Capital Partners Ltd. flagged its 8.5% holding and Varma Mutual Insurance Company flagged its less than 5% holding in Metso Outotec.

Metso Outotec is not aware of any shareholders' agreements regarding the ownership of the company's shares and voting rights.

Other events during the second quarter

June 30: Metso Corporation's partial demerger has been registered – Metso Corporation and Outotec Oyj have completed the combination of Metso's Minerals business and Outotec

June 23: Metso and Outotec will complete the combination of Outotec and Metso's Minerals business

June 18: Metso and Outotec have received all regulatory approvals for the combination of Outotec and Metso Minerals – completion expected to take place on June 30, 2020

May 28: Outotec completes divestment of certain sludge incineration technologies

May 18: Future Metso Outotec business structure and Executive Team appointments

May 13: Metso and Outotec receive unconditional merger control clearance from the European Commission for the combination of Metso Minerals with Outotec

Events after the reporting period

Committees of Metso Outotec's Board of Directors

On July 1, 2020, after the registration of the demerger of Metso Corporation, Metso Outotec's Board of Directors established an Audit Committee and a Remuneration and HR Committee.

Arja Talma was elected Chair and Klaus Cawén and Antti Mäkinen as members of the Audit Committee. Antti Mäkinen was elected Chair and Christer Gardell and Hanne de Mora members of the Remuneration and HR Committee.

Establishment of long-term incentive programs

On July 1, 2020, the Board of Directors of Metso Outotec decided on the establishment of new share-based long-term incentive programs for the Company's management and selected key employees. The programs include a Performance Share Plan (also "PSP") for the top management, a Deferred Share Plan (also "DSP") for other senior management and selected key employees, and a Restricted Share Plan (also "RSP") as a complementary structure for specific situations.

Redemption of Outotec's EUR 150 million Hybrid Bond

On July 1, 2020, Metso Outotec announced that it will redeem the Outotec Oyj EUR 150,000,000 Hybrid Bond (ISIN: FI4000201207) (the "Capital Securities") issued on March 24, 2016. The redemption was made on July 31, 2020, in accordance with Clause 7.2 (Corporate Restructuring Event) of the terms and conditions of the Capital Securities for the amount equal to 101 per cent of the principal amount, in whole, together with any accrued interest.

Composition of Metso Outotec's Shareholders' Nomination Board

On July 3, 2020, Metso Outotec's largest shareholders Solidium (14.9% of shares and votes), Cevian Capital Partners (8.5% of shares and votes), Ilmarinen Mutual Pension Insurance Company (2.7% of shares and votes) and Varma Mutual Pension Insurance Company (2.6% of shares and votes) nominated the following members to the Shareholders' Nomination Board:

- Annareetta Lumme-Timonen, Investment Director, Solidium
- Niko Pakalén, Partner, Cevian Capital Partners Ltd
- Mikko Mursula, Deputy CEO, Ilmarinen
- Risto Murto, President & CEO, Varma

Mikael Lilius, Chair of Metso Outotec's Board of Directors, will serve as the Shareholders' Nomination Board's expert member. The Shareholders' Nomination Board should provide its proposals relating to the composition of the Board and Board remuneration to the Metso Outotec Board of Directors on January 31, 2021, at the latest.

Positive profit warning

On July 27, 2020, Metso Outotec published preliminary information on its second-quarter 2020 results, which according to the information available to the company, seemed to be better than market expectations.

Acquisition of Davies Wear Plate Systems

On August 3, 2020, Metso Outotec closed the acquisition of the Australia-based fastener and wear monitoring technology provider Davies Wear Plate Systems. The acquired company will extend Metso Outotec's wear lining portfolio and capabilities. Its sales in fiscal year 2020 were around AUD 17 million or EUR 10 million and it has approx. 30 employees.

Short-term business risks and market uncertainties

Covid-19 continues to pose significant short-term risks and uncertainties to Metso Outotec's market and operations. The development of the pandemic is difficult to predict. Further possible abrupt restricting measures taken by various national and local governments to restrict the spread may impact the demand for Metso Outotec's products and services as well as Metso Outotec's operations, which could restrict our ability to provide services at customer sites

and to run our manufacturing sites. The company may also, in order to protect its personnel, need to take abrupt measures that are likely to affect the efficiency of its operations and customer deliveries.

The severity and longevity of the impact of the pandemic on global economic growth, together with uncertain political and trade related developments could have a longer impact on our customer industries, reduce the investment appetite and spending among our customers, weaken the demand for Metso Outotec's products and services as well as affect our business operations.

There are also other market- and customer-related risks that could cause on-going projects to be postponed, delayed, or discontinued.

The impact of tariffs or other trade barriers could pose challenges to our supply chain and price management, impacting our capability to secure customer deliveries and margins.

Uncertain market conditions could adversely affect our customers' payment behavior and increase the risk of lawsuits, claims and disputes taken against Metso Outotec in various countries related to, among other things, Metso Outotec's products, projects and other operations.

Exchange rate fluctuations and changes in commodity prices could affect our orders received, sales and financial position. Metso Outotec hedges currency exposure linked to firm delivery and purchase agreements.

Information security and cyber threats could disturb or disrupt Metso Outotec's businesses and operations.

Metso Outotec has identified a significant risk related to its ilmenite smelter project in Saudi Arabia in line with earlier disclosures. Provisions have been made against this risk. Factors such as the contractual position and other factual circumstances will ultimately determine the eventual liability and financial impact.

Metso Outotec has a risk that disputes related to project execution 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. Even though the provisions are provided for according to accounting principles, there is no certainty that additional liabilities would not materialize.

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

Market outlook

According to its disclosure policy, Metso Outotec's market outlook describes the expected sequential development of market activity during the following six-month period using three categories: improve, remain at the current level, or decline.

Metso Outotec expects the market activity to remain at the current level, being subject to a possible worsening of the Covid-19 pandemic.

Helsinki, August 5, 2020
Metso Outotec Corporation's Board of Directors

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Combined statement of income, IFRS

EUR million	1-6/2020	1-6/2019	1-12/2019
Sales	1,447	1,416	2,976
Cost of sales	-1,014	-1,001	-2,117
Gross profit	433	415	858
Selling and marketing expenses	-126	-126	-266
Administrative expenses	-130	-101	-212
Research and development expenses	-15	-16	-30
Other operating income and expenses, net	-16	-6	-25
Share of results of associated companies	0	0	1
Operating profit	145	166	325
Finance income	3	2	4
Finance income, Metso Group	1	2	3
Foreign exchange gains/losses	4	0	1
Finance expenses	-18	-21	-42
Finance income and expenses, net	-10	-17	-34
Profit before taxes	135	149	292
Income taxes	-36	-28	-69
Profit for the period	99	121	223
Profit attributable to			
Shareholders of the parent company	98	121	224
Non-controlling interests	0	0	-1
Earnings per share, EUR ¹	0.15	0.19	0.35

¹ More information on side Key figures

Combined statement of comprehensive income, IFRS

EUR million	1-6/2020	1-6/2019	1-12/2019
Profit for the period	99	121	223
Other comprehensive income			
Cash flow hedges, net of tax	-1	0	3
Currency translation on subsidiary net investments	-53	5	2
Items that will not be reclassified to profit or loss	-54	5	4
Defined benefit plan actuarial gains and losses	0	0	-3
Items that will not be reclassified to profit or loss	0	0	-3
Other comprehensive income	-54	5	1
Total comprehensive income	44	126	224
Profit attributable to			
Shareholders of the parent company	44	126	224
Non-controlling interests	0	0	-1

Consolidated Balance Sheet – Assets, IFRS

EUR million	Metso Outotec ¹	Metso Minerals	combined
	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
Non-current assets			
Intangible assets			
Goodwill	1,046	481	556
Other intangible assets	1,016	65	167
Total intangible assets	2,062	547	723
Property, plant and equipment			
Land and water areas	44	34	43
Buildings and structures	116	75	98
Machinery and equipment	161	112	128
Assets under construction	37	41	46
Total property, plant and equipment	357	263	315
Right-of-use assets	138	68	89
Other non-current assets			
Investments in associated companies	10	5	8
Non-current financial assets	4	3	3
Loan receivables	7	5	6
Loan receivables, Metso Group	-	25	25
Derivative financial instruments	5	4	2
Deferred tax asset	188	88	108
Other non-current receivables	38	40	42
Other non-current receivables, Metso Group	-	138	88
Total other non-current assets	251	308	282
Total non-current assets	2,809	1,186	1,409
Current assets			
Inventories	1,106	849	975
Trade receivables	592	541	577
Trade receivables, Metso Group	9	8	10
Customer contract assets	275	127	87
Loan receivables	1	1	1
Loan receivables, Metso Group	-	29	25
Cash pool receivables, Metso Group	-	18	17
Derivative financial instruments	38	16	16
Income tax receivables	44	34	44
Other current receivables	135	105	139
Other current receivables, Metso Group	1	1	1
Deposits and securities, maturity more than three months	-	40	0
Cash and cash equivalents	528	194	156
Liquid funds	528	234	156
Total current assets	2,728	1,965	2,048
Assets held for sale	39	-	-
TOTAL ASSETS	5,575	3,150	3,457

¹ Consolidated balance sheet of Metso Minerals and Outotec according to the legal structure of the Group, Outotec balance sheet is included at fair values.

Consolidated Balance Sheet – Equity and liabilities, IFRS

EUR million	Metso Outotec ¹	Metso Minerals	combined
	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
Equity			
Share capital	107	-	-
Share premium fund	20	-	-
Cumulative translation adjustments	-204	-148	-151
Fair value and other reserves	1,131	-3	0
Retained earnings	950	1,296	1,403
Equity attributable to shareholders	2,003	1,145	1,252
Non-controlling interests	5	11	3
Total equity	2,009	1,156	1,254
Liabilities			
Non-current liabilities			
Borrowings	830	388	801
Borrowings, Metso Group	-	-	-
Lease liabilities	110	52	69
Post-employment benefit obligations	129	58	61
Provisions	75	31	33
Derivative financial instruments	3	3	2
Deferred tax liability	252	35	66
Other non-current liabilities	5	2	2
Other non-current liabilities, Metso Group	-	6	6
Total non-current liabilities	1,404	574	1,040
Current liabilities			
Hybrid bond	150	-	-
Borrowings	328	217	24
Borrowings, Metso Group	-	-	-
Lease liabilities	31	17	21
Cash pool liabilities, Metso Group	-	80	86
Trade payables	464	375	385
Trade payables, Metso Group	13	4	1
Provisions	143	54	71
Advances received	185	227	189
Customer contract liabilities	224	79	63
Derivative financial instruments	32	18	13
Income tax liabilities	44	65	47
Other current liabilities	471	285	251
Other current liabilities, Metso Group	0	-	11
Total current liabilities	2,084	1,420	1,163
Total liabilities	3,488	1,994	2,202
Liabilities held for sale	78	-	-
TOTAL EQUITY AND LIABILITIES	5,575	3,150	3,457

¹ Consolidated balance sheet of Metso Minerals and Outotec according to the legal structure of the Group, Outotec balance sheet is included at fair values.

Consolidated statement of changes in shareholders' equity, IFRS

EUR million	Share capital	Share premium fund	Cumulative translation adjustments	Fair value and other reserves	Retained earnings	Equity attributable to shareholders	Non-controlling interests	Total equity
Jan 1, 2019	-	-	-153	-3	1,325	1,170	10	1,180
Profit for the period	-	-	-	-	224	224	-1	223
Other comprehensive income								
Cash flow hedges, net of tax	-	-	-	3	-	3	-	3
Currency translation on subsidiary net investments	-	-	2	-	-	2	0	2
Defined benefit plan actuarial gains (+) and losses (-), net of tax	-	-	-	-	-3	-3	-	-3
Total comprehensive income	-	-	2	3	221	225	-1	224
Dividends	-	-	-	-	-144	-144	0	-144
Dividends to related party	-	-	-	-	-4	-4	-	-4
Share-based payments, net of tax	-	-	-	-	1	1	-	1
Changes in invested equity	-	-	-	-	10	10	-	10
Net change from winding up the consolidated tax groups	-	-	-	-	1	1	-	1
Other items	-	-	-	0	-1	-1	0	-1
Changes in non-controlling interests	-	-	-	-	-7	-7	-7	-13
Dec 31, 2019	-	-	-151	0	1,403	1,252	3	1,254
Jan 1, 2020	-	-	-151	0	1,403	1,252	3	1,254
Profit for the period	-	-	-	-	98	98	0	99
Other comprehensive income								
Cash flow hedges, net of tax	-	-	-	-1	-	-1	-	-1
Currency translation on subsidiary net investments	-	-	-53	-	-	-53	0	-53
Defined benefit plan actuarial gains (+) and losses (-), net of tax	-	-	-	-	0	0	-	0
Total comprehensive income	-	-	-53	-1	98	44	0	44
Dividends	-	-	-	-	-177	-177	-	-177
Dividends to related party	-	-	-	-	-2	-2	-	-2
Share-based payments, net of tax	-	-	-	-	-4	-4	-	-4
Changes in invested equity	-	-	-	-	-15	-15	-	-15
Net change from winding up the consolidated tax groups	-	-	-	-	-	0	-	-
Demerger effect	90	-	-	272	-356	7	-	7
Reverse acquisition	17	20	-	860	-	897	3	900
Other items	-	-	-	0	3	3	-1	2
Changes in non-controlling interests	-	-	-	-	-	-	-	-
Jun 30, 2020	107	20	-204	1,131	950	2,003	5	2,009

Combined statement of cash flows, IFRS

EUR million	Metso Minerals combined		
	1–6/2020	1–6/2019	1–12/2019
Operating activities			
Profit for the period	99	121	223
Adjustments			
Depreciation and amortization	41	33	71
Finance expenses, net	10	17	34
Income taxes	36	28	69
Other items	4	-2	-7
Change in net working capital	167	-157	-216
Net cash flow from operating activities before financial items and taxes	357	40	173
Interests paid	-16	-14	-35
Interests received	2	3	5
Other financing items, net	0	-2	-1
Finance income and expenses paid, net	-14	-13	-31
Income taxes paid	-40	-35	-100
Net cash flow from operating activities	303	-9	43
Investing activities			
Capital expenditures on intangible assets and property, plant and equipment	-42	-34	-87
Proceeds from sale of intangible assets and property, plant and equipment	1	1	8
Proceeds from sale of intangible assets and property, plant and equipment, Metso Group	6	-	-
Proceeds from and investments in financial assets, net	-	31	31
Business acquisitions, net of cash acquired	216	-35	-214
Business acquisitions, net of cash acquired, Metso Group	-6	-	-
Proceeds from sale of businesses, net of cash sold	-	9	9
Proceeds from sale of businesses, net of cash sold, Metso Group	88	-	50
Investments in associated companies	-	-	-3
Net cash flow from investing activities	264	-29	-207
Financing activities			
Dividends paid	-177	-72	-144
Dividends paid, Metso Group	-2	-1	-4
Transactions with non-controlling interests	-	-	-13
Proceeds from and repayment of debt, net	145	6	148
Proceeds from and repayment of debt, net, Metso Group	-139	28	31
Repayments of lease liabilities	-12	-14	-24
Net cash flow from financing activities	-185	-53	-5
Net change in liquid funds	382	-91	-169
Effect from changes in exchange rates	-10	0	0
Liquid funds equivalents at beginning of period	156	325	325
Liquid funds at end of period	528	234	156

FREE CASH FLOW

EUR million	Metso Minerals combined		
	1–6/2020	1–6/2019	1–12/2019
Net cash flow from operating activities	303	-9	43
Capital expenditures on intangible assets and property, plant and equipment	-42	-34	-87
Proceeds from sale of intangible assets and property, plant and equipment	1	1	8
Free cash flow	262	-42	-37

Voluntary Unaudited Pro Forma Financial Information

Metso Outotec presents unaudited pro forma financial information for the six months ended June 30, 2020 and for the year ended December 31, 2019 to illustrate the impacts of the combination of Metso Minerals and Outotec on the business performance of Metso Outotec. The pro forma financial information has been presented for illustrative purposes only and addresses a hypothetical situation as if the combination took place on January 1, 2019 and therefore, does not represent the Metso Outotec's actual historical results of operations and does not purport to project the operating results of Metso Outotec.

For financial reporting purposes, the combination is accounted for as a reverse acquisition using the IFRS acquisition method of accounting where the Metso Minerals has defined to be the accounting acquirer and Outotec the acquiree. As the consolidated financial statements of Metso Outotec are prepared as a continuation of the carve-out financial statements of the Metso Minerals following the completion of the combination, the pro forma financial information has been prepared in accordance of accounting principles applied by the Metso Minerals in its carve-out financial statements.

Outotec's net assets have been identified and recognized at their fair values as of the acquisition date on June 30, 2020 and the pro forma statements of income for the periods presented illustrate the P&L impact on these fair values. The pro forma financial information also takes into account the effects of the demerger on the Metso Minerals' carve-out financial information, estimated direct transaction costs related to the demerger and combination, certain accounting policy alignments between Metso Minerals and Outotec as well as certain refinancing transactions. Certain reclassifications have also been made to Outotec's historical financial information to align to Metso Minerals' financial statements presentation. The pro forma financial information does not reflect any cost savings, synergy benefits or future integration costs that are expected to be generated or may be incurred as a result of the combination.

Pro forma adjustments

The pro forma financial information reflects the application of pro forma adjustments that are based upon certain assumptions, described below, that management believes are reasonable under the circumstances.

Fair valuation of Outotec's net assets

Upon the completion of the combination, Metso Outotec prepared the detailed valuation of all assets and liabilities of Outotec as of the acquisition date. As a result, aggregate fair value adjustment of EUR 795 million of intangible assets related to customer relationships, marketing, technology and order backlog were recognized in the acquisition balance sheet. Amortization periods for these intangible assets varies from 0,5 to 20 years. Respectively fair value adjustment of EUR 5 million of property, plant and equipment were recognized to the acquisition balance sheet. Depreciation periods varies from 5,5 to 14 years. The depreciations and amortizations from the fair value adjustments have been recognized to pro forma periods accordingly. In addition, historical amortizations for certain intangible assets written off in the combination have been eliminated from the pro forma periods.

Demerger impact and accounting alignment

The existing interest-bearing intra-group receivables and liabilities including cash pool receivables and liabilities between the Metso Minerals and Metso Group have been settled on the date of combination. Impact of arising intra-group finance incomes and expenses have been eliminated from pro forma statements of income as a demerger impact.

Estimated amount of transaction costs of EUR 66 million to be incurred and expensed by Outotec and Metso in connection with the demerger and combination primarily comprise financial, legal and advisory costs (excluding financing transaction costs and costs related to issuance of Demerger Consideration Shares) as well as certain employee benefits to be paid to the management and personnel in connection with the completion of the demerger. These transactions costs have been recorded as Administrative expenses in the pro forma statement of income as if they have been incurred as at January 1, 2019. For pro forma purposes, the costs already recorded as an expense of EUR 42 million for the six months ended June 30, 2020, have been eliminated. In addition, tax expense of EUR 1 million recorded by Metso Minerals in connection with the demerger for the six months ended June 30, 2020 have been eliminated and recorded as tax expense in the pro forma statement of income as if incurred at January 1, 2019.

In connection with the accounting policy alignment, Sales related to certain Outotec's current receivables written off in the combination have been eliminated from the pro forma periods.

Refinancing

On July 1, 2020 Metso Outotec announced that it will redeem Outotec's EUR 150 million hybrid bond. To refinance the hybrid bond, the Company is going to draw up the EUR 150 million term loan. Impact of refinancing is recorded in the pro forma statement of income as finance expense. The pro forma adjustment reflects the interest calculated

using the effective interest rate method for the EUR 150 million term loan assumed to be drawn for pro forma purposes as at January 1, 2019 including estimated impact of transaction costs and fees.

The pro forma adjustment for income taxes has been calculated based on the tax deductibility of the pro forma adjustments in the jurisdiction and accordingly, tax rates used for pro forma purposes differ depending on the nature of the underlying pro forma adjustment. Tax rate used for the fair value adjustments has been the Finnish statutory tax rate of 20 percent or the blended tax rate of 22.9 percent as applicable.

Pro forma Income Statement 1–6/2020, Continuing Operations

EUR million	Metso Minerals carve-out historical 1–6/2020	Outotec historical reclassified 1–6/2020	Metso Outotec combined 1–6/2020	Pro forma adjustments 1–6/2020	Metso Outotec pro forma 1–6/2020
Sales	1,447	579	2,026	1	2,027
Cost of sales	-1,014	-433	-1,447	-4	-1,451
Gross profit	433	146	579	-3	576
Selling and marketing expenses	-126	-52	-179	-7	-186
Administrative expenses	-130	-30	-161	42	-119
Research and development expenses	-15	-26	-41	-4	-45
Other operating income and expenses, net	-16	-24	-40	-	-40
Share in profits of associated companies	0	0	1	-	1
Operating profit	145	14	159	28	187
Finance income	3	2	5	-	5
Finance income, Metso Group	1	-	1	-1	-
Foreign exchange gains/losses	4	-3	0	-	0
Finance expenses	-18	-5	-23	-1	-23
Profit before taxes	135	8	143	27	170
Income taxes	-36	2	-34	-4	-38
Profit for the period, continuing operations	99	10	109	23	132

ADJUSTED EBITDA, EBITA AND OPERATING PROFIT

	Metso Minerals carve-out historical 1–6/2020	Outotec historical reclassified 1–6/2020	Metso Outotec combined 1–6/2020	Pro forma adjustments 1–6/2020	Metso Outotec pro forma 1–6/2020
Adjusted EBITDA	214	62	276	1	277
% of sales	14.8	10.7	13.6		13.7
Depreciation on PPE and right-of-use assets	-30	-11	-41	0	-41
Adjusted EBITA	184	51	235	1	236
% of sales	12.7	8.9	11.6		11.7
Amortization of intangible assets	-11	-12	-23	-14	-38
Adjustment items	-28	-26	-53	42	-12
Operating profit	145	14	159	28	187
% of sales	10.0	2.4	7.8		9.2
Amortization of intangible assets	-11	-12	-23	-14	-38
Depreciation on property, plant and equipment	-18	-4	-21	0	-22
Depreciation on right-of-use assets	-12	-7	-19	-	-19
Amortization and depreciation total	-41	-23	-64	-15	-78
Capacity adjustment costs	-2	-2	-4	-	-4
Acquisition costs	-	0	0	-	0
Metso Outotec integration costs	-5	-2	-8	-	-8
Metso Outotec transaction costs	-21	-21	-42	42	0
Adjustment items total	-28	-26	-53	42	-12

Pro forma Adjustments 1–6/2020

EUR million	Fair valuation of Outotec's net assets 1–6/2020	Demerger impact and accounting alignment 1–6/2020	Refinancing 1–6/2020	Pro forma adjustments 1–6/2020
Sales	-	1	-	1
Cost of sales	-4	-	-	-4
Gross profit	-4	1	-	-3
Selling and marketing expenses	-7	-	-	-7
Administrative expenses	1	42	-	42
Research and development expenses	-4	-	-	-4
Other operating income and expenses, net	-	-	-	-
Share in profits of associated companies	-	-	-	-
Operating profit	-15	43	-	28
Finance income	-	-	-	-
Finance income, Metso Group	-	-1	-	-1
Foreign exchange gains/losses	-	-	-	-
Finance expenses	-	-	-1	-1
Profit before taxes	-15	42	-1	27
Income taxes	3	-7	0	-4
Profit for the period, continuing operations	-11	35	0	23

Pro forma Income Statement 1–12/2019, Continuing Operations

EUR million	Metso Minerals carve-out historical 1–12/2019	Outotec historical reclassified 1–12/2019	Metso Outotec combined 1–12/2019	Pro forma adjustments 1–12/2019	Metso Outotec pro forma 1–12/2019
Sales	2,976	1,210	4,186	-54	4,132
Cost of sales	-2,117	-850	-2,968	-47	-3,015
Gross profit	858	360	1,218	-101	1,117
Selling and marketing expenses	-266	-117	-383	-14	-398
Administrative expenses	-212	-77	-289	-42	-330
Research and development expenses	-30	-55	-86	-7	-93
Other operating income and expenses, net	-25	-4	-30	-	-30
Share in profits of associated companies	1	1	2	-	2
Operating profit	325	107	433	-165	268
Finance income	4	6	10	-	10
Finance income, Metso Group	3	-	3	-3	-
Foreign exchange gains/losses	1	-3	-2	-	-2
Finance expenses	-42	-17	-59	-1	-60
Profit before taxes	292	93	385	-169	216
Income taxes	-69	-21	-89	34	-55
Profit for the period, continuing operations	223	73	296	-135	161

ADJUSTED EBITDA, EBITA AND OPERATING PROFIT

	Metso Minerals carve-out historical 1-12/2019	Outotec historical reclassified 1-12/2019	Metso Outotec combined 1-12/2019	Pro forma adjustments 1-12/2019	Metso Outotec pro forma 1-12/2019
Adjusted EBITDA	432	165	598	-54	544
% of sales	14.5	13.7	14.3		13.2
Depreciation on PPE and right-of-use assets	-55	-24	-79	-1	-79
Adjusted EBITA	377	142	519	-55	464
% of sales	12.7	11.7	12.4		11.2
Amortization of intangible assets	-16	-24	-40	-67	-107
Adjustment items	-36	-10	-46	-43	-89
Operating profit	325	107	433	-165	268
% of sales	10.9	8.9	10.3		6.5
Amortization of intangible assets	-16	-24	-40	-67	-107
Depreciation on property, plant and equipment	-32	-9	-41	-1	-42
Depreciation on right-of-use assets	-23	-15	-38	-	-38
Amortization and depreciation total	-71	-48	-119	-67	-186
Capacity adjustment costs	-15	1	-14	-	-14
Acquisition costs	-4	1	-3	-	-3
Loss on disposal	-2	-	-2	-	-2
Metso Outotec integration costs		-1	-1	-	-1
Metso Outotec transaction costs	-14	-11	-26	-43	-69
Adjustment items total	-36	-10	-46	-43	-89

Pro forma Adjustments 1-12/2019

EUR million	Fair valuation of Outotec's net assets 1-12/2019	Demerger impact and accounting alignment 1-12/2019	Refinancing 1-12/2019	Pro forma adjustments 1-12/2019
Sales	-	-54	-	-54
Cost of sales	-47	-	-	-47
Gross profit	-47	-54	-	-101
Selling and marketing expenses	-14	-	-	-14
Administrative expenses	1	-43	-	-42
Research and development expenses	-7	-	-	-7
Other operating income and expenses, net	-	-	-	-
Share in profits of associated companies	-	-	-	-
Operating profit	-67	-97	-	-165
Finance income	-	-	-	-
Finance income, Metso Group	-	-3	-	-3
Foreign exchange gains/losses	-	-	-	-
Finance expenses	-	-	-1	-1
Profit before taxes	-67	-100	-1	-169
Income taxes	15	19	0	34
Profit for the period, continuing operations	-52	-82	-1	-135

Balance Sheet Reconciliation Jun 30, 2020 – Assets

EUR million	Metso Minerals carve-out historical Jun 30, 2020	Outotec historical reclassified Jun 30, 2020	Outotec fair value adjustments Jun 30, 2020	Outotec at fair values Jun 30, 2020	Metso Outotec ¹ Jun 30, 2020
Non-current assets					
Intangible assets					
Goodwill	551	224	271	495	1,046
Other intangible assets	158	82	775	858	1,016
Total intangible assets	709	306	1,047	1,353	2,062
Property, plant and equipment					
Land and water areas	42	2	-	2	44
Buildings and structures	97	17	2	19	116
Machinery and equipment	140	18	3	21	161
Assets under construction	35	2	-	2	37
Total property, plant and equipment	314	39	5	44	357
Right-of-use assets	81	54	4	58	138
Other non-current assets					
Investments in associated companies	8	2	-	2	10
Non-current financial assets	3	2	-	2	4
Loan receivables	6	1	-	1	7
Loan receivables, Metso Group	-	-	-	-	-
Derivative financial instruments	3	1	-	1	5
Deferred tax asset	101	77	9	86	188
Other non-current receivables	35	3	-	3	38
Other non-current receivables, Metso Group	-	-	-	-	-
Total other non-current assets	156	86	9	95	251
Total non-current assets	1,260	485	1,065	1,549	2,809
Current assets					
Inventories	886	225	-4	220	1,106
Trade receivables	477	174	-59	116	592
Trade receivables, Metso Group	9	0	-	-	9
Customer contract assets	94	219	-38	181	275
Loan receivables	1	0	-	-	1
Loan receivables, Metso Group	-	-	-	-	-
Cash pool receivables, Metso Group	-	-	-	-	-
Derivative financial instruments	29	9	-	9	38
Income tax receivables	29	15	-	15	44
Other current receivables	78	64	-7	57	135
Other current receivables, Metso Group	1	-	-	-	1
Deposits and securities, maturity more than three months	-	-	-	-	-
Cash and cash equivalents	312	215	-	215	528
Liquid funds	312	215	-	215	528
Total current assets	1,915	921	-109	813	2,728
Assets held for sale	-	56	-17	39	39
TOTAL ASSETS	3,174	1,462	940	2,401	5,575

¹ Consolidated balance sheet of Metso Minerals and Outotec according to the legal structure of the Group, Outotec balance sheet is included at fair values.

Balance Sheet Reconciliation Jun 30, 2020 – Equity and liabilities

EUR million	Metso Minerals carve-out historical Jun 30, 2020	Outotec historical reclassified Jun 30, 2020	Outotec fair value adjustments Jun 30, 2020	Outotec at fair values Jun 30, 2020	Metso Outotec ¹ Jun 30, 2020
Equity					
Share capital	90	17	-	17	107
Share premium fund	-	20	-	20	20
Cumulative translation adjustments	-204	-45	45	-	-204
Hybrid bond	-	150	-150	-	-
Fair value and other reserves	271	54	806	860	1,131
Retained earnings	950	134	-134	-	950
Equity attributable to shareholders	1,106	330	567	897	2,003
Non-controlling interests	3	3	-	3	5
Total equity	1,109	333	567	900	2,009
Liabilities					
Non-current liabilities					
Borrowings	830	1	-	1	830
Borrowings, Metso Group	-	-	-	0	-
Lease liabilities	64	42	4	46	110
Post-employment benefit obligations	58	68	3	71	129
Provisions	25	50	-	50	75
Derivative financial instruments	3	0	-	0	3
Deferred tax liability	62	4	186	190	252
Other non-current liabilities	2	3	-	3	5
Other non-current liabilities, Metso Group	-	-	-	-	-
Total non-current liabilities	1,043	169	192	361	1,404
Current liabilities					
Hybrid bond	-	-	150	150	150
Borrowings	27	300	-	300	328
Borrowings, Metso Group	-	0	-	-	-
Lease liabilities	19	12	-	12	31
Cash pool liabilities, Metso Group	-	-	-	-	-
Trade payables	338	126	-	126	464
Trade payables, Metso Group	13	-	-	-	13
Provisions	69	74	-	74	143
Advances received	185	0	-	-	185
Customer contract liabilities	79	145	-	145	224
Derivative financial instruments	20	12	-	12	32
Income tax liabilities	32	12	-	12	44
Other current liabilities	240	232	-1	231	471
Other current liabilities, Metso Group	0	-	-	-	0
Total current liabilities	1,023	913	149	1,062	2,084
Total liabilities	2,065	1,082	341	1,423	3,488
Liabilities held for sale	-	47	32	78	78
TOTAL EQUITY AND LIABILITIES	3,174	1,462	940	2,401	5,575

¹ Consolidated balance sheet of Metso Minerals and Outotec according to the legal structure of the Group, Outotec balance sheet is included at fair values.

NET DEBT AND GEARING

EUR million, %	Metso Minerals carve-out historical Jun 30, 2020	Outotec historical reclassified Jun 30, 2020	Outotec fair value adjustments Jun 30, 2020	Outotec at fair values Jun 30, 2020	Metso Outotec ¹ Jun 30, 2020
Borrowings	857	301	150	451	1,308
Lease liabilities	83	54	4	58	141
Cash pool liabilities, Metso Group	-	-	-	-	-
Gross debt	940	355	154	509	1,449
Loan receivables	7	1	-	1	8
Liquid funds	312	215	-	215	528
Net debt	620	140	154	293	913
Gearing	55.9 %	41.9 %	27.1 %	32.6 %	45.5 %

Key figures, IFRS

EUR million, %	Metso Outotec Jun 30, 2020
Profit for the period	98
Earnings per share, EUR ¹	0.15
Equity / share at end of period, EUR	2.42
Number of outstanding shares at Jun 30, 2020 (thousands)	183,121
New shares issued as demerger consideration to Metso's shareholders (thousands)	645,851
The total number of outstanding shares at end of period (thousands)	828,972
Own shares held by Parent Company	993
The number of outstanding shares at end of period (thousands)	827,979
Net debt	913
Gearing, %	45.5
Equity to assets ratio, %	38.9
Debt to capital, %	31.3
Debt to equity, %	65.1
Net working capital (NWC)	459

¹ Based on new shares issued to Metso's shareholders (645,851 thousands)

Key figures, pro forma for continuing operations

EUR million, %	1-6/2020	1-12/2019
Sales	2,027	4,132
Adjusted EBITDA	277	544
% of sales	13.7	13.2
Adjusted EBITA	236	464
% of sales	11.7	11.2
Operating profit	187	268
% of sales	9.2	6.5
Profit for the period	132	161
Earnings per share, EUR	0.16	0.19
The number of outstanding shares at end of period (thousands)	827,979	827,979

Formulas for key figures

Earnings before financial expenses, net, taxes and amortization, adjusted (adjusted EBITA)	=	Operating profit + adjustment items + amortization	
Earnings per share, basic	=	$\frac{\text{Profit attributable to shareholders}}{\text{Average number of outstanding shares during the period}}$	
Equity/share	=	$\frac{\text{Equity attributable to shareholders}}{\text{Number of outstanding shares at the end of the period}}$	
Gearing, %	=	$\frac{\text{Net interest bearing liabilities}}{\text{Total equity}}$	x 100
Equity to assets ratio, %	=	$\frac{\text{Total equity}}{\text{Balance sheet total - advances received}}$	x 100
Debt to capital, %	=	$\frac{\text{Interest bearing liabilities}}{\text{Total equity + interest bearing liabilities}}$	x 100
Interest bearing liabilities (Gross debt)	=	Interest bearing liabilities, non-current and current + lease liabilities, non-current and current	
Net interest bearing liabilities (Net debt)	=	Interest bearing liabilities - non-current financial assets - loan and other interest bearing receivables (current and non-current) - liquid funds	
Net working capital (NWC)	=	Inventories + trade receivables + other non-interest bearing receivables + customer contract assets and liabilities, net - trade payables - advances received - other non-interest bearing liabilities	
Capital employed	=	Net working capital + intangible assets and property, plant and equipment + right-of-use assets + non-current investments + interest bearing receivables + liquid funds + tax receivables, net + interest payables, net	
Operative capital employed	=	Intangible assets and property, plant and equipment + right-of-use assets + investments in associated companies + inventories + non-interest bearing operative assets and receivables (external) - non-interest bearing operating liabilities (external)	
Return on operative capital employed for reporting segments (segment ROCE), %	=	$\frac{\text{Operating profit, annualized}}{\text{Operative capital employed (month-end average)}}$	x 100

Notes to the half-year review

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Appendix - Illustrative Historical Financial Information

1. Basis of preparation

This half-year review has been prepared in accordance with IAS 34 'Interim Financial Reporting', applying the accounting policies of the Metso Minerals carve-out Financial Statements 2019. New accounting standards have been adopted as described in note 2. This half year review is unaudited.

All figures presented have been rounded and consequently the sum of individual figures might differ from the presented total figure.

The partial demerger of Metso Corporation and combination of Metso's Minerals business and Outotec was completed on June 30, 2020. In the consolidated financial statements according to IFRS this transaction is treated as a reverse acquisition, where Metso Minerals is the accounting acquirer and Outotec the accounting acquiree. The IFRS based consolidated financial statements include combined statement of income and combined statement of cash flows including only Metso Minerals carve-out data, whereas the consolidated balance sheet as of June 30, 2020 includes Metso Minerals consolidated balance sheet in carrying amounts and Outotec balance sheet at fair values.

The combined statement of income and combined statement of cash flows present Metso Minerals as a single economic entity and are based on historical financial information of the relevant entities and business by using the same accounting principles and carrying amounts as in Metso Group. Metso Minerals carve-out financial statements have been prepared on a basis that combined financial statements of the legal entities and operating units attributable to the Minerals business are combined to Outotec Group.

Reporting segments

Metso Outotec Group is a global supplier of sustainable technologies, end-to-end solutions and services for the minerals processing, aggregates, metals refining and recycling industries. Because of the reverse acquisition, in this half-year report, the IFRS segment reporting is based on the legacy segment of Metso's Minerals business. Metso Minerals supplies technology, process solutions, machinery and services for aggregates production, mining, minerals processing, and metal and waste recycling. In addition, Group Head Office and other segment is comprised of the parent company with centralized group functions, such as treasury and tax, as well as shared service centers and holding companies.

Metso Minerals measures the performance of segments with operating profit/loss. In addition, Metso Minerals uses alternative performance measures to reflect the underlying business performance and to improve comparability between financial periods: "earnings before interest, tax and amortization, adjusted (adjusted EBITA)" and "return on operative capital employed for reporting segments (segment ROCE)". Alternative performance measures should not, however, be considered as a substitute for measures of performance in accordance with the IFRS.

Starting from July 2020 onwards Metso Outotec IFRS reporting segments will align with the customer segments and will be **Aggregates, Minerals and Metals & Recycling**. The new segment data will be reported from the Q3/2020 interim report onwards.

2. New accounting standards

New and amended standards adopted 2020

Metso Outotec has applied the following revised IFRS Standards that have been effective since January 1, 2020. These amendments have not had a material impact on the reported figures.

- Amendments to IFRS 3 Definition of a business
- Amendments to IAS 1 and IAS 8 Definition of material
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

3. Disaggregation of sales

SALES

EUR million	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Metso Minerals	751	735	1,447	1,416	2,976

EXTERNAL SALES BY CATEGORY

EUR million	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Metso Minerals					
Sales of services	444	436	884	865	1,815
Sales of projects, equipment and goods	307	299	563	552	1,161
Sales	751	735	1,447	1,416	2,976

EXTERNAL SALES BY TIMING OF REVENUE RECOGNITION

EUR million	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Metso Minerals					
At a point in time	627	615	1,238	1,190	2,485
Over time	124	120	209	226	491
Sales	751	735	1,447	1,416	2,976

EXTERNAL SALES BY DESTINATION

EUR million	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Metso Minerals					
Finland	15	16	28	36	66
Other European countries	181	179	359	348	717
North America	151	126	296	236	507
South and Central America	147	166	306	303	669
Asia-Pacific	209	196	366	379	795
Africa and Middle East	48	53	92	115	223
Sales	751	735	1,447	1,416	2,976

4. Financial risk management

As a global company, Metso Outotec is exposed to a variety of business and financial risks. Financial risks are managed centrally by the Group Treasury under annually reviewed written policies approved by the Board of Directors. Treasury operations are monitored by the Treasury Management Team chaired by the CFO. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the operating units. Group Treasury functions as counterparty to the operating units, manages centrally external funding and is responsible for the management of financial assets and appropriate hedging measures. The objective of financial risk management is to minimize potential adverse effects on Metso Outotec's financial performance.

Liquidity and refinancing risk, capital structure management

Metso Outotec's liquidity position is solid. In addition to the cash amounting to EUR 528 million, the company had committed and undrawn revolving credit facilities of EUR 790 million at the end of June. A syndicated EUR 600 million revolving credit facility has a maturity in 2024 with two one-year extension options.

In order to be prepared for any Covid-19 related liquidity needs, Metso Outotec arranged further liquidity buffers during the reporting period. EUR 100 million revolving credit facilities mature in 2021 and EUR 90 million in 2022. A EUR 100 million term loan with a maturity until 2022 was also drawn during the reporting period for general corporate purposes.

The Outotec revolving credit facilities, amounting to EUR 100 million and EUR 60 million, were cancelled on the effective date of the merger. Outotec's revolving credit facility amounting to EUR 50 million with a maturity in 2021, which was fully drawn at the end of the reporting period, was cancelled after the merger.

Metso Outotec also has a EUR 600 million Finnish commercial paper program, under which EUR 100 million were issued at the end of the period.

Metso Outotec has a commitment for a term loan of EUR 150 million in place to finance the Outotec bond maturing in September 2020. The term loan's tenor is until 2022.

After the reporting period, on July 1, 2020, Metso Outotec gave notice to redeem the Outotec EUR 150 million hybrid bond which was repaid on July 31, 2020. The refinancing of the hybrid bond was done with a bank term loan of EUR 150 million with a maturity until 2022 with a one-year extension option.

Metso Outotec's refinancing risk is managed by balancing the proportion of short-term and long-term debt as well as the average remaining maturity of long-term debt.

Capital structure is assessed regularly by the Board of Directors and managed operationally by the Group Treasury. Capital structure management in Metso Outotec comprises both equity and interest-bearing debt and its objectives are to safeguard the ongoing business operations and to optimize the cost of capital. As of June 30, 2020, the equity attributable to shareholders was EUR 2,003 million, and the amount of gross debt was EUR 1,449 million. Metso Outotec has a target to maintain an investment grade credit rating.

Moody's Investor Service has assigned a 'Baa2' long-term issuer rating with stable outlook and S&P Global Ratings a 'BBB-' preliminary long-term issuer credit rating with negative outlook to Metso Outotec.

There are no prepayment covenants in Metso Outotec's financial contracts which would be triggered by changes in credit rating. Covenants included in some loan agreements refer to a combination of certain credit rating level and Metso Outotec's capital structure. Metso Outotec is in compliance with all covenants and other terms of its debt instruments.

5. Borrowings and lease liabilities

EUR million	Metso Minerals combined Jun 30, 2020	Outotec Jun 30, 2020	Metso Outotec Jun 30, 2020
Bonds	390	0	390
Loans from financial institutions	439	1	440
Total borrowings	830	1	830
Lease liabilities	64	46	110
Total long-term interest bearing debt	893	47	940
Hybrid bond	-	150	150
Bonds	-	150	150
Loans from financial institutions	27	50	78
Certificates of deposit	-	100	100
Total short-term borrowings	27	450	478
Lease liabilities	19	12	31
Total short-term interest bearing debt	46	462	509
Total interest bearing debt	940	509	1,449

BONDS

EUR million	Nominal interest rate Jun 30, 2020	Effective interest rate Jun 30, 2020	Outstanding Jun 30, 2020	carrying value Dec 31, 2019
Metso Minerals				
Public bond 2017-2024	1.125 %	2.33 %	290	288
Private placements maturing 2022	3.800 %	3.80 %	100	100
Outotec				
Public bond 2013-2020	3.750 %	3.90 %	150	150
Bonds total			540	538

CONTRACTUAL MATURITIES OF INTEREST BEARING DEBT AT JUN 30, 2020

EUR million	Borrowings	of which repayments	of which interests
2020	30	27	3
2021	310	300	10
2022	208	200	8
2023	3	-	3
2024	303	300	3
Later	41	40	1
Metso Minerals total	895	867	28

EUR million	Borrowings	of which repayments	of which interests
2020	461	450	12
2021	0	0	0
2022	0	0	0
2023	0	0	0
2024	-	-	-
Later	-	-	-
Outotec total	463	451	12
Metso Outotec total	1,358	1,318	40

LEASE LIABILITIES

EUR million	Metso Minerals	Outotec	Lease liabilities total ¹
Year 1	22	10	33
Year 2	17	8	25
Year 3	13	6	19
Year 4	10	6	16
Year 5	8	5	14
Later	26	25	51
Total	97	61	158

¹ Future lease payments at nominal value

6. Fair value estimation

For those financial assets and liabilities which have been recognized at fair value in the balance sheet, the following measurement hierarchy and valuation methods have been applied:

- Level 1 Quoted unadjusted prices at the balance sheet date in active markets. The market prices are readily and regularly available from an exchange, dealer, broker, market information service system, pricing service or regulatory agency. The quoted market price used for financial assets is the current bid price. Level 1 financial instruments include debt and equity investments classified as financial instruments at fair value through profit and loss.
- Level 2 The fair value of financial instruments in Level 2 is determined using valuation techniques. These techniques utilize observable market data readily and regularly available from an exchange, dealer, broker, market information service system, pricing service or regulatory agency. Level 2 financial instruments include:
- Over-the-counter derivatives classified as financial assets/liabilities at fair value through profit and loss or qualified for hedge accounting
 - Debt securities classified as financial instruments at fair value through profit and loss
 - Fixed rate debt under fair value hedge accounting
- Level 3 A financial instrument is categorized into Level 3 if the calculation of the fair value cannot be based on observable market data. There were no such instruments on 30 June 2020.

The table below presents financial assets and liabilities that are measured at fair value. There have been no transfers between fair value levels during the presented period.

EUR million	Metso Minerals combined Jun 30, 2020			Outotec Jun 30, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Financial assets at fair value through profit and loss						
Derivatives not under hedge accounting	-	19	-	-	5	-
Financial assets at fair value through other comprehensive income						
Derivatives under hedge accounting	-	12	-	-	5	-
Interest bearing investments	-	-	-	-	-	-
Total	-	32	-	-	10	-
Liabilities						
Financial liabilities at fair value through profit and loss						
Derivatives not under hedge accounting	-	13	-	-	5	-
Long term debt at fair value	-	103	-	-	-	-
Financial liabilities at fair value through other comprehensive income						
Derivatives under hedge accounting	-	9	-	-	8	-
Total	-	125	-	-	12	-

The carrying value of other financial assets and liabilities than those presented in this fair value level hierarchy table approximates their fair value. Fair values of other debt are calculated as net present values.

7. Notional amounts of derivative instruments

EUR million	Metso Minerals Jun 30, 2020	Outotec Jun 30, 2020	Total Jun 30, 2020	Metso Minerals Dec 31, 2019
Forward exchange rate contracts	1,465	769	2,234	1,488
Interest rate swaps	145	75	220	145
Cross currency swaps	-	-	-	-
Option agreements	-	-	-	-

8. Contingent liabilities and other commitments

EUR million	Metso Minerals Jun 30, 2020	Outotec ¹ Jun 30, 2020	Total Jun 30, 2020	Metso Minerals Dec 31, 2019
Guarantees				
External guarantees given by parent and group companies	239	986	1,225	268
Other commitments				
Repurchase commitments	0	0	0	1
Other contingencies	1	0	1	1
Total	241	986	1,227	270

¹ Including guarantees relating to project performance obligations and equipment deliveries EUR 784 million and advanced payment guarantees EUR 202 million.

9. Acquisitions and business disposals

It was announced on July 4, 2019 that Outotec and Metso's Minerals business will be combined through a partial demerger of Metso Corporation. The Extraordinary General Meetings of Metso and Outotec approved the demerger and combination on October 29, 2019. All regulatory approvals for the combination were received on June 18, 2020. The completion of Metso's partial demerger was registered with the Finnish Trade Register on June 30, 2020 and the name of the combined company was changed to Metso Outotec Corporation. Metso shareholders received 4.3 newly issued shares in Outotec for each share owned in Metso on the record date. Thus, a total of 645,850,948 new Outotec shares were issued as demerger consideration to Metso's shareholders based on their shareholdings in Metso on June 30, 2020. After the transaction was completed, the total number of Metso Outotec shares was 828,972,440 and its share capital was EUR 107,186,442.52.

The purpose of the combination is to create a leading company in process technology, equipment and services serving the minerals, metals and aggregates industries. Metso Outotec will also have expertise in specialist areas, such as recycling and energy solutions. The combination is expected to deliver a range of strategic, commercial, operational and financial benefits.

The combination of Metso Minerals and Outotec is highly complementary and will create a unique company in the industry. Metso Outotec will leverage the strengths of both companies, including technology and R&D, product and process excellence, scale and global service offering footprint. The combination will deliver significant benefits to all stakeholders.

Metso Outotec expects to achieve material cost and revenue synergies. The cost synergies are expected to be realized from operations, with the balance from optimization of supply chain and procurement savings. The highly complementary product and service portfolio and the combined global footprint are expected to generate multiple cross-selling opportunities, leading to revenue synergies.

The partial demerger of Metso Corporation and combination of Metso's Minerals business and Outotec was completed on June 30, 2020. In the consolidated financial statements according to IFRS this transaction is treated as a reverse acquisition, where Metso Minerals is the accounting acquirer and Outotec the accounting acquiree. The IFRS based consolidated financial statements include combined statement of income and combined statement of cash flows including only Metso Minerals carve-out data, whereas the consolidated balance sheet as of June 30, 2020 includes Metso Minerals consolidated balance sheet in carrying amounts and Outotec balance sheet at fair values. The acquisition of Outotec has been accounted for in the consolidated financial statements as business combination using the acquisition method. Outotec has been consolidated from the acquisition date 30 June 2020 onwards to Metso Minerals.

Consideration transferred

The consideration transferred amounted to EUR 899 million and was measured using the market price of Outotec share (EUR 4.912) as of June 30, 2020 and the number of Outotec share shares outstanding (183.1 million) before the completion of the transaction.

Recognized amounts of identifiable assets acquired and liabilities assumed

Outotec's net assets have been identified and recognized at their fair values as of the acquisition date on June 30, 2020. The following table summarizes the fair values of assets and liabilities assumed. The accounting of the acquisition is still provisional pending the finalization of the valuation of the assets and liabilities assumed. The provisional amounts recognized may be adjusted within 12 months after the date of acquisition, to reflect new information obtained about the facts and circumstances that existed at the date of the acquisition.

PRELIMINARY ASSETS AND LIABILITIES RECOGNIZED AS A RESULT OF THE ACQUISITION

EUR million	Outotec at fair value
Intangible assets	858
Property, plant and equipment	44
Right-of-use assets	58
Deferred tax asset	86
Other non-current assets	8
Inventory	220
Trade receivables	116
Customer contract assets	181
Income tax receivables	15
Other receivables	65
Liquid funds	215
Assets	1,867
Non-current interest bearing liabilities	-47
Deferred tax liability	-190
Other non-current liabilities	-125
Current interest bearing liabilities	-462
Trade payables	-126
Customer contract liabilities	-145
Accrued income taxes	-12
Other liabilities	-316
Liabilities	-1,423
Assets held for sale, net of liabilities	-39
Net identifiable assets acquired at fair value	405
Goodwill	495
Purchase consideration	899

The identified intangible assets relate to technology, customer relationships, Outotec trademark, and order backlog. Fair values for the intangible assets have been determined using appropriate valuation methods including multi-period excess earnings method (MEEM) for customer relationships and order backlog, Relief from royalty method (Rfr) for technology and Outotec trademark. The amortization period for these assets vary from 0.5 years to 20 years. Goodwill is attributable to market share, future products and technologies, geographical presence synergies and workforce. Goodwill will not be deductible for tax purposes.

FAIR VALUE ADJUSTMENTS OF THE IDENTIFIABLE ASSETS OF OUTOTEC

EUR million	Periods	Fair value adjustments	Amortization /depreciation 7–12/2020	2021
Customer related intangible assets	20 years	269	7	13
Marketing related intangible assets	20 years	53	1	3
Technology related intangible assets	20 years	434	11	22
Order backlog	0.5 year	39	39	-
Total intangible assets		795	58	38
Property, plant and equipment	5.5-14 years	5	0	1
Fair value adjustments total		800	58	38

The amount of the non-controlling interest in Outotec recognized at the acquisition date was 3 million and was measured based on proportionate share of the value of net identifiable assets acquired.

IFRS based acquisition costs of EUR 21 million recognized by Metso Minerals during 2020 (EUR 12 million during the financial year of 2019) are expensed and included in administrative expenses in the combined income statement and in operating cash flow in the combined statement of cash flows. For further detailed specification of transaction costs, please see section “Voluntary Unaudited Pro Forma Financial Information”.

According to pro forma financial information on the combination the Group sales would have been EUR 2,027 million and operating profit EUR 187 million, if the combination had taken place at the beginning of the year. For more detailed description on pro forma financial information, please see section “Voluntary Unaudited Pro Forma Financial Information” in this half-year financial report.

10. Related party

Metso Minerals’ related parties include Metso Group, Metso companies other than Metso Minerals business related and associated companies as well as key members of Metso Minerals management.

Even though the related party relationship between Metso Minerals and Metso ceased to exist at the effective date of the Demerger, the remaining balance sheet items between Metso Minerals and Metso as at June 30, 2020 have been disclosed as related party transactions for information purposes. The significant decrease in the reported balances as at June 30, 2020 compared to the previous balance sheet date is due to the settlements of account balances conducted among Metso Minerals and Metso in conjunction with the Demerger.

Metso Minerals’ sales and purchases to and from other Metso’s businesses has been insignificant during the periods in the carve-out financial statements.

In addition, Metso Group has equity and financing transactions with Metso Minerals business, which have led to the recognition of receivables and liabilities with Metso Group. Current receivables include trade receivables arising in the intragroup services as well as loan receivables and positive cash pool balances resulting from the centralized cash pool arrangements. Other receivables comprise non-interest bearing receivables from Metso Group corresponding to Metso Minerals’ ownership in Metso Group entities, which have been implemented through internal reorganizations before the Effective date.

Non-current and current loan receivables represent loan balances owed by Metso Minerals entities to Metso Group that have been arranged for Metso Minerals business to meet its financing needs. Trade payables comprise of items arising in intragroup services. Cash pooling liabilities represent cash owed to Metso as part of the centralized cash pool arrangements. Interest income relates to interest earned on positive cash pool accounts and loan receivables and interest expenses comprise of interest on Metso’s financing to Metso Minerals and interest costs on cash owed through the cash pooling arrangements.

EUR million	1–6/2020	1–12/2019
Sales	0	0
Cost of sales	0	-1
Finance income	1	4
Finance expenses	0	-2

EUR million	Jun 30, 2020	Dec 31, 2019
Non-current		
Loan receivables		25
Other non-current receivables		88
Current		
Loan receivables		25
Trade receivables	9	10
Cash pool receivables		17
Other current receivables	1	
Non-current		
Other non-current liabilities		-6
Current		
Cash pool liabilities		-86
Trade payables	-13	-1
Other current liabilities		-11

11. Segment information, IFRS

ORDERS RECEIVED

EUR million	4-6/2020	4-6/2019	1-6/2020	1-6/2019	7/2019-6/2020	1-12/2019
Metso Minerals segment	762	704	1,636	1,527	3,118	3,009

ORDERS RECEIVED BY SERVICES BUSINESS

EUR million, %	4-6/2020	4-6/2019	1-6/2020	1-6/2019	7/2019-6/2020	1-12/2019
Metso Minerals segment	471	468	969	942	1,934	1,907
% of orders received	62	66	59	62	62	63

SALES

EUR million	4-6/2020	4-6/2019	1-6/2020	1-6/2019	7/2019-6/2020	1-12/2019
Metso Minerals segment	751	735	1,447	1,416	3,006	2,976

SALES BY SERVICES BUSINESS

EUR million, %	4-6/2020	4-6/2019	1-6/2020	1-6/2019	7/2019-6/2020	1-12/2019
Metso Minerals segment	445	436	884	865	1,834	1,815
% of sales	59	59	61	61	61	61

ADJUSTED EBITA AND OPERATING PROFIT

EUR million, %	4-6/2020	4-6/2019	1-6/2020	1-6/2019	7/2019-6/2020	1-12/2019
Metso Minerals segment						
Adjusted EBITA	121.4	94.3	194.1	180.6	394.5	380.6
% of sales	16.2	12.8	13.4	12.8	13.1	12.8
Amortization of intangible assets	-4.5	-1.8	-9.1	-2.9	-15.4	-9.2
Adjustment items	-1.0	-1.7	-1.6	-3.7	-19.8	-21.5
Operating profit	115.9	90.8	183.4	174.1	359.3	349.9
% of sales	15.4	12.3	12.7	12.3	11.9	11.8
Metso Minerals other						
Adjusted EBITA	-11.7	-1.1	-10.1	-4.4	-9.2	-3.5
Amortization of intangible assets	-1.0	-1.7	-2.0	-3.5	-5.3	-6.8
Adjustment items	-16.7	0.0	-26.1	-	-40.5	-14.4
Operating profit	-29.3	-2.8	-38.2	-7.9	-54.9	-24.6
Operating profit, Metso Minerals carve-out	86.6	88.0	145.2	166.2	304.3	325.2
% of sales	11.5	12.0	10.0	11.7	10.1	10.9

ADJUSTMENT ITEMS BY CATEGORY

EUR million, %	4-6/2020	4-6/2019	1-6/2020	1-6/2019	7/2019-6/2020	1-12/2019
Capacity adjustment costs	-0.2	-	-1.6	-	-16.8	-15.2
Acquisition costs	-	-1.7	-	-2.1	-2.3	-4.4
Loss on disposal	-	-	-	-1.6	-0.3	-1.9
Carve-out related expenses	-	-	-	0.0	0.0	-
Metso Outotec transaction costs	-17.5	-	-26.1	0.0	-40.5	-14.4
Adjustment items, total	-17.7	-1.7	-27.6	-3.7	-59.9	-35.9

OPERATIVE CAPITAL EMPLOYED AND SEGMENT ROCE-%

EUR million, %	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
Metso Minerals segment	1,717	1,505	1,904
Segment ROCE-%	20.1	25.1	22.6

Quarterly segment information, Metso Minerals

ORDERS RECEIVED

EUR million	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019
Metso Minerals segment	762	874	759	722	704

SALES

EUR million	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019
Metso Minerals segment	751	696	797	763	735

ADJUSTED EBITA AND OPERATING PROFIT

EUR million, %	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019
Adjusted EBITA	121.4	72.7	95.8	104.7	94.2
% of sales	16.2	10.4	12.0	13.7	12.8
Amortization of intangible assets	-4.5	-4.6	-3.5	-3.0	-1.7
Adjustments	-1.0	-0.5	-7.8	-10.5	-1.7
Operating profit	115.9	67.5	84.6	91.3	90.8
% of sales	15.4	9.7	10.6	12.0	12.3

CAPITAL EMPLOYED

EUR million	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
Metso Minerals segment	1,717	1,811	1,904	1,598	1,505

ORDER BACKLOG

EUR million	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
Metso Minerals segment	1,431	1,427	1,408	1,444	1,552

PERSONNEL

Persons	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
Metso Minerals segment	12,061	12,229	12,451	11,183	11,277

12. Exchange rates

Currency	1-6/2020	1-6/2019	1-12/2019	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
USD (US dollar)	1.1061	1.1334	1.1214	1.1198	1.1380	1.1234
SEK (Swedish krona)	10.6435	10.4782	10.5572	10.4948	10.5633	10.4468
GBP (Pound sterling)	0.8735	0.8761	0.8773	0.9124	0.8966	0.8508
CAD (Canadian dollar)	1.5040	1.5120	1.4882	1.5324	1.4893	1.4598
BRL (Brazilian real)	5.3983	4.3580	4.4195	6.1118	4.3511	4.5157
CNY (Chinese yuan)	7.7808	7.6891	7.7353	7.9219	7.8185	7.8205
AUD (Australian dollar)	1.6708	1.6015	1.6090	1.6344	1.6244	1.5995

13. Events after reporting period

Metso Outotec gave notice to redeem the Outotec EUR 150 million hybrid bond on 1 July 2020, which was repaid on 31 July 2020. The refinancing of the hybrid bond was done with a bank term loan of EUR 150 million with a maturity until 2022 with a one-year extension option.

On August 3, 2020 Metso Outotec closed the acquisition of the Australia-based fastener and wear monitoring technology provider Davies Wear Plate Systems, extending its wear lining portfolio and capabilities.

The Davies Wear Plate Systems offering includes patented fastening systems, wear liner monitoring system and wear plates. Davies also supplies tools that provide safer and faster change-outs.

The company's sales in fiscal year 2020 were AUD ~ 17 million (EUR 10 million) and it has approx. 30 employees. Davies has an office in Malaga, Perth and an operation facility in Esperance, Western Australia.

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for customer industry profitability and investment willingness, expectations for company growth, development and profitability and the realization of synergy benefits and cost savings, and statements preceded by "expects", "estimates", "forecasts" or similar expressions, are forward-looking statements. These statements are based on current decisions and plans and currently known factors. They involve risks and uncertainties that may cause the actual results to materially differ from the results currently expected by the company.

Such factors include, but are not limited to:

- (1) general economic conditions, including fluctuations in exchange rates and interest levels which influence the operating environment and profitability of customers and thereby the orders received by the company and their margins,
- (2) the competitive situation, especially significant technological solutions developed by competitors,
- (3) the company's own operating conditions, such as the success of production, product development and project management and their continuous development and improvement,
- (4) the success of pending and future acquisitions and restructuring.

Appendix - Illustrative Historical Financial Information

The following historical financial information is disclosed only for illustrative purposes. These are not part of the IFRS reporting. Metso Minerals data is presented based on carve-out accounting principles. The combined statement of income and combined statement of cash flows present Metso Minerals as a single economic entity and are based on historical financial information of the relevant entities and business by using the same accounting principles and carrying amounts as in Metso Group. Metso Minerals carve-out financial statements have been prepared on a basis that combined financial statements of the legal entities and operating units attributable to the Minerals business are combined to Outotec Group.

Outotec data is presented based on Outotec's accounting principles which are consistent with those used in the Outotec's annual financial statements for the year ended on 31 December 2019. Purchase price allocation adjustments are not reflected in the historical comparisons.

Metso Outotec will not continue to disclose illustrative historical financial information from Q3 2020 interim reporting onwards.

Key figures, historical comparisons

EUR million	Metso Minerals carve-out historical 1-6/2020	Outotec historical reclassified 1-6/2020	Metso Minerals carve-out historical 1-6/2019	Outotec historical reclassified 1-6/2019	Metso Minerals carve-out historical 1-12/2019	Outotec historical reclassified 1-12/2019
Orders received	1,636	454	1,527	732	3,009	1,501
Orders received by services business	969	231	942	315	1,907	586
% of orders received	59	51	62	43	63	39
Order backlog	1,431	872	1,552	1,052	1,408	1,070
Sales	1,447	579	1,416	565	2,976	1,210
Sales by services business	884	224	865	258	1,815	550
% of sales	61	39	61	46	61	45
Gross capital expenditure	42	7	34	9	87	18
Cash flow from operations	357	-67				
Personnel at end of period	12,479	3,877	11,708	4,064	12,894	4,045

Balance Sheet Historical Comparisons – Assets

	Metso Minerals carve-out historical Jun 30, 2020	Outotec historical reclassified Jun 30, 2020	Metso Minerals carve-out historical Jun 30, 2019	Outotec historical reclassified Jun 30, 2019	Metso Minerals carve-out historical Dec 31, 2019	Outotec historical reclassified Dec 31, 2019
EUR million						
Non-current assets						
Intangible assets						
Goodwill	551	224	481	224	556	226
Other intangible assets	158	82	65	106	167	92
Total intangible assets	709	306	547	330	723	318
Property, plant and equipment						
Land and water areas	42	2	34	3	43	2
Buildings and structures	97	17	75	24	98	18
Machinery and equipment	140	18	112	23	128	20
Assets under construction	35	2	41	3	46	3
Total property, plant and equipment	314	39	263	52	315	42
Right-of-use assets	81	54	68	66	89	62
Other non-current assets						
Investments in associated companies	8	2	5	1	8	1
Non-current financial assets	3	2	3	2	3	2
Loan receivables	6	1	5	4	6	2
Loan receivables, Metso Group	-	-	25	-	25	-
Derivative financial instruments	3	1	4	2	2	1
Deferred tax asset	101	77	88	89	108	72
Other non-current receivables	35	3	40	2	42	2
Other non-current receivables, Metso Group	-	-	138	-	88	-
Total other non-current assets	156	86	308	100	282	79
Total non-current assets	1,260	485	1,186	548	1,409	502
Current assets						
Inventories	886	225	849	225	975	196
Trade receivables	477	174	541	171	577	222
Trade receivables, Metso Group	9	-	8	-	10	-
Customer contract assets	94	219	127	204	87	145
Loan receivables	1	0	1	0	1	0
Loan receivables, Metso Group	-	-	29	-	25	-
Cash pool receivables, Metso Group	-	-	18	-	17	-
Derivative financial instruments	29	9	16	4	16	6
Income tax receivables	29	15	34	8	44	10
Other current receivables	78	64	105	57	139	76
Other current receivables, Metso Group	1	-	1	-	1	-
Deposits and securities, maturity more than three months	-	-	40	-	-	-
Cash and cash equivalents	323	215	194	241	156	267
Liquid funds	323	215	234	241	156	267
Total current assets	1,925	921	1,965	910	2,048	923
Assets held for sale	-	56	-	6	-	57
TOTAL ASSETS	3,185	1,462	3,150	1,463	3,457	1,482

Balance Sheet Historical Comparisons – Equity and liabilities

	Metso Minerals carve-out historical Jun 30, 2020	Outotec historical reclassified Jun 30, 2020	Metso Minerals carve-out historical Jun 30, 2019	Outotec historical reclassified Jun 30, 2019	Metso Minerals carve-out historical Dec 31, 2019	Outotec historical reclassified Dec 31, 2019
EUR million						
Equity						
Share capital	-	17	-	17	-	17
Cumulative translation adjustments	-204	-45	-148	-23	-151	-26
Hybrid bond	-	150	-	150	-	150
Fair value and other reserves	-1	74	-3	74	0	70
Retained earnings	1,312	134	1,296	151	1,403	165
Equity attributable to shareholders	1,106	330	1,145	369	1,252	376
Non-controlling interests	3	3	11	3	3	3
Total equity	1,109	333	1,156	372	1,254	379
Liabilities						
Non-current liabilities						
Borrowings	830	1	388	153	801	1
Borrowings, Metso Group	0	-	-	-	-	-
Lease liabilities	64	42	52	52	69	48
Post-employment benefit obligations	58	68	58	65	61	69
Provisions	25	50	31	50	33	50
Derivative financial instruments	3	0	3	0	2	0
Deferred tax liability	62	4	35	6	66	8
Other non-current liabilities	2	3	2	7	2	7
Other non-current liabilities, Metso Group	-	-	6	-	6	-
Total non-current liabilities	1,043	169	574	333	1,040	183
Current liabilities						
Borrowings	27	300	217	53	24	225
Borrowings, Metso Group	-	-	-	-	-	-
Lease liabilities	19	12	17	14	21	14
Cash pool liabilities, Metso Group	11	-	80	-	86	0
Trade payables	338	126	375	129	385	148
Trade payables, Metso Group	13	-	4	-	1	-
Provisions	69	74	54	114	71	77
Advances received	185	0	227	0	189	0
Customer contract liabilities	79	145	79	227	63	200
Derivative financial instruments	20	12	18	8	13	8
Income tax liabilities	32	12	65	17	47	11
Other current liabilities	240	232	285	196	251	194
Other current liabilities, Metso Group	0	-	-	-	11	-
Total current liabilities	1,033	913	1,420	757	1,163	877
Total liabilities	2,076	1,082	1,994	1,090	2,202	1,059
Liabilities held for sale	-	47	-	1	-	43
TOTAL EQUITY AND LIABILITIES	3,185	1,462	3,150	1,463	3,457	1,482

Cash flow statements, historical comparison

	Metso Minerals carve-out historical 1–6/2020	Outotec historical 1–6/2020	Metso Minerals carve-out historical 1–6/2019	Outotec historical 1–6/2019	Metso Minerals carve-out historical 1–12/2019	Outotec historical 1–12/2019
EUR million						
Operating activities						
Profit for the period	99	0	121	14	223	27
Adjustments						
Depreciation and amortization	41	23	33	26	71	52
Finance expenses, net	10	3	17	4	34	9
Income taxes	36	-2	28	8	69	21
Other items	4	-6	-2	-3	-7	-4
Change in net working capital	167	-85	-157	-17	-216	-29
Net cash flow from operating activities before financial items and taxes	357	-67	40	32	173	77
Interests paid	-16	-2	-14	-2	-35	-9
Interests received	2	1	3	2	5	6
Other financing items, net	0	0	-2	0	-1	0
Finance income and expenses paid, net	-14	0	-13	1	-31	-2
Income taxes paid	-40	-7	-35	-3	-100	-6
Net cash flow from operating activities	303	-75	-9	30	43	68
Investing activities						
Capital expenditures on intangible assets and property, plant and equipment	-42	-7	-34	-9	-87	-18
Proceeds from sale of intangible assets and property, plant and equipment	1	0	1	0	8	0
Proceeds from sale of intangible assets and property, plant and equipment, Metso Group	6	-	-	-	-	-
Proceeds from and investments in financial assets, net	-	1	31	-	31	0
Business acquisitions, net of cash acquired	216	-	-35	0	-214	-9
Business acquisitions, net of cash acquired, Metso Group	-6	-	-	-	-	-
Proceeds from sale of businesses, net of cash sold	-	-	9	-	9	-
Proceeds from sale of businesses, net of cash sold, Metso Group	88	-	-	-	50	-
Investments in associated companies	-	-	-	-	-3	-
Net cash flow from investing activities	264	-6	-29	-9	-207	-27
Financing activities						
Dividends paid	-177	-18	-72	-	-144	-
Dividends paid, Metso Group	-2	-	-1	-	-4	-
Transactions with non-controlling interests	-	-	-	-	-13	-
Proceeds from and repayment of debt, net	145	-	6	-	148	-
Repayment of lease liabilities	-12	-7	-14	-7	-24	-14
Net borrowings (+), payments (-)	-	79	-	6	-	25
Proceeds from and repayment of debt, net, Metso Group	-139	-	28	-	31	-
Interest on hybrid bond, Outotec Group	-	-11	-	-11	-	-11
Other items	-	0	-	0	-	-1
Net cash flow from financing activities	-185	43	-53	-13	-5	-1
Net change in liquid funds	382	-37	-91	8	-169	39
Effect from changes in exchange rates	-10	-15	0	3	0	-1
Liquid funds classified as assets held for sale	-	0	-	-3	-	-4
Liquid funds equivalents at beginning of period	156	267	325	233	325	233
Liquid funds at end of period	528	215	234	241	156	267

Segment information, historical Outotec

ORDERS RECEIVED

EUR million	1-6/2020	1-6/2019	7/2019-6/2020	1-12/2019
Minerals Processing	351	449	951	1,049
Metals refining	103	283	272	453
Outotec total	454	732	1,223	1,501

SALES

EUR million	1-6/2020	1-6/2019	7/2019-6/2020	1-12/2019
Minerals Processing	411	358	852	799
Metals refining	168	206	373	411
Outotec total	579	565	1,225	1,210

SALES BY SERVICES BUSINESS

EUR million	1-6/2020	1-6/2019	7/2019-6/2020	1-12/2019
Minerals Processing	173	184	378	388
Metals refining	51	75	138	162
Outotec total	224	258	516	550

EXTERNAL SALES BY TIMING OF REVENUE RECOGNITION

EUR million	1-6/2020	1-6/2019	7/2019-6/2020	1-12/2019
At a point in time	185	243	440	499
Over time	394	321	785	712
Outotec total	579	565	1,225	1,210

ADJUSTED EBIT AND OPERATING PROFIT

EUR million, %	1-6/2020	1-6/2019	7/2019-6/2020	1-12/2019
Minerals processing				
Adjusted EBIT	40.7	37.2	84.9	81.4
% of sales	9.9	10.4	10.0	10.2
Amortization on PPA	-1.3	-1.3	-2.7	-2.7
Adjustments	-1.4	0.1	-0.5	1.0
Operating profit	38.0	35.9	81.7	79.7
% of sales	9.2	10.0	9.6	10.0
Metals refining				
Adjusted EBIT	3.9	4.5	45.8	46.5
% of sales	2.3	2.2	12.3	11.3
Amortization on PPA	-0.7	-0.8	-1.5	-1.7
Adjustments	-2.3	0.0	-2.9	-0.6
Operating profit	0.9	3.7	41.4	44.2
% of sales	0.5	1.8	11.1	10.8
Unallocated and intra-group items				
Adjusted EBIT	-3.4	-2.8	-6.6	-6.0
Adjustment items	-21.9	-1.9	-30.6	-10.6
Operating profit	-25.2	-4.7	-37.1	-16.6

EUR million, %	1-6/2020	1-6/2019	7/2019-6/2020	1-12/2019
Outotec total				
Operating profit	13.6	35.0	85.9	107.3
Adjusted EBIT	41.2	39.0	124.1	121.8
% of sales	7.1	6.9	10.1	10.1
Amortization of intangible assets (other than PPA)	-10.1	-10.1	-19.8	-19.8
Adjusted EBITA	51.3	49.0	144.0	141.7
% of sales	8.9	8.7	11.8	11.7

ITEMS EXCLUDED FROM ADJUSTED EBIT

EUR million, %	1-6/2020	1-6/2019	7/2019-6/2020	1-12/2019
Items related to restructuring, total	-2.5	-1.8	0.3	1.0
Items related to acquisitions or business combinations	-23.8	-	-37.1	-13.2
Reversal of earn-out liability from acquisitions	0.7	-	2.7	2.0
Adjustment items, total	-25.6	-1.8	-34.0	-10.2

Quarterly segment information, Outotec

ORDERS RECEIVED

EUR million	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019
Minerals Processing	159	192	268	332	255
Metals refining	55	48	55	114	145
Total	214	240	323	446	400

SALES

EUR million	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019
Minerals Processing	214	197	228	212	197
Metals refining	80	88	108	97	122
Total	294	285	336	310	319

ADJUSTED EBIT

EUR million	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019
Minerals Processing	26	14	20	25	21
Metals refining	1	3	19	23	5
Unallocated and intra-group items	-2	-1	-2	-2	-2
Total	26	16	37	46	25

OPERATING PROFIT (EBIT)

EUR million	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019
Minerals Processing	25	13	18	26	21
Metals refining	-1	2	18	23	5
Unallocated and intra-group items	-20	-6	-9	-3	-3
Total	4	9	27	45	22

Metso Outotec's financial information in 2020

Half-Year Review for 2020 on August 5

Interim Review for January–September 2020 on October 27

Metso:Outotec

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