



# Financial Statements Review 2010 and Strategic Actions 2011

Pertti Korhonen  
President and CEO

February 8, 2011

**Outotec**

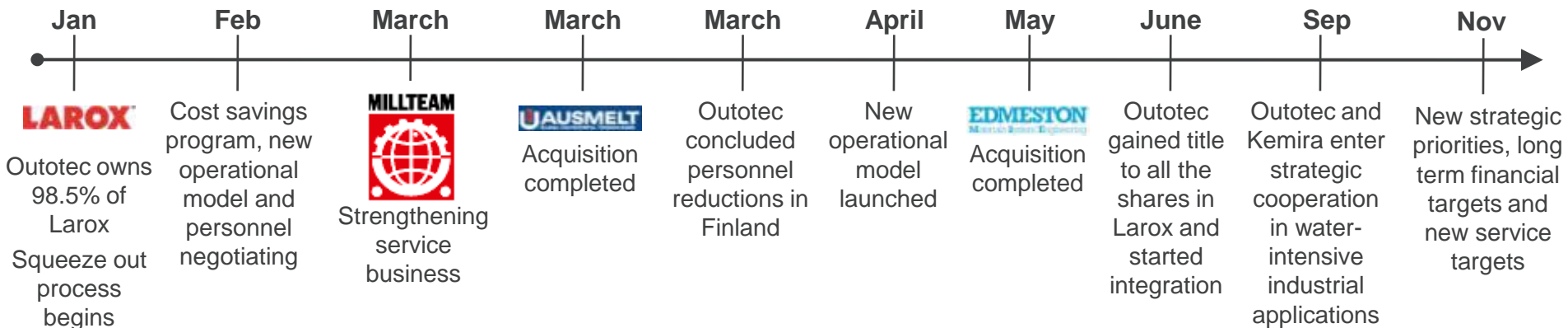


2010 - Eventful year for Outotec










**Outotec**

# Strategic priorities in 2010

- Win new orders and keep on delivering
- Implement the new operational model
- Integrate the acquired businesses
- Achieve 25 million structural cost savings
- Grow the Services business to EUR 250-300 million



# Good progress in all areas

Objective	Actions and results	Status
Win new orders	<ul style="list-style-type: none"> <li>Order intake grew over 150% from 2009</li> </ul>	
Keep on delivering	<ul style="list-style-type: none"> <li>Good execution of the order backlog resulted to growth in revenue and profitability</li> </ul>	
Implement the new operational model	<ul style="list-style-type: none"> <li>New organization launched in April</li> <li>Started to operate according to the new model</li> <li>Good start in establishing global processes and tools (will continue 2011-2013)</li> </ul>	  
Integrate acquired businesses	<ul style="list-style-type: none"> <li>Integration plans in place</li> <li>Solid implementation of the plans, some good synergies achieved</li> </ul>	 
Achieve EUR 25 million cost savings	<ul style="list-style-type: none"> <li>EUR 26.2 million sustainable annualized savings achieved with full effect in 2011, significant part of which will be reinvestments into R&amp;D and building of global operating platforms to enable growth and profitability improvement</li> </ul>	
Grow the Services business to EUR 250-300 million	<ul style="list-style-type: none"> <li>Target met with Services sales being EUR 282.5 million in 2010</li> </ul>	



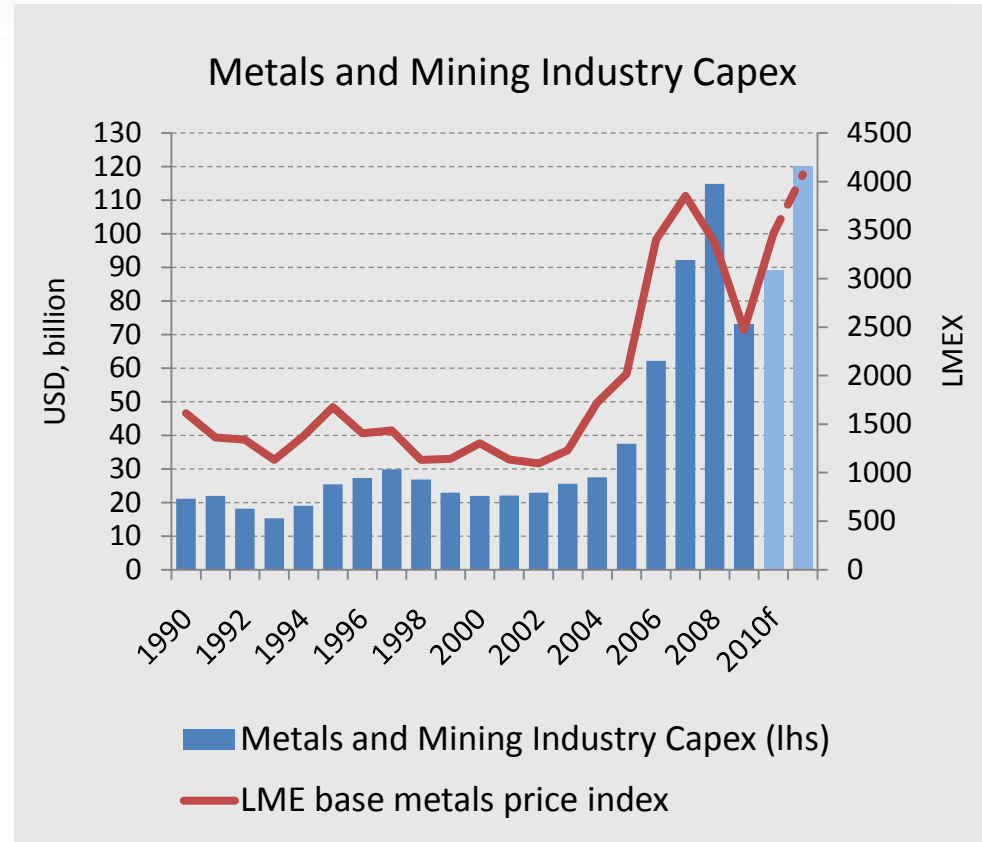


# Financial Statements Review 2010

**Outotec**

# Operating environment in 2010

- Market continued to strengthen.
- The mining and metals industry was on the recovery path supported by a positive long term outlook for metals demand in the emerging economies.
- The industry benefitted from strong metals prices.
- Activity was especially strong in copper, gold and iron projects, but also other metals were recovering.
- Decision-making, particularly regarding major projects involving construction of new capacity, took time.
- Drive for sustainable solutions continued strong and the requirements on the technology were getting stricter, which is positive for Outotec.



Sources: CRU (up to 2005 excl. ferrous), UBS, Company reports, LME, Outotec analysis (January 2010)

# Largest orders in 2010

- Order intake in 2010 EUR 1,394.7 million (2009: EUR 557.1 million) , **+150%**
- Order intake in Q4/2010 EUR 356.6 million (Q4/2009: EUR 110.5 million) , **+223%**



**Sintering and ferrochrome smelting technology for Outokumpu, Finland**  
 €45 million



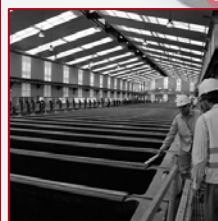
**Copper roasting and sulfuric acid plant for Codelco, Chile**  
 €116 million



**Digestion and Evaporation Facility for Ma'aden Aluminium Project, Saudi Arabia**  
 €25 million \*)



**Copper concentrator for IRASCO (Italy), Iran**  
 €40 million



**Copper plant for Minera Lumina Copper, Chile**  
 €65 million



**Drinking water supply scheme to the Amara District, Sri Lanka**  
 €70 million



**Sinter plant for Kalagadi Manganese, South Africa**  
 €119 million

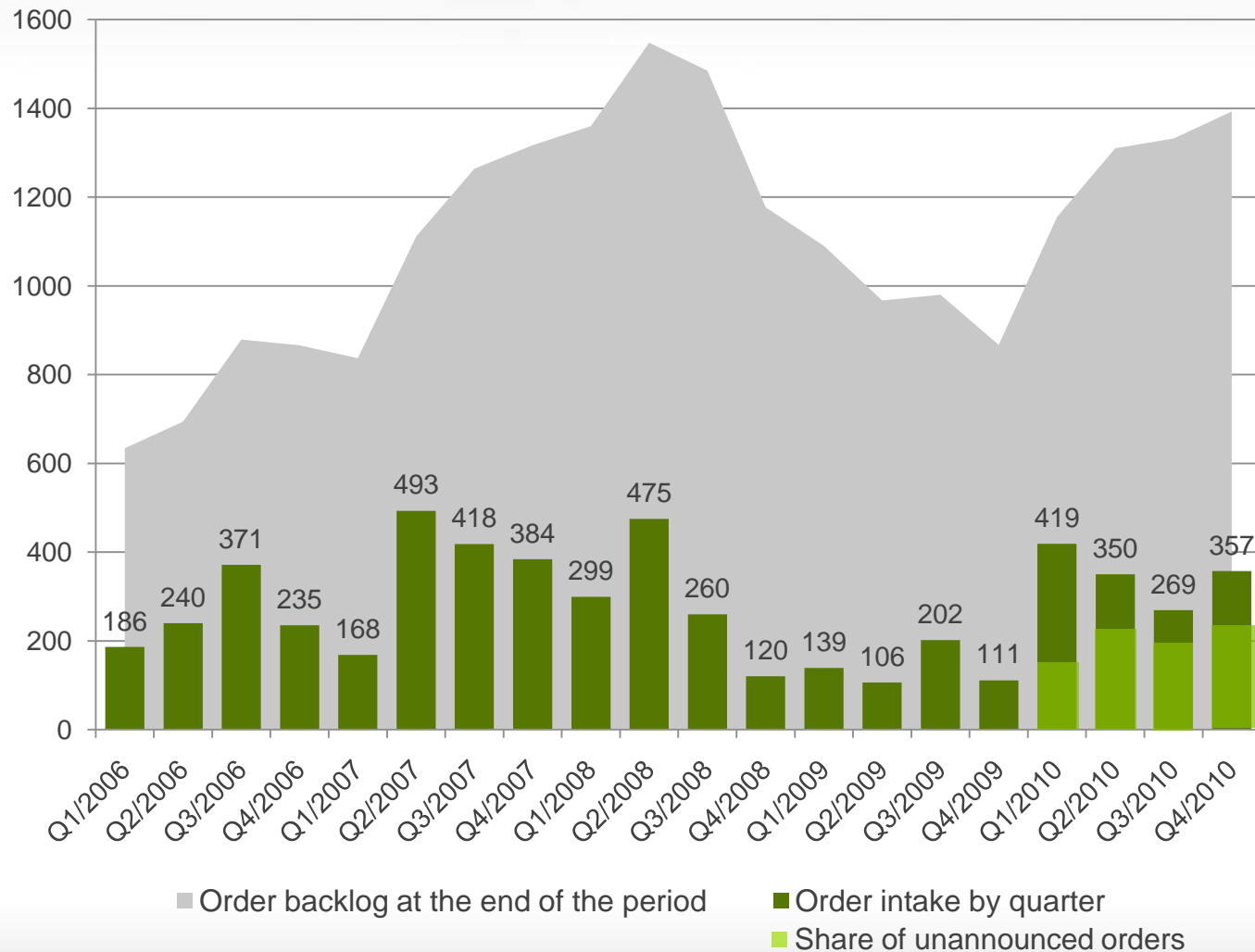
• Outotec offices

\*) Small portion became effective in the order backlog in 2010 and the rest by project milestones in 2011 and 2012.

**Outotec**

# Order intake and backlog strengthened significantly

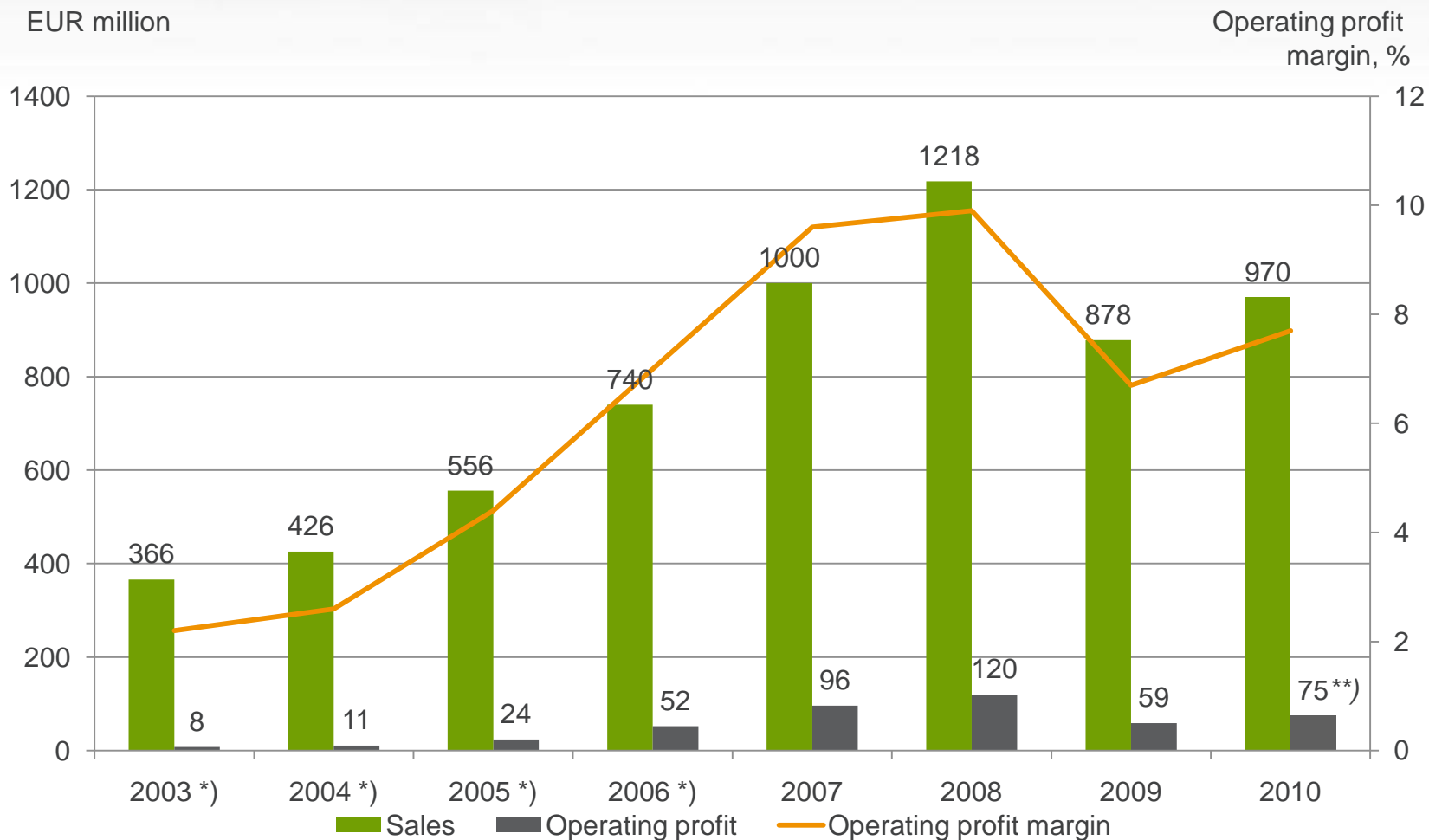
EUR million



- Order intake in 2010 was EUR 1,394.7 million and order backlog **61%** higher compared to year-end 2009.
- Roughly 69% (EUR 960 million) of the backlog is estimated to be delivered in 2011 and the rest in 2012 and beyond.



# Revenues grew and profitability improved



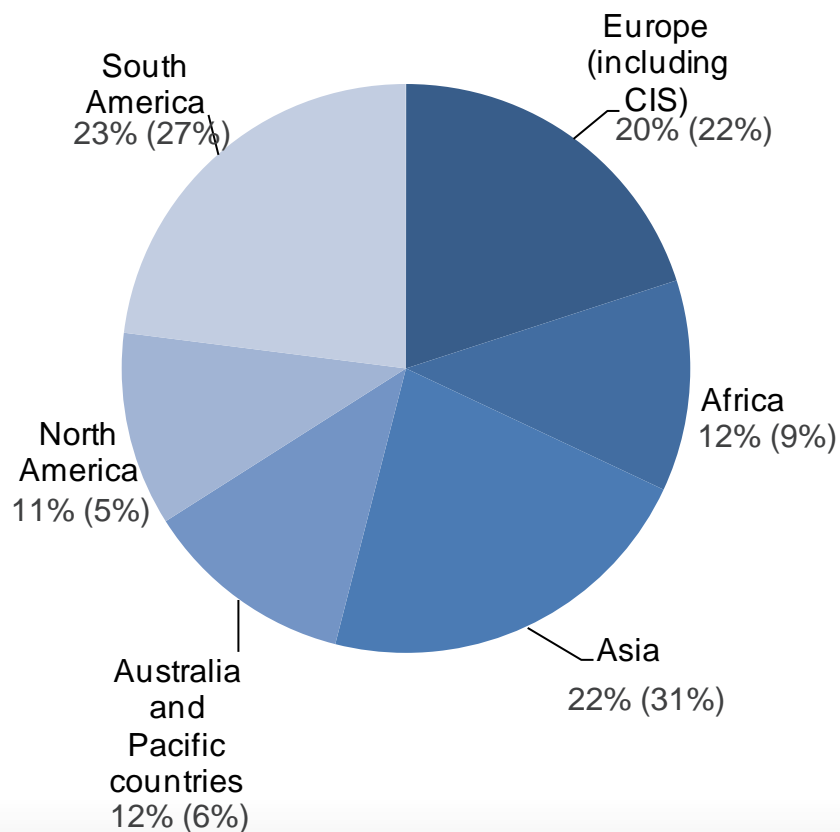
\*) Combined basis

\*\*\*) excl. one-time items and PPAs

# A strong sales portfolio

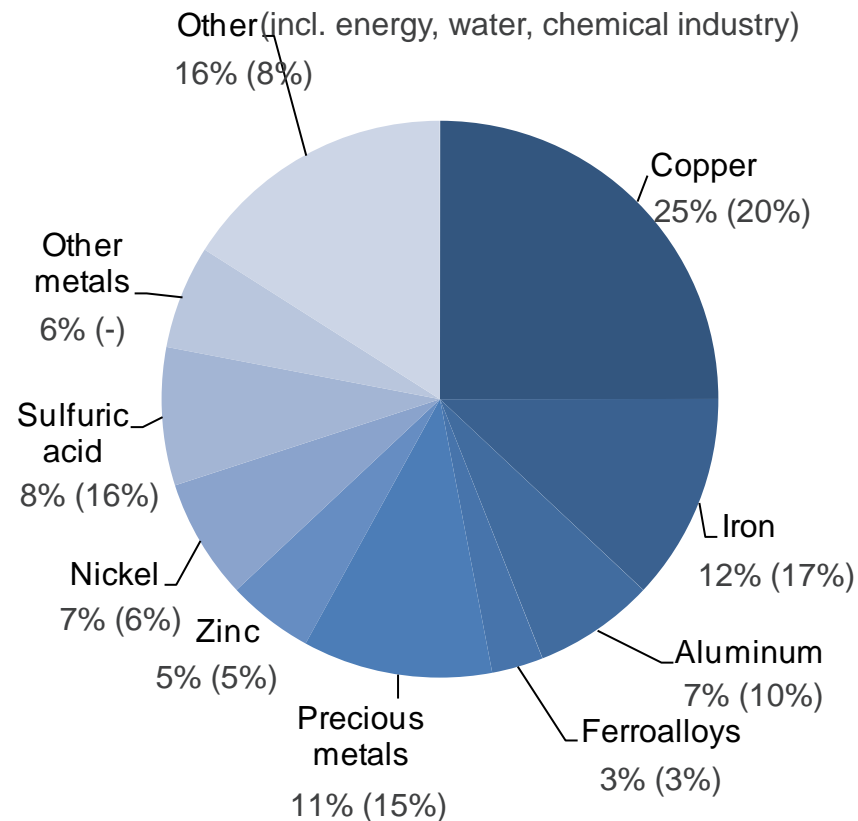
## Sales by destination

2010 (2009)



## Sales by end product

2010 (2009)



# Gross margin and operating profit margin from business operations improved despite of challenging markets

EUR million	Q4 2010	Q4 2009	Change %	2010	2009	Change %
Sales	330.3	219.8	+50.3	969.6	877.7	+10.5
Gross margin, %	26.9	24.1	+11.5	26.2	21.7	+20.9
Operating profit from operations	33.4	13.3	+151.0	74.7	58.6	+27.4
- one-time restructuring cost	-4.2			-26.5		
- PPA amortization	-1.8			-9.4		
+ revaluation of Ausmelt shares	-			+2.2		
+ Other	+0.6			+0.6		
Reported operating profit	28.1	13.3	+111.0	41.6	58.6	-29.1
FX impact (unrealized, realized)				+1.9	-0.1	
Operating profit margin, %						
- excl. one-time items and PPA	10.1	6.1	+67.0	7.7	6.7	+15.3
- reported	8.5	6.1	+40.4	4.3	6.7	-35.8

# Non-ferrous Solutions



- Sales increased and profitability improved as a result of
  - healthy market demand
  - strong services business
  - strong performance of Filters (ex-Larox) business
  - structural cost saving actions

EUR million	Q4 2010	Q4 2009	2010	2009	Change %
Sales	223.9	115.9	623.3	482.6	+29.2
Operating profit (excl. one-time items and PPA)	24.0	7.9	50.6	35.1	+44.2
Operating profit	23.2	7.9	26.1	35.1	-25.6
Operating profit margin (excl. one-time items and PPA), %	10.7	6.9	8.1	7.3	
Operating profit margin, %	10.4	6.9	4.2	7.3	



# Ferrous Solutions



- Sales reduced due to low order intake in 2009 and thereby fewer projects were in delivery phase in 2010
- Successful project completions improved profitability

EUR million

	Q4 2010	Q4 2009	2010	2009	Change %
Sales	43.2	49.9	131.5	146.7	-10.3
Operating profit (excl. one-time items and PPA)	8.2	5.1	12.6	9.5	+32.8
Operating profit	8.2	5.1	11.3	9.5	+19.7
Operating profit margin (excl. one-time items and PPA), %	19.0	10.2	9.5	6.4	
Operating profit margin, %	18.9	10.2	8.6	6.4	

# Energy, Light Metals and Environmental Solutions



- Sales reduced due to low order intake in 2009 and thereby fewer projects were in delivery phase in 2010
- Successful project completions improved profitability

EUR million

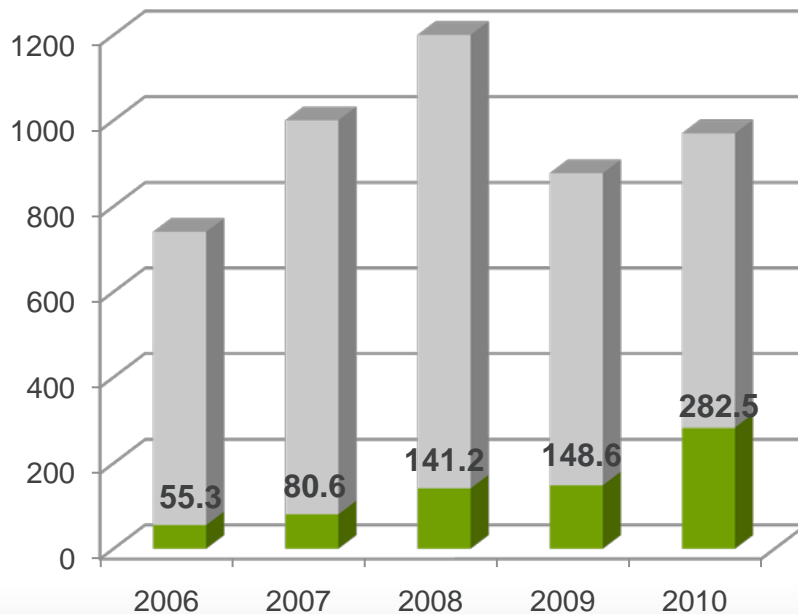
	Q4 2010	Q4 2009	2010	2009	Change %
Sales	65.3	56.3	222.8	258.7	-13.9
Operating profit (excl one-time items and PPA)	11.5	6.8	28.9	27.6	+4.7
Operating profit	11.4	6.8	26.8	27.6	-3.0
Operating profit margin (excl one-time items and PPA), %	17.6	12.0	13.0	10.7	
Operating profit margin, %	17.5	12.0	12.0	10.7	

# Services



■ Service sales ■ Outotec sales

EUR million



- The strategic target of growing services to EUR 250-300 million by the end of 2010 was achieved.
- Sales of the Services increased by 90% to EUR 282.5 million (2009: EUR 148.6 million), representing 29% (2009: 17%) of sales.
- Service sales grew both organically and through acquisitions.
- New services sales target was announced aiming to reach EUR 500 million by the end of 2015.

# Strong balance sheet enables growth

EUR million	Q4 2010	Q4 2009	2010	2009
Net cash from operating activities	-4.8	-43.9	87.5	-28.8
Net interest-bearing debt <sup>*)</sup>	-200.9	-191.0	-200.9	-191.0
Equity <sup>*)</sup>	357.7	342.4	357.7	342.4
Equity-to assets ratio, % <sup>*)</sup>	41.2	45.1	41.2	45.1
Gearing, % <sup>*)</sup>	-56.2	-55.8	-56.2	-55.8
Working capital <sup>*)</sup>	-113.5	-62.8	-113.5	-62.8
ROI, %	26.7	18.0	9.2	20.9
ROE, %	21.4	12.4	7.6	14.9
Earnings per share, EUR	0.40	0.21	0.59	1.01

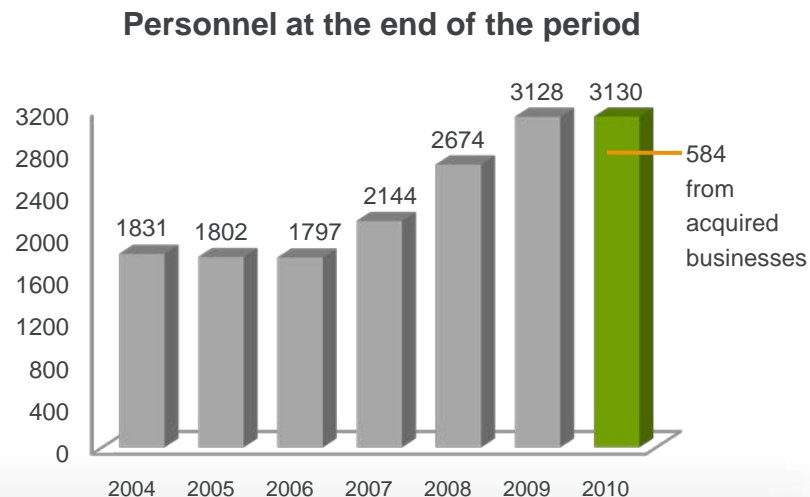
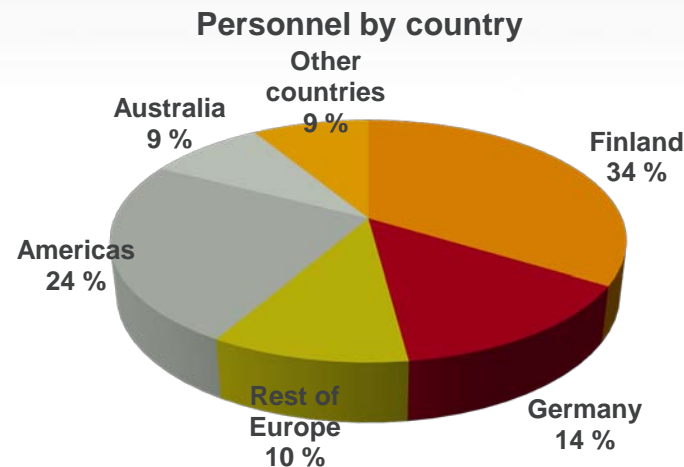
<sup>\*)</sup> At the end of the period

- Asset light balance sheet due to business model
- Negative working capital because of advance and milestone payments
- Fast capital turnover
- Strong net cash position enabling growth (M&A) and dividends



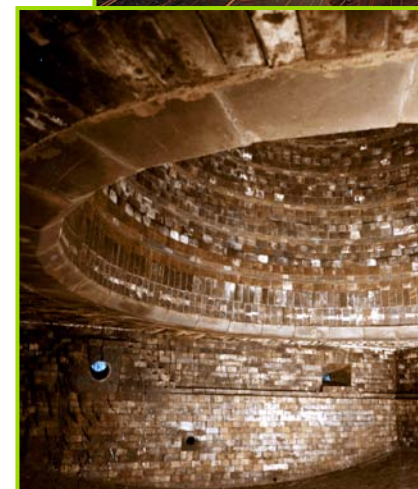
# Personnel grew mostly due to acquisitions

- 3,130 employees (Dec 31, 2009: 3,128), of which 584 came from acquisitions
- Temporary personnel accounted for 8% of the total number of employees
- Additionally some 328 FTE contracted people in projects (Dec 31, 2009: 250 FTE)
- As part of the EUR 25 million savings program, 161 persons were reduced globally



# Events after the reporting period

- In January 2011 Outotec signed a contract with SNC-Lavalin, a Canadian engineering and construction company, to design and deliver a new **copper flash smelting furnace** and related services to RTB Bor's smelter in Serbia.
- Outotec's turnkey delivery includes engineering and license for a new flash smelting furnace, equipment supplies, procurement, as well as construction and commissioning services.
- The project is scheduled for completion in late 2013 and the new facility will produce annually 80,000 tons of copper anode while reducing liquid and gaseous emission levels to European standards.
- The contract value exceeded EUR 60 million.





# Market outlook and financial guidance for 2011

**Outotec**

# Market outlook for 2011 (1/3)

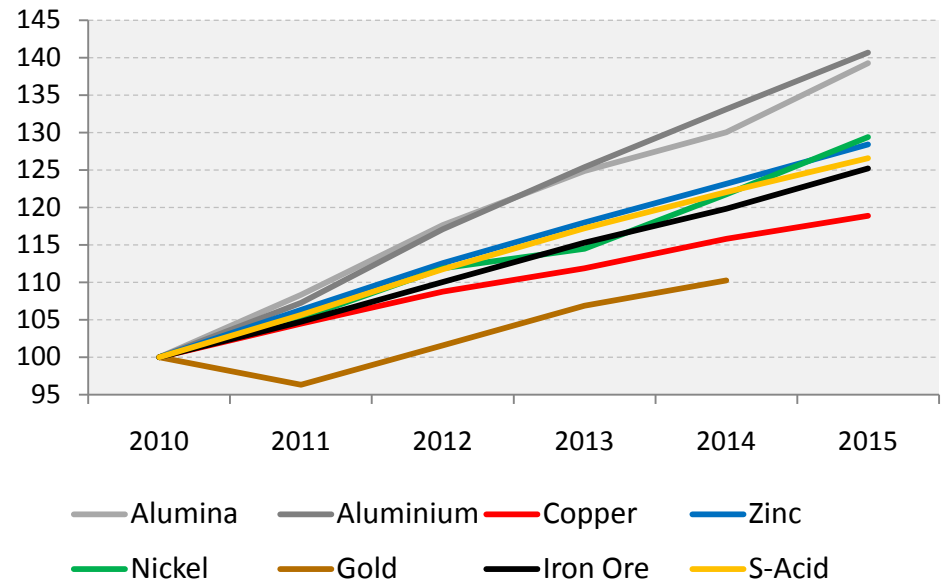
## Metals demand expected to grow by 4 to 7% annually:

- 4.4% growth of global economy, 6.5% growth in developing economies
- The purchasing manager index
- Strong metals prices
- Market institute's estimates

## Investments in the mining and metal industries will increase:

- Mining companies' CAPEX estimates
- Metals production is not sufficient to satisfy the growing demand
- Drive for sustainable technologies
- Declining ore grades require more processing capacity
- Efficiency requirements, modernization and optimization needs

Demand growth for selected commodities 2010-15 (rebased 2010=100)



Source: Brook Hunt, RBS, CRU



# Market outlook for 2011 (2/3)

## Non-ferrous Solutions

- The activity continues to strengthen.
- Primarily gold and copper projects are being developed.
- Competition continues to be tight for new projects.
- As ore grades decline, more processing capacity and advanced technology solutions will be needed.

## Ferrous Solutions

- Demand for raw materials used in steel making, iron ore and coking coal will continue at record levels.
- The demand for stainless steel raw materials shows strong growth and the activity in ferroalloy projects is continuously strengthening.
- Brazil, India and South Africa continue to rapidly develop their infrastructure and to utilize their large natural resource base.
- Unconventional techniques, such as the direct reduction of iron ore, offer more and more opportunities to use lower grade raw material resources.

# Market outlook for 2011 (3/3)

## **Energy, Light Metals and Environmental Solutions**

- Rising oil prices and the depletion of oil reserves increase the demand for alternative energy sources, such as oil shale, oil sands, and biomass.
- The demand for aluminum is growing. Aluminum, bauxite and alumina projects are being revitalized.
- The outlook for the sulfuric acid market remains positive as sulfuric acid is needed in hydrometallurgical processes and is produced as a by-product in pyrometallurgical processes including the minimization of environmental impacts.
- New opportunities in materials recycling and waste management as well as industrial waste water treatment are continuously increasing.

## **Services business**

- Higher capacity utilization levels, modernizations, upgrades and new capital investment projects increase the demand for spare parts, services and modernizations.

Based on a strong opening order backlog and active market, in 2011:

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

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



2011 – focus on strategy implementation  
and operational execution

**Outotec**

Our mission:  
Sustainable use  
of Earth's  
natural resources.





Our strategic intent:

The leading provider of sustainable minerals  
and metals processing solutions,

and

an innovative provider  
of sustainable energy and  
water processing  
solutions.



# The strategic priorities going forward

The best return  
on a customer's investment

Global integrated operations and local presence

Increasing value through  
life cycle solutions

Applying core  
technologies in new  
attractive growth areas

Improving  
productivity and  
scalability

Leadership in technology and innovation

*Sustainable use of Earth's natural resources*

# Outotec's long term financial targets

## Targeting continuous profitable growth

Sales	CARG 10-20%	Outotec targets to grow faster than the market resulting in compound average annual sales growth target in the range of 10-20%.
Operating profit margin	On average 10%	Annual operating profit margin from business operations is targeted to be on average 10%, excluding one time costs and purchase price allocations of acquired business.
Balance sheet		Maintain strong balance sheet to provide operational flexibility and enable acquisitions.

Dividend policy: Outotec aims to pay at least 40% of the annual net income.

In the past, the company has paid dividends in the range of 40-76%.

BOD proposal for the 2011 AGM: EUR 0.75 per share, or 129% of the 2010 net income.

# Priorities in 2011

Objective	Actions and progress	Status
All businesses on growth track	<ul style="list-style-type: none"> <li>• Strong starting order backlog</li> <li>• Win new business and execute well</li> </ul>	
Basic life cycle solution offerings and delivery capabilities in place	<ul style="list-style-type: none"> <li>• Launch new service products</li> <li>• New operational model focuses on delivering solutions</li> </ul>	
New operational model enabling scalability, global processes and systems in place	<ul style="list-style-type: none"> <li>• Develop the global supply and engineering functions</li> <li>• Develop and implement common processes and tools</li> <li>• Strengthen the resourcing</li> </ul>	
Acquisitions to strengthen service, energy and water businesses and to augment technology portfolio	<ul style="list-style-type: none"> <li>• Acquisition needs identified as part of new strategy, execution in progress</li> </ul>	
Grow the Services business to EUR 500 million by 2015	<ul style="list-style-type: none"> <li>• Strengthen the resources in Service business</li> <li>• New service products being developed</li> <li>• Acquisitions</li> </ul>	





# Sustainable use of Earth's natural resources

- Q&A

**Outotec**