



# Outotec

## CEO's review

Annual General Meeting on March 30, 2015

# Outotec's Executive Board



**Kimmo Kontola**  
Americas



**Adel Hattab**  
EMEA



**Stuart Sneyd**  
APAC



**Robin Lindahl**  
Metals, Energy &  
Water



**Kalle Härkki**  
Minerals  
Processing



**Michael Frei**  
Delivery



**Kari Knuutila**  
Chief Technology  
Officer



**Olli Nastamo**  
Operational  
Excellence



**Minna Aila**  
Marketing,  
Communications  
& Corporate  
Responsibility



**Mikko Puolakka**  
Chief Financial  
Officer



**Kirsi Nuotto**  
Human  
Resources



**Nina Kiviranta**  
General Counsel

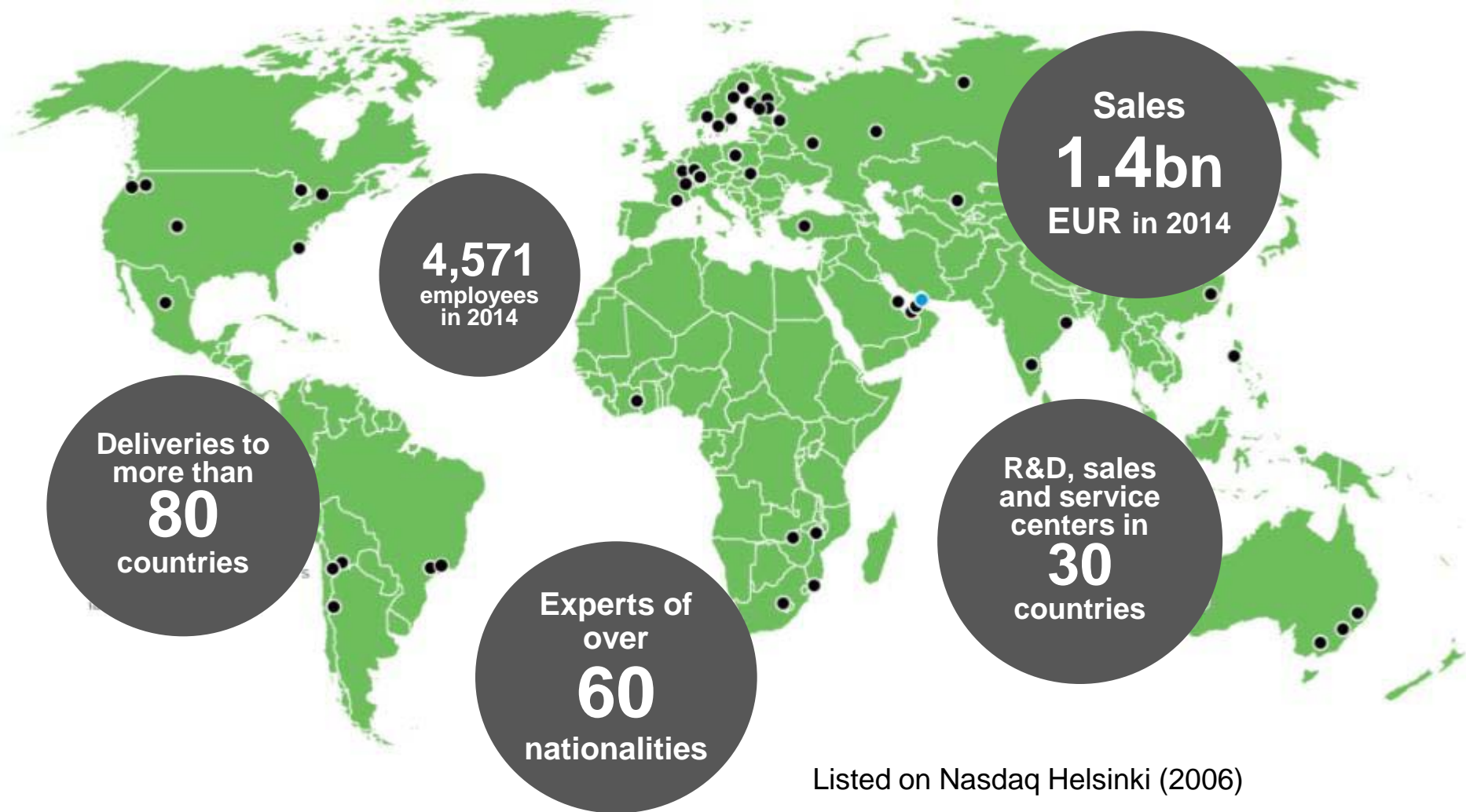


**Pia Käll**  
Strategy

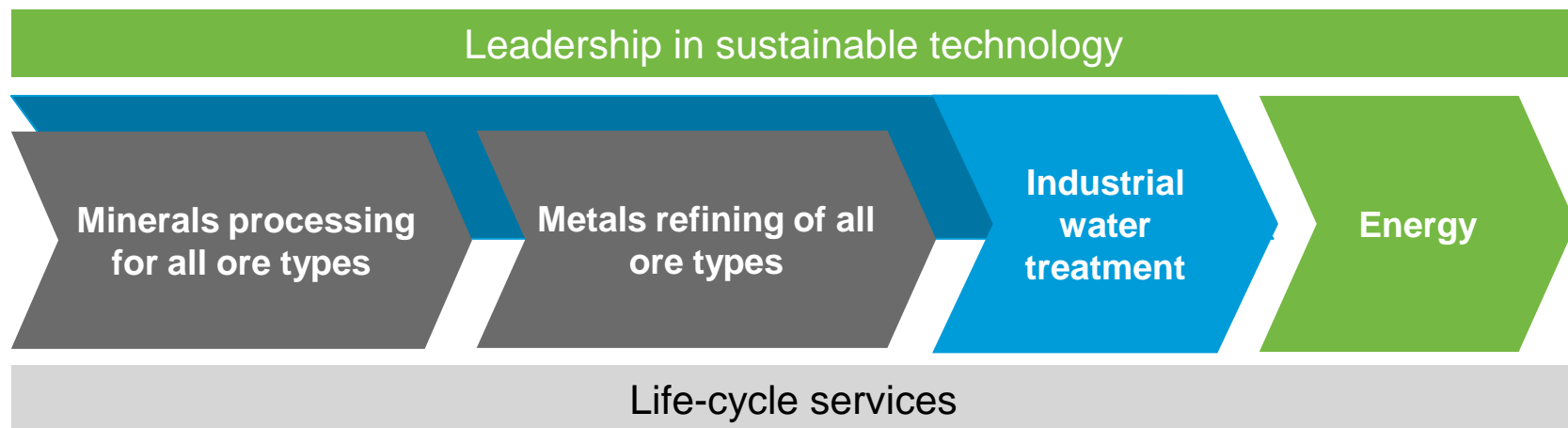


**Pertti Korhonen**  
President & CEO

# Global operations, local presence



# Our scope in the value chain and offering



- Concentrator plant
- Comminution
- Flotation
- Dewatering

- Non-ferrous metals
- Ferrous metals and ferroalloys
- Light metals
- Acid and off-gas treatment
- Effluent treatment

- Water treatment solutions to minimize water usage and maximize recycling

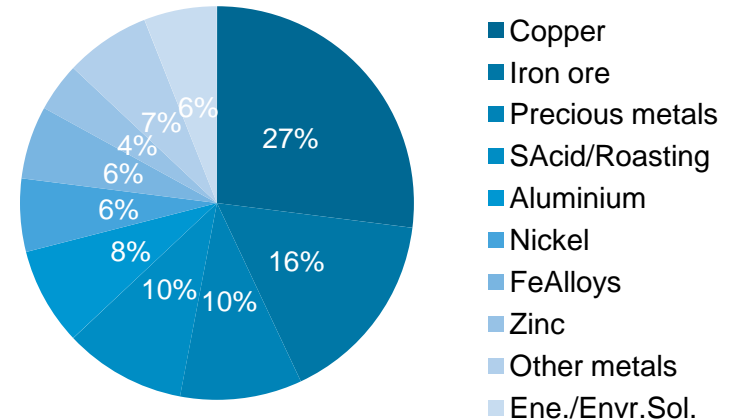
- Energy from biomass, waste and alternative fuels



# Challenging operating environment in 2014

- Further reduction of mining and metals industry's Capex investments by est. 30%
- Services market flat at 2013 level
- Low fossil energy prices and uncertainties in subsidy regulation slowed down alternative and renewable energy investments further
- Intensive competition and smaller market caused pricing pressures

Outotec commodity exposures, 2006-2013



Price performance of Copper, Gold and Iron Ore



Source: Thomson Reuters data stream

# Outotec performance 2014 – negatives and positives

- Significant decline in capex order intake, less small orders due to lacking greenfield investments
- Low order intake for alternative and renewable energy solutions
- Capex sales down
- Cost overruns in five MEW projects (2.4 percentage points negative impact on group operating profit)

- Service sales +9% in comparable currencies in flat market
- Healthy margins in new orders
- 65 MEUR reduction in fixed costs
- Good profitability in Minerals Processing
- Cash flow improved significantly
- Roll-out of global business platforms proceeding

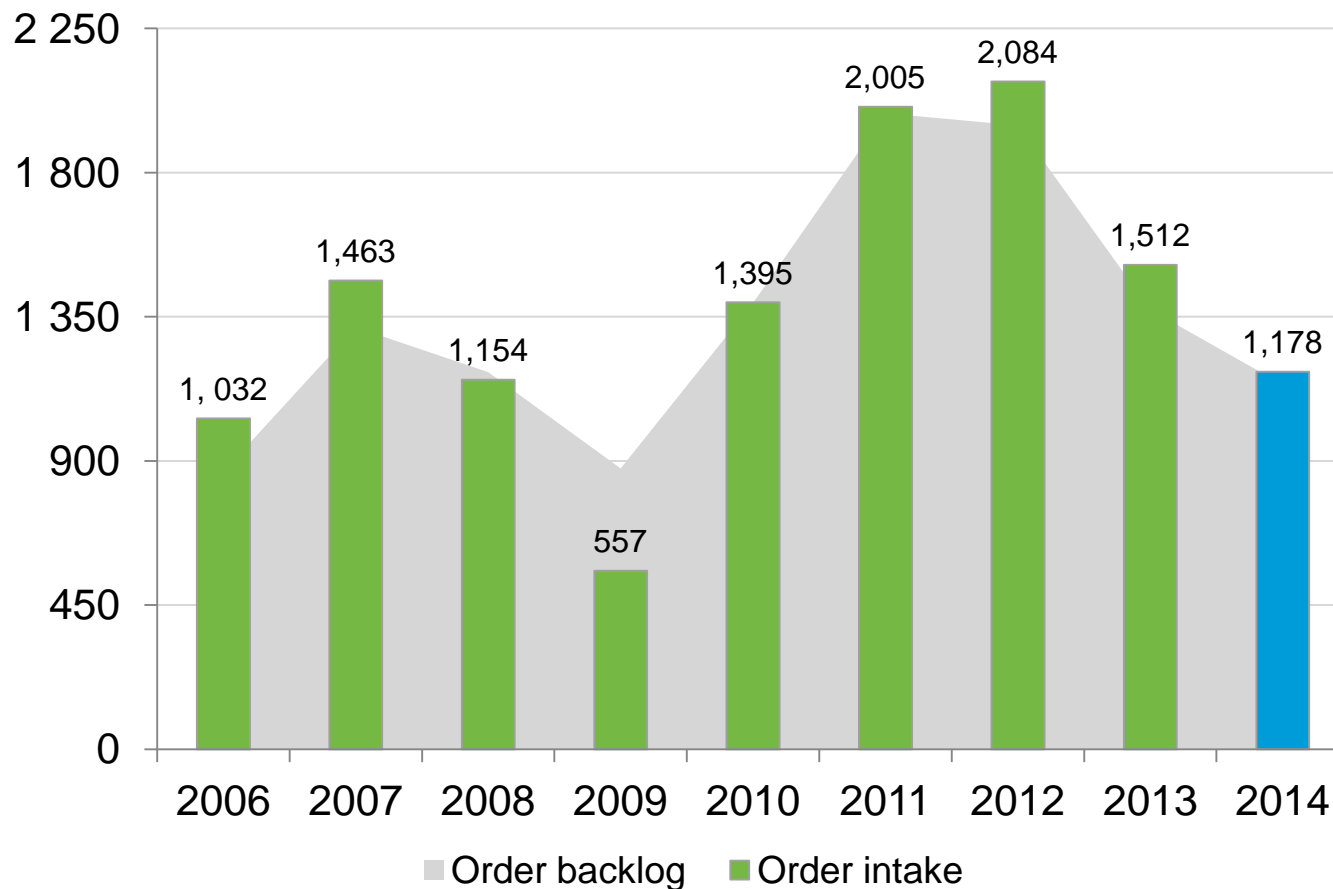
# Highlights of 2014

- Several modernization orders for base metals smelters
  - In Russia, Botswana, Chile and Australia
- Outotec has the highest number of patent applications in Finland
  - 6,769 patents or applications
- Several product launches
  - Copper chloride leaching process
  - TankCell e630, the world's largest flotation cell
  - Gypsum removal plant unit
  - Nickel matte chloride leaching process
  - HSC Chemistry thermodynamic calculation software, 8.0 release
- Long-term service and operation & maintenance contracts
  - In Botswana, Brazil, South Africa and Saudi Arabia



# Weak Capex demand decreased order backlog

Order backlog and order intake, EUR million



Change in order intake from 2013, %<sup>\*)</sup>

**Outotec total** -18

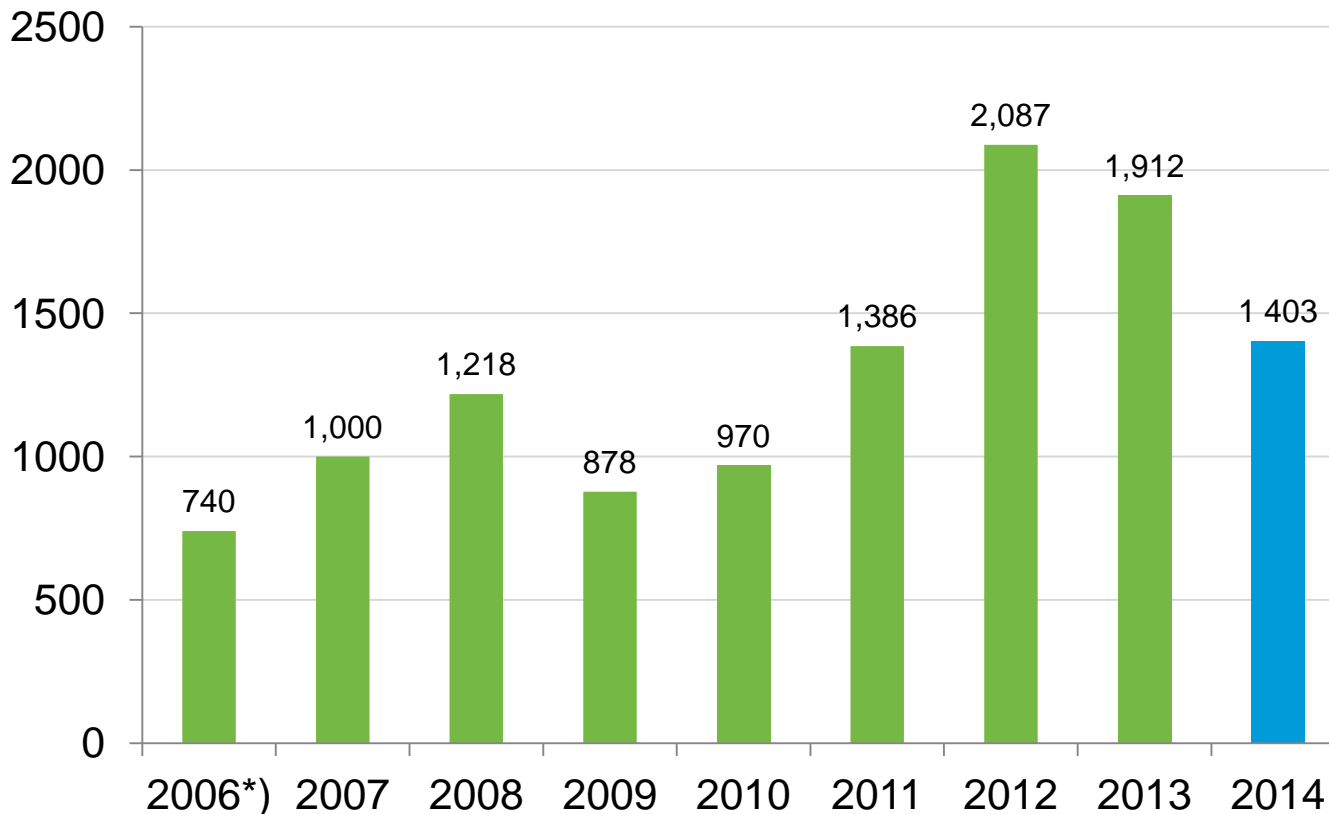
Services +7

<sup>\*)</sup> In comparable currencies



# Sales was affected by declined Capex investments

Sales, EUR million



\*) Combined basis

## Change in sales from 2013, % \*)

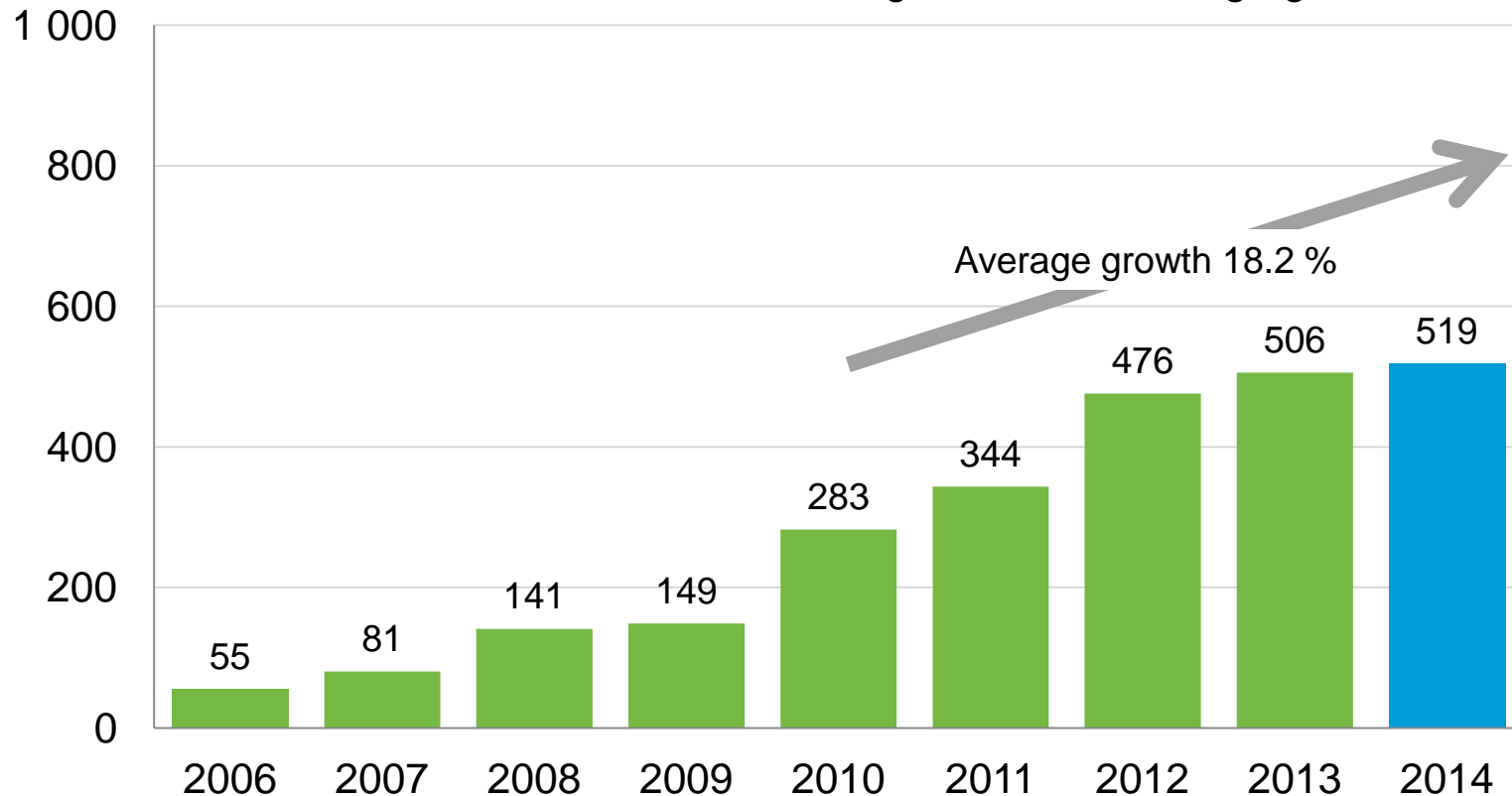
Minerals Processing	-13
Metals, Energy & Water	-31
<b>Outotec total</b>	<b>-23</b>
Services	+9

\*) In comparable currencies

# Services sales grew 9%\*) despite the challenging market environment

EUR million

Growth target : annual average growth 10-20%

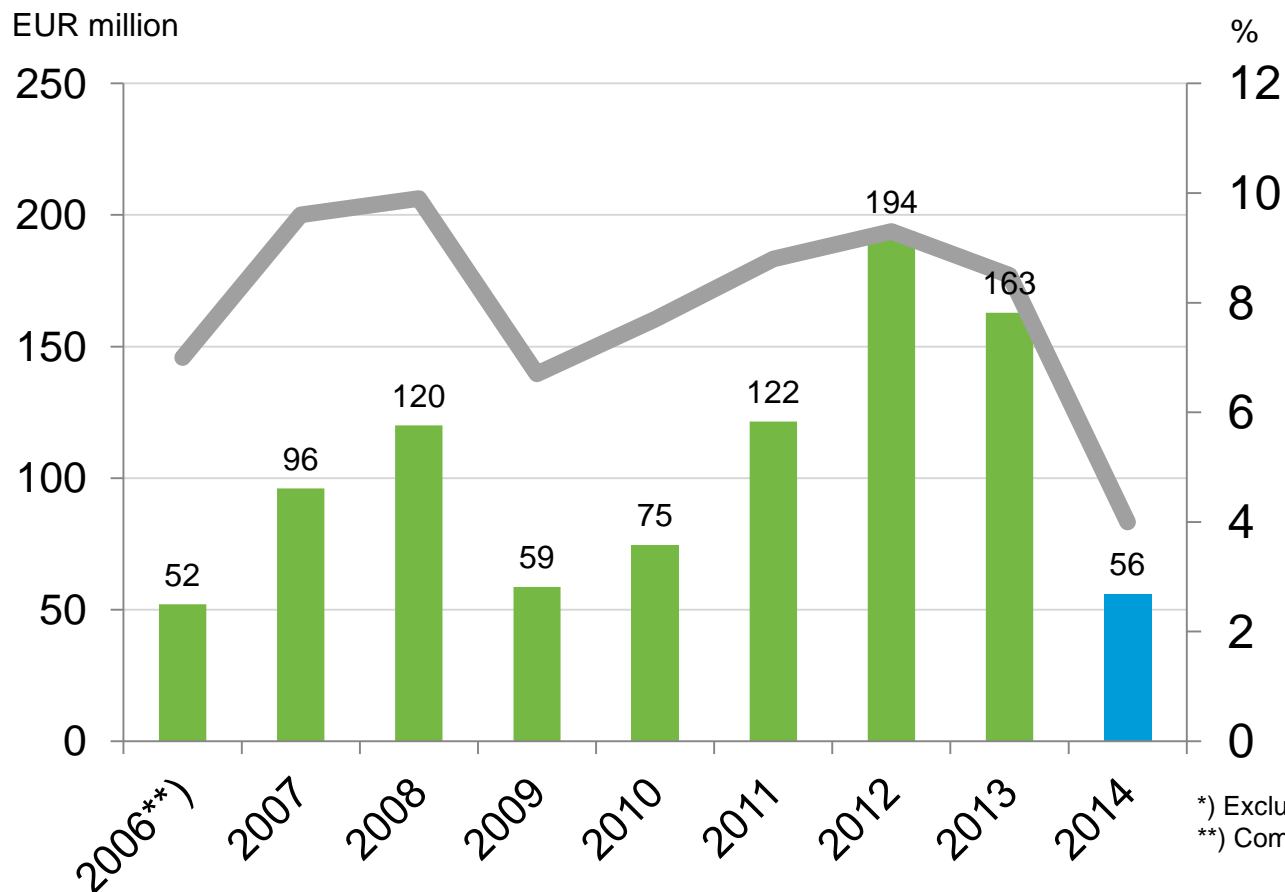


\*) In comparable currencies

# Operating profit down due to lower sales and 33 M€ project cost overruns in MEW projects

## Operating profit from business operations<sup>\*)</sup>

EUR million



### Change in operating profit<sup>\*)</sup> from 2013, %

Minerals Processing	-27
Metals, Energy & Water	-101

<sup>\*)</sup> Excluding one time items and PPA

<sup>\*\*)</sup> Combined basis

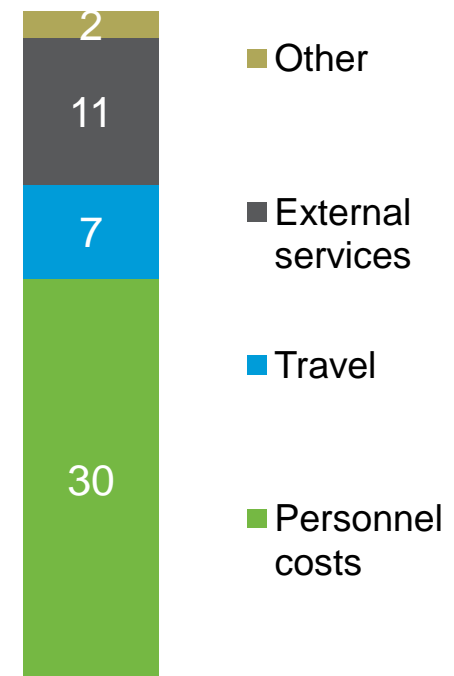
# Solid financing structure, weak ROI & ROE due to low profitability

	12 / 2014	12 / 2013
Net cash from operating activities, EUR million	<b>19,9</b>	-42,1
Working capital, EUR million	<b>-28,2</b>	-14,0
Net interest-bearing debt, EUR million	<b>-5.8</b>	-87.1
Equity, EUR million	<b>445.3</b>	477.4
Balance sheet total, EUR million	<b>1,442.1</b>	1,530.3
Capital expenditure, EUR million	<b>68.5</b>	53.0
Gearing, %	<b>-1.3</b>	-18.2
Equity-to-assets ratio, %	<b>36.1</b>	38.5
Return on investment, %	<b>1.7</b>	25.7
Return on equity, %	<b>0.0</b>	19.4

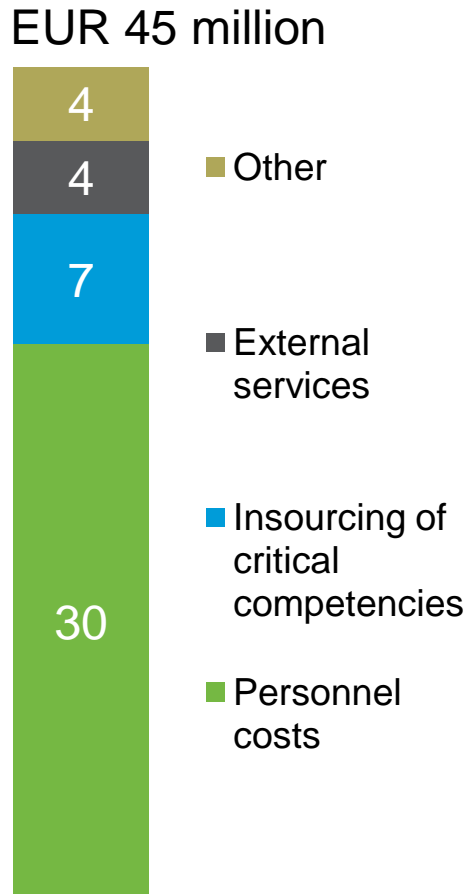
# Targeted EUR 50 million cost savings were achieved

- EUR 50.3 million annualized savings in operational fixed costs were achieved in the 50 M€ cost savings program
- Cumulative one-time costs EUR 28.3 million
- Savings came mainly from personnel reduction (470)

EUR 50 million

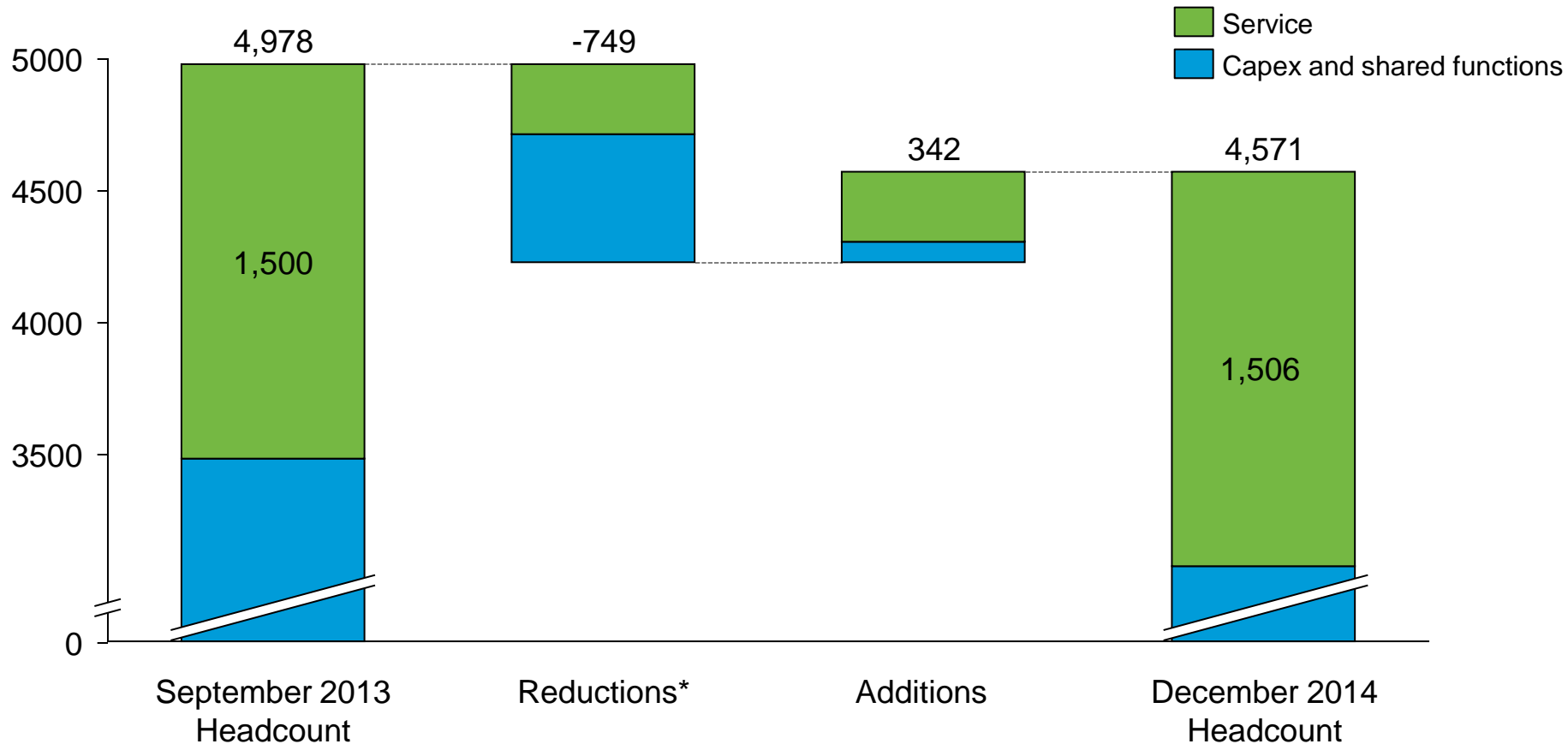


# New EUR 45 million cost efficiency program proceeding



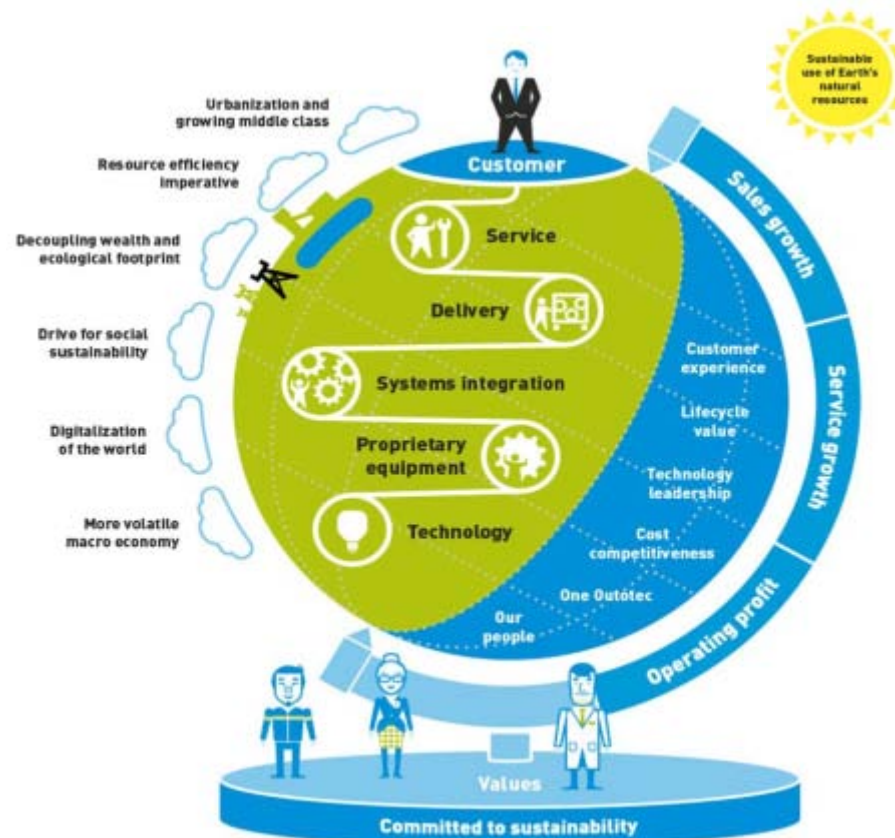
- Launched in October 2014
- EUR 45 million savings in fixed costs, with full gross effect in 2015
- Up to 400 full time equivalent employees or contractors expected to be reduced

# Personnel development since the start of the first savings program, September 2013



\*) 50 M€ program: 470 and 100 voluntary leavers + 179 in 45 M€ program

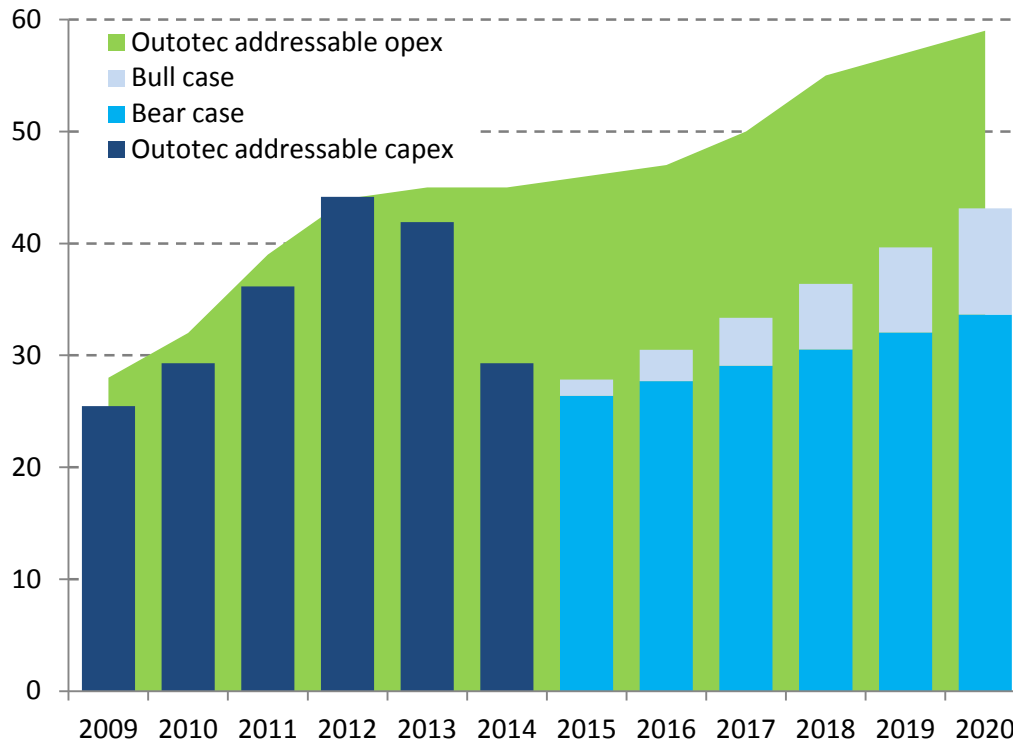
# Our customer promise: The best return on customers' investments through industry leading sustainable process technology solutions and services





# The short to mid-term market outlook continues to be challenging

Outotec addressable Capex and Opex spend, EUR bn



Capex includes Outotec's addressable market for iron ore, copper, gold, alumina, aluminum, nickel, lead and zinc. OPEX includes spares, wears and labor.

Sources: Wood Mackenzie, McKinsey, Outotec analysis (Feb 2015)

## OPEX

- The service business is expected to develop in line with the industry's production volumes
- Short-term, the customers' need to reduce operational spending will slow down growth

## CAPEX

- Metals demand is expected to grow on average 3-6% per annum in line with global GDP growth driving capex growth
- Capital investments are very cyclical and down by appr. 30% in 2014

# Value creation in uncertain market environment

2015 Stabilize and improve profitability

2016 ⇒ Profitable growth and reduced volatility

## 2015 Strategic programs

Customer focused sales

Service growth and profitability

Product competitiveness

Delivery excellence

One Outotec

65 M€ cost reductions in 2014  
45 M€ efficiency program in 2015



- Strengthening earnings logic
- Strengthening geographic presence
- Growth in energy and water sectors

Selected bolt-on M&A to strengthen earnings logic and support profitable growth

# Market outlook for 2015

- The market outlook for 2015 is highly uncertain due to volatile metal prices, continued global macroeconomic uncertainty and geopolitical instability.
- Investments in the mining and metals sector are estimated to be somewhat lower than in 2014.
- Demand in specific markets and segments. Investments in base metals, sulfuric acid and alumina will gradually start to revitalize. Iron to remain low.
- Outlook for environmental solutions solid
- Demand for waste-to-energy, renewable and alternative energy solutions in select markets, short-term market outlook is weak due to low fossil energy prices and uncertainties in subsidy regulation



# Financial guidance for 2015

Based on the 2014 year-end backlog and current operating environment, the management estimates that in 2015:

Sales will be  
approximately  
EUR 1.2-1.4 billion

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Sales  
from 2014  
year-end backlog  
~EUR 0.925 billion

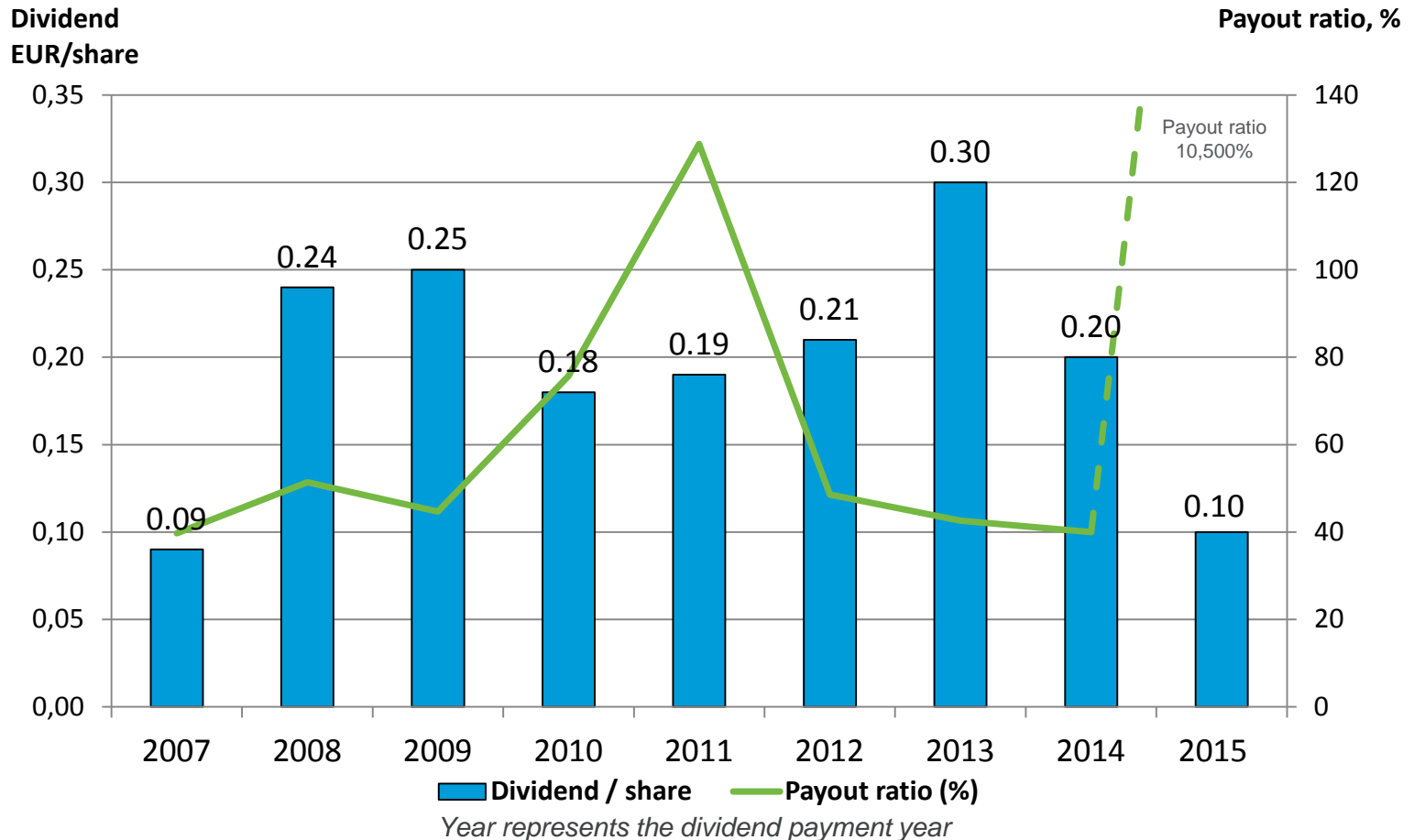
+

Sales  
from new  
orders  
~EUR 0.3-0.5 billion

EBITA (excluding one-time items)  
will be approximately 5-7%

# Dividend proposal

Outotec's dividend policy is average 40% of previous years net income.



Outotec



Sustainable use of  
Earth's natural resources