# Sustainable use of Earth's natural resources

Financial Statements Review

2015

CEO Pertti Korhonen

# Safety performance in 2015

- 0 fatal accidents
- Lost-Time Injury Rate 2.8 (2014: 1.5) per million hours incl. employees and subcontractors
  - 41 lost time injuries
  - 1,171 reported near misses
- 8,245 completed safety e-learning courses (target: minimum 4,000 in 2015)




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# Performance in 2015 – negatives and positives

- Accelerated weakening of mining & metals market in the second half of 2015
- Service orders and sales weakened towards year-end
- Many customers in financial distress
- Negative net profit due to significant one-time costs mainly from restructuring

- Strong energy orders balancing weaker mining and metals orders
- Spare part sales grew YoY
- Improved Capex margins
- Positive cash flow from operations



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# 2015 was challenging in mining and metals industry, energy business a bright spot

- Uncertainty of China's growth outlook increased
- Metals growth slowed down, prices weakened on average 30% to 2009 levels
- Producers cut production and postponed investments
- Markets in Europe and the Middle East were somewhat more active
- Waste-to-energy market more active
- Customers are more demanding and spend less
- Competition continued intense, but margins retained



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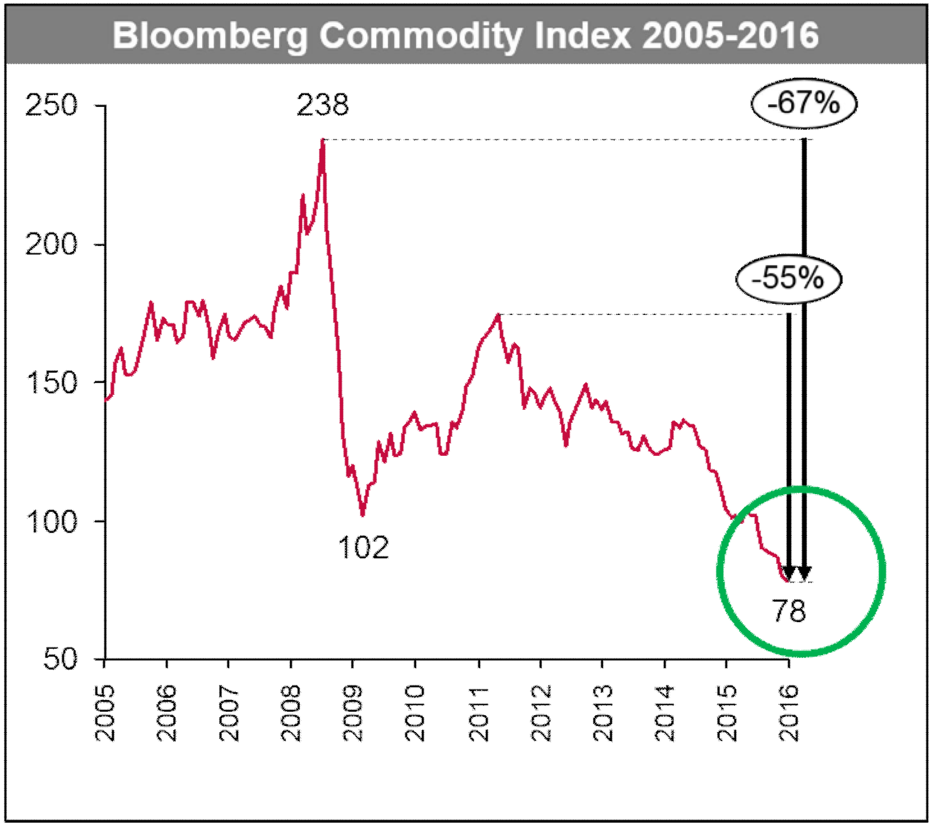
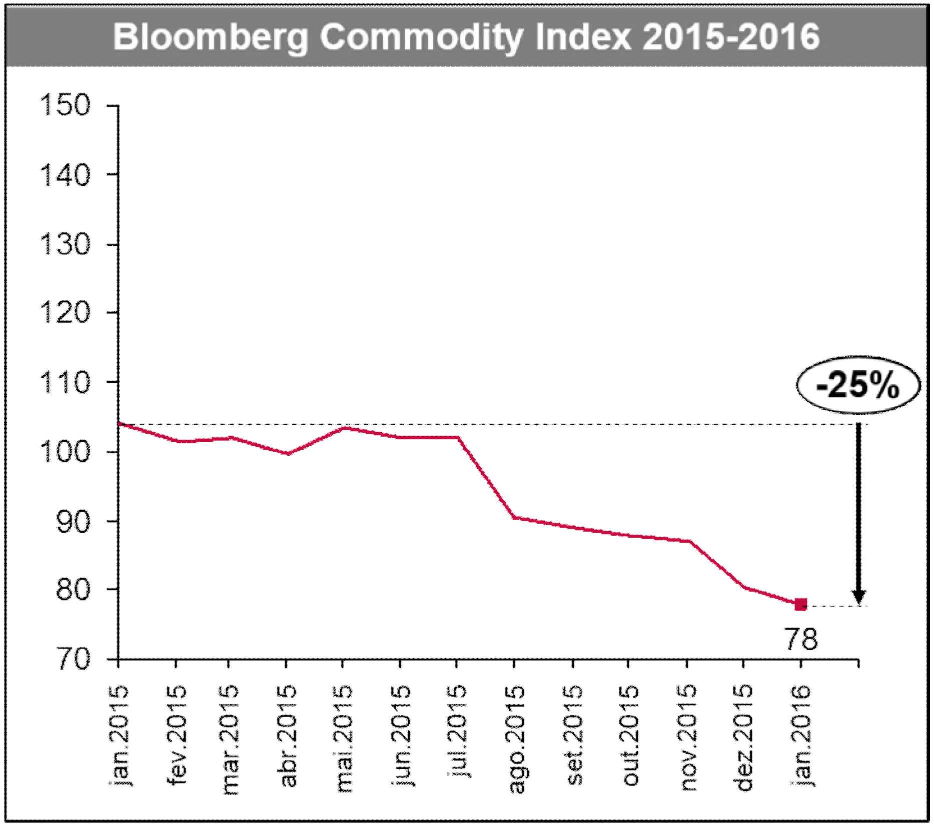
# Commodities index sank below the 2009 financial crisis level – very weak second half of 2015 had a direct impact on industry capex and opex levels




Source: Thomson Reuters Datastream



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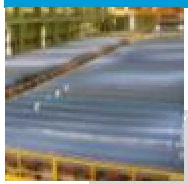
# Metals, Energy & Water orders grew 19%
# Minerals Processing orders contracted 17%

**Minerals Processing orders:** EUR **496** million, -17%[1)]

**Metals, Energy & Water orders:** EUR **694** million, 19%[2)]

## Americas **26** (37)%



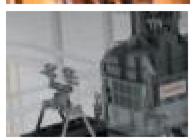
**Zinc** plant technology and services for Met-Mex Peñoles, Mexico
~ EUR 60 million

Modular **copper** SX technology and services, South America
~ EUR 30 million in Q1

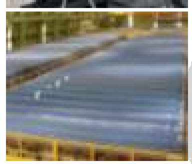
## EMEA **56** (40)%

**Alumina** calcination plants for EGA, UAE
> EUR 80 million

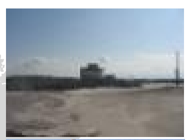
**Iron ore** pelletizing technology for B-MISCO, Iran
< EUR 10 million in Q2 (80-100 million in total)



**Aluminum** smelter technology for EMAL, UAE
> EUR 10 million in Q1



**Zinc** direct leaching for Boliden, Norway
Not published, Q1 (typically EUR 10-20 million)



**Tailings treatment** plant for Yara, Finland
> EUR 40 million in Q3

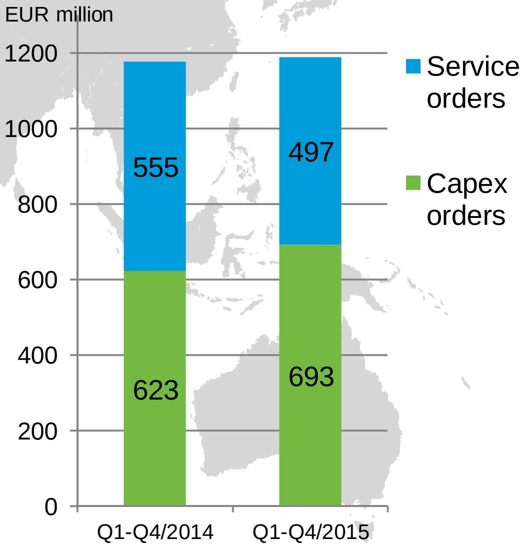
**Iron ore** beneficiation plant, IIEC, Iran
EUR 45 million (10 in Q3)

Seven **waste-to-energy/renewable energy** plants, UK and Canada
EUR 163 million in 2015

## APAC **18** (23)%

**Aluminum** rodshop technology for Chiping Xinyuan Aluminium, China
> EUR 12 million

**Ferrochrome** plant for Mintal China
> EUR 25 million in Q4




1) in comparable currencies, -16%
2) in comparable currencies, 12%



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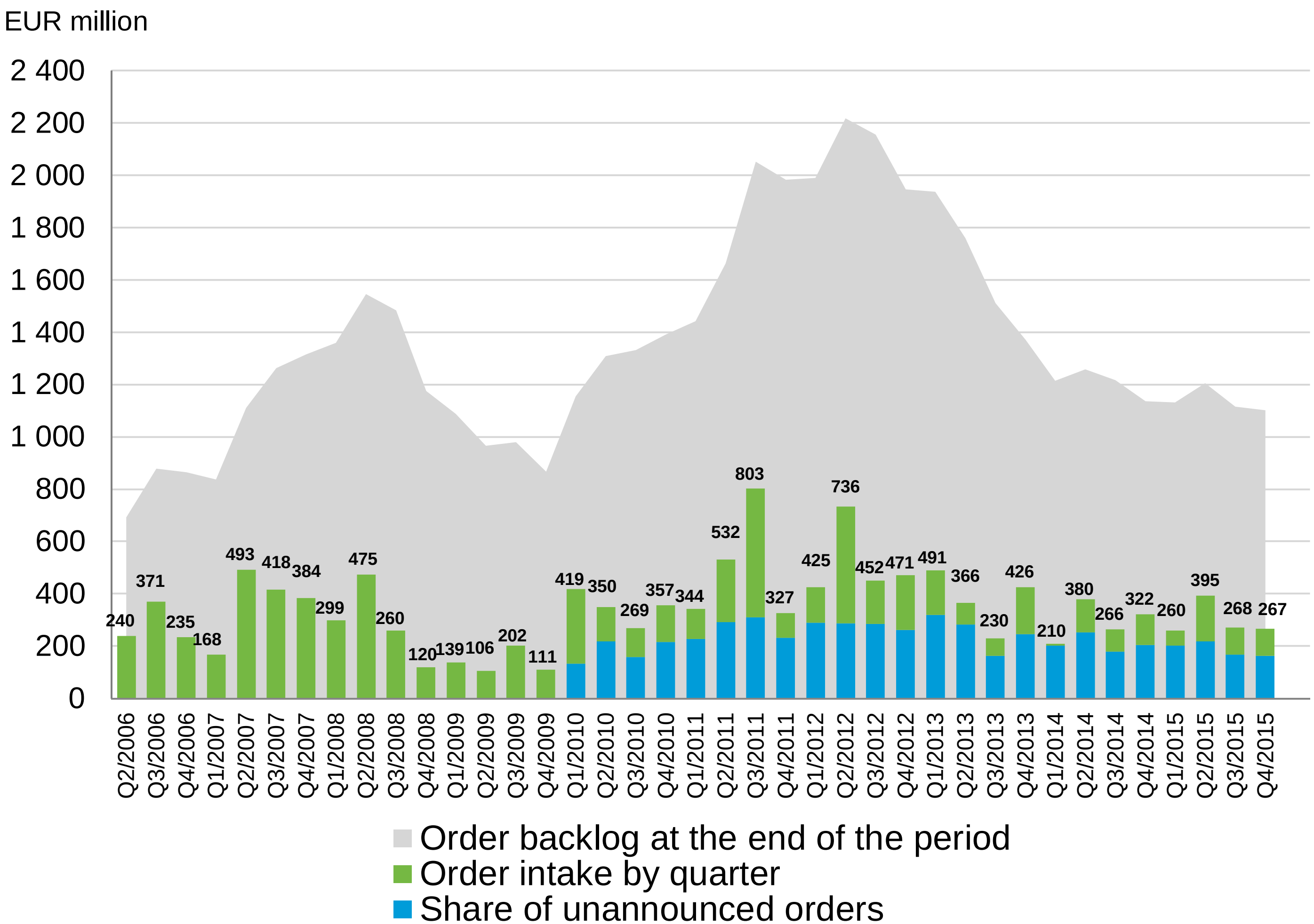
# Stabile order backlog with healthy margins




- Order backlog: EUR 1,103 (1,138) million, of which services EUR 229 (247) million
- 24 (19) projects with value in excess of EUR 10 million, accounting for 66 (58)% of the backlog
- Roughly 70 (81)%, or roughly EUR 760 (925) million of the backlog is estimated to be delivered in 2016



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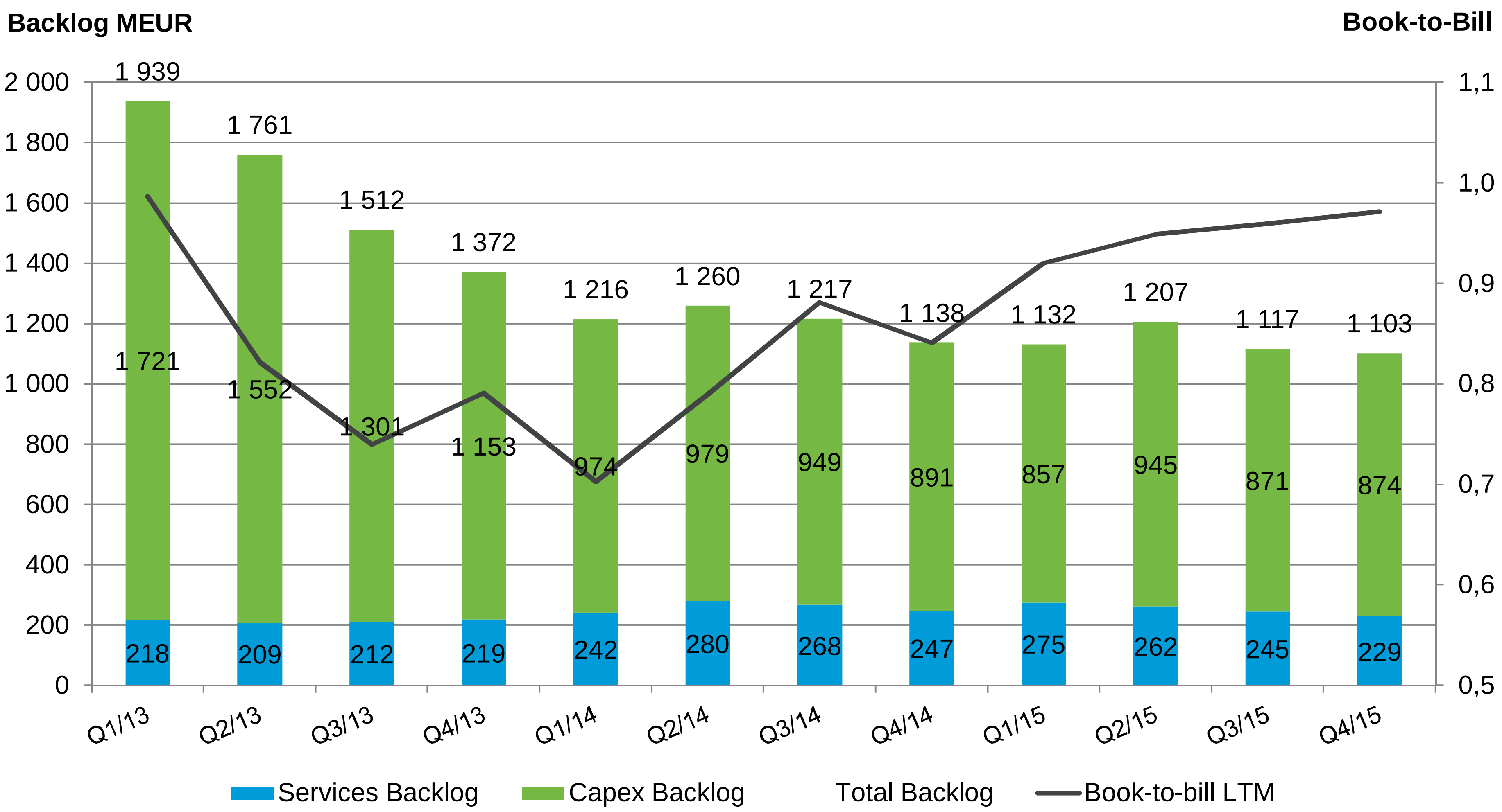
# Book-to-bill stabilizing around one



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# Service sales and EBITA remained flat in tough market, negative net profit due to one-time costs

| | **Q4 2015** | Q4 2014 | **Q1-Q4 2015** | Q1-Q4 2014 | **Change, %** | |
|---|---|---|---|---|---|---|
| Sales, EUR million | **306** | 403 | **1,201** | 1,403 | -14 | 1) |
| Service sales, EUR million | **138** | 166 | **511** | 519 | -1 | 2) |
| Share of services in sales, % | **45** | 41 | **43** | 37 | | |
| Gross Margin, % | **26** | 23 | **28** | 23 | | |
| EBITA, EUR million (excl. one-time items) | **18** | 26 | **56** | 56 | | |
| EBITA, % (excl. one-time items) | **5.8** | 6.3 | **4.7** | 4.0 | | |
| - One time items, EUR million | **-46** | -21 | **-59** | -37 | | |
| - PPA amortization | **-2** | -2 | **-9** | -8 | | |
| EBIT, EUR million | **-31** | 2 | **-12** | 10 | - | |
| EBIT, % | **-10** | 1 | **-1** | 1 | - | |
| Profit for the period, EUR million | **-24** | 0 | **-17** | 0 | | |
| Unrealized and realized losses related to valuation of FX forward agreements, EUR million | **-2** | -2 | **-5** | -9 | - | |
| Earnings per share, EUR | **-0.13** | 0.00 | **-0.10** | 0.00 | | |

1) in comparable currencies, -15%
2) in comparable currencies, -2%



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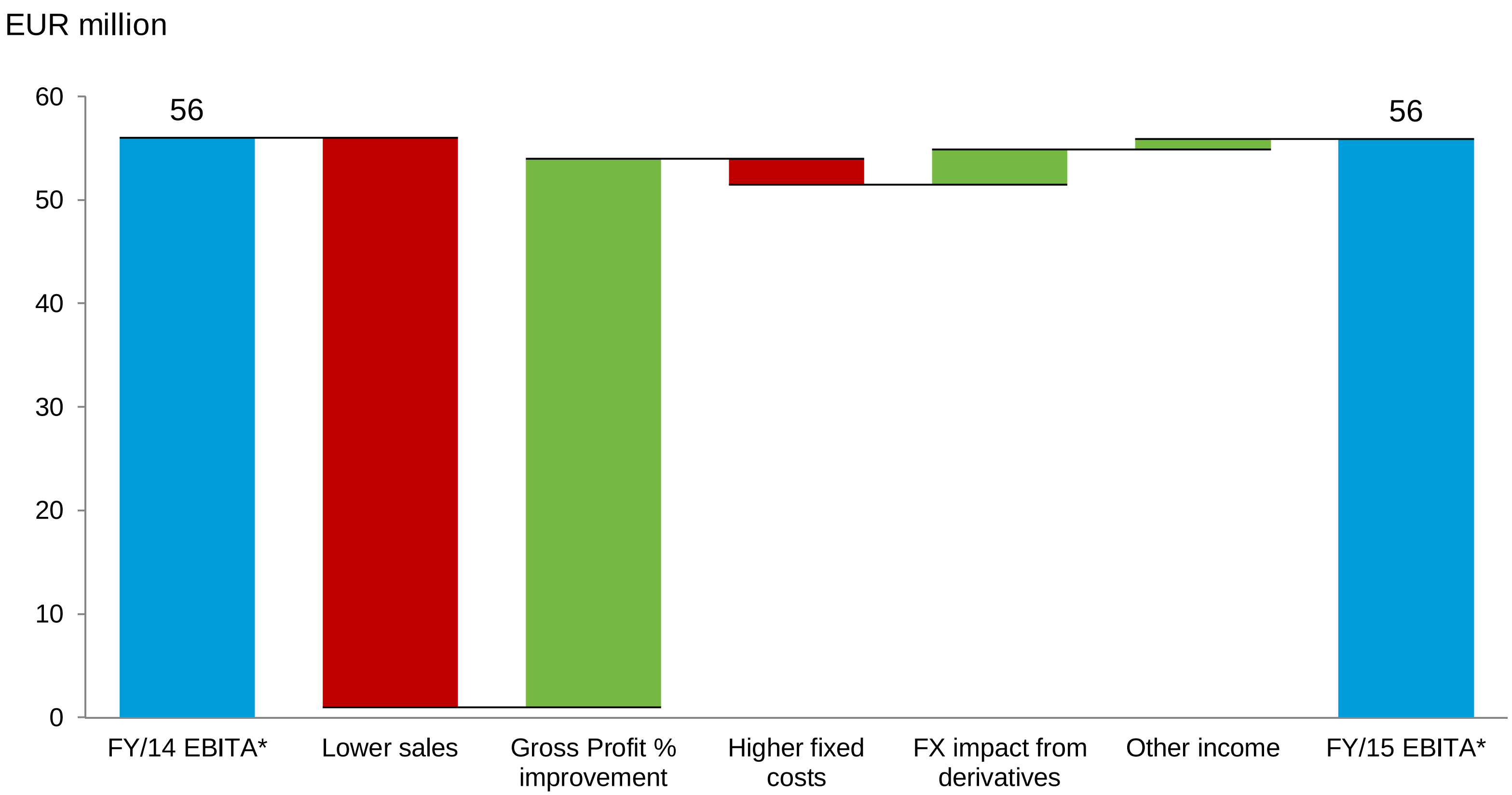
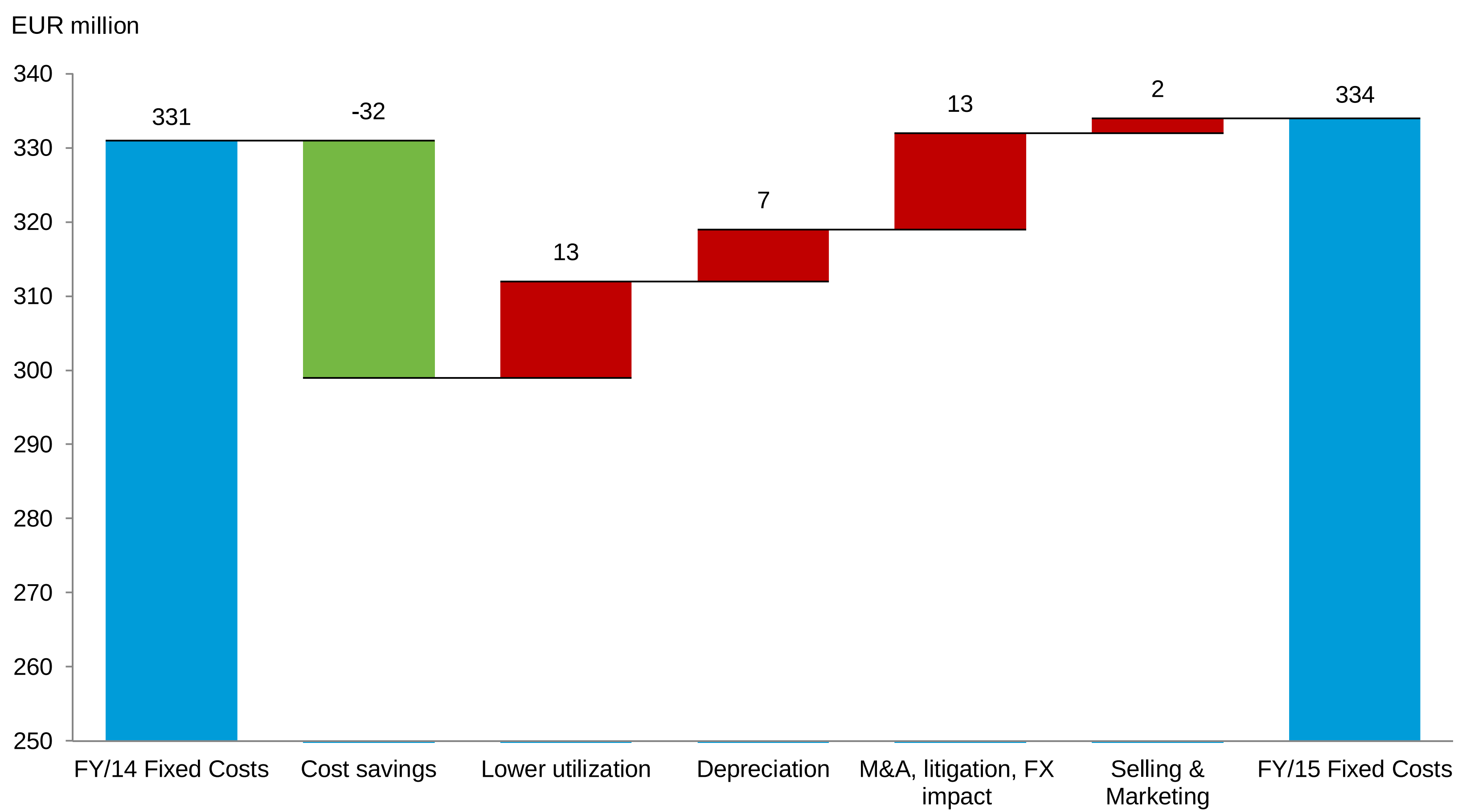
# Lower sales compensated by improved margins



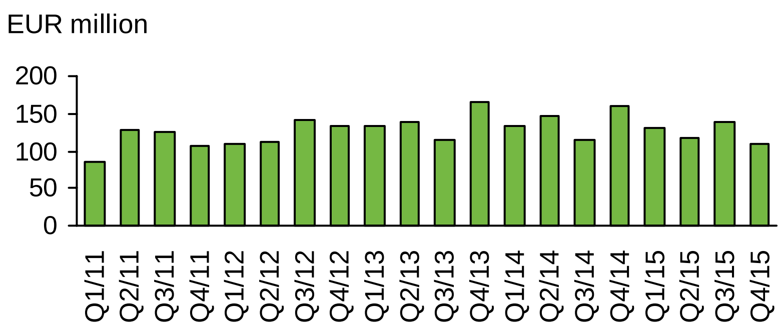

*) excluding one-time items

# Fixed costs flat YoY – main impact came from lower utilization and depreciation

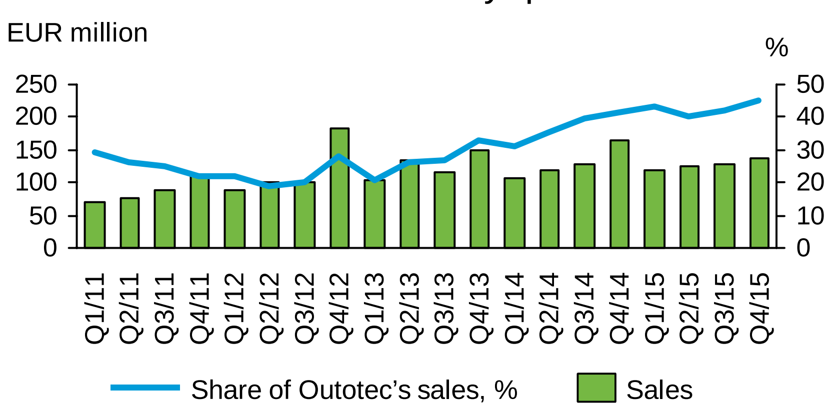


# Service market weakened towards year-end resulting to flat service sales

Service order intake by quarter

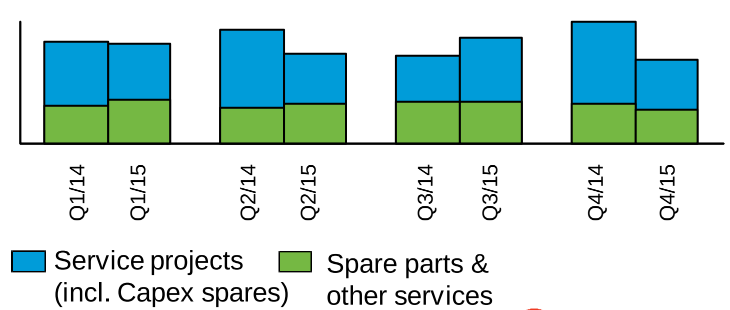



Service sales by quarter




- Service orders decreased 11% to EUR 497 (555) million due to weak market for upgrades, modernizations and O&M services
- Service sales flat as growth in spare parts compensated for weaker sales in technical services, upgrades, modernizations and O&M
- Typical discretionary spending for spare parts did not materialize in December

Split in service order intake



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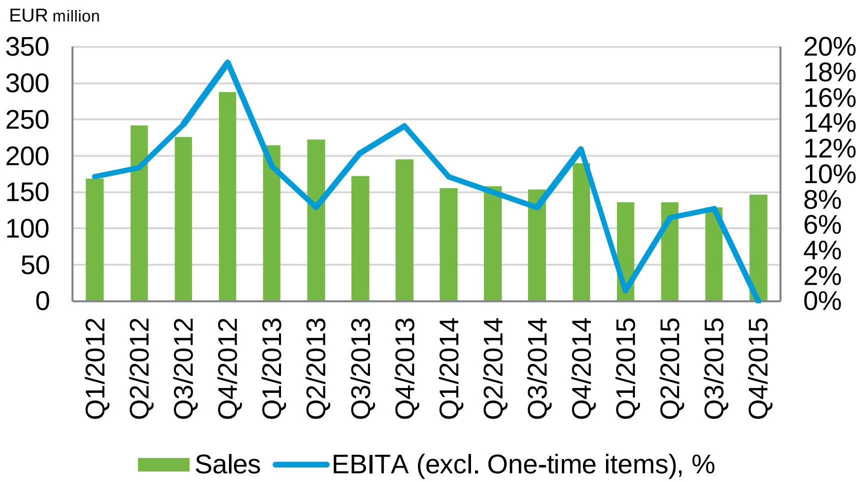
# Minerals Processing – weaker profitability due to lower sales

## Sales and EBITA development




- Weak order intake in the minerals processing solutions continued
- Profitability weakened due to lower sales
- Operational spare part sales increased

| EUR million | **Q4 2015** | Q4 2014 | **Q1-Q4 2015** | Q1-Q4 2014 | Change, % | Change in comp currency,% |
|---|---|---|---|---|---|---|
| Order intake | **103** | 115 | **496** | 594 | -17 | -16 |
| Sales | **147** | 191 | **549** | 660 | -17 | -17 |
| Service sales | **83** | 104 | **312** | 320 | -2 | -3 |
| EBITA (excluding one-time items) | **0.0** | 23 | **19** | 63 | | |
| EBITA (excluding one-time items), % | **0.0** | 12.0 | **3.5** | 9.6 | | |
| Unrealized and realized losses related to valuation of FX forward agreements | **-1.2** | -0.7 | **-3.9** | -4.1 | | |



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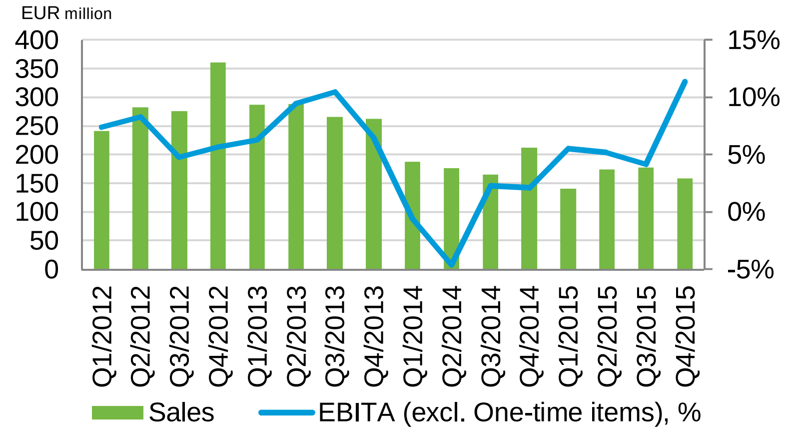
# Metals, Energy & Water – improved profitability due to improved execution and orders growth

## Sales and EBITA development




- Multiple aluminum, zinc, iron and energy solutions increased order intake
- Improved margins due to improved project execution
- Flat service sales despite weak upgrade & modernization market

| EUR million | **Q4 2015** | Q4 2014 | **Q1-Q4 2015** | Q1-Q4 2014 | Change, % | Change in comp. currency, % |
|---|---|---|---|---|---|---|
| Order intake | **165** | 208 | **694** | 584 | 19 | 12 |
| Sales | **159** | 213 | **652** | 743 | -12 | -13 |
| Service sales | **55** | 62 | **199** | 199 | 0 | -1 |
| EBITA (excluding one-time items) | **18** | 4 | **42** | -1 | | |
| EBITA (excluding one-time items), % | **11.4** | 2.1 | **6.5** | -0.2 | | |
| Unrealized and realized losses related to valuation of FX forward agreements | **-0.5** | -1.1 | **-1.5** | -4.5 | | |

# Cash flow improved significantly

| EUR million | Q1-Q4 2015 | Q1-Q4 2014 |
|---|---|---|
| Cash from operations | 22.9 | 54.5 |
| Change in working capital | 54.1 | -1.2 |
| Interest | -4.2 | -3.1 |
| Taxes | -3.3 | -30.3 |
| **NET CASH FROM OPERATING ACTIVITIES** | **69.5** | **19.9** |
| Capital expenditure | -56.1 | -57.1 |
| Acquisitions | -30.8 | -8.0 |
| Other investing activities | 0.1 | -0.1 |
| **CASH FLOW AFTER INVESTING ACTIVITIES** | **-17.3** | **-45.3** |



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# Working capital improved significantly; ROI, ROE and equity impacted by negative net profit due to one-time restructuring costs

| | **Q4 2015** | Q4 2014 |
|---|---|---|
| Net interest-bearing debt, EUR million | **39.9** | -5.8 |
| Gearing, % | **9.9** | -1.3 |
| Equity-to-assets ratio, % | **31.1** | 36.1 |
| Return on investment, %, LTM | **-1.5** | 1.7 |
| Return on equity, %, LTM | **-4.0** | 0.0 |
| Working capital at the end of the period, EUR million | **-89.4** | -28.2 |
| | | |
| Equity, EUR million | **404.7** | 445.3 |
| Balance sheet total, EUR million | **1,531.4** | 1,442.1 |



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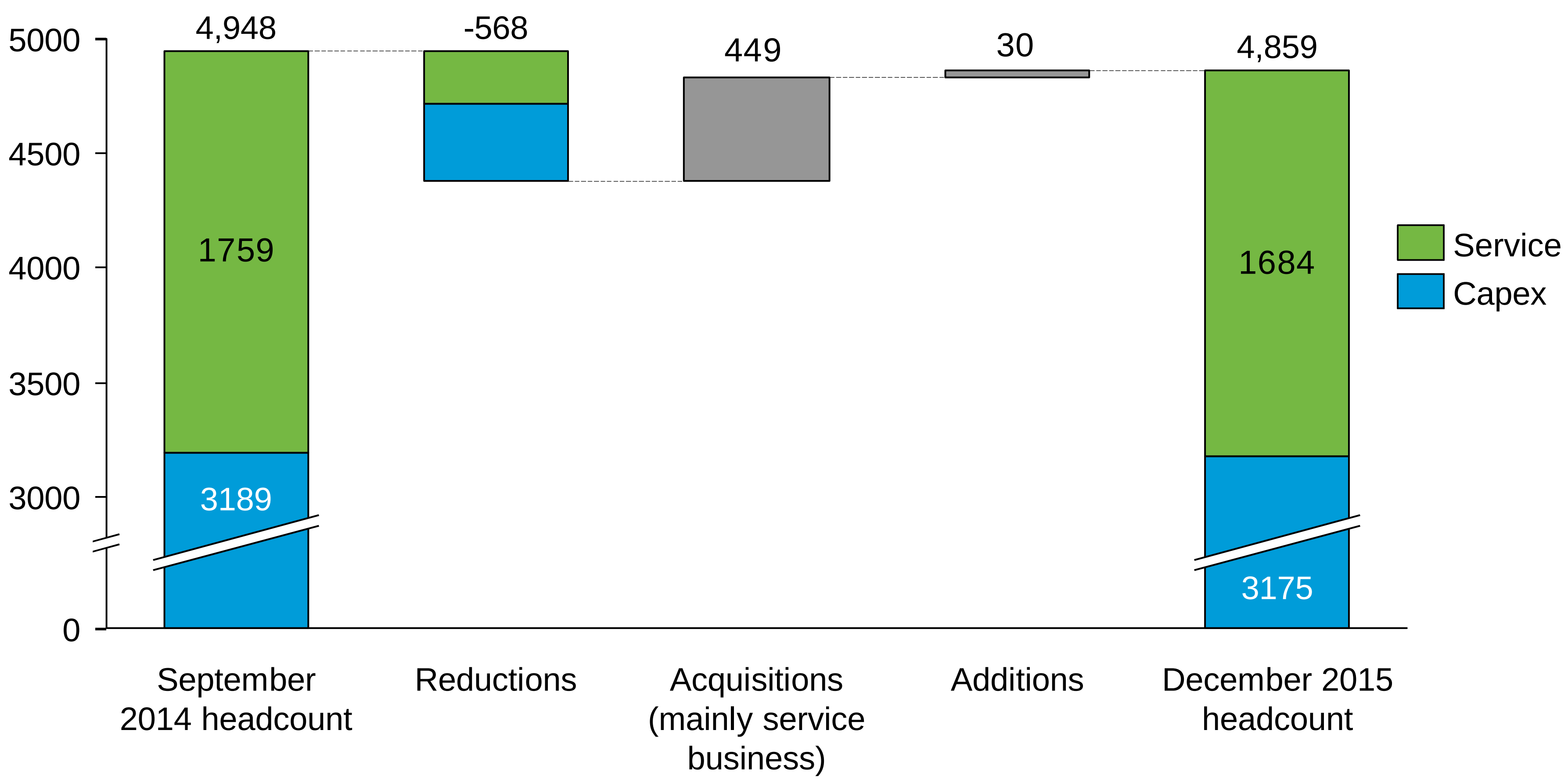
# Slight decrease in personnel – 538 net reductions, 449 additions through service acquisitions



# Key events after December 31, 2015

### Jan 4, 2016

Outotec completed employee cooperation negotiations and as a result, 150 jobs were reduced in Finland.

### Jan 7, 2016

Outotec had agreed on the design and delivery of a ferrochrome plant for Mintal Group in China. > EUR 25 million was booked in Q4/2015 order intake.

### Jan 21, 2016

Outotec was ranked the world's 3rd most sustainable company on the Global 100 Index and received the Silver Class distinction in RobecoSAM's annual Corporate Sustainability Assessment.

### Jan 25, 2016

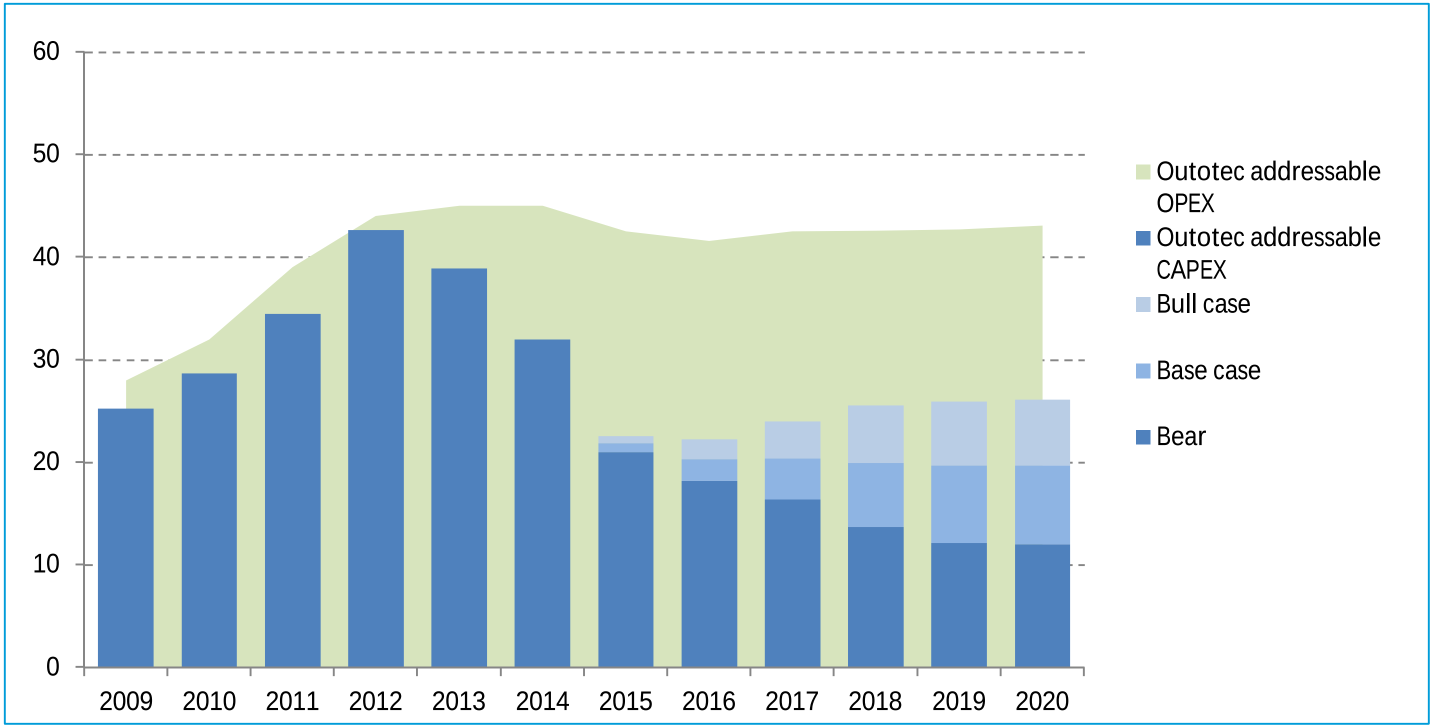
Robin Lindahl, head of Metals, Energy & Water business leaves Outotec to join Normet Group as their new President and CEO latest on May 1, 2016.

### Jan 27, 2016

The arbitration court's final decision in MMX Sudeste Mineração S.A. dispute for Outotec was EUR 6.4 million negative, which was booked in non-recurring items in Q4/2015.

# Minerals and metals capex market declined 15% and service market 6%; the deterioration accelerated in Q4

Outotec addressable Capex and Opex spend, EUR billions




Note: 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, Outotec analysis (Jan 2016)

# Uncertainty in the market continues in 2016

- Pressures to improve productivity creates opportunities for performance services
- Demand for sustainable solutions due to tightening environmental regulations
- Cost of water is driving process modernizations
- Middle Eastern countries develop their resource utilization
- Waste-to-energy solutions are in demand

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- Low metal prices reduce investment attractiveness, flat or reduced capex outlook in mining and metals
- Producers cost cutting and lower production volumes may slow down service business
- Producers' weak profitability and financing may increase instability and risks
- Energy market is linked to subsidies and low energy prices

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# Financial guidance for 2016 is reflecting the volatile market and limited visibility

Based on the current market outlook, customer business activity and assessment of order backlog, the management expects that in 2016:

| Sales will be approx. EUR 1.0 - 1.2 bn | = | Expected sales from YE2015 order backlog ~EUR 760 million (incl. services) | + | Expected sales from new order intake (incl. services) EUR 240 - 440 million |
|---|---|---|---|---|

**Adjusted EBIT*)**
**will be approximately 2 - 5%**

The market weakened last year and the weakening accelerated towards the end of the year. The wide guidance range reflects the current volatility and limited visibility of the market.

We expect the profits to be weighted towards the second half of the year and expect a loss at the start of the year. Normal seasonality, expected timing of project deliveries from the order backlog and the timing of savings impact from the restructuring program drive the annual phasing of the profit.

*) Excluding restructuring and acquisition-related costs as well as purchase price allocation amortizations



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# Focus in 2016

1. Improve product and fixed costs
2. Develop service business
3. Seek opportunities from growth segments




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Sustainable use of
Earth's natural resources