



# Outotec

Sustainable use of  
Earth's natural resources

Interim Report

Q1-Q2 2016

# Safety performance in Q1-Q2/2016

0

Fatal accidents

1.5  
(2015: 2.8)

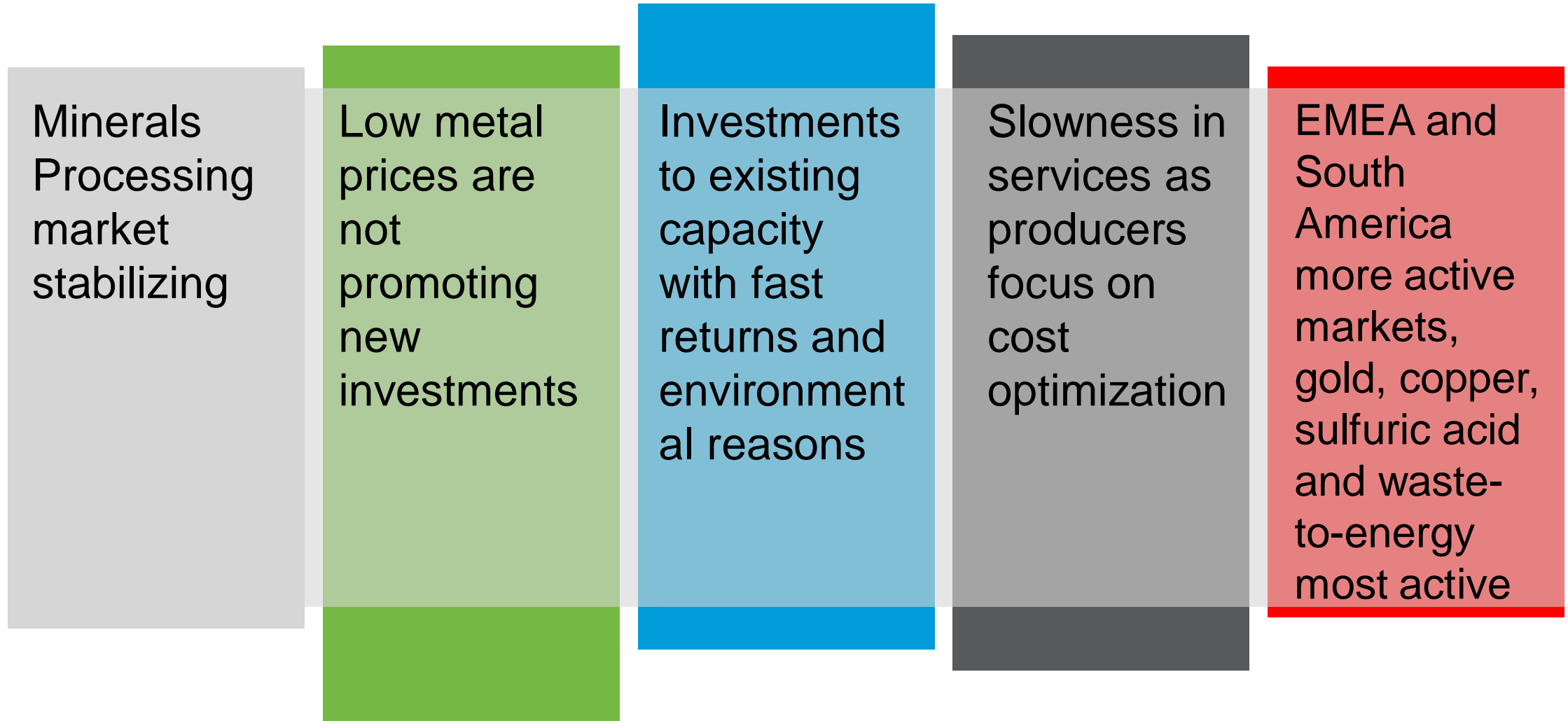
Lost-Time Injury Rate  
per million hours  
incl. employees and  
subcontractors



10 Lost time injuries reported

1,207 Reported near misses

# Minerals Processing stabilizing; Metals, Energy & Water remains challenging



# Q2 in a nutshell


- Continued challenges in the Metals, Energy & Water segment
- Project finalization and payment collection remain challenging
- Despite significant savings, work still remain




- Savings program proceeds, fixed costs reduced by 19%
- Plant and equipment orders in Minerals Processing segment increased
- Service order intake +5% in comparable currencies

# Plant and equipment orders picked up in minerals processing

- Minerals Processing order intake: EUR 261 million, 6% (17% in comparable currencies)
- Metals, Energy & Water order intake: EUR 190 million, -54% (-51% in comparable currencies)



Process equipment for Houndé Gold, Burkina Faso  
13 M€



Copper smelter and acid plant revamp, South America  
Over 33 M€




Process equipment for Acacia Maden, Turkey  
Approx. 14 M€



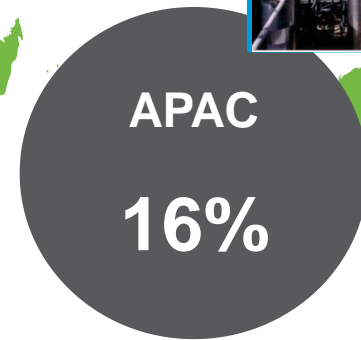
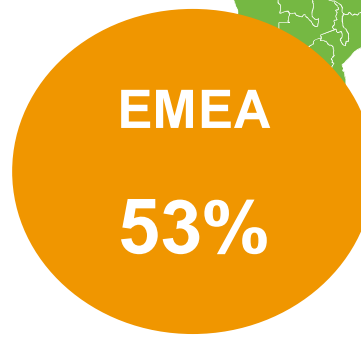
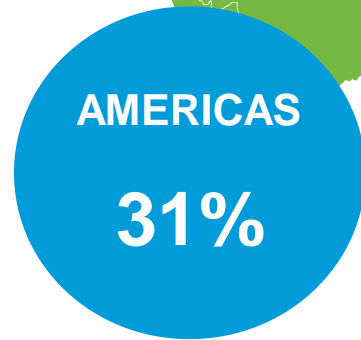
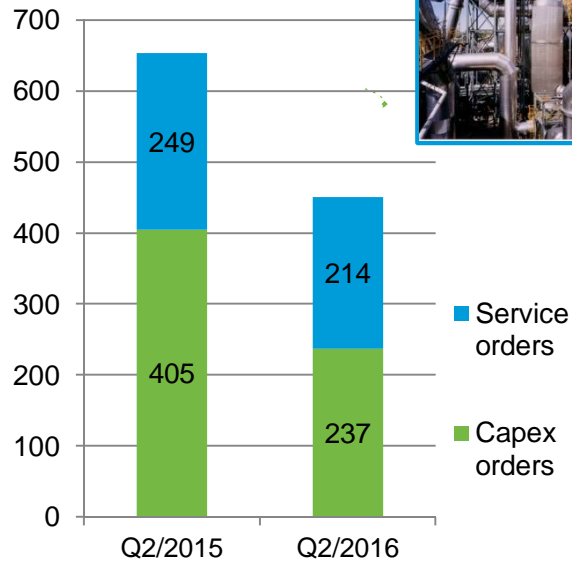
Process equipment for Bakyrchik Mining, Kazakhstan  
Approx. 15-20 M€



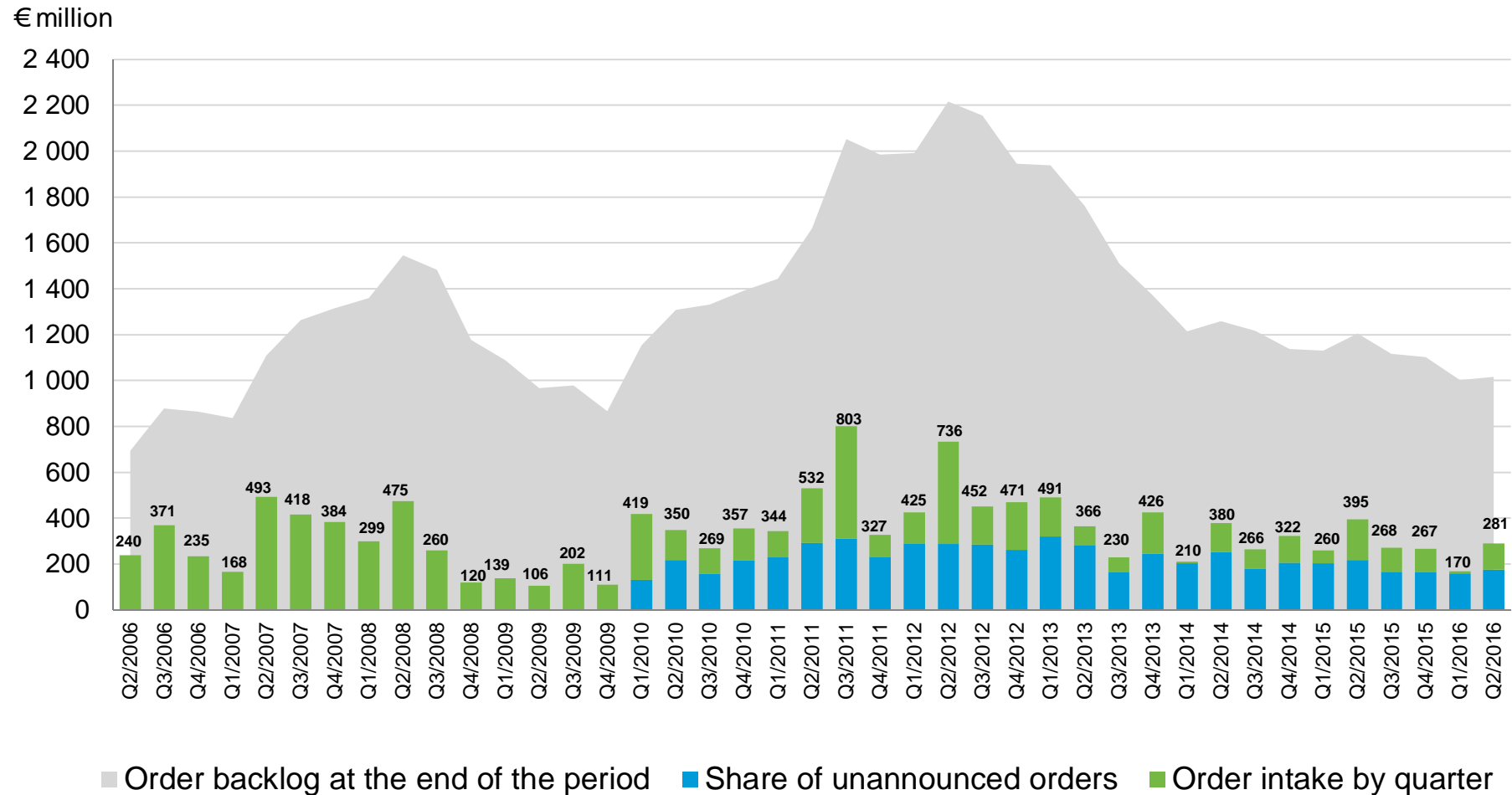
Process equipment for SDM iron concentrator, Iran  
Approx. 10 M€



Sulfuric acid plant for Intesca Industrial, Egypt  
Over 30 M€



# Stable order backlog



Iranian projects not included in Q2 end backlog: EUR 185 (225) million

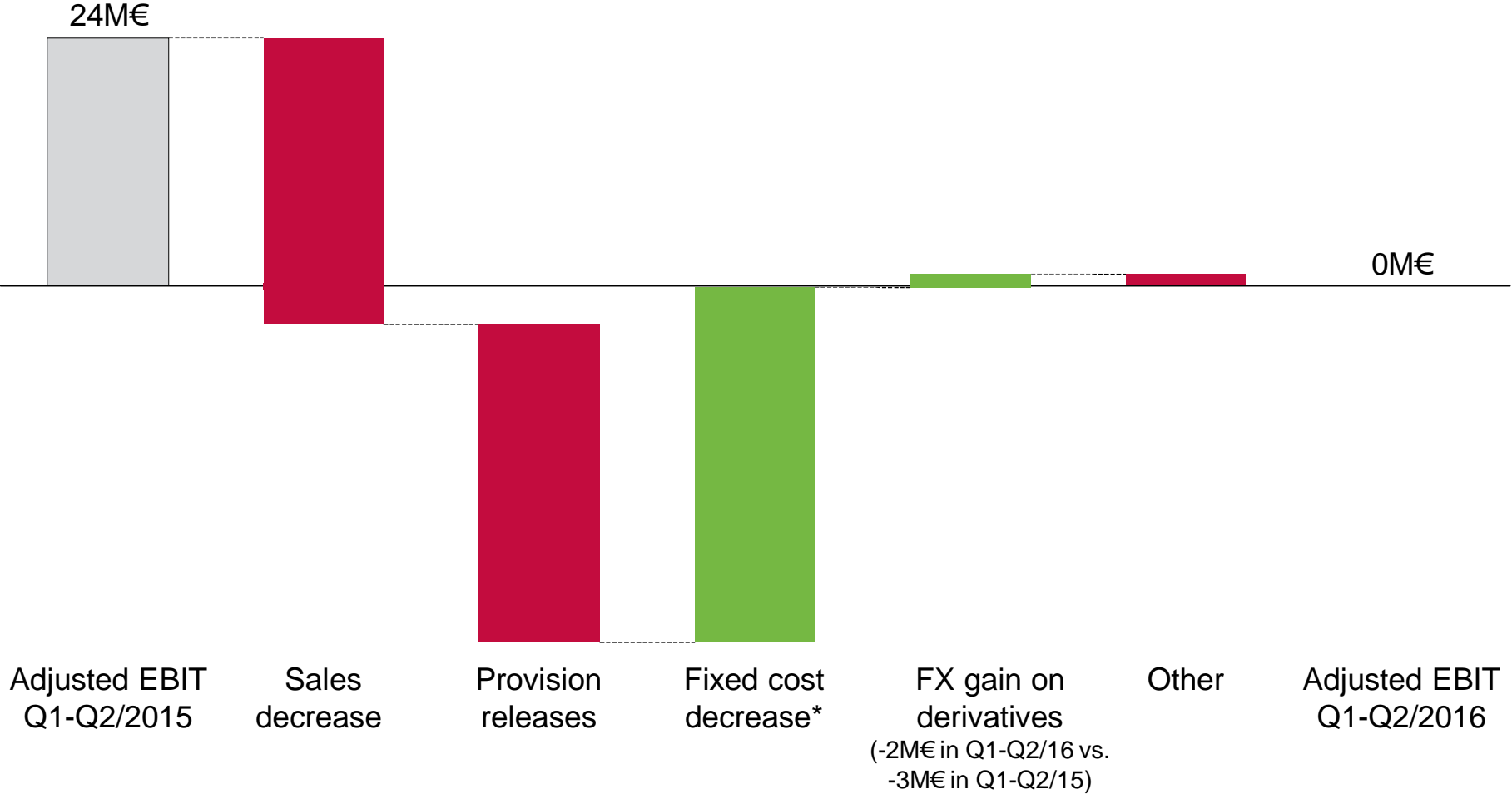
Roughly EUR 490 million of the Q2 end backlog to be delivered in 2016

# Timing of plant and equipment orders in 2015 and weak service order intake in 2016 decreased sales

EUR million	Q2 2016	Q2 2015	Q1-Q2 2016	Q1-Q2 2015	Change, %	In comparable currencies
Sales	<b>268</b>	311	<b>507</b>	588	-14%	-9%
Service sales	<b>100</b>	126	<b>214</b>	244	-12%	-4%
Share of services in sales, %	<b>37</b>	40	<b>42</b>	41		
Gross Margin, %	<b>26</b>	29	<b>25</b>	29		
Adjusted EBIT <sup>*</sup>	<b>5</b>	16	<b>0</b>	24		
Adjusted EBIT <sup>*</sup> , %	<b>2</b>	5	<b>0</b>	4		
- Restructuring and acquisition-related costs	<b>-4</b>	-6	<b>-9</b>	-7		
- PPA amortization	<b>-2</b>	-2	<b>-4</b>	-5		
EBIT	<b>-1</b>	8	<b>-13</b>	12		
EBIT, %	<b>-0</b>	3	<b>-3</b>	2		
Profit for the period	<b>-3</b>	4	<b>-14</b>	5		

\* Excl. restructuring and acquisition-related costs and PPA amortizations.

# Fixed cost savings not fully compensating lower sales



\*Decline yoy 19%, in comparable currencies 17%



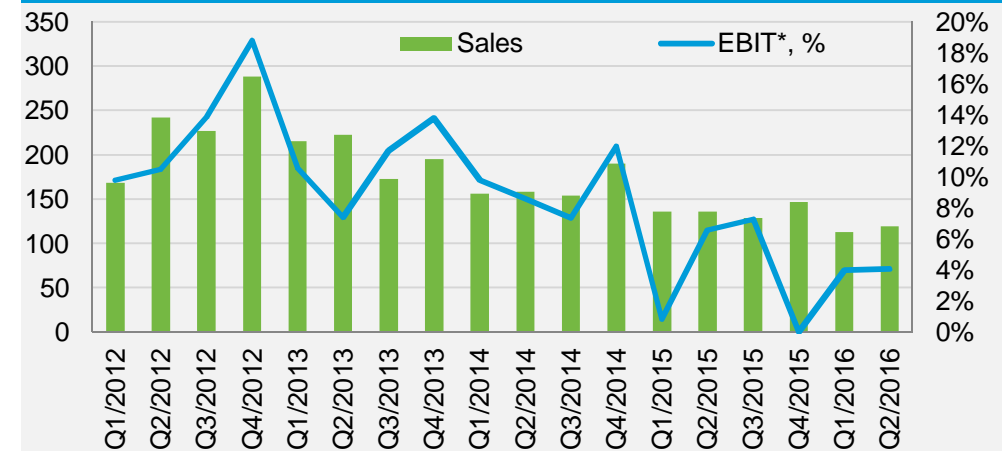
# Minerals Processing

- Improved order intake
- Fixed costs savings starting to show
- Service sales impacted by low order intake in Q1

Minerals Processing EUR million	Q1-Q2 2016	Q1-Q2 2015	Change, %	Change in comp currency, %
Order intake	<b>261</b>	245	6	17
Sales	<b>232</b>	273	-15	-8
Service sales	<b>125</b>	150	-17	-7
Adjusted EBIT <sup>*)</sup>	<b>10</b>	10		
Adjusted EBIT <sup>*)</sup> , %	<b>4</b>	4		
Unrealized and realized losses related to valuation of FX forward agreements	<b>-0</b>	-4		



Sales and adjusted EBIT development



\* Excl. restructuring and acquisition-related costs and PPA amortizations

# Metals, Energy & Water

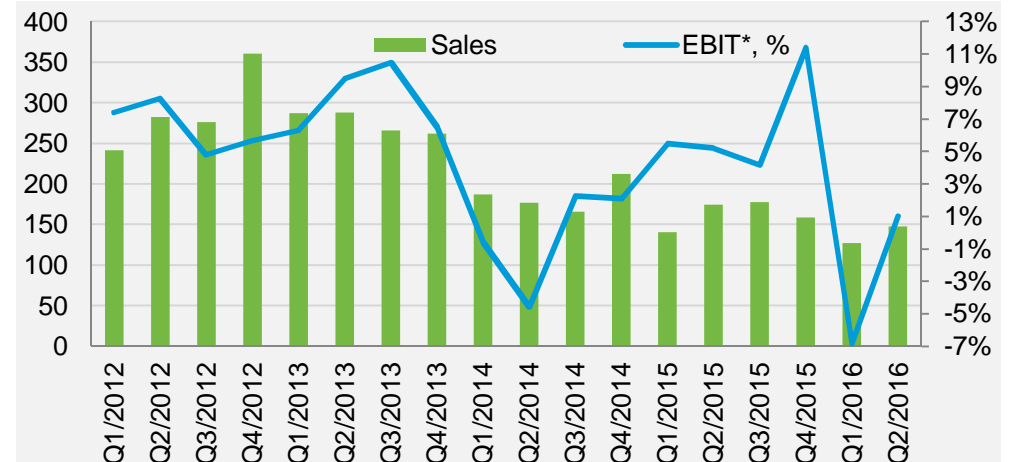
- Metals refining orders on a low level
- Demand for sulfuric acid and off-gas solutions
- Profitability remained challenging

Metals, Energy & Water EUR million	Q1-Q2 2016	Q1-Q2 2015	Change, %	Change in comp. currency, %
Order intake	<b>190</b>	409	-54	-51
Sales	<b>275</b>	315	-13	-9
Service sales	<b>90</b>	94	-4	2
Adjusted EBIT <sup>*)</sup>	<b>-7</b>	17		
Adjusted EBIT <sup>*)</sup> , %	<b>-3</b>	5		
Unrealized and realized losses related to valuation of FX forward agreements	<b>-1</b>	1		

\* Excl. restructuring and acquisition-related costs and PPA amortizations



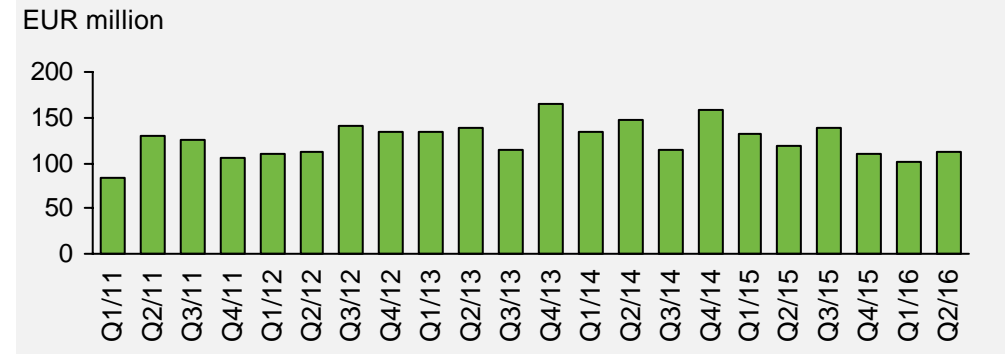
## Sales and adjusted EBIT development



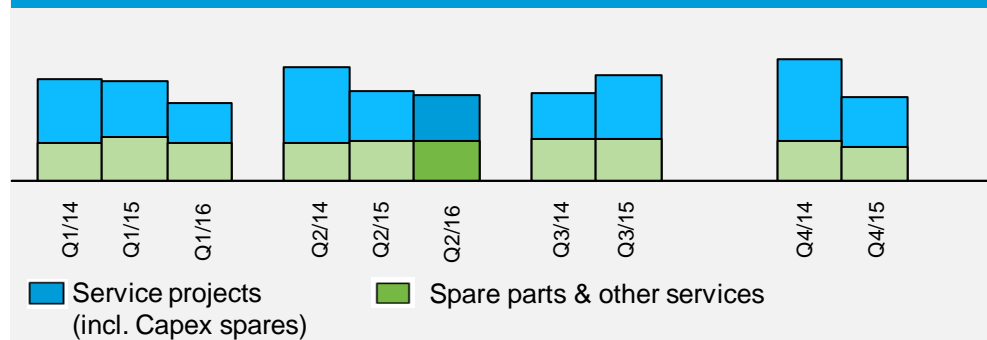
# Upgrade and long-term service contract orders and sales declined

- Cost optimization puts pressure on services
- Upgrades and shut down services postponed
- Spare part inventories optimized

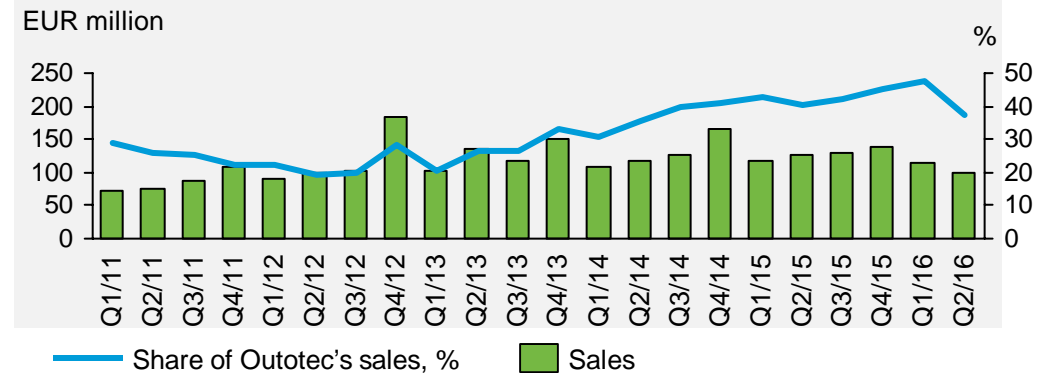
## Service order intake by quarter



## Split in service order intake



## Service sales by quarter



# Ongoing projects tied up more capital

EUR million	Q1-Q2 2016	Q1-Q2 2015
Cash from operations	22	28
Change in working capital	-66	-67
Interest	0	1
Taxes	-6	-5
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-50</b>	<b>-43</b>
Capital expenditure	-11	-32
Acquisitions	-3	-22
Other investing activities	2	0
<b>CASH FLOW AFTER INVESTING ACTIVITIES</b>	<b>-62</b>	<b>-96</b>

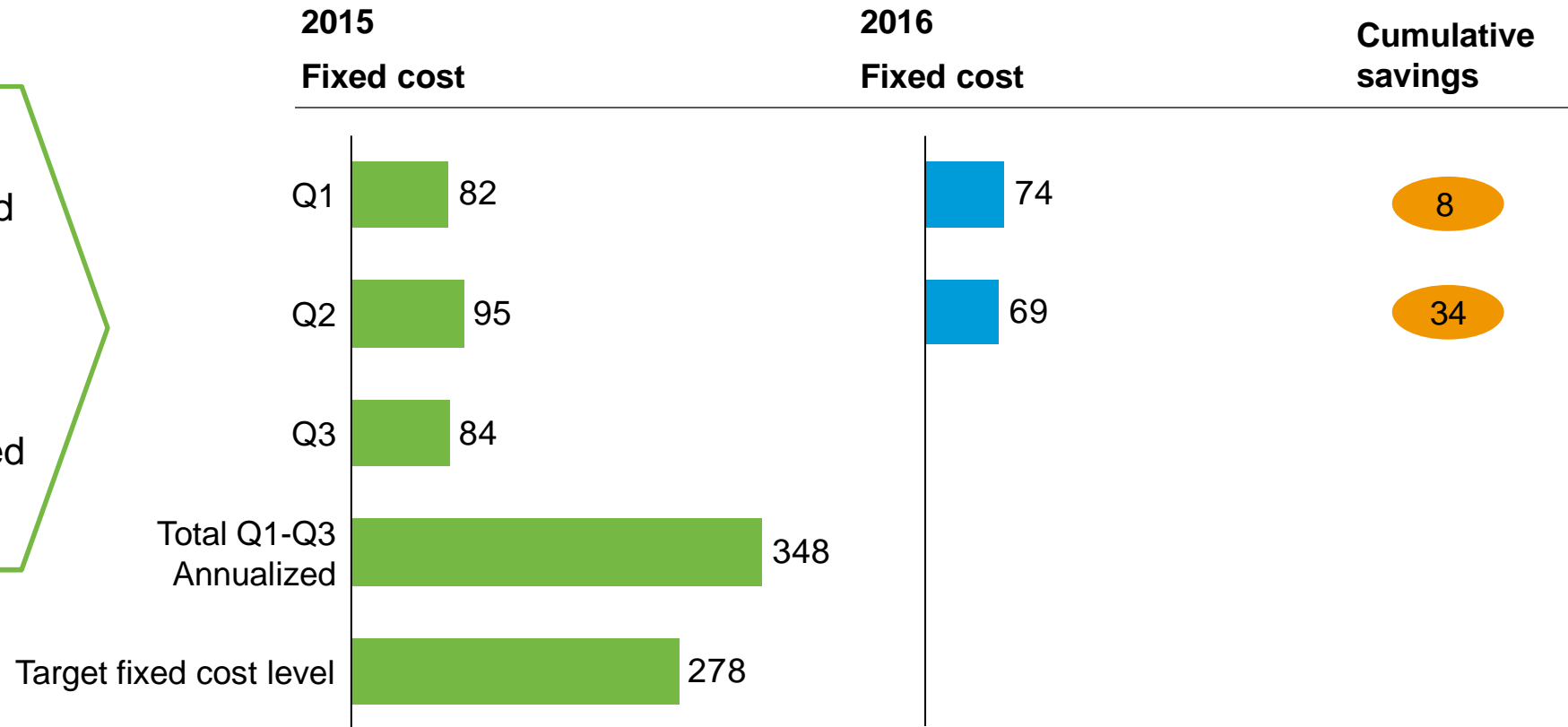
# Liquidity & equity remained solid, EUR 30 million debt repaid

	Q2 2016	Q2 2015	Q4 2015
Net interest-bearing debt, EUR million	<b>-50*</b>	105	40
Gearing, %	<b>-9*</b>	24	10
Equity-to-assets ratio, %	<b>42*</b>	33	31
Return on investment, %, LTM	<b>-4</b>	2	-1
Return on equity, %, LTM	<b>-7</b>	0	-4
Working capital at the end of the period, EUR million	<b>-37</b>	39	-89
Equity, EUR million	<b>540</b>	444	405
Balance sheet total, EUR million	<b>1,500</b>	1,501	1,531

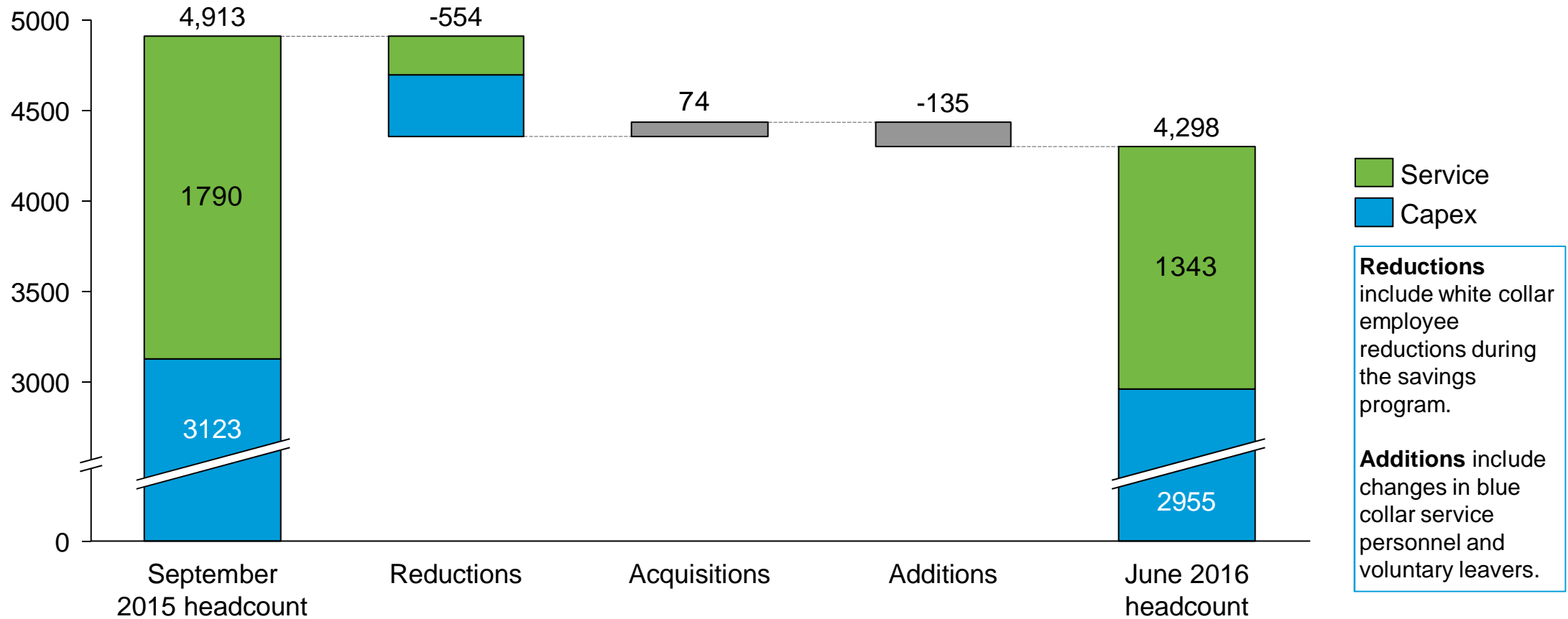
*\* If the hybrid bond would be treated as liabilities: Equity-to-assets ratio 30%, gearing 26%, and net interest-bearing debt would be EUR 100 million.*

# Fixed cost savings achieved as planned

- Target is EUR 70 million annual fixed cost reduction compared to Q1-Q3/2015 run rate.
- Of this, EUR 34 million was reached in Q1-Q2/2016.



# Personnel development since September 2015





# Key events after June 30, 2016

**July 27, 2016**

Markku Teräsvasara assumes the duties of Outotec's CEO on October 1, 2016

**July 27, 2016**

Order of process equipment to the Iron Concentrate Project Sangan in North-Eastern Iran. Approx. EUR 10 million order has been booked in the second quarter.

**July 1, 2016**

Outotec updated its Disclosure Policy



**July 4, 2016**

Outotec to deliver process equipment for Acacia Maden's Gökirmak greenfield copper project in Turkey, EUR 14 million order booked in Q2/2016.



**July 12, 2016**

Outotec to deliver process equipment for Bakyrchik Mining's gold project in Kyzyl, Kazakhstan. Order booked in Q2/2016, value not disclosed.





# Market outlook remains uncertain

– industry’s investment forecast for 2016 lower than in 2015

Further capacity adjustments expected in the current metals supply capacity, which exceeds the demand.

The current market conditions and long-term metals price outlook is not supportive for investments.

Sustainable solutions are in demand due to tightening environmental regulations.

Some geographic areas, such as the Middle East, are more active.

Waste-to-energy solutions are in demand in certain countries but linked to subsidies and environmental regulations.

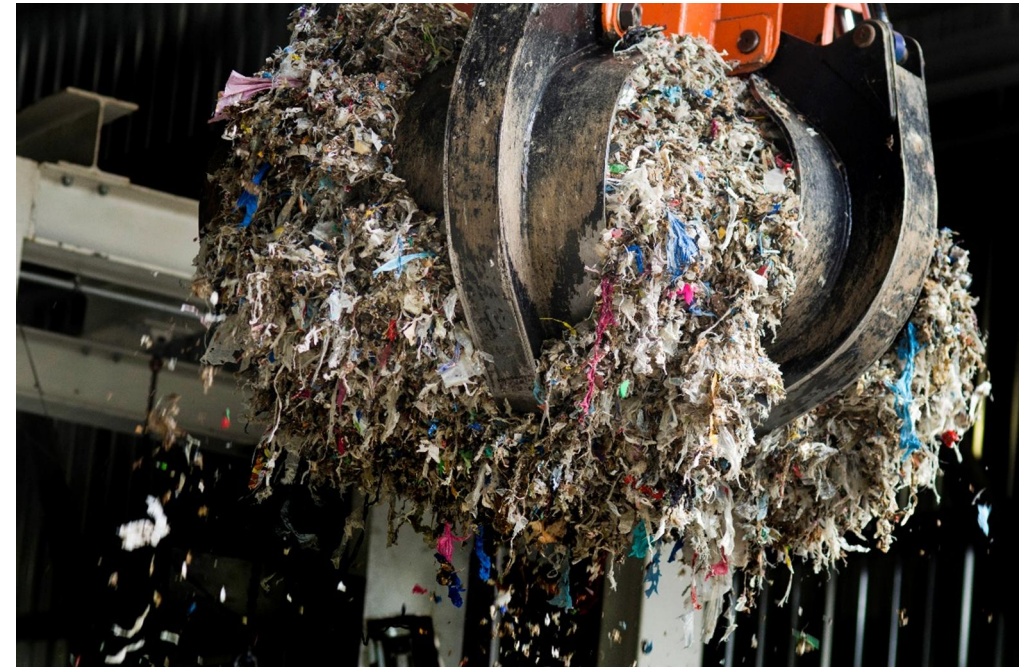


Process modernizations are driven by the scarcity and cost of water as well as emission control.

Service opportunities through productivity improvement

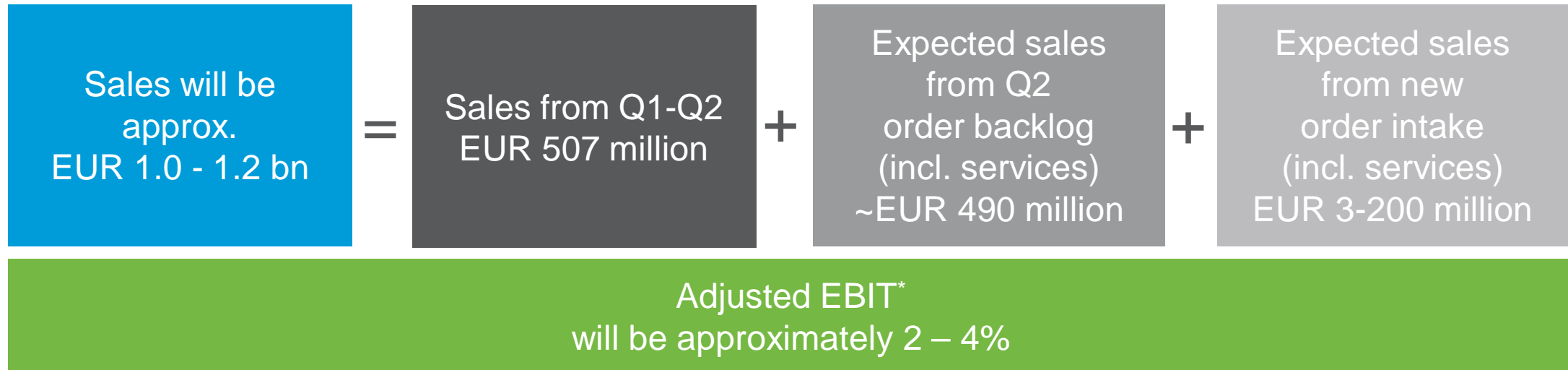
# Key focus in 2016

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



# Sales guidance for 2016 reiterated, profitability guidance range narrowed

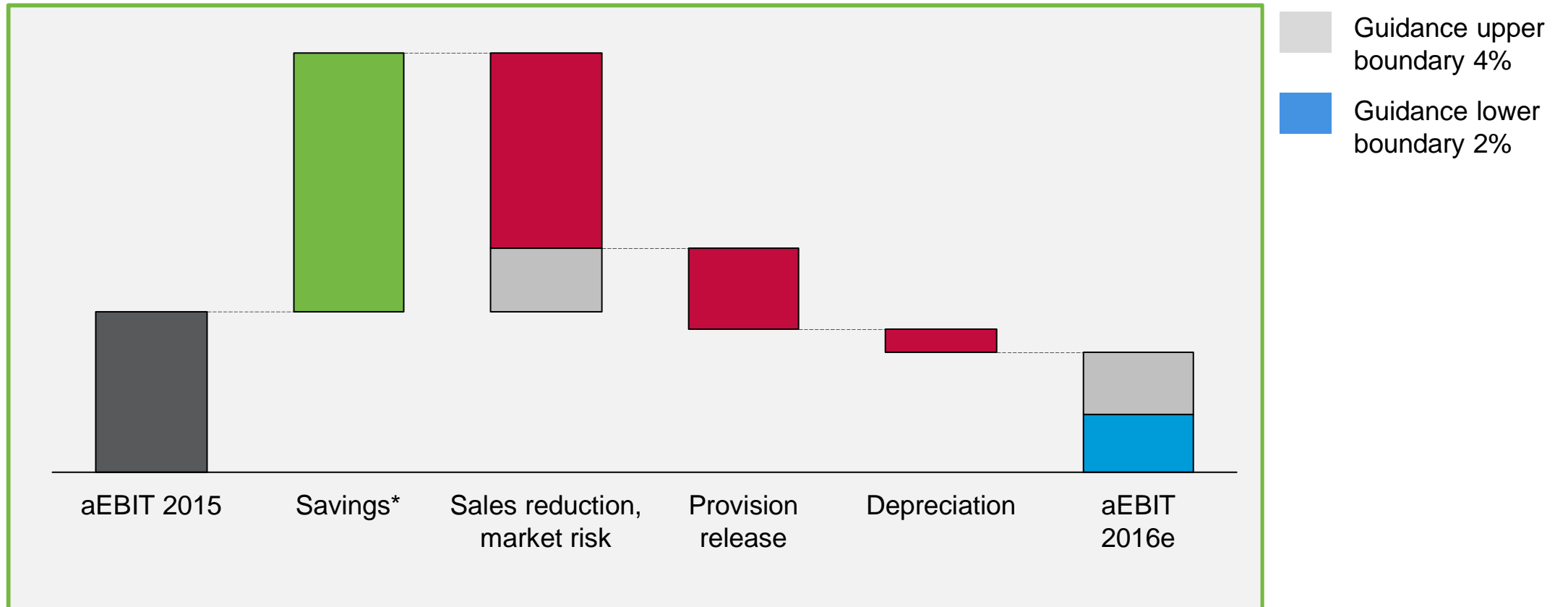
Based on the continued challenges of the Metals, Energy & Water segment, current order backlog and uncertain market condition, the management narrows its profitability guidance range and expects that in 2016:



The wide guidance range reflects the current volatility of the market.

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

# Profitability roadmap from 2015 to 2016



\*Incl. cost structure program and other actions

Outotec



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