



Outotec

Sustainable use of
Earth's natural resources

Interim Report

Q1-Q3 2016

Markku Teräsvasara, Outotec's CEO since October 1, 2016

Work experience

- President, Atlas Copco Mining and Rock Excavation Service Division, Sweden 2014-9/2016
- President, Atlas Copco Surface Drilling Equipment Division, China 8/2011-2013
- General Manager, Atlas Copco CMT Sweden AB 2008-2011
- Vice President, Marketing Atlas Copco, Surface Drilling Equipment (SDE) division 2004-2008
- Product Manager, Atlas Copco Rock Drilling Equipment division, Underground Equipment 2001-2004
- Product Manager, Atlas Copco CMT Finland (Customer Center) 1997-2001
- Project Manager and Senior designer, Insinööritoimisto Pitkälä Oy & Pitla Oy 1994-1997
(Partner & Member of the Board 1994 - 2001)
- Designer, Insinööritoimisto Lauri Pitkälä Oy, Finland 1990-1993
- Designer, Nord-engineering Oy, Turku, Finland 1988-1990



Born 1965
B.Sc. Civil engineering
Finnish citizen

Safety performance in Q1-Q3/2016

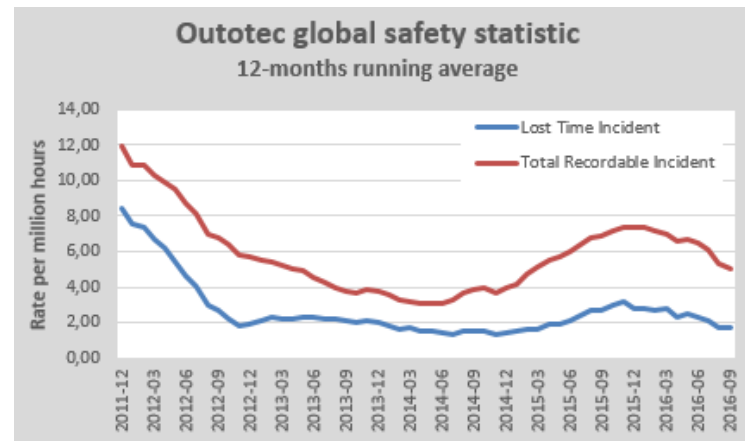
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Fatal accidents



1.4
(2015: 2.8)

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



13 Lost time injuries reported

1,232 Reported near misses

I believe in



First impressions on Outotec

Clear vision and strategy

Good technological expertise



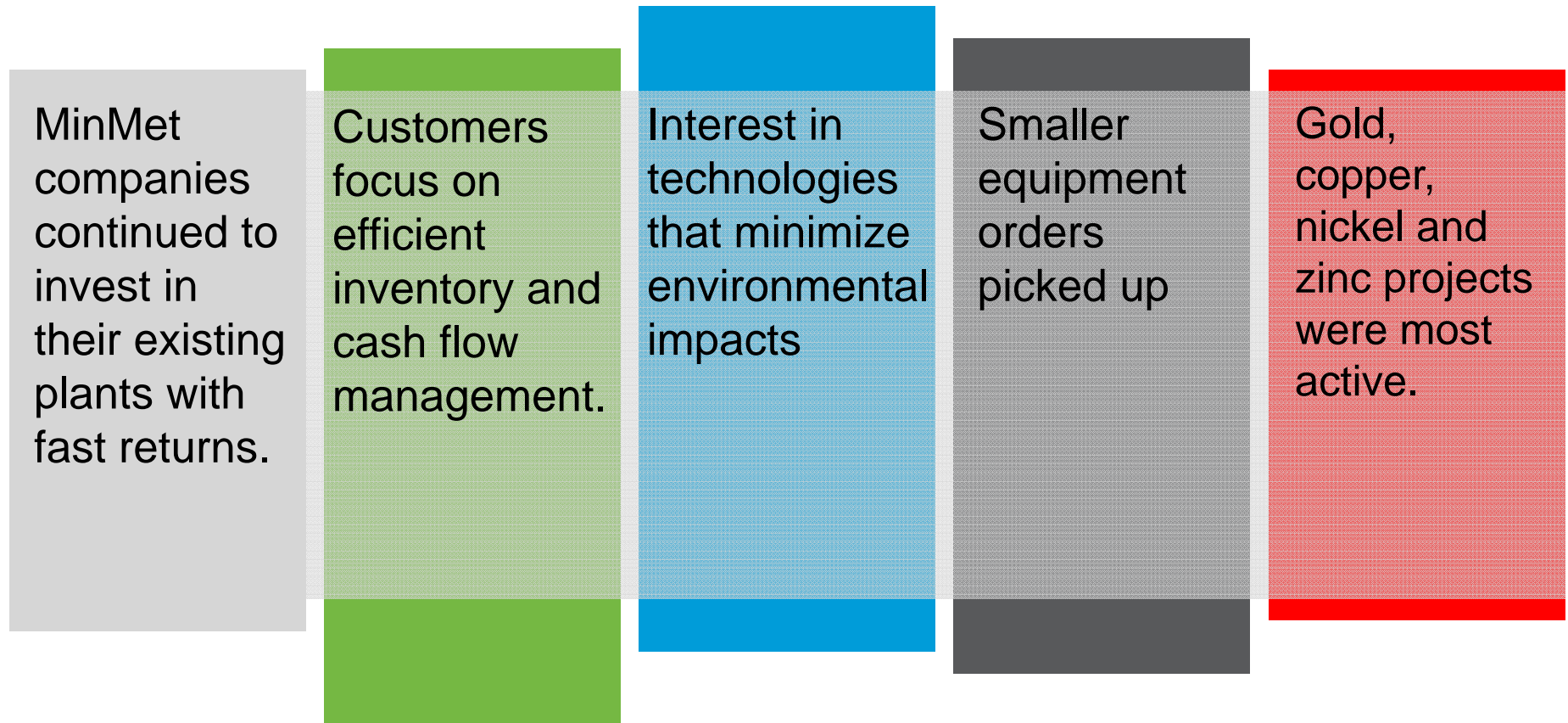
70 M€ savings plan progressing as planned, work with internal efficiency will continue

Large installed base to build service business on

Q1-Q3 Interim Report

CFO Jari Ålgars

Signs of recovery in minerals processing market, environment challenging for metals refining market



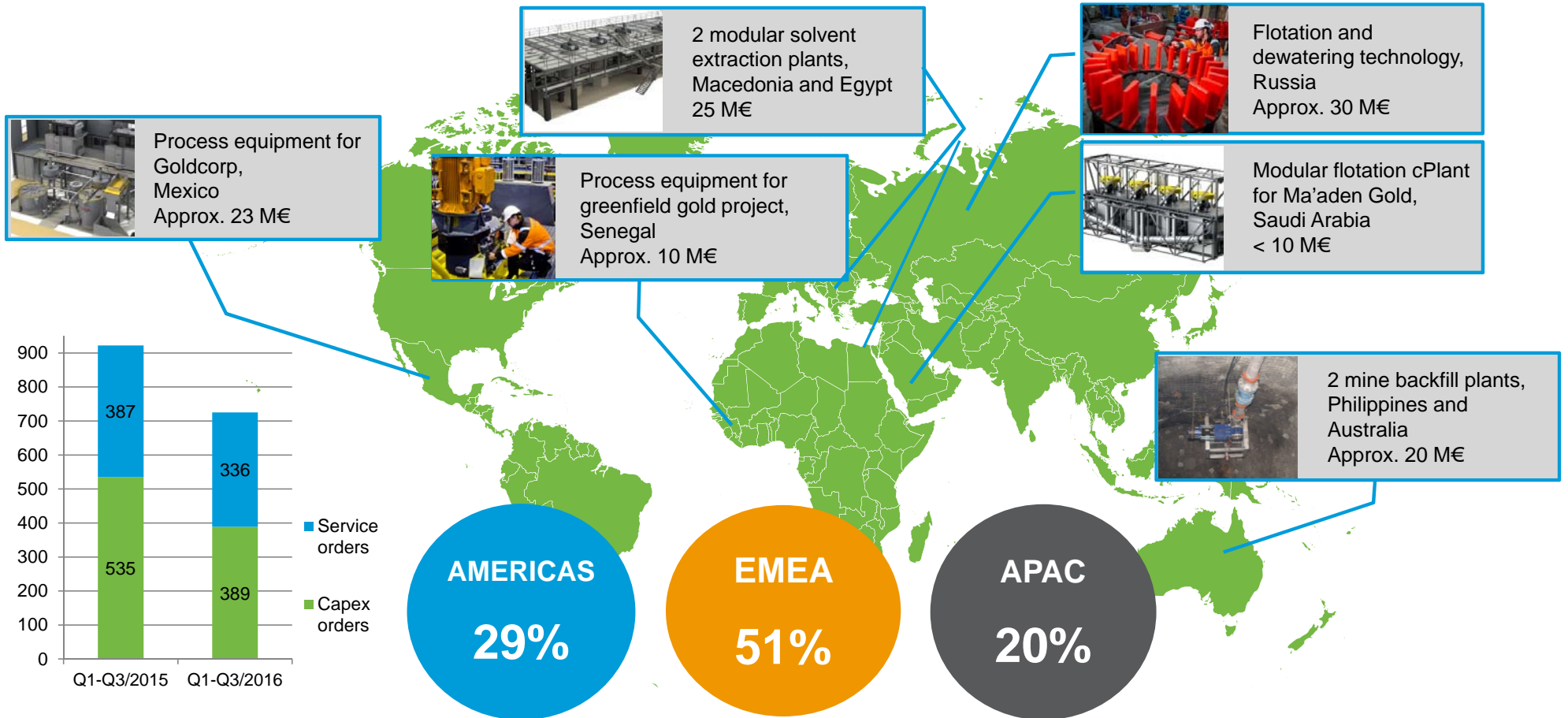
Q3 in a nutshell

- Customers' large investments are still developing slowly.
- Weak performance in certain projects in the Metals, Energy & Water impacted profitability and cash flow.



- Savings program proceeds as planned, fixed costs reduced by 26%.
- Order intake increased in the Minerals Processing segment.

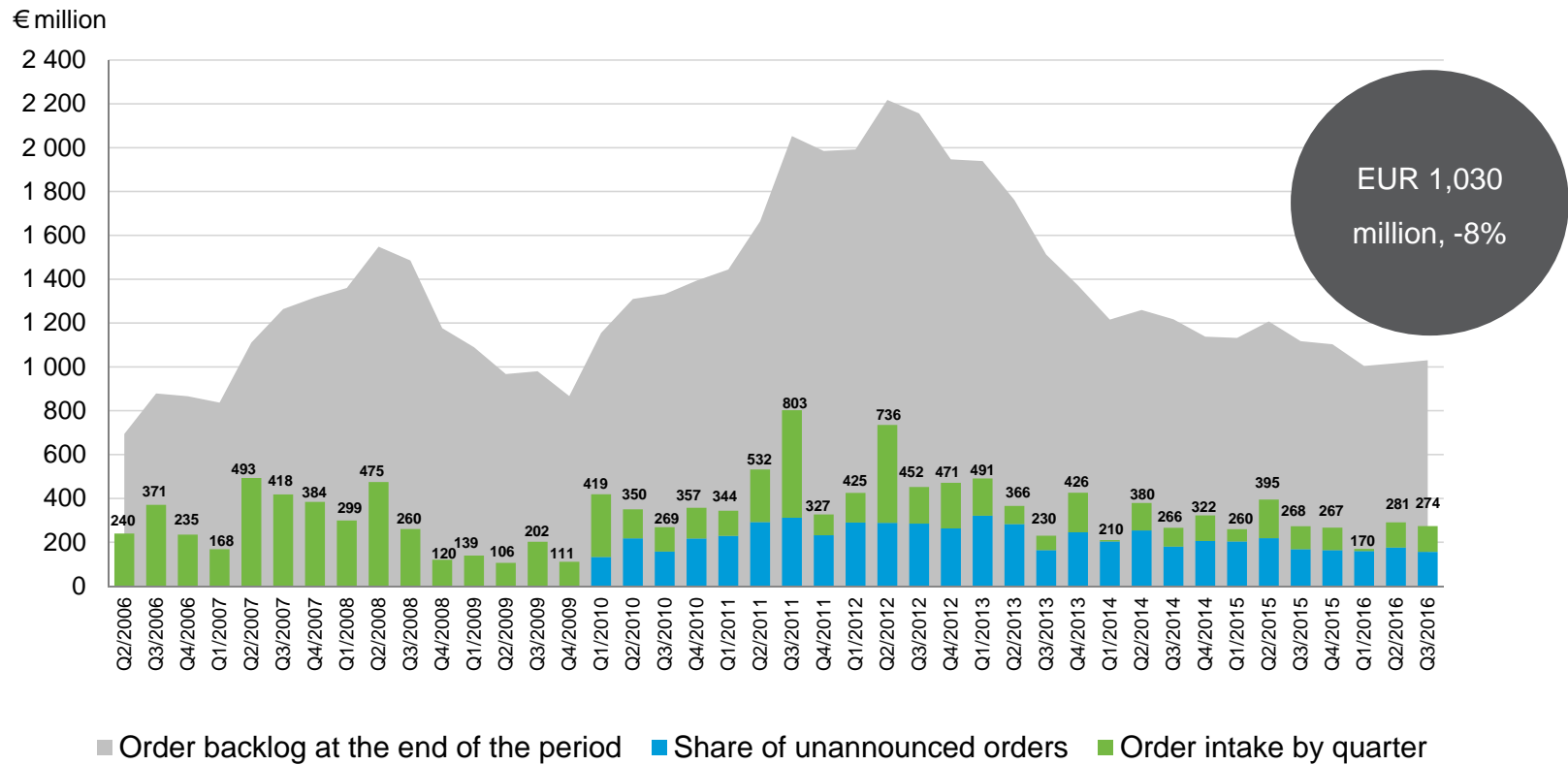
Order intake in the Minerals Processing picked up



Stable order backlog

Iranian projects not included in Q3 end backlog: EUR 200 (230) million

Roughly EUR 300 million of the Q3 end backlog to be delivered in 2016



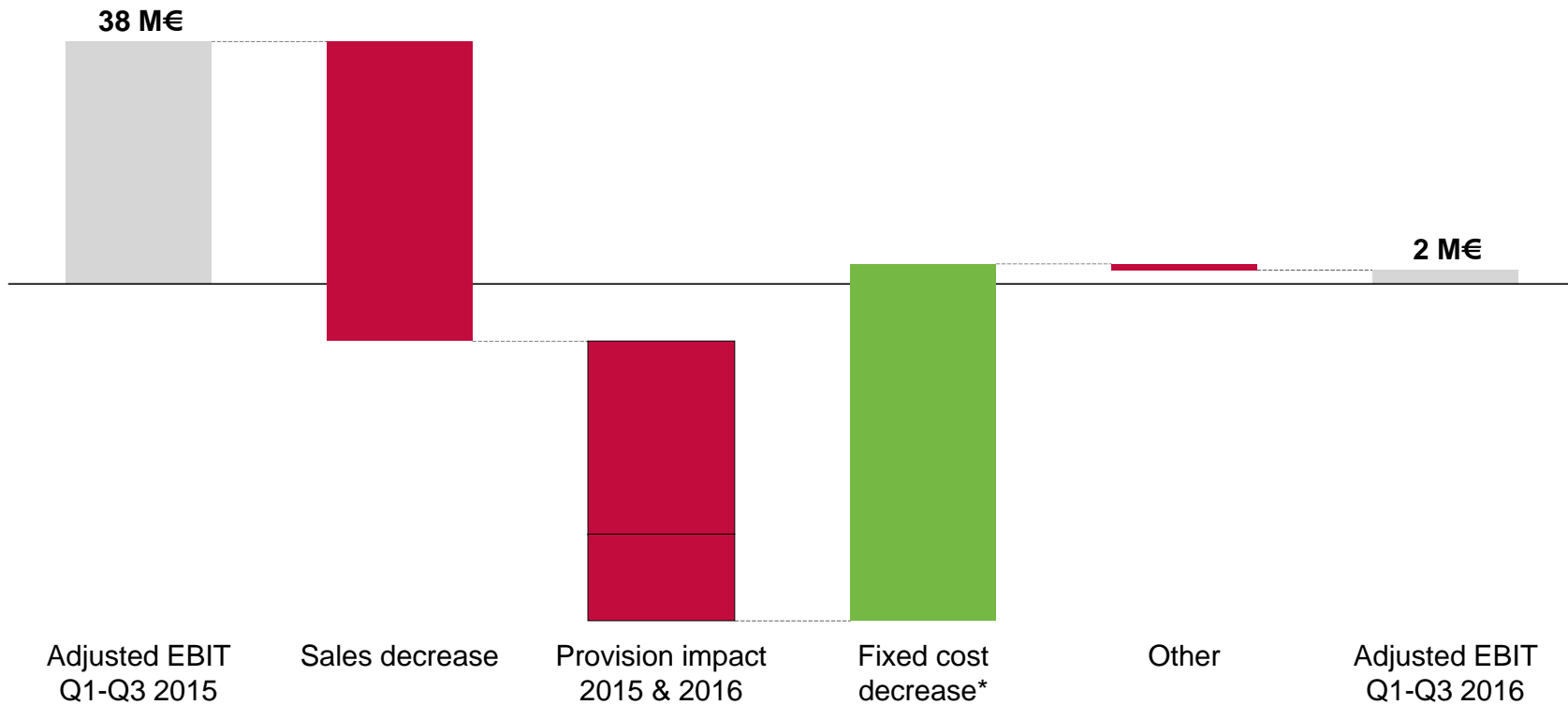
EUR 1,030 million, -8%

Weak performance in certain projects impacted profitability

EUR million	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	Change, %	In comparable currencies
Sales	245	307	753	895	-16%	-12%
Service sales	105	129	320	373	-14%	-8%
Share of services in sales, %	43	42	42	42		
Gross Margin, %	24	28	25	28		
Adjusted EBIT [*]	2	15	2	38		
Adjusted EBIT [*] , %	1	5	0	4		
- Restructuring and acquisition-related costs	-1	-6	-10	-13		
- PPA amortization	-2	-2	-6	-7		
EBIT	-1	7	-14	18		
EBIT, %	-0	2	-2	2		
Profit for the period	-3	2	-17	6		

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

Profitability impacted by additional project provisions booked in Q3



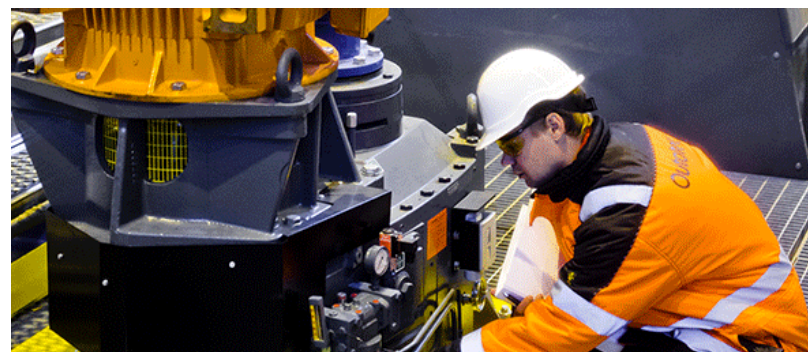
*Decline yoy 21% (in comparable currencies 20%)

Minerals Processing

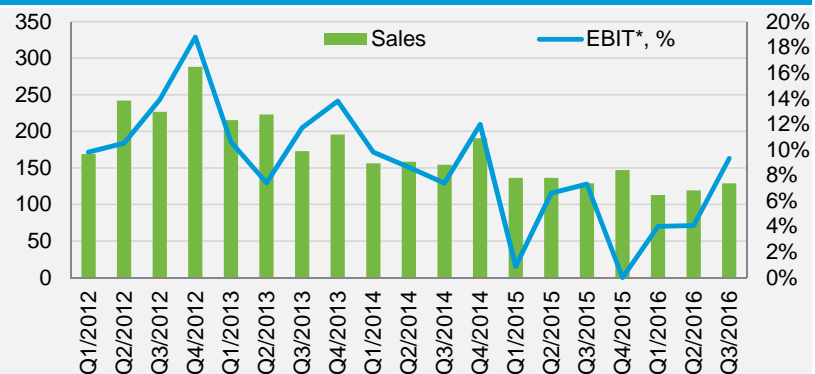
- Order intake grew 18%
- Sales decreased 10% mainly due to decline in spare part orders and low order intake in the latter part of 2015 and H1/2016
- Achieved fixed cost savings balanced out the lower sales

Minerals Processing EUR million	Q1-Q3 2016	Q1-Q3 2015	Change, %	Change in comp currency, %
Order intake	462	393	18	26
Sales	361	402	-10	-5
Service sales	197	229	-14	-7
Adjusted EBIT ^{*)}	22	19		
Adjusted EBIT ^{*)} , %	6	5		
Unrealized and realized losses related to valuation of FX forward agreements	-1	-3		

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



Sales and adjusted EBIT development

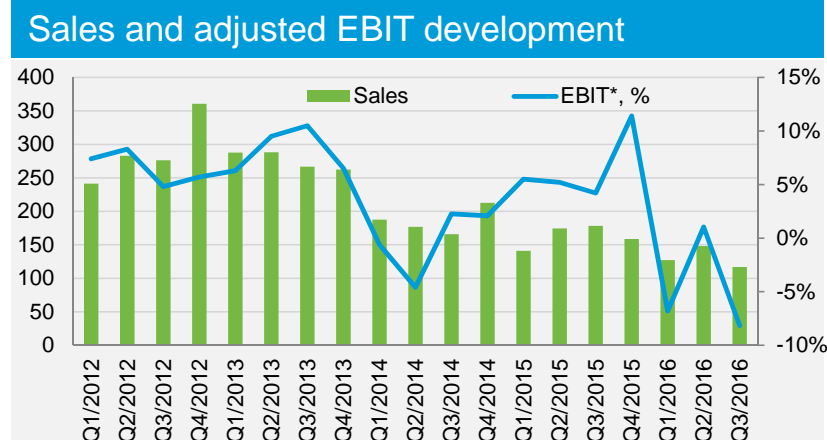


Metals, Energy & Water

- Customers' large investments develop slowly
- Decline in plant orders and low service volumes
- Lower sales and weak performance in certain projects weakened the segment's profitability
- More saving actions ongoing

Metals, Energy & Water EUR million	Q1-Q3 2016	Q1-Q3 2015	Change, %	Change in comp currency, %
Order intake	263	530	-50	-49
Sales	392	494	-21	-18
Service sales	122	145	-15	-10
Adjusted EBIT ^{*)}	-17	24		
Adjusted EBIT ^{*)} , %	-4	5		
Unrealized and realized losses related to valuation of FX forward agreements	-3	-1		

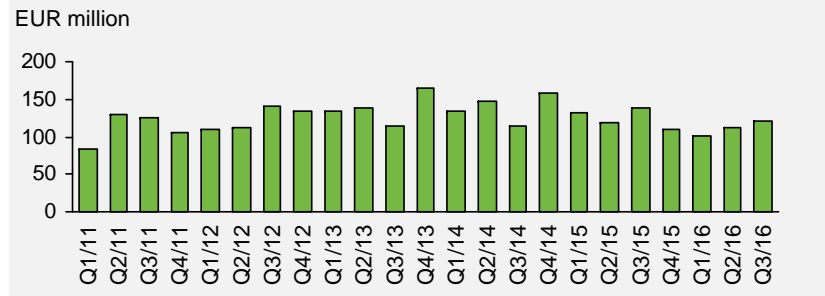
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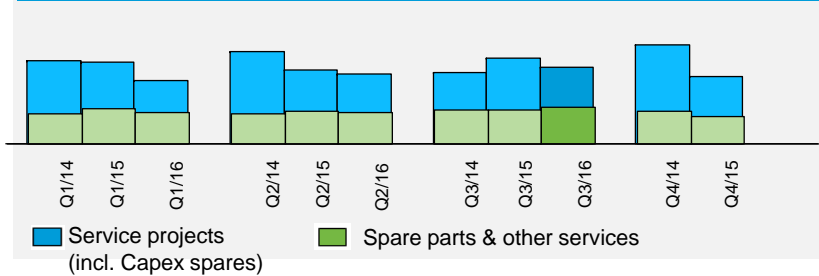
The service business suffered from postponements of upgrades and fewer long-term service contracts



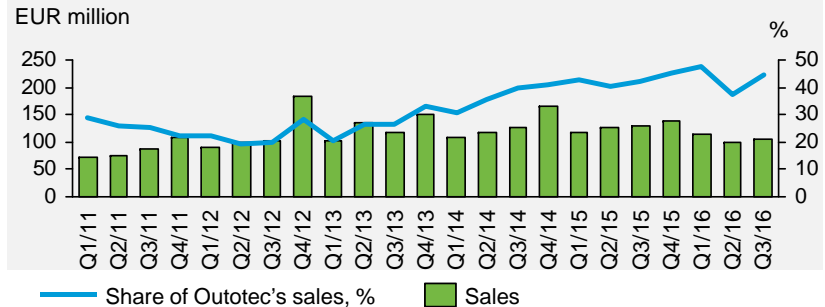
Service order intake by quarter



Split in service order intake



Service sales by quarter



Change in cash flow due to projects under execution tying up more capital, lack of large advance payments, restructuring-related costs

EUR million	Q1-Q3 2016	Q1-Q3 2015
Cash from operations	31	43
Change in working capital	-94	-10
Interest	-5	-3
Taxes	-4	-8
NET CASH FROM OPERATING ACTIVITIES	-73	22
Capital expenditure	-16	-43
Acquisitions	-3	-28
Other investing activities	2	0
CASH FLOW AFTER INVESTING ACTIVITIES	-90	-49

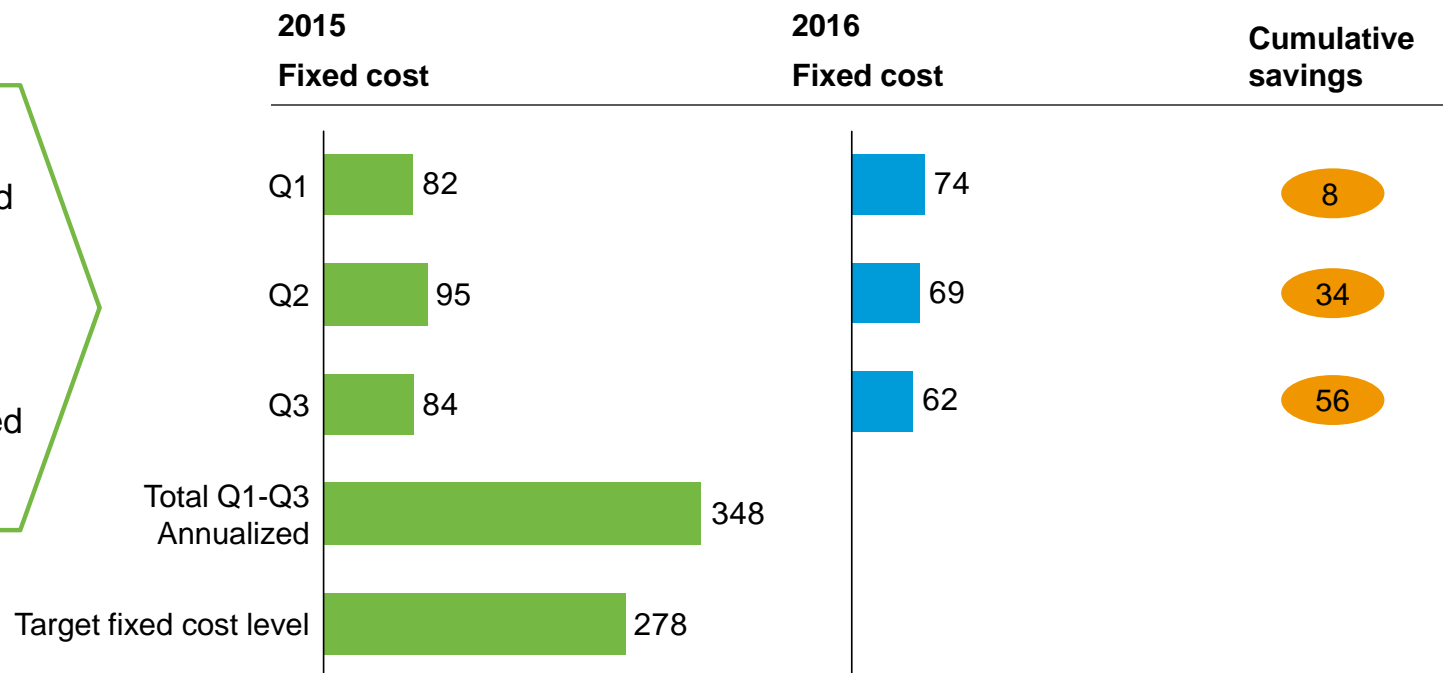
Liquidity and equity remained solid

	Q3 2016	Q3 2015	Q4 2015
Net interest-bearing debt, EUR million	-21*	74	40
Gearing, %	-4*	17	10
Equity-to-assets ratio, %	42*	32	31
Return on investment, %, LTM	-6	4	-1
Return on equity, %, LTM	-8	1	-4
Working capital at the end of the period, EUR million	-10	-12	-89
Equity, EUR million	534	426	405
Balance sheet total, EUR million	1,482	1,527	1,531

** If the hybrid bond were treated as a liability equity-to-assets ratio would be 30%, gearing 34%, and net interest-bearing debt EUR 129 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 56 million was reached in Q1-Q3/2016.



We are actively working on improving our performance, especially in the Metals, Energy & Water segment.

Key events after September 30, 2016

October 1

New CEO Markku Teräsvasara started to work at Outotec.

October 4

Outotec announced representatives for Outotec's Nomination Board from Solidium, Varma and Ilmarinen, and the Chairman of the Board.

October 10

Outotec celebrated its 10th anniversary and launched history book "150 years' evolution toward a greener future - the Outotec story".

October 24

Kalle Härkki, D.Sc. (Tech.), was appointed President of Metals, Energy & Water business unit.

We expect increased activity in minerals processing to continue, metals refining markets to remain weak

Increased interest in technologies that minimize environmental impacts.

Customers' need for productivity improvement creates opportunities for Outotec's performance solutions.

Waste-to-energy solutions market is volatile, as decisions depend on subsidies and environmental regulations.

Markets in the Middle East, South and Central America, and Russia are expected to continue active.

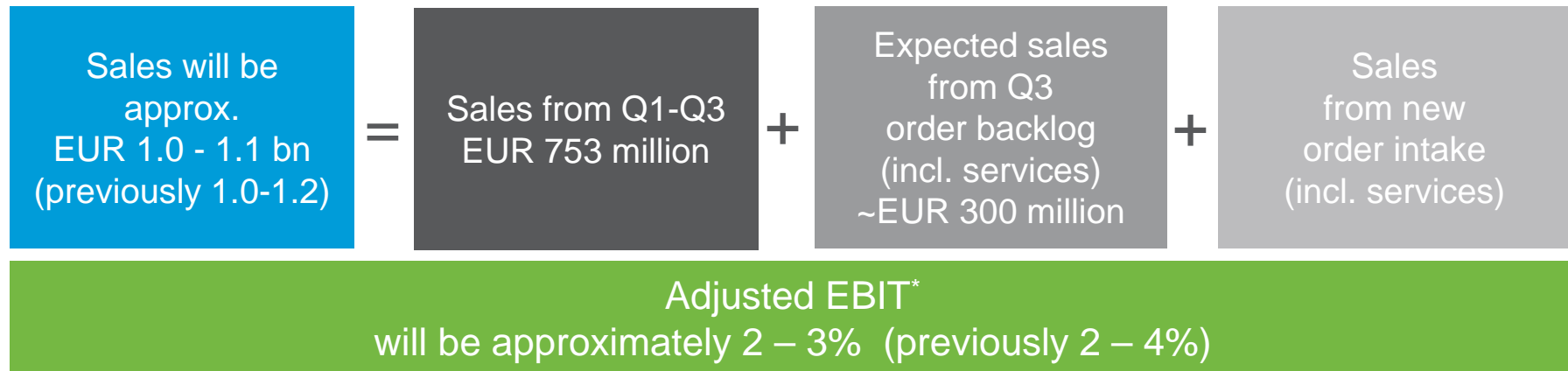
The scarcity and cost of water as well as need to improve emission control drive process modernizations.



Development of gold, copper, nickel, and zinc projects are expected to continue more active than aluminum and iron.

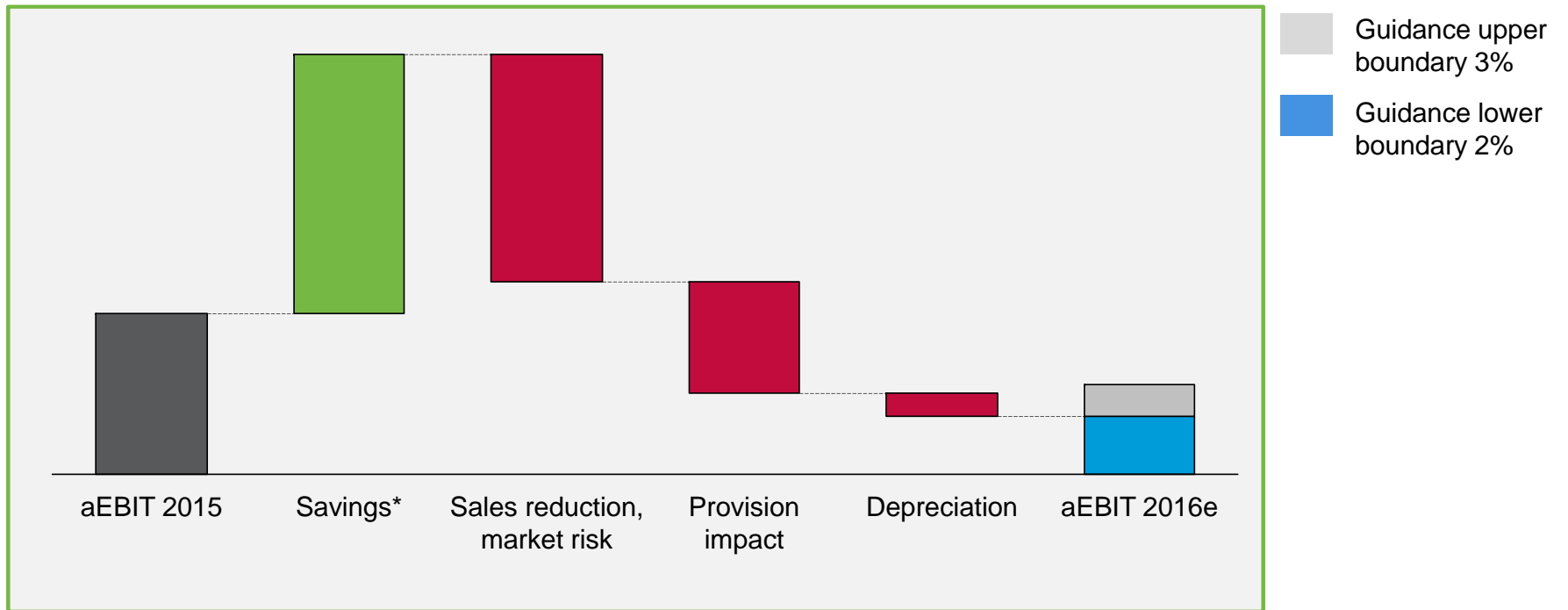
Financial guidance for 2016 narrowed

Sales guidance is narrowed and due to the continued challenges in the Metals, Energy & Water segment adjusted EBIT is expected to be at the lower end of the guidance range:



* 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

Closing remarks by
President & CEO Markku Teräsvasara

Based on my first impressions, these are our opportunities



- Achieve profitable service growth through improved service offering
- Increase profitability by modularization and sourcing
- Establish mid-and high-tier product and service portfolio
- Engaged, clear and sustainable organization
- Customer driven sales and delivery capabilities

We can take Outotec back to profitable growth!

Outotec



Sustainable use of
Earth's natural resources