



**Strong growth in order  
intake and service sales,  
significant improvement  
in profitability**

**Half Year Financial Report 2019**

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**July 26, 2019**

**Outotec**

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# Business and market development



# The market continued to be active in H1

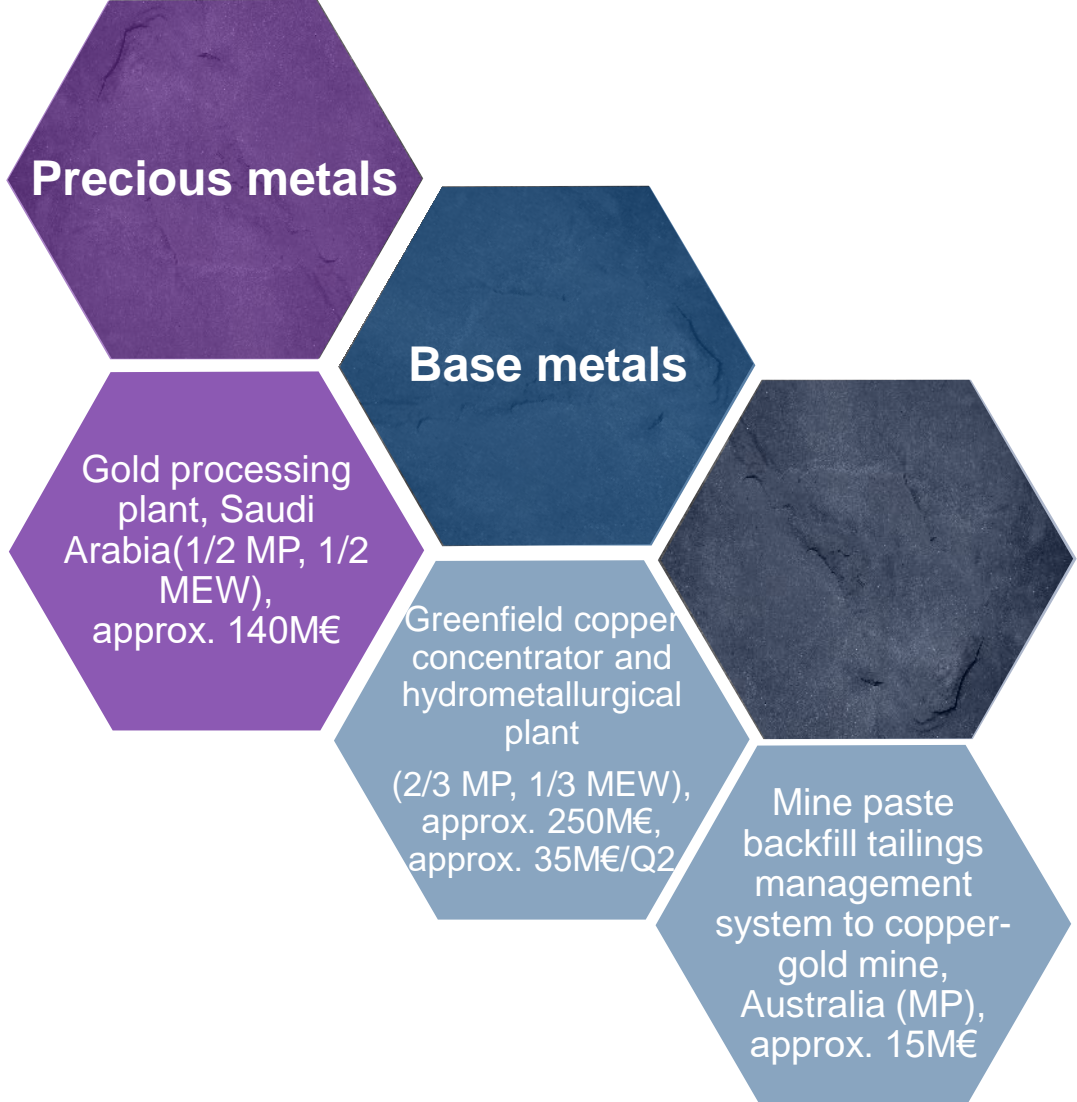
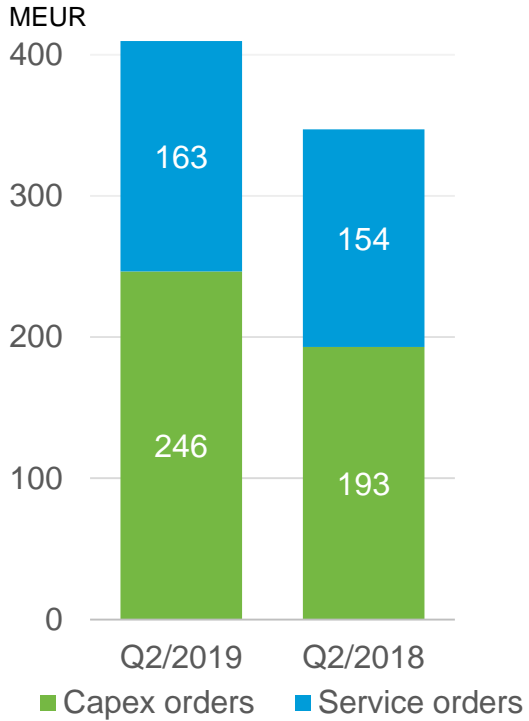
- Solid demand in minerals processing and hydrometallurgical technologies
- Market for copper, gold and battery metals continued to be most active
- We received two large greenfield orders, brownfield investments flat y-o-y
- Growth in all service categories



Market active,  
also larger  
investments  
moved ahead

# ...with demand continuing for copper and gold

Order intake Q2oQ2



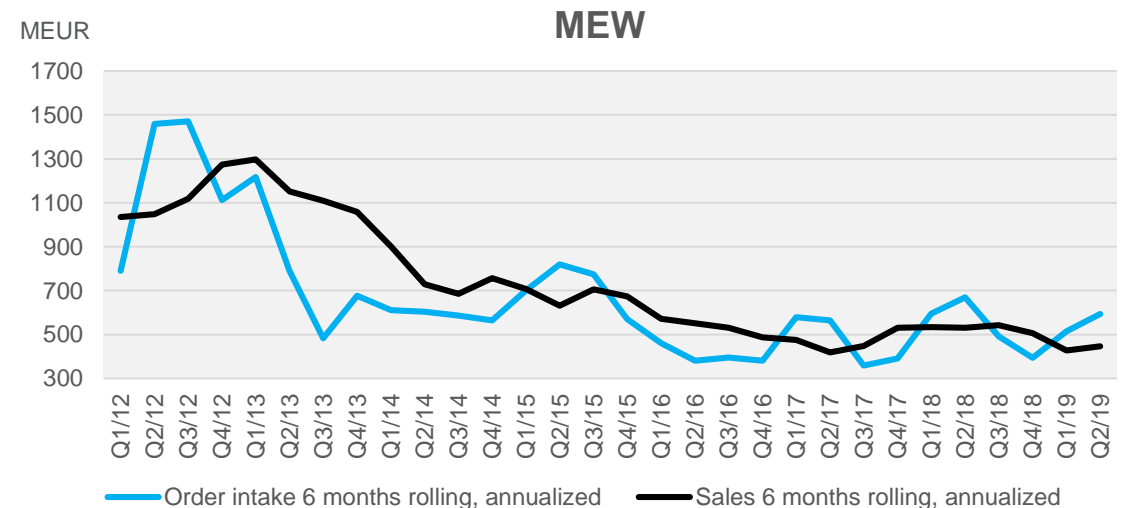
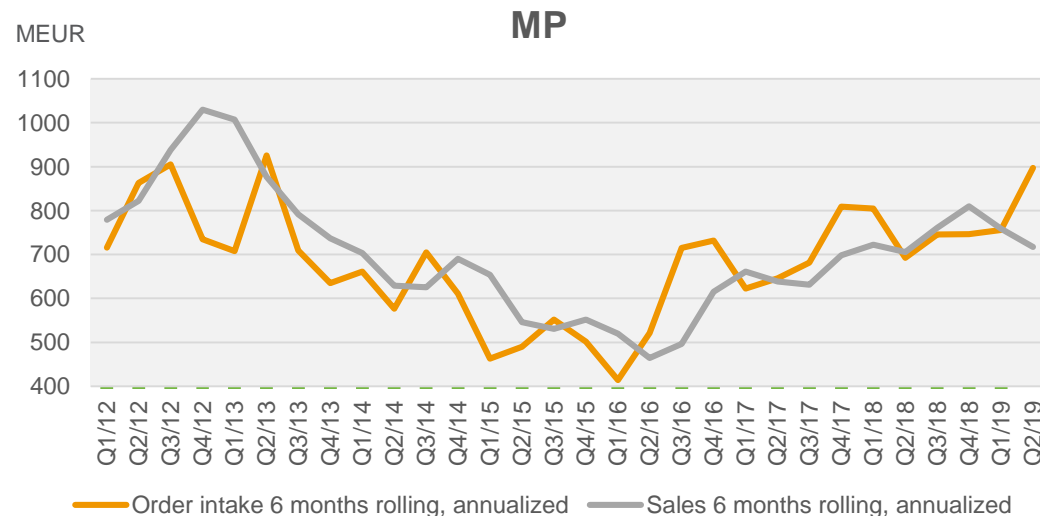
# Order intake improved, growth in service sales

## MP

- Order intake increased by 30% in H1, 39% in Q2
- Sales increase 2%
- Service sales grew by 23% in H1, 33% in Q2
- Sales mix was geared toward services, share of services over 50%

## MEW

- Orders declined by 11% in H1, -5% in Q2
- Sales decreased 16% in H1, -6% in Q2 due to fewer plant orders in H2/2018
- Service sales increased by 36% in H1, 61% in Q2



# Service order intake grew 13%, sales grew 27%

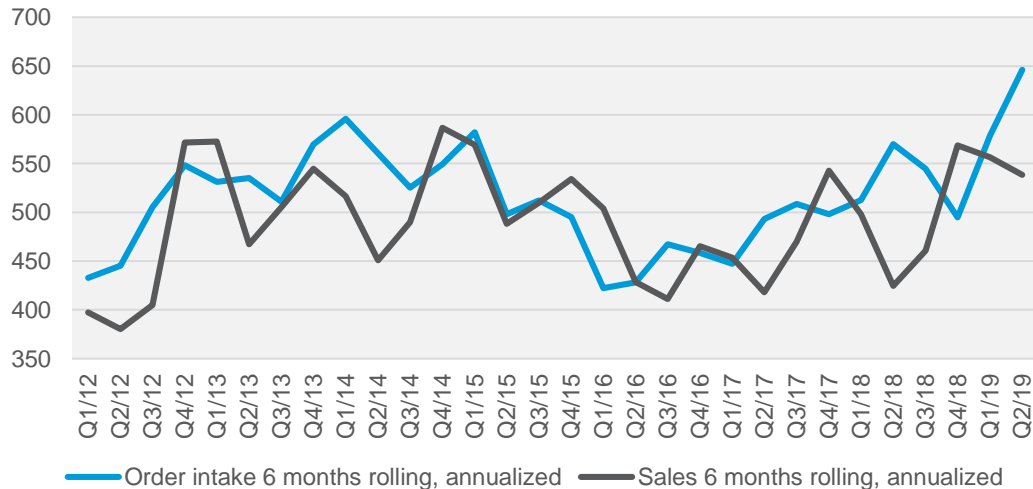
## Services

- Service orders rose by 13% in H1, 6% in Q2
  - Spare parts
  - Technical services
  - Large pellet plant modernization order in Q1
- Q2-end service backlog reached 272 (259) M€

- Service sales grew by 27% in H1, 41% in Q2
  - Spare parts and modernizations
- Service sales mix included spare parts, modernizations and technical services

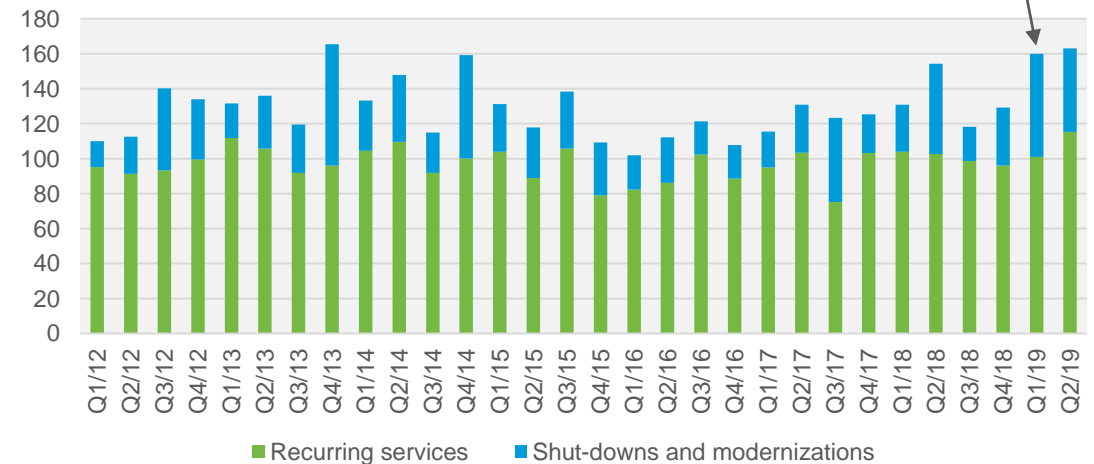
MEUR

Services



MEUR

Split in service order intake



Including SER project 15M€



# Status of the ilmenite smelter project in MEW

- Negotiations concerning the ilmenite smelter project are ongoing
- We remain confident that EUR 110 million provision booked for 2018 is adequate
- Further updates will be announced following any substantial news





# Product and service offering news in Q2



**FP-S Filter Press**

- For standard filtration applications
- Short delivery lead-time
- Efficient solid-liquid separation for wide range of configurations
- Outotec's expert technical services



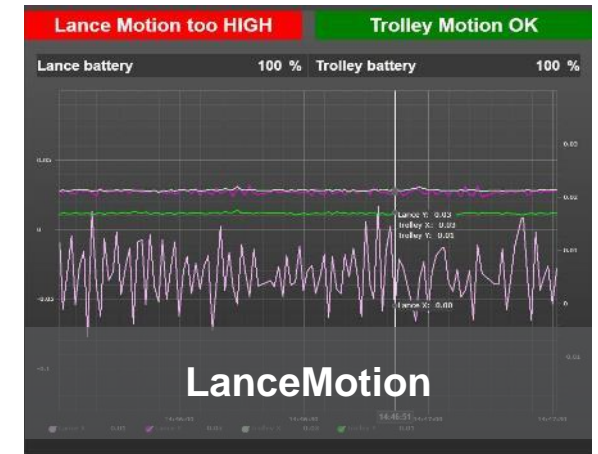
**Water Quality and Quantity Management**

- Digital technology, process simulation and advanced instrumentation
- The cloud based reporting solution to improve water balance management capability
- Reduce water related business risks and enable increased water recycling
- Decreased impacts on production performance.



**2<sup>nd</sup> Generation Paste Thickener**

- For challenging mineralogy and varied tailings feed rate
- Consistent and efficient dewatering performance in changing process conditions
- Thickener maximizes tailings storage facility
- Safer operations and maximized lifespan



- Real time monitoring of a TSL lance
- Replication of the operator
- Live and immediate feedback to the operator on the movement of the lance
- Pick up slight movement characteristics not visible to the naked eye and quantify them for standardization and control

# H1 2019 Key financials

# Orders up 10%, fast growth in service reflected in margin

EUR million	Q2 2019	Q2 2018	Change, %	Change in comparable currency, %	Q1-Q2 2019	Q1-Q2 2018	Change, %	Change in comparable currency, %
Order intake	410	347	18	19	746	681	10	10
Sales	327	331	-1	-1	581	618	-6	-5
Service sales	154	109	41	42	269	212	27	28
Share of services in sales, %	47	33			46	34		
Gross margin, %	26	22			26	22		
Adjusted EBITA <sup>2</sup>	23	13			40	25		
Adjusted EBITA <sup>2</sup> , %	7	4			7	4		
Adjusted EBIT <sup>1</sup>	18	8			29	15		
Adjusted EBIT <sup>1</sup> , %	6	2			5	2		
- Restructuring and acquisition- related costs	-2	-9			-2	-9		
- PPA amortization	-2	-2			-3	-3		
EBIT	15	-3			24	2		
EBIT, %	5	-1			4	0		
Result for the period	8	-4			14	-2		

1 Excl. restructuring and acquisition-related costs as well as PPA amortizations.

2 Excluding all amortizations, as well as adjustment items comprising of restructuring and capacity adjustment costs, costs related to mergers and acquisitions, outcome of material intellectual right property disputes, gains and losses on business disposals and goodwill impairments.



## MP: Significant growth in order intake and service, profitability positively impacted by sales mix

Minerals Processing MEUR	Q2 2019	Q2 2018	Change, %	Change in comp. currency, %	Q1-Q2 2019	Q1-Q2 2018	Change, %	Change in comp. currency, %
Order intake	<b>255</b>	184	<b>39</b>	40	<b>449</b>	346	<b>30</b>	31
Sales	<b>197</b>	193	<b>2</b>	3	<b>358</b>	353	<b>2</b>	2
Service sales	<b>105</b>	79	<b>33</b>	35	<b>184</b>	150	<b>23</b>	24
Adjusted EBIT*	<b>21</b>	18			<b>37</b>	33		
Adjusted EBIT*, %	<b>11</b>	9			<b>10</b>	9		

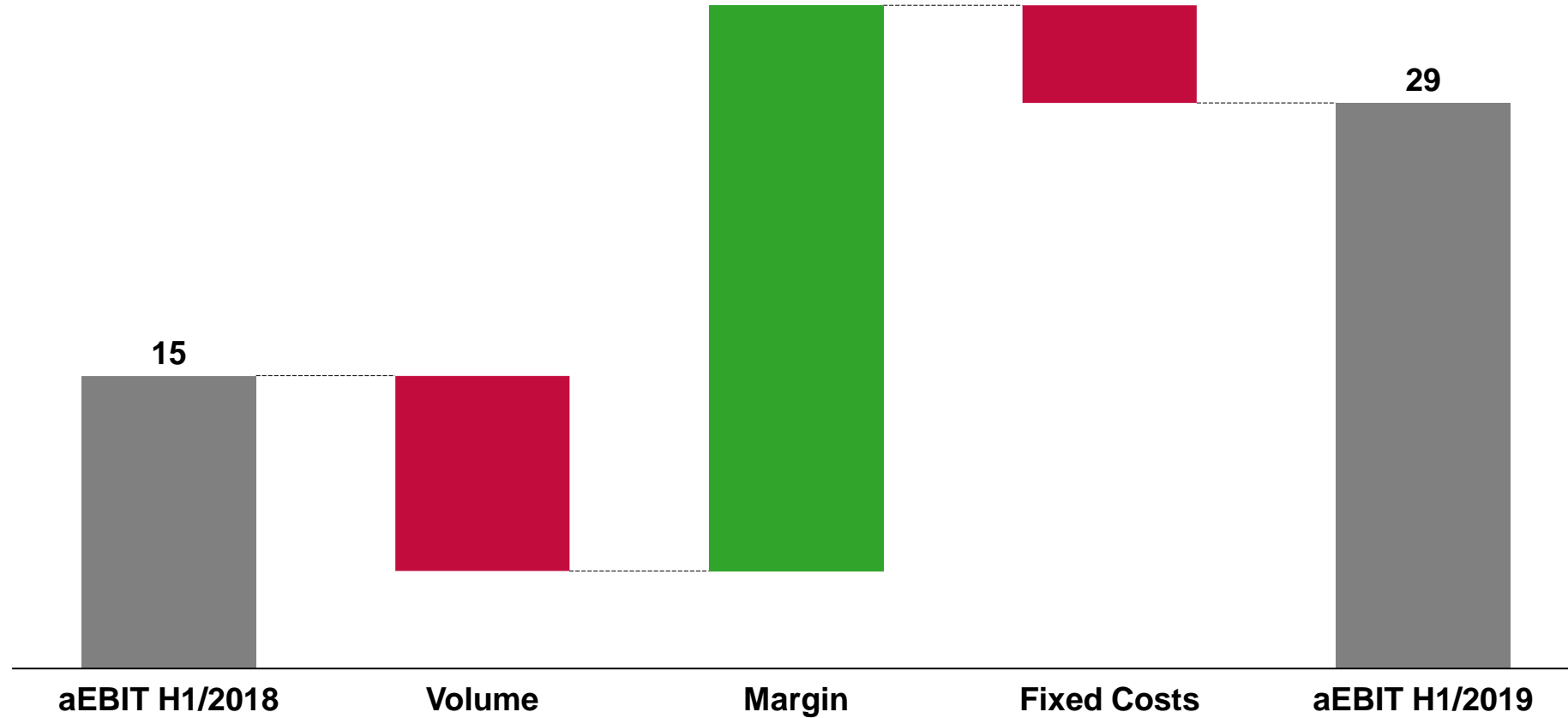
\* Excl. restructuring and acquisition-related costs as well as PPA amortizations

# MEW: Sales impacted by lower orders in H2/2018, modernizations increased service sales, better project execution improved profitability

<b>Metals, Energy &amp; Water MEUR</b>	<b>Q2 2019</b>	<b>Q2 2018</b>	<b>Change, %</b>	<b>Change in comp. currency, %</b>	<b>Q1-Q2 2019</b>	<b>Q1-Q2 2018</b>	<b>Change, %</b>	<b>Change in comp. currency, %</b>
Order intake	<b>155</b>	163	<b>-5</b>	-5	<b>297</b>	335	<b>-11</b>	-11
Sales	<b>130</b>	138	<b>-6</b>	-6	<b>223</b>	266	<b>-16</b>	-16
Service sales	<b>50</b>	31	<b>61</b>	62	<b>85</b>	63	<b>36</b>	37
Adjusted EBIT*	<b>-2</b>	-8			<b>-5</b>	-15		
Adjusted EBIT*, %	<b>-1</b>	-6			<b>-2</b>	-6		

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

# Higher share of services and better project execution improved aEBIT





# H1 cash flow was solid due to positive development in trade receivables and customer advance payments

EUR MILLION	Q1-Q2 2019	Q1-Q2 2018
<b>OPERATING PROFIT</b>	<b>24</b>	2
Total depreciation and amortization	26	19
<b>EBITDA</b>	<b>50</b>	21
Total change in net working capital	-17	32
Capital Expenditure & other	-10	-16
<b>FREE CASH FLOW</b>	<b>23</b>	38
Net Interest received and paid	1	1
Income tax paid	-3	-5
<b>INTEREST AND TAXES</b>	<b>-2</b>	-4
<b>FREE CASH FLOW AFTER INTEREST AND TAXES</b>	<b>21</b>	34
Repayment of long-term debt	-0	-0
Change in current debt	6	-22
Repayment of lease liabilities	-7	-
Hybrid bond & interest	-11	-11
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>-13</b>	-34
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>8</b>	1
Foreign exchange rate effect on cash and cash equivalents	3	-2
Cash classified as assets held for sale	-3	-
<b>Cash and cash equivalents at June 30</b>	<b>241</b>	229

# Financial position remained stable

	Q1-Q2 2019	Q1-Q2 2018	Q1-Q4 2018
Net interest-bearing debt <sup>1) 2)</sup> , EUR million	19	-26	-38
Gearing <sup>1) 2)</sup> , %	5	-6	-10
Equity-to-assets ratio <sup>1) 2)</sup> , %	30	39	33
Return on investment <sup>2)</sup> , %, LTM	-7	4	-11
Return on equity, %, LTM	-12	1	-16
Net working capital at the end of the period, EUR million	-126	-43	-123
Advances received	227	196	211
Equity, EUR million	372	447	377
Balance sheet total, EUR million	1,463	1,333	1,358

*<sup>1)</sup>If the hybrid bond were treated as a liability: net interest-bearing debt would be EUR 169.2 million, gearing 76.2%, and the equity-to-assets ratio 18.0% on June 30, 2019 (June 30, 2018: EUR 123.6 million, 41.6% and 26.1% respectively).*

*<sup>2)</sup>Excluding the impact of implementing IFRS 16 in 2019: net interest-bearing debt would be EUR -46.6 million, gearing -12.5%, equity-to-assets ratio 31.8% and return on investment (LTM) -7.5%.*

# Market outlook and guidance



# Market outlook for mining and metals is expected to remain positive

- Requirements for efficient technologies increase
  - Lower ore head grades
  - More challenging raw materials & impurities
  - Tighter regulations, license to operate
  - Tailings & process water recycling
- New uses for metals (EV) drive long-term demand
- High activity in copper, gold, battery metals and zinc as well as some pelletizing and sulfuric acid
- Handful of greenfield investments in the pipeline



# Financial guidance for 2019 reiterated

“ *Based on the current market outlook, we expect sales to increase, and adjusted EBIT\* to increase significantly from the 2018 adjusted EBIT (EUR 63.8 million), excluding provision for the ilmenite smelter project.* ”

*\* Excluding restructuring- and acquisition-related items as well as PPA amortizations*



# Combination of Metso Minerals and Outotec



# Joint Disclaimer / Safe Harbour Statement

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# Transaction to create Metso Outotec announced July 4<sup>th</sup>

- **The combination will create a leading company in**
  - process technology,
  - equipment and
  - services
  - for minerals, metals and aggregates industries
  
- **Metso Outotec**
  - Combined pro forma sales of EUR 4.2 billion\* in 2018
  - Highly complementary combination of product and process excellence, technology and R&D, service footprint and scale
  - Wide presence across the minerals processing value chain
  - Metso / Outotec shareholders to own approximately 78% / 22% of the combined company

\* Including EUR 315 million McCloskey estimated calendar year 2018 sales due to September 2018 fiscal year end





# Transaction to create Metso Outotec announced July 4<sup>th</sup>

- **Expected synergies**

- Run-rate annual pre-tax cost synergies of at least EUR 100 million and run-rate annual revenue synergies of at least EUR 150 million
- Expected to be fully realized by the end of the third year following completion

- **Timing**

- Expected closing during Q2/2020, subject to customary closing conditions, including shareholder approval at the EGMs of both Metso and Outotec and regulatory approvals
- Metso and Outotec EGMs are expected to be held on October 29
- Outotec Interim Report Q1-Q3 2019 reporting date changed to October 25



Outotec



Sustainable use of  
Earth's natural resources