

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

Q1-Q3 Interim Report 2019

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Outotec

Business and market development

The market continued to be positive

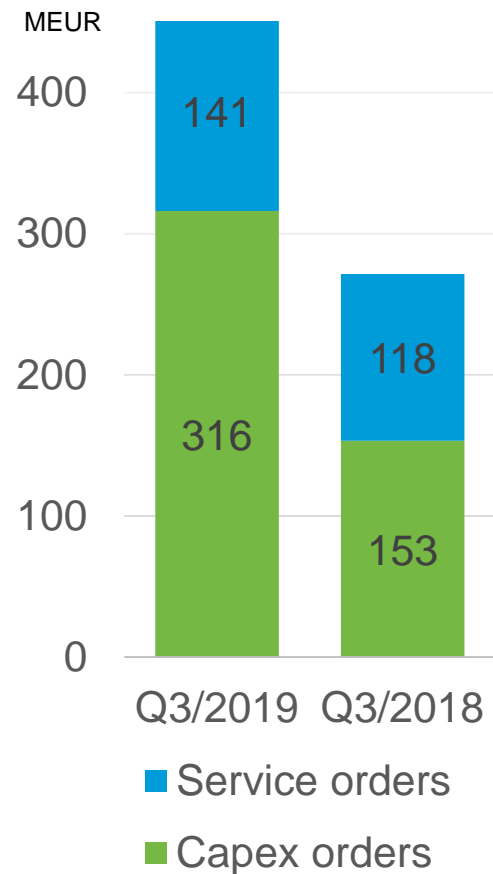
- Market for copper, gold and nickel continued to be most active, some activity in greenfield orders
- Demand in all minerals processing technologies solid
- Demand for hydrometallurgical technologies, improving activity also in smelting technologies
- Brownfield investments flat y-o-y
- Good growth in all service categories



Market positive, also larger investments moved ahead

Orders significantly up

Order intake Q3oQ3



Base metals

Greenfield copper concentrator and hydrometallurgical plant, Russia

- 2/3 MP, 1/3 MEW
- approx. 250M€ (36M€/Q2, rest in Q3)

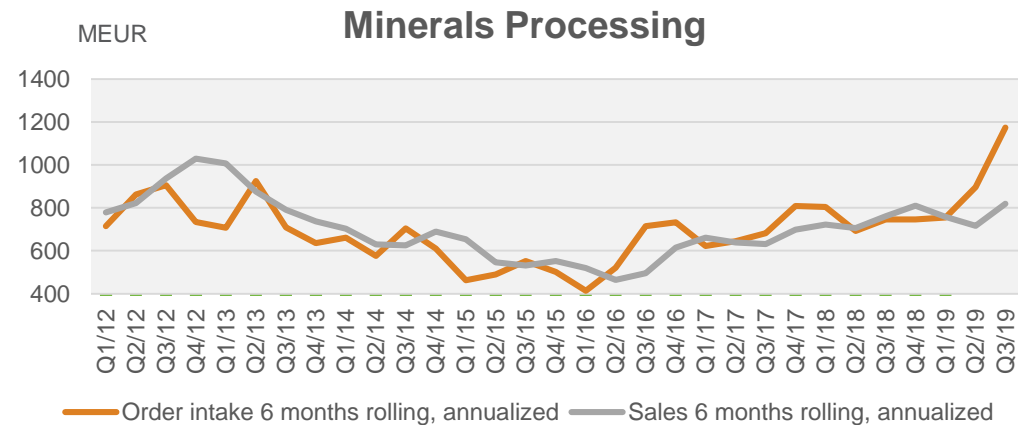
Coated titanium anodes to new tank house for copper electrowinning plant, Norway

- MEW
- approx. 10M€ (Q3)

Order intake improved, strong growth in service sales

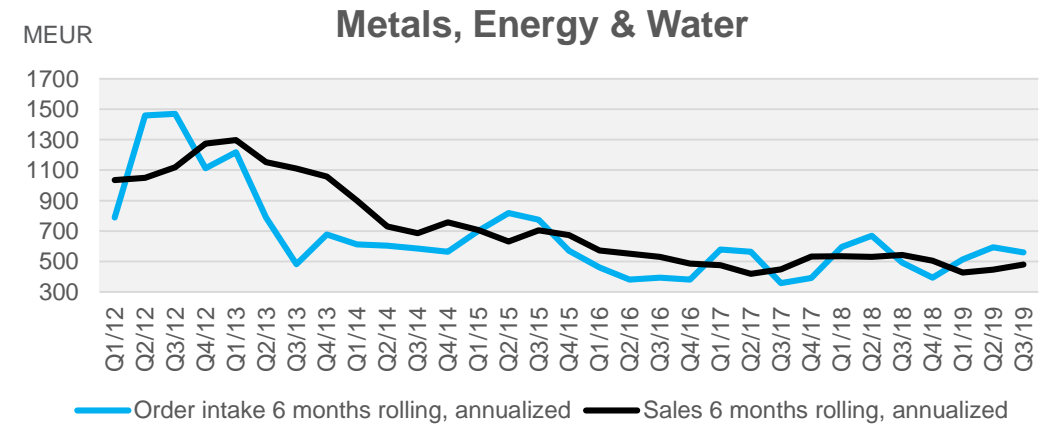
MP

- Order intake increased by 46% in Q1-Q3, 76% in Q3
- Sales increase 6%
- Service sales grew by 21% in Q1-Q3, 19% in Q3
- Share of service sales 47% in Q3



MEW

- Orders increased by 1% in Q1-Q3, 52% in Q3
- Sales decreased 16% in Q1-Q3, -17% in Q3 due to fewer plant orders in H2/2018
- Service sales increased by 39% in Q1-Q3, 44% in Q3

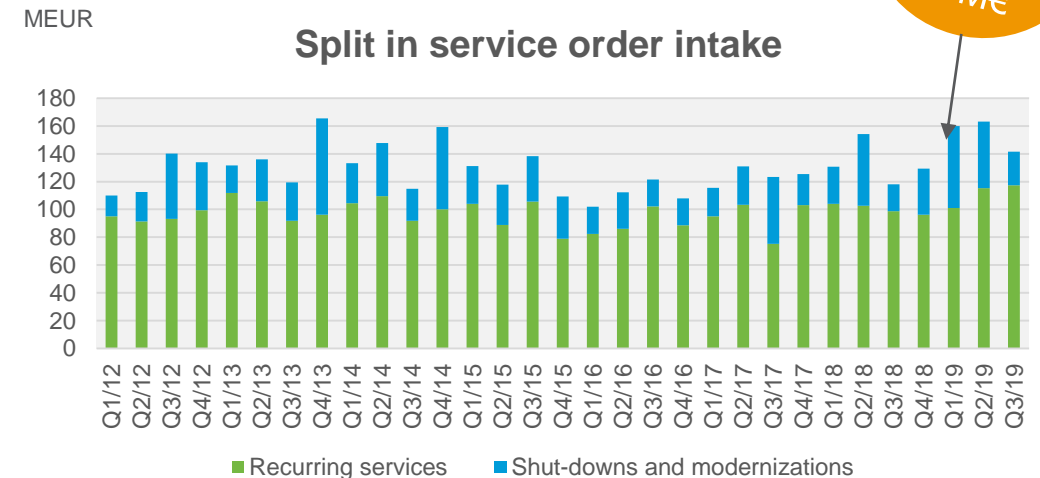


In service business order intake grew 15% and sales grew 27%

Services

- Service orders rose by 15% in Q1-Q3, 20% in Q3
 - Spare parts
 - Technical services
 - Large pellet plant modernization order in Q1
- Q3-end service backlog reached 248 (250) M€

- Service sales grew by 27% in Q1-Q3, 26% in Q3
 - Spare parts and modernizations
- Service sales mix included spare parts, modernizations and technical services



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



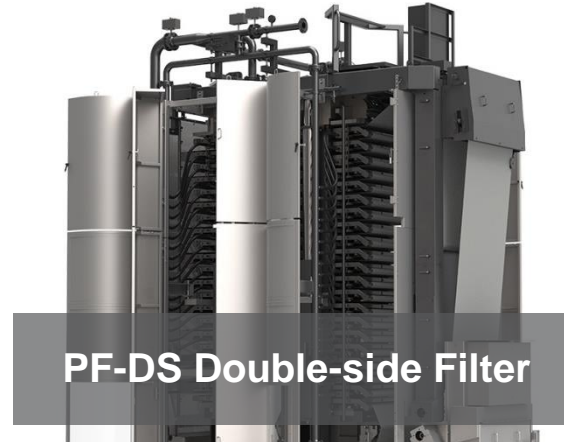
MH Series Grinding Mills

Outotec® MH Series Grinding Mills offer a cost-effective and easy to operate and maintain grinding solution across the mill lifecycle.



Polymer HSB System

Outotec® Polymer Hydrostatic Shoe Bearing (HSB) system significantly improves radial and axial bearing reliability and longevity.



PF-DS Double-side Filter

Outotec® Larox® PF-DS meets the challenging process requirements in the chemical process industry, and various other applications. E.g. food, pigments, and battery metal slurries.



FluxLess & Auto Lance Coupling

Outotec® FluxLess Converting is an evolution to the continuous Flash Converting.

Outotec® Auto Lance Coupling removes the need for manual lance disconnect and reconnect during the operations, improving safety, up-time and productivity of the Ausmelt process.

Q1-Q3 2019 Key financials

Orders up 26%, sales mix and improved project execution reflected in margin

| EUR million | Q3 2019 | Q3 2018 | Change, % | Change in comparable currency, % | Q1-Q3 2019 | Q1-Q3 2018 | Change, % | Change in comparable currency, % |
|---|------------|------------|--------------|--|---------------|---------------|--------------|--|
| Order intake | 458 | 271 | 69 | 68 | 1,203 | 952 | 26 | 26 |
| Sales | 322 | 320 | 1 | -0 | 904 | 939 | -4 | -4 |
| Service sales | 153 | 121 | 26 | 26 | 422 | 333 | 27 | 27 |
| Share of services in sales, % | 48 | 38 | | | 47 | 36 | | |
| Gross margin, % | 27 | 23 | | | 27 | 23 | | |
| Adjusted EBITA ¹ | 28 | 24 | | | 68 | 49 | | |
| Adjusted EBITA ¹ , % | 9 | 7 | | | 8 | 5 | | |
| Adjusted EBIT ² | 23 | 18 | | | 52 | 33 | | |
| Adjusted EBIT ² , % | 7 | 6 | | | 6 | 4 | | |
| - Restructuring and acquisition-related costs | 2 | -1 | | | 0 | -10 | | |
| - PPA amortization | -2 | -2 | | | -5 | -5 | | |
| EBIT | 24 | 16 | | | 48 | 18 | | |
| EBIT, % | 7 | 5 | | | 5 | 2 | | |
| Result for the period | 15 | 9 | | | 29 | 7 | | |

1 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.

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

MP: Significant growth in order intake and service, profitability improved due to sales mix and improved project execution

| Minerals Processing MEUR | Q3 2019 | Q3 2018 | Change, % | Change in comp. currency, % | Q1-Q3 2019 | Q1-Q3 2018 | Change, % | Change in comp. currency, % |
|-------------------------------------|--------------------|--------------------|----------------------|--|-----------------------|-----------------------|----------------------|--|
| Order intake | 332 | 189 | 76 | 75 | 781 | 535 | 46 | 45 |
| Sales | 212 | 187 | 13 | 12 | 571 | 540 | 6 | 6 |
| Service sales | 101 | 85 | 19 | 18 | 284 | 234 | 21 | 22 |
| Adjusted EBIT* | 25 | 22 | | | 62 | 55 | | |
| Adjusted EBIT*, % | 12 | 12 | | | 11 | 10 | | |

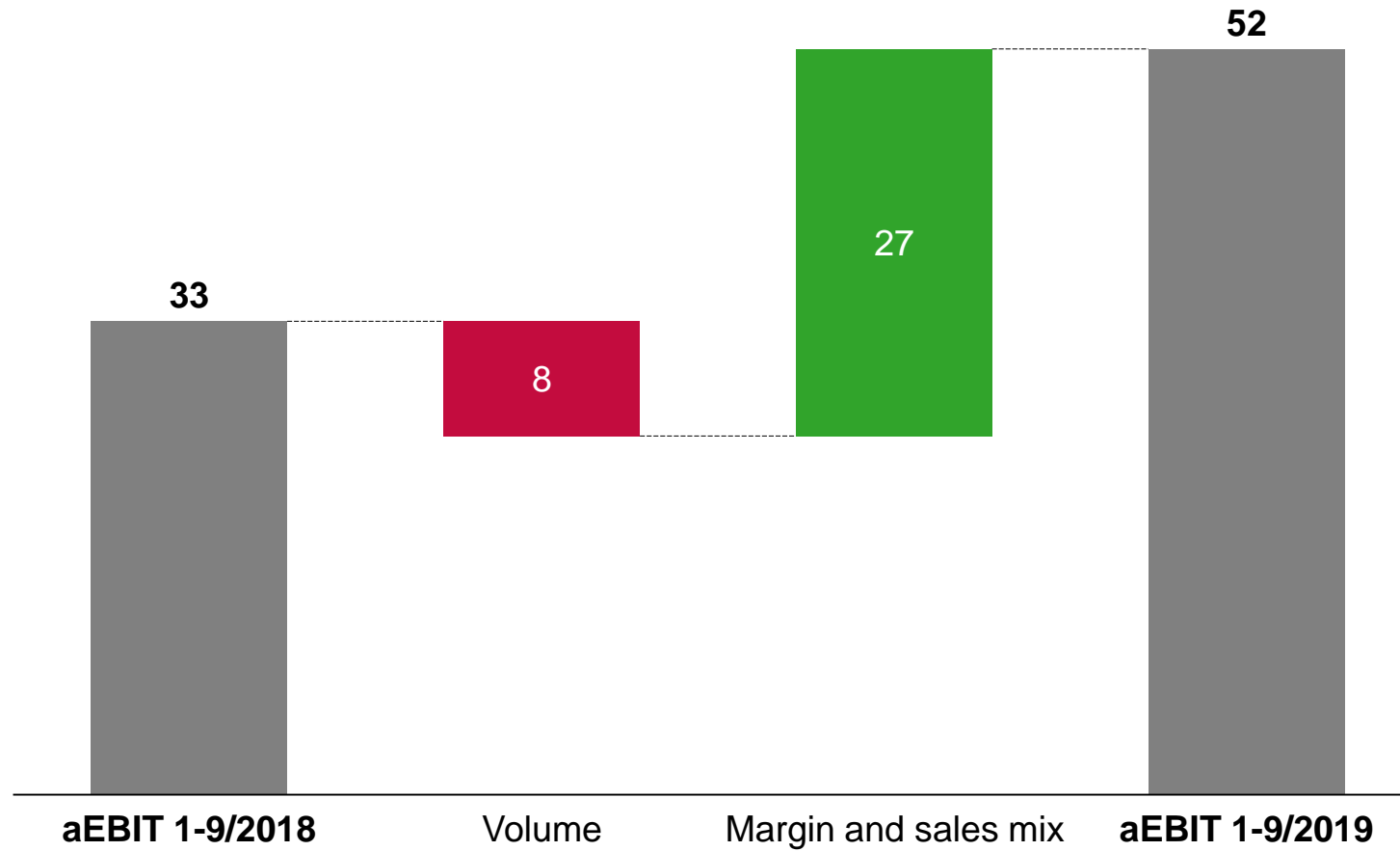
* Excl. restructuring and acquisition-related costs as well as PPA amortizations

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

| Metals, Energy & Water MEUR | Q3 2019 | Q3 2018 | Change, % | Change in comp. currency, % | Q1-Q3 2019 | Q1-Q3 2018 | Change, % | Change in comp. currency, % |
|--|--------------------|--------------------|----------------------|--|-----------------------|-----------------------|----------------------|--|
| Order intake | 126 | 83 | 52 | 51 | 423 | 417 | 1 | 0 |
| Sales | 110 | 133 | -17 | -18 | 333 | 398 | -16 | -16 |
| Service sales | 53 | 37 | 44 | 43 | 138 | 99 | 39 | 39 |
| Adjusted EBIT* | 0 | -2 | | | -5 | -17 | | |
| Adjusted EBIT*, % | 0 | -1 | | | -1 | -4 | | |

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

aEBIT positively impacted by larger share of services sales and improved margins in projects



Cash flow solid due to positive development in trade receivables and customer advance payments in Q2 & Q3

| EUR MILLION | Q1-Q3 2019 | Q1-Q3 2018 |
|---|------------|------------|
| OPERATING PROFIT | 48 | 18 |
| Total depreciation and amortization | 39 | 29 |
| EBITDA | 87 | 47 |
| Total change in net working capital | -10 | 54 |
| Capital Expenditure & other | -32 | -23 |
| FREE CASH FLOW | 45 | 79 |
| Net Interest received and paid | -3 | -3 |
| Income tax paid | -5 | -3 |
| INTEREST AND TAXES | -8 | -6 |
| FREE CASH FLOW AFTER INTEREST AND TAXES | 36 | 73 |
| Repayment of long-term debt | -0 | -4 |
| Change in current debt | -8 | -22 |
| Repayment of lease liabilities | -10 | - |
| Hybrid bond & interest | -11 | -11 |
| NET CASH FROM FINANCING ACTIVITIES | -30 | -37 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 6 | 36 |
| Foreign exchange rate effect on cash and cash equivalents | 3 | -7 |
| Cash classified as assets held for sale | -4 | - |
| Cash and cash equivalents at September 30 | 239 | 259 |

Financial position remained stable

| | Q1-Q3 2019 | Q1-Q3 2018 | Q1-Q4 2018 |
|---|---------------|---------------|---------------|
| Net interest-bearing debt ^{1) 2)} , EUR million | 12 | -64 | -38 |
| Gearing ^{1) 2)} , % | 3 | -14 | -10 |
| Equity-to-assets ratio ^{1) 2)} , % | 31 | 39 | 33 |
| Return on investment ²⁾ , %, LTM | -5 | 4 | -11 |
| Return on equity, %, LTM | -11 | 2 | -16 |
| Net working capital at the end of the period, EUR million | -134 | -65 | -123 |
| Advances received | 238 | 217 | 211 |
| Equity, EUR million | 377 | 455 | 377 |
| Balance sheet total, EUR million | 1,469 | 1,374 | 1,358 |

¹⁾ If the hybrid bond were treated as a liability: net interest-bearing debt would be EUR 162.1 million, gearing 71.4%, and the equity-to-assets ratio 18.4% on September 30, 2019 (September 30, 2018: EUR 86.0 million, 28.2% and 26.4% respectively).

²⁾ Excluding the impact of implementing IFRS 16 in 2019: net interest-bearing debt would be EUR -53.1 million, gearing -14.1%, equity-to-assets ratio 32.3% and return on investment (LTM) -5.8%.

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, nickel and zinc
- Handful of greenfield investments in the pipeline
- Brownfield projects and service business continue to be active



Events after Q3

- On October 7, the Finnish Financial Supervisory Authority approved the prospectus prepared for the combination of Outotec and the Metso Minerals Business.
- On October 7, Outotec signed a EUR 50 million Revolving Credit Facility with OP Corporate Bank as well as a EUR 120 million Forward Start Term Facility with Nordea Bank. Further, Outotec and lenders have signed amendment and restatement agreements to the existing MEUR 100 and MEUR 60 RCFs to agree on an extension of the maturity dates to August 31, 2020, at the latest.
- On October 8, Moody's Investor Service assigned a 'Baa2' and S&P Global Ratings assigned a 'BBB-' credit rating to the future Metso Outotec.
- On October 10, Outotec announced a delivery of coated titanium anodes to Glencore Nikkelverk AS new copper tankhouse in Norway. An order worth approximately EUR 10 million was booked in the Q3 order intake.
- On October 18, Outotec was awarded an order for the delivery of Outotec® HIGmill® high intensity grinding mills and services for the Iron Bridge magnetite project in Australia. The order value of approximately EUR 50 million has been booked in the Q4 order intake.



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

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Transaction to create Metso Outotec

The combination will create a leading company

in process technology equipment and services for minerals, metals and aggregates industries

Transaction proceeding according to plan

- Prospectus published (October 7)
- Credit ratings obtained from Moody's and S&P (October 8)
- Antitrust filings started
- Planning of the integration ongoing

Timing

- Metso and Outotec EGMs will be held on October 29
- Targeted closing in Q2/2020



Outotec

Outotec



Sustainable use of
Earth's natural resources