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# Q2 and half-year review 2020

Pekka Vauramo, President and CEO  
Eeva Sipilä, CFO

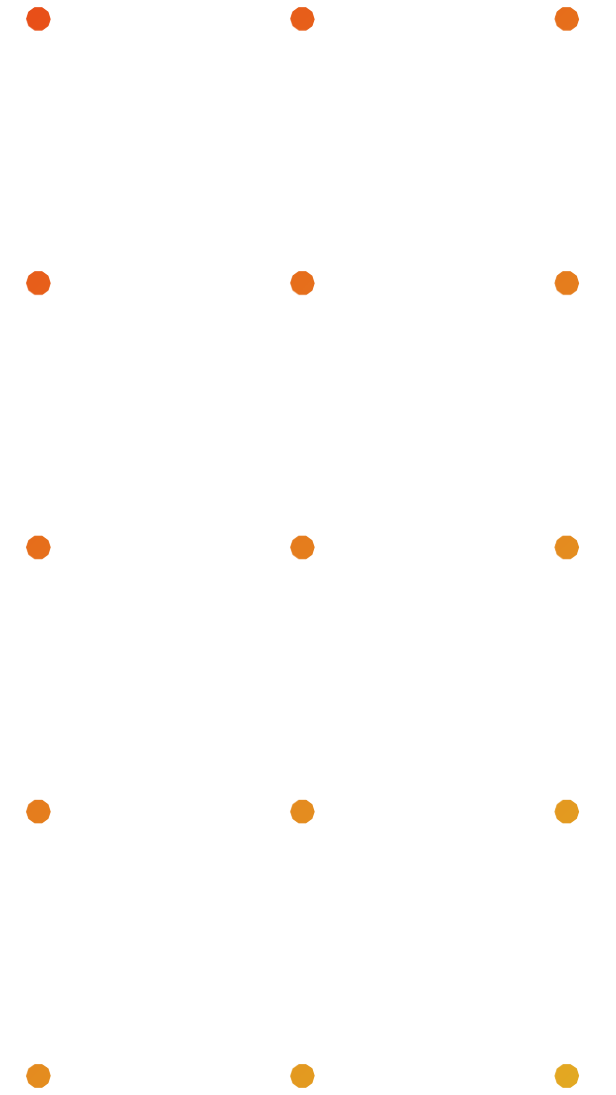
Metso:Outotec

# Forward looking statements

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for customer industry profitability and investment willingness, expectations for company growth, development and profitability and the realization of synergy benefits and cost savings, and statements preceded by "expects", "estimates", "forecasts" or similar expressions, are forward looking statements. These statements are based on current decisions and plans and currently known factors. They involve risks and uncertainties which may cause the actual results to materially differ from the results currently expected by the company.

Such factors include, but are not limited to:

- 1) general economic conditions, including fluctuations in exchange rates and interest levels which influence the operating environment and profitability of customers and thereby the orders received by the company and their margins
- 2) the competitive situation, especially significant technological solutions developed by competitors
- 3) the company's own operating conditions, such as the success of production, product development and project management and their continuous development and improvement
- 4) the success of pending and future acquisitions and restructuring.



# About this financial information

- Under IFRS, the merger of Metso's Minerals business and Outotec is treated as a reverse acquisition, where Metso Minerals is the accounting acquirer and Outotec the accounting acquiree.
- The consolidated Metso Outotec balance sheet is reported as at the transaction closing date of June 30, 2020, whereas the IFRS income statement and cash flow include only Metso Minerals for the reporting period.
- Additional information on Outotec as well as a pro forma-based Metso Outotec income statement are provided separately.
- The segment reporting is still based on the legacy segment structure of the companies, i.e. Metso's Minerals business and Outotec's Minerals Processing and Metals Refining segments.
- Reporting according to Metso Outotec's segment structure to start from Q3/2020
- Company's half-year report includes more information on accounting principles

Pekka Vauramo  
President and CEO

# Results in brief

## Q2/2020 highlights

- Good overall performance during an exceptional quarter
- Fast and comprehensive cost actions to mitigate the Covid-19 impact
- Customer service continued through virtual and digital dialogue, such as webinars and in digital marketing channels.
- Metso's partial demerger and Metso Minerals merger with Outotec was completed on June 30
- Execution of Metso Outotec integration plan and synergies started fast in July

# Group highlights in Q2, pro forma

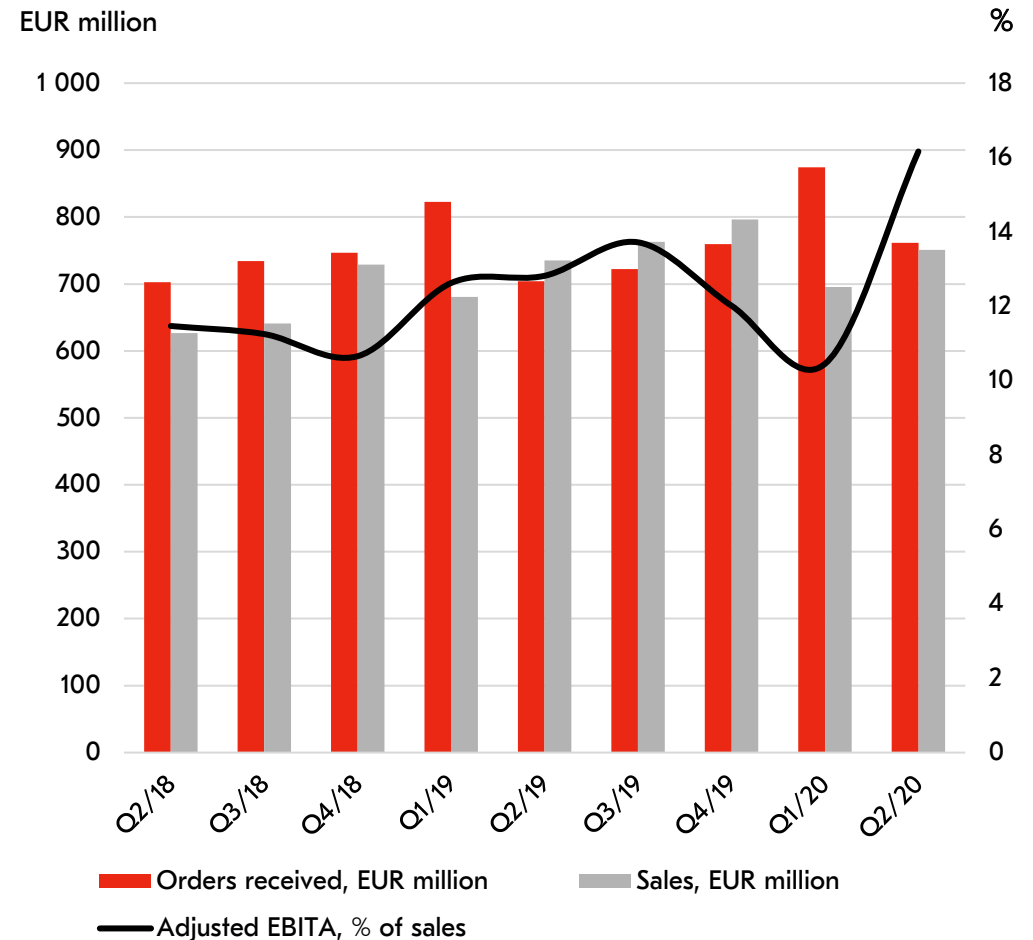
- Orders received EUR 976 million
- Sales EUR 1,047 million
- Adjusted EBITA EUR 143 million, or 13.5% of sales
- Metso Minerals' adjusted EBITA was EUR 110 million, or 14.6% of sales, and Outotec's adjusted EBITA was EUR 31 million, or 10.5% of sales.
- Net debt EUR 913 million
- Liquid funds EUR 528 million
- Gearing 45.5%
- Net working capital EUR 459 million

# Covid-19 impacts in Q2

- Negative impact continued due to lockdowns affecting operations and widespread restrictions limiting travel and workforce mobility
- Aggregates equipment business most affected, except in China, with demand globally improving towards the end of June to about 75% compared to normal
- Decision-making related to bigger investment projects especially in metals refining was affected. The mining equipment market was active driven by smaller brownfield projects. Mining services business, bigger modernizations in particular, was impacted by travel and mobility restrictions. The demand for spare parts and consumables was good throughout the quarter.
- Restrictions on mobility continue in many countries and risk further impacting Metso Outotec during the second half. Risk for impacts on operations and customer deliveries also continue.

# Metso Minerals highlights

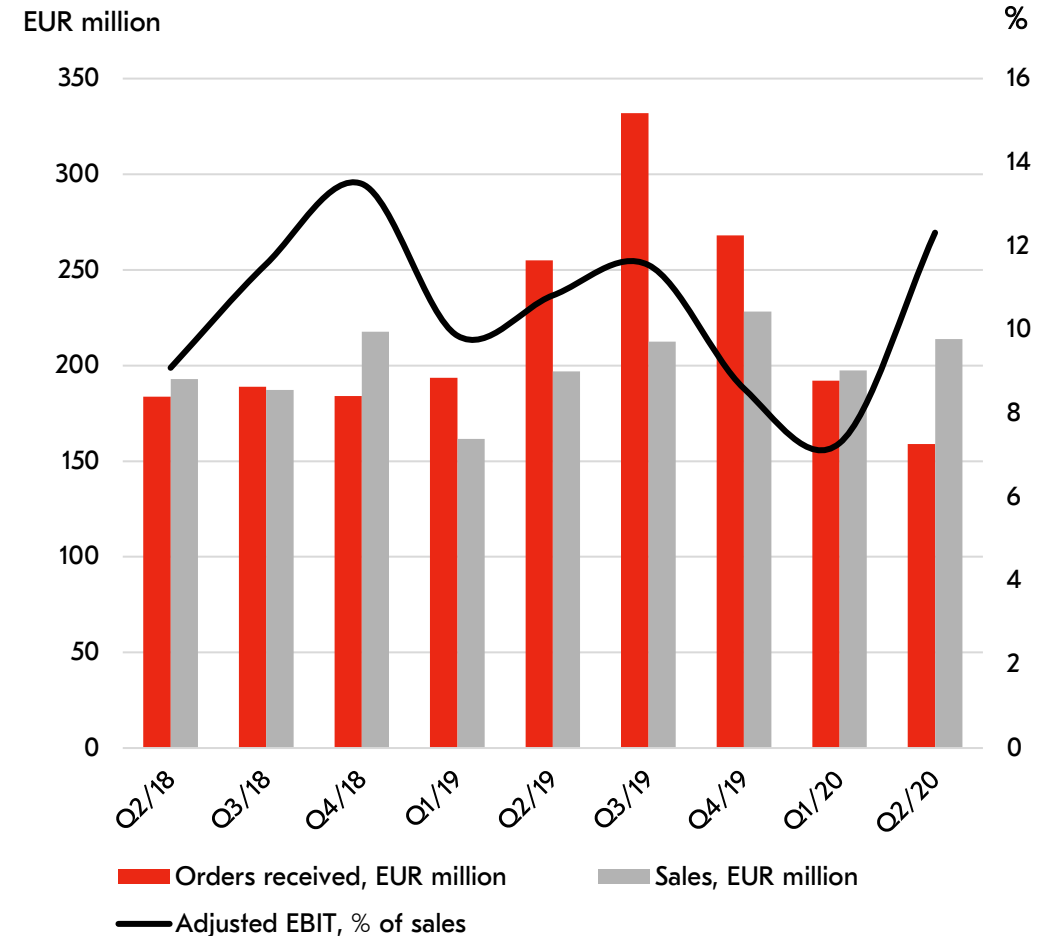
- Orders up 8% y-o-y to EUR 762 million
  - McCloskey contributed 11%-points
  - Services increased 1%
- Sales up 2% y-o-y to EUR 751 million
  - McCloskey impact 10%-points
  - Services increased 2%
- Adjusted EBITA improved to EUR 121 million
  - Margin of 16.2% (Q2/2019: 12.8%)
  - Healthy product margins
  - Solid execution
  - Fast and comprehensive cost actions





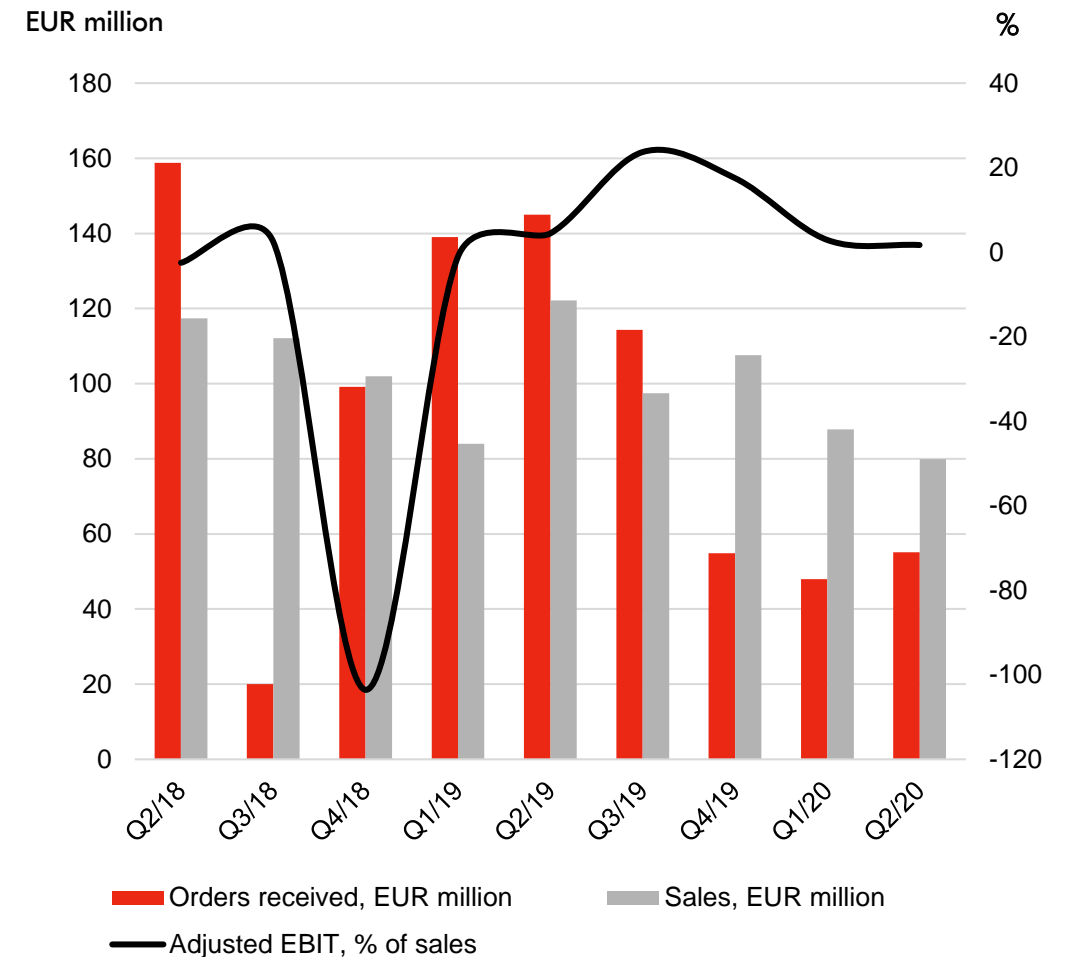
# Outotec Minerals Processing highlights

- Orders received EUR 159 million (255 million)
  - No large mining equipment and service orders
  - Spare part orders at healthy level
- Sales up 9% to EUR 214 million
  - Strong backlog supported equipment deliveries
- Adjusted EBIT improved to EUR 26 million
  - Margin of 12.3% (10.8%)
  - Good execution and cost savings



# Outotec Metals Refining highlights

- Orders received EUR 55 million (145 million)
  - Customers postponed decision-making on projects and modernization services
- Sales EUR 80 million (122 million)
  - Decline due to lower backlog
- Adjusted EBIT EUR 1 million (5 million)
  - Higher product margins and lower costs not enough to offset the negative volume impact
  - Cost saving actions initiated to improve profitability



Eeva Sipilä

CFO

# Financials in detail

# IFRS Income Statement

EUR million	H1/2020	H1/2019	2019
Sales	1,447	1,416	2,976
Gross profit	433	415	858
Operating profit	145	166	325
Net financial expenses	-10	-17	-34
Profit before taxes	135	149	292
Income taxes	-36	-28	-69
Profit for the period	99	121	223

# Income Statement, pro forma

EUR million	Metso Minerals carve-out historical 1-6/2020	Outotec historical reclassified 1-6/2020	Metso Outotec combined 1-6/2020	Pro forma adjustments 1-6/2020	Metso Outotec pro forma 1-6/2020	Metso Outotec pro forma 1-12/2019
Sales	1,447	579	2,026	1	2,027	4,132
Adjusted EBITA	184	51	235	1	236	464
% of sales	12.7	8.9	11.6		11.7	11.2
Operating profit	145	14	159	28	187	268
% of sales	10.0	2.4	7.8		9.2	6.5
Net financial expenses	-10	-6	-16	-1	-17	-52
Taxes	-36	2	-34	-4	-38	-55
Profit for the period continuing operations	99	10	109	23	132	161

# IFRS Balance Sheet

EUR million	June 30, 2020	December 31, 2019
Intangible assets	2,062	723
Total property, plant and equipment	357	315
Right-of-use assets	138	89
Other non-current assets	251	282
Inventories	1,106	975
Receivables (trade and other)	1,094	916
Liquid funds	528	156
Assets, discontinued operations	39	-
<b>TOTAL ASSETS</b>	<b>5,575</b>	<b>3,457</b>
Total equity	2,009	1,254
Interest bearing liabilities	1,449	915
Non-interest-bearing liabilities	2,040	1,288
Liabilities, discontinued operations	78	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,575</b>	<b>3,457</b>

# Analysis of Cash Flow

EUR million	Metso Minerals carve-out historical 1-6/2020	Outotec historical 1-6/2020	Metso Minerals carve-out historical 1-6/2019	Outotec historical 1-6/2019	Metso Minerals carve-out historical 1-12/2019	Outotec historical 1-12/2019
Profit for the period	99	0	121	14	223	27
Adjustments	92	18	76	35	166	78
Change in net working capital	167	-85	-157	-17	-216	-29
Financial income and expenses paid, net	-14	0	-13	1	-31	-2
Income taxes paid	-40	-7	-35	-3	-100	-6
<b>Net cash flow from operating activities</b>	<b>303</b>	<b>-75</b>	<b>-9</b>	<b>30</b>	<b>43</b>	<b>68</b>
Capital expenditure on fixed assets	-42	-7	-34	-9	-87	-18
Proceeds from and investments in financial assets, net	-	1	31	0	31	0
Business acquisitions, net of cash	210	-	-35	0	-214	-9
Proceeds from sale of businesses, net of cash sold	88	0	9	-	58	-
Other	7	0	1	0	5	0
<b>Net cash flow from investing activities</b>	<b>264</b>	<b>-6</b>	<b>-29</b>	<b>-9</b>	<b>207</b>	<b>-27</b>

# Net working capital per June 30, 2020





# Financial position

- Committed and undrawn revolving credit facilities totaled EUR 790 million at the end of June
- Outotec's EUR 150 million hybrid bond was repaid on July 31, refinanced by a bank term loan
- Commitment for a term loan of EUR 150 million in place to finance the Outotec bond maturing in September 2020

EUR million	June 30, 2020
Liquid funds	528
Net debt	913
Gearing, %	45.5
Equity-to-assets ratio, %	38.9
Debt to capital, %	31.3
Equity/share, EUR	2.42

Pekka Vauramo

President and CEO

# Integration and outlook

## Synergies from the merger updated

- Cost synergy target increased to EUR 120 million (initially EUR 100 million). Annual run rate expected to fully materialize in the end of 2021 (initially in three years). EUR 50 million annual run rate expected already by the end of 2020.
- Revenue synergy target of EUR 150 million (unchanged)
- Estimated one-off, pre-tax costs of approx. EUR 100 million (unchanged), most of which are expected to be incurred by the end of 2021.
- Follow-up in place and status will be published in conjunction with quarterly reports

## Integration work has started fast

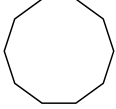
- Minimum of 4 layers of organization in place, enough to execute the integration
- 8 market area organizations in place compared to 23 in Metso Minerals and Outotec earlier
- Office locations to decrease to around 150 from 190 previously
- Strategy work ongoing



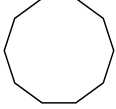
# Market outlook

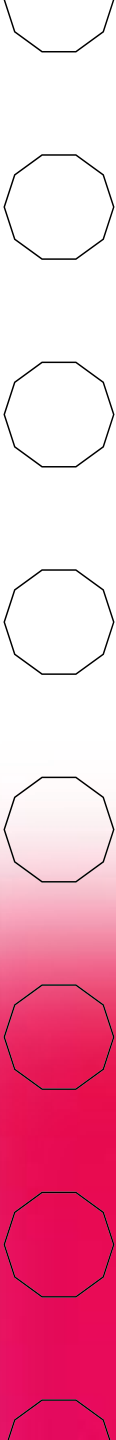


Metso Outotec expects the market activity to remain at the current level, being subject to a possible worsening of the Covid-19 pandemic.



According to its disclosure policy, Metso Outotec's market outlook describes the expected sequential development of market activity during the following six-month period using three categories: improve, remain at the current level, or decline.





# Partner for positive change



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