

Growth in sales and adjusted EBIT, uncertain operating environment affected order intake

Q1 Interim Report 2020

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Outotec

Market and business development

Covid-19 impacted the operating environment in Q1

- Operating environment weakened due to the outbreak of COVID-19
- Demand solid for smaller equipment, no large investment decisions were made
- Spare part business active
- Travel bans and site suspensions restricted field services, larger service projects postponed
- North and Central America as well as South East Asia-Pacific most active
- Copper, precious metals and zinc most active



Spare part
business solid,
delays in large
investments

Order intake impacted by Covid-19

Base metals

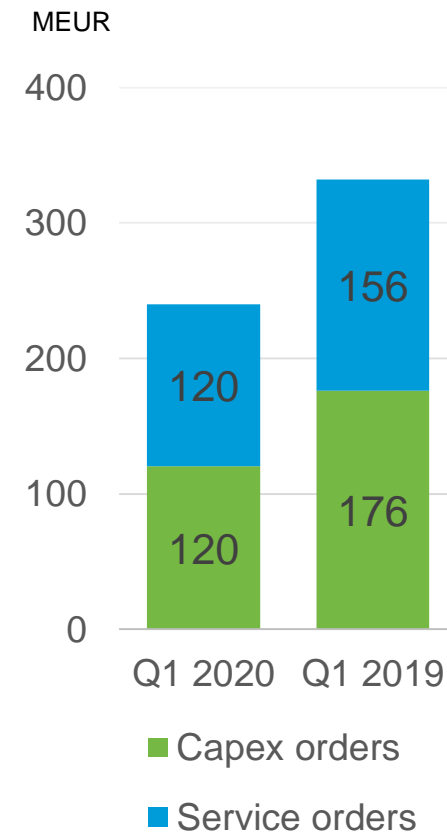
Process equipment to a greenfield gold project in Cambodia, approx. 13€M, MP
(February 12)

Technology and services for alumina refinery expansion in India, approx. 15€M, MR
(March 9)

Minerals processing technology to a silver project in Mexico, approx. 15€M, MP
(April 8)

Grinding mill order from a gold project in Kazakhstan, not published, similar scopes approx. 10€M, MP
(April 15)

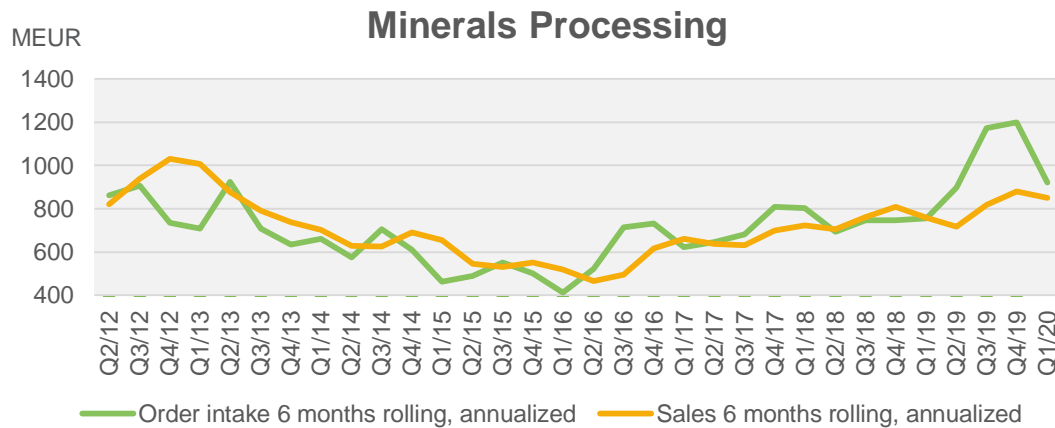
Order intake in Q1



Sales in both segments increased due to large orders received in 2019

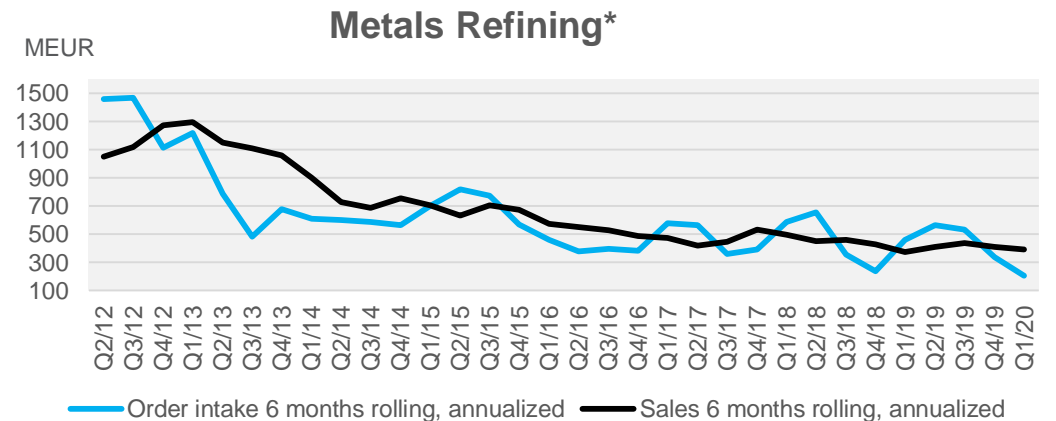
Minerals Processing in Q1

- Order intake decreased by 1%
- Sales increased 22%
- Service sales grew by 3%
- Share of service sales 41%



Metals Refining in Q1

- Orders decreased by 65% due to lack of large capex and service orders
- Sales increased 5%
- Service sales decreased by 8%



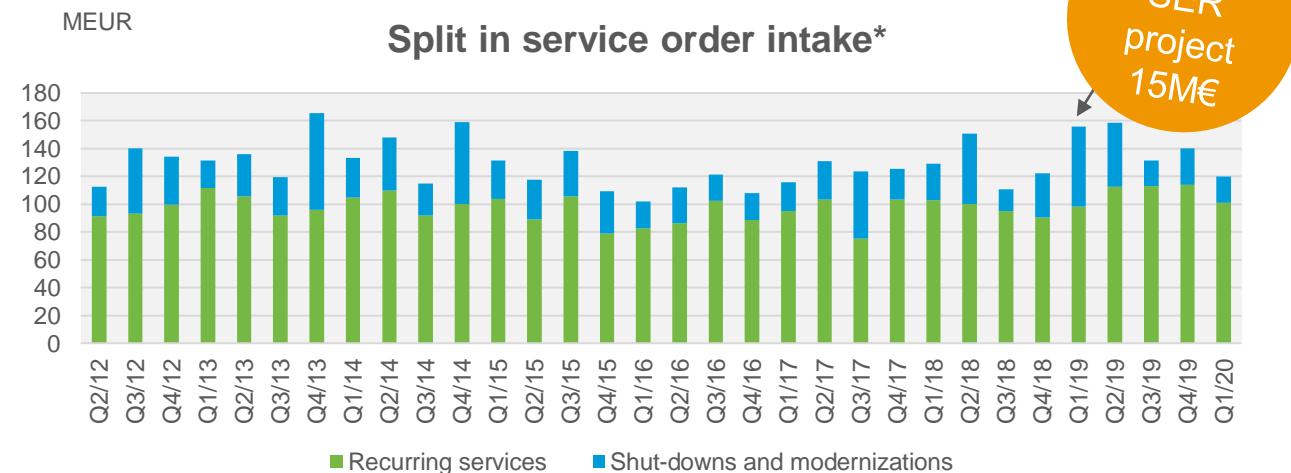
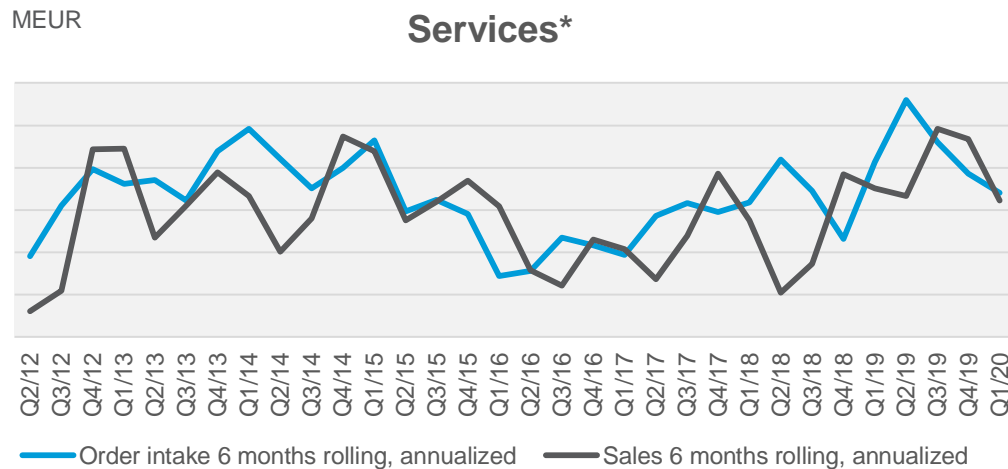
*Figures for 2019 and 2018 quarters prior to Q4/2019 have been restated due to business divestments in the Metals, Energy & Water segment. Figures for 2017 and earlier years have not been restated.

Travel restrictions and site suspensions impacted service orders, spare part business continued to be solid

Services in Q1

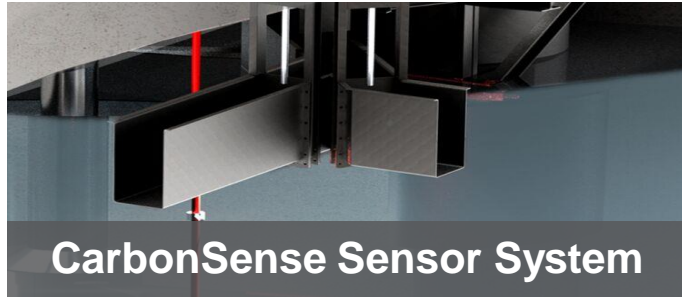
- Service orders decreased by 23%
 - Fewer large service projects and field service orders than Q1/2019
 - Q1-end service backlog reached 194 (234) M€

- Service sales remained on the same level
- Delays in spare part deliveries due to logistic constraints
- Site suspensions impacted field services and service projects



*Figures for 2019 and 2018 quarters prior to Q4/2019 have been restated due to business divestments in the Metals, Energy & Water segment. Figures for 2017 and earlier years have not been restated.

Q1 2020 product launches



CarbonSense Sensor System

An advanced in-situ carbon measurement system for minimizing gold losses in CIP and CIL circuits. This robust system is designed to operate continuously in the agitated area of the reactor to ensure a highly representative analysis.

[Learn more](#)



Mill Control System

A reliable solution for increasing grinding mill availability with all control functions required for the safe operation of grinding mills and their associated lubrication systems, as well as continuously monitoring the equipment's condition.

[Learn more](#)



Pretium Water Advisor

A real-time overview of the mine's water balance and quality. The solution predicts changes in water balance and quality dynamically and enables simulation and evaluation of proposed water treatment investments and process changes.

[Learn more](#)



TankCell s-Series

Superior metallurgical performance with a fast return on investment. Standardized and preconfigured delivery make them a cost-effective solution.

[Learn more](#)



CellStation

For controlling the air feed and pulp level in flotation cells. The solution incorporates Outotec's ExactLevel controller, which enables more accurate level control and significantly reduces process disturbance, which improves the flotation cell's metallurgical performance.

[Learn more](#)



100% bio-based diluent

Outotec and Neste verified the viability of applying Neste MY Renewable Isoalkane™ as a fully bio-based diluent for extracting metals in hydrometallurgical processes. It is fully compatible with conventional fossil diluents, and it can be introduced without any downtime.

[Learn more](#)

Status of the ilmenite smelter project in MR

We remain confident that EUR 110 million provision booked for 2018 is adequate

- Further updates will be announced following any substantial news



Q1 2020 Key financials

*Figures for 2019 and 2018 quarters prior to Q4/2019 have been restated due to business divestments in the Metals, Energy & Water segment.
Figures for 2017 and earlier years have not been restated.*

Sales increased by 16%, currency fluctuations and sales mix impacted GM and aEBIT negatively

EUR million	Q1 2020	Restated ⁵ Q1 2019	Change, %	Q1-Q4 2019
Order intake	240	332	-28	1,501
Sales	285	246	16	1,210
Service sales ¹	110	109	0	550
Share of services in sales, %	38	45		45
Gross margin, %	25	28		30
Adjusted EBITA ²	21	19		142
Adjusted EBITA ² , %	7	8		12
Adjusted EBIT ³	16	14		122
Adjusted EBIT ³ , %	5	6		10
- Restructuring and acquisition-related costs ⁴	-5	-		-10
- PPA amortization	-1	-1		-4
EBIT	9	13		107
EBIT, %	3	5		9
Result for the period	4	5		27

¹ Included in the sales figures of the two reporting segments.

² Excluding all amortizations, as well as adjustment items consisting of restructuring and capacity adjustment costs, costs related to mergers and acquisitions, outcome of material intellectual rights property disputes, gains and losses on business disposals and goodwill impairments. Since the second quarter of 2019, Outotec has added adjusted EBITA to the reported numbers on the Group level to reflect the planned combination. Q1-Q4/2019 figure recalculated.

³ Excluding restructuring and acquisition-related items and PPA amortizations.

⁴ Including restructuring-related items of EUR -0.4 million and items related to acquisitions or business combinations of EUR -4.8 million. In Q1/2019 there were no restructuring and acquisition related items.

⁵ Comparison figures related to the income statement have been restated due to business divestments in the Metals, Energy & Water segment being classified as discontinued operations.

MP: Sales increased by 22%, service sales increased by 3%, currency fluctuations and sales mix reduced aEBIT

Minerals Processing MEUR	Q1 2020	Q1 2019	Change, %	Q1-Q4 2019
Order intake	192	194	-1	1,049
Sales	197	162	22	799
Service sales	82	79	3	388
Adjusted EBIT*	14	16		81
Adjusted EBIT*, %	7	10		10

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

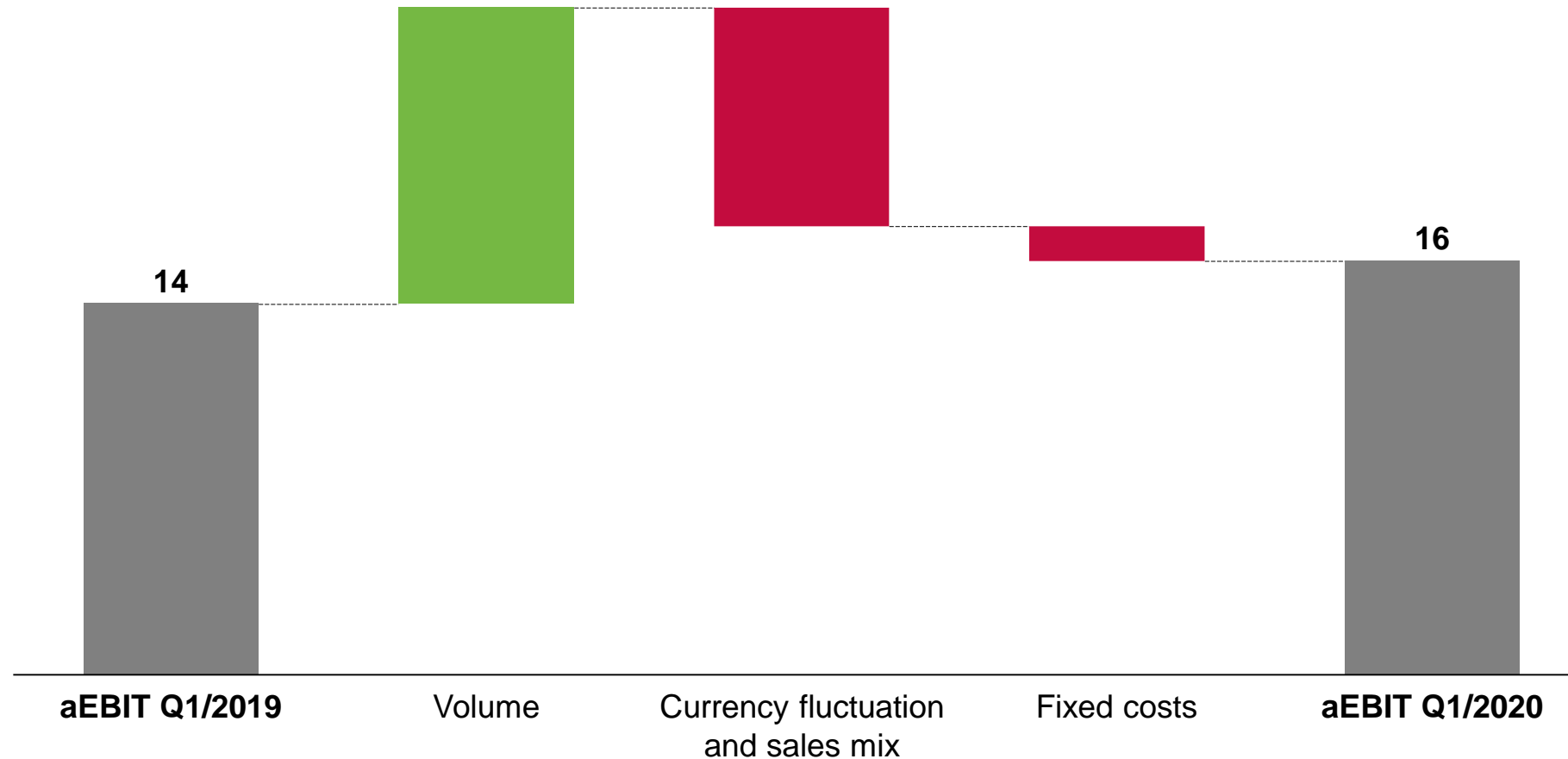
MR: Sales increased by 5%, service sales decreased by 8%, better project execution improved profitability

Metals Refining MEUR	Q1 2020	Restated² Q1 2019	Change, %	Q1-Q4 2019
Order intake	48	139	-65	453
Sales	88	84	5	411
Service sales	28	30	-8	162
Adjusted EBIT ¹	3	-1		46
Adjusted EBIT ¹ , %	3	-1		11

¹ Excluding restructuring and acquisition-related items as well as PPA amortizations

² Comparison figures related to the income statement have been restated due to business divestments in the Metals, Energy & Water segment being classified as discontinued operations.

Sales growth improved aEBIT, currency fluctuations and sales mix reduced margins



Inventory build-up related to three large projects impacted cash flow

EUR MILLION	Q1 2020	Q1 2019
OPERATING PROFIT	9	13
Total depreciation and amortization	12	13
EBITDA	21	26
Total change in net working capital	-65	-39
Capital Expenditure	-5	-3
Other	-8	-6
FREE CASH FLOW	-58	-22
Net interest received and paid	0	1
Income tax paid	-4	0
INTEREST AND TAXES	-4	1
FREE CASH FLOW AFTER INTEREST AND TAXES	-62	-22
Dividends paid	-18	-
Change in current debt	76	8
Repayment of lease liabilities	-4	-4
Hybrid bond interest	-11	-11
Other financing cash flow	0	-0
NET CASH FROM FINANCING ACTIVITIES	43	-7
NET CHANGE IN CASH AND CASH EQUIVALENTS	-19	-29
Foreign exchange rate effect on cash and cash equivalents	-16	5
Cash classified as assets held for sale	0	-
Cash and cash equivalents at March 31	233	210

Financial position remained stable

	Q1 2020	Q1 2019
Net interest-bearing debt ¹⁾ , EUR million	124	60
Gearing ¹⁾ , %	38	16
Equity-to-assets ratio ¹⁾ , %	25	31
Return on investment, %, LTM	16	-6
Return on equity, %, LTM	19	-11
Net working capital at the end of the period, EUR million	-32	-91
Advances received	147	199
Equity, EUR million	328	377
Balance sheet total, EUR million	1,459	1,419

¹⁾If the hybrid bond were treated as a liability: net interest-bearing debt would be EUR 274.1 million, gearing 153.7%, and the equity-to-assets ratio 13.6% on March 31, 2020 (March 31, 2019: 210.3 million, 92.7 million, 18.6% and December 31, 2019: EUR 168.0 million, 73.3% and 17.9% respectively).

Outlook for 2020

Outlook for 2020 REVISED

“ Due to the ongoing COVID-19 pandemic, market activity and visibility in the minerals processing and metals refining market have weakened. The timing of larger investments in particular is uncertain.

The previous outlook, issued on February 6, 2020: The market activity in minerals processing and metals refining is currently expected to remain at the present level. Copper, gold and nickel projects are expected to continue to be the most active. The timing of large investments is uncertain.

”



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

Timing of the combination

Considering the progress of the regulatory approval process, Outotec and Metso currently expect the completion of the combination of Outotec and Metso's Minerals business to take place on June 30, 2020, subject to the receipt of all required regulatory and other approvals, including competition clearances.

March 10: Metso and Outotec have received competition clearances from number of countries including the USA, Australia, Russia, South Africa, and the Common Market for Eastern and Southern Africa (COMESA).



Compelling combination for stakeholders



Customers

- Larger offering to deliver complete solutions
- Enhanced service focus, more feet-on-the-street
- Strong presence across verticals, geography and applications

Innovation and technology development

- Leverage combined group's technology and R&D
- Sustainability at the core of Metso Outotec's customer offering and operations

Attractive shareholder returns

- Significant revenue and cost synergies
- Larger share of service sales to bring stability
- Strong balance sheet and growth capabilities

People and governance

- Strong cultural fit, including customer focus and innovation
- Greater scale offers opportunities for industry experts
- Experienced board and management

Outotec



Sustainable use of
Earth's natural resources