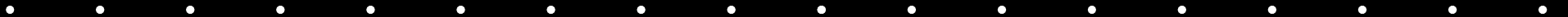


Metso:Outotec

# Financial base geared to support strategy execution

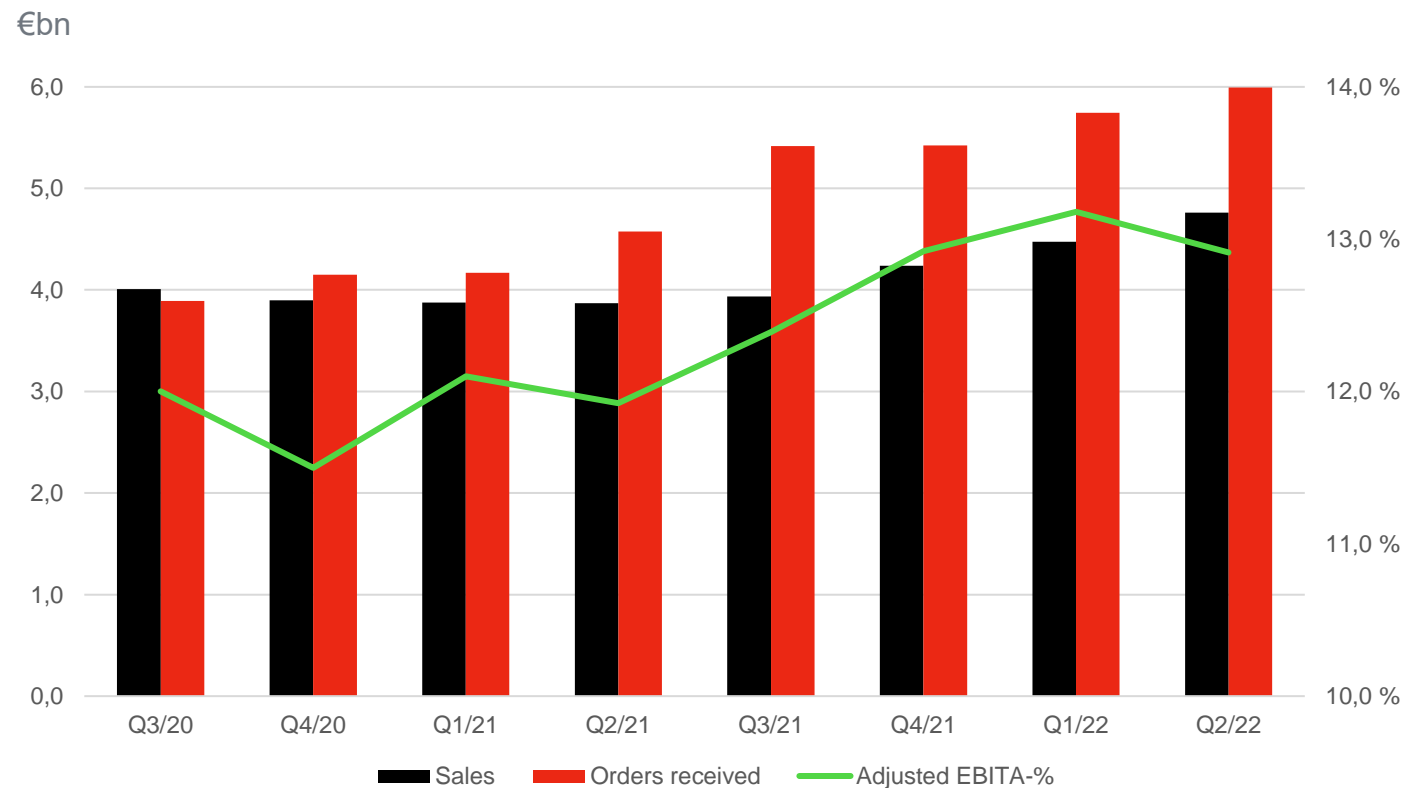
Eeva Sipilä  
CFO and Deputy CEO

Capital Markets Day  
September 15, 2022



# Growth and improving profitability during our journey

Rolling 12 month development

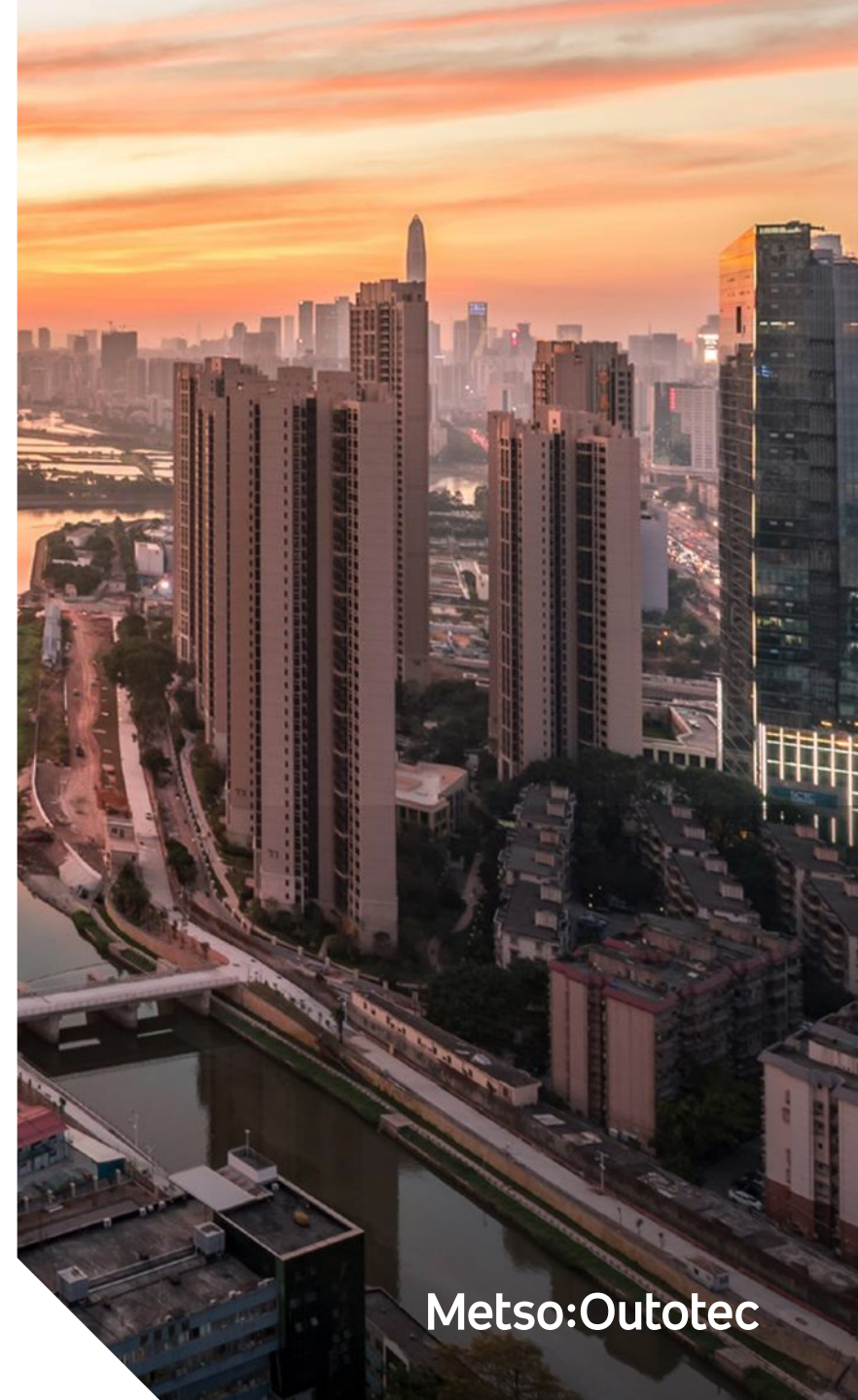


- Our journey started in the middle of the pandemic
- Pro forma adjusted EBITA was 11.2% in 2019
- All segments have grown and improved profitability



# Demonstrating strong commitment to sustainability by integrating it into our financing

- Metso Outotec [Sustainability Linked Finance Framework](#) includes:
  - **KPI 1:** Scope 1 & 2 CO<sub>2</sub> emissions (tCO<sub>2</sub>)
  - **KPI 2:** Suppliers signed up for the Science-Based Targets initiative
  - **KPI 3:** Annual increase in revenue from Planet Positive portfolio
- Our Sustainability-Linked Finance Framework has been developed in line with the International Capital Markets Association's (ICMA) Sustainability-Linked Bond Principles 2020 and the Loan Market Association's (LMA) Sustainability-Linked Loan Principles 2022.
- For each financing arrangement under the Framework, the interest rate or other provision affecting the cost of financing will change depending on how we meet the predefined sustainability performance targets by an agreed review date.



# Strong balance sheet and liquidity

## Balance sheet key figures on June 30, 2022, IFRS

Liquid funds  
**EUR 451m**

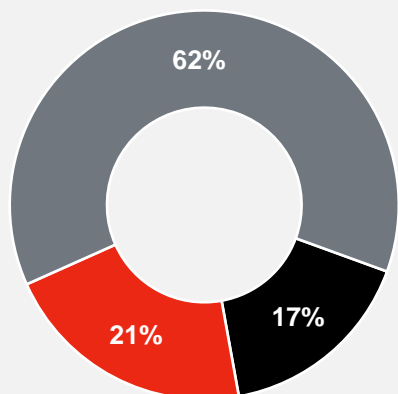
Net debt  
**EUR 617m**

Gearing  
**29%**

Equity-to-assets ratio  
**38%**

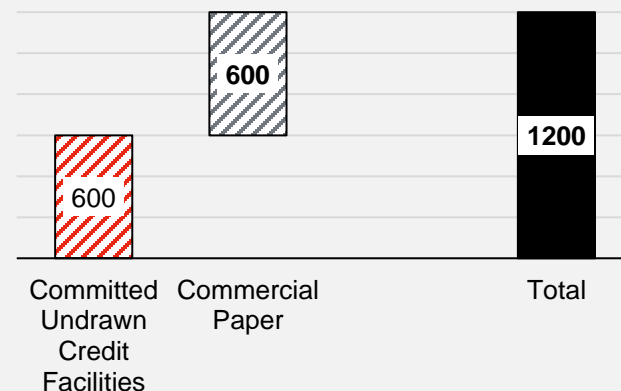
Debt-to-capital ratio  
**30%**

### Debt Composition

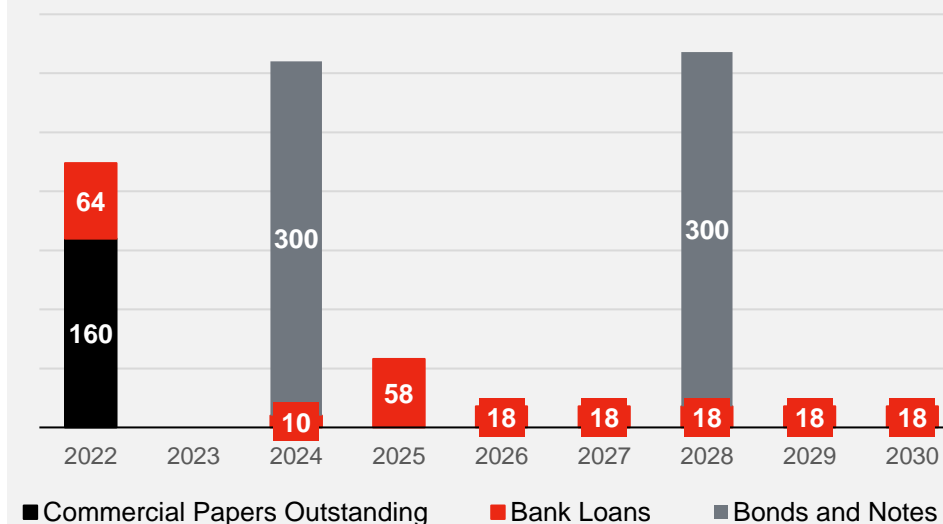


- Commercial Papers Outstanding
- Bank Loans
- Bonds and Notes

### Liquidity Arrangements



### Balanced maturity structure



# Credit rating at our targeted level

- Increased profitability and good cash flow have reduced leverage and improved credit rating metrics.
- Moody's rating and outlook have been stable. Standard & Poor's changed the outlook first from negative to stable, then to positive.

	2020	2021	Last 12 months at 30/6/2022
Total Debt/EBITDA	3.4	1.6	2.0
FFO/Debt	22%	52%	36%
EBITDA/Interest	10.2	16.9	10.5
FFO/Cash interest	8.6	14.1	7.7

**Standard & Poor's  
BBB- (positive)**

**Moody's  
Baa2 (stable)**

# Effective tax rate between 2018 and 2021

Natural tax rate (excluding one-offs and / or prior year taxes) is driven by our centralized tax model and profit distribution / transfer pricing model



- Parent company & IP owning principal company
- Statutory tax rate 20%
- Effective tax rate (ETR) ~21%



- IP owning principal company
- Statutory tax rate ~24% including federal and state
- Effective tax rate ~20% due to various incentives

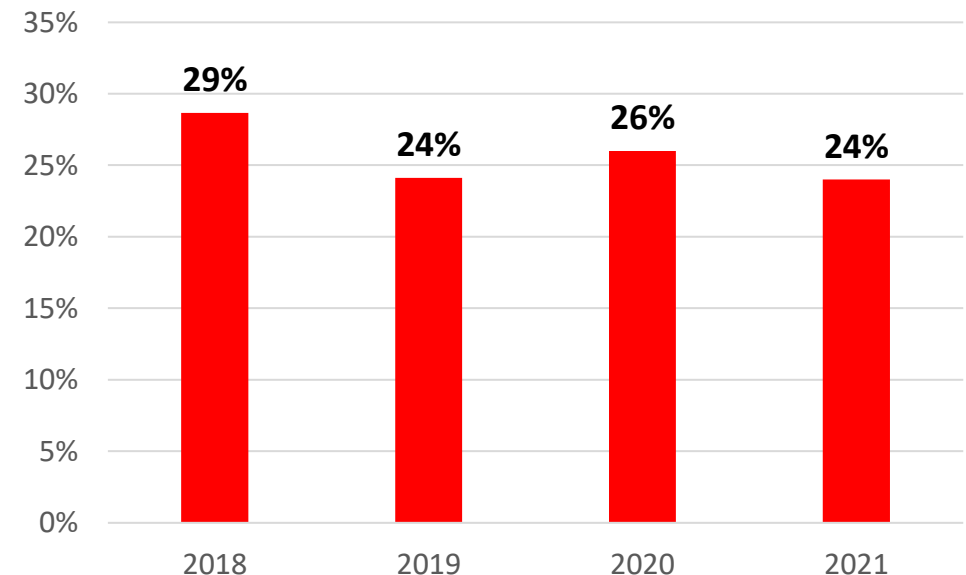


- Local manufacturing and distribution entities



- Average statutory tax rate ~27%
- Effective tax rate ~32%

ETR 2018-2021



# Tax transparency and sustainability

## Main voluntary tax transparency elements

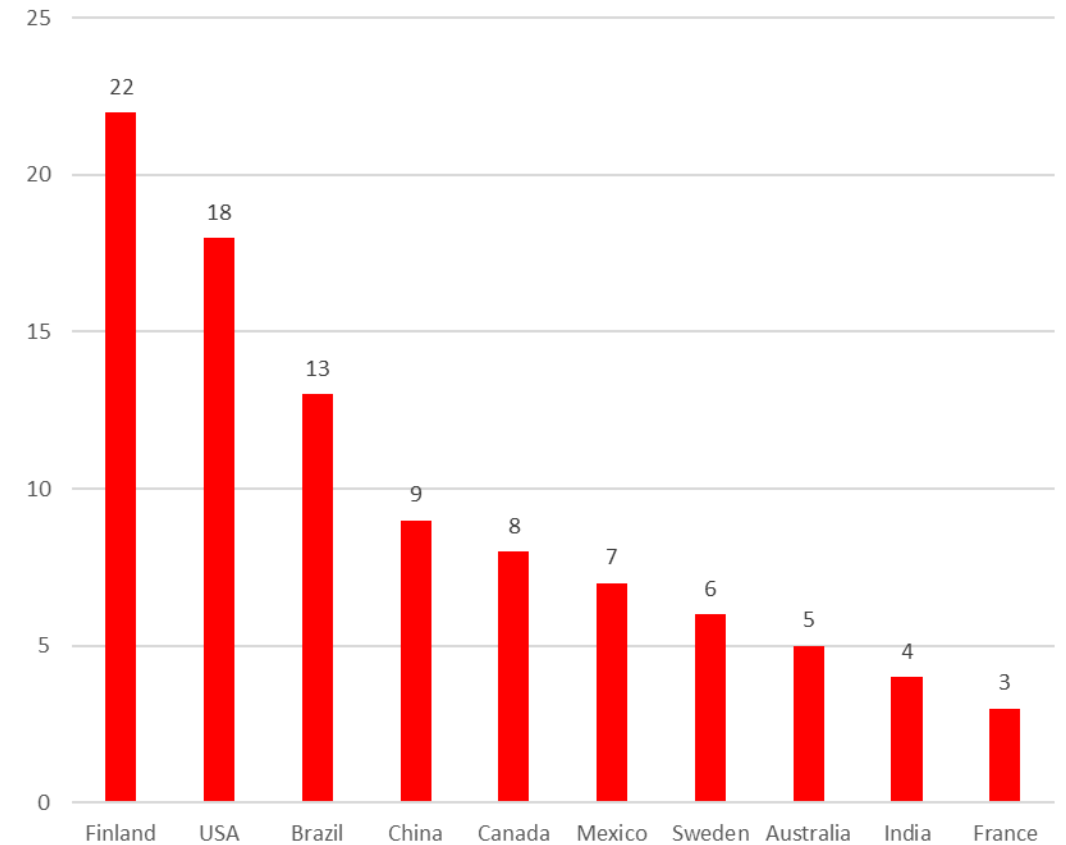
- Tax strategy
- High-level income tax footprint as part of the the annual GRI supplement

## Tax Strategy

- Approach to tax management and tax planning
- Governance
- Committed to full tax compliance
- We do not undertake any tax planning schemes with artificial tax driven structures for the purpose of tax avoidance

We are committed to compliance with upcoming tax transparency disclosure requirements such as EU public CbCR.

2021 income taxes paid  
mEUR

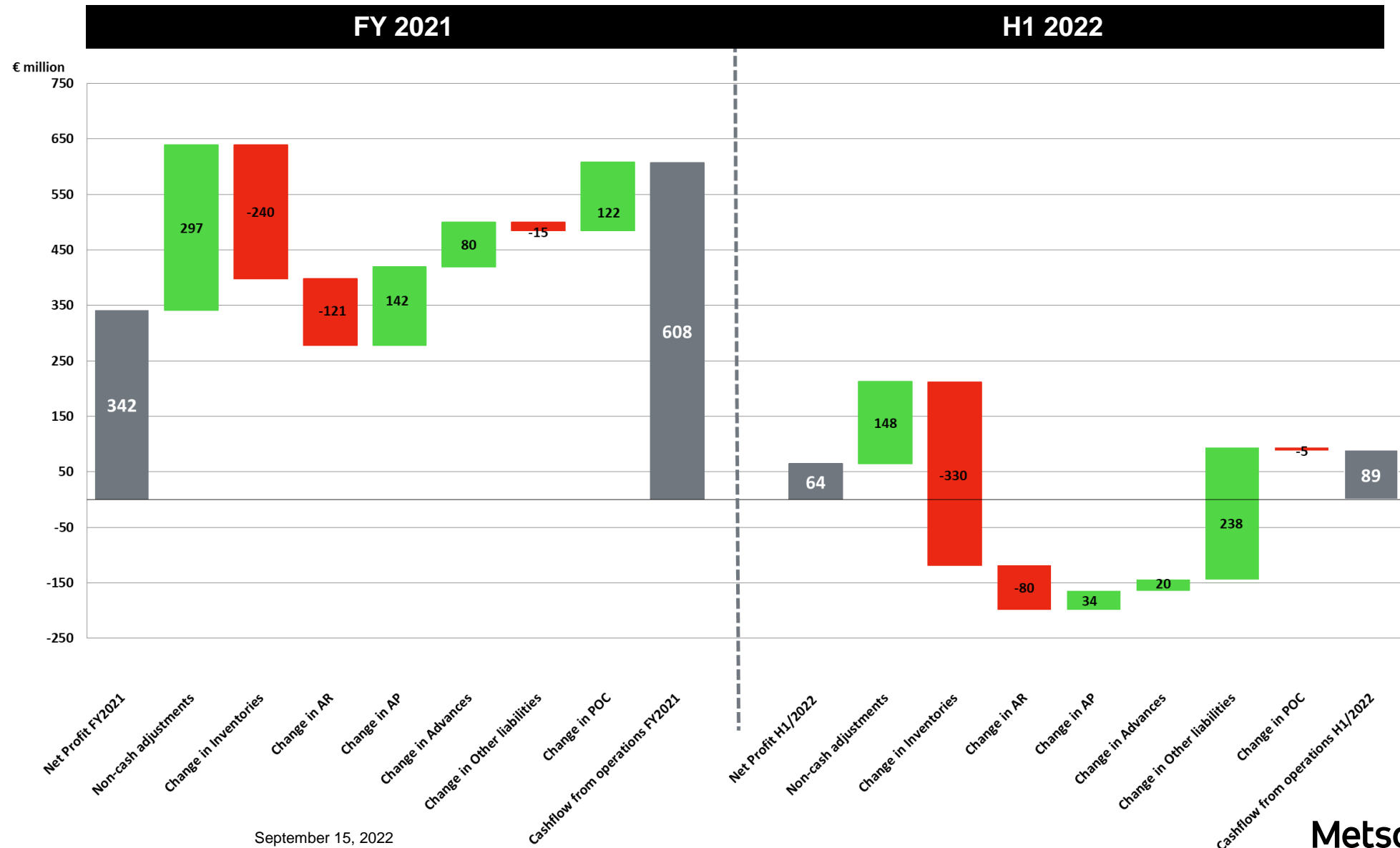


# Russia business wind-down

- No orders taken since start of war
- Operations being reduced to small accounting team in St Petersburg
- Remaining order backlog of EUR 380 million written off at the end of June
- Provision of EUR 150 million made at end of Q2 is expected to cover the remaining exposure (mainly write-down of operative assets)
- Immediate halt to business with sanctioned customers
- Legal termination of multi-year project contracts for non-sanctioned customers is time-consuming as each case has to be separately negotiated to adhere to prevailing export controls on project content as well as to limitations in logistics and financing arrangements



# Cash flow from operations – comparing FY 2021 vs H1/2022



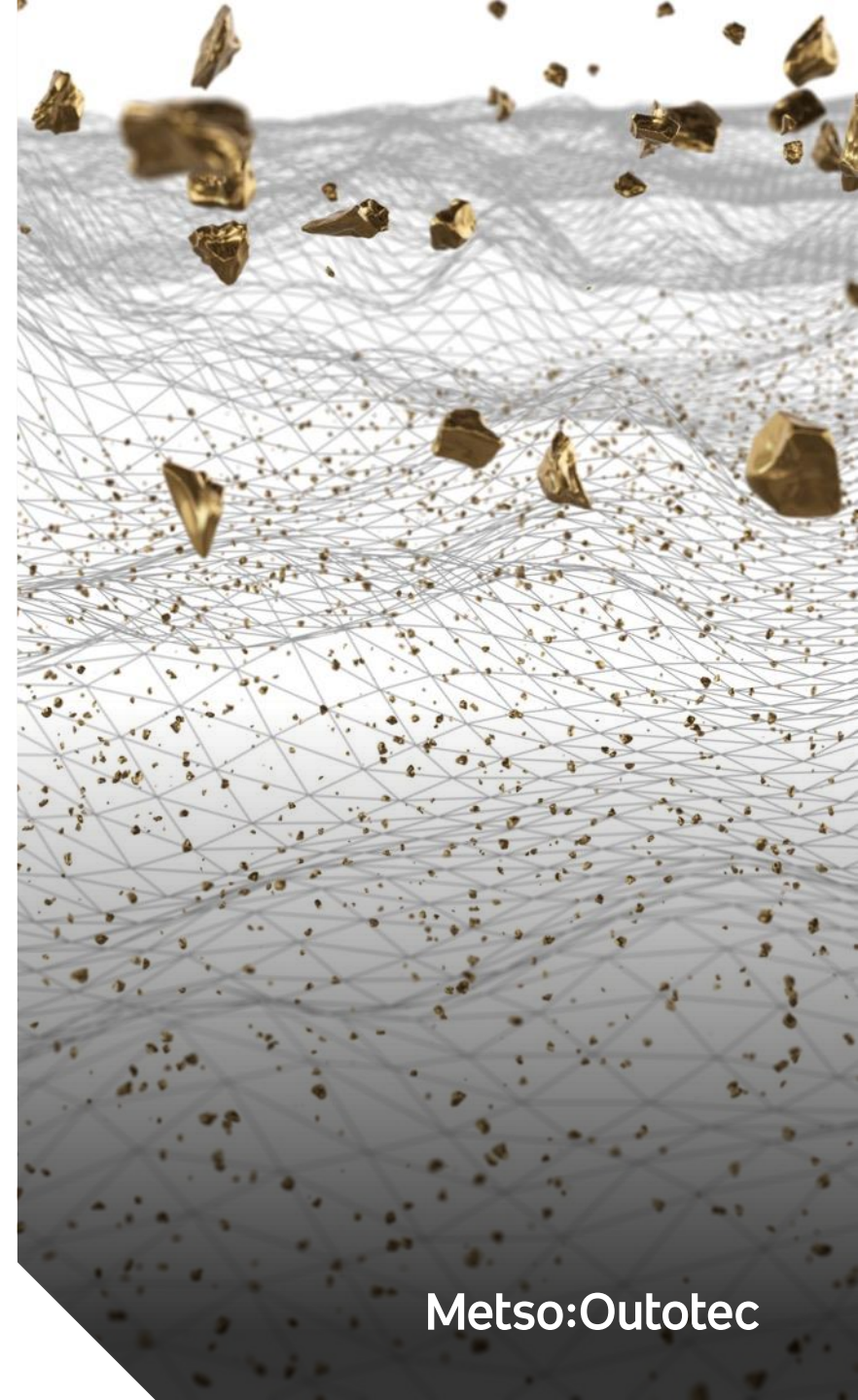
# Ongoing portfolio development

## Discontinued operations

- Recycling business sold (Waste recycling in 2021, Metal recycling in Q2/2022)
- Divestment of Waste-to-energy has taken longer than expected, currently ongoing discussions regarding the business (closing of UK projects dating to 2015 not in scope)

## Metals strategic review

- Extensive review of business, technology portfolio, competitive position, stand-alone financials and outlook still ongoing. Main findings so far confirming assumptions:
  - Several key technologies in the portfolio e.g. smelting, acid plants, pelletizing and green steel technologies
  - Cost structure, financial performance and backlog are healthy post '20-21 turnaround
  - Further technology development will require investments
  - Business profile is different then the company's core



# Business improvement actions continue to reach **>15% adjusted EBITA margin**

## Financial targets

Adjusted EBITA >15% over the cycle

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Maintaining an 'investment-grade' credit rating

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Dividend pay-out of at least 50% of earnings per share

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Progress in sustainability in alignment with the 1.5 °C commitment

## Ongoing business improvement actions

1. Aftermarket growth
2. Specific focus on more captive services offering
3. Consumables has turned the corner following challenging H2/21-H1/22
4. Several aftermarket supply chain and procurement development actions
5. Productization in equipment business to improve margins and reduce execution risks

Group portfolio decisions considered in light of financial targets



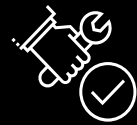
# Metso Outotec investment highlights



**Leading offering in aggregates and mining with full flowsheet**



**Industry leader in sustainability and technology**



**Strong aftermarket presence & capability**



**Committed to further improvement of profitability**



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# Partner for positive change



[mogroup.com](http://mogroup.com)

