



# Q1 Interim report 2011

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President and CEO

April 29, 2011

**Outotec**

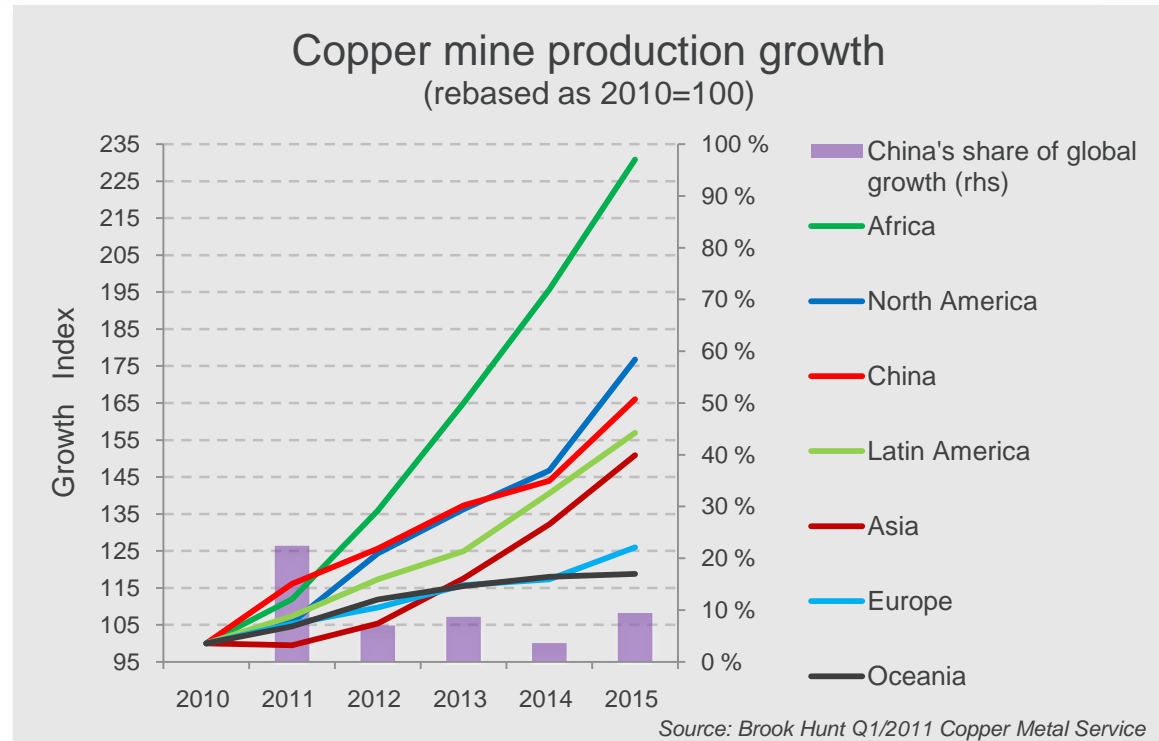


# Q1 Financial information

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# The market continued to strengthen in Q1

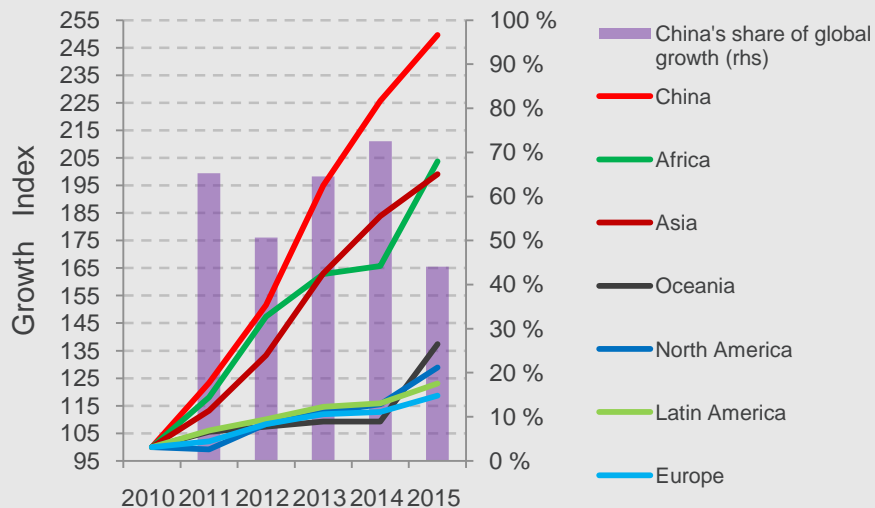
- Markets continued to strengthen in all business areas
- The growing level of industry capex is increasingly materializing as equipment and project orders
- The decision making of large investments is still taking time (e.g. structures of financing packages have become more complex delaying decision-making processes)
- production utilization rates of customers are on a good level driving the demand for services



# Strong long term drivers support investment activity

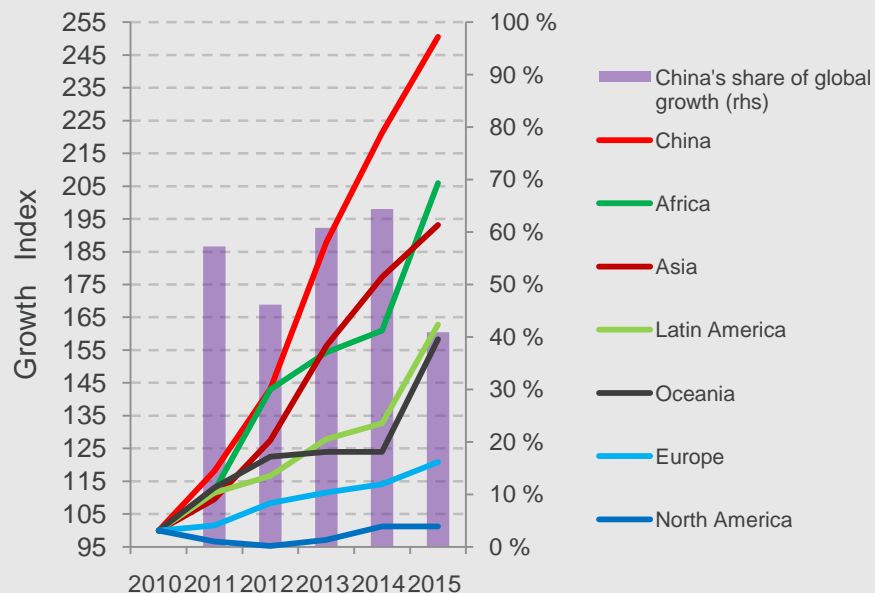
- Positive long term outlook for metals demand especially in the emerging economies drives investments.
- South America, Australia and India are developing strongly, especially with regard to copper, gold and iron projects.

Copper refinery production growth  
(rebased as 2010=100)



Source: Brook Hunt Q1/2011 Copper Metal Service

Copper smelter production growth  
(rebased as 2010=100)



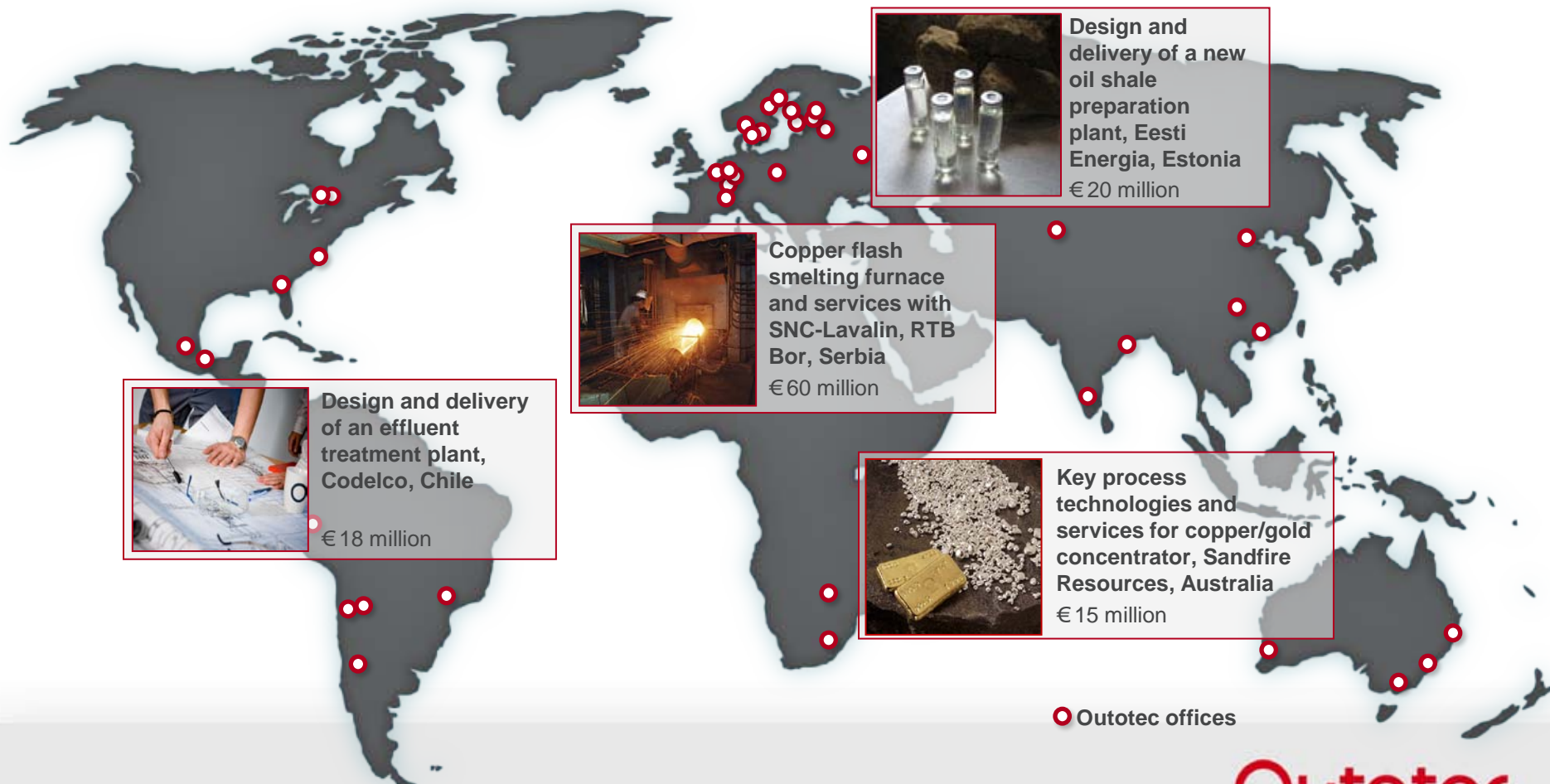
Source: Brook Hunt Q1/2011 Copper Metal Service

- Drive for sustainable solutions is increasing, increasing the demand for advanced process technology



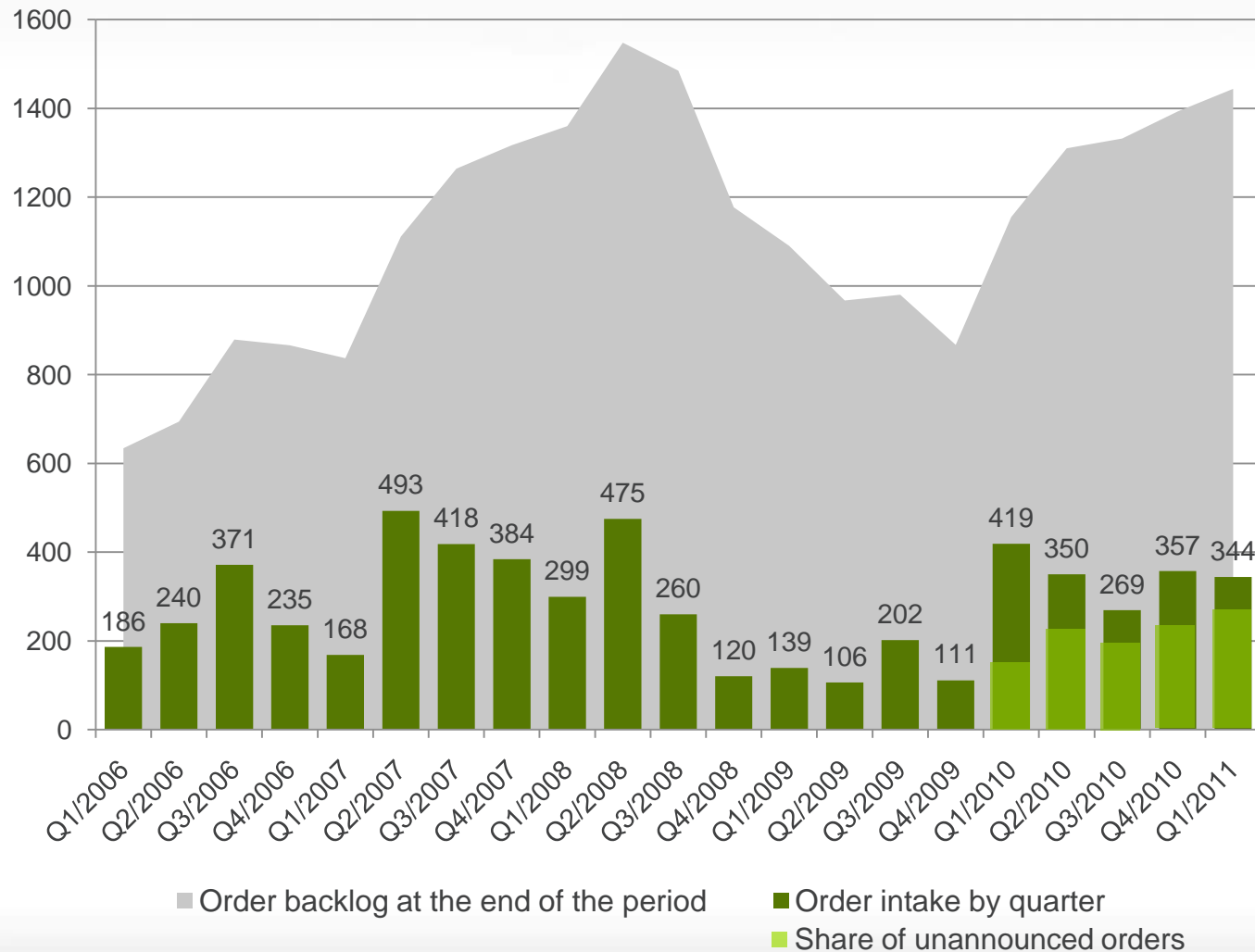
# Q1 largest orders in base metals, oil shale and water

- Order intake in Q1 EUR **343.7** million (Q1/2010: EUR 419.4 million). Q1/2010 order intake included two large orders (EUR 119 million and EUR 116 million).
- Orders from EMEA (including CIS) represented roughly half of the total order intake and the second half was split evenly between the Americas and Asia Pacific.



# Strong base load of unannounced orders, growing both Y-o-Y and sequentially

EUR million



- Order backlog at the end of Q1/2011 was EUR **1,444.4** (1,155.7) million, 25% higher than at the end of Q1/2010
- 29 projects with value in excess of EUR 10 million, accounting for 67% of the backlog
- Roughly 60% (EUR 840 million) of the backlog is estimated to be delivered in 2011 and the rest in 2012 and beyond.

# Strong sales and gross margin resulted to strong improvement in profitability

EUR million	Q1 2011	Q1 2010	Change %	Last 12 months	2010
Sales	247.5	187.0	+32	1,030.1	969.6
Gross margin, %	26.6	24.4		26.6	26.2
Operating profit from business operations	20.2	3.3	+506	91.6	74.7
- one-time restructuring cost	-	-12.4		-14.1	-26.5
- PPA amortization	-1.2	-3.2		-7.5	-9.4
+ revaluation of Ausmelt shares	-	+2.2		-	+2.2
+ Other	-	-		+0.6	+0.6
Reported operating profit	19.0	-10.1		70.7	41.6
FX impact (unrealized, realized)	+3.8	+0.3		+5.4	+1.9
Operating profit margin, %	7.7	-5.4		6.9	4.3
- from business operations	8.2	1.8		8.9	7.7

# Non-ferrous Solutions - strong growth and profitability



## Q1 highlights:

- Strong sales growth
- Strong order backlog
- Strong service sales growth
- Favorable project mix
- Good project execution

EUR million	Q1 2011	Q1 2010	Change %	2010
Sales	<b>162.0</b>	113.5	+43	623.3
Operating profit from business operations *)	<b>19.1</b>	-3.2		50.6
Operating profit	<b>18.1</b>	-15.4		26.1
Operating profit margin from business operations, %	<b>11.8</b>	-2.8		8.1
Operating profit margin, %	<b>11.1</b>	-13.6		4.2

\*) unrealized and realized foreign exchange gains EUR 3.9 million



# Ferrous Solutions – strong sales growth and improving profitability



## Q1 highlights:

- Large projects received in 2010 are progressing in and are materializing as sales growth
- Sales growth is materializing as improved profitability

EUR million	Q1 2011	Q1 2010	Change %	2010
Sales	43.6	20.0	+118	131.5
Operating profit from business operations	3.2	-2.2		12.6
Operating profit	3.2	-2.5		11.3
Operating profit margin from business operations, %	7.5	-11.2		9.5
Operating profit margin, %	7.5	-12.5		8.6

# Energy, Light Metals and Environmental Solutions – satisfactory profitability despite of lower sales

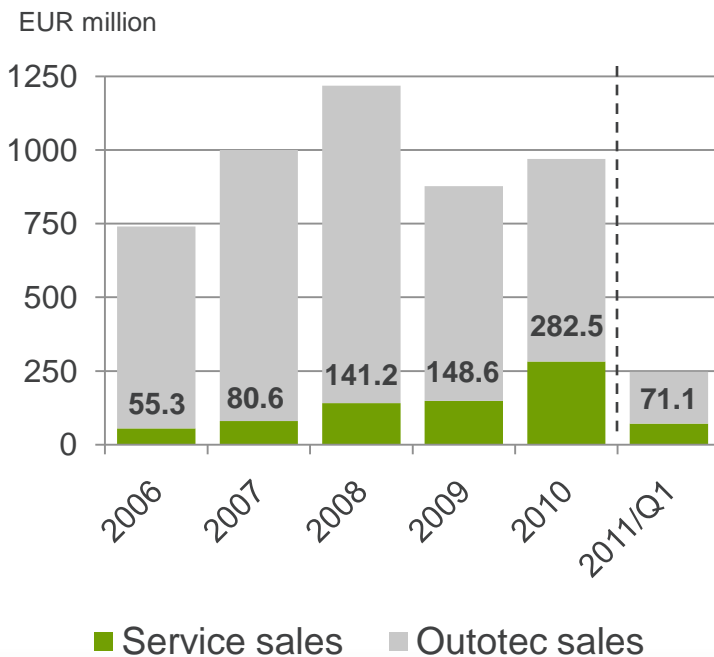


## Q1 highlights:

- Decline in sales was mainly due to the phasing of revenue recognition of long term projects
- Comparison period's operating profit included provision releases due to successful project completions

EUR million	Q1 2011	Q1 2010	Change %	2010
Sales	46.1	54.6	-16	222.8
Operating profit from business operations	3.5	10.3	-66	28.9
Operating profit	3.3	10.0	-67	26.8
Operating profit margin from business operations, %	7.6	19.0		13.0
Operating profit margin, %	7.3	18.3		12.0

# Strong organic growth in Services



## Q1 highlights:

- Sales of the Service business in Q1 were EUR 71.1 million (Q1/2010: 50.5 million), up 41%
- Service business represents 29% of sales (Q1/2010: 27%)
- Service business grew mainly organically supported by acquisitions which became effective in 2010
- Service business sales target: EUR 500 million by the end of 2015

# Net cash flow and working capital developed positively due to advance and milestone payments

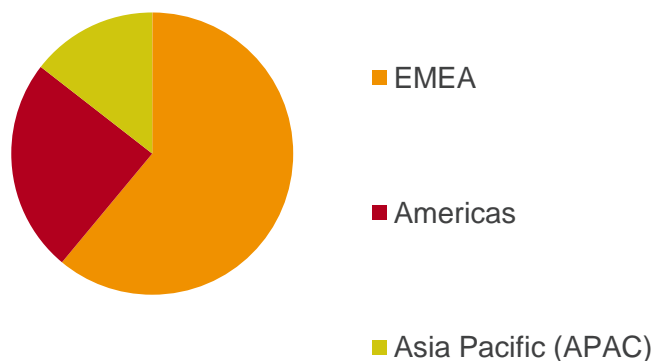
EUR million	Q1 2011	Q1 2010	Last 12 months	2010
Net cash from operating activities	59.8	7.5	139.8	87.5
Net interest-bearing debt <sup>*)</sup>	-248.7	-179.5	-248.7	-200.9
Equity <sup>*)</sup>	327.6	310.1	327.6	357.7
Equity-to assets ratio, % <sup>*)</sup>	36.6	40.7	36.6	41.2
Gearing, % <sup>*)</sup>	-75.9	-57.9	-75.9	-56.2
Working capital <sup>*)</sup>	-153.0	-79.0	-153.0	-113.5
ROI, %	20.4	-11.1	17.6	9.2
ROE, %	14.7	-8.9	14.6	7.6
Earnings per share, EUR	0.28	-0.16	1.03	0.59

<sup>\*)</sup> At the end of the period

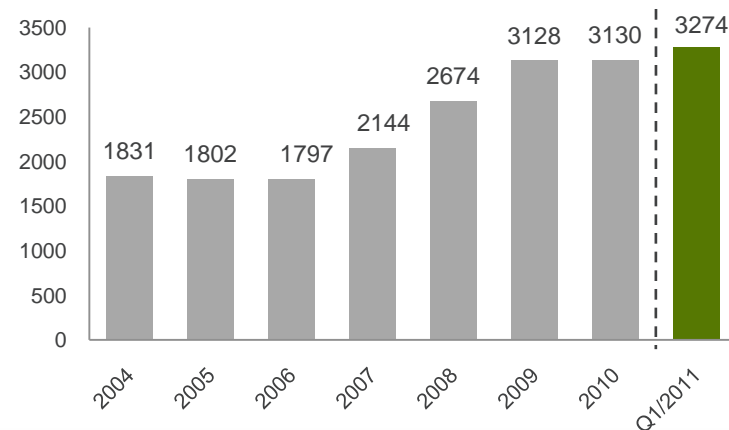
# Personnel increased mainly in APAC

- At the end of Q1, Outotec had 3,274 employees (March 31, 2010: 3,167)
- Temporary personnel accounted for 7.5% of the total number of employees
- Additionally some 349 FTE contracted people in projects (March 31, 2010: 230 FTE)

Personnel by region in Q1/2011



Personnel at the end of the period





# Events after the reporting period

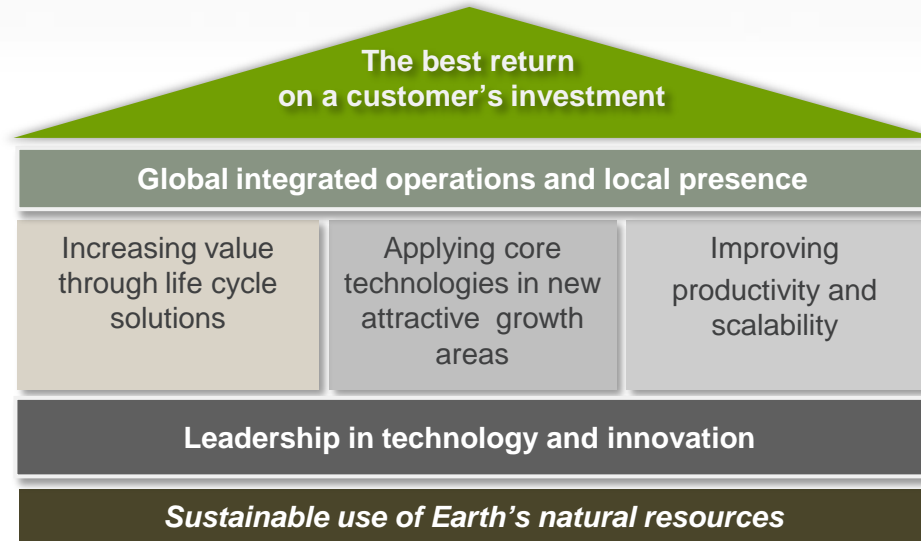
- Acquisition of Vertical Pressure Filter (VPF) technology and its intellectual property rights from Australian Process Technology Pty Ltd
  - A filters supplier for the alumina refining industry
  - The acquisition will not include personnel transfer



# Priorities in 2011 - Q1 progress













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# Expanding Outotec's technology portfolio through M&A



- Acquisition of the technologies, trademarks and patents of ASH DEC Umwelt AG
  - Technology to extract recycled phosphorus fertilizer from ash which is a by-product of incineration of biomass/sludge
  - The ASH DEC technology complements Outotec's existing biomass incineration solutions based on fluidized bed technology
- Acquisition of Vertical Pressure Filter (VPF) technology and its intellectual property rights from Australian Process Technology Pty Ltd
  - filters technology for the alumina refining industry

# Q1 Progress of 2011 Priorities

Objective	Actions	Progress in Q1	Status
All businesses on growth track	<ul style="list-style-type: none"> <li>• Strong starting order backlog</li> <li>• Win new business and execute well</li> </ul>	<ul style="list-style-type: none"> <li>• Strong tendering activity and order intake in all business areas</li> <li>• Solid execution in all business areas</li> <li>• ELE sales not yet growing</li> </ul>	  
Basic life cycle solution offerings and delivery capabilities in place	<ul style="list-style-type: none"> <li>• Launch new service products</li> <li>• New operational model focuses on delivering solutions</li> </ul>	<ul style="list-style-type: none"> <li>• Good progress in developing and launching new service products</li> <li>• Good progress in offering and winning larger solution scopes</li> </ul>	 
New operational model enabling scalability, global processes and systems in place	<ul style="list-style-type: none"> <li>• Develop global supply and engineering functions</li> <li>• Develop and implement common processes and tools</li> <li>• Strengthen the resourcing</li> </ul>	<ul style="list-style-type: none"> <li>• Good progress in establishing global supply management</li> <li>• Good progress in building global platforms</li> <li>• Some bottlenecks in resourcing</li> </ul>	  
Acquisitions to strengthen service, energy and water businesses and to augment technology portfolio	<ul style="list-style-type: none"> <li>• Execute the acquisition needs identified as part of new strategy</li> </ul>	Technology acquisitions: <ul style="list-style-type: none"> <li>• ASH DEC</li> <li>• Vertical Pressure Filter</li> </ul>	
Grow the Services business to EUR 500 million by 2015	<ul style="list-style-type: none"> <li>• Strengthen the resources in Services</li> <li>• Develop and launch new service products</li> <li>• Execute acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>• Active recruitment</li> <li>• Good progress in developing and launching new service products</li> <li>• Service acquisitions in pipeline</li> </ul>	  



# Market outlook and reiterated financial guidance for 2011

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# Market outlook (excerpts from Q1 report)

Market activity is expected to continue strong in all business areas as the metals production is not sufficient to satisfy the continuous growing demand.

## **Non-ferrous Solutions**

- Primarily gold and copper projects are being developed, but also zinc and nickel
- Investments in new mining production are progressing faster than downstream metals refining technologies
- As ore grades decline and environmental regulations tighten, more processing capacity and advanced technology solutions will be needed.

## **Ferrous Solutions**

- Demand for raw materials used in steel making, iron ore and coking coal is expected to continue high
- Brazil, India and South Africa continue to rapidly develop their infrastructure and to utilize their large natural resource base to cater the Chinese market
- Depletion of lump ores is driving sinter and pellet investments in India

## **Energy, Light Metals and Environmental Solutions**

- Rising oil prices and the depletion of oil reserves increase the demand for alternative energy sources, such as oil shale, oil sands, and biomass.
- The demand for aluminum is also growing. Aluminum, bauxite and alumina projects are being revitalized.
- The outlook for the sulfuric acid market remains positive as sulfuric acid is needed in hydrometallurgical processes and is produced as a by-product in pyrometallurgical processes including the minimization of environmental impacts.
- Materials recycling and waste management as well as industrial waste water treatment are continuously increasing.

## **Services business**

- Higher capacity utilization rate levels, modernizations, upgrades and new capital investment projects increase the demand for spare parts, services and modernizations.

# Financial guidance for 2011 reiterated

Outotec reiterates the previous guidance for the year 2011. Based on a strong opening order backlog and active market, in 2011:

- order intake is expected to continue to grow,
- sales are expected to grow to approximately EUR 1.25 - 1.35 billion, and
- operating profit is expected to improve from 2010 and operating profit margin from business operations is expected to be approximately 8 - 9%.

Operating profit is dependent on exchange rates, product mix, timing of new orders and project completions.



Q&A

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