



Outotec

Sustainable use of Earth's natural resources

Interim Report

Q1-Q3 2014

Mixed market sentiment

- Decision-making slow regarding new investments
- Challenging service market
- Geopolitical instability
- Ebola epidemic
- Intensive competition



- Good opportunities for Outotec's process and plant solutions and services in specific market pockets by customer, country or metal
- Opportunities in O&M service business



YTD orders down -15% in comparable currencies with services growing, Q3 Capex orders up 30% YoY

€million	Q3		YTD	
	2014	2013	2014	2013
Outotec total	266	230	855	1,086
Growth, %	+16%		-21%	
Growth comp. currencies, %	+16%		-15%	
Services	115	115	396	387
Growth, %	-0%		+2%	
Growth comp. currencies, %	-0%		+12%	

The change in the service order intake reporting principles increased Q3 2014 order intake by approx EUR 3 million^{*)} and Q1-Q3 2014 order intake by approximately EUR 38 million^{**)}

Published orders in Q3

Americas 38 (25)%



Coated titanium anodes for copper production
Cobre del Mayo, Mexico
< € 10 million.

EMEA 48 (44)%



Copper concentrator for Norilsk Nickel, Russia.
Value not disclosed, typically € 40-60 million

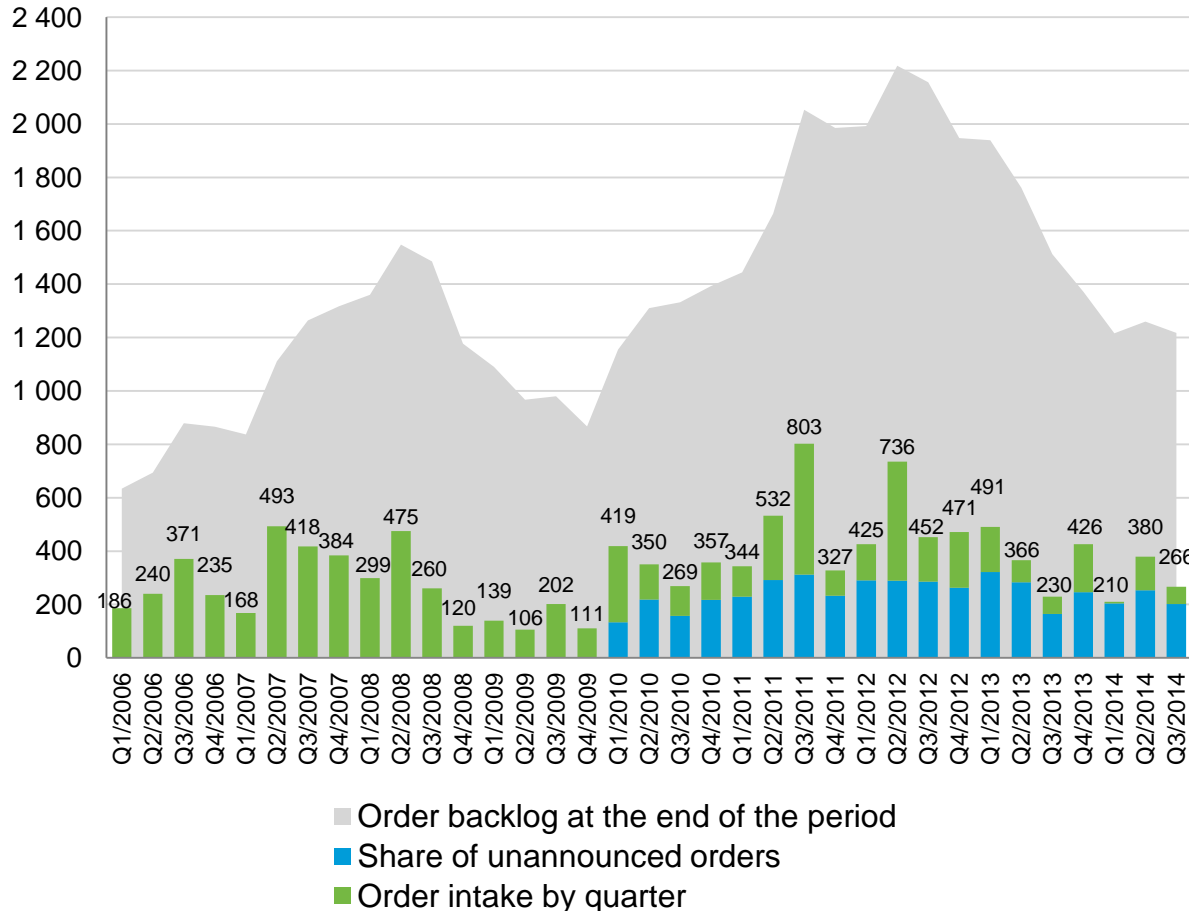


Grinding mills and services for customers in EMEA region
Approx. € 12 million

APAC 14 (31)%

Order backlog and intake

EUR million



- Order backlog at the end of Q3 2014: EUR **1,217.3** (1,512.3) million, of which services EUR **267.7** (211.5) million
- **22** (38) projects with value in excess of EUR 10 million, accounting for **59** (79) % of the backlog
- Order backlog included **1** suspended project with a value of some EUR **5** million
- Roughly **33** (38)% (or approx. EUR **400** (580) million) of the backlog is estimated to be delivered in 2014

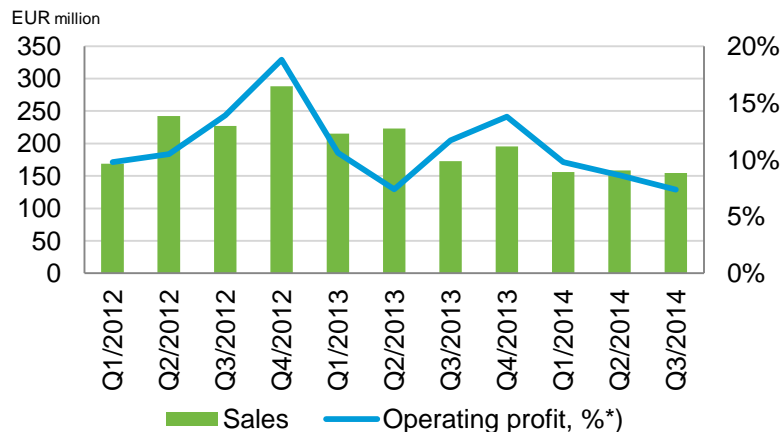
Profitability improved in Q3

EUR million	Q1 2014	Q2 2014	Q3 2014	Q1-Q3 2014	Q1-Q3 2013	Change %
Sales	343.9	335.2	320.3	999.4	1,454.4	-31*)
Gross margin, %	19.5%	19.3%	23.4%	20.7%	20.8%	-
Operating profit	8.7	-0.3	-0.3	8.1	116.5	-93
- from business operations	12.4	3.9	14.2	30.5	122.4	-75
FX impact (unrealized, realized)	-0.1	-2.5	-4.0	-6.5	5.9	-
Operating profit margin, %	2.5%	-0.1%	-0.1%	0.8%	8.0%	-
- from business operations, %	3.6%	1.2%	4.4%	3.0%	8.4%	-

*) Comparable currencies -27%

Minerals Processing: fair profitability despite lower sales

Sales and operating profit*) development



- Stable services despite challenging market
- Solid Capex execution
- Continued reduction in fixed costs

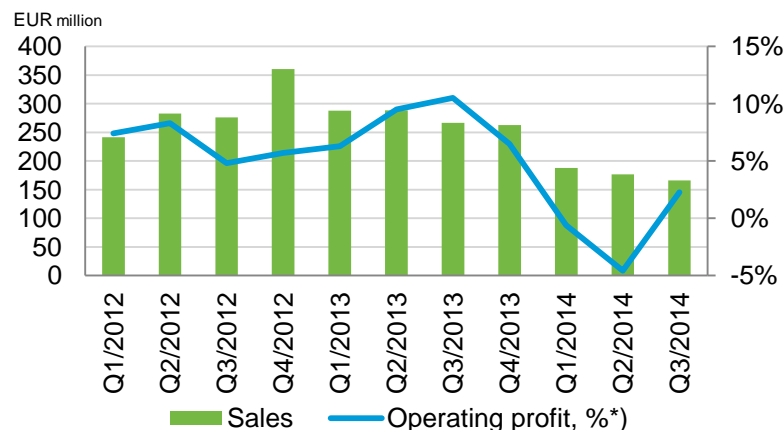
*) excl. one time items and PPA

EUR million	Q1 2014	Q2 2014	Q3 2014	Q1-Q3 2014	Q1-Q3 2013	Change %
Sales	156.2	158.4	154.4	468.9	611.1	-23
Operating profit from business operations *)	15.3	13.7	11.4	40.4	59.6	-32
Operating profit margin from business operations, %	9.8%	8.6%	7.4%	8.6%	9.7%	-

*) Unrealized and realized exchange gains related to currency forward contracts and bank accounts decreased profitability by EUR -3.5 (increased by 3.6) million in Q1-Q3 2014.

Metals, Energy & Water: profitability improved from Q2

Sales and operating profit*) development



- Better project execution in Q3
- Strong growth in services revenue, like in O&M services
- Continued reduction in fixed costs

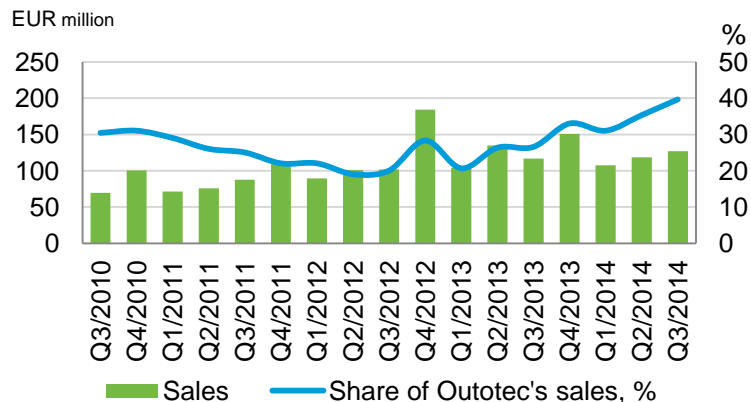
*) excl. one time items and PPA

EUR million	Q1 2014	Q2 2014	Q3 2014	Q1-Q3 2014	Q1-Q3 2013	Change %
Sales	187.7	176.9	165.9	530.5	842.7	-37
Operating profit from business operations *)	-1.2	-8.1	3.7	-5.6	73.6	-108
Operating profit margin from business operations, %	-0.6%	-4.6%	2.3%	-1.1%	8.7%	-

*) Unrealized and realized exchange gains related to currency forward contracts and bank accounts decreased profitability by EUR -3.4 (increased by 2.3) million in Q1-Q3 2014.

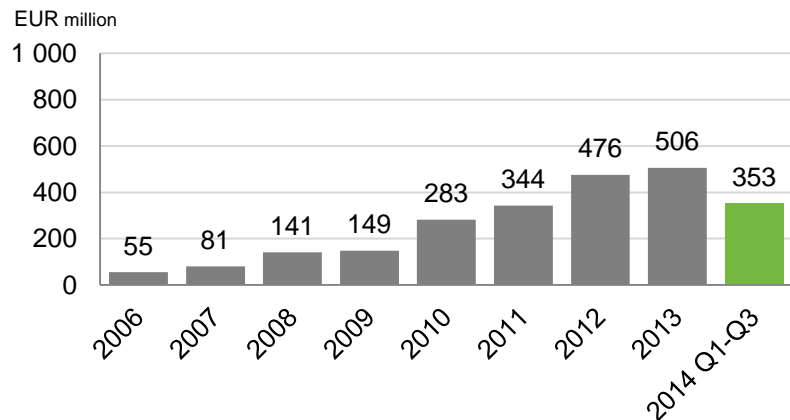
Q3 service sales grew 12% YoY in comparable currencies

Service sales by quarters



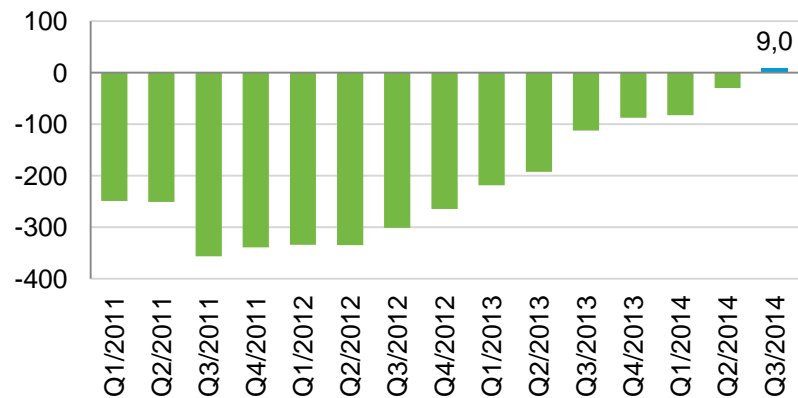
- Challenging market as customers minimize Opex costs
 - running inventories low
 - postponing larger periodic services
 - price pressures
- O&M provides opportunities

Service sales

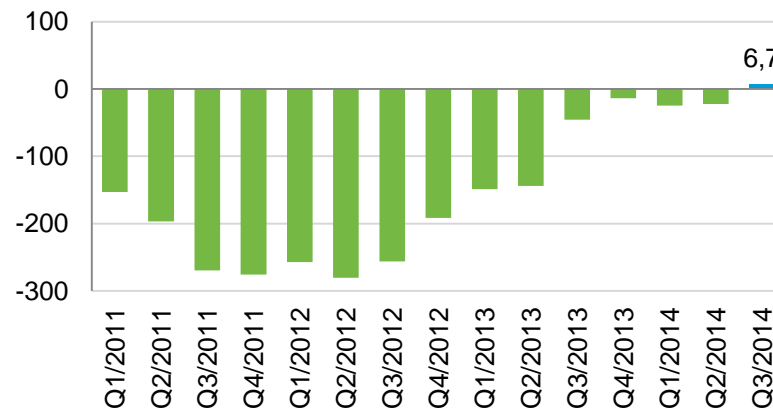


Working capital weakened due to decline in order backlog

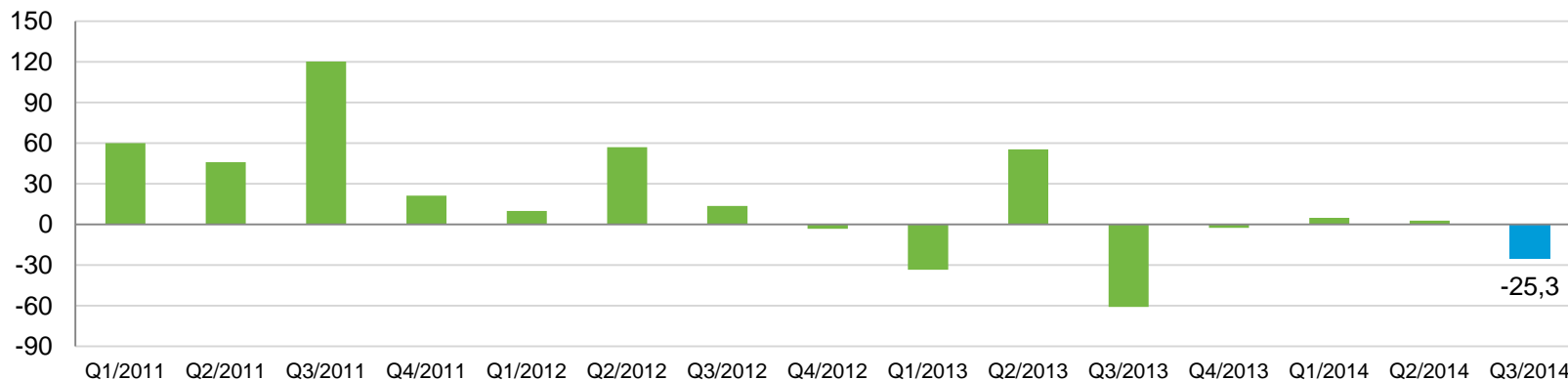
Net interest-bearing debt



Working capital



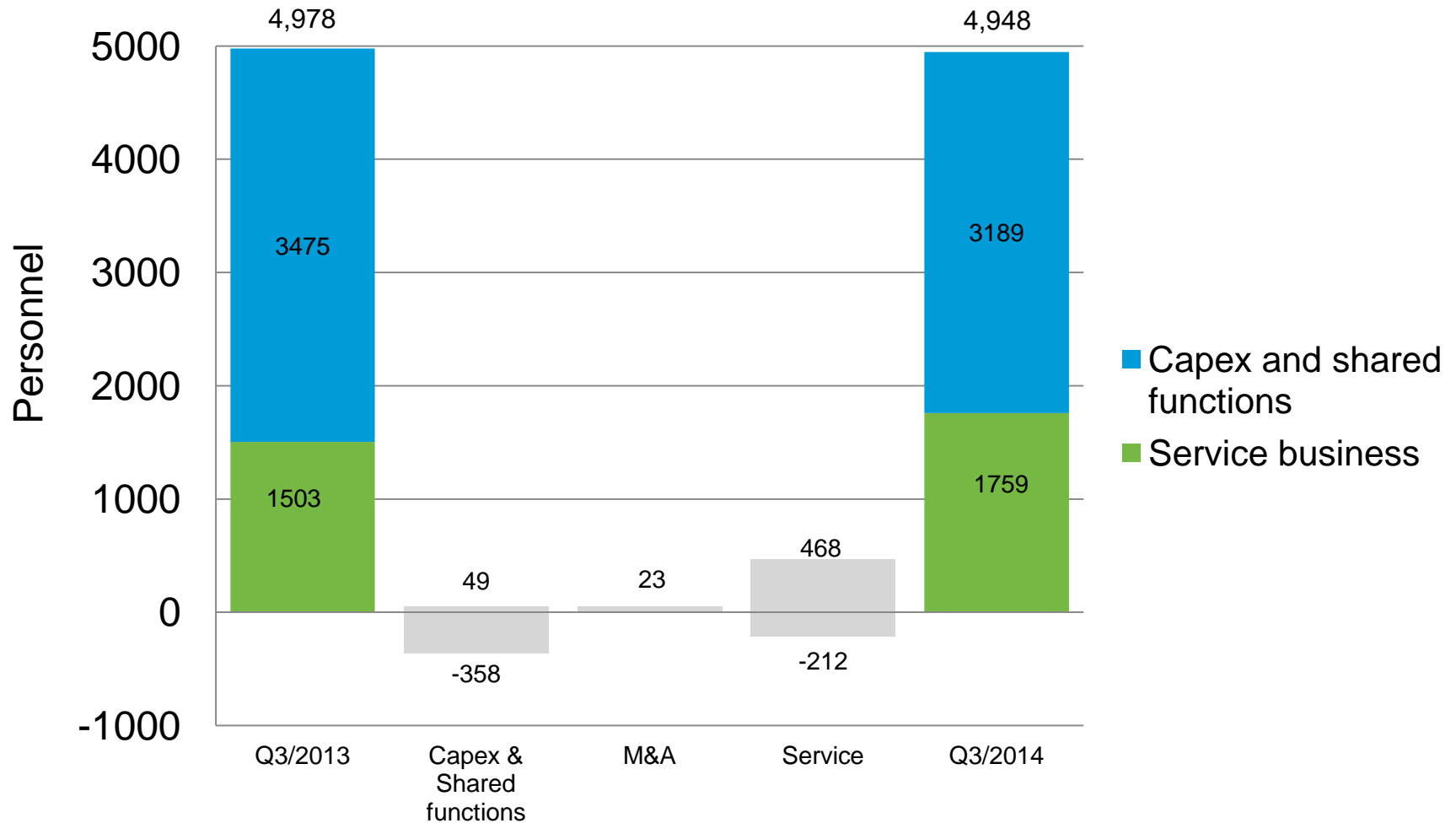
Net cash flow from operating activities, quarterly



Solid financing structure, ROI & ROE weakened by lower profitability

	9 / 2014	12 / 2013
Gearing, %	2.0	-18.2
Equity-to-assets ratio, %	37.1	38.5
Return on investment, %, LTM	5.1	25.7
Return on equity, %, LTM	2.9	19.4
Equity, EUR million	449.6	477.4
Balance sheet total, EUR million	1,449.7	1,530.3

Personnel mix changed, share of service personnel increased from 30% to 36% YoY



Key events after September 30, 2014

- On October 1, 2014, Mr Adel Hattab, M.Sc. (Eng), MBA was appointed as the Executive Vice President and President of EMEA region. Dr Peter Weber, previously responsible for Outotec's EMEA region, left the company on September 30, 2014.
- On October 2, 2014, Outotec Oyj's three largest shareholders were nominated to the Nomination Board: Kari A.J. Järvinen (Solidium Oy), Harri Sailas (Ilmarinen Mutual Pension Insurance Company), Poju Zabłudowicz (Tamares Nordic Investments B.V.), and Matti Alahuhta, Chairman of the Board of Directors.
- On October 17, 2014, Outotec announced that the Board of Directors has decided to continue Outotec's Employee Share Savings Plan (announced on September 25, 2012) for 2015.
- On October 24, 2014, Outotec announced having been awarded (booked in Q4 order intake) a contract by JSC MMC Norilsk Nickel to modernize and rebuild Norilsk Nickel's nickel flash smelting furnace at Nadezhda smelter in Norilsk, Russia. The contract value in these types of total rebuilds is typically EUR 30-50 million.

Efficiency improvement program completed

- Annualized savings of the program by the end of September 2014 totaled EUR 50.3 million
- One-time costs EUR 28.3 million
- Outotec's personnel has been reduced in total by 570 persons and at the same time recruitments, mainly to the ramp up of new service business, increased the headcount by 540
- In January-September 2014, operational fixed costs reduction was EUR 59.2 million including savings from the efficiency improvement program as well as other, continuous operational improvement actions.

Market outlook: uncertainty continues

Minerals & Metals

Mining companies minimizing Capex and Opex in the short-term

Market for environmental solutions will grow due to tighter environmental requirements

Energy & Water

Short-term outlook for alternative and renewable energy is uncertain

Outlook for industrial water treatment solutions continues to be good

- Uncertainties in the global economy, and fluctuations in metal prices are expected to continue to impact capital investments as well as operational spending
- Risks in certain markets remain due to geopolitical uncertainties and Ebola epidemic
- Demand for services is expected to continue to develop in line with the industry's volume growth, pricing pressures expected to continue

Outotec's priorities

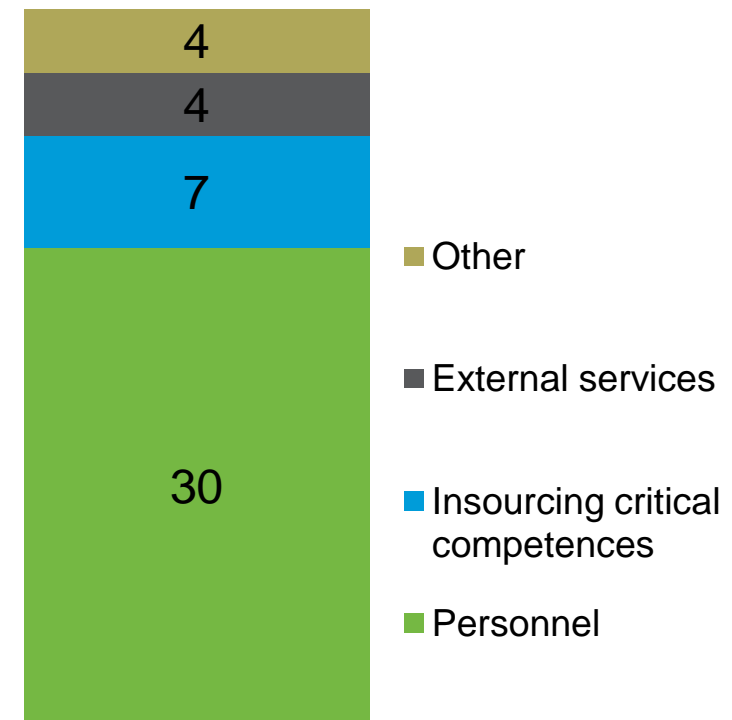
1. Turning good Capex sales cases to hard orders
2. Driving Service business growth
3. Improving profitability through
 - Improved project execution
 - Implementing new EUR 45 million cost improvement program



New EUR 45 million program to improve cost structure

- Appr. EUR 45 million savings in operating costs during 2015 (vs. 2014 gross cost of appr. EUR 530 million).
- Savings expected to contribute in full to 2015 profitability
- One-time costs max. EUR 40 million
- Restructuring and streamlining of Outotec's operations in sales, delivery and global functions, consolidating locations
- Enabled by reaching sufficient readiness of business platforms developed since 2011

EUR 45 million



Financial guidance 2014 for operating profit reiterated, sales guidance range narrowed

Based on the current market outlook, customer tendering activity and assessment of order backlog, the management expects that in 2014:

- Sales will be approximately EUR 1.4-1.5 (previously 1.4-1.6) billion, and
- Operating profit from business operations¹⁾ will be approximately 4-6%.

¹⁾ Excluding one-time items and PPA amortizations.

In 2014, PPA amortizations from completed acquisitions is estimated to be approximately EUR 8.5 million and one-time items related to the cost savings program at maximum EUR 18 million.

Outotec



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