

Company Outotec Oyj
Host Markku Teräsvasara and Jari Älgars
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Operator Good day, and welcome to the Outotec Oyj Interim Report for January - September 2016 Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Rita Uotila. Please go ahead.

Rita Uotila Thank you, operator. Welcome also from my side, ladies and gentlemen, to this Outotec's interim report briefing. And I would like to now turn the mic to our CEO – new CEO, Markku Teräsvasara. Please go ahead.

Markku Teräsvasara

Thank you. And welcome from my side, as well. As some of you may have not seen information of me before, so I thought to start with a quick introduction of myself. I come with a mining, environment, and civil engineering background. My last employer before Outotec was Atlas Copco, and there I worked 19 years in different positions within mining and construction and latest mainly in mining areas, where I had various positions of running both our capital equipment but also for the last two and a half years, being responsible for our global service operations. And for the ones that maybe Atlas Copco doesn't need so much introduction, but in mining and rock excavation area where I worked previously, there we actually share the same customer base than Outotec does. It's just upstream on a production chain. So Atlas Copco is on the beginning of the production chain in minerals processing and metals refining, while Outotec is on the end of the process. So a lot of customer and also the people are the same that I met in my previous times with Atlas Copco.

We always like to start our presentations by looking at our safety performance. And it developed well. Looking last year compared to this year, there's a – in lost time injury rate there was good improvement, and to put it in perspective, I think we roughly, combined with our own employees and our sub-suppliers, we work roughly one million hours every month. So in respect to that, I think our head safety record is on a good level. Going forward, I think what we have agreed since I was not employed during quarter three, so we have split in this presentation in different sessions, where I start by a little bit introducing myself, but also leave it to my first impression of Outotec after working here four weeks. And then Jari Älgars will take us through the quarter three finance [inaudible] year-to-date, and then I come back by a little bit telling my view on how we should take us forward from here. So a quick reflection first, what I believe in general in the companies and running it. I think every company should have a clear vision and a clear strategy. I think it speaks for itself, but also very important and all our employees clearly understand it and also how they can contribute in achieving our goals and targets; it's very important to me. Also, I believe very much in interaction. We need to interact well with our customers, but also internally to achieve our goals. And I think positive working environment is also very important. You can perform much better when the environment around

you is positive and supportive. They're very important. Speed is important, as well. I think both – we are in cyclic business and both in down term and also going after opportunities, we need to react fast, and I think that this is something that comes from clarity of organisation roles and responsibilities, but also an organisation model which enables you to be fast. And then last point on my four-point list is transparency. I think transparency is important so that we can quickly act upon deviations that we see in our operations, and also, having a clear profit and loss statements and balance sheets distributed in our organization and entity levels so that we can clearly see the performance of the organization in each and every location is important. And my first impression on Outotec; I think what – I have had an opportunity to meet a lot of people. Our employees both in here and in Germany, but also in North America and Central America, and also had an opportunity already to meet some of our customers. And I think based on these discussions and the feedback, I think I selected these four topics for my first impression. Talking about clear vision and strategy, I think Outotec has a very clear vision and our strategy contains the right elements. What we can do better is executing our strategy, and that is an area where we are looking at at the moment. Also, when talking to our people, I quickly get a good understanding that we have a high level of technological expertise. A lot of knowledgeable people that understand the customer operations and the customer's processes and can add value there. Also, I think a good foundation to build on. Continue on these observations, I'm happy to see that this 70 million euro savings plan that was introduced, it is progressing as planned. If not, even a bit faster. But of course, where we are today, we need to continue working on our internal efficiencies going forward. And then on opportunity side, I like to lift up the big installed base that we have in different equipment and plants and installations, and that offers us a very good business potential for service. And that is something that we more actively need to go after. I think it's just a defining our offering and structuring our operations and organization in a way that we can add value to our customers in a good way. So I think that having said that, I will – later on, when I wrap up this session, I will come back to some of these points in our way forward-looking. But now, over to Jari.

Jari Älgars

Thank you, Markku. So now, the Q1 to Q3 interim report. We see signs of recovery in the minerals processing market, however the environment is – remains challenging for metals refining market. If we go more into details in this, we can see that minerals metals companies continue to invest in their existing plants with vast returns, and they also focus on efficient inventory and cash-flow management, which obviously have an impact on us, especially on the spare part business. Interest in technologies that minimize environmental impact remains high, and smaller equipment orders picked up, but mainly in Minerals Processing, so far. And gold, copper, nickel, and zinc projects were the most active ones, which we will see when we go forward. If we look at Q3 specifically, in a nutshell, we look at the minus side, customer's large investments are still developing slowly, which obviously has a bigger impact on MEW, our Metals, Energy and Water segment, because that's where we usually see the bigger projects. And we also can – have had weak performance in certain projects in the Metals, Energy and Water, which impacted our profitability and cash-flow. I will come more into this later.

On the plus side, again, the savings program proceeds as planned, and the fixed costs have been reduced by 26% year on year, and the order intake increased in the minerals processing segment positively. When we look at the order intake, we can see that gold is one thing which you can see we got process equipment for Goldcorp Mexico, process equipment for a greenfield gold project in Senegal. We also got a modular flotation cPlant for Ma'aden Gold in Saudi Arabia and then also one of our backfill plants was in the gold area, so gold is a very strong theme. Also copper, and we have also zinc here in this order intake, what we have announced. If we look at, again, where have we gotten these orders? So in EMEA, Europe, Middle East, Africa, we are about 51% of the orders. Some in Middle East, and then also in Russia. And then, Asia-Pacific, 20%, where we had some mine backfill plants. And in the Americas, that stood for 29% of the order intake, which then obviously was with the Goldcorp Mexico's, that's one bigger order to mention.

We have a stable order backlog, as you can see the last three quarters, it's kept stable, it's still over a billion. But down 8% year on year, and roughly 300 million out of this backlog is to be delivered – expected to be delivered in 2016. Weak performance in certain projects impacted the profitability. If we look at the first three quarters, our sales for the first three quarter were 753 million, down 16% from last year, or 12% in comparable currencies, being 895 last year. Service sales, 320 million compared to 373 last year, down 14% or 8% in comparable currencies. The share of service remained the same; 42%. The gross margin came down from 28 to 25%; I will come more into this later on. And the adjusted EBIT is only two million, or 0% for this year, when it was 38 million or 4% last year in the same period. Restructuring acquisition related costs were 10 million, PPA amortization 6, so we ended up with an EBIT of 14 – minus 14 million, and the profit for the period is minus 17 million, when it was plus 6 for the corresponding period last year.

The profitability was impacted by additional project provisions booked in Q3. So if we compare it to last year and look at the bridge, we have 38 million as adjusted EBIT last year same period. The sales decrease has brought the result down to a certain degree. Then we have on top of that, provision impact, both from provision releases last year, but also additional provisions we have had to make this year. The fixed cost decrease has helped us, so we ended up with a positive of two million. Minerals Processing order intake grew 18%. Sales decreased 10%, mainly due to the decline in spare part orders and low order intake, what we had latter part of 2015 and first half of 2016. The achieved fixed cost savings, however, balanced out the lower sales, which is quite positive, also, going forward. If we look at the order intake in absolute terms, 462 million for the first three quarter, when it was 393 for the corresponding period last year. So up 18%, or 26% in comparable currencies. Sales was 361 million, compared to 402 last year, down 10% or in comparable currencies, 5%. Service sales was 197 million, down from 229 in corresponding period last year, change of 14% – minus 14%, or down 7% in comparable currencies. However, despite the sales came down, we were able to produce a better adjusted EBIT, so it was up to 22 million from 19 million last year, which was 6% compared to 5% last year. The impact of unrealized and realized losses related to FX was minus one million this year.

Metals, Energy and Water, as said, customers' large investment developed slowly, and this obviously has impacted on Metals, Energy and Water, who is mainly consisting or having these bigger projects, and this led to a decline in the plant orders. We also had low service volumes. We had lower sales and weak performance in certain projects, which weakened the segment's profitability. This is mainly due to two older projects, which were part of the five in 2014 which was mentioned at that time, where we have had issues. In one of the projects, one subcontractor's components failed, and we had to make some rebuilds. And then in another project we had a major breakdown, and we are discussing with the client on who will pay and do this repair. Both obviously affect the – or delay the project. There are more savings actions ongoing, so we have already started and we will continue with savings action, obviously due to the low order intake, what we have. The order intake was 263 million for the first three quarters, when it was 530 for the first – for the corresponding period last year, down 50% or 49% in comparable currencies. Sales was 392 million, when it was 494 million last year, down 21% or 18% in comparable currencies. The service sales was 122 million compared to 145 last year, down 15% or 10% in comparable currencies, and the adjusted EBIT was quite weak, with minus 17 million, compared to 24 million comparable period last year, so the adjusted EBIT was minus 4%. The impact of foreign exchange losses was 3 million.

Service business suffered from postponements of upgrades and fewer long-term service contracts. Despite, we can see that the service order intake has been growing for the last three quarters. Still, compared to last year, we are on a clearly lower level, and this is mainly due to upgrades and long-term service contracts. Change in cash-flow due to projects under execution, which tied up more capital, we had a lack of large advanced payment. These big orders we were talking about, usually also big orders have big advanced payments, and that we did not get these, impacted our cash-flow. We also have restructuring related costs from the plan we started last year. So the net cash-flow operating activities was minus 73 million, when it was plus 22 in the corresponding period last year. And as we did less capital expenditures and less acquisitions and we ended up with a cash-flow after investing activities of minus 90 million, compared to minus 49 million last year.

The liquidity and the equity remain solid. The net interest bearing debt was minus 21 million at the end of quarter three. The gearing was minus 4%, so those improved to last year. And equity to asset ratio was 42, also an improvement from last year, mainly from that high rate. Return on investment was minus 6%. Return on equity, minus 8%. And the working capital at the end of the period was minus 10 million, and it was minus 12 last year.

The balance sheet came slightly down, being 1.482 billion when it was 1.527 last year. If we go to the fixed cost savings, we have achieved them as we were planning. So, for the first three quarters now compared to last year, we are now at cumulative savings of 56 million. And we are actively working on improving our performance especially in the Metals, Energy and Water segment. So, as said we have already actions ongoing to continue this plan. And some have already been taken, and some will be taken going forward.

Key events after September 30, 2016, on October 1, Markku became the new CEO. On October 4, we announced representatives for Outotec's nomination board, which came from Solidium, Varma and Ilmarinen, from our three biggest owners, and then the chairmen of our board. On October 10, we celebrated our 10th anniversary, which was 10th of October ten years ago. And we also launched a History Book: 150 years evolution toward a greener future: the Outotec story. And on October 24, to support these changes we need to see in the Metals, Energy and Water segment, Kalle Härkki was appointed president of that unit.

Forward looking, we expect increased activity in Minerals Processing to continue but we also expect the metal's refining market to remain weak. We see increased interest in technologies that minimize environmental impact, which is good for us, considering that we have quite sustainable technology.

We also see that the markets in the Middle East, South and Central America and Russia are expected to continue active, so the same markets we saw being active during the last quarter, we also expect continue to be active. Customers' need for productivity improvement we expect to stay strong, and this also creates opportunities for our performance solutions. And, the development of gold, copper, and nickel, I think projects are expected to continue more active than aluminium and iron, which is what we already saw in the third quarter. So, we expect the future to continue in similar way.

If you look at the financial guidance for this year, we have narrowed it. The sales guidance is narrowed. And due to the continued challenges in the Metals, Energy and Water segment, adjusted EBIT is expected to be at the lower end of the guidance range. So, the sales will be approximately €1.0-1.1 billion when it was previously guided at €1.0-1.2 billion. And this comes from that we already have 753 million in sales from the first three quarters. We expect sales from our backlog of about 300 million and very little new sales from order intake going forward, because we start to be quite close to the year end. Then adjusted EBIT will be approximately 2-3% when we previously guided it to 2-4%. If we look at our profitability roadmap from 2015-2016, the savings obviously have been quite necessary and helped us a lot to be in where we are. Obviously again, not enough. And we will have to continue with the savings, the sales reduction has been significant. And we've also had some market risk, which impacted that the results have come down, we've had provision impact both - by looking comparison from 2015, but also in 2016, having to make more provisions. And then our depreciation is due to that we invested quite a lot in tools and systems last year were increasing. And this is how we end up into our guidance level what we are stating at the moment. And now, handing over to Markku for some closing remarks. Thank you.

Markku Teräsvasara

Thank you, Jari. We will have one slide to look at. I want to summarize the situation, which we are in at the moment. I can take up three things. I think, Minerals Processing business unit has improved profitability quite a lot, and it's also growing. So I think there the outlook is positive. On the other hand, Metals, Energy and Water

business unit is not profitable at the moment, and we clearly need to fix that. And the third thing I think, we said earlier, we have a lot installed base for our service. So I think that how we can improve this, is understanding of customer's processes and operations, which we have in the company. We just need to activate our sales, and increase the speed out in the customer place to get a bigger share of that opportunity. And I think it's, in a way, it's just a hard work with more well-defined service and pass portfolio, and a competent, and active service operations. And the rest is hard work. Couple of other things that I want to lift up as an opportunity for us going forward. Services we have spoken about already, but also I see modularization and sourcing an opportunity, not only to support our service business where it is needed, but also I think shortening our lead times both in the design phase, but also in project execution. And of course, at the end of the day, those also give us benefits when it comes to quality and cost and so forth. Sourcing, also an area. And I think there we already have a good improvement in certain areas in best cost country sourcing, where we see that the activity that we're doing is getting attraction and we get benefits on our cost side. Also important I think is to see through our product and service portfolio. In my view, all the businesses and all the business lines that we are involved in, need to be profitable. And we need to review those to see how we can achieve that situation in every business that we are in. And of course people important in case - sustainable organisation. I think Outotec has done a lot of investment in our operations when it comes to processes and ICT and, in a way, creating platform for the next level, I think. Now, we need to harvest that platform, and put our efforts back to customer to really activate ourselves there. And of course, the last point is also related to utilizing the good knowledge and competence we have in our organization to drive our business in an active way. So I think the basement and our platform is good, and I think we have an idea, we know what is needed to make Outotec back to profits again. Thank you, and now I think it's time to open the Q and A.

- Rita Uotila Thank you, Markku, thank you Jari, for the great presentation. Operator, now we are ready to take questions from the telephone lines.
- Operator Thank you. As a reminder, it is star one to ask a question. We will take our first question from Jonathan Hanks from Goldman Sachs. Please, go ahead.
- Jonathan Hanks Hi Markku, hi Jari. Just maybe a first one on the guidance. I'm just curious, you know, the low end, it looks like you got a pretty high margin in Q4. My calculations are 7.5%, which is obviously, you've not done that kind of margin for a long time. I'm just wondering, you know, if you could give a little bit more colour about your confidence in achieving such a high margin in the fourth quarter.
- Jari Älgars At the moment, as we said, we guided for the full year in the beginning of the year, we expected that we would be higher, higher revenue like was at the end of the year. And this obviously really impacted that the fixed costs will remain at a certain level anyway; so this is how [inaudible].
- Jonathan Hanks Ok, so just to clarify, presumably there's certain projects you're expecting to close in the fourth quarter, which allows you to book the revenues.

- Jari Ålgars Yes. We expect certain projects, which have been made in the engineering phase, no one has impacted our revenue a lot.
- Jonathan Hanks Ok. And is it dependent on provision releases from certain projects which get such a decent margin?
- Jari Ålgars In this, we have not brought it to [inaudible].
- Jonathan Hanks
Ok. Alright then, thank you. And then, Markku, just on your initial impressions again, clearly you're experiencing from Atlas Copco, the biggest similarities are on the service side. I'm just interested, do you think it's that Outotec needs to invest in having kind of more "feet in the street," if you'd like to chase the after-market opportunity?
- Markku Teräsvasara
I think that is something that we are looking in for, I think I have been here only for four weeks. So, maybe not having the complete picture, but I think that what – we can work in many areas on service by clearly defining the service and product portfolio. And then also making sure that whatever business we decide to be in in service, that we have a good availability of resources as well. Because at the end of the day, in service side we see – exclude the big maintenance and upgrades on [inaudible] – it's actually more astounding. Customer satisfaction goes down to two things: having fast information and services also available and then being able to deliver competitive costs across the operations. And then I think when we see which part of the operations we can add value, I think then just structuring ourselves more clearly to go off of these opportunities, I think is a good opportunity.
- Jonathan Hanks Ok, thanks very much.
- Operator And our next question is from Manu Rimpelä from Nordea. Please, go ahead.
- Manu Rimpelä Good afternoon. My first question would be one these projects write downs, or what do you want to call them? That you two can then MEW business, that you made sure that they were related to the projects that were already incurring right now – so losses in 2014. Can you elaborate a bit more, because I thought that those issues were already behind us. And also, the follow-up question on that will be, are you able to quantify – you mentioned in the risk that there is more potential risk for write downs or provisions in these projects to kind of get us an understanding of what the total size could be if things still continue to turn sour.
- Jari Ålgars I think, well, we stated these aren't part of the projects which we received during the peak and where we have had some problems already in 2014. Obviously, we have been in a period now where they have been progressing as planned. But now, again, we came into a state where we had certain problems which I addressed one of them being this subcontractor components which failed to work as they should. And now we have to make some rebuilds, or will have to make some rebuilds. And

obviously, when you make rebuilds, we assume it will work. If it does not work, we then have to continue with that plant. That could obviously be one thing that could come in. At this moment, we are expecting that the new solution will work. But we cannot count out completely that there would be something else coming into the picture. With the other project, obviously, as said – we had a major breakdown and we are discussing at the moment with client on who is going to pay for this. This is pushing the project forward, because this repair will take some time. And then secondly, obviously, when we come into a point that we start up again this – there is no guarantee that there would not have been something new again at that point of time. So, this is why we want to state that we make provisions for what we see at the moment and what we know; but obviously, we cannot know what might happen in the future. Therefore, we have had this – we want to make this clear.

Manu Rimpelä Ok, and are you able to help us with an estimate of when these projects will be completed if no further issues appear?

Jari Älgars One of them will be complete in not a very long distant future, but the other one is a bigger rebuild. So, it will take quite some time.

Manu Rimpelä Ok. My second question is on the cost savings plan. Would you be able to – I think you said that it was 56million that you've been able to cut cost so far. But, can you give us the PNL impact for 2016, and how much of that will rollover to 2017? Or is that already all 56million in the PNL for the full year?

Jari Älgars Yeah. Obviously, as the cost savings have come during the year quite early, which has been good for us. So, we've seen the impact. Obviously, when we get the full impact next year, we would expect that impact to be a bit more in addition [inaudible] the same period.

Manu Rimpelä And then this new cost savings actions, as you mentioned you've already been looking in the MEW business. So, can you quantify what kind of size we are looking at and time frame?

Jari Älgars Yeah. As Markku stated, we are still working on finding stability. And obviously, we would not want to quantify it at this moment. We will do what is necessary in order to find profitability going forward. But, what is the stable level of order intake and sales going forward is, we are not there yet. Obviously, we are just continuing with the cost savings plan.

Manu Rimpelä Ok. And final question, just on the MEW business still – so I think you had an order intake of almost 700 million last year. I seem to remember you talking about expecting the equipment sales to pick up in the second half of the year. And that didn't happen, at least in Q3. So I mean, is that something that we should expect to happen in Q4 and 2017? That you start delivering on the bigger order backlog, order intake from last year, or – why are the sales so low in the business? On the equipment side.

- Jari Ålgars I think that the metal refining business is definitely, as we have stated before, usually very sensitive. It's more cost critical **with** gold and the minerals – it is obviously one direct activity in place. But obviously, we need to abort this in order to close the orders. We would be willing to close orders, but customer are not yet ready to close orders at this point of time. And when they are ready to do that – obviously hard to tell. We hope that things will stabilize year going forward. And we will start to see an increase in order intake, but can definitely not count on it in today's market.
- Manu Rimpelä Ok, sorry. My question was related to the order intake. So you booked 700 million orders last year, and you delivered – probably going to deliver something like – you delivered 300 million and less in equipment sales by Q3 this year in MEW. I'm just trying to understand why is that not saving into sales?
- Jari Ålgars Yeah, I think – sorry about that. I answered a little bit wrongly. Metals, Energy and Water backlog is usually a backlog that comes much slower than the Minerals Processing. So, in the Minerals Processing, the turnaround time from order intake until it moves into sales is significantly slower. And also, much of the Metals, Energy and Water backlog is from older projects. You usually also see that the percentage of completion rate starts to go down at a certain point in time when you have all of the equipment at the site and you're moving to start up phase and similar, so it's just that the phase is coming slower at that point in time.
- Manu Rimpelä Okay, no further questions. Thank you.
- Operator And we will take our next question from Magnus Kruber from UBS, please go ahead.
- Magnus Kruber Hi, my name is Kruber at UBS. A couple of questions if I may. First, a clarification on the guidance. I think you mentioned that you expect the adjusted **EBIT** to the lower end of the guidance rang. Is that the new or the old range?
- Jari Ålgars This is at a - I think it goes for both.
- Magnus Kruber Oh, okay, thank you. And then, previously I think that you reported the number of personnel you had employed in the service business, but I couldn't see that in this quarter. What a - Could you - could you provide that number possibly?
- Jari Ålgars We have reviewed these numbers and quite many of our people work both for service and capital. We do not feel that this effort is really a [inaudible] so we want [inaudible].
- Magnus Kruber Okay, good. And finally, given the quantification of any possible additional savings in the Metals, Energy and Water, is that something you could possibly provide with the Q4 results?
- Jari Ålgars Eh, well, I think we - when we come to the Q4 results we will decide what we will do at that time.
- Magnus Kruber Okay, good. And thank you so much.

- Operator And we will take our next question from Andrew Wilson from JP Morgan. Please go ahead.
- Andrew Wilson Hi, good afternoon everyone. Three questions please. On the backlog in terms of the orders which are - which are coming through, can you talk about the pricing within that backlog relative to what we've seen over the last 12 months commencing in the revenues? Just trying to think about the impact that's going to have on the margin.
- Jari Ålgars Okay, could you - could you repeat that question? I am not sure I completely understood it.
- Andrew Wilson Yes, sorry, to clarify it's the - in terms of the pricing within the order backlog, how does that compare to the orders that we've seen delivered over the last 12 months? Just trying to understand how that's going to flow through to the margin the next year.
- Jari Ålgars I'll try. I think if you look at our bridge and see the impact from the provision releases of last year, I think that you will see that the margins have remained reasonably stable and this is something we have - this we have seen at the moment. So, obviously we cannot - we cannot tell how the future will look like. We look like [inaudible].
- Andrew Wilson Okay, um, the second question. Just on the spares you made a number of comments on sort of how spares demand and [inaudible] moved to and yet, can you just talk about where you think customer inventories are relative to where customers want them to be? Just thinking if we are still seeing some de-stocking impact or kind of what that might look like over the next 12 months.
- Jari Ålgars Yeah, I - I think our view is probably quite a lot along the lines what we said also about the [revenues] that how the future would probably look - pretty much like that the past quarters have looked like, so we would not expect the customers to start to stock up more goods. They will remain more in this position that smaller orders pass through turnaround time of inventory.
- Andrew Wilson Okay, so the re-stocking potential is quite limited then?
- Jari Ålgars For the time being, yes, this is what we expect.
- Andrew Wilson Okay, can I ask a final question just on the cash flow and the working capital? Clearly it was a difficult period this time around and it is volatile, but can you - can you give us an idea as to what we might expect for the Q4 in terms of working capital?
- Jari Ålgars I would not like to guide on that for obviously that would also mean that we would start to guide on what our Q4 looks like, so we will come back to that after Q4.

- Andrew Wilson Okay, understood. Thank you.
- Operator As a reminder, it is star one to ask a question. We will take our next question from Tom Skogman from Carnegie, please go ahead. Hello, caller, your line is now open if you would like to ask your question. Tom Skogman from Carnegie.
- Tom Skogman Can you hear me now?
- Operator Yes.
- Jari Ålgars Yes.
- Tom Skogman Good, yeah, so it's Tom from Carnegie here and that - I wonder about provision so this year we see a much larger provision cost than last year. Could you give some kind of indication how the outlook is for next year with - I'm not going to want - I don't want an answer about, you know, a kind of problematic process but just about completion of projects and I also wonder, you know, if Markku could, you know, discuss a bit this dependence on large projects and is that, you know, what you want Outotec to do in the future and then he will continue with this provisions up and down all the time or do you see some other way forward in any way?
- Jari Ålgars That might be tough, I think that maybe I take the first questions. We have quite a lot of project orders in our **baglog** which are progressing quite well and we have a few ones, as we have been mentioning, where we had challenges which we did not see [inaudible]. We are working harder on improving our performance, improving our management of these big orders and we aim to stabilize the situation in Metals, Energy and Water, so going forward obviously we do not want to see this type of things happening that we have seen, let's say volatility downwards, especially I think we can take the provision release as part of [inaudible].
- Speaker [inaudible]
- Tom Skogman [inaudible]
- Jari Ålgars Projects always have an element of risk and these might sometimes materialize.
- Markku Teräsvasara And then, if I answer this question - as a part of the question related to the size of the projects. I think we will also in the future offer all kind of projects, both small and large, where we feel that we have a good competitive technology and we feel comfortable with the project, and I think we have a good experience and competence on running projects [inaudible] of course everything, I think, we look at of course everything can be done better, so of course, we will also look into other project management training and these kinds of things, but generally speaking we will look into all kind of projects that we see Outotec can add value.
- Tom Skogman Okay, thank you, and I just understand about next year, do you expect more or less project completions 2017 compared to 2016?

- Jari Ålgars I think we are in the position now where the backlog of all project is kind of getting less and let's say we are getting quite a lot of new orders in Minerals Processing so there will probably be - we are in a period where there will be less of finalizing of long projects for that foreseeable future. I think the new orders will be what we have gotten and we will hopefully be getting and they will again bring in new things, but the backlog is kind of being renewed in these times because the whole backlog is going out and that as we come into a new, let's say, I would not like to use the word cycle because I don't know if we've seen the beginning of it yet, but as we come into that we will be building up of new projects and the situation will look.
- Tom Skogman And then I just wonder about flotation levels in Minerals Processing. I mean, you are quite optimistic on the backlog of orders you presented, but could you give me some numbers on just, you know, changes in quotations? Minerals Processing. Has it really changed or it just happened to - that some customers have happened to close orders now lately?
- Jari Ålgars I think we are, we said that we remain the, we expect the market to remain active, so we don't think this has just been a pure, let's say, something that's just happened occasionally, and the market will go down again, but we're expecting to remain on the same level going forward. So there is activity.
- Tom Skogman Okay, thank you.
- Operator And our next question from Daniel Johansson from UBS, please go ahead.
- Daniel Johansson Hello, thank you very much for taking my question. I'd like to go back to Minerals Processing if I may. You had a very impressive margin of over 9% in the quarter, despite quite a low sales. And you know, how should we think about that going forward, when we start delivering on this, quite a lot larger order intake that you had?
- Jari Ålgars I think, I agree with you that it was quite good, despite the sales came down. And obviously we expect to see then better number when the sales go up, you get orders [inaudible]. We really feel we have done all the right actions in Minerals Processing. Obviously there are things that can be done further, but much of the things we have done during the last year really has been the right things and this is what we start to see now, and we expect that we'll carry the market going forward.
- Daniel Johansson So if we think about this in terms of number of employees, I think your employee count when down to the lowest in four and a half years. So do we need to you know, ramp in terms of employees? Do we need to hire more people to be able to execute this? Or do we have the number of people that we need?
- Jari Ålgars I think it's probably a mix of both of the first two things you stated. Obviously we are still seeing areas where we probably can further improve efficiency, but we also see areas where we might have to add some resources. So all these balance out at the end. I would not like to guide, but let's say in Minerals Processing we are in a good, efficient situation overall. And we intend to improve that further.

- Daniel Johansson Great, thank you very much.
- Operator There are no further questions at this time. Again if you dial star-1 to ask a question. We have one more question from Tomi Railo from SEB. Please go ahead.
- Tomi Railo Hello this is Tomi from SEB. Still a couple of questions, please. Can you impact, can you just quantify the impact of the, sort of problem projects, in the MEW business for the third quarter? Had it been profit-making without these projects, for example?
- Jari Ålgars I would not like to go into those details. We have roughly what we have said, now information we want to state about this. We don't want to quantify that number.
- Tomi Railo And then perhaps on the, on the fourth quarter orders, I think Tom was also asking about that. Are you suggesting as you did during the third quarter that sort of the market activity is represented by the current order intake level, what you have reported?
- Jari Ålgars This is what we stated, yes.
- And-
- That the [inaudible] market to continue as is.
- Tomi Railo And then on the service outlook converting still, you are expecting no major changes soon, how should we understand that then? In absolute terms or in relative terms? Are you still expecting activity to decline year-on-year as it did for example in the third quarter?
- Jari Ålgars Sorry could you take that question again? I'm not sure I caught it.
- Tomi Railo You are, you are commenting about service activity, not changing, or remaining unchanged in the short term. Are you, can you comment if that means that the activity's still declining year-on-year as it did the third quarter, or are you more looking like a sort of absolute level?
- Jari Ålgars I would not like to, or let's say, what we have commented is that we don't expect to see any major changes soon in the service markets. I think we remain with that.
- Tomi Railo Finally, is it possible to get the number for service personnel at the moment?
- Jari Ålgars How - I stated we have been looking through in detail as part of this restructuring we have been doing, we have been going more and more into the details of the people and what they are working at, and we have noticed that this number, what we have been, we have is not a good number going forward to reflect how, what is the right number of people, because we have so many people who are working in double roles, both in sales and in technology and many other areas. So we feel we would

not like to guide that or tell that anymore. We will see that going forward, we feel at some point we will have a more relevant number we can use.

Tomi Railo Okay. Thank you.

Jari Älgars Thank you.

Operator As there are no further questions I would now like to turn the call back over to the speaker for additional closing remarks.

Rita Uotila Okay, thank you everyone for participating, and for great questions. And thank you Markku and Jari, for presenting the Q3 results.

Jari Älgars Thank you everybody.

Operator That will conclude today's conference call. Thank you for your participation, ladies and gentlemen, you may now disconnect.