Company	**Outotec Oyj**
Conference Title	**Outotec Financial Statements Review for 2016**
Host	**Markku Teräsvasara**

Rita Uotila Good afternoon ladies and gentlemen, and welcome to Outotec's Financial Statements Review 2016 Briefing Telecom. Unfortunately, we had some technical problems and we are, therefore, running a bit late. But now we will hear the presentation from the President and CEO, Markku Teräsvasara, and also CFO, Jari Ålgars. So go ahead Markku.

Markku Teräsvasara Thank you Rita and good afternoon from my side as well. And welcome to the information meeting for the Financial Statement Review for 2016. As always, we start with safety – safety first – and this chart shows our safety performance during 2016. And the parameter that we like to compare us with is the lost–time injury rate, showing how many work days we lose per million hours worked in our work cycle for our offices. That includes our own employees and our subcontractors. And we see that we are on a good level. Of course, our target is zero accidents, but 1.8 LTI is already considered to be a good level.

And as an example, I would like to take up our smelting plant project in Saudi Arabia, where they have up until today, worked almost 12 million working hours without any accidents – because of work accidents. So, LTI rate, zero, almost 12 million working hours already year to date. And then of course, I'm very proud of our people at site and about their dedication to safety work. And this is not unique. I think we have similar good focus in many, many worksites. But, of course, the target should always and will always be zero accidents.

Looking at 2016, if I put it in a nutshell, we can call 2016 as a kind of a watershed year from two different reasons. I think, first of all, if you look at the market, after three years of decline in mining environment, we saw metals prices going up in 2016, and also some activities coming back. First, I think customers are still very concerned about the financial ratios and the working capital and the cash situation. But we saw an improvement already in investment when it comes to mainly brownfield investment, with a shorter payback period. So, we'll talk about production, debottlenecking of productivity improvements that we saw increasing during the year.

That already resulted in improving order intake for Minerals Processing business unit. And the other dimension is of course our internal [inaudible] between Minerals Processing business unit and Metals, Energy & Water business unit. In Minerals Processing business unit, where we are earlier in the production site and cycle, we saw clear improvement in order intake already quarter two last year, and then continued quarter three and quarter four. Our starting point for 2017 is quite much improved from last year. And, of course, combined with the improvement in our cost structure and our productivity, we saw that improving our result as well. So Minerals Processing business unit's result improved towards the end of the year, and we ended the year at good level, as we consider.

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On the other hand, in Metals, Energy & Water side, the market remained weak throughout almost entire 2016. However, we saw activity increase among the customer base towards the end of the year. So we see that the customer activity is improving. There is still some hesitance on orders but at the moment, our quotation portfolio and then when looking at where we are in the process of finalizing some orders, I think the situation is much better than it was one year ago. But, of course, it is not without competition and we like to see ink on the paper before we can say that the Minerals Processing has improved a lot.

Also, I think reflecting back 2016, the €70 million savings campaign that was announced at the end of 2015, that we were able to finalize during the year, and could achieve the savings that we were planned. However, we see that on a Metals, Energy & Water side, we were preparing us for – as the orders are delayed, we announced additional cost saving campaign concerning only Metals, Energy & Water side. And that we did in December. And also on the same Metals, Energy & Water side, as you probably remember, we also made additional €40 million risk provision regards to one project that is not yet finalized. But all these activities were preparing us for 2017.

And one more decision that was done during 2016 has an impact 2017, is a decision to create a dedicated Service unit, as of 1st April, and that work is under preparation. And so we are now building up the organization for this new Service business. We see that we have good installed base, a quite wide installed base on the market. And by having more dedicated organization, more clear focus, we can get bigger part of that share, and at the same time improve customer satisfaction and our performance.

2016, still looking at it, this slide is a fairly busy slide, but it shows our announced order intake during 2016. So here we announce – here we show all the orders that we announced, as I said for the press release, is during 2016. They are fairly well split between the market areas. You have Americas, Europe, Middle East and Africa, being the biggest region, and then Asia and Pacific, being the smallest region. Then we divide this also based on products, so the orange ones are Mineral Processing orders, and the blue one are Metals, Energy & Water orders. And then you also see what mineral or metal we talk about.

So as a conclusion, you see a lot of orange, you see in our Mineral Processing orders, and you see that most of these bigger orders came from either gold or from copper. Those were the two driving metals for our bigger order intake. However, we saw activities increasing in most of the metals throughout the year, and a nice order to mention separately is the lithium beneficiation plant order that we got from Brazil.

Also, some acid plants on Metals, Energy & Water side, again very much focused on copper. This is a new scorecard that we wanted to show – to really show the trends in our sales and in our order intake. On the left side, you have Minerals Processing, both order intake six-months rolling annualized and the sales – same, six-months rolling. And on the right side, you have the same curves for Metals, Energy & Water. And I think what is already concluded, and you see it very clearly from the Minerals Processing side, is that order intakes are improving third quarter last year, and it continues to improve throughout the end of the year. And our order intakes today are at the level of 2013 and 2014. And of course, the sales will fall off later on, once we can invoice the project that we received during 2016.

On the Metals, Energy & Water side, you see that it has the order intake stopped falling. So it stabilized on a lower level, but it doesn't decline at the moment. And as said earlier, we also see that we have good projects in the pipeline, so, are quite far in negotiations. So of course, nothing is clear before the signature is on the paper but we see a clear activity improvement there as well. So, I think, our starting point for 2017 is clearly improved.

Service, the next slide showing our service activities and here, basically the same. You can conclude the same things as with these two business units. When it comes to Mineral Processing side, our service order intake grew, and when it comes to Minerals, Energy & Water side, our service order intake declined somewhat. And also you see the same basically in the first half of the year and the second half of the year. Second half of the year, we saw clear activity improvements from our customer base. And if you look at quarter four numbers and look at what was recurring space – which means the day-to-day business with spare parts, with wear parts, with technical service – that was up by 35% in last quarter. So, the same phenomenon there increased activity towards the end of the year.

Our order backlog remained stable, roughly at €1 billion level. And to be noted is that we have about €200 million of orders from Iran which we are not including in our order backlog. There we have a policy where we want to have the LCs open and finance ready before we register them as an order. But there is already agreed orders for €200 million which are not part of our order backlog. And roughly €740 million of the yearend order backlog will be invoiced in 2017.

So, now I hand the word over to Jari to go through our financial progress.

Jari Ålgars

Thank you Markku. Okay, if we start with the Q4 2016 numbers, the sales was €305 million compared to the previous year's sales, which was €306 million, so more or less flat year-on year. Service sales came down a bit compared to Q4 2015, to €127 million from €138 million the year before. This was mainly due to modernizations or lack of modernization orders in Metals, Energy & Water segment. Their share of service in-sales also came down to 42% after being 45%, due to the same reason. The gross margin was low at 16% due to that we had to make a big risk provision in one large project in Metals, Energy & Water in Q4. Calculating that out, the margin was, for the rest of the business, quite good. Also, the same impact on the adjusted EBIT with -€25 million, obviously impacted by the same €40 million risk provision in Q4.

We also made restructuring and acquisition–related cost of €27 million in Q4, which was due to some €5 million out of the old restructuring programme, finalizing debt out from 2015 and then also the new restructuring programme focused on Metals, Energy & Water, which was €23 million.

PPA amortisation was €2 million and we ended up with an EBIT of 2016 of –€53 million. And the result for the period was more or less the same because interest cost and taxes more or less neutralised each other.

If you then look at the full year 2016, the sales was €1,058 million, down 9% in comparable currencies to 2015. The service sales was €447 million, down 8% from 2015. Main reason, in addition to the modernisations in Metals, Energy & Water, was also the very low order intake we saw end of 2015, beginning of 2016, which had a significant impact on the sales this year. The share of services in sales was 42% compared to 43% in 2015. Gross margin, 22%, obviously heavily also impacted by the risk provision we made in one Metals, Energy & Water project. Taking that aside, the margin was up a healthy between 25-26% for the rest of the business.

The adjusted EBIT, was –23%, also affected by the €40 million of risk provision taking. That aside, it would have been +€17 million and roughly at the very low part of the range of our guidance for the year. So obviously, this €40 million risk provision we made put us far outside the guidance range. We made, for the full year, restructuring costs of €37 million, which was due to the previous year's programme – 2015 programme – roughly €11 million. The new programme in Metals, Energy & Water, €23 million, and then some few millions for acquisition–related costs. Taking the PPA amortisation into account, we ended the year at –€68 million EBIT, or –6%. Same as with Q4, the interest and the taxes more or less neutralised each other so the results for the full year ended at –€69 million.

Going to the next page, we see a bridge between 2015–2016. So we had our adjusted EBIT in 2015 at €56 million. The sales came down, which more or less wiped that difference out. In addition, we made provision releases due to finalised projects in 2015, and we also had to make increases in 2016, due to mainly the project I was just mentioning about the risk provision made there. So, at that point, we are very much in the red. And the fixed cost decrease helped us, but it did not help us enough to lift our adjusted EBIT for the full year to positive figures. Obviously, the fixed costs improvement when the market has return, we see good sales in both our business segments. It will be something which will help us to show better profitability as we can already see in Minerals Processing.

Going to Minerals Processing, we can see that order intake is up 33% in comparable currencies for the full year. Sales flat or slightly lower than 2015, and the service sales also down due to the weak last quarter of 2015 and first quarter of 2016. And the adjusted EBIT almost doubled to 5%, was slightly down, so here we can really see the benefit of the cost savings actions we have made. And as the two last quarters were quite good, our whole adjusted EBIT percentage landed at 7%. The last quarter was also affected by some unrealised and realised losses to FX agreements for forward exchange contracts.

Metals, Energy & Water we saw lack of large plant orders. Actually we also saw a lack of smaller orders. So order intake was quite weak at €381 million, down 44% compared to 2015. Sales was also down with 19% from 2015, landing finally at €518 million. The service sales also, due to that we saw little modernisations and upgrades, down to €164 million from €199 million the year before, or 14% for comparable currencies. The FX impact was about €4 million, so same as the Minerals Processing. What is imperative here really going forward is that we have these more cost savings actions ongoing, and we would start to receive some more order intake helping us also in that regard, that we could improve the situation.

Going into the cash flow, obviously the cash flow was quite weak, due to that we did not get any new orders in Metals, Energy & Water. And the old orders we had in actually were eating out of the cash flow because the more mature the orders get and the backlog gets, the more it is cash negative because even in the beginning of a project, it is very cash–positive. And then we use this money to build up the project. And that was the most significant – had the most significant impact of all. And then the second most impact was due to restructuring costs where we make provisions in 2015, which we were then executing during 2016 and paid out. We also did the hybrid during the year of €150 million, of which we used the proceeds for the main part of paying short-term loans, €112 million. And at the yearend, we had cash and cash equivalents of €233 million, so we had quite good situation with cash.

Going into liquidity, equity and balance sheet side, we can see that our balance sheet is quite solid. Also that the net interest-bearing debt is negative and the gearing is negative slightly, still. And we would like, obviously, to have new orders, which would help us in this regard and improve this number. Also, we can see clearly that the advances received have come down quite significantly. But our equity is strong, which is very important for us when we sell big projects – or are planning to sell big projects to our customers, for which it is imperative that we have a strong balance sheet and can well handle any big project for them.

So, I think this was it from my side, so Markku, if you want to continue.

Markku Teräsvasara Thank you. Yes, we will have a quick look at market outlook and guidance for 2017, and then closing remarks and open up the Q&A session. So how does it look at the moment? I think with all that is said before, I think we have a good outlook for Minerals processing business. Order intake increased last year, and we continue to see, and expect to see, new opportunities from that, on top of it. Of course, whatever was sold last year becomes invoicing this year. So we expect to have a good stable level of business on Mineral Processing side.

We also see increased activity in Metals, Energy & Water. But as mentioned earlier, we want to see the ink on paper and really finalise some of the negotiations that are on-going at the moment. And that's, of course, affecting the year for us going forward. And the timing of these large orders are significant, not so much on the fact that they will be invoiced during next year but. Of course, as soon as get them, we can put our people to work. And they start their job hours for that which otherwise would end up being our fixed costs. So receiving big orders will help us finance [inaudible]. And then there is some progress but, of course, it's a competition and we want – we need to win and that's how we want to win.

Of course, on a global side, I think we see the economic environment and political environment having some uncertainty. Of course, our estimates are based on the foreseeable future at the moment. Would there be any dramatic changes on those areas, of course, we need to adjust our operations accordingly.

Financial guidance based on our order backlog at the moment and the market outlook, as well as achieved cost savings, and sales, we expect to get between €1,050 –1,150 billion. As an average, it's about an average of 75% compared to 2016. Out of those €740 million, as said earlier, is something that we have already in our order backlog at the end of 2016. So the remaining balance between €300–400 million is coming from Service. It's coming from Minerals Processing orders, equipment deliveries and, to some degree also from the new Metals, Energy & Water business. But of course, those orders normally have a big project type, and the invoicing starts coming in after one year roughly. But on Service side, definitely we start the year with €200 million order backlog, most of which will be invoiced and then we'll actually get new orders invoiced. And then we have a good situation of a similar behaviour in Minerals Processing side.

Adjusted EBIT range is between 3–5%, as we see today, and this is the outlook for 2017.

So to summarize it, with closing remarks, I think 2016 we kind of touched the bottom. We saw a lot of improvement already from the market side, but also from the actions and activities that Outotec has done during 2015 and 2016. We have a good situation in Minerals Processing and the ambition is to continue winning orders from the market that is more active than in a couple of years in the past. We want to achieve stability in Metals, Energy & Water side. The cost–saving actions will continue, as we announced additional savings campaign. But at the same time, of course, we want to get these – some of these big orders as early in the year as possible, and we are working for them as well.

The new Service business unit will be active as of 1st April and of course, start by prioritising our service offerings and then strengthening our customer service. And then we see that in our installed base, we have a good opportunity there with a more focused, more dedicated approach. And in the same – or at the same time, we reorganised ourselves as well a bit to improve the focus in our organisation and create speed and improve agility in our team by going from a matrix organisation into a more product–line type of organisation, with clear roles and responsibilities and clear accountability. And we think that that will improve our decision–making, speed, and also agility, going forward. Together with that increased transparency in our businesses so that we can early on see deviations in the individual units and can [inaudible] perform, and act very quickly.

After April when the new organisation has been put in place, then we – and already starting now, of course, we will review the strategic focus areas for Outotec. And for those points, I think we will be coming back in our Capital Markets Day, which is scheduled for 21st September.

So, that was the presentation from our side, and now we'll open it up for questions.

Rita Uotila — Thank you Markku and Jari. Now we're ready to take questions from telephone lines.

Operator — Thank you very much. So ladies and gentlemen, if you would like to ask a question over the phone at this time, please press the * or asterisk key, followed by the digit 1 on your telephone. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. If you find that your question has already been answered, you may remove yourself from the queue by pressing *2. Again, please press *1 to ask a question. We will pause just for a moment to allow everyone the opportunity to signal. And as a reminder, *1 to ask a question over the phone.

We'll take our first question with Andrew Wilson from JP Morgan. Please go ahead, your line is now open.

Andrew Wilson — Hi, Andrew Wilson and just a few questions from me. Just talking about the Metals, Energy & Water orders, it sounds like certainly the backlog has improved in terms of the number of orders out there. Can you just talk about how sort of competitive that is in terms of pricing or contract terms, and just how that compares to sort of the backlog that you currently have in Metals, Energy & Water, please?

Markku Teräsvasara — I think, of course, when it comes to pricing and profitability there is some deviation or variation from project to project. But all in all, of course, our ambition is to not to give in anything in our margins. So, whatever cost savings we can achieve, maybe part of it can be used in competition. But all in all, I think the ambition is to get business and maintain profitability or slightly improve.

Andrew Wilson — In kind of just – on the – I'm sorry.

Markku Teräsvasara — Yeah, I think you also had a question on the pipeline, as such I understood. So if I -

Andrew Wilson — Yes [inaudible].

Markku Teräsvasara — If you compare our situation for one year ago, I think – and where we are in this quotation process, because these are very time–taking processes. Sometimes you negotiate over one year, sometimes even over two year, so where we see our quotation portfolio and the maturity in that and how close we are to finalising them, I think the situation is better than we had last year. So we are – in many projects, we are much closer to the contract award than we were one year ago.

Andrew Wilson — And is that – just to kind of follow up on that – is that two-thirds sort of the smaller kind of, I guess, more sort of everyday and sort of recurring type of business? Or is this specifically commentary on just the sort of large projects, which clearly would make a big difference?

Markku Teräsvasara There is both. There is a good number of bigger projects in the pipeline as well.

Andrew Wilson Okay, perfect. Can I just sort of switch on to the restructuring actions that were the sort of additional actions, which were taken in December? Could you give us some sort of idea in terms of kind of the timeline and also the size of the savings that we might expect to see come through in 2017? I'm just sort of looking to bridge a kind of an underlying picture from 2016, even if we exclude the big provisioning in Q4 into that kind of 3–5% margin range. Maybe if you – I guess a broader question would just a bit of help in terms of how we should think about sort of the 2016 profitability moving to the 2017 guidance level.

Jari Ålgars Yeah, we have – we started it already in November last year and, as was announced, we were able to finalise the negotiations in Finland end of last year. And they will be executed beginning – and are being executed and have been executed here as we speak. For Germany where – which was the other significant site, it will take a few more months before we have finalised the negotiation and can move into an execution phase. But let's say we should start to see impact of that already in Q2.

Andrew Wilson Okay, so if you're thinking about run rate for 2017 versus 2016, could you sort of help us with a little bit with a number to think about?

Jari Ålgars No, I really – let's put it that way. We have not made any guidance and will not make any guidance because anyway the fixed cost is very heavily impacted by do we get these new orders or not. So, do we have loadings and recovery for our people? So, therefore, we have not made any guidance because it's really a moving number. In that respect, what I think – if you look at the number of people we are reducing, we have said that it will be close to 200. And I think also if you look at the savings we were able to do from the previous programs, it's kind of – that can be used to some type of guidance.

Andrew Wilson Okay, yeah, that makes sense. And just finally, just on the cash profile and just thinking about sort of how that looks in 2017 because you talked about this sort of maturity in terms of the reorder profile and backlog. I mean, I guess the big delta is just the degree to which the large orders come through and how much of a difference is that going to make. And is that fair comment, we're basically waiting on those pre-payments?

Jari Ålgars That's definitely something. I think also looking at 2017 that will definitely be the big swinger. And obviously we made some restructuring provisions in 2016, which we will have to execute and pay out in 2017. So those are the two big swingers also expected to be 2017. But obviously we – if the market grants us, as we hope it would turn, then obviously we would expect to see some more positive movements in our cash than we saw last year.

Andrew Wilson That's very clear. Thanks guys.

Markku Teräsvasara Thank you.

Rita Uotila Thank you.

Jari Ålgars Thank you.

Operator As a reminder, *1 to ask a question and *2 to remove yourself from the queue if your question has already been answered. Now, we'll take our next question from Manu Rimpelä from Nordea. Please go ahead, your line is now open.

Manu Rimpelä Good afternoon. My first question will be continuing on the cash flow, so could you just help us to understand how do you see the difference in terms of pre–payments going into 2017? Obviously, the mix has changed from a lot more Minerals Processing where the order sizes are smaller. And if that type of a mix continues, so what type of pre–payments are you able to get in these Minerals Processing orders, compared to the Metals larger orders?

Jari Ålgars Right, obviously the delivery times are much shorter, so the positive impact is also much shorter. And so they are closer to cash neutral in that way. In the Metals, Energy & Water, obviously we will get good orders and with good pre–payments. It takes quite a long time before we start to kind of use this up in building, let's say, the deliverable for the project. So at first it's quite a long time when we do mainly engineering and planning and purchasing for the job. And only then later on we will start to get deliveries which we will have to pay for. So it's for quite a long time, quite positive, and this is what we are lacking at moment. So MEW definitely makes a bigger and longer impact, let's put it this way.

Manu Rimpelä Is it fair to say that without the pickup in the larger metals orders, the working capital situation will probably be quite flat, compared to, for instance, 2016?

Jari Ålgars It depends a little bit on which type of orders we get. So we are not going to give any guidance on the cash flow as such.

Manu Rimpelä Okay. And then my second question would be on the margins, and especially the margin guidance. If you take the 2016 EBITDA that you reported of –€23 million loss and then you adjust that for the cost overruns of €64 million, and also the negative currency impact that you booked through the EBITDA, then I get to an EBITDA margin of 3.6%. So, just trying to understand that the main point of your guidance, you are kind of suggesting that this will grow some €40 million over 2016. But you're only suggesting very minor movement in the EBITDA margins. Can you just help me to understand that – what's – are you expecting the Metals business to [inaudible] significant losses in 2017? Or because the Minerals Processing will definitely improve quite significantly this year?

Jari Ålgars We are not making any guidance separately for the different business segments. Let's just put it that way, that we would need some new orders in the Metals, Energy & Water side to bring in workload, move cost from fixed cost to cost of goods sold, and obviously also start to have some sales, as said. The sales impact comes quite slowly, so the impact may take a while. So the main impact it would have by getting the orders into Metals, Energy & Water would be mainly, at first, that we really can have a good workload for our people. And obviously this would be helped also then with the restructuring we are doing. So both of these are helping in the same direction. So these two we would need to have in place to be in a better position going forward.

To your calculation, I can only say it's correct.

Markku Teräsvasara And I think just an add–on from my side. Of course, you noted as well that in the fourth quarter, the gross margin was impacted by this additional risk provision of €40 million. So taking that out from fourth quarter number, I think our profit was on a good level. And of course, we – in a way, the prices are one dimension. But we also – at the same time, we have good plans in place to save costs from our suppliers and, of course, that is working in our favour in competitive market.

Manu Rimpelä Okay. And then the final question from me will be just on the – can you just help us to understand what's the difference, in your mind, with the low and the high–end of the sales guidance? Is it just all related to the Metals business, or what's the kind of in–built reflections, sort of guidance, you are thinking?

Jari Ålgars I think we can say that Minerals Processing is in a much more stable situation at the moment. And it's – let's put it that way. We can more clearly see what the outcome would be. The more questionable side of it is, of course, Metals, Energy & Water where, as Markku said, we would need to see those orders come in first, so that we really can secure the down side and start to work on stability, and starting to look at improving our numbers for the whole business, even more than what we were able to do last year.

Manu Rimpelä So does the upper end of the guidance – does it include already a pickup in the Metals orders, or that will be something that will come as – on top of that?

Markku Teräsvasara We are not going into such details here. It's containing a mix of roughly the items I said, but definitely what is very important this year is to stabilise Metals, Energy & Water. No doubt, it's definitely very high on our agenda that we can get in those orders, and we can improve the situation by the restructuring. Obviously, if we don't get in new orders, the restructuring will help some, but it will not take us out of the problems yet. We would still be in a difficult spot. We need both.

Manu Rimpelä Okay, thank you. No further questions.

Markku Teräsvasara Thank you.

Operator Thank you ladies and gentlemen. As a reminder, *1 to ask a question over the phone. We have our next person in the queue, Johnson Imudi from Bloomberg. Please go ahead. Your line is now open.

Johnson Imudi Hi, thanks. Just – first question is, have we now drawn a line under the risk provisions with the €40 million charge taken in 4Q, do you think?

Markku Teräsvasara Yeah, I think what we see is that, of course, at the moment, we see that our project portfolio and the risk provisions are in good balance.

Johnson Imudi Sorry, I didn't get the end of it. Just say that again, please.

Markku Teräsvasara Yeah, what I said that after this provision, we see that our project portfolio and the risk provisions are in good balance.

Johnson Imudi Okay, great. Thank you. And then just on Iran, was there any – given that you – this is the biggest order you had last year but you've still got another €200 million outstanding, was there anything different with this order in terms of the customer and their ability to make the down payment, given that you said so far that this has been the big issue over there?

Jari Ålgars No, I think what the difference is that we received a letter of credit for that one, and that's why we decided to book it. And that project is ongoing.

Johnson Imudi And was that in the sense that the client was able to get the banking facility, is what you're saying?

Jari Ålgars Yes.

Johnson Imudi Okay, alright. Thank you very much.

Markku Teräsvasara Thank you.

Operator Thank you as a reminder, *1 to ask a question over the phone. We have our next question from Tom Skogman from Carnegie. Please go ahead. Your line is open. Tom Skogman from Carnegie, please go ahead. Your line is now open.

Tom Skogman Yes, this is Tom Skogman from Carnegie. Sorry, I've had problems with the phone lines, broken down a couple of times here. So I might ask something that already has been answered, but I'll try here. First of all, I wonder about what [inaudible] in the coming cycle in the mining industry compared to other equipment suppliers. Everybody knows this will be a cycle about productivity improvement. And Markku has broad experience in his work at other companies as well. So, I would understand how other products are kind of – how they fit into this upcoming cycle – a little bit more about just productivity improvements and not about equipment sales.

Markku Teräsvasara I think they fit in well. I think, if I look at our position, we have a good strong process knowledge in our companies, and we know how to run these processes. So when customer wants to improve their recovery or lower the cost or achieve both, and also on top of it reduce environmental impact, I think we are well equipped for taking care of these kind of orders.

Tom Skogman Okay, and then about your expectations for the first half, I mean, when I listen to you, it sounds like you really need more orders in Metals, Energy & Water, for the full year. I mean, should we read this is that you have very low expectation for the first six months of this year?

Markku Teräsvasara I think when expectations low or higher, I think maybe we overplayed that Metals, Energy & Water a bit – I think we have a good order portfolio in Minerals Processing side, we have a good order backlog in the Service side, and those give us some stability. On top of it, the rest is depending a little bit on when these Metals, Energy & Water orders will come in. But we should not overdramatise that either.

Tom Skogman — And then about cost savings for this year, I mean, what is the magnitude if you just look at your fixed cost savings compared to –

Markku Teräsvasara — I think that question was answered by Jari already. To some degree, we don't guide the savings as such. But, of course, we made a provision of €24 million, and calculating back from the previous savings campaigns and also that we estimate roughly 200 people to be impacted by this, you can make an assumption.

Tom Skogman — Okay. And then about these projects that you have taken provisions, are they finalised? Or are there still some risk?

Markku Teräsvasara — They are ongoing. The one that we announced in December, that project is still ongoing. But we feel that our provisions are now well in line with the risks involved.

Tom Skogman — Okay. And then finally about – I realise you don't pay out any dividend when you report a loss, but how should we think going ahead, given you have a hybrid loan? Do you aim to pay dividends as long as you the hybrid loan, or do you want to pay that back first?

Jari Ålgars — I think that is a question that we, in this room, cannot answer.

Markku Teräsvasara — Do we have someone on the line, operator?

Operator — Yes, sir. We'll take our next question from Tomi Railo from SEB. Please go ahead. Your line is now open.

Tomi Railo — Hello, can you hear me?

Markku Teräsvasara — Yes.

Tomi Railo — I had one specific question on lithium. You booked a nice order for 2016, I believe well over €35 million. Can you talk about the activity on pipeline for lithium as such, and if you think you can book more of these kind of orders?

Markku Teräsvasara — There are some projects that we are negotiating, but it's too early to say whether they materialise as orders during 2017.

Tomi Railo — Thank you.

Operator — Thank you and now we'll take our next question from Manu Rimpelä from Nordea. Please go ahead. Your line is now open.

Manu Rimpelä — Hi, it's me again. Just a follow-up question. Could you talk about, how do you see the operational leverage in the two different divisions, if we start seeing volume recoveries? How much do you expect the recoveries to be? Just a question.

Markku Teräsvasara I don't know, maybe. Can you clarify your question a bit more? Or did you – Jari, did you get it?

Jari Ålgars Yeah, I think I know what you are asking for. So, obviously we are trying to improve also the operational leverage on the Metals, Energy & Water side. But it takes some time to put it in place. And we hope that we would come at the right level and start to see some similar movement, as we saw in Minerals Processing when the order intake would start to improve. Obviously, we also know long–term Metals, Energy & Water profitability has been slightly lower than the Minerals Processing over time.

Manu Rimpelä And where do you see a more normalised operational leverage, trying to calculate that – I.m looking at Q4 or the last couple of quarters? Obviously I'm – it's very much impacted by all the cost savings measures that you are doing. But when you think about the next kind of three years of, for instance, Minerals Processing, so what type of operational leverage would you be happy with?

Jari Ålgars I don't think we have guided that specifically. But let's put it that way, with the restructuring we have in the pipeline now, and which we are finalising here during the first half of the year, provided we get a decent order intake during the first half of the year, we would expect to be in a much better position in the second half of the year. But maybe only later on we will start to see, as the sales of the big Metals, Energy & Water projects comes quite late. So it would start to improve only significantly later on.

Manu Rimpelä Okay. Thank you.

Jari Ålgars But it should be enough. Or we hope it to be enough.

Operator Thank you. Now we'll take our next question from Jonathan Hanks from Goldman Sachs. Please go ahead. Your line is now open.

Jonathan Hanks Hi Markku. Hi Jari. I just wanted to ask on Service – firstly, these kind of large refurb upgrade orders in Service have been depressed for some time. I'm just wondering, what is your sense on how long they can be depressed without miners having to come back and do them, given that production continues to grow? And then just secondly, just wondering, on the installed base, obviously [inaudible] talked for a while about the opportunity of only servicing a small part of their install base. What is the – what do you think is the solution to growing market share there? Is it about investing more in putting feet on the street, so to speak? Or is it something else? Thanks.

Markku Teräsvasara Well, the first part of the question, [inaudible] that depends on the customers situation. I think we – despite the profitability improvement and improved cash situation, some of our customers, they've still very much an attitude that [inaudible] the assets as much as possible. So sometimes pushing the boundaries, trying to run themselves without major overhauls longer and longer, to see how long [inaudible]. So it's really difficult to say exactly when they start increasing. But of course, we expect that at some moment there will be an upside [inaudible] for investment type of [inaudible].

And your second question was related to our customers and how we plan to [inaudible]. I think what we are doing as a first step now, after having this Service business unit organisation in place, we will review our service - partner service portfolio. So for our client, our [inaudible] client, is really to view and see what are the opportunities, where can we add value and where we, in a way, it's better to leave that part of the work for someone else, though. So that is the first thing to do. Looking at the position we are today, in many, many product lines I think we can definitely improve our customer share and also customer satisfaction with more dedicated, more focused approach.

Jonathan Hanks Okay, thank you very much.

Markku Teräsvasara Thank you.

Operator Thank you. As a reminder ladies and gentlemen, *1 to ask a question. Our next person in the queue is Johan Eliason from Kepler Cheureux. Please go ahead. Your line is now open.

Johan Eliason Yes, hello. This is Johan Eliason. I hope you can hear me. Just a question coming back to this lithium order. I understand you mentioned you had another one in the pipeline in negotiation but overall, how significant do you see this opportunity? I understand that it's very much driven by the demand for batteries in electric car, for example. Is this a significant opportunity for you, or are we sort of seeing this one or two type of projects [inaudible] perhaps non-potential for you? Thank you.

Markku Teräsvasara Yeah, I think what – at this stage, it's a little bit difficult to yet to foresee exactly how big that could be. There is increased interest and there is discussions ongoing. But whether that comes big in relation to for example, coal and copper and so on, I think it's too early to say. But definitely there's an opportunity and we will closely monitor that.

Johan Eliason Okay, good. And then, talking about these other Iranian orders that you mentioned. You have sort of €200 million that you haven't put into your backlog yet. What needs to happen there? Does the Iranian state need to get better sort of finances through selling its oil in the markets? Or is it so that you have to have a more willing banks to issue these guarantees for you to sort of put the orders into your backlog? Any light on that situation?

Markku Teräsvasara I think, what I think I mentioned already, that we – one good solution that we have used, regards to these two acid plants is a letter of credit. And of course, when that facility is being opened, then it's a go–ahead. But at the end of the day, one way or the other, securing the financing of that project.

Johan Eliason And then the reason for this order securing the financing and not the other ones, what's the difference here? Why does one – why did this one get a letter of credit and not the other ones?

Markku Teräsvasara I think, generally speaking, it has not been so easy to get LCs open for Iranian deals today. I think we were one of the first ones to succeed with that. So I think we have first one open, and we are working on to open more. But, it needs to – that opportunity needs to, of course, improve.

Johan Eliason Okay. Thank you very much.

Markku Teräsvasara Thank you.

Operator Thank you. There is nobody else signalling for questions over the phone at this time, sir.

Markku Teräsvasara Okay.

Rita Uotila Thank you.

Markku Teräsvasara Thank you very much.

Rita Uotila Thank you all for participating.

Jari Ålgars Thank you.

Markku Teräsvasara Okay. Goodbye.

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