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Company	Outotec Oyj
Conference	FY 2018 Interim Report
Speakers	CEO Markku Teräsvasara CFO Jari Ålgars Vice President – Investor Relations Rita Uotila
Operator	Hello, and welcome to Outotec's Q4 & Full Year Results 2018. (Operator Instructions) Today, I'm pleased to present CEO, Markku Teräsvasara; and CFO, Jari Ålgars. Speakers, please go ahead with your meeting.
Rita Uotila	Thank you, operator. Welcome also our Facebook viewers to this briefing session for the full year results 2018. First, we will hear the presentation from Markku Teräsvasara and Jari Ålgars. And after that, we will take questions from the telephone lines. So Markku, please go ahead.
Markku Teräsvasara	<p>Thank you Rita, and good afternoon from my side as well. I guess, the title for the presentation of this session, we will, today, cover a few topics, mainly, of course, we will tell you as much as we can tell at this stage about this ilmenite smelter project and related provision. But also, we would like to tell you about the good progress we achieved in many areas during 2018 and also during the quarter 4 at the end of the year.</p> <p>But first, a few words about this ilmenite smelter project and related provision. As you all remember from the previous discussions, this is an EPC project that Outotec received in May 2012. What has happened during the recent history, of course, you all remember the announcement made in October. There was a start-up attempt on the furnace, which was safely discontinued because we saw that some operational parameters were outside of the acceptable range, and this is the most to discontinue the ramp-up or the commissioning of the furnace. Then quite quickly we agreed with customer that we, together, we'll investigate this and find out what the root causes are. The investigation work really kicked off in December. And it has progressed well. From Outotec side, we have had a number of people involved, combined with external experts that we have engaged in this topic, we have had, conversely, 40 or 50 people working on the topic. And of course, on top of our own experts, we have included about 10 external experts in subject matter topics that are related to this. So we really feel that we have collected the best resources available in the world to find out what needs to be done going forward. What are the root causes or root cause and then how to proceed from here. The investigation is not completed yet, but we have had already good progress. The program has been split into 3 different areas. We look at -- we have a holistic view on all the events, starting from operations review, exactly looking on that what has happened throughout the ramp-up from an operational point of view. We also will analyze or have started</p>

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to analyze and proceed with that equipment that has been used and installed. But also, from the maintenance point of view, was the maintenance made according to schedule. So basically, these 3 investigation routes that we have together with our external and internal resources, and together with our customer, investigating forward. So as I said, we have the best available competence to really come to the bottom of the issue. And then together with the customer agree on how to proceed. And that is roughly where we are at the moment. So final analysis of the outcome is not yet ready. And of course, based on that we have to continue with the customer to see what are the, basically -- what this position and the liabilities of each party.

A little bit looking forward from the other side of the business point of view, excluding this ilmenite smelter, we see that 2018 was still predominantly brownfield activities and yet very few greenfield projects was kicked off. Service opportunities, modernizations, debottlenecking, upgrades, focusing very much on copper and gold and battery metals, but we also received 2 pelletizing orders for the market activated take opportunities of both CapEx and service side. And however, we see it -- we saw that this uncertainty on the market after the summer, with declining metal prices and the risk for trade wars. Some of the larger investments were delayed. So I think, looking at our second half order intake, we were missing those large orders. They are in the pipeline. And we have already received some of them in January. So as many times discussed before, quarters are not exactly the same. Sometimes you get a lot of orders, or sometimes you get a lot of big orders and sometimes to get less. The underlying business we had throughout the year, when it comes to smaller orders and service activities, were developing well. And as I said, we already see that some of the things that were pushed beyond, let's say towards the 2019, some of those orders were already received. And we have a good negotiation pipeline moving on.

Our standard slide showing the development. Minerals Processing was progressing continuously well. Here of course it's fair to say that the reference point to 2017 was extremely tough because 2017 fourth quarter was one of the best quarters as we have had in CapEx order intake. So comparing to that even the level in all aspects it was not that impressive. However, we saw that there was not -- no change in market sentiment in a sense of the smaller orders, mid-size orders, equipment orders, service orders they can mean as expected. about the size overall for the year as we move forward with order intake. But throughout the end of the year, again, the same as we talked about earlier. As I mentioned earlier that the delay really release the orders affected to the order intake.

In service, on the left lower corner, you see a big ramp-up for improvement in sales. Our cost to really help the supply chain to accommodate or meet the demand from our order intake. The activities payed nicely off during the fourth quarter. I'm very happy and very pleased with the development we have had in service sales, particularly. And looking at service, order intake may be a small ramp-up but the outlook remains positive and it is expected to continue. So I think, services made a nice catch-up in the last quarter and of course, also that was reflected in our underlying result, excluding the ilmenite smelter, which improved positively.

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Looking at our sales distribution per region. Roughly half of the sales is coming from this time zone, meaning Europe, Middle East and Africa. And then America's following with 27% and then Asia Pacific and China, 19%. Our distribution by metal, traditionally copper very strong, 1/3 of it and precious metals, mainly gold. And then we see the pelletizing orders and aluminum moving forward. But of course, we are also encouraging that the most active metals going forward expected to be copper and gold and the so-called battery metals, so from that point of view, our competence portfolio fits in well.

Announced orders during fourth quarter: Processing equipment order for silver concentrator in Mexico, battery chemicals technology to Finland, and feasibility study engineering and design agreement with a customer for quite a big copper smelter project in Indonesia. And on the lower right corner, you see a little bit about the reference point we had for 2017. The CapEx orders were then on a very high and good level. And even though the number as such for the quarter was not bad, of course compared to that, it is a drop.

And now a bit more about numbers by Jari

Jari Älgars

Thank you, Markku. So if we look at 2018 full year, we saw many positive things, much positive development, but we also, then, saw challenges with one ilmenite smelter project which we had to provide for which had our results finally the negative territory both for Q4 and the whole year.

If you go more into the details of the numbers of 2018, we saw growth in sales by 12% or in comparable currencies 16%. Nice growth from EUR 1.1 billion to close to EUR 1.3 billion. Service sales improved also 3% or 9% in comparable currencies, from EUR 408 million to EUR 497 million. The percentage came down for the share of servicing sales, from 42% to 39%. And the gross margin, obviously, due to the ilmenite smelter provision came down from 24% to 15%. If we look at the adjusted EBIT a year ago or in 2017, the adjusted EBIT was EUR 34 million. Now it was minus 46. But if we go into the footnotes you will notice under the point 2 here that adjusted EBIT for the full year was EUR 64 million or 5% for the year, if you exclude the provision for the ilmenite smelter project. And if we take this EUR 64 million to a comparison, we made a nice improvement. Nevertheless, ilmenite smelters are in the product portfolio and thus, it brought our result down into negative territory. Other things that were different between last year and 2017 was restructuring provision, EUR 13 million, which we did not have the year before. This is due to the simplification program, where we took out a few layers in our organization. And then obviously, the PPA amortization, which is on the same level. And the EBIT, when it was 26 in 2017, was minus 66 now. The result for the period was EUR 67 million negative when it was plus 3 in 2017. This also was impacted by the tax cuts academicians been calculated for the provision we made on the that was roughly EUR 22 million. So, the net effect on the ilmenite smelter at the bottom line was EUR 88 million. If we then look at the bridge, which we have been providing here for some time. The EBIT -- adjusted EBIT in 2017 was EUR 34 million. We saw an improvement in the result due to that we had higher volume. We also saw deterioration in the margin. This is mainly due to the other high-impact cases, excluding the ilmenite smelter provision. And then, we had separately the

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ilmenite smelter project provision here, which is a we were able to save some fixed costs in comparison to the year before. And this way, we ended up at minus EUR 46 million.

If we go to the next page and look at Minerals Processing, I'm very pleased with the numbers of Minerals Processing, they were improving by large. Sales improved by 13% or 19% in comparable currencies. Service sales improved also in the same amount, 13% and 20% in comparable currencies, from EUR 306 million to EUR 344 million. Adjusted EBITDA improved also, from EUR 63 million to EUR 84 million also from 9% to 11%. All in all, the result was quite good, quite pleasin. The only thing we do want to see more is more order intake. The order intake here was flat or 4% growing in comparable currencies, and as Markku pointed out, we see a market that is stable going forward. And we expect we are able to continue the growth of the minerals processing and thereby also continued very positive result development we have seen in Minerals Processing business.

If we go into Metals, Energy & Water. Order intake improved 11% or 15% in comparable currencies, now being EUR 532 million. So a little bit more than EUR 40 million increase. Sales improved also roughly in the same amount, from EUR 475 million to EUR 519 million, 9% or 12% in comparable currencies. But this is a little bit -- or let's not say a little bit, but what is disappointing is that our service sales dropped, from EUR 175 million to EUR 152 million, or 13% or 10% in comparable currencies. And this was due to that we had a number of larger modernization and shutdown service projects in 2017, which we were not able to replicate in 2018. The adjusted EBIT ended up minus EUR 125 million when it was minus EUR 23 million the year before. If we go down again to the footnote, you can see that the adjusted EBIT for the full year was minus EUR 15 million. It will take up the provision for the ilmenite smelter project of EUR 110 million. So this means we made an improvement from EUR 23 million to minus EUR 15. We also take into consideration that part of this EUR 15 million was due to the other high-impact projects we make an improvement, but definitely not enough yet. So we have to continue our work this year to turn around MEW.

If we look at our financial position, it's stable. Our net cash reflects quite well the underlying profitability. Obviously, the ilmenite smelter provision had no cash impact at this point, and thereby, the cash improved. The net cash from operating activities improved from EUR 40 million to EUR 70 million, very much in line how our profitability also improved. Net interest-bearing debt improved here also equity to assets ratio obviously, to decreased due to this provision, from 41% to 33%. But 33% is still a very stable number -- solid number. So we are still in a very stable shape. Advances received, if we point out something here specifically, slightly decreased. This was due to that we did not get any of the larger orders we were anticipating towards the year. And this has affected advances received. You can also see that the net working capital is quite negative here at the end of the year. Obviously, the provision for the ilmenite smelter project is the difference here, you can say. Almost all of it from the previous year.

Now other than that, I don't think there is much to say about this slide. So I will

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again give the word to Markku about market outlook and guidance. So please, Markku.

Markku Teräsvasara Thank you. Thank you, Jari. Before we look at the markets outlook, just an update on our simplification project that we had last year. We -- as I told before, we did a simplification project where we basically delayed the organization structure, took two organizational layers away to streamline decision-making. In conjunction with that we also reduced 200 persons and discontinued some non-profitable operations. But that project had a restructuring cost of EUR 14 million, which was booked on last year's numbers. And then the annualized savings level that we expect to achieve during the end of this year is about EUR 25 million. I'm happy with the progress. I think we have achieved our targets and goals. What we'll do from now is to continue simplifying selected business processes. We see we can simplify our certain processes that we have in the company so that they are less time-consuming and we can fast respond to any customer response -- requests from the market. So that will continue from such a point of view the work was already done last year and the restructuring cost taken.

Outlook many kind of opportunities both for service in both for CapEx. There are these metals that we mentioned continue to be active: copper, gold, battery related, iron ore and sulfuric acid. But also other type of challenges when it comes to declining order grades, particles efficiency improvements and also the tailings repressed opportunities that we have. So quite wide range of opportunities existing on the market. Yet that seems to be predominantly Brownfield. Not so many greenfield opportunities. With the force eventually even in those should come. And future investment is very much related, of course, the battery-related metals and copper. But also, as mentioned, due to other reasons, we have iron ore pelletizing plants and sulfuric acid plants high on agenda.

Financial guidance is based on current market outlook. And we expect our sales to increase and our adjusted EBIT to increase significantly from 2018 adjusted EBIT number. And here, of course, we exclude the ilmenite -- the provision the ilmenite smelter project. The reference point is EUR 63.8 million and from there, we expect the significant increase. What is typical already as we have learned from Outotec. And that was also the case last year. We expect the results improvement be stronger during the end half of the year.

And then maybe to summarize. As mentioned, we had good progress in many areas. We have these operational improvements done according to our strategy covering these 5 areas, 5 so-called Must Win Battles. There was good progress in all of them. Our customer satisfaction improved significantly. Also, our conversion rate, when it comes to converting, quotation in the sales good progress and we shortened the quotation lead time to service. We had made production -- a productization plan for all of our product areas. And that is very good platform for future. In the previous meeting, we discussed about one particular area where a planned engineering time, we were able to half by using productized solution. And that work is now being replicated throughout the company in various product lines. So there's a plan for all the product areas and execution continues.

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During the so-called high-impact project. Our quality costs came down for more than 50%. So we have the projects -- these high-impact projects that are from 2015 or before. But what we have received recently, the quality costs is significantly lower. And of course, that is ambition to go forward as we pay a lot of attention to risk management, risk mitigation and very close and robust follow-up of our project and project excellence work. And then, we then continue to trade and educate our people, make sure that there are right resources in right places. So throughout all the 5 programs we continue to improve our operational performance. And consequently, improve -- continue to improve our result.

Rita Uotila

Thank you, Markku and Jari, for the presentations. And thank you to our Facebook viewers. We will continue on the telephone lines. So please if you have a question, please ask them now. Operator?

Operator

(Operator Instructions) And the first question comes from the line of Omid Vaziri from Jefferies.

Omid Vaziri

It's Omid Vaziri from Jefferies here. I've got 3 questions. I'll take them in turn. How does this potentially large cash burden coming up change your long-term strategic priorities for the business? Perhaps, it will be a good idea to hear your long-term plans for the business again, and how you intend to finance it?

Markku Teräsvasara

Firstly, about our long-term plan I think in our strategy we have given a profitability target of over 10% -- reaching 10% of adjusted level by 2020. That is not been changed. And that is still within our strategy and within our planning.

Omid Vaziri

And would it be okay, just to hear once again, how you aim to achieve that? What is the road map you're putting forward here for us investors to see -- that will help you get there?

Markku Teräsvasara

Of course it may be it's not that person very when we have the ilmenite smelter project provision included in the numbers. But of course, looking at the performance -- underlying performance 2018. We were able to almost double our adjusted EBIT. And in the last quarter, again, excluding ilmenite smelter provision, the company was adjusted EBIT level of 9%. How it will continue, of course, we mentioned the Must Win Battle concept that we are using, probably expecting the profitability improvement to come from volume increase, while containing the fixed costs where it is today. Service, of course, continue to grow. And we've had our growth targets of 10% service growth, which was also concerning the currency -- comparable currency rate and was achieved. Towards the end of the year, the growth was accelerating, outlook is good. Then you have the Must Win Battles focusing on product competitiveness. So working hard with our suppliers and our cost structure, but also developing new functionalities that add value. And of course, last but not least, the fourth issue is related to project excellence where we already see that our quality costs, excluding so-called high-impact projects, was used in project and was much less and there we see have an opportunity to go further.

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- Omid Vaziri** Okay. And can I just confirm what provision you took in the fourth quarter or full year '18 against the other problematic project, excluding the ilmenite smelter project in Saudi Arabia? And my third question was just a confirmation of the EUR 25 million savings. It's an annual savings that you're referring to here?
- Jari Ålgaars** Yes. If we first start with the provision for fourth quarter. We have not separated the amount. As said that what you see on Page 9 red bar margin and FX, we did not have a lot of FX impact. So the majority -- absolute majority of this came from the project. But as you also know, we had some of these included from before. So there was no changes, but nothing dramatic in Q4 specifically in quarter earnings.
- Markku Teräsvasara** and of course, everything else expect the ilmenite was included in this underlying result.
- Omid Vaziri** It okay. And the EUR 25 million savings by the end of 2019, is it an annual figure, annual run rate.
- Markku Teräsvasara** Annual run rate savings. By the end of 2019. So at the end of this year, we are at 25% annual run rate.
- Operator** The next question comes from the line of Magnus Kruber from UBS.
- Magnus Kruber** A couple one on the provisions first. This provision, this 110 is only related to furnace one. Is that correct?
- Jari Ålgars** No. It's for the whole project.
- Magnus Kruber** For the whole project. Okay. So is there any component related to furnace 2?
- Jari Ålgars** We do not want to open up this specifically. But if it's for the whole project, if there is a need to make the whole provision for furnace do, it's included. Yes.
- Magnus Kruber** Okay. Got it. That's good to know. So how did you get to the 110? Is there any way you can sort of give us any color on the components there?
- Markku Teräsvasara** What I -- of course, as I said already, we have done a lot of work in analyzing all aspects of operations. From operational view, from technological view, from maintenance view done that together with the customer and the number of external experts. And at the moment, that is the current view of the situation. Of course, we need to finalize the investigation. And also, maybe more importantly, agree with that customer on how to proceed, and then we know exactly.
- Magnus Kruber** Got it. And continuing to ask about these components. I mean, I think in Q3, you discuss this you talked about the provisions taken in 2016 provision to sort of stay on the project effectively sort of a continuing operating because we're still on this. But you have such a component within this provision you announced today? And is it on a similar run rate on a quarterly basis.
- Jari Ålgars** Yes, there is a revision also for finalizing this project, the people we need to have included in the project.

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- Magnus Kruber** Okay. Got it. And is broadly similar to the last time we talked about this?
- Jari Ålgars** Again, I don't want to open up the specific details on it, but it's included.
- Operator** And the next question comes from the line of Manu Rimpelä from Nordea.
- Manu Rimpelä** The first question would be on the guidance you have for sales to increase. And if I just look at your backlogs, I think your backlog is down for deliveries in 2019 by some 40 million. So can you just kind of help us to understand what are the drivers behind the increase in sales? you're expecting for 2019 given that you're starting from a lower base than you did a year ago?
- Markku Teräsvasara** That is, of course, based on -- first of all, as you rightly point out, 1 billion broken that is, of course, the order backlog. And there of course you need to see what exactly is included. Service orders, they turn very quickly. Equipment orders they turn very quickly as well. And then the plant orders, they have a longer turnaround time. So of course, depends on what -- how big is the backlog and also, what is included in the backlog for this year's (inaudible) and plans. And then, of course, it also has a component of what kind of orders we have in the pipeline for the first half of year.
- Manu Rimpelä** So basically, you are expecting the order intake in the first half of the year to pick up because based on the backlog, you will have less sales in 2019?
- Jari Ålgars** I think if we go more into complete detail into what Markku has stated, it's the big orders which were really lacking the end of last year and those will bring revenue quite slowly. So the type of orders we have seen and the type of orders we are expecting is smaller ones, which is very fast into sales. So thereby, even though the orders would not dramatically increase, we still see that -- believe that they will fast turn into sales. And this is one quarter this year.
- Manu Rimpelä** Sorry to ask one more time. But -- so basically, these orders are orders that you have not yet booked but you expect to book in the first quarter? And they have a short duration? And that's why you are confident, yes?
- Jari Ålgars** Which is on top of the end of your sales. You already see stated the backlog, which we will be revenue in 2018. It's lower than the one we announced in 2017. So this is -- will be in that additional orders we are getting will faster turn into sales. Yes.
- Manu Rimpelä** Okay. And can I just confirm on the EUR 25 million cost savings. And so are you able to provide us to kind of P&L impact for 2019 and 2020?
- Jari Ålgars** We have not -- for 2020, obviously, we have said that the cost impact will be 25. Obviously, how that is placed on how much orders we have the how much we have recovery. And for 2018, we are not providing anything else other than being that we are up to that run rate when the year ends. And also, here, obviously, the recovery will play an impact.

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- Manu Rimpelä** Okay. And final question on the balance sheet. So are you comfortable with current state of the balance sheet? And how do you see the cash outflow happening from these provisions?
- Jari Ålgars** We have not guided for the cash outflow. Obviously, the negotiations are still very, very early on with the implant, which is the schedule, so we don't want to go in and speculate as such. But what we showed was that we were generating cash quite nicely last year. And we also stated here that we see a significant improvement in our profitability for this year, which, obviously, means that we should be generating even more cash this year. So -- and also take into consideration the these type of fix intakes , as I think you have all already noted. So any such would not come at once in one step but gradually. So that's how it can be covered with the profitability we have going forward -- with the cash generation we have going forward.
- Operator** The next question comes from the line of Antti Suttelin from Danske Bank.
- Antti Suttelin** 2 questions. First, Minerals Processing. If I look at your competitors, Metso, if I look FLS, it's hard for me to understand that your orders didn't grow for minerals processing this year. Can you explain what is the difference between you and these other companies? That was a very strong segment for the other companies.
- Markku Teräsvasara** Yes. Of course, we cannot -- you can never make a target comparison product areas but exactly same. But also, take into consideration, without commenting any other numbers, as I said earlier, our quarter for 2017 for MP was very strong. So in that relation, quarter 4 of course looks quite modest. And maybe the quarter 4 is actually the difference between growing order intake and also kind of a slowly growing or flattish we have seen for 2018. We have a good pipeline. It's always a timing issue. Some of the bigger projects were delayed and moved to 2019. As I think you cannot have a quarterly review and then make your conclusion based on that.
- Antti Suttelin** Now I'm not talking about Q4. I'm looking at the full year 2018 versus 2017, which you have on the slide. I think you are showing minus 1%. So falling order intake; and plus 4%, excluding currency impacts. These numbers are very low, if I compare them to Metso minerals or FLS Mining. And I would just like to understand what is a difference in the offering or the client base or whatever between these companies?
- Markku Teräsvasara** It is the quarter 4 that actually makes a difference. So I think you are just in a way. Unfortunately, having a period, a comparison period that is not favorable from our point of view. We don't see any reason or hiccups in business. There is a good pipeline, opportunity. Some of them are smaller, some of them are bigger. The only thing with, which is difficult to see, is when they come some of the orders that are ready for a quarter 4, they came now in January. So we have the timing always that plays in.
- Antti Suttelin** Okay. And then my second question is this timing of orders. I think you have announced now 2 orders, one 12 million; and the other was not specified. So I -- would it be possible that you have announced or you have received more

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orders now in Q1 that you have actually announced? Because you sound more positive to me than what your announcements indicate.

Markku Teräsvasara Of course, we only announce orders that are higher than 10 million -- 10 million or higher values. So minor orders will never be enough.

Antti Suttelin Yes, but talking about big orders.

Markku Teräsvasara Yes, those we have had as you point out to one around 10 million and the other one between 20 and 30.

Antti Suttelin But you haven't received any other large orders, which you -- which wouldn't have announced. So basically, all larger that you have announced is what you have received, nothing extra that we wouldn't know about?

Markku Teräsvasara No. We have a policy that when it's more than 10 million, then we announce it. That is a normal practice.

Operator And the next question comes from the line of Erkki Vesola from Inderes.

Erkki Vesola Still coming back to this EUR 110 million provision. How far have you proceeded and accessed the problem? I mean, how confident are you that this should be enough under any circumstances?

Jari Älgars Yes. I think we have come quite far in our own internal investigation, but there is still some way to go. We also have ongoing discussions with the client, which we are also taking into consideration their views. So I say we are quite far, but they are not nearly enough ready yet. But the things, I think -- many things are on the table. Will there be anything new coming up here at some stage? Yes. That obviously remains to be seen. I don't want to go things -- into things that we are not sure of yet what will happen. But I think we are having a number, which we are -- is the right number for the moment and...

Erkki Vesola Okay. And you may have already touched upon this, but what is the time line or start of a result will the case be first half of this year?

Jari Älgars Sorry. Could you repeat that? I missed that one.

Erkki Vesola I mean, how long do you think that this will still take to sort this out? Is it possible to have it dead and buried during the first half of this year?

Markku Teräsvasara What needs to happen first is to finalize the root cause analysis. We have a view, but we need to finalize that with the customer. And then also, what remains is to come to an agreement on how to proceed. And it is very difficult, and I don't even want to do with this at the time line on those negotiations.

Erkki Vesola So there is a potential court case moving, am I right?

Jari Älgars Let's say, so both us want to move ahead quite fast. Obviously, having a plant standing is not helping anybody. So I think that's kind of the first thing. So we

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hope this will help us come to a solution and you are obviously, a solution that we are content with.

Markku Teräsvasara And we are doing it -- this in good cooperation. So I think we are -- we will be able to agree this. That's our view at the moment.

Operator And the next question comes from the line of Aurelio Calderon from Morgan Stanley.

Aurelio Calderon I would like to ask around guidance. Last year, you guided for a 5% to 7% range and that was down to 5% to 6%. And this year you're guiding for EBITDA to significantly increase and (inaudible) long-term 2020 targets. My question is are you going to provide some sort of guidance around the range we should be thinking about? Or is that something that you're going to be doing this year?

Jari Ålars This is where we are going to provide information on guidance this year. And obviously, internally, we have more information based on what our (inaudible). And are not (inaudible) public (inaudible) going forward.

Operator And we have a follow-up question from Magnus Kruber from UBS.

Magnus Kruber I think your margin expanded of course well within the quarter. Can you talk a bit about the margin quality of the backlog, and how it compares now compared to this time last year?

Jari Ålgars I think, as I said earlier, the backlog is containing more of service and smaller orders now as the large orders have been delayed. And truthfully, the smaller orders and especially service orders have a better margin. So I would say -- and yes, that is roughly what I would say about this at this moment.

Magnus Kruber Brilliant. And also, you mentioned, I think, some hesitation from clients in placing new orders. Have you seen any clients asking to take deliveries later?

Markku Teräsvasara What we have -- and I think what happened in -- at the end of last year, is that we had a number of cases where actually, instead of releasing the whole project in one go, they released engineering order first. So we started doing engineering, which is normally not big enough to break the threshold of 10 million. But the work started. And then when the design work had been done, then of course, at some point, there will be a production release, and then they become bigger. But that's, in a way -- there was some delays, some postponements. Nothing really canceled. Just a different way of proceeding with some projects.

Magnus Kruber I was just thinking about how the invoicing proceeded for particularly in Minerals Processing, if the deliveries took place according to schedule? Or something might have slipped into '19 because clients would want to take it later?

Jari Ålgars Now obviously, we are not opening up for specific projects. There are always kind of changes, both positive and negative, some projects might move a bit faster. But nothing kind of out of the ordinary that -- nothing that you would say

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that this market situation would have change the way our revenue is taking place. Nothing like that.

Magnus Kruber

Perfect. Can you just give me some color on how large were your total provisions all in by end 2018? 110 plus how much more?

Jari Ålgars

You're asking a question I don't have readily (inaudible) provisions we have. But that should be in the balance sheet of the announcement. But it's not detailed yet. It will be in detail in the longer version or the full financial statement that will come on week 8.

Magnus Kruber

Okay. And finally, returning to my first question on the savings impact. I mean, you have had all the cost already booked in this year. So why don't you have the full run rate earlier than in '19?

Jari Ålgars

Sorry. Could you repeat that? I'm not sure I understood your question.

Magnus Kruber

Yes. So for the simplification program, you have booked all the costs that you said you had booked for this project. But the full impact of -- full savings run rates won't be happening until end of this year. So what's the -- why is this such a delay between the costs taken and the savings built-in the P&L?

Jari Ålgars

Yes. Some of it relates to people and some of it relates to that we have closed down some businesses, which are unprofitable, not all of them at full effect yet.

Operator

And the next question comes from the line of Jonathan Hanks from Goldman Sachs.

Jonathan Hanks

I just wanted to ask specifically on Metals, Energy & Water. And obviously, profitability is still pretty low even excluding the ilmenite smelter provision. But even if I add that EUR 25 million of savings, which you would you want to fully get in '19 anyway, profitability is still not great. And then your book-to-bill is not that high either. So there's not a lot of selling volume growth coming through the business. So I'm just trying to understand what else might drive margins higher for Metals, Energy & Water? Is it just simply execution? Is it mix in the backlog? Or is it that you're you doing kind of savings programs, which you have not called separately?

Markku Teräsvasara

If we start, obviously, as stated already, there are other high-impact projects also, which you can see in the Page 9. And all of those are in the Metals, Energy & Water segment. And if you take those out, obviously, we are intending to close those out as soon as possible. That is one thing that would start to improve the result. The other one, as you rightly pointed out, is the volume. We are not happy with the order intake yet. We were expecting better order intake last year, but it's a big orders that were delayed, and Metals, Energy & Water is mostly about big orders. We have good business lines who are making very good profitability in Metals, Energy & Water. And then we have some, which are very negative of which obviously, the smelting business line is now the one, which due to this provision, is the one of the most negative result. And as we pointed out, in 2017, in our strategy, we expect all of our businesses to be profitable. So obviously, we have to -- as we could see that the markets did not

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help us much as we were hoping in 2018, we had to take a long and hard look and see what we need to do in addition to make sure that all businesses are profitable. And then that is something that we need to do. So definitely, we are not happy with what 2018 brought. Some of it, though, we were not expecting the 2018 second half to be as slow in the large project that is actually turned out to be. And this is -- we had to think about will this be something going forward that the growth can it be very significant. And we have to think potentially about on your baseline. And I think it's not a general baseline for all the businesses. It's more than going into the specific business where the losses are and make sure there are no more losses going forward.

Operator And our next question comes from the line of Tomas Skogman from Carnegie.

Tomas Skogman This is Tom from Carnegie. I have a couple of questions. First of all, about the cash flow outlook. If you would assume, for instance, that orders were to grow around 10%, do you believe then that you could have a positive operating cash flow this year given you're most likely to have significant cash outlays in this Saudi Arabian project? So can you show positive operating cash flow this year?

Jari Älgars We are not guiding for that cash flow separately. And we have not either stated how the cash flow would start to look if -- when there will be a solution to this ilmenite smelter. But I think, in general, what I tried to -- the picture I'd like to portray is that we had a very good cash flow generation last year. We expect the profitability to improve this year. We expect the cash flow to continue to be positive and as -- if we only look back at the previous work we have done on this ilmenite smelter, I think, you can see it's a very large project. And it will extend over some time, most likely, if anything. So we expect still that with operating cash flow, we can manage.

Tomas Skogman Okay. Of course, because of this large provision, the investors and the market is quite scared off by all of these legacy projects. And you said 1 year ago that you expected to close all apart from 1 legacy project in 2018 into my -- that's at least what I remember. And I think we've only closed 1. So now you have like 3 or 4 left. And I think even quite valuable just to understand the size of this. And what is the problem in closing these ones? Is there any risk for further provisions from them when they are not closed, in contrast to earlier guidance?

Jari Älgars Okay. And we are in a project business. And the only thing you can say for sure is when that project is finally closed and you have received all the payments you are about to receive from the client, you can really state what the end result is. So at this point, we have the right provisions. We think that are needed to take care of it, but we cannot guarantee anything. These are still projects that need to be finalized. On the comment on the size of those project, obviously, they are much smaller than this largest project in the history of Outotec. So we are not talking about projects that would even be near this in any way. And we are continuing to do the work. Yes, it's taken longer than we had expected. Maybe we should be a little bit careful. There are always 2 parties in this. And sometimes, it takes much longer to agree and finalize things. Sometimes, it take much longer for the client also to look at things and wanting to come to a conclusion. Still, we are able -- like, we are also -- with the ilmenite smelter, that we will be able to conclude this in a positive way.

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- Operator** And the next question comes from the line of Antti Kansanen from SEB.
- Antti Kansanen** It's Antti from SEB. First of all, could remind us of the high-impact legacy projects aside from the big one? How many of -- are still ongoing? And when do you expect to close the last of them?
- Jari Ålgars** Yes. I think we've stated at the beginning of last year. We have about a handful of them. So we have 5 fingers, not 6 fingers. So we were able to close 1 of them last year and then it should be 4 left, who are obviously, this large ilmenite smelter. So I think this is the amount due or do not know that we are talking about.
- Antti Kansanen** And any guidance on when the smaller ones will be finalized based on your current knowledge?
- Jari Ålgars** Our target is to finalize them this year.
- Antti Kansanen** All right. And on the EUR 110 million provision while you are in the middle of negotiations. What kind of assumptions do you have on the liability between yourself and the customer? Is it just based on your current assumptions or being prudent? Do you kind of assume a full responsibility for the order back side? Could you open that of even a little bit?
- Markku Teräsvasara** Well, we have not -- we are not, in any way, opening up the contracted issues and assumptions on liability at this stage because even though we have a continuous conduct with the customer, we are continuing the investigation. We are not 100% ready. And of course, we have not yet finally agreed with the customer on how to proceed.
- Jari Ålgars** (inaudible) we have obviously prudently as we should consider provisions.
- Antti Kansanen** Okay. And the last one would be on the Minerals Processing side and on the market trends that used currently in some modernizations and refurbishments in, let's say, Q4 and maybe even early this year. How do you see that market developing right now?
- Markku Teräsvasara** I think the market is on a good level and continue both when it comes to CapEx side and also when it comes to service side. So there is good activity that -- and definitely those which you mentioned yourselves and you have mentioned many times, smaller upgrades, modifications, service, maintenance, de-bottlenecking. So there is a lot of that work on the agenda and in the negotiations.
- Antti Kansanen** Is at the growing market still for you? I mean, it has been a good growing level for some time now, I believe.
- Markku Teräsvasara** We did not get what -- whether it would be good growth or what of course, will at the end of the day, maybe the small orders will not make that big difference. But then, if bigger orders come in, that can be significant. So I think, there is always -- one should not expect a dramatic growth only based on modifications

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and upgrades and smaller projects. But of course, the mix at the end of the day will then decide.

- Operator** And our next question comes from Peter from (inaudible)
- Unidentified Analyst** Just a short question when it comes to additional financing. So do you have still available credit facilities and so forth, given that you are going to have EUR 100 million in cashout potentially in 12 to 24 months?
- Jari Ålgars** Sorry. Could you repeat that question?
- Unidentified Analyst** Do You have any more additional credit facilities due to your balance sheet is quite stretched and your core equity ratio is only 10%, 11%. And so can you give us more what type of other finance solution devices equity markets you had right now besides cash flow?
- Jari Ålgars** Yes. Obviously, we have the hybrid loan. And then, we'd have some bonds outstanding. And then we have some shorter-term loans, which are more or less paid off at this point in time.
- Unidentified Analyst** But do you have any more frameworks to pull if you need cash?
- Jari Ålgars** Yes. There are more frameworks to pull.
- Unidentified Analyst** Which -- how much?
- Jari Ålgars** Now I don't know how we have guided for this, but there is a revolving credit facility, which is quite good. We can draw from and which we have not drawn from at all at this point in time.
- Unidentified Analyst** So much is unused?
- Jari Ålgars** Now I have to admit I don't remember if we have guided for this much the revolver is at this point in time. But, let's say, it's a sizable revolver.
- Operator** And the final question is a follow-up question from Manu Rimpelä from Nordea.
- Manu Rimpelä** If I look at the Metals, Energy & Water business, I think you actually made figures in the second half of the year, adjusting for all these currencies and cost overruns and so forth. So can you remind me of the seasonality in MEW as well? Normal sort of age one is lossmaking many years now? Or could it be already black figures in the first half of the year?
- JariÅlgars** We are not making guidance for the specific quarter. But Markku already pointed out that our result is always -- as always, and is likely to be also in (inaudible) what the (inaudible)
- Operator** There are no further questions I'll hand back to the speakers.

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- Rita Uotila** Thank you, operator, and thank you for participating in the discussion and Q&A. Thank you for the answers. And we will conclude the briefing from here. That's all. Thank you.
- Markku Teräsvasara** Thank you.
- Jari Ålgars** Thank you.
- Operator** This now concludes our conference call. Thank you all for attending. You may not connect your lines.