

Compay	Outotec Oyj
Conference	Q1 2018 Interim Report
Speakers	CEO Markku Teräsvasara CFO Jari Ålgars Vice President – Investor Relations Rita Uotila
Operator	Good day, ladies and gentlemen, and welcome to interim report for January-March 2018 conference call. Today's conference is being recorded. And I will now hand it over to Ms. Rita Uotila. Please go ahead, madam.
Rita Uotila	Thank you. Good afternoon, ladies and gentlemen, and welcome to Outotec's interim report January-March briefing session. We will hear a presentation from President and CEO, Markku Teräsvasara and also CFO, Jari Ålgars. After the presentation you will be able to ask questions when you are dialing through the telephone lines. So now first, we will hear the presentation from Markku and Jari. Markku, please go ahead.
Markku Teräsvasara	<p>Thank you, Rita, and good afternoon everyone for Outotec's interim report for quarter 1, 2018. As tradition is we start with the safety information. Our lost time incidents rates, per million hours stayed stable during the quarter. We are at a good level but of course throughout mostly improved and come to a situation where there is no accidents happening at our work sites.</p> <p>What about market development? I think the quarter was a little bit mixed basket between a number of positive things and some negative things. On a negative side, we still have an MEW, Metal, Energy & Water business result negative and there is some legacy projects that was burdening our result in quarter 1.</p> <p>On a positive note, we had more things. We have order intake that is increasing both on CapEx and on Service side, and our sales improved as well. And looking at Minerals Processing segment result, we saw, again, a significant improvement in profitability for that segment.</p> <p>How does the market look from our point of view? The demand continues positive. We have several different indicators showing that the market activity has remained high and remains high, when it comes to customer contacting activity, quotations or request for quotations we receive or quotations we make, and the number of small orders that we receive. Yet, it's mainly focused on brownfield investments where customers are focusing on productivity improvement and improving their processes, debottlenecking, additional capacity improvements and some rebuilding.</p> <p>Many metals continue active -- actually most of the metals have a good activity level, but specifically, copper and gold that are important to us, are active. And then, during the quarter, we also received orders from iron ore or let's say steel</p>

July 25, 2018

2 (13)

making and 1 sulfuric acid plant which were very welcome. So market active was global in all the regions, and also within most of the metals. However, yet the greenfield projects, the really big projects are little bit on a waiting mode.

As I said, most of the customers are focusing on brownfield, and that was very much confirmed 2 weeks ago when I participated in this copper producers meeting in Chile, Santiago de Chile. In the discussions with our customers everyone was noting the positive sentiment, but at the same time, playing down or tuning down the greenfield portion of the investment. Having said that, the brownfield activity remains good.

Looking at our different businesses, we see different sequence or order cycle. Minerals Processing had -- order intake on left up corner, had yet another good quarter when it comes to order intake and doing a parallel or going parallel, we are back in 2012 and '13 good levels and that is mostly coming from brownfield investments and we see of course over time, we will see these good orders translating into increased sales.

The same you can say from Service point of view, continuous improvement in Service order intake and the sales following. Looking at the low right corner and the green column which shows the recurring Service order intake, it was on an all-time high, meaning that the continuous underlying service business. And the same goes for Minerals Processing, the underlying small order -- order income is on a good level, and the market remains active, and then we just need to be quick in translating these into sales and which will then improve our result.

Also I think important to note, which we always say later on, that in the first quarter we had actually a quite significant exchange rate impact in our sales. Translated in volumes, the growth was higher, but a little bit later we can come into that.

And of course, positively -- slight positively we see the Metals, Energy & Water segment order intake increasing in quarter 1 -- in quarter 1, we received 3 announced order with the size bigger than EUR 10 million. They were all addressing the Metals, Energy & Water segment. And what was positive in these orders, pelletizing plants to China and India, and sulfuric acid plant to DRC, was that they actually went to the business segment where we have had the lower capacity utilization last year. So this will over time, during second half of this year, have a positive impact to our profitability. And service orders, as said, continued to grow.

And now little bit more about the numbers by Jari.

Jari Älgars

Hey, thank you, Markku, and hello on my part as well. So overall, I would say the numbers were improving, on principal, all areas; order intake grew, sales grew, profitability improved, and also we had a strong positive cash flow. If we go more into details, on the sales side, the sales grew from last year with 9%, or in comparable currencies with 15%, from EUR 263 million to EUR 287 million. And service sales grew from EUR 99 million to EUR 103 million, which was 4% absolute, but 13% in comparable currencies.

July 25, 2018

3 (13)

And the share of services in sales went down from 38% to 36%. The gross margin decreased a little bit from 24% to 23%. I will come into this a little bit later. And the adjusted EBIT improved from EUR 1 million to EUR 7 million or from 0% to 2%. And the result for the period went from minus EUR 3 million to plus EUR 2 million.

If we go into the bridge of the improvement from EUR 1 million to EUR 7 million, we had a volume increase and we also had improvements coming from the fixed cost savings which were planned, but then we also had -- still some margin erosion in a couple of projects of the legacy ones which impacted a bit the period. And on these low profitability levels, still we were going through the numbers and was seen on the bottom line.

And also on the sales mix, we had some delivery issues in the spare parts side which impacted both the spare part deliveries as well as some upgrade projects, so both of these impacted the result negatively. The spare part delivery issues, we believe will be fixed during quarter 2 and we will be back on track.

And going forward, looking at Minerals Processing. The order intake increased from EUR 146 million to EUR 162 million and the sales increased from EUR 152 million to EUR 160 million. In the Minerals Processing, we see the impact on the spare part deliveries, however the order intake overall in service was very strong and the backlog grew. So going forward, we are confident we will see improving service sales going forward.

The adjusted EBIT was good, improving from EUR 11 million to EUR 16 million, increasing from 8% to 10%. So we saw that the development continued positively. Overall, we can say that Minerals Processing is going steadily into the right direction. Yes, there was a small hiccup in the spares deliveries during the quarter, but this is just a temporary hiccup. And going forward, we are confident that business is developing in the right direction.

Metals, Energy & Water. Order intake was flat, about the same as the previous year, EUR 172 million to EUR 171 million. Last year, we had 1 big order to Bahrain between EUR 50 million and EUR 100 million. This year we had 3 smaller orders making up for that. And this is something we see as positive because obviously these onetime big orders, it's hard to predict which quarter they come, but as long as we have a number of smaller orders, the overall sentiment in the market is positive, and it is much easier to base the future on this.

And obviously, what was extremely good was that the orders came in the Metals and Chemical Processing segment, which were in need of orders. So we got 3 orders into the segment, which were lacking work. And going forward also we see that the Energy side has lots of opportunity. So we believe also the 3 business lines here will improve towards the end of the year.

Sales was improving from EUR 112 million to EUR 127 million, and service sales increased from EUR 29 million to EUR 32 million. Adjusted EBIT improved from minus EUR 9 million to minus EUR 7 million. We would have seen a better improvement here, but as said, we had still some challenges from the legacy projects.

July 25, 2018

4 (13)

So overall, I would say that the business is developing in the right direction. The market is developing. The order intake is developing in the right direction. And as we have stated before and Markku have stated before, the sales is more tilted towards the second half of the year. So we expect to see the business improving as we go along.

Balance sheet is solid with the net interest-bearing debt improving and the gearing also improving due to the progress payment we had. So our cash flow was very strong and with roughly EUR 65 million and -- which was minus EUR 35 million last year, so we saw a significant improvement.

With that money we paid off some commercial papers and also we paid off the hybrid interest for the year. So all in all, the cash and the balance sheet developed favorably, the business developed favorably. We still have some hiccups. We will work on these and fix them as the year goes along. And in general, we are happy with the development as it today stands.

Markku Teräsvasara Okay, thank you, Jari. So how does the market look forward? We have a continued good level of activity foreseen. As far as we see, we have some additional opportunities for Outotec coming from various things, complex ores and ore grades decreasing, customers are investing in productivity improvement through digitalization. They sometimes have water challenge and all this support the businesses and special competencies that we have in the company.

We continue to have service opportunity as we have seen last year and even in quarter 1, our service order intake increases according to our plan, and we see that that can be further developed. There are prospects in many metals and many areas, but also in the energy area where we had low order intakes and lately we see that there is some emerging opportunities. Of course we need to then be the selected contractor for those as well, but the improvement is that there is projects ongoing.

And then, of course, this excitement about battery metals, electric vehicles and maybe even more importantly, alternative energy choices related to wind and solar power will also require a lot of storing capacity driving the battery metals demand going forward. So cobalt, lithium, and nickel projects will be high on agenda and of course copper, as a big volume, continue to increase.

Based on quarter 1 result and the outlook our guidance is kept the same, so no changes in terms of sales expectancy or adjusted EBIT expectancy. Our [must-win battles] programs, they continue and we have -- we started them last year and we start to see good improvements. The whole organization is active on specific projects and we see a good improvement in many, many areas.

Maybe lifting one at a time, this time product competitiveness. I want to give you an example where of course our ambition is to define what it means to increase the value of our products and processes and drive pricing, [inaudible] we had to find ways to lower our cost.

And as an example on what it means to lower the cost here; we, in one of the product lines, we worked very hard in productizing our offering and using the latest systems for that. We identified quite quickly that the time we spend in

July 25, 2018

5 (13)

design can be reduced to half of what it has been traditionally and there is additional potential for that. So clear indication on the focusing on selective must-win battles and then systematically solving them will help the company on its way towards 2020 goals.

Another area helping us to our 2020 goals is Simplifying project that we announced today. I spend a lot of time out on the market meeting both customers and our own people, discussing on areas where we can improve and where we need to focus. With the market improving, it has become evident to me that our structure and processes are limiting our growth and profitability. And hence, we are going to look through our organization, simplifying the structure and making sure that we have processes that are very efficient and very clear with clear roles and responsibilities.

And at the same time, we are going to flatten our organization to make the decision making even faster. So we will reduce management layers and also, at the same time, streamline global function which will then give us a cost saving. So out of this program, the important target is improving our efficiencies, internal efficiencies in the organization, simplifying our processes and increasing speed in our operations both towards customers but within the company as well.

It will have an impact on -- globally on about 200 employees and we have calculated that the impact on our cost structure, of course positive impact on our cost structure around EUR 25 million on annual basis as this program has been implemented. Partly, savings will come this year and then of course also partly during 2019. So this simplifying program will enable us to grow faster and improve our profitability, in line with our targets going forward.

So this was the presentation, and now we open up the line for Q&A.

Operator

(Operator Instructions) We will take our first question.

Antti Suttelin

This is Antti from Danske Bank. On these legacy projects, you say that they are causing gross margin to deteriorate, is that because the percentage of sales that these legacy projects account for is getting bigger? Or is that because these legacy projects are getting even weaker margin than they have been before?

Jari Älgars

Yes. Obviously, what has happened is that we don't see any additional technical issues with them. They are just taking longer time to fix than we had anticipated. And this longer time to fix means we have people dive into this which impacts obviously -- increases the cost and this is the cost we have added here during this quarter.

So yes -- the margin obviously becomes weaker. We are not talking about a lot but still with this result levels on a quarter, it has an impact so much that we have -- we feel we need to mention it. Obviously, it's a -- let's say an issue as well in that respect that usually when you have this type of, let's say challenges, you have to have good people dive into this. And we really work hard so we can get these behind us and can focus on current and future business.

July 25, 2018

6 (13)

- Antti Suttelin** Yes. Still additional on that topic, would you quantify how much that extra cost was now this quarter versus year ago? And then secondly, when will you finally get rid of these projects, when are they completed finally?
- Jari Ålgars** Still, we consider this being part of our normal business, so we don't want to separate them in any way. And obviously, as we mentioned, it means that there is a difference last year. We did not have anything in quarter 1 and this year we had. So obviously, it had a negative impact when we compare quarters between each other.
- Antti Suttelin** Let me say EUR 5 million, is that the right ballpark, EUR 5 million year-over-year?
- Jari Ålgars** We are not giving any guidance on this. It's just, we want to make clear that we are still being hurt a bit by this. It's a nuisance and we have to get rid of this.
- And you asked about the timing, we talk about the handful of project of which most of them, we believe, will be solved during Q2, Q3. One of them is likely to go over to next year before we can finalize it. So this is the timing of the projects. So they are still -- still they are a bit affecting us. As said, no new technological problem, this is just to finalize and be able to close them in a good manner.
- Antti Suttelin** Then, on cash flow, you had strong cash flow. Will this strike back in the coming quarters or is it more like sustainable improvement?
- Jari Ålgars** No, let's say timing was -- maybe it was a little bit unusually strong for the quarter. That much I could say. We had a lot of payments during this quarter, but no, it will not -- we are not expecting it to hit back on us. We have certain guidance and, as we stated in the Capital Markets Day, the EBITDA is something we are still expecting to start to show on the bottom line, minus obviously the financial expenses and taxes what we have.
- So we are not giving any guidance for cash, but let's say -- so the market is improving, we are improving and the cash flow is improving. As a normal, let's say, normal, as the upturn is -- it's kind of continuing, as you could also see in the last upturn of the business.
- Operator** And we will take our next question.
- Manu Rimpelä** It's Manu Rimpelä from Nordea Markets. My first question would be on the spare part delivery issues you mentioned and, if I understood correctly, that relates to Minerals Processing. Can you just open up a bit more what this relates to? Is it the trouble of creating the spare parts from the supply chain? And what gives you confidence that you will be able to solve this in Q2? And then, does this mean that we should kind of see a pick-up in sales which you lost in Q1 due to this?
- Jari Ålgars** I would say as first -- we consider this as a timing issue. As you could see, the order intake was very strong. And this is something which is due to that [inaudible]. We had a very strong order intake but also some other companies that are using the same supply chains had a strong order intake. And that meant

July 25, 2018

7 (13)

that the suppliers were a bit swamped and were not able to meet all of our demands.

We have now worked out to open up alternative sources and we've also had negotiations with these suppliers how they can better address our increasing needs going forward. And we feel we are in a good situation and we are solving the situation as we speak. Every day is one day better in this regard.

Manu Rimpelä Okay. And on the same topic still, so you see that you have enough leverage on the suppliers given that you're still a relatively small company, if you compare to companies like Volvo and bigger ones who are also reporting these supply chain issues, so you are able to kind of get your demands through.

Jari Ålgars I would say so, yes. I don't see any problems in this -- I don't see any problems in this regard that we would be kind of, let's say, seen -- as lesser customers than any of the others, so. But obviously, the market is improving and this is something we definitely have to have an eye on going forward. We are able to meet the increasing demands of the market also in the supply chain. So it definitely will be an area we will keep a tight eye on going forward.

Markku Teräsvasara So maybe one comment from my side as well, (inaudible) when the same parts are need both on increasing CapEx projects and Service – Service and CapEx going at the same time for a given supplier that means that they actually need to increase even more. And now of course, we are working hard to secure the capacity going forward, and one option is to identify, which we have done, alternative sources as well.

Manu Rimpelä Okay. And can you then comment on that cost-savings program that you mentioned? What timing do you expect to see? You said something will be already visible in the 2018 numbers, so can you just give us a kind of phasing of the savings for the next couple of years? And then also, do we expect to get all of the costs in 2018 or will something spill over into '19?

Jari Ålgars Yes, this we see as a transformation program. So we will see something in 2018. Obviously, we want to execute it as speedily as possible, but there will also be impacts in 2019. And as Markku stated, we see that for us to meet our long-term targets, we need to get this done and so we are really able to capture all the growth opportunities there are in the market, and be able to get that in a way, so it's as profitable as possible. So I would say something this year, some more next year and then the full impact we would expect to see in 2020.

Manu Rimpelä Okay. And then, how does this tie into your guidance? I mean you are keeping that unchanged, but you are expecting to get more cost saving than you probably previously had talked in the guidance. So can you just help me to understand how that works?

Markku Teräsvasara It is within the guidance for 2018, this year savings are within the numbers.

Manu Rimpelä But were they already in the guidance when you issued the guidance, so is it something that you realize that the Metal, Energy & Water losses are deeper than thought and then you have to pull forward this cost savings program or just initiate the new cost savings program to cover those losses?

July 25, 2018

8 (13)

- Jari Ålgars** This is more looking into long-term than really looking at this year. We are really seeing that, we need to get this in place in order to really capture the growth. So yes there will be positive impacts this year and as Markku said, this is still within the guidance we have, and it will successively improve going forward.
- Manu Rimpelä** Okay. And my last question would be on the Metals, Energy & Water profitability level. So can you shed some light on what the kind of profitability level of the ongoing business is, which is not impacted by this legacy issue? So is that already on a good level or are we still waiting to see the revenue pick up which will then drive the fixed cost utilization?
- Jari Ålgars** If -- as we are not guiding the separate segments, but if I would say that way that we have 3 different business lines starting off the year, we were in a very good shape and still is in smelting and hydro. We were -- we had a very low workload on metals and chemicals processing, and also in energy and environment. So obviously coming into the year, the situation was not very good.
- It has clearly improved now with the order we have seen coming into the Metals and Chemicals Processing. Still, we need orders into Energy and Environment. We expect to see those going forward and we also expect that the business will successively improve towards the end of the year. So starting point maybe not so good, but we are getting there.
- Operator** We will take our next question.
- Magnus Kruber** I think a lot of my questions has been answered already, but could you give some additional details on the nature of the spare part delivery issue that you had?
- Jari Ålgars** Yes, it's so that we -- as you could see, we had a very strong order intake and it could have materialized in somewhat more sales on the spare parts side and it also impacted some on the upgrade side, because some of the parts we would have needed to finalize some of the upgrades delayed things a bit.
- So I would say, it has had some impact and we, going forward, need to work this out, so we can continue to grow because, obviously, if we would not able to solve this, it could start to have an impact on our order intakes. Still no impact on our order intake and we believe we can fix this without any impact on the order intake and sales for the full year. This is more a temporary issue now.
- Magnus Kruber** Okay. Could you favor us with the sort of qualifying what kind of equipment or components that you are missing?
- Jari Ålgars** Right. Let's say -- no, we don't want to go into what parts it is. We just say -- let's just say certain specific parts.
- Magnus Kruber** Got it. And you also mentioned a tailwind from a lower fixed cost in the quarter, what drove that specifically?

July 25, 2018

9 (13)

- Jari Ålgars** It's just part of the cost saving and efficiency improvement programs we have had. We successively see things just improving and expect to see it improving even more going forward with the program we have now announced.
- Operator** And the next question.
- Alexander Virgo** It's Alex Virgo from Bank of America. I wondered if you could do 2 things for me. One, could you just talk a little bit about the growth that you see in for out business or transactional business? Because if I've got my numbers right, then you're expecting something worth of EUR 400 million revenue in the back half of -- or the rest of the year that needs to come into the orders which would be close on 50% growth year-on-year. I'm just curious as to where that's coming from.
- And perhaps tie that into your comments on copper in Chile and greenfield. It sounds to me like you've changed your views a little bit on the pipeline for greenfield, because I think you were a little bit more strident in your positive outlook on that relative to the rest of the supply chain over the last couple of quarters?
- Jari Ålgars** Yes, before we get there, this EUR 400 million, I would like to ask about a little bit, because obviously we had some sales already this year and we also stated that out of the backlog, we would see EUR 760 million in sales. So I was just wondering where did the EUR 400 million...
- Alexander Virgo** That'd be -- okay, no I did EUR 72 million of the EUR 760 million. I beg your pardon. Okay, all right, well that answered that question then.
- Markku Teräsvasara** Yes, but maybe we can still talk about the market activity. I think even previously we were not overly bullish about the greenfield. I think the projects are there, but not so many in numbers. So still the majority of the activity is related to the brownfield and waiting for the investment decisions.
- But the growth is in most of the metals and in most of the regions, particularly addressing Service and Minerals Processing business. So as we have said, we see continuously the number of orders and smaller orders going up and also the volume. What makes our quarters different from each other is of course this big onetime orders which comes in one quarter, next quarter they don't come.
- And of course what we see today, that we expect to get some of the big orders also going (inaudible) which then make a bigger difference in any given quarter. So our optimism is based on the quotation activity and the pipeline that we see coming.
- Alexander Virgo** And then maybe just to follow up on the advanced payments question earlier on, I understand that you see the free cash flow is strong, I wouldn't expect it to reverse. But perhaps we could see more of an alignment between what appears to be the advanced payments coming in and the advanced payments going out from you to the supply chain.
- Would it be fair to say that that was a phasing issue in Q1 which you would expect to reverse through the rest of the year as you start delivering some of

July 25, 2018

10 (13)

that business? And any comments on the changing terms? Are we seeing any fewer advanced payments or advanced payments as a lower proportion of the overall contract size?

Jari Älgars

If I start from the end, let's say, so that the payment terms have remained more or less unchanged. So we don't see a big impact there. And yes, it was a very strong quarter; obviously we do not expect to see 4x quarter 1 numbers on the cash flow. That's not what we expect to see. So we had some timing issues.

Maybe we should not talk about issues. We had some positive timing here that we got a lot of progress and advance payment in the month, more than usual. But going forward, I would expect that we get more orders and I would not expect to see that kind of -- we always will have some quarterly changes in the cash flow; that is for sure. We might have some advance payments not coming in, we might have some cash going out, but overall I still see a positive development going forward. But as said, not like quarter 1, it was a very strong quarter.

Operator

(Operator Instructions) Our next question.

Omid Vaziri

It is Omid Vaziri from Jefferies here. If larger greenfield projects are not near, certainly not eminent, then why don't reduce your technology disparity, divest some what you might identify as non-core assets and focus on winning orders for what would be left behind as core business to improve your fixed cost absorption? I mean wouldn't a more homogeneous product portfolio improve your economies of scale, which seems to be the issue you're having right now?

Markku Teräsvasara

If you see the announcement what we made about the simplification, that actually includes a plan to close some unprofitable businesses – or operations more than businesses. So of course, we said already in our strategy process that we will focus on making all the businesses that we have profitable and that work continues.

And of course, if we see that there is some areas, some operations where it cannot be done, then of course the option is to do something else with them. And included in the projects that we start today or announced today, we have some operations included.

Omid Vaziri

And are you able to just give us a rough idea of timing for such plans?

Markku Teräsvasara

Of course the ones, the operations that we will stop, that will happen during this year, the second half of this year.

Operator

Next question.

Erkki Vesola

It's Erkki from Inderes. A couple of questions from me as well regarding the EUR 25 million program. On what P&L lines will the saving be visible? Have you got any idea about -- or guidance for that? How much is operative and how much is (multiple speakers)?

Jari Älgars

We are not guiding for that, but it's both fixed cost as it considers function, but as it also considers efficiencies, it also will have some [inaudible] with how

July 25, 2018

11 (13)

many hours we are using to supply project and supply spare parts and also then under-absorption.

Erkki Vesola Okay. You already talked about squeezing SG&A last year before this new program and was announced in addition to the SG&A that the program will have -- are there any or is there still some undone business in SG&A squeezing or has it already been done?

Jari Älgars I would say we have been working on this as part of the strategy, obviously this 10% by 2020. And we still saw some opportunities to improve here, as Markku also mentioned, hindering our growth. And let's say, we felt this is the time to do it now or then the market will become -- if the markets will grow further, it really would not be an opportunity for us to do it anymore there, hence the timing, let's put it that way, that we really felt now we have to do it or then it would be too late for this cycle to do it anymore.

Operator Next question, please.

Andrew Wilson It's Andrew Wilson from JPMorgan. I just have a couple of follow ups actually -- sorry on the EUR 25 million of savings again. And obviously in recent quarters, we've seen and some help from kind of fixed cost reduction and that has obviously helped the margin.

Kind of going forward, does this -- this new program, does this -- is this basically the only cost savings we should be thinking about going forward? So i.e., it kind of tags on to the end of previous programs, or will it be in addition to kind of the benefits you're going to continue to see from previous actions?

Just trying to get a sense of kind of -- should our operating assumptions be unchanged, then we can kind of add this EUR 25 million on over the next 2 years or are there kind of more moving parts in that?

Markku Teräsvasara It's -- we have of course some ongoing projects that we have had in the past, having still impact on our cost structure. This will be a new activity that we start. But as we have said earlier already, we are continuously monitoring our operations and adjusting where we see a need. But this program, it became evident when the market started picking up. But now we -- to be able to grow faster and improve our profitability, we wanted to do it now, and of course we want to address them as they emerge.

Andrew Wilson And just thinking about the timing on that, and it's an interesting time to be kind of taking cost down, clearly when we're seeing the improvement in terms of the order. So is this just because just fundamentally there's just been too many layers, too much cost or is this kind of -- it just being prompted by something you've seen over the last 6 months or so? Just trying to get an understanding on, obviously you initiated the program at a time when we're talking about market conditions generally been more positive?

Markku Teräsvasara Yes, I understand that it might feel surprising that we do it now. But as I said, we are continuously monitoring what we need to do and what we should do, and it became evident that at the moment we can do it.

July 25, 2018

12 (13)

We, of course, when we have an area of the business or segment of the business that has high utilization goals, stronger growth there, but we don't plan to do big reductions. It's just more like re-aligning ourselves to even be more productive than we are today, and then do the savings on areas where there is no full utilization at the moment. So really, a transformation from moving resources to areas where we can see more growth opportunities.

I think one of the savings points is, this will not be a kind of a program where we have savings in every part of the organization equally. This is a very focused exercise and of course taking into consideration that we have different activity level in different parts of the organization.

- Operator** Next question.
- Magnus Kruber** Magnus here. Following-up on that last point, so this we can expect will be coming through in Metals, Energy & Water completely or...
- Jari Ålgars** It will come through in both obviously as we talk about global functions, they are obviously impacting both. But yes, if we talk about where do we have still things we can improve, I think we can agree that there is more to do in the Metals, Energy & Water. And Minerals Processing is, at the moment, with a very high workload. So we talk about minimal things, but there might be some small things we still can see that we could improve there as well.
- Markku Teräsvasara** So of course, when you are cutting organizational layers, it impacts your management structure as well. So there will be some people that are concerned even in service and Minerals Processing, but there the main ambition is not to cut, just to reorganize to become more productive.
- Magnus Kruber** Got it, makes sense. And then a final one. There is no overlap between this program and Citic adjustment that you made earlier, is that completely different?
- Jari Ålgars** Yes, it's -- I would say, they are building on each other, so we are aiming to build a more flexible organization. We feel we have come a long way from where we were and we have also a more focused organization with the service business being separated. But we also see we can do even more and this is what we are doing now. And we feel -- I said this is the time, either we do it now or then we don't do it because then probably the market will continue to grow and then we would not have the room anymore to do this in this way as we can do it now.
- Magnus Kruber** But let's say the market should weaken again. We shouldn't add the EUR 25 million and the EUR 12 million together, right? That's the total or is that how to think about it?
- Markku Teräsvasara** Sorry, where is the EUR 12 million coming from? You mean the restructuring cost, or just so we talk about same numbers here.
- Magnus Kruber** Yes, the potential of Citic savings.

July 25, 2018

13 (13)

- Jari Ålgars** We have not guided for that, as far as I'm aware of. So we -- this is the number which we intent to see from this day onwards as improvement. The Citic one, I would say more is, this is building flexibility. If we need ours and we use them from outside, I would not say that we really see a savings.
- With Citic we see the saving when the market will come down at some point when we come in the down cycle, and those people are not our own resources, and we -- then easier for us to come down in volume. So that's really a kind of long-term plan, so you can say Citic we are doing things that hopefully will be many, many years from now they impact. But we felt this a good time to do it.
- Operator** There are no other questions at this time.
- Rita Uotila** Thank you, operator, and thank you all the participants. Then we are ready to close the session, and it will be as on-demand recording on the website later on this afternoon. So thank you for participating.
- Markku Teräsvasara** Thank you.
- Jari Ålgars** Thank you.
- Operator** Thank you. This will conclude today's conference call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.