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<b>Company</b>	<b>Outotec Oyj</b>
<b>Conference</b>	<b>CEO Q&amp;A teleconference with Outotec's CEO</b>
<b>Speakers</b>	<b>Markku Teräsvasara, President and CEO</b> <b>Jari Älgars, CFO</b> <b>Rita Uotila, Vice President – Investor Relations</b>

Rita Uotila

Good afternoon, ladies and gentlemen and welcome to Outotec CEO Q&A session. This is the last one for 2019. We will start with opening comments from CEO Markku Teräsvasara and after that we will open the lines for Q&A for the participants, and the operator then will give you instructions, CFO Jari Älgars is also joining this call. And just as a reminder, this is a recorded call and the recording will be available this afternoon online on our website and later also a transcript. So now we're ready to start and I would like to welcome Markku Teräsvasara, our CEO, for his opening comments.

Markku Teräsvasara

Thank you, Rita, and good afternoon. I think we will, as normal, run a Q&A with your questions, maybe a few words before we kick off the Q&A session. Of course, the reason, particularly last week, we came out with some announcements on business divestments and then also changes in our sales guidance and so maybe briefly about those before we move on. Then of course, we can also give you our view on markets and this continued service development and if there is anything that you want to know from indicated point of view.

But as said we announced the divestment last week. It is something that every company needs to consider, what kind of portfolio they want to have and, in our case, of course we saw that that even though both businesses when it comes to energy and aluminum, they are stand-alone, attractive businesses. We have a good portfolio and there are projects. However, our portfolio is quite narrow and fragmented, and we cover a very narrow piece of the value chain when it comes to aluminum, smelting and also when it comes to energy and we thought that these businesses will actually have better possibilities to succeed under the company without focusing on these particular areas. So good competence. Good but narrow pieces of portfolio and projects in the pipeline. Outotec wanted to focus on minerals processing and metals refining, predominantly.

Together with that, we also changed our sales guidance. Of course, part of that was coming from the revenue that was lost in divestment, but we also said that we have had some delay in the backlog revenue recognition and that this is concerning a few projects only. And then also delay in new orders when the timing of the new order, you all remember what we said in the beginning of the year when we started 2019 was that our order intake second half of '18 was not that strong and, of course, when we build our plan for this year, we assume certain projects to be received by a certain date. There were some delays. However, of course as you see backlog is

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strong so, in that sense, I think it is heading to good 2020 sales, but of course there are some delay in 2019. So maybe this as an introduction for our Q&A session.

Rita Uotila

Operator, we are ready to take questions from the telephone lines.

Q&A Operator

Thank you, and ladies and gentlemen if you do wish to ask a question please press '0' and then '1' on your telephone keypad now. The first question is from Magnus Kruber from UBS. Please go ahead, your line is now open.

Magnus Kruber

Hi Markku, Jari and Rita. Here is Magnus from UBS. A couple of questions from me and I'll take them one at a time. So, first on the adjusted EBITA of the discontinued business. I think there was some negative 40 million or suggested negative 40 million in 2019, but does this include any other one-off costs, so to speak, or costs of a one-off nature and if so, broadly how much would that have been?

Jari Ålgars

If we dissect it into three pieces, obviously first of all about half of it comes from fixed costs and the other half comes roughly from projects where we have had challenges, provisions to finalize this. Then the third part, which you might allude to, it is how do we see at the sales, the selling of these businesses. So, we don't have a very heavy balance sheet for these businesses, and we feel that we will be able to sell these with the interest in these businesses and we believe we will be able to sell it without any negative impacts for now.

Magnus Kruber

Perfect. Thank you so much. And the next question then. Backlog margins in continued operations in Metals, Energy and Water. Is that similar in 2020 as it was when you started 2019, or is there any sort of difference there?

Jari Ålgars

I think we can look at it two ways. One is obviously we've had some challenging projects and the more they've gone forward the less we have out of this, let's say, negative revenue, which does not add to anything but losses. And then for the new projects. Obviously, I would say the margins are being quite average on the business. The main thing we usually see is when we have some bigger projects, which we had gotten a couple of this year. Usually the margins are a bit lower on the big ones, really big projects than on the other ones, but nothing special. Maybe to say on the margins for 2019 has been that in the business that is continuing we've had quite good progress and we've been able to improve the margins in some of the projects. So, we've had some margin improvement, which has balanced the negatives we've seen in this discontinued business. So, we hope, going forward, we will also see good margin improvements in the projects in the continued business.

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Magnus Kruber

Perfect. Thank you so much. And yes, the final one. Do you think utilization level in the continuing operations can remain at the 2019 level without substantial big orders in Q4, now there's not too much left, or in early Q1?

Jari Ålgars

I would say that for the whole Minerals Processing, the situation is good and we continue to see also smaller orders, so there are absolutely no issues there and we see a good funnel, so we believe the situation will remain good, also in hydro in the Metals, Energy and Water part it's equally good as in Minerals Processing than in some of the other areas. As we have stated earlier, we would like to see some more orders and, obviously, the situation has not been perfect, as you can see from the numbers on Metals, Energy and Water. It's been subdued in some areas. So, some new orders in Metals, Energy and Water outside hydro would be good to have.

Magnus Kruber

Brilliant, thank you so much and have a happy holiday, everyone.

Operator

And next question is from Antti Suttelin from Danske Bank. Please go ahead. Your line is open.

Antti Suttelin

Thank you. This is Antti Suttelin. I would like to ask the balance sheet value of the to-be-divested businesses. You said you don't expect a capital loss, but what is the balance sheet value, please?

Jari Ålgars

We have not disclosed this, but as said, it's a light number and we would not see that... Our expectation is we will get, let's say, sales prices that probably will balance these out, so we have not assumed big changes in one or the other direction from this.

Antti Suttelin

Okay and then just to clarify, did you indicate that for the continuing metal business, you expect an improving margin next year or a falling margin? I didn't quite get that.

Jari Ålgars

Obviously, our guidance for next year will only come later, but we said we've had good project execution in the continuing business in Metals, Energy and Water this year and I said that I hope it will continue next year.

Antti Suttelin

Okay, that's fine. Thank you.

Operator

And just as a reminder, if you do wish to ask a question please press '0' and then '1' on your telephone keypad now. The next question is from Erkki Vesola from Inderes. Please go ahead, your line is open.

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Erkki Vesola

Hi. Good afternoon. Erkki from Inderes. Regarding the SG&A development in Q4 versus Q3. Is there a similar pattern to what we saw in Q3 in marketing costs and also other fixed costs increasing in relative terms?

Jari Ålgars

I would maybe give too much detail here now. I would say there is... Maybe I'll refrain from answering this question at this point. We will get the answer quite soon so. But nothing dramatic in any direction. Maybe that I can say.

Erkki Vesola

Okay and then coming back to the divestments. According to IFRS 5, you should have a possibility to sell these businesses within 12 months after booking it in as held for sale. Where do you currently stand in the process? How probable is a sale within six months, or so?

Jari Ålgars

Our aim is obviously to sell them sooner rather than later. They don't get better by waiting a long time. So, we hope we can be able to send them first half of next year.

Erkki Vesola

Okay, thank you so much.

Operator

And next question is from Tom Skogmann from Carnegie. Please go ahead, your line is open. And Tom Skogmann from Carnegie, please go ahead. Your line is now open.

Tom Skogmann

Yes, this is Tom from Carnegie. So, of course, they estimate earnings quarterly and now you have delivered the full-year impact for 2018 and '19 from the discontinued businesses. But we would need to have the January to September figures as well in order to be able to estimate Q4 earnings accurately for the continuing business. Can you please provide that number for both this and last year?

Jari Ålgars

Obviously, we just got the decision from the board on this and we provided some rough figures. But we will come out with detailed figures by the end of the year when we have them available and calculated.

Tom Skogmann

So, we will basically guess the impact on an EBIT level for January to September before Q4, that's my understanding of what you said.

Jari Ålgars

Could you rephrase the question?

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Tom Skogmann

We cannot estimate Q4 earnings if you don't know how large a share of this impact of moving business to discontinue has been taken in January to September. We need to have-

Jari Ålgars

Let's put it that way: you got a full year estimate and if you split that in four parts and take three parts of them in the first three quarters, I think you get a good enough estimate.

Tom Skogmann

Okay. Obviously, would help a lot to get this on a quarterly level just for our models. You know, so we have it the way we-

Jari Ålgars

I understand, but I don't have them either. So, this work to be done for us. I don't have them available at the moment, so this is the best estimate I can give.

Tom Skogmann

And then about service demand during this quarter. You had very good equipment orders in Q3, but many other equipment suppliers started to see weakness in equipment orders, but in service there was no weakness in any, really, of the companies I looked at. Can you give any comment about service demand during the fourth quarter?

Markku Teräsvasara

I think that we don't see any change in that. Of course, our service typically consists of two components. One is so-called recurring services with the spare parts, wire parts and service labor. There of course, that is driven by the production levels at customers and we don't see any change, but we have some lumpiness in terms of service projects and sub-stand services. So, of course, quarter on quarter this fluctuates, but overall demand is still, I would say, the same and it is on a good level

Tom Skogmann

Okay and that's all for me, thank you.

Operator

Thank you and the next question is from Tomi Railo from DNB markets. Please go ahead, your line is open.

Tomi Railo

Yes, good afternoon. This is Tomi from DNB. On the same note, if you could maybe elaborate a little bit further. Did you have, for example, a tough comparison, big shutdown or modernization orders in the fourth quarter 2018?

Markku Teräsvasara

I think 2018, if we look at the service numbers, we had very strong sales in service. Order intake maybe not particularly strong and looking at quarter four last year, I think the majority of the volume in actually both quarter

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three and quarter four was coming from recurring revenues and less from shutdowns and modernizations in terms of order intake.

Tomi Railo

Thank you and maybe just also on the general sentiment. We have seen the delays and slow decision-making. If you can just maybe talk a little bit about how you see the customers behaving at the moment? What is driving this behavior and are they just more likely to make major decisions next year, compared to remaining weeks or the past months of this year?

Markku Teräsvasara

I think, of course, that there are many things playing in of course: global uncertainty and metal prices definitely play in. Then there are maybe on a smaller, junior side availability of funding and then on the bigger mining company side, maybe some hesitation by the board, but they are individual and changing for reasons and reasons so I would not generalize too much. And I think even comparing companies, we are not always involved in exactly the same projects. From Outotec's point of view, our order intake for 2018-19, particularly on Minerals Processing side will be very good and complemented by hydrometallurgy on Metals, Energy and Water. So, in that sense, I think our backlog has grown, which normally means the revenue or increasing revenues for the following quarters and months. So, I think we, as anyone else, are a bit uncertain about the timing of the orders. We see in, particularly in metals side we see customers in a way ordering basic design from us, but not releasing orders for production. Our engineering is working with a fairly good workload, particularly on smelting side and hydro. When exactly those will be turning into production releases and, of course, it is more likely than not that Outotec would be a partner, but the timing is not that easy to estimate.

Tomi Railo

Thank you. Then just I would appreciate an update in terms of the ilmenite project. Where are we with the rebuild of furnaces, customer negotiations, etc.?

Markku Teräsvasara

We have, in principle, agreed with the customer what needs to be done. Those modifications are ongoing up until today, that means mainly design and planning work. So not so much cash impact. The target is to have a next commissioning or start-up done next summer, late next year, 2020, so we talk about Q3 next year to have a next start-up for the furnace.

Tomi Railo

Okay, thank you.

Operator

And there are currently no further questions registered, so I'll hand the call back to the speakers, please go ahead.

Rita Uotila

Thank you, operator and if there are no further questions from telephone lines, then we're ready to wrap up this year and wish everyone this decade,

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excuse me. Our vehicle is in the number, so, anyway, wishing you happy holidays, everyone and see you in 2020. Bye-bye.

Markku Teräsvasara

Thank you. Happy Holidays.

Operator

This now concludes the conference call. Thank you all for attending, you may now disconnect your lines.