Capital Markets Day 2016
Strategy Review
Pertti Korhonen
President and CEO
Short term market environment is difficult but the long term growth drivers are there.

We will grow our service business and leverage our industry leading process technology capabilities.

We are taking the needed actions to improve profitability, reduce volatility and get back to growth.

Summary
Our Mission:

Sustainable use of Earth’s natural resources

Our strategy:

Improving customers’ performance with leading technologies and services
We provide life-cycle solutions for minerals and metals processing and energy production
Our #1 problem has been the volatile profitability, leading to volatile shareholder return.

Root causes for not being able to deliver sustained profits over the cycle:
- strong dependence on cyclical mining and metals capex business
- too high fixed costs
- insufficient structural flexibility

TSR 2006-2016 105%
High dependency on the volatile mining capex market, and lag in scaling fixed costs down in line with falling revenues have driven volatile returns.

### Levers to reduce volatility

<table>
<thead>
<tr>
<th>High dependency on volatile mining capex market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market dropped 25-30% 2013-2014</td>
</tr>
<tr>
<td>Market dropped further 20-25% 2015</td>
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</tbody>
</table>

#### Progress 2010-2014

- **Grow recurring service business**
  - Average annual growth 2010-2014 16.3%

- **Strengthen earnings logic in capex**
  - Strong process technology, product and digitalization development
  - Decentralized operating model with limited scale benefits $\Rightarrow$ fixed costs not scaling down in line with revenue after market turn

- **Diversify to Energy and Water**
  - Slow Energy market due to slow regulation and drop of fossil energy prices
  - Large M&A into water did not materialize

#### Progress 2015

- **Grow recurring service business**
  - Service business growth 2014-2015 -2% in declining market

- **Strengthen earnings logic in capex**
  - Strengthening of delivery capabilities
  - Deployment of common global operating model finalized
  - Operating model consolidation benefits not yet visible in fixed costs

- **Diversify to Energy and Water**
  - Waste-to-energy market activating, ~180 M€ energy orders won, organic growth in water

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Jun 7

Outotec CMD 2016: CEO’s Review
Key market drivers

Highly volatile and cyclical mining Capex

Metals demand growth driven by GDP and GDP/capita growth

Productivity improvement imperative of mining and metals industry

Growing demand for environmentally sustainable and safe solutions

Short term

Long term
Morgan Stanley, April 2016: ”mining has reached the bottom”- well, let’s hope so but not count on it
Our addressable CAPEX market is expected to continue on current level for the next couple of years - also OPEX market is under strain as producers seek to reduce operating costs

- Oversupply in most metals and minerals after investment boom 2010-2013
- Slowing metals demand growth
- Low metals prices
- Further uncertainty from China: 2 %-pts change in China GDP growth means 1 %-pts change in global metals demand

Outotec addressable mining and metals market capex and opex spend, EUR billions

Note: Capex includes Outotec’s addressable market for iron ore, copper, gold, alumina, aluminum, nickel, lead and zinc. OPEX includes spares, wears and labor. Sources: Wood Mackenzie, Outotec analysis (May 2016)
Metals demand is forecasted to grow 2-4% CAGR driven by GDP and GDP/capita growth

<table>
<thead>
<tr>
<th>SUPPLY</th>
<th>DEMAND</th>
</tr>
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<tbody>
<tr>
<td>2016F Production, Mt</td>
<td>2016F Consumption, Mt</td>
</tr>
<tr>
<td>Aluminium</td>
<td>57,8</td>
</tr>
<tr>
<td>Copper</td>
<td>22,5</td>
</tr>
<tr>
<td>Zinc</td>
<td>14,0</td>
</tr>
<tr>
<td>Nickel</td>
<td>2,0</td>
</tr>
</tbody>
</table>

Source: Wood Mackenzie, Morgan Stanley, Outotec analysis
Mining and metals industry’s productivity needs improvement

Mining productivity declined considerably during commodities boom cycle

Declining metals prices and high cash costs have caused financial distress to mining companies

M1 margin

Copper Mine Production Financials Performances

Source: WoodMackenzie, Outotec analysis

Markets
Productivity improvement imperative

Market

Productivity imperative
Growing demand for environmentally sustainable and safe solutions

- Tightening environmental regulations globally
- Water scarcity and cost in mining countries
- High shareholder impact of environmental incidents
- Need to decrease energy consumption and cut CO2 emissions
- Need to secure social license to operate
Financial long term targets have been updated to reflect the changes of the market

- Sales growing faster than the market
- Annual average service sales growth 5-15%
- Reach 10% adjusted EBIT margin* by 2020
- Gearing at maximum 50%

* Excluding restructuring and acquisition-related costs as well as purchase price allocation amortizations.
Outotec’s strategy:
Improving customers’ performance with leading technologies and services

**Customer needs**
- High safety, environment, and social responsibility standards
- Productivity improvement of existing operations
- Adaptation to more complex ore grades and feed materials
- Lower investment risk and shorter time to cash-flow

**Outotec’s customer promise**
- Best productivity improvement
- Best return on investment

**Sustainable life-cycle Performance**

**Outotec competitive advantage**
- Industry leading, sustainable process technology
- Digital solutions adding value to customers
- Covering the entire minerals and metals processing chain
- Industry recognized experts

Support customers to succeed in the changed market
Improve Outotec’s profitability and return to shareholders

Outotec CMD 2016: CEO’s Review
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Strategic actions for improved profitability and growth

1. Increase service presence in installed base and customers' production
2. Leverage the leading technology portfolio
3. Protect gross margins through value segment products, design-to-cost and global sourcing
4. Improve fixed cost ratio and structural flexibility

- Sales growing faster than the market
- Average service sales growth 5-15%
- Adjusted EBIT margin 10%
Increase service presence in installed base and customers’ production

Target:
average service sales growth 5-15%

Grow performance services
- Introduce new service solutions improving customers’ productivity
- Leverage industry leading process knowledge and digital solutions
- Gain sharing based on performance

Grow spare & wear parts business
- Increase penetration to installed base
- Capture opportunities in commercial spare & wear parts
- Strengthen the end-to-end supply chain

Strengthen service capabilities and intensity
- Strengthen field service presence at customers and service delivery capabilities
- Bolt on M&A to increase service intensity and accelerate service capability building

Current State: Our penetration to installed base is still low (below 15%), customers need services that improve productivity and reduce opex

Target:
average service sales growth 5-15%
Our technologies and services cover the entire minerals and metals processing chain including treatment of water, effluents and emissions.

Outotec has a unique capability to offer complete minerals and metals processing solutions through its broad technology portfolio and strong global and local market presence.
Our significant investments to R&D have resulted in market leadership in several technologies and strong digital process and IPR assets.

Leverage the leading technology portfolio

- #1 in ferrous pelletizing
- #1 in copper solvent extraction and tankhouse
- #1 in large, emission efficient ACID plants
- #1 in non-ferrous smelting/converting
- #1 in ferrochrome smelting
- #1 in alumina calcination, aluminium paste plants and rodshops
- Among top3 in concentrator equipment
- #1 in non-ferrous smelting/converting
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Strong digital process assets

7,458 national patents & applications
Outotec has the capabilities to deliver solutions to customers’ productivity and sustainability challenges.

Customer challenges
• Reduce operating costs
• Improve return on investment
• Improve product quality
• Adapt to poor and complex ores
• Improve safety
• Secure social license to operate

Outotec value delivered
• Low lifetime operating cost
• High material recovery with performance guarantees
• Efficient use of raw materials, energy and water
• Safe solutions
• Lowest environmental footprint

Outotec solutions
• Performance services
• Operation & maintenance services
• Field services
• Spare & wear parts
• Plant
• Process
• Equipment
• Technology
Our technologies are applicable to adjacent industries such as fertilizer and chemical production, industrial water treatment and low carbon energy production.
We offer industry’s most sustainable processing technologies

Our handprint is bigger than our footprint
Thousands of tons of CO2-equivalent

<table>
<thead>
<tr>
<th>Year</th>
<th>Handprint</th>
<th>Footprint</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>5,400</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>5,900</td>
<td>45</td>
</tr>
<tr>
<td>2015</td>
<td>6,600</td>
<td>35</td>
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</table>

Handprint: Greenhouse gas emissions avoided through use of Outotec’s technologies
Footprint: Outotec’s greenhouse gas emissions

The 3rd most sustainable company in the world (2016)
Environmental Goods and Services equals to 90% of orders (2014-15)
### Introduce new, cost optimized product offerings and increase usage of best cost country sourcing

<table>
<thead>
<tr>
<th>ACTION</th>
<th>BENEFIT</th>
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<tbody>
<tr>
<td><strong>Leverage best cost country sourcing to ensure cost competiveness</strong></td>
<td><strong>Good success cases, significant further savings potential identified</strong></td>
</tr>
<tr>
<td><strong>Re-designing products to meet lower cost and price point, introduce new value segment products</strong></td>
<td><strong>Higher win rate and better margins</strong></td>
</tr>
<tr>
<td><strong>Productize and modularize existing offerings to cut delivery lead time and total cost</strong></td>
<td><strong>Lower costs in sales, engineering, delivery and services; improved quality</strong></td>
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</table>
Deliver sustained profitability from less volatile service business, increase structural flexibility to reduce profit volatility of the cyclical Capex business.

The issue:
Fixed cost structure for volatile Capex business too high and not scalable and flexible enough -> big profit volatility.

The solution:
Deliver sustained profitability from less volatile service business, increase structural flexibility to reduce profit volatility of the cyclical Capex business. Right size fixed costs to the low of the cycle.
We are addressing our fixed costs and will implement further improvements

We have been lagging behind in adjusting our fixed costs down in line with the market downturn and subsequently shrinking top line.

New operating model since 1.2.2016 improves flexibility and productivity:
- consolidated model for capex business with increased flexibility and lower fixed costs
- roll out of common business processes and IT platforms completed in Q1 enabling globally integrated operations

The 70 M€ cost structure program is on track, determined actions continue to identify further cost efficiency improvements.
Roadmap to execute the strategy: Immediate focus is to build the foundation for sustainable profits and services business growth

<table>
<thead>
<tr>
<th>Profitability</th>
<th>Stabilize profitability</th>
<th>Grow</th>
<th>Target</th>
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<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>Fixed cost right-sizing</td>
<td>Continuous improvement</td>
<td></td>
<td></td>
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<tr>
<td>Scalable operating model, improved product cost and sourcing</td>
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<table>
<thead>
<tr>
<th>Service focus</th>
<th>Performance services, service M&amp;A</th>
<th>Competitiveness of Spare &amp; Wear parts</th>
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<table>
<thead>
<tr>
<th>Growth</th>
<th>Service growth</th>
<th>Adjacent segment growth</th>
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<table>
<thead>
<tr>
<th>Our people</th>
<th>Creating high performing team</th>
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<tbody>
<tr>
<td></td>
<td>• Strengthening service competences</td>
</tr>
<tr>
<td></td>
<td>• Empowering and engaging leadership</td>
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</table>

- Shareholder return
- Customer satisfaction and service growth
- Sales growth
- Engaged and empowered professionals
Summary

Short term market environment is difficult but the long term growth drivers are there.

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We are taking the needed actions to improve profitability, reduce volatility and get back to growth.