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Operator Good day and welcome to today's conference. Today's conference is being recorded. At this time, I'd like to turn the conference over to Rita Uotila. Please go ahead.

Rita Uotila Thank you, operator. Welcome to Outotec's Third Quarter Interim Report Briefing with our President and CEO, Markku Teräsvasara as well as our CFO, Jari Älgars. We will start with the presentation and then after that we will have the Q&A session. I would also like to welcome our viewers on the FB channel. Please, Markku, go ahead.

Markku Teräsvasara Thank you, Rita. Good afternoon from my side as well. Before we go in the first three quarter result and also especially with quarter three, I would like to lift up our safety performance because I think it is very important for me and also for our company as people are our biggest asset. So, we are at stable safety records with our LTI being around two, which is a good achievement but, of course, as said many times before, we like to develop that further.

And now, first, about the market development. What we can say, of course, from our side is that the market is slowly improving. It is still very much downfield development, but customers are investing [inaudible] production and productivity and debottlenecking.

Supporting that is a good level of metal prices and production and if you want to lift up some metals in specific, you can say copper, zinc, lead, gold, lithium, and silver projects being more active, and we see that happening in most of the regions in our – basically, markets. What you can also note that this positive sentiment is not only reflected in metals prices but also, we see a clear increase in the number of all open cases, so our negotiation pipeline is bigger than we had the same time last year. So clearly, this positive sentiment is coming from various sides.

What we can say from quarter three specific, of course, the year-on-year, order intake is up 16%. What we can say specific on quarter three is that there was a lack of bigger orders. We announced only two. But the underlying service business and the smaller business, what we call unannounced businesses, they continued to develop well and actually increased every quarter of this year so also another sign of market gaining some speed.

These are typical slides from our side showing how different – two different businesses. And also from here you can see our Minerals Processing business, developing well where the recovery has started already last year in first quarter and second quarter and then being fairly stable, trending up again towards the end of the year. And then the other business we have Metals, Energy and Water where the order intake is set to be picked up particularly when it comes to bigger orders. But even here we see a very encouraging development in particularly in

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smelting and hydrometallurgical related sectors where the activity has increased significantly this year.

The same can be seen from Services point of view, orders received increased 10% year to date and also sales, of course, follows the order intake and it's picking up. So, our Service business is trending up. There was a – in quarter three, there was a big increase in the shut-down and modernisation orders compared to the last quarters that we have. So again, I think that the portfolio there is becoming a bit wider.

Smaller orders increased, our book to bill was below one and that you can see it from the chart almost all order intake came from unannounced orders basically in less than 10 million. But again, looking that far and the height of it, you need to go back to mid 2015 to get a similar level that we were in quarter three. And, of course, in the pipeline, there is more bigger orders as well.

So now, some key finances from Jari.

Jari Älgars

Thank you. If we look at Q3 separately first, sales increased from 245 million last year to 270 million this year, so the same trend in the Services sales increasing from 105 to 120 million while the share of service remained more or less the same, with an increase of one percentage point from 43% to 44%.

Margin remained also the same 24% for the quarter. So, our adjusted EBIT increased from two million to 13 million or from 1% to 5%. If you look at this for the year-to-date for the first three quarters, this also means that our sales have increased by 8% or 6% in comparable currencies from 753 million to 810 million and our service sales from 320 million to 329 million. Here, our share of services have decline slightly from 42% to 41%. Our margin is a little bit down from last year, I will come to that a little bit later, from 25% to 23%. And our adjusted EBITDA has improved from two million to 16 million or from 0%, round zero % to 2% adjusted EBITDA.

If we go into the next page, the Q1 to Q3 margin analysis, I will open this up a bit more, if we had two million result for the first three quarters last year. Now, due to the volume we've seen a clear improvement in the volume and also that way the margin, but we had also negative margin impacts – Metals, Energy and Water, low work workload, sales and services mix, cost overruns, which we saw in first half, and then some exchange rates.

The fixed cost has improved which has improved the result and then we had a significant gain in the exchange rate. If we look at this exchange rate gain, over half of it relates to the margin which would offset some of the margin drop that we see here, as a significant part of the rest relates to the fixed costs, so all in all this would more or less disappear if we would – it is neutralised in the rest of the results also, the final impact on their effects to our results these three quarters is very little.

If we look at Minerals Processing, the order intake is up 6%, we've seen an increase in plant equipment and spare parts orders. And the sales have increased by 31% if we look at it in absolute figures, order intake was 487 million for the first three quarters and the sales was 472. So, order intake is above sales. And the service sales is 212 million which is an improvement of about 8% or 4% in

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comparable currencies compared to last year, and it was 197 million and our adjusted EBIT almost doubled from 22 million to 42 million. So, the good improvements you have seen earlier continues which we also can see on right-hand side if you have the chart in front of you – the quarterly results have improved compared to the previous ones.

Metals, Energy and Water, we have a higher order intake now than last year, significantly higher with 33% improvement from 263 last year to 351 so far, this year. Obviously, last year's slower order intake impacted the sales this year and therefore also the sales has come down by 14% from 392 million to 339 million. Service sales is also slightly down from 122 to 117, and the adjusted EBIT is also lower than last year, when it was minus 17 million and minus 4%, now it's minus 21 million and minus 6%. But what is positive, you can see from the chart on the right-hand side, we are getting closer to the zero level, which means our savings have taken effect despite we see lower sales.

If we look at the cash flow, it's been quite positive for the quarter despite you cannot see it here if you compare it to the previous or first half year cash flow. We had an improvement of close to 30 million. So, if we look at what are changes compared to last year, EBITDA last year was 17 million, now 42, which obviously have impacted it. We've also, despite the mature order backlog is still affecting our networking capital. It's half which also have had impact and then despite we have 31 million in depreciation and amortisation we have been quite stringent on our CapEx. We have only invested 13 million so there also we've been able to improve our cash flow that way.

So, the free cash flow is minus 14 million when it was minus 81 million a year ago. Interest paid, received and tax paid is minus 6 million when it was minus 9 million a year ago. So, the free cash flow after interests and taxes is minus 20 when it was minus 90 a year ago.

We have prepaid some long-term debt and we also have some changes in the current debt and we also have had impact from the hybrid bond interest. So, all in all, the net cash from financing activities is plus 5 when it was 53 a year ago. So, the total net change in cash and cash equivalent is minus 15 when it was minus 37 a year ago. So, we have a good cash situation.

Liquidity and equities remained solid so there's not much more to say about that. The balance sheet has come down a little bit, as advances received have come down, but still we've been able to improve the situation. So, all in all we are in a very [inaudible] situation with our equity and obviously with our liquidity as it has also strengthened during the last quarter. And now, over again to Markku on the market outlook and guidance.

Markku Teräsvasara

Okay. Thank you, Jari. Having a look on the coming months, of course, the market opportunity continues to be there. As already mentioned, we see it in many different ways. And another is the number of cases that we have opened up the moment and also the number of smaller orders that we continued to receive. So, the market is giving us the opportunity, and also it is well-distributed or spread out throughout the whole market to the whole world in different regions but also in several metals. So, from that point of view I think is – it's a very positive situation we have.

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Service give us continued opportunities, not only in spare parts and wear parts but also in debottlenecking or doing smaller productivity improvements. The asset blocks gave us upgrade and modification opportunities and also shut-down services. But as we have said before, the timing of the bigger orders which are in the pipeline, is difficult for us to foresee and – so we will always have this lumpiness from quarter to quarter when comparing numbers, depending on how many big orders materialise in any given quarter.

Our financial guidance is based on current order backlog and the market outlook and it is unchanged. Our focus areas going forward, of course, as the opportunities are there – our main focus is to win the orders in still a competitive marketplace. We will continue our cost saving for businesses where the market is not supporting. And as you heard from the Dapital Markets Day, and also included in our presentation, is that our ambition is to grow without investing more in fixed cost and we think this is fully possible.

We also have the service business. We have a new organisation in place from 1st April and we clearly see the positive impact in our operations and obtaining the opportunities that are there.

Cost competitiveness we want to improve that both in terms of being more cost efficient and also developing products and services that clearly are value added and in some of the metals and particularly when it comes to complex metals we have a very good offering for that.

And last but not the least, of course, continue to be close to our customers and even strengthen our customer centricity, really get the full potential out.

So that was the presentation part from our side and now we open the line for Q&A.

Rita Uotila Thank you, Markku and thank you, Jari for presentation. Operator, now we are ready to take questions from telephone lines.

Operator Thank you. And as a reminder, if you would like to ask a question, please signal by pressing star one.

Okay, we'll take our first question from Magnus Kruber with UBS.

Magnus Kruber Hi, Markku, Jari, Rita. Magnus here with UBS. A couple of questions from my side and I'll take them one at time. You mentioned cost overruns in some projects is hamping margins. Is this outside of the problematic projects you mentioned in the past? And how many are these new projects and which division?

Jari Ålgars We have handful of projects where we have had some challenges as we – this is mostly related to what we already said in Q2, it's still impacting Q3. So, we had a couple of projects which where new technology and where we were hit by some cost overruns when we were delivering them. So, they are in Minerals Processing and a minor part in Metals, Energy and Water. We really not had any significant change in the older projects. I think I mentioned in the Q2, we've have some but it's very small. So, the majority has come from some new technology projects where we have had learned something during the way and this continues to have some impact on us.

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- Magnus Kruber Good. Thank you so much. And could you say something about how your supply chain looks at this stage in Minerals Processing, any tight segments, any longer delivery times in some components?
- Markku Teräsvasara I think, for the time being, it is still on a healthy level. Of course, we compete on the same market as anyone else. But what we see that it's manageable and we have a long-term agreement in place and commitments for the project deliveries. From that point of view, I think we are we are still comfortable with that.
- Magnus Kruber Okay, good. And I think the deliveries in Minerals Processing came in a little bit weaker than expected in Q3. How should we think about this in Q4, is there any delays in any projects?
- Markku Teräsvasara No, you mean sales or what do you mean?
- Magnus Kruber Yeah, yeah, sales, sales, apologies. Yes, sales.
- Jari Älgars I think it's nothing out of the ordinary, I would say. It just happens that some quarters there is a little bit more, some there is little bit less, so there are no delays – nothing actually, I think, actually to talk about. So –
- Magnus Kruber Okay. Excellent, got it. Then finally, how is pricing looking in Minerals Processing? Is it still the same unchanged from last quarter? Still as difficult as before?
- Markku Teräsvasara Well, I think we have – when it comes to spare parts and wear parts we see an opportunity for price increase, which we have already put in place to some degree and I wouldn't say that the pricing is less difficult than it was in the previous quarter and before. I think the more the market opens up and improves, of course, that gives us an opportunity to improve pricing. But we always price our product case by case depending on what is the true value proposition and value added we can offer to our customer. So, I mean that point of view, I think it's more case by case pricing than following a certain trend, apart from spare parts and wear parts.
- Magnus Kruber Excellent, got it. Thank you so much for all of you. Thank you.
- Operator Okay. We'll take our next question from Andrew Wilson with JP Morgan.
- Andrew Wilson Hi, good afternoon everyone. I just got a few questions if I can, please. Just firstly, on the guidance on the adjusted EBITDA number, it leaves quite a lot to be done in the fourth quarter and could you just sort of talk us through the moving parts in terms of getting to the full year guidance number? Just whether it has to do with costs and services, obviously we don't see or project completion, just some, I guess, sense of sort the bridge to that Q4 number that we need to get to, please?
- Jari Älgars We all have always – if you look at the year, had a very strong Q4, so it's I would say nothing out of the ordinary. It's been overall the years our strongest quarter sales-wise and that is standard. But there are normal margin coming out of that. So, there is nothing, nothing specific outside of that or cost saving or anything else. Cost savings we continue as we have planned.

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- Andrew Wilson Okay. But this, in terms of the kind of margin as implied it would be the strongest margin we've seen for a number of years. That's I'm doing the right math to get there, is that right?
- Markku Teräsvasara It is a combination of margins and volume, that will come in.
- Jari Älgars Obviously, that depends on how much spare parts or how much is coming from certain type of projects. So, this is a combination.
- Andrew Wilson Okay. In terms of service orders, clearly, that being a pretty good trajectory for a while, can you just give us an idea if you're seeing different trends across Minerals Processing and Metals, Energy and Water, or is it a positive trajectory in both divisions?
- Markku Teräsvasara I would say that in Minerals Processing, it's a steady improvement. It's more related to spare parts and wear parts and there we see a steady developed. When it comes to Metals, Energy and Water, that is more related to shut-down services and upgrades and modifications which we actually had a good quarter in quarter three in terms of order intake and we see key opportunities there.
- Andrew Wilson And maybe, if I can ask just to get better understanding of the cash flow, that's obviously a very good description of how the material backlog is not helping. Can you give us an idea of what you would expect to see of the cash flow – I'm thinking really working capital – over the next few quarters? Just to try and get a sense of how that shift from the weaker cash condition to the stronger cash condition comes through, please.
- Jari Älgars Provided that we get new orders and, let's say, the mature backlog moves into a more fresh one, we are usually more cash positive in the beginning of the project than it more neutralizes towards the end of the project. So, the cash we get in during the first 6 to 12 months we are then using, when we come on later in the project then that is what we have seen for a longer period year now.
- And now we expect that, provided we get new orders, we should start to see some improvement going forward. Obviously again, as we said in the CMD, we are also aiming to grow all service and then that obviously consumes some cash. So, the main positive cash flow is actually coming out of EBITDA and that we are not using our depreciations to invest into new assets to the same degree. That is our biggest positive driver going forward for the cash flow.
- Andrew Wilson Okay, that makes sense. And maybe if I can just ask one more just to clarify on slide 11 in the margin bridge? I'm just trying to understand the effect, gains and losses on the unrealised and realised. Can you give us any idea of what you think that's looking like for the Q4? Obviously that was a pretty meaningful swing in terms of the Q3?
- Jari Älgars As said, at the end of the day, the impact on the adjusted EBITDA is minimal. This is something which more or less is neutralized in the margin and obviously when we do the translations. So, it also affects the fixed cost, et cetera. So, at the end of the day, I cannot give any judgement on where the exchange rates go. We are very impacted by US dollar and Mexican peso, we have quite a lot of business in that area. But I unfortunately, cannot give a prediction on how they

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will go going forward. But I can just assure you, we have it well hedged, we are not anticipating to get any significant impact on the bottom line.

Andrew Wilson Okay, so it's not an impact from the margin, it's just an impact from the absolute move quarter to quarter that we've seen in terms of these development?

Jari Älgars Well, this is the way how we are reporting it. So, we are actually having obviously hedging contracts for all open, let's say US dollar type of contracts, and that hedging gain or loss is something which has shown gross in this effects kind of losses. And then we have a negative effect in the sales value maybe in the gross value and that is – this is kind of a gross way of showing things, it's not included in the effect in the margin or in the cost as such. So, it looks like a big number but at the end of the day, the impact is very minimal on our bottom line.

Andrew Wilson Okay, that's very helpful. Thank you, guys.

Markku Teräsvasara Yeah.

Operator And we'll take our next question from Manu Rimpelä with Nordea.

Manu Rimpelä Thank you. My first question would be on the backlog. So, if you look at the backlog that you have, it's down 5% compared to the previous year and I think that based on a backlog deliveries for next year, it is looking to be down something like 6 million [inaudible] if I worked the numbers correctly if you exclude the services part of the backlog. So, I'm just thinking that what will it – how much orders do you kind of think that you can win during a year that you didn't end up delivering during the same year? I'm just wondering of what kind of growth outlook we should expect based on the kind of backlog that you have for delivery for next year on the sales front for 2018. Is there any comment you can make on that?

Markku Teräsvasara Yeah, of course it looks – from quarter to quarter, I think the lumpiness makes it a bit different or difficult to follow and find the trend. And, as said earlier, Q3 that the big orders is – were very few but it was when we were expecting going forward is that we will get also bigger orders in – as the pipeline is improving. So, I think comparing that from quarter to quarter is maybe kind of a tough comparison. You have to have a bit of longer view on it. And we – it's correct that in particular Metals, Energy and Water side – we like to see more of this during quarter four and, of course, are actively working towards that and it's not that the pipeline is – doesn't exist. There are projects which we want to finalise before the end of the year.

Operator Okay. And we'll take our next question from Tom Skogman with Carnegie.

Tom Skogman Yes, hello. It's Tom here. Can you please provide a bit more granularity on the demand outline by the sub-segments within Metals, Energy and Water?

Markku Teräsvasara We are not normally giving guidance on that but what was said already and what we can, of course, repeat is that when it comes to metals refining part of the business, particularly when it comes to smelting and hydrometallurgy, then the activity is significantly up compared to last year this time. So that is an area where we see a positive movement. There's also quite a many energy cases in the pipeline not yet materialised but we see that the market is quite active. Of course,

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we would hope more cases in our ferrous chain and also in acid, off gas and roasting. But it's not that they are completely out of opportunity. We just are talking about timing when they start coming in and also actively working to get the orders in.

Tom Skogman And what about water?

Markku Teräsvasara Water is what was already discussed during the Capital Markets Day. Water is in two-folds. It's, we have quite a lot of water related business when it comes to water management and tailings in the mineral processing and in concentrator plants. But when it comes to municipal water, it's more an opportunistic approach where we have a competence in-house and we are prepared to take business when it comes. But the core structure on that organisation is not so high, so it's basically an add-on bonus when we get this.

Tom Skogman So, if I understand you right, the challenge still is especially in the ferrous value chain, is that right?

Markku Teräsvasara Of course.

Tom Skogman That's where you'll have the biggest underutilisation as it looks now?

Markku Teräsvasara Yeah, ferrous, and then I think if you look at the steel production and capacity in the world, it's of course there's always supply in steel capacity. What is still happening to some degree is projects which support reducing emissions and improving energy efficiency. So, there is some pelletizing projects in the pipeline. And when you talk about ferro alloys, which is more related to stainless steel manufacturing, the outlook is of course better than that. But the big ferrous sector is of course still negatively impacted – about the over capacity in the industry.

Tom Skogman Okay. And then given the improved order outlook and the cost-cutting you have in MEW now moving some people to Citec in Germany, to my understanding, do you kind of start to feel not promising that it will go back to black figures next year? But I mean does it start to feel realistic at least that we will see black EBITDA adjusted in 2018 in MEW?

Jari Älgars Citec move that we are doing is more on a long-term perspective, so it will not have imminent impact. But we are sure we have to negotiate it and also, we have certain guarantees but I think this is more for the long-term that when we come to the next downturn, we have built the strategy that we want to build in more flexibility because the orders are lumpy which are coming in. And so, from that standpoint, we have built now a more flexible organisation, so we can take these declines in the workload better and without going into red. But this is really a long-term decision and impact.

Tom Skogman About still – the question was, I mean do you start to feel comfortable with the order backlog you have and the cost changes for next year that you – it's realistic to be back in black next year – or is it just fully up to order intake bookings in the first six months of next year still?

Markku Teräsvasara Yeah, of course order intake is – we need orders to be able to have work for the organisation. At the same time, what we say is that the pipeline is more healthy

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and bigger than we had last year at the same time, so of course the turn is coming closer and closer. But exactly to give you a time – timing of that is not possible.

Tom Skogman Okay. And then about fixed cost –

Markku Teräsvasara But of course, every product line, the level of business we have at the moment, the outlook and the cost structure is reviewed continuously. So, when – if we see that the outlook is not supporting the cost that we have, we address that, of course, continuously.

Tom Skogman Yes. And can you just remind me about changes in fixed cost 2018 compared to 2017?

Jari Ålgars We have not made any guidances for that yet, so obviously as Markku said, depending on how the outlook is and how well we are able to get in orders, we are constantly contemplating if we have to do some adjustments to our fixed cost. As you can see, we are all the time making decisions on, let's say, lowering the fixed cost long-term and building in flexibility. So, we are following our strategy. And the most important thing for us obviously for Metals, Energy and Water is to get orders to balance out the workload. So, we've not fully reached that point yet.

Tom Skogman I understand. But when I just look at the EO items you have taken this year, there are no charges booked, while last year you booked very large charges. And then I cannot recall any other kind of change than this recently announced movement of people in Germany to Citec. If there is no other – I mean, number of employee is flat year-on-year, so there is not structurally any change in the cost structure apart from this change in Germany going into next year as really – as has been decided as of today.

Markku Teräsvasara Yeah. I think what you need to bear in mind is that our headcount reporting is not an FTE reporting. So, we report a number of employees that are – that have a contract with the company. And those also include temporary employees for the projects. If we, for example, get the a shutdown project in one country and temporarily need to employ 150 people for that, that will come on our headcount. So, we have a number of heads that are continuously rotating in the company. And actually, there has been a shift from so-called white-collar towards blue-collar people because we have more work that needs to be done particularly on the service side, but also on some of the project deliveries. So, I think from that point of view, the headcount number is not giving you exactly the right picture.

Jari Ålgars I think it's –

Tom Skogman Okay.

Jari Ålgars – as stated, you could see that despite the sales was going down in Metals, Energy and Water, the losses declined. So, we are getting into the right direction. But still we need more orders to start to come on the clear plus side.

Tom Skogman Okay. And then finally, when I read your report about short-term risks and uncertainties, you have used more or less the same wording as a quarter ago, but it sounds, of course, pretty scary when you talk about that you have – Outotec has identified a significant risk of claims and credit losses related to a few large projects in Metals, Energy and Water segment. I mean, can you – I understand

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this is a bit sensitive as an area. But can we start to get to some kind of end in Q4 or in the first six months of next year when it comes to these old projects and potential kind of financial risk related to that? When can this old chapter become history?

Jari Ålgars In all of these, we have had, let's say, positive development. But, as was stated already, last year when he had them, at least one of them will take quite a long time for us to get out of because we need to fix it and we need to start it up again because it broke down in the start-up phase. And that will take a long time. But we feel we are properly provisioned for it and as said, things are going into the right direction. So, we are feeling pretty okay with those.

Tom Skogman Okay, thank you.

Operator And we'll go next to Antti Suttelin with Danske Bank.

Antti Suttelin Hello, this is Antti. When I'm trying to calculate your underlying gross margin, that means I'm stripping out the provisions and overruns and I'm also stripping out what I estimate is your personnel costs. I get the result that your gross margin is shifting down quite a bit this year, two or three percentage points from a year ago. And this is of course quite a lot. And my question is, now that you get new business and demand is improving, what is the margin level for the new business? Is it better than what you have currently in the order book or is it so that we've simply seen a shift towards lower gross margins in this business and we shouldn't expect an improvement going forward?

Jari Ålgars We are obviously looking for an improvement. As said, we have been challenged with some erosion during the year. And, all in all, we really don't see any, let's say – let's put it that way. Yes, it is a tough market still. There are not enough, let's say, active customers yet, but as we stated, it looks like the market is improving and we hope we will reach a point where, let's say, we will see balance in supply and demand and we can – I think there is more room for price increases. But it's very much, as Markku already mentioned, that it depends a little bit on what type of orders we are getting – are they big, are they small, some orders we get more margins, some others – and it's more than just a mix of what is happening.

And obviously, what is the best is when we have now delivered them that we could then release some provisions at the end of the project that everything has gone well and that is then adding further to it. We've not seen that in a while, but obviously we are working hard that we are able to keep the provisions we have made for the projects.

Antti Suttelin Okay. And then on the demand prospects, you sound optimistic in this call, but when I read the reports, I think you kind of indicated that there may have been a pushback of some of the projects you expected earlier. Because in the second quarter report, you said that the market offers exciting opportunities for the second half and now you were just overall positive without any time specification. So, would you say that there has been some pushback of project or not really?

Markku Teräsvasara I think, as already mentioned, I think it's a project, bigger project that – it's a lumpy business and sometimes you get more of them during quarter, sometimes you get less of them during quarter. Of course, you could say that there have been

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some projects moving forward but they have been projects which we are fairly confident that they will come. So, I would still count that on a normal quarter-to-quarter fluctuation. But the outlook of the market has remained a positive. And as I mentioned already, the number of cases that we are working on is increasing basically from quarter-to-quarter compared to last year. So, I think it's a timing issue that we talk about.

Antti Suttelin Yeah, okay. And finally, Minerals Processing margin, taking out the FX losses and gains, went down year-over-year. Any reason why?

Jari Ålgars It was these cost overruns we were talking about earlier. And then also –

Antti Suttelin Okay. I thought the – I thought that the problem projects were in Metals, Energy and Water, but they seem to be also in Minerals Processing –

Jari Ålgars A few big ones. As stated earlier here in the call, we said that we have had some new technology deliveries in Minerals Processing where we have learned that it actually will cost – it costs us a bit more to execute these. So, we have been impacted by this in Minerals Processing.

Antti Suttelin Was this the first quarter when you had overruns in Minerals Processing? Is it correct to say that previously you talked about Metals, Energy and Water and now there was something in Minerals Processing as well?

Jari Ålgars No, it's something which has come up during the year and it has impacted also us in Q3.

Antti Suttelin Okay. Thank you.

Operator Okay, we'll take our next question from Magnus Kruber with UBS.

Magnus Kruber Hi, Magnus here. Just on this transfer or potential transfer of staff to Citec, could you give any sort of timing for that? I know it's not this year but next year. And any size of savings associated with that?

Jari Ålgars I don't think we can say anything in addition to what we have announced on that. Obviously, this is something which has been agreed with both parties, but this is totally due to how long the union negotiations will take in Germany and we get everything finalised. So, it really would be just a pure guess on my side if I would say a day. So, we are working to finalise this as soon as possible. And as said, the impact will be more in the future when we come into points where we have a lack of orders. So, this generic engineering, what we have had in-house, we have now decided that we'd rather acquire this or buy this from the market and rather work together with Citec and – or companies that have it in-house and then having the problems we have seen that we don't have the flexibility when we need it. And it's actually then obviously adding fixed cost at a point where we don't have enough work to pay for those fixed costs.

Magnus Kruber Okay. But do I understand it correctly that even if they take over the staff, will you still be paying for them or –?

Jari Ålgars No, I think I don't really want to go into the details but there is some period where we have, let's say, we will utilise them by ourselves and, obviously, depending on

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the workload even for a longer period of time. So, it will gradually start to have some impact on the costs, maybe an impact also on the fixed cost during next year but we are not guided for any such and will not guide for any such. This is totally depending on our order intake and obviously then also on the union negotiations and then on the Citec situation. So, there are many things affecting this.

- Magnus Kruber Understood. Just one final thing on that? Do you expect any cost associated with this as – when it's decided, whatever happens?
- Jari Ålgars No, of course that we – nothing that we feel we would have to add to any restructuring resource for – currently. But as said, we are in the middle of the negotiations with the union, so this is obviously dependent on how these go.
- Magnus Kruber Understood, very clear. Okay, so can I ask one more question on a separate – there was an order announcement not for you but from AMG this morning as well related to your project. It seems to be the second leg in the project that you've been involved in earlier. Is it fair to say that the size of the second leg is similar to the first one in terms of value?
- Markku Teräsvasara Of course, we are very happy with that because we are building the first step as we go and probably you remember the size of that order, this agreement we made for them is on basic engineering, so it's just the first step of the project. But, of course, already an indication that actually customer is fairly satisfied with the first step which we are executing at the moment. And over time, there will be a new plant to build as well where we feel that we have a good opportunity but that is, of course, a separate negotiation coming later.
- Jari Ålgars Capacity wise, it is the same for the client.
- Markku Teräsvasara And from the size point of view, we are talking about similar size project than the one that we are building at the moment.
- Magnus Kruber Okay. And I think they mentioned December as a date when they will make a decision. Do you think you will get – if you will get it, do you think you will get the downpayment in December as well or should we expect it in that case to flow into next year?
- Jari Ålgars I don't think we want to make any guesses on that part. We are just happy we have gotten the basic engineering order and we hope it will progress.
- Jari Ålgars And it's obvious, for the client, they want to progress as well.
- Magnus Kruber Very good. Good luck. Thank you so much.
- Markku Teräsvasara Thank you.
- Operator Okay. I'll take our next question from Alexander Virgo with Bank of America Merrill Lynch.
- Alexander Virgo Hi, good afternoon, gentlemen. Thanks for fitting me in. I have a couple of questions. One, just on sort of generic customer behaviour, if you maybe you could comment a little bit in terms of you've obviously seen an improvement in

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quoting activity or discussions, but given visibility appears to remain quite low in larger business, obviously still very lumpy, I'm just curious to hear what the customers are saying with respect to actually going over the line on signature. And then second question. If I look at page seven, the split in service order intake, you've seen quite a leg down in recurring services as a mix which obviously, given they're recurring, is a little bit interesting. So, what is it that's driven that, and will we see that come back up to the sort of 100 million or so level that we can see historically? Thank you.

Markku Teräsvasara Yeah. I'd input – I mean – so coming back to the last question first, when it comes to service order intake, of course, what we look in the pipeline and also what we see quarter to date, there is a healthy level of recurring revenue orders coming in as well. So, you could see this as a kind of a normal quarterly fluctuation.

Alexander Virgo I mean, it looks quite – sorry. Sorry, just to follow up. It looks quite a big drop sequentially for something that's meant to be recurring. So, what are you exactly defining as recurring and why did it drop so much?

Markku Teräsvasara We have – typically, we have in recurring types of orders, we have the technical services, spare parts and wear parts. And even though our wear parts order, spare parts order can go up and down, we also have a lot of projects related – spare parts orders where together with our CapEx sale that we book a significant size in spare parts and wear parts orders together. And if there are less bigger projects, there is less parts that are booked on those orders as we go.

Alexander Virgo Okay, understood. Alright, thank you. What about customer behaviour?

Jari Älgars Yeah, sorry one more time.

Alexander Virgo Do you want me to re-ask it? Sorry. It was just the question as to what you're hearing from the customer in – or your customers, should I say, with respect to them actually getting over the line on signing all of these quotations and quotation activity that you talk about and some of your peers have talked about as well. I'm just curious as to what the customers are saying in terms of why they're not actually signing or what is it? Is it scope? Is it budget constraints? What is it that's stopping the quotation activity from converting?

Markku Teräsvasara I think it boils down to their own business case and what kind of confidence and evaluation they have for the future. I don't see that there is – as I said, I don't see any changes in that sentiment in recent times – it's more likely in a way suggesting that the systems will – are closer and closer, but exactly when is still difficult to see. But definitely there is no – nothing that indicates more hesitation or more negative development.

Alexander Virgo Okay, very helpful. Thank you.

Operator Okay. And that concludes today's question-and-answer session. I'll turn it back to today's speakers for any closing remarks.

Rita Uotila Thank you, operator. That was all the questions this time. So, thank you for participating to this briefing session. Thank you for the presentation.

Markku Teräsvasara Thank you all.

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Jari Älgars

Thank you.

Operator

And this does conclude today's call. Thank you for your participation. You may now disconnect.