

May 6, 2011

Dear clients and colleagues,

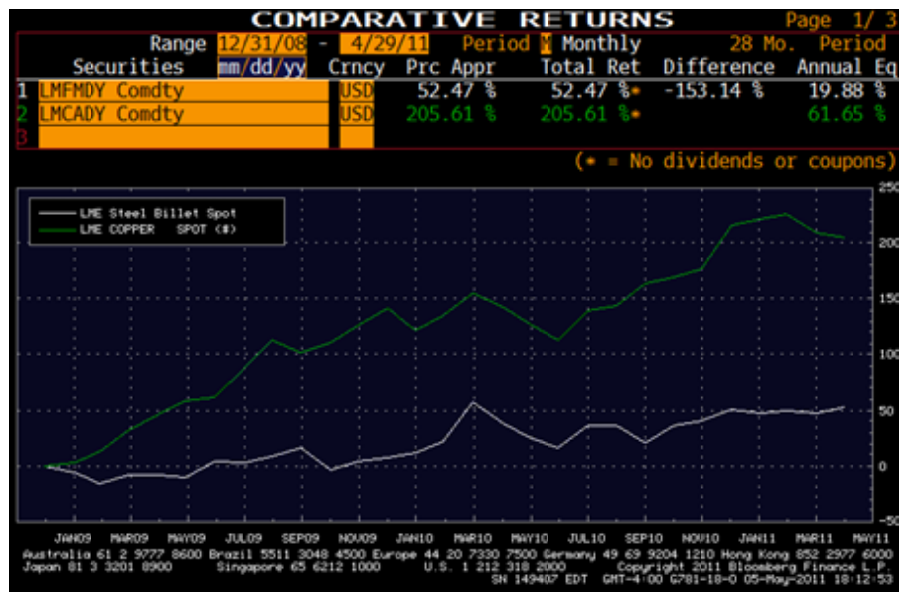
In the past few weeks, we have had the opportunity to meet with many European industrial companies. Among the meetings we had was one with Outotec, a core holding in our portfolios.

Outotec is a leading global provider of process solutions, technologies and services for the mining, the metallurgical industries and other industries (chemicals, water, and energy). The company utilizes its advanced process know-how by providing plants, equipment and services based mainly on proprietary technologies.

Here are few reasons why we remain confident about the outlook of this company:

Ore grades are on a constant decline. Not only are higher quantities of ore needed in order to produce the same amount of metal, but the ore needs to be processed with more advanced technology. Copper ore grades, for instance, have decreased on average by 25% p.a. over the past 20 years, which consequently requires 25% more throughput to generate the same quantity of metal.

Record metal prices drive new mining capital expenditures. Rising commodity prices and stronger than expected macroeconomic news globally in both developed and emerging markets drove miners to revise their capex plans upwards. Outotec's revenue exposure on copper and iron represents close to 40%. With copper and steel price soaring 205% and 52% respectively in the last 28 months alone, it should manage to capture a good level of order intake for the next several quarters.



Source: Bloomberg

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With its growing aftermarket business and its strong backlog, we expect Outotec to perform well in the coming years. The management team is confident that it could double its services business, from €280 million in revenues in 2010 to around €550 million by 2015. We feel this target is achievable given that just 15% of its current installed base is serviced. The higher-margin aftermarket sales business should drive margin expansion at the group level in the medium term. Over the cycle, we expect operating profit margin to be around 10%.

The industry is facing environmental constraints, which should be beneficial to Outotec. Producing metals requires a lot of energy and mining industries are major CO<sub>2</sub> emitters. Cleaner and more energy-efficient processes will continue to be needed. Finally the usage of new technologies for turning scrap and waste into products will accelerate the need for recycling.

The longer term outlook remains attractive in our view. With mining companies increasing their capex plans and Outotec being almost a pure play on mining capex, the company should benefit nicely from these trends.

Have a good weekend.

The Global Alpha team

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