



Financial  
Statements  
Review  
2013

# Fourth quarter and full year 2013 results

Matti Kähkönen, President and CEO

Harri Nikunen, CFO

February 6, 2014

# Forward looking statements

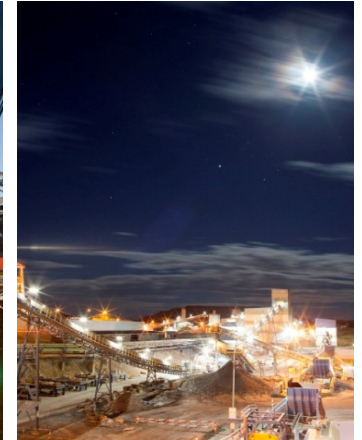
It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for customer industry profitability and investment willingness, expectations for company growth, development and profitability and the realization of synergy benefits and cost savings, and statements preceded by "expects", "estimates", "forecasts" or similar expressions, are forward-looking statements. These statements are based on current decisions and plans and currently known factors. They involve risks and uncertainties which may cause the actual results to materially differ from the results currently expected by the company.

Such factors include, but are not limited to:

- 1) general economic conditions, including fluctuations in exchange rates and interest levels which influence the operating environment and profitability of customers and thereby the orders received by the company and their margins
- 2) the competitive situation, especially significant technological solutions developed by competitors
- 3) the company's own operating conditions, such as the success of production, product development and project management and their continuous development and improvement
- 4) the success of pending and future acquisitions and restructuring.

# Content

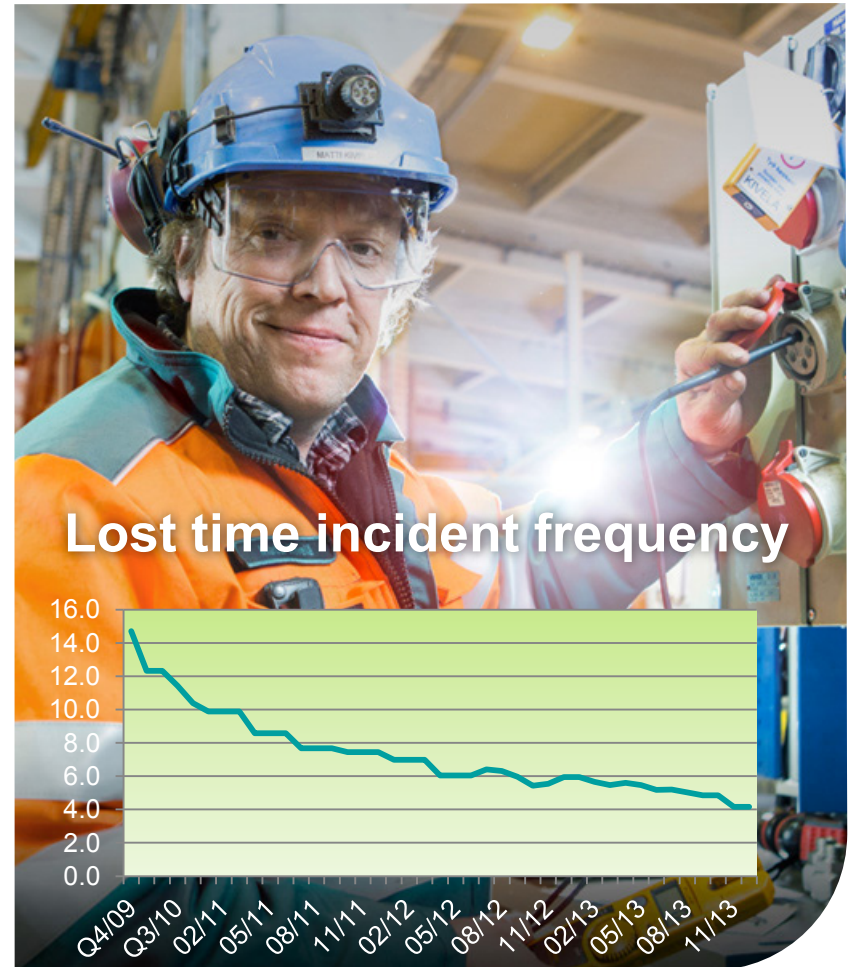
1. Q4 and full year 2013 highlights
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# HSE (Health, Safety & Environment)

## An essential element in all our activities

- We are committed to taking personal responsibility for our own safety and for the safety of others
- We believe that all incidents can be prevented
- We always emphasize our high HSE standards of conduct when dealing with customers, suppliers, and other stakeholders
- We aim to minimize our environmental footprint throughout the entire value chain





# Q4 and full year 2013 highlights

Matti Kähkönen

President and CEO

# Highlights

## Full year 2013

- Oil & gas-related demand was good - mining market was soft
- Orders received were EUR 3,709 million (EUR 4,215 million), of which EUR 2,038 million (2,153 million) services orders
- Net sales were EUR 3,858 million (EUR 4,282 million), of which EUR 1,976 million (EUR 2,072 million) services sales
- EBITA before NRE was EUR 496 million, 12.8% of net sales (EUR 486 million, 11.4%)
- Non-recurring expenses totaled EUR 54 million
- Pulp, Paper and Power businesses were separated to Valmet Corporation
- The Board proposes a dividend of EUR 1.00 per share, i.e. 63% of earnings per share

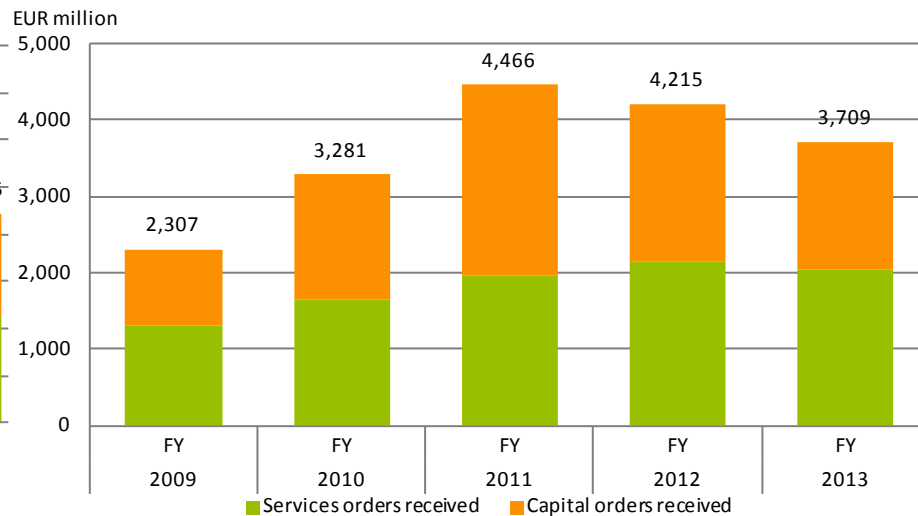
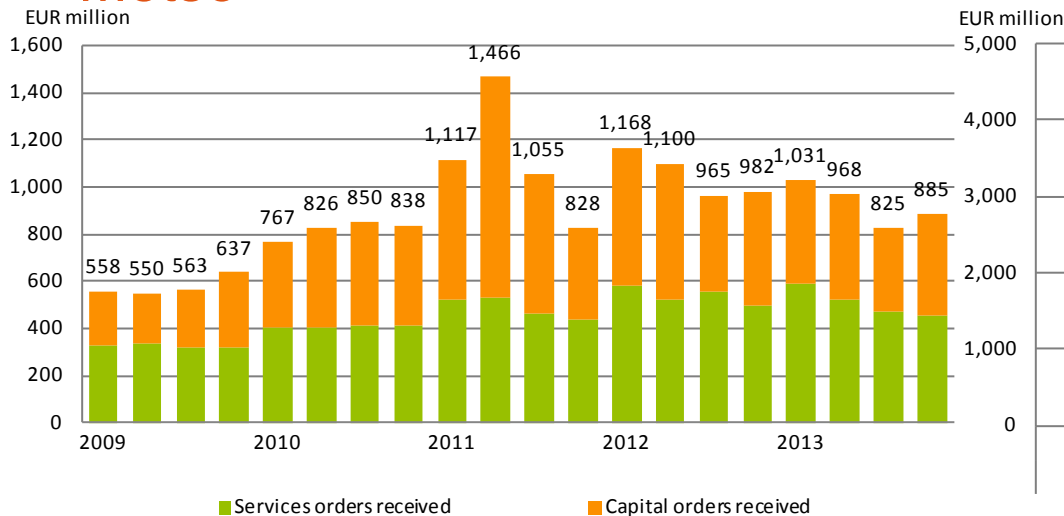
## Fourth quarter 2013

- Orders received EUR 885 million (EUR 982 million), of which EUR 457 million (EUR 494 million) services orders
- Net sales were EUR 1,018 million (EUR 1,132 million), of which EUR 509 million (EUR 550 million) services sales
- EBITA before NRE was EUR 147 million, 14.4% of net sales (EUR 138 million and 12.2%)
- Non-recurring expenses totaled EUR 33 million

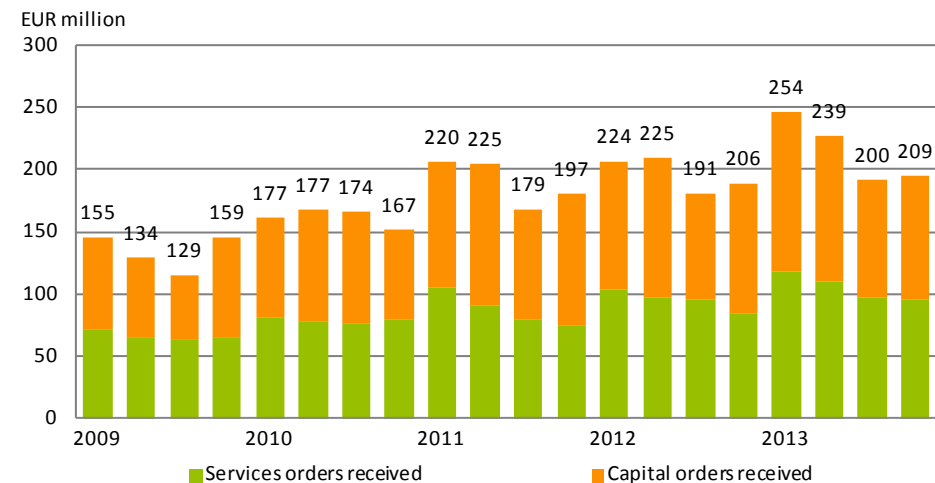


# Order intake

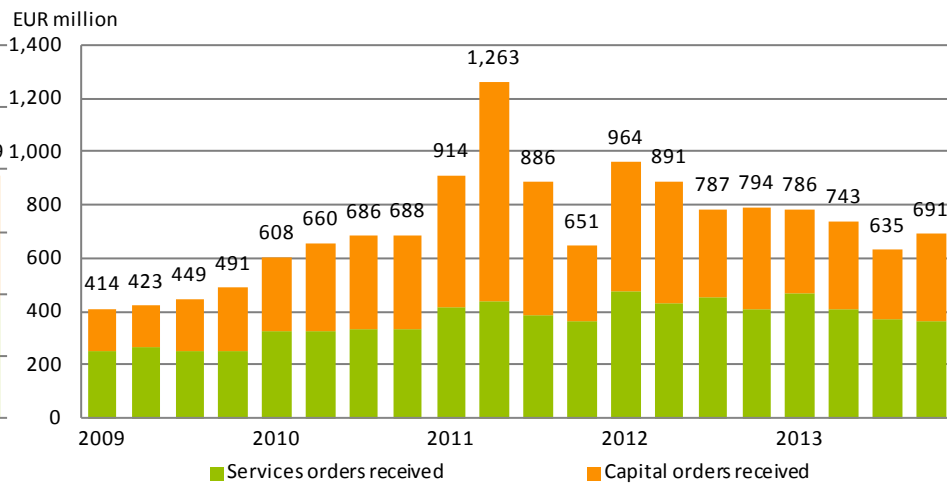
## Metso



## Automation



## Mining and construction



# Order intake in top 10 countries

EUR million

Country	2013	2012	Change %	% of total
USA	486	580	-16	13
China	317	265	19	8
Brazil	314	414	-24	8
Chile	245	177	38	7
Australia	213	283	-25	6
Finland	183	175	5	5
Sweden	163	201	-19	4
Canada	148	193	-24	4
Russia	141	300	-53	4
India	121	195	-38	3

- US is clearly our biggest market; orders declined in Mining and Construction, grew in Automation
- Orders from China increased in both segments
- Emerging markets accounted for 56 percent (55%) of orders received and 52 percent (49%) of services orders received

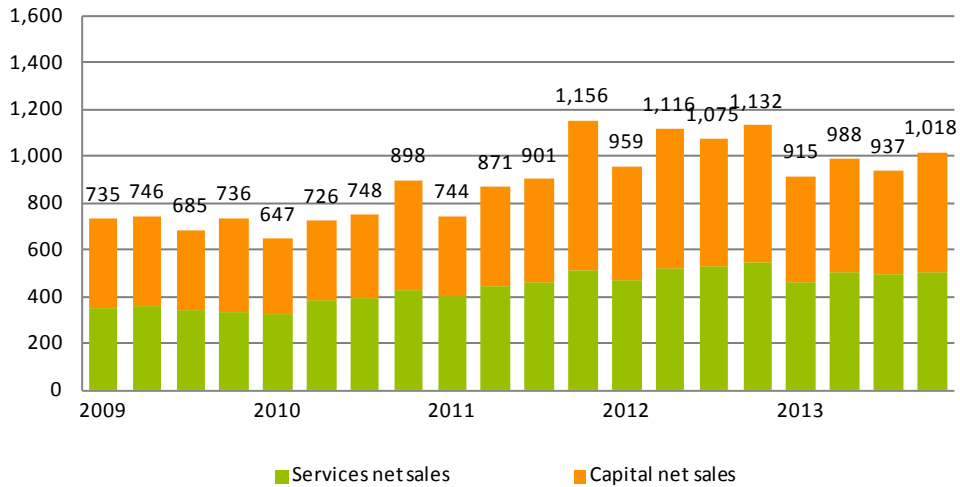




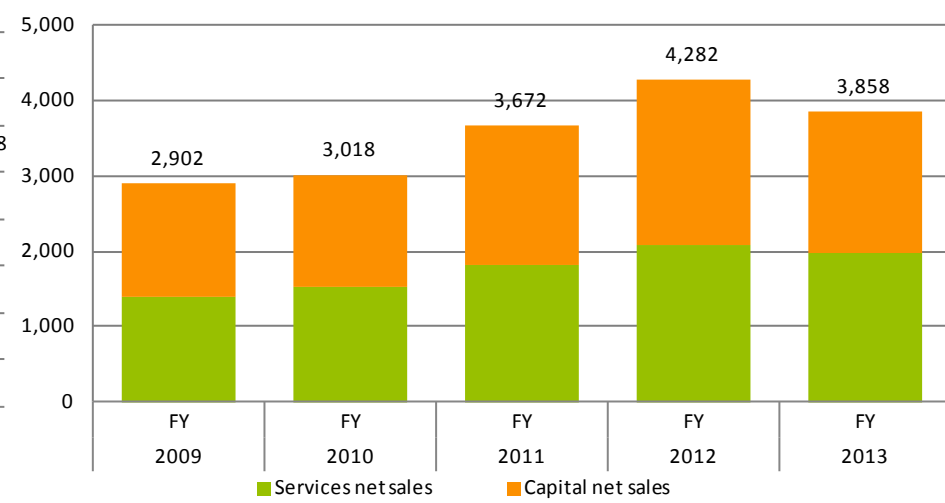
# Net sales

## Metso

EUR million

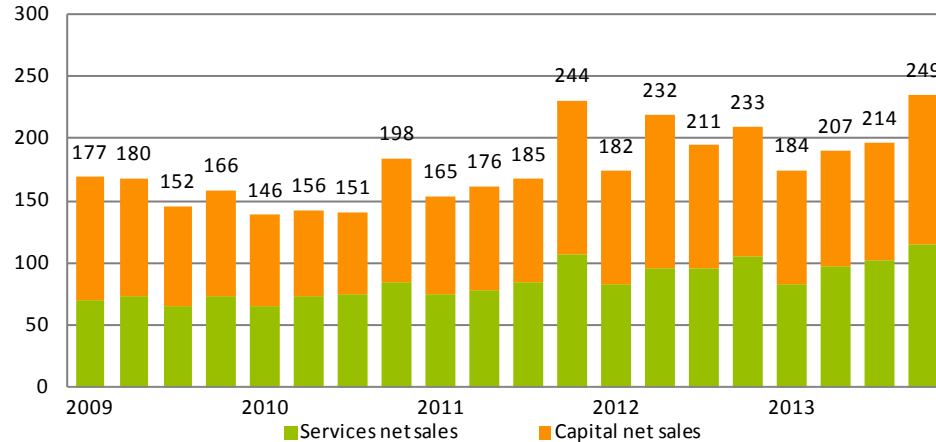


EUR million



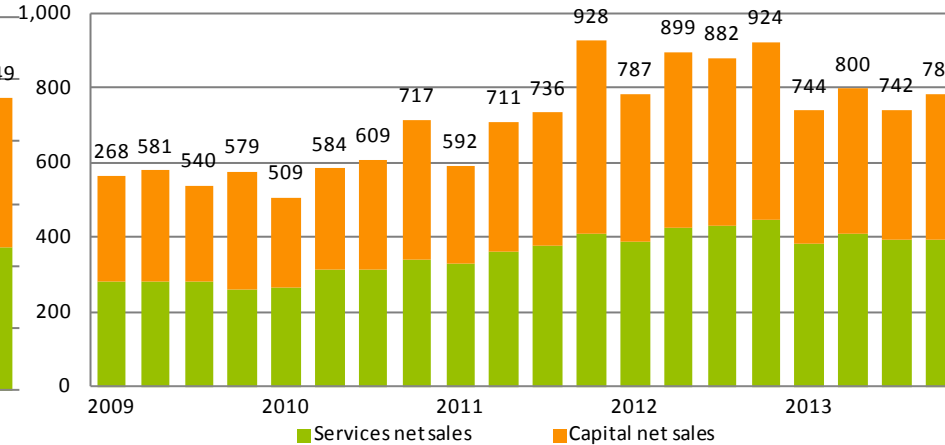
## Automation

EUR million

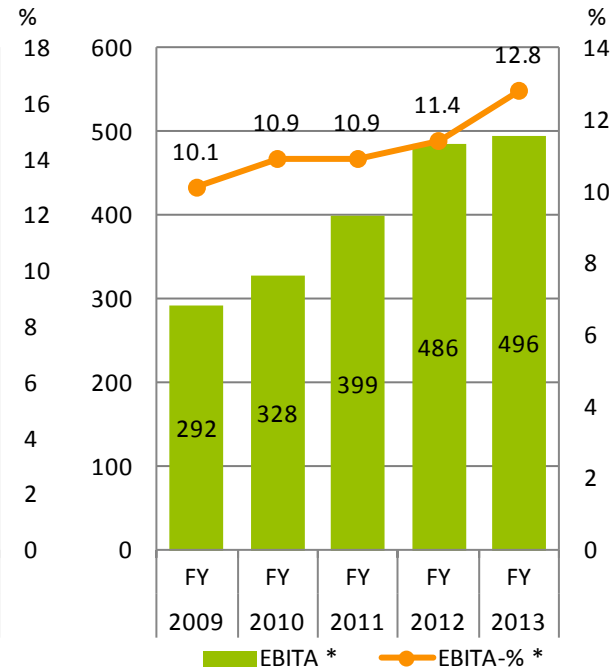
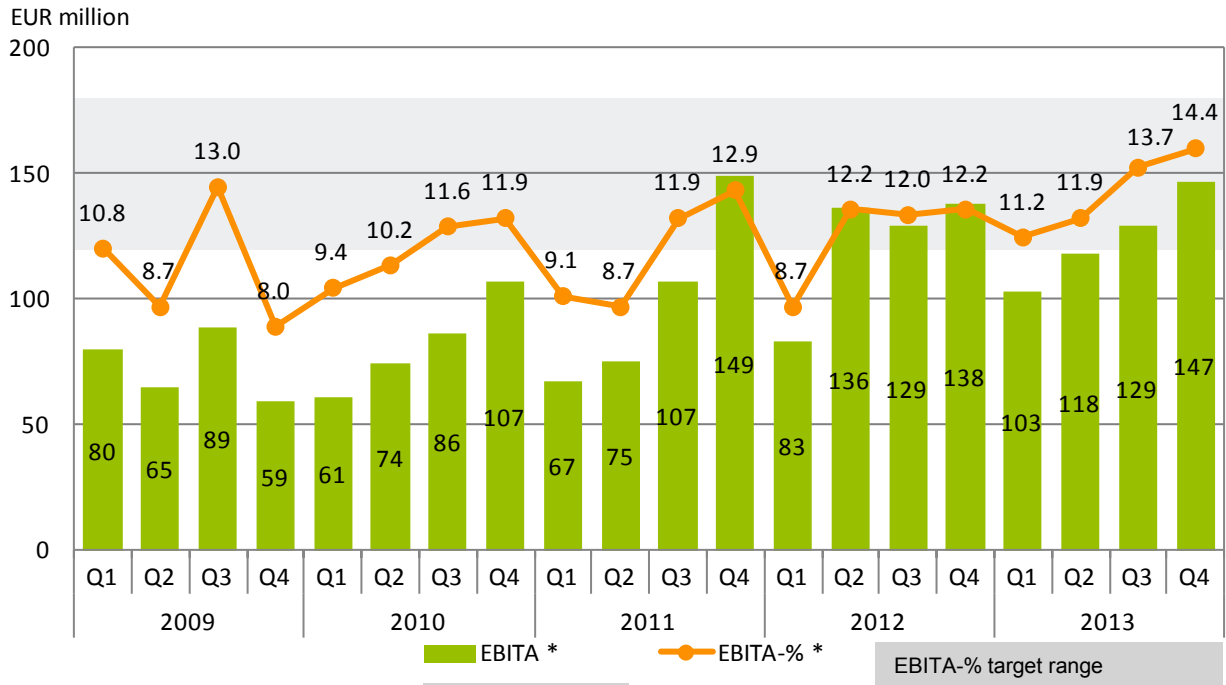


## Mining and construction

EUR million



# Profitability has developed well



EBITA*-%	Q4/2013	Q4/2012	
Mining and Construction	<b>14.3</b>	12.9	Improved gross margins in all businesses
Automation	<b>15.0</b>	13.2	Good performance in the Flow Control business
Metso total	<b>14.4</b>	12.2	Sales mix, cost savings

\* Before non-recurring items



# Financial targets

		2013
Net sales	Growth to exceed market growth	+/-
Services net sales	>10% annual growth on average	-5%
Profitability (EBITA %)	11-16% before NRE	12.8%
Return on capital employed (ROCE)	At least 30% (before taxes)	19.3%*
Earnings per share	To grow faster than net sales	+
Capital structure	Supporting a solid investment-grade credit rating	BBB, Baa2
Dividend payout	At least 50% of annual earnings per share	63% **



\* Illustrative

\*\* The Board proposes a dividend of EUR 1.00 per share, i.e. 63% of earnings per share

# Strategic development in 2013



## Services

We became the only full-scope supplier of comminution wears (Sabo acquisition)  
New services hubs opened and under construction  
Good progress in life-cycle services



## Technology offering

Development of MetsoDNA automation platform  
High-pressure grinding mill (HRC™)  
Cost efficient high pressure ball valve for demanding shut-down applications



## Growth countries

Acquisitions and a new JV in China  
Development of area organizations



## Operational excellence

Procurement and cost-efficiency actions  
Gross profit improvement  
Health and safety performance



## People and leadership

Leadership development  
Share of personnel in emerging market increased to 46%  
Performance culture



# Financial performance

Harri Nikunen, CFO

# Group key figures

EUR million	Q4/2013	Q4/2012	Change %	2013	2012	Change %
Orders received	885	982	-10	3,709	4,215	-12
Services orders received	457	494	-7	2,038	2,153	-5
Net sales	1,018	1,132	-10	3,858	4,282	-10
Services net sales	509	550	-7	1,976	2,072	-5
% of net sales	50	49		51	48	
EBITA *	147	138	6	496	486	0
% of net sales	14.4	12.2		12.8	11.4	
EBIT **	108	125	-14	423	458	-9
Earnings per share, EUR				1.59	1.71	

## Non-recurring items excluded from EBITA

EUR million	Q4/2013	Q4/2012	2013	2012
Restructuring	24.1	11.2	23.9	13.2
Other	9.0	-2.4	29.7	-2.5
Total	33	9	54	10.7

# Group key figures

## Balance sheet

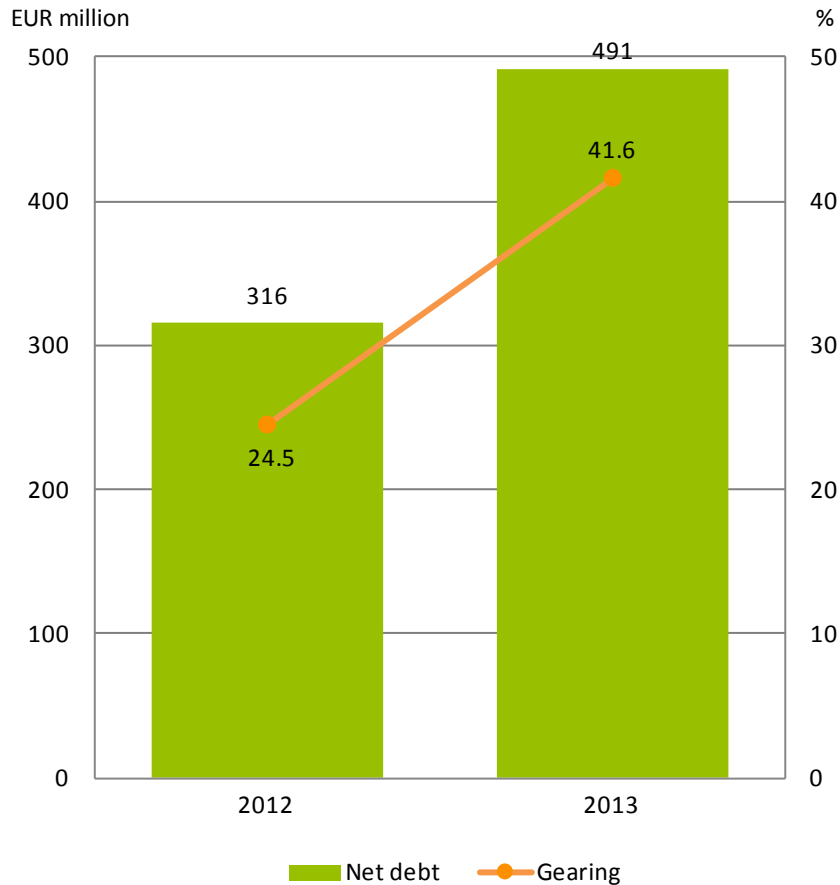
	2013	2012
Return on equity (ROE), %	20.3	19.8
Return on capital employed (ROCE) before taxes, %	19.3	20.1
Gearing at the end of the period, %	41.6	24.5

- Balance sheet structure is different after the demerger
- About EUR 800 million of equity was transferred to Valmet

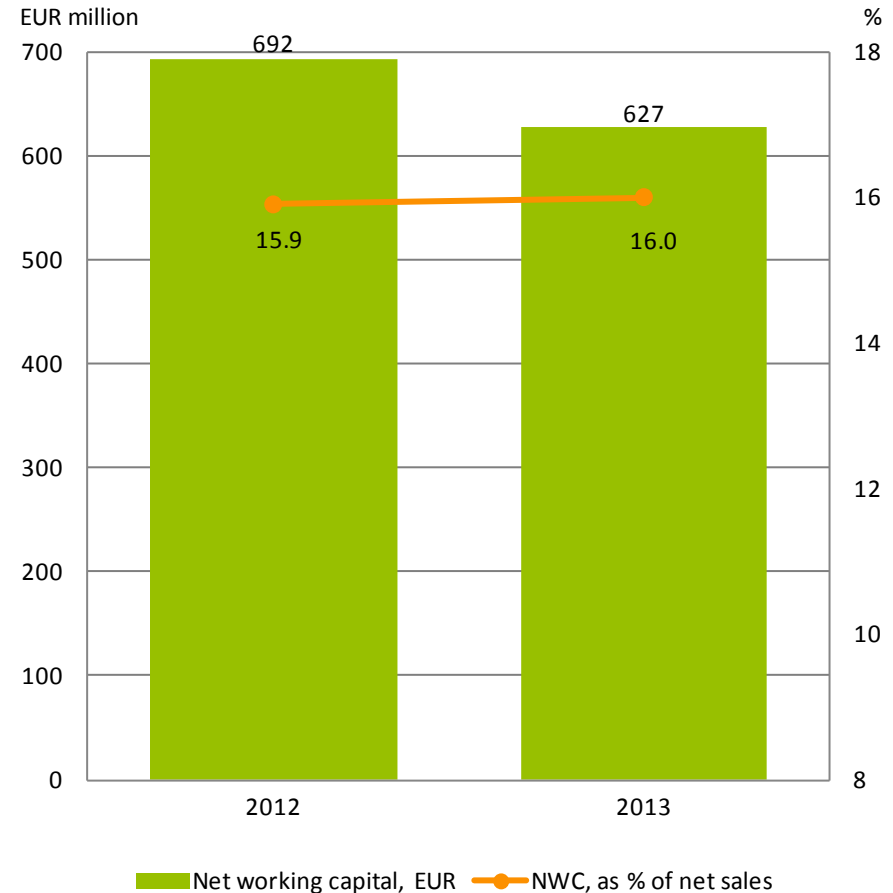


# Indebtedness and net working capital

## Net debt and gearing



## Net working capital





# Mining and Construction key figures

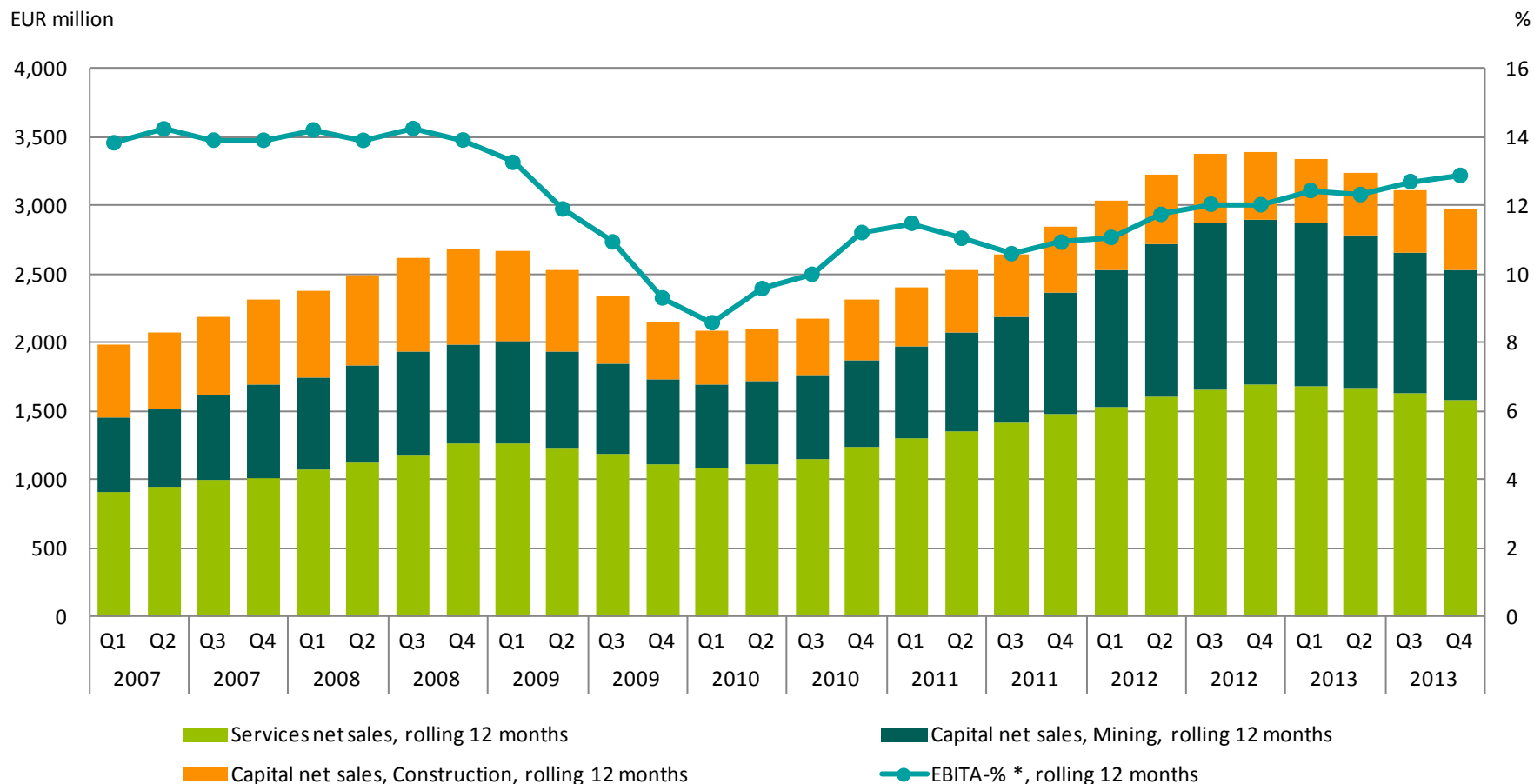
EUR million	Q4/2013	Q4/2012	Change %	2013	2012	Change %
Orders received	691	794	-13	2,855	3,436	-17
without currency impact			-5			-13
Services orders received	361	409	-12	1,616	1,771	-9
Net sales	784	924	-15	3,070	3,492	-12
without currency impact			-8			-8
Services net sales	393	445	-12	1,579	1,692	-7
% of net sales	50	48		51	48	
EBITA *	112	119	-6	401	420	-5
% of net sales	14.3	12.9		13.1	12.0	
Return on capital employed **				25.1	28.9	

## Q4/2013 vs. Q4/2012

- Gross margin improved

# Mining and Construction

## Rolling 12-month net sales and EBITA%



# Automation key figures

EUR million	Q4/2013	Q4/2012	Change %	2013	2012	Change %
Orders received	209	206	2	902	845	7
without currency impact			6			10
Services orders received	96	84	14	422	382	10
Net sales	249	233	7	854	859	-1
without currency impact			11			2
Services net sales	116	105	10	398	380	5
% of net sales	47	45		47	44	
EBITA *	37	31	22	116	101	15
% of net sales	15.0	13.2		13.6	11.8	
Return on capital employed **				38.5	31.8	

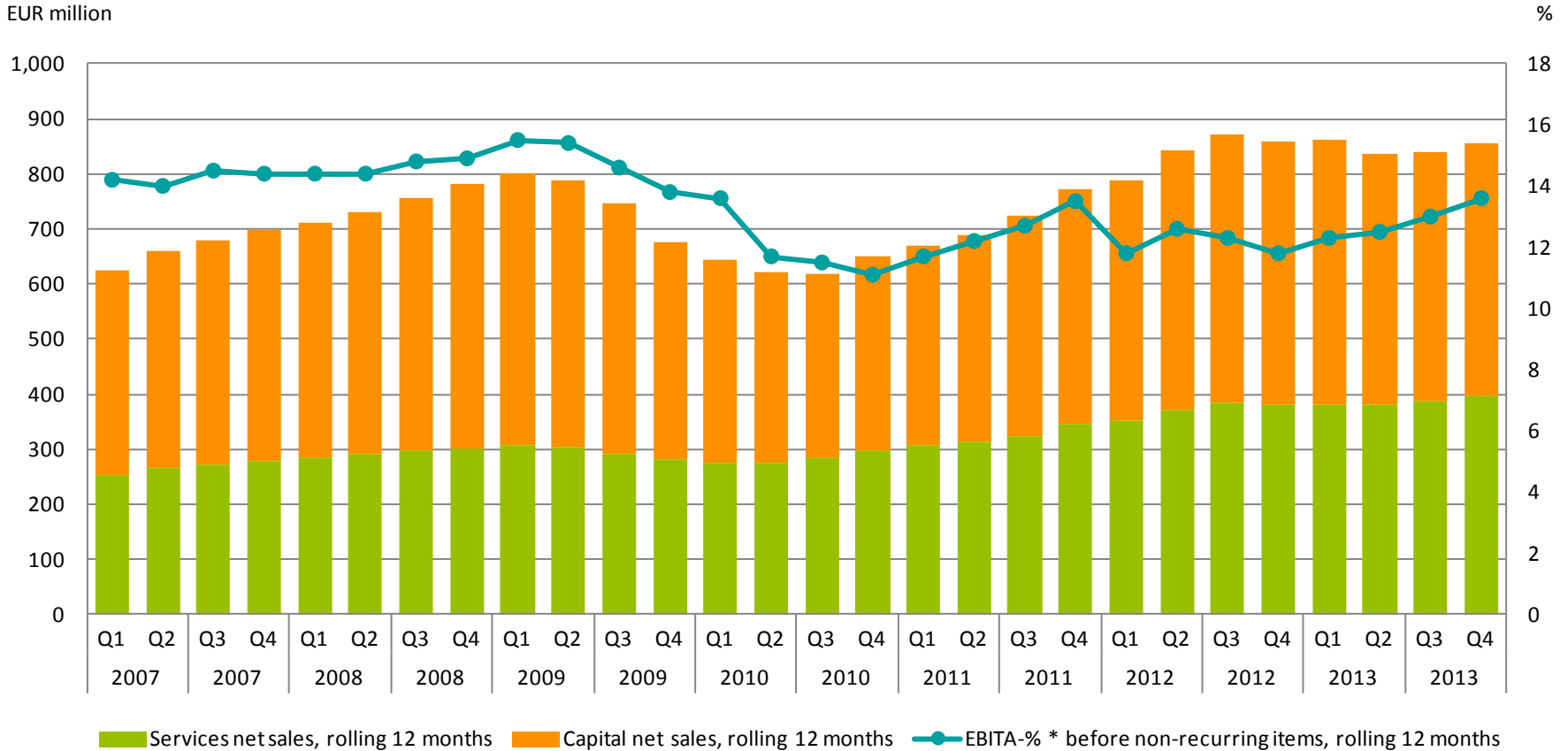
## Q4/2013 vs. Q4/2012

- Improvement driven again by Flow Control
- Services orders increased strongly, 14% year-on-year, 20% without currency impact

# Automation

## Rolling 12-month net sales and EBITA%

EUR million



# EUR 100 million global efficiency program under way

- **Fast track** = A reduction of over 1000 persons identified. Total savings potential between 2014 – 2015 is EUR100 – 130 million (including procurement)
  - About 40% of projects finalized with savings running
  - Most of the decisions for the remaining 60% have been taken with implementation in 2014. Savings coming in partially in 2014 and full impact in 2015
  - EUR 26.5 million of one-time costs were booked in 2013 with more to come in 2014
  - Savings from all projects to be achieved during Q4/2014 at the latest (except for 2015 procurement)
- **Structural and development projects -> additional savings**
  - The "fast track" will be complemented with projects related to Metso's legal and support function structure. The action has been taken and results are expected during the second half of 2014 and in 2015
  - Additional savings related to lower than expected demand from the mining industry being planned
  - The scope of actions and more specific targets will be announced during Q1/2014



# Outlook and guidance

Matti Kähkönen

President and CEO

# Market outlook

## Mining



**55% of net sales in 2013**

**55% service intensity**

**Current demand:**

Weak for the equipment and project business. Services good.

## Construction



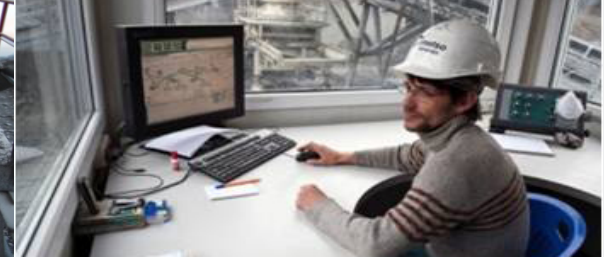
**20% of net sales in 2013**

**40% service intensity**

**Current demand:**

Satisfactory for the equipment and services.

## Automation



**22% of net sales in 2013**

**45% service intensity**

**Current demand:**

Good in oil & gas; satisfactory in pulp & paper. Services good.

3-6 months market outlook (→ ↗ ↘)



Equipment



Services



Equipment



Services

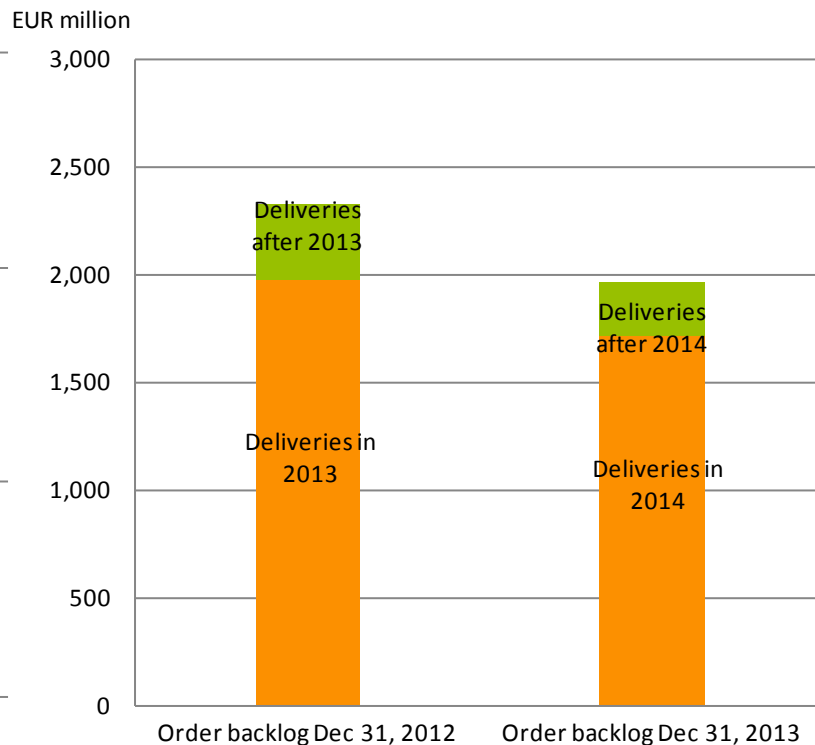
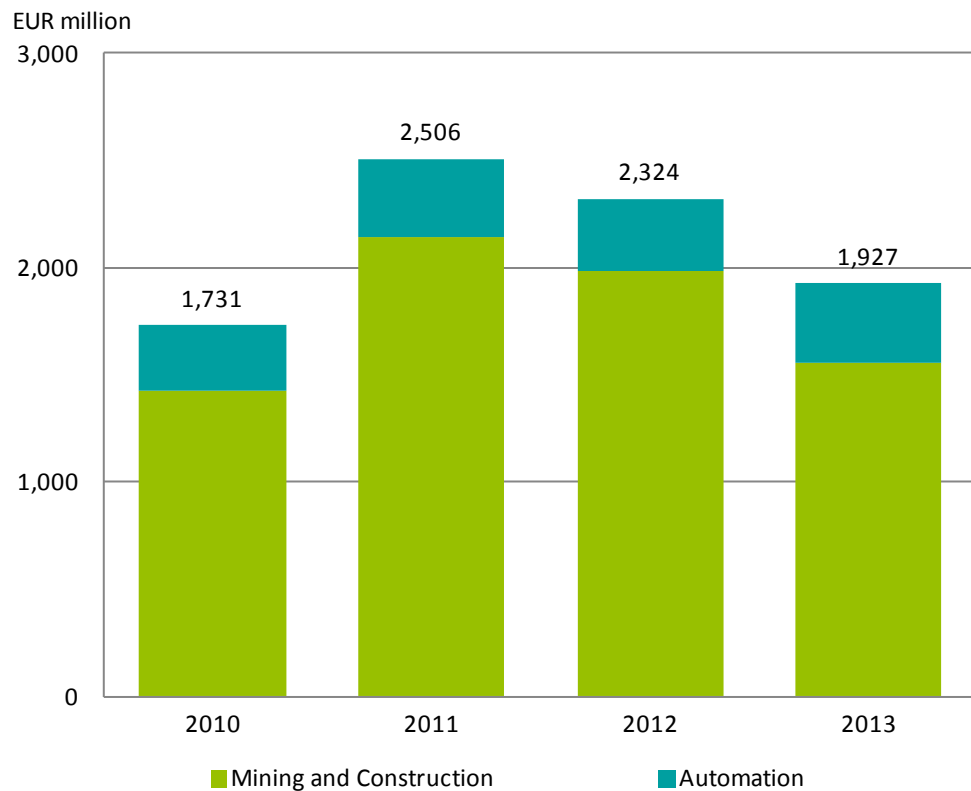


Equipment



Services

# Order backlog



- Opening backlog for 2014 was EUR 300 million lower than opening backlog for 2013
- Services backlog is EUR 25 million down compared with last year
- Automation backlog grew by EUR 49 million
- Biggest drop in mining equipment and projects



# Guidance for 2014

Based on our market outlook, backlog for 2014, current exchange rates and ongoing cost-efficiency actions, we estimate that

- our net sales in 2014 will be somewhat below 2013
- and EBITA margin before non recurring items for 2014 will be at around 12%





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