

# Interim Review

January 1 – September 30, 2014

Q3  
2014

Matti Kähkönen, President and CEO  
Harri Nikunen, CFO

October 23, 2014

# Forward looking statements

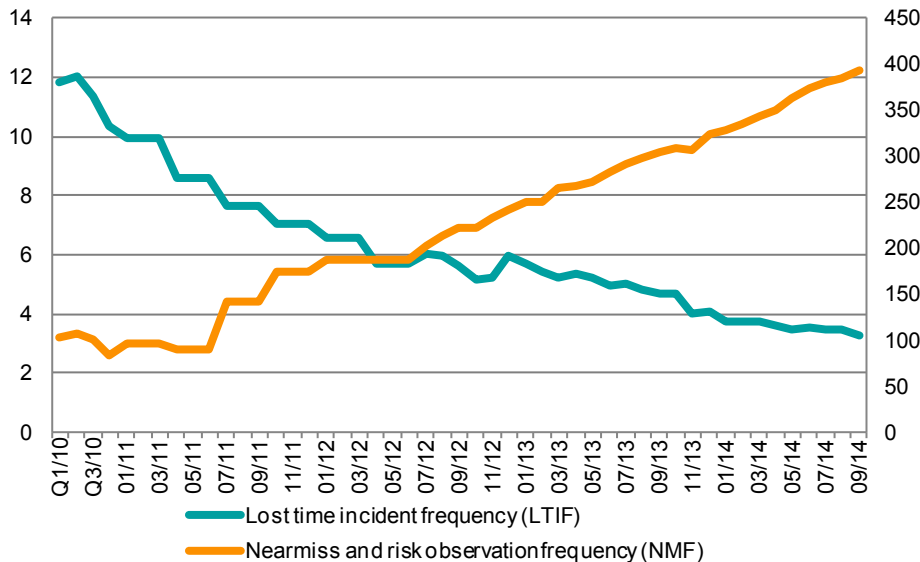
It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for customer industry profitability and investment willingness, expectations for company 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.

# Safety is our top priority

- We are committed to taking personal responsibility for our own safety and for the safety of others
- All incidents can be prevented
- Our LTIF has been trending down



# Good development in Services and Flow Control

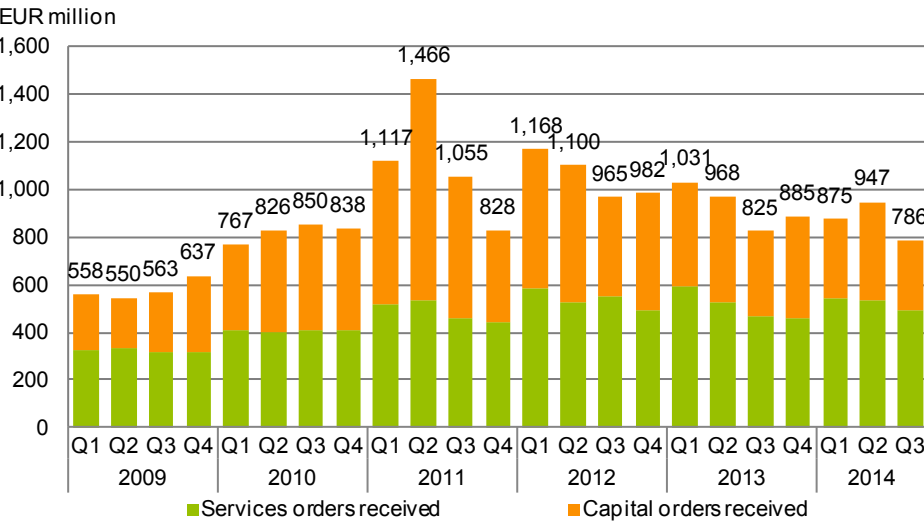
## Quarterly highlights

- In line with our strategy
  - Services and Flow Control developed well
- Low orders and net sales in mining equipment
- Order intake totaled EUR 786 million, down 5%
- Net sales declined 8% to EUR 861 million
- EBITA\* was EUR 104 million and EBITA\* margin 12.1% (EUR 129 million, 13.7%)
- Non-recurring items totaled EUR -27 million (EUR 0 million)
- Full-year guidance remains unchanged

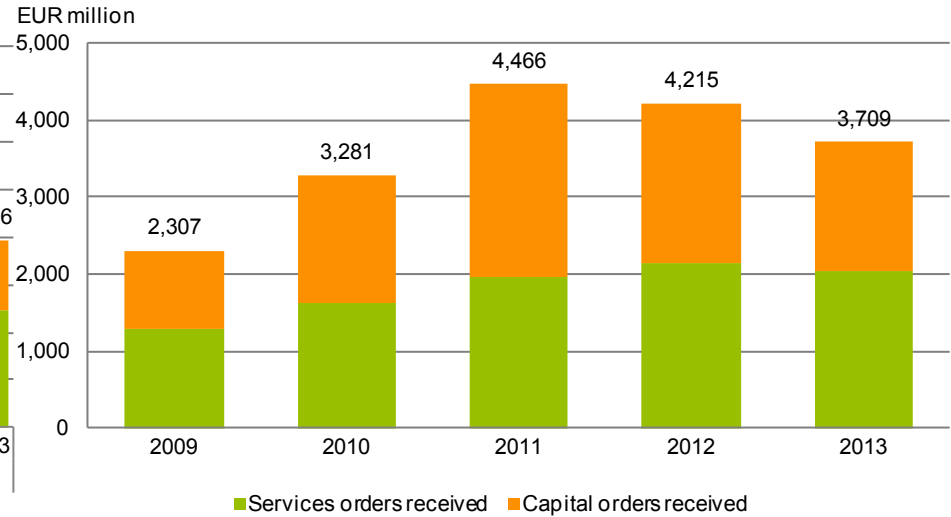


# Services orders increased 5%

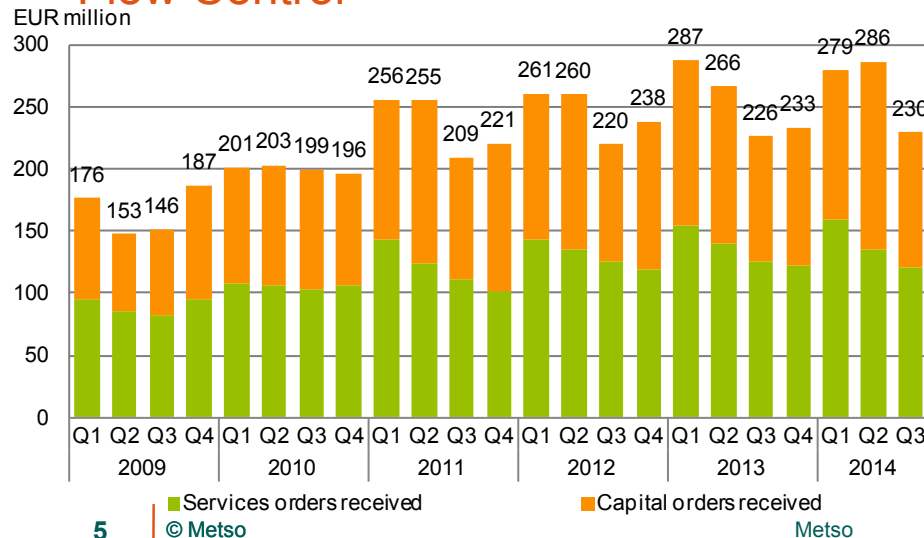
## Metso



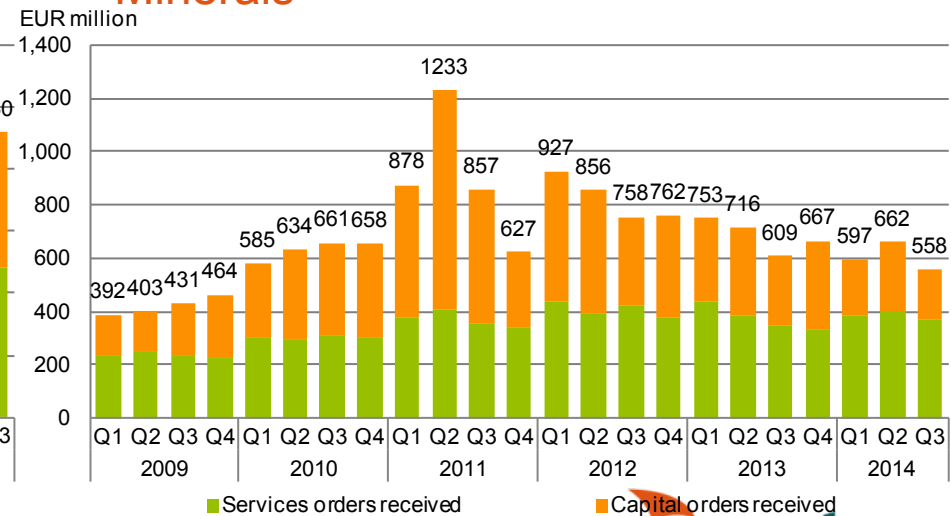
## Metso



## Flow Control



## Minerals

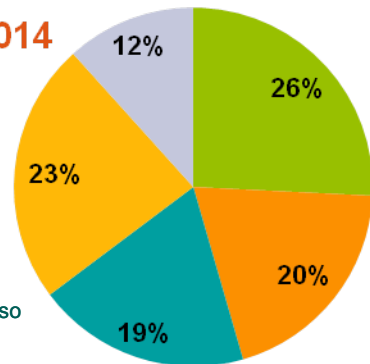


# Good global coverage

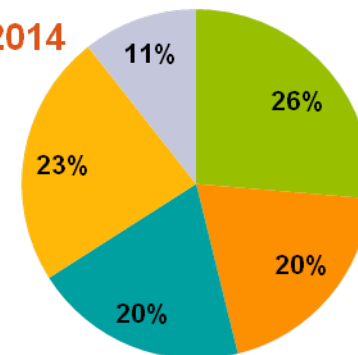
## Orders by country

EUR Million	Q3/2014	Q3/2013	Change %	Q1-Q3/2014	Q1-Q3/2013	Change %	2013
USA	118	110	8	372	371	0	486
China	67	77	-13	208	263	-21	317
Brazil	62	65	-5	190	219	-13	314
Canada	37	47	-21	145	120	21	148
Australia	50	53	-6	163	168	-3	213
Finland	39	32	21	164	126	30	183
Chile	37	36	2	120	110	9	245
India	23	25	-11	84	96	-12	121
Russia	20	24	-17	79	114	-31	141
Sweden	18	17	8	65	133	-51	163
Others	315	338	-7	1017	1,104	-8	1420
Metso Total	786	825	-5	2608	2,824	-8	3709

Q3/2014

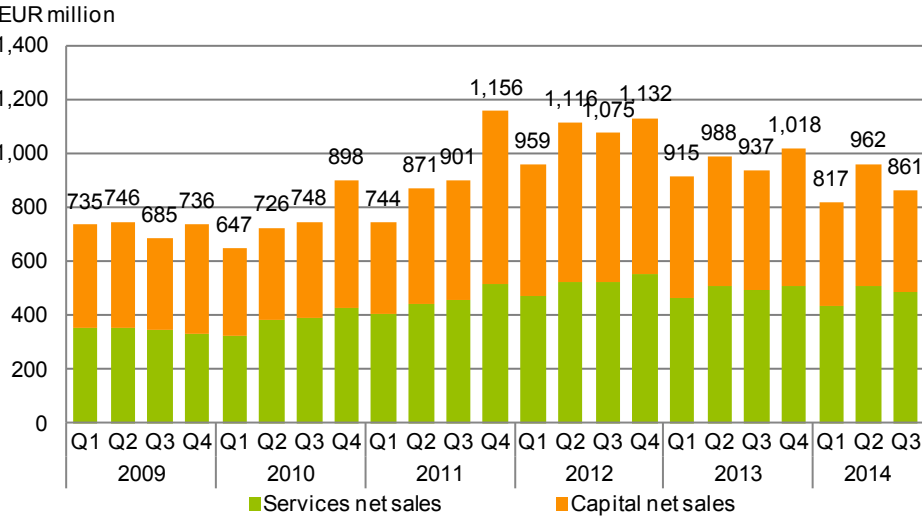


Q1-Q3/2014

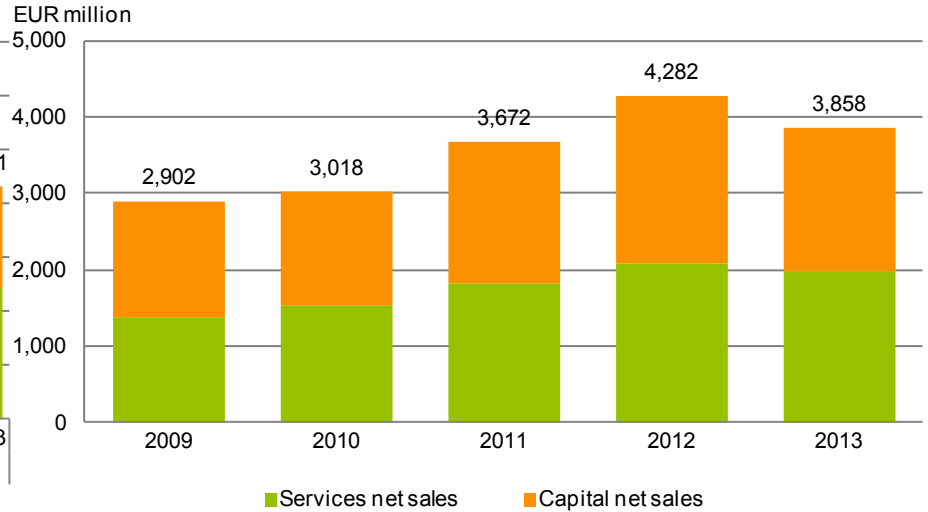


# Net sales mix continues to change

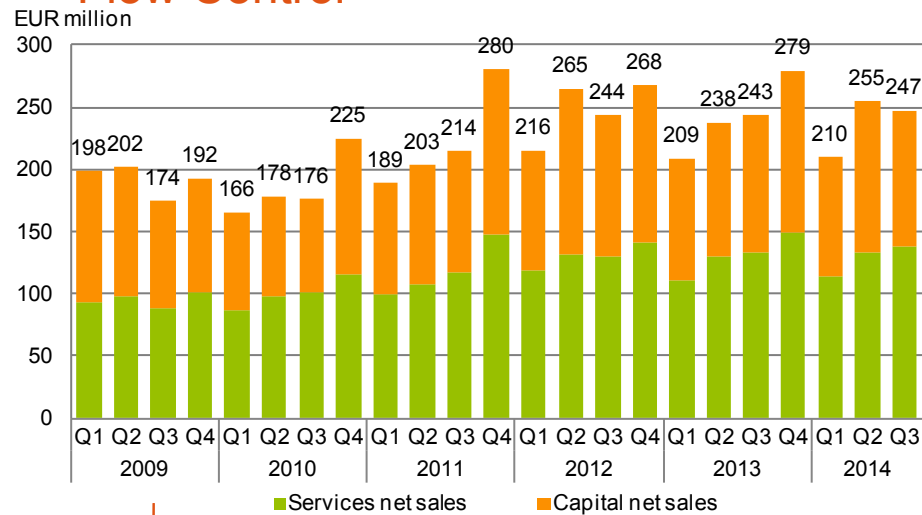
## Metso



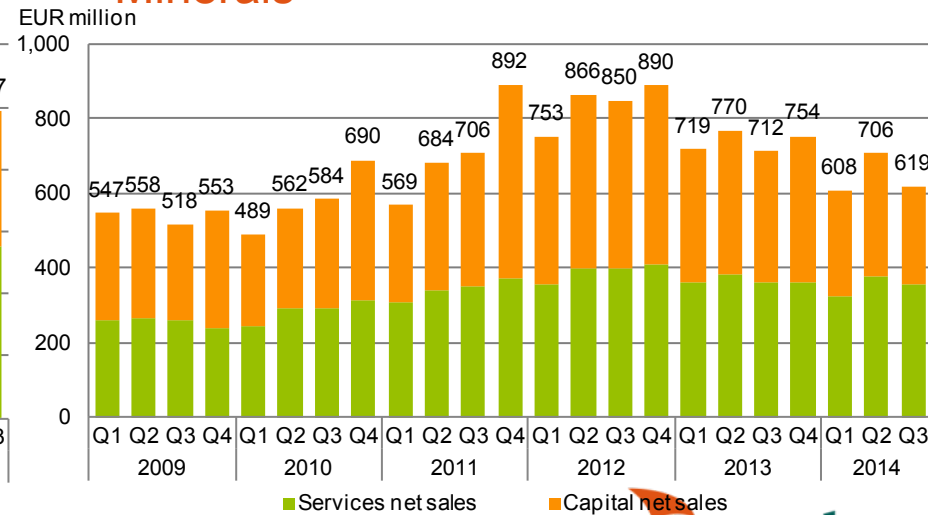
## Metso



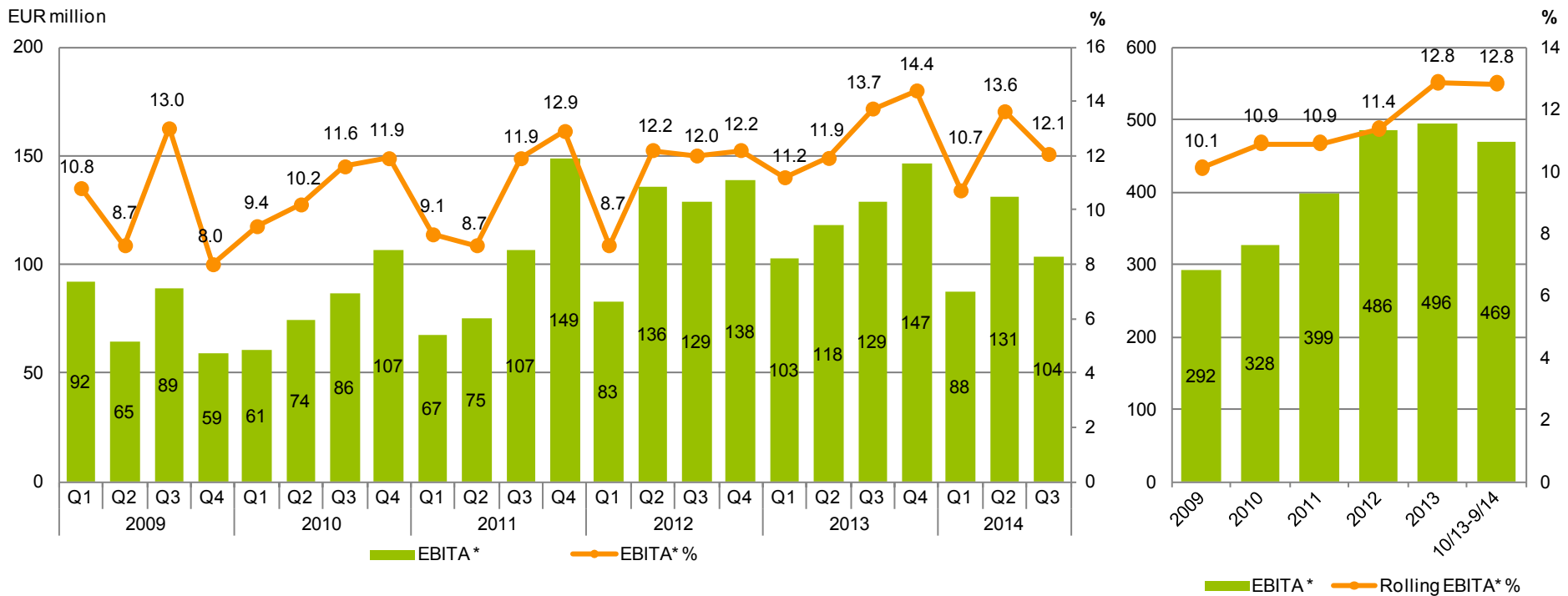
## Flow Control



## Minerals



# Profitability in line with our guidance



EBITA* %	Q3/2014	Q3/2013	
Minerals	11.9	13.4	Stable gross margins, equipment sales declined
Flow Control	16.9	16.2	Overall strong performance
Metso total	12.1	13.7	





# Financial performance

Harri Nikunen, CFO

# Services and Flow Control drive profitability

## Group key figures

EUR million	Q3/2014	Q3/2013	Change%	Q1-Q3/2014	Q1-Q3/2013	Change%	2013
Orders received	786	825	-5	2,608	2,824	-8	3,709
without currency impact			-4			-2	
Services orders received	493	470	5	1,572	1,581	-1	2,038
without currency impact			7			6	
Net sales	861	937	-8	2,640	2,840	-7	3,858
without currency impact			-7			-2	
Services net sales	490	495	-1	1,435	1,468	-2	1,976
% of net sales	57	53		54	52		51
EBITA *	104	129	-19	323	349	-8	496
% of net sales	12.1	13.7		12.2	12.3		12.8
EBIT **	72	124	-42	250	315	-21	423
Earnings per share, EUR	0.26	0.52		0.89	1.24		1.59

- Growing Services and Flow Control sales were major contributor to profitability
- Currency impact still significant

\* Before non-recurring items

\*\* Non-recurring expenses totaled 27 million in Q3/2014 (Q3/2013: 0 million) and 58 million in Q1-Q3/2014 (Q1-Q3/2013: 21 million)

# Lower EBITA driven by volume



# Our balance sheet remains strong

	<b>Sep 30, 2014</b>			<b>Dec 31, 2013</b>
Return on equity (ROE), % *	<b>15.0</b>			<b>19.0</b>
Capital Employed	<b>2,089</b>			<b>2,230</b>
Return on capital employed (ROCE) before taxes, % *	<b>15.5</b>			<b>18.6</b>
Net debt	<b>592</b>			<b>491</b>
Gearing at the end of the period, %	<b>49.6</b>			<b>41.6</b>
Cash conversion, % *	<b>105</b>			<b>105</b>
Debt to capital, %	<b>42.8</b>			<b>47.0</b>
Net working capital	<b>722</b>			<b>651</b>

# Reasonable result, despite lower volumes

## Minerals: Key figures

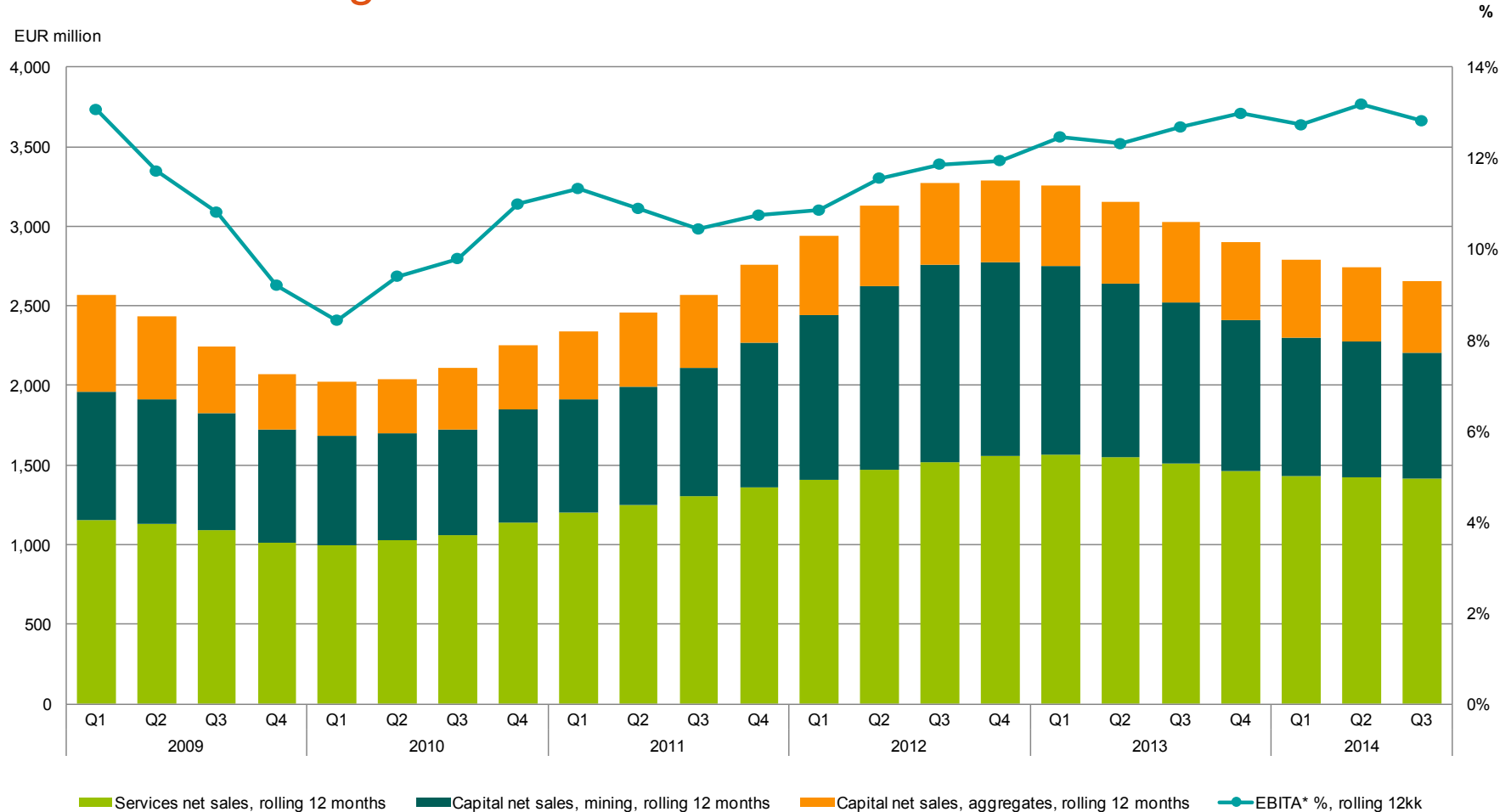
EUR million	Q3/2014	Q3/2013	Change%	Q1-Q3/2014	Q1-Q3/2013	Change%	2013
Orders received	558	609	-8	1,817	2,078	-13	2,745
without currency impact			-7			-7	
Services orders received	372	346	8	1,158	1,168	-1	1,506
without currency impact			10			7	
Net sales	619	712	-13	1,933	2,201	-12	2,955
without currency impact			-11			-6	
Services net sales	357	363	-2	1,056	1,101	-4	1,464
% of net sales	58	51		55	50		50
EBITA *	74	96	-23	238	277	-14	383
% of net sales	11.9	13.4		12.3	12.6		13.0
Return on operative capital employed **, %				18.9	25.6		25.3

### Q3/2014 vs. Q3/2013

- Services orders grew 8%
- Stable gross margins
- Declining mining equipment sales weigh on result

# Profitability not largely affected by lower volumes

## Minerals: Rolling 12-month net sales and EBITA%\*



# Good order momentum continues

## Flow Control: Key figures

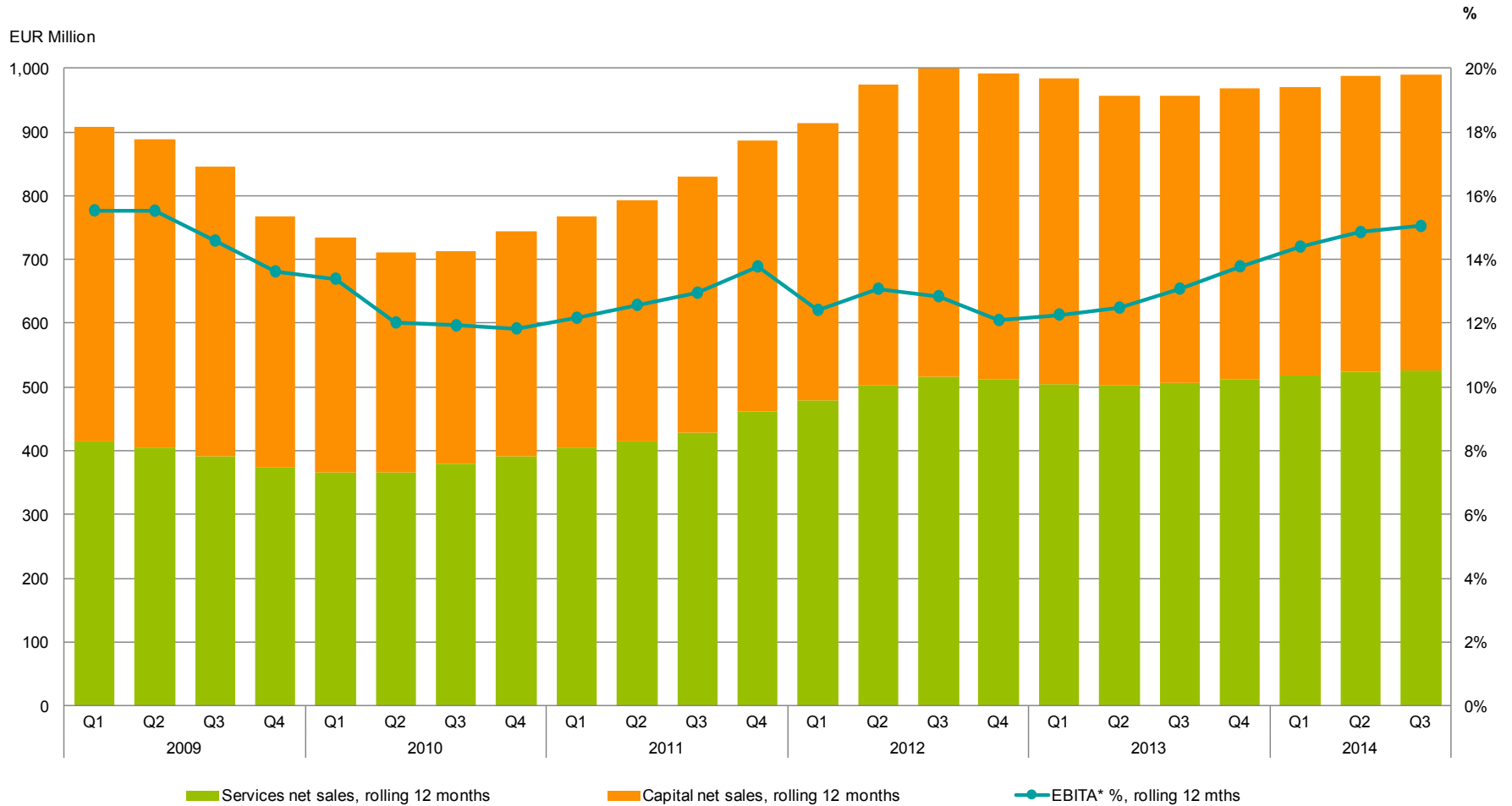
EUR million	Q3/2014	Q3/2013	Change%	Q1-Q3/2014	Q1-Q3/2013	Change%	2013
Orders received	230	226	2	794	779	2	1,012
without currency impact			1			5	
Services orders received	120	124	-3	414	412	0	533
without currency impact			-2			4	
Net sales	247	243	1	712	690	3	969
without currency impact			2			7	
Services net sales	133	131	2	379	367	3	513
% of net sales	54	54		53	53		53
EBITA *	42	39	6	106	90	17	134
% of net sales	16.9	16.2		14.9	13.1		13.8
Return on operative capital employed **, %				34.7	31.7		34.7

### Q3/2014 vs. Q3/2013

- Orders grew 2%; net sales flat
- Solid performance thanks to healthy margins and lower costs

# Strong profitability due to good margins and lower costs

## Flow Control: Rolling 12-month net sales and EBITA%\*





# Profit improvement program proceeding according to plan

- The current scope encompasses gross headcount reduction of 1,300 - 1400
- Targeted gross savings are EUR 120-130 million
- Completion rate is 75%, targeting full completion by the end of 2014
- Net personnel cost savings in Q1-Q3/2014 vs. Q1-Q3/2013 about EUR 50 million (down by 8%), which is in line with targets
- S,G&A costs down by 8% in Q3/2014 vs. Q3/2013
- The total year-to-date savings are EUR 75 million including procurement
- 100% savings runrate to be achieved in H1/2015





# Outlook and guidance

Matti Kähkönen  
President and CEO

# Market outlook remains roughly unchanged

## Mining



**55% of net sales  
of which 55% services**

**Current demand:**

- Weak for the equipment and project business
- Services good

## Aggregates



**20% of net sales  
of which 40% services**

**Current demand:**

- Satisfactory for equipment and services

## Flow Control



**22% of net sales  
of which 45% services**

**Current demand:**

- Good in oil and gas; satisfactory in pulp and paper
- Services good

### 3-6 months market outlook



Equipment



Services



Equipment



Services

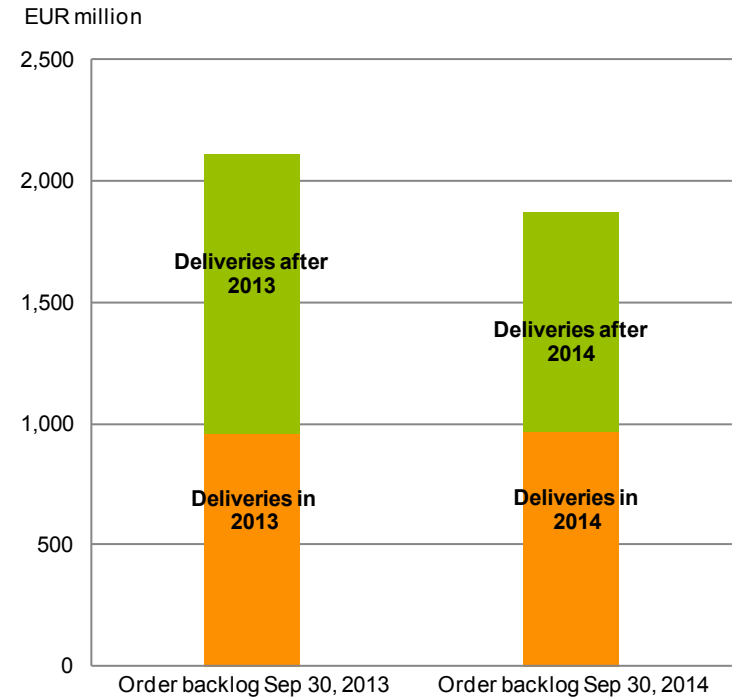
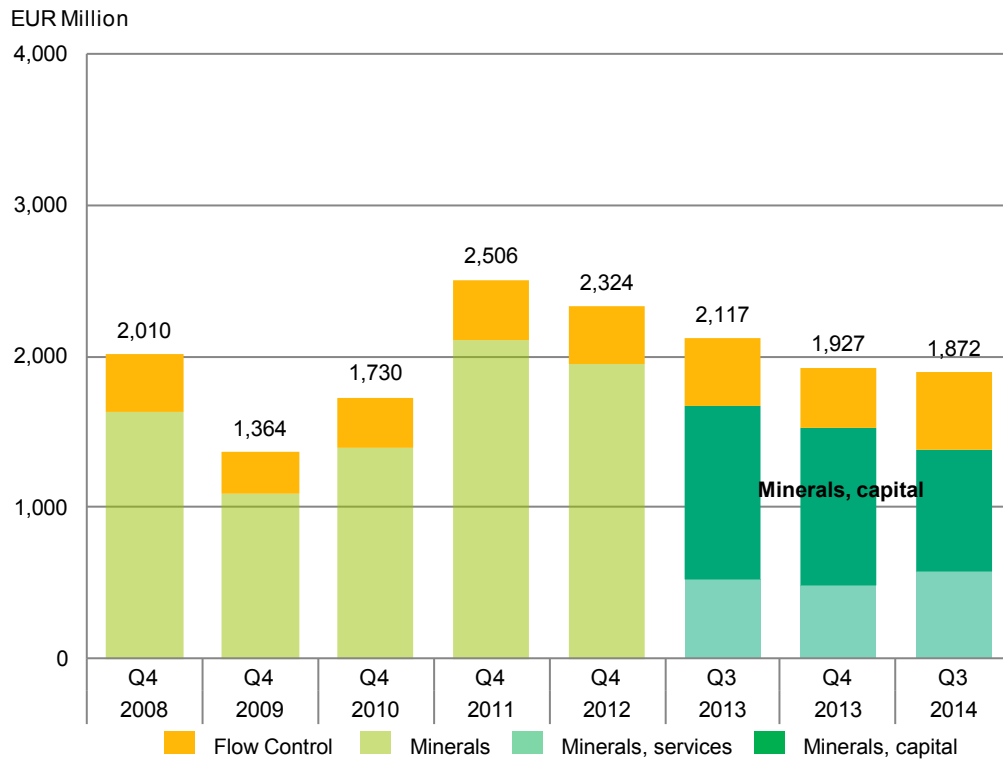


Equipment



Services

# Backlog for Services and Flow Control has grown



- Around 52 percent of backlog is expected to be recognized as net sales in 2014
- Backlog for the rest of the year is at the same level than a year ago
- Around 51 percent of the backlog for 2014 is services

# Guidance for 2014

## Original guidance from February 6 intact

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 around 12%





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