Q3/2019 results

Pekka Vauramo, President and CEO
Eeva Sipilä, CFO

October 25, 2019

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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.

Results in brief

Pekka Vauramo
President and CEO

Q3 highlights

Healthy market activity; strong services and Valves orders

Decision-making slow related to new mining projects

High sales growth and further improved profitability

McCloskey acquisition closed in October

Metso Outotec and Neles transaction proceeding according to plan

Third-quarter group financials

Orders received up 1% to EUR 894 million (883 million)

Sales up 19% to EUR 933 million (786 million)

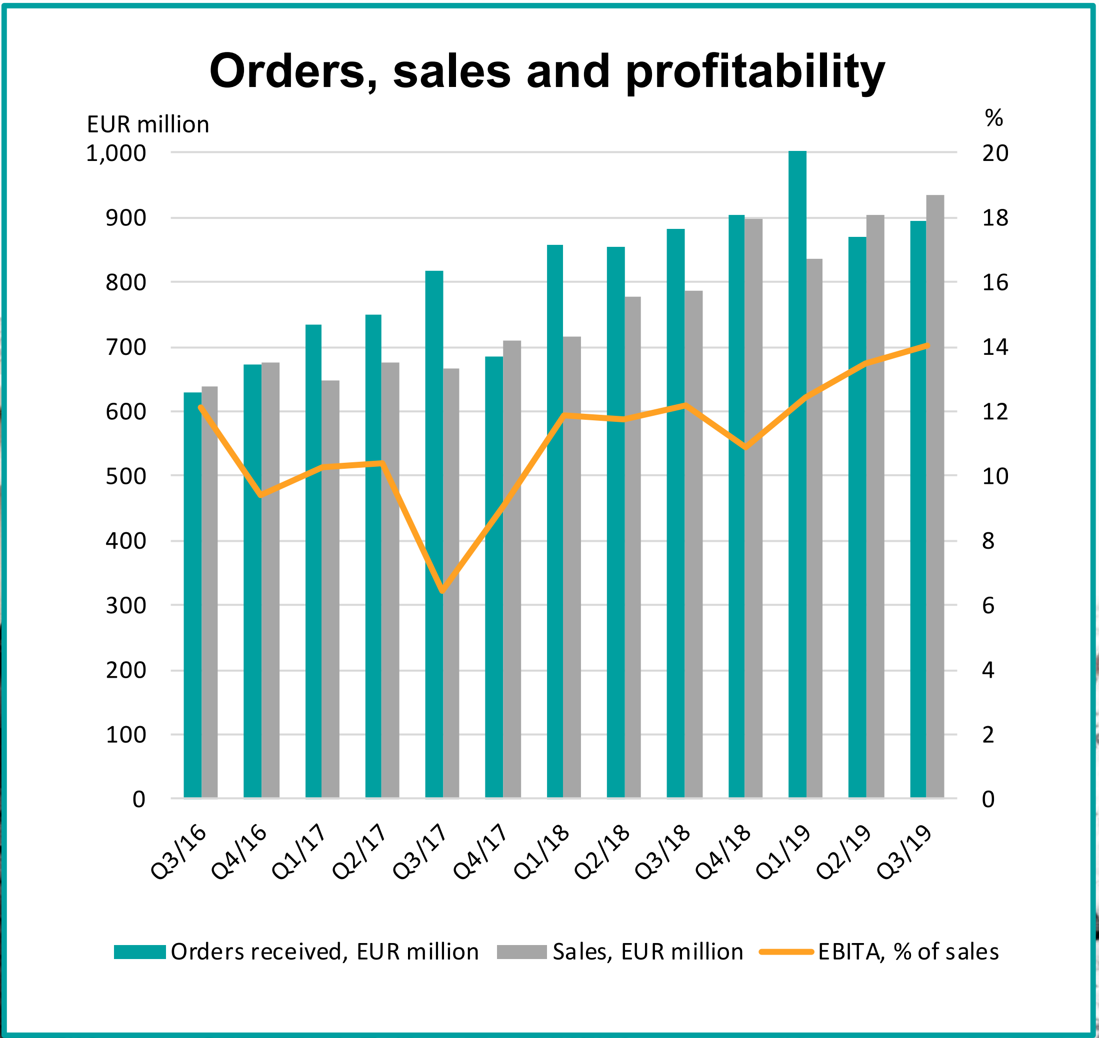
Adjusted EBITA* was EUR 131 million, margin of 14.0% (96 million and 12.1%)

Footprint and M&A related cost adjustments EUR 17 million

Operating profit was EUR 108 million, margin of 11.5% (91 million or 11.6%)

Earnings per share were EUR 0.49 (EUR 0.40)

Free cash flow was EUR 12 million (66 million)



The figures in brackets refer to the corresponding period in 2018, unless otherwise stated.

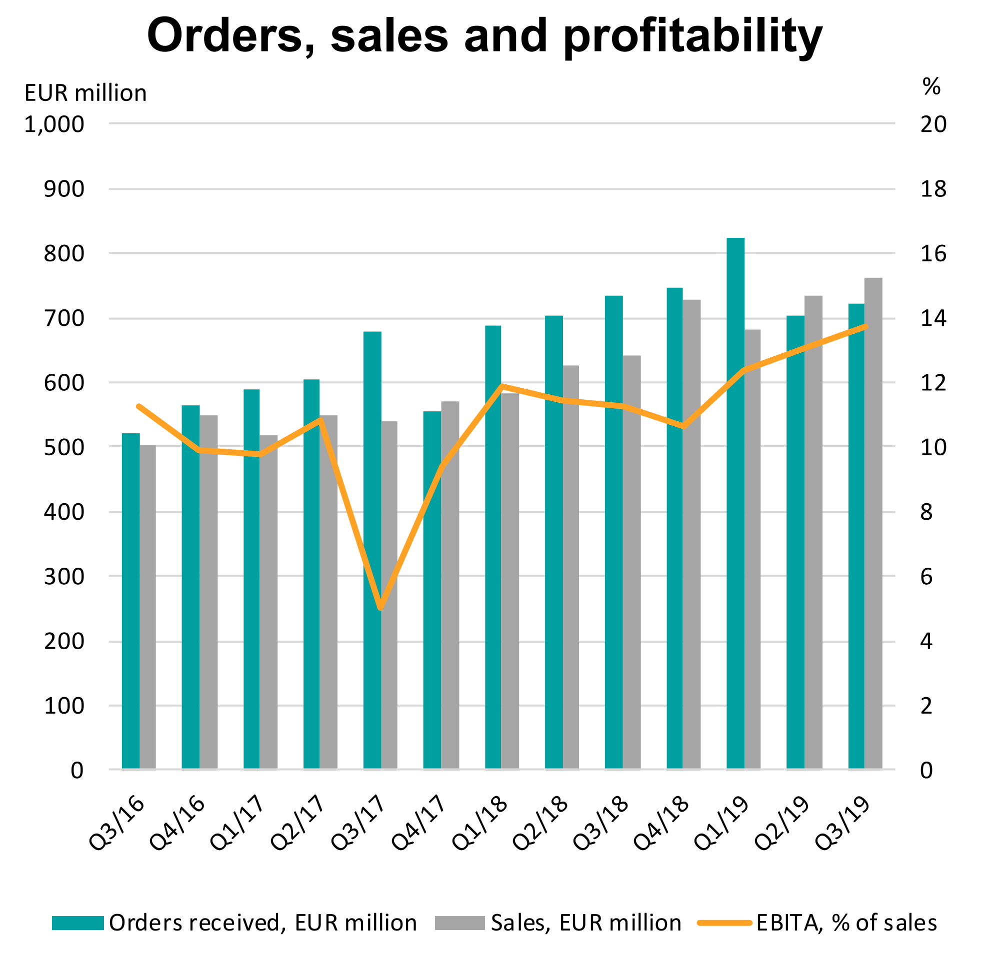
* Adjustment items amounted to EUR 17 million in Q3/2019 and EUR 21 million in Q1-Q3/2019, while comparative periods for year 2018 do not include any adjustment items.

Minerals quarterly highlights

Orders received -2% to EUR 722 million (734 million)
- Services orders grew 14%
- Aggregates equipment orders up slightly during seasonally low quarter
- Slow decision-making related to new mining projects

Sales up 19% to EUR 763 million (641 million)
- Double-digit growth in both equipment and services
- Share of services unchanged at 63%

Adjusted EBITA* margin improved to 13.7% (11.3%)
- Improved efficiency and operational leverage
- Footprint and M&A related cost adjustments EUR 11 million



* Adjustment items amounted to EUR 11 million in Q3/2019 and EUR 14 million in Q1-Q3/2019, while comparative periods for year 2018 do not include any adjustment items.

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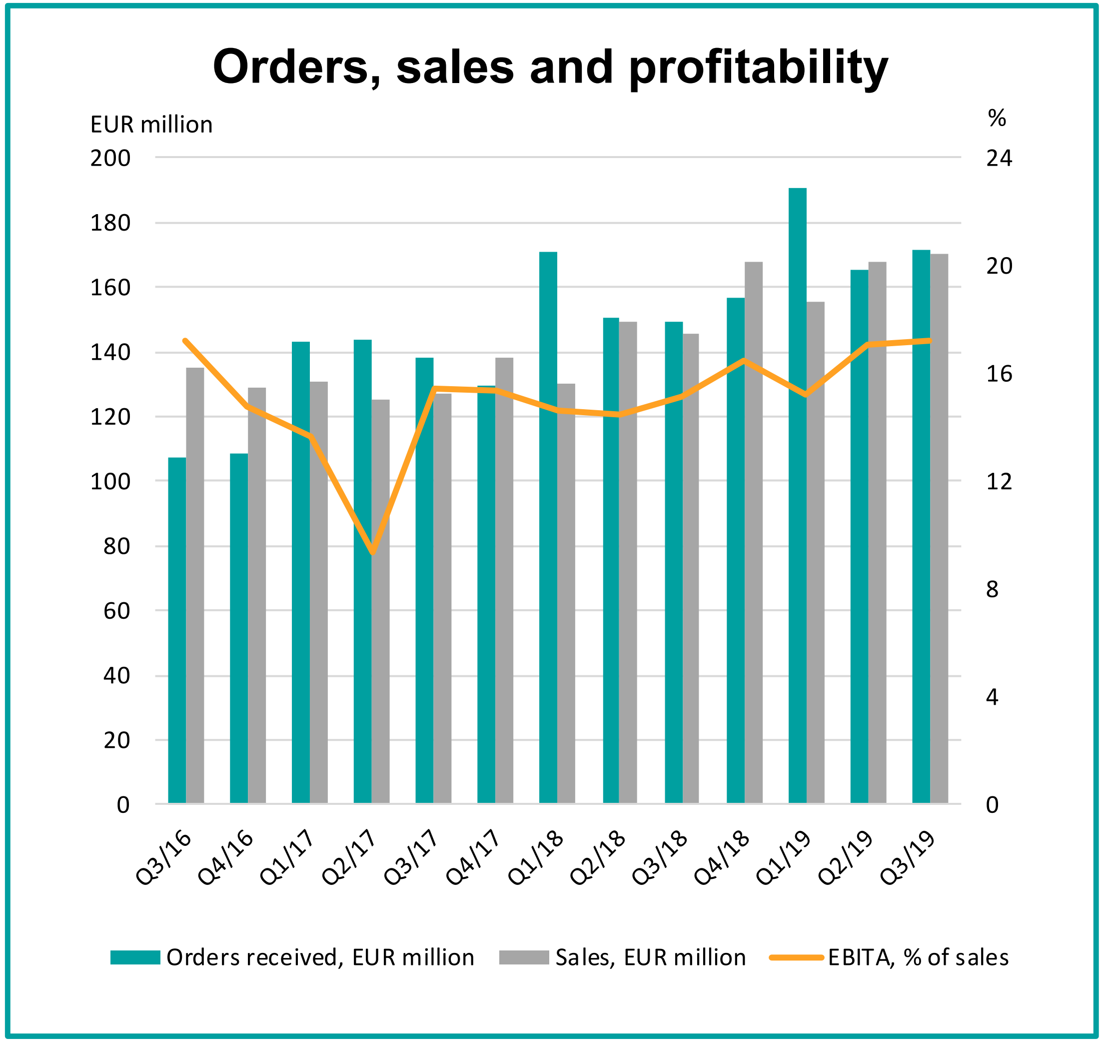
Flow Control quarterly highlights

Orders received up 15% to EUR 171 million (149 million)
- Strong 20% growth in services
- Increased orders from oil & gas and pulp & paper

Sales up 16% to EUR 170 million (146 million)
- Double-digit growth in both equipment and services
- 3% growth from acquisition in India

Adjusted EBITA* margin improved to 17.2% (15.1%)
- Strong overall performance and operational leverage
- No adjustments



* There were no adjustment items for Flow Control segment in Q1/19, Q1-Q3/ 19 or the comparison periods in 2018.

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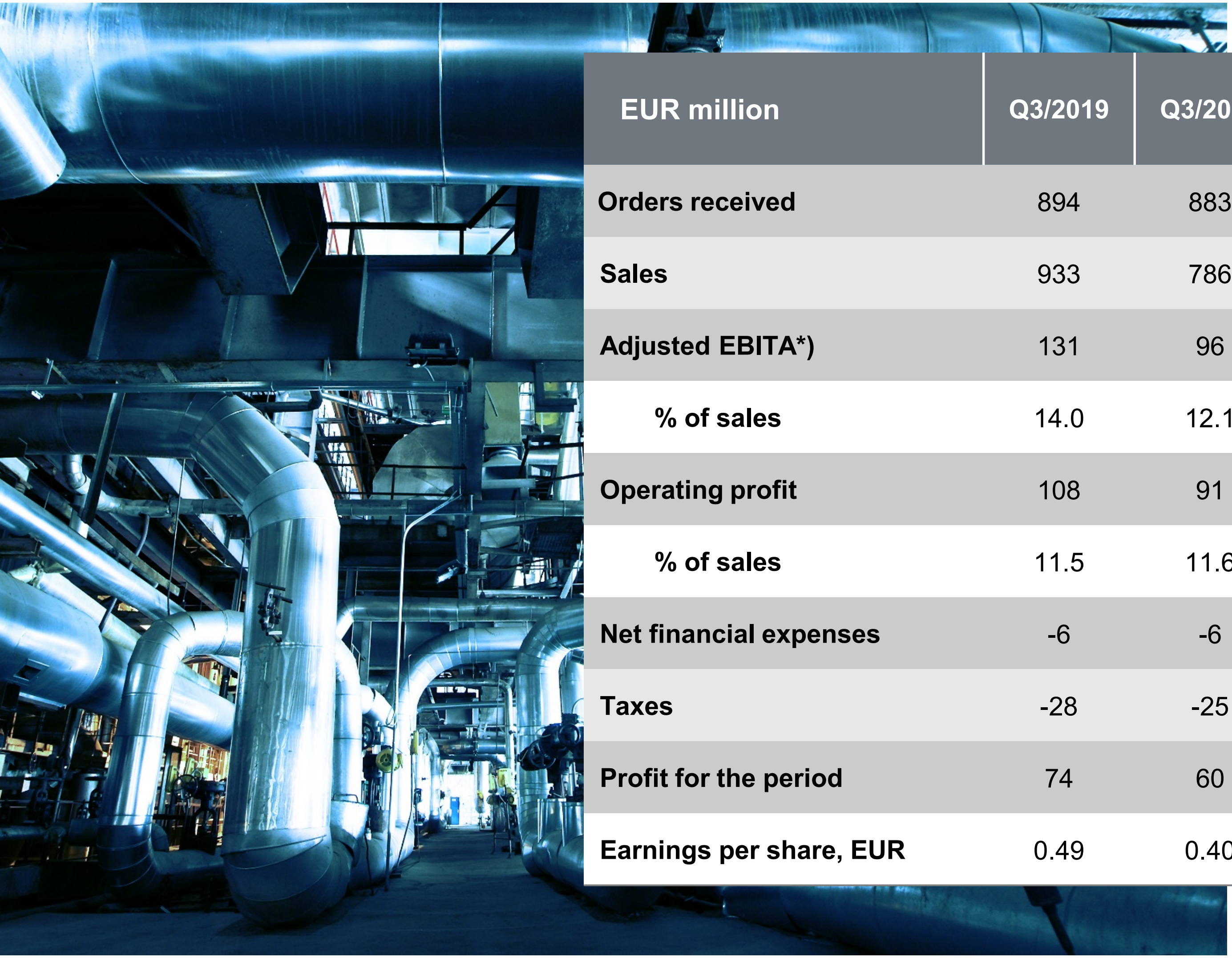
Financials in detail

Eeva Sipilä
CFO

Income statement



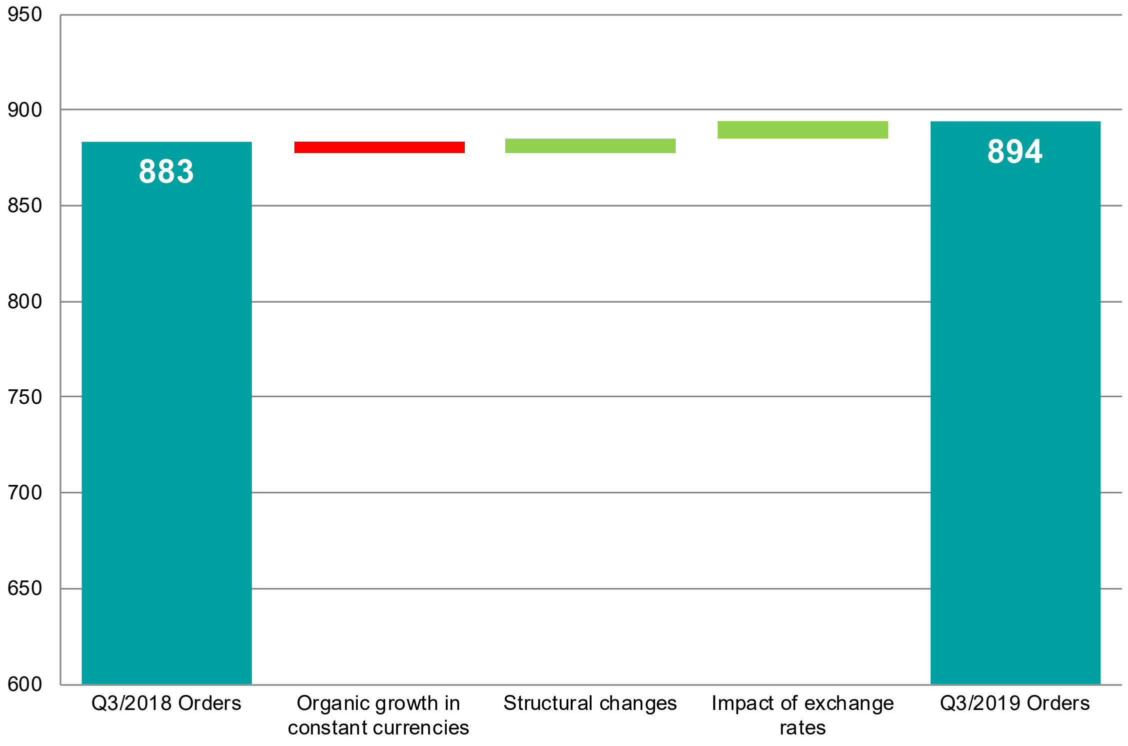
EUR million	Q3/2019	Q3/2018	*Change %*	Q1-Q3/2019	Q1-Q3/2018	*Change %*	2018	Last 12 months
Orders received	894	883	*1*	2,776	2,597	*7*	3,499	3,680
Sales	933	786	*19*	2,672	2,276	*17*	3,173	3,569
Adjusted EBITA*)	131	96	*36*	356	272	*31*	369	454
% of sales	14.0	12.1		13.3	11.9		11.6	12.7
Operating profit	108	91	*19*	322	258	*25*	351	415
% of sales	11.5	11.6		12.0	11.3		11.1	11.6
Net financial expenses	-6	-6	*0*	-26	-21	*24*	-30	-35
Taxes	-28	-25	*12*	-69	-70	*-1*	-92	-91
Profit for the period	74	60	*23*	227	167	*36*	229	289
Earnings per share, EUR	0.49	0.40	*23*	1.52	1.11	*37*	1.53	1.94

*) Adjustment items amounted to EUR 17 million in Q3/2019 and EUR 21 million in Q1-Q3/2019, while comparative periods for year 2018 do not include any adjustment items..

Impacts of structural changes and currencies

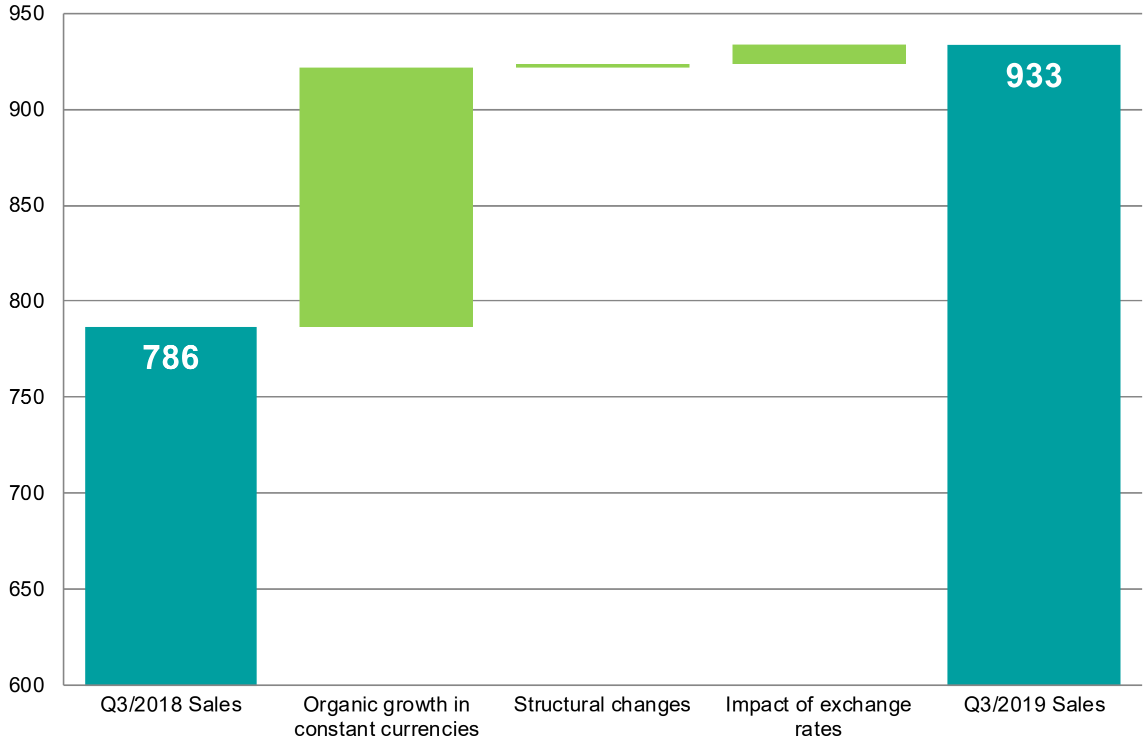
Orders received

EUR million

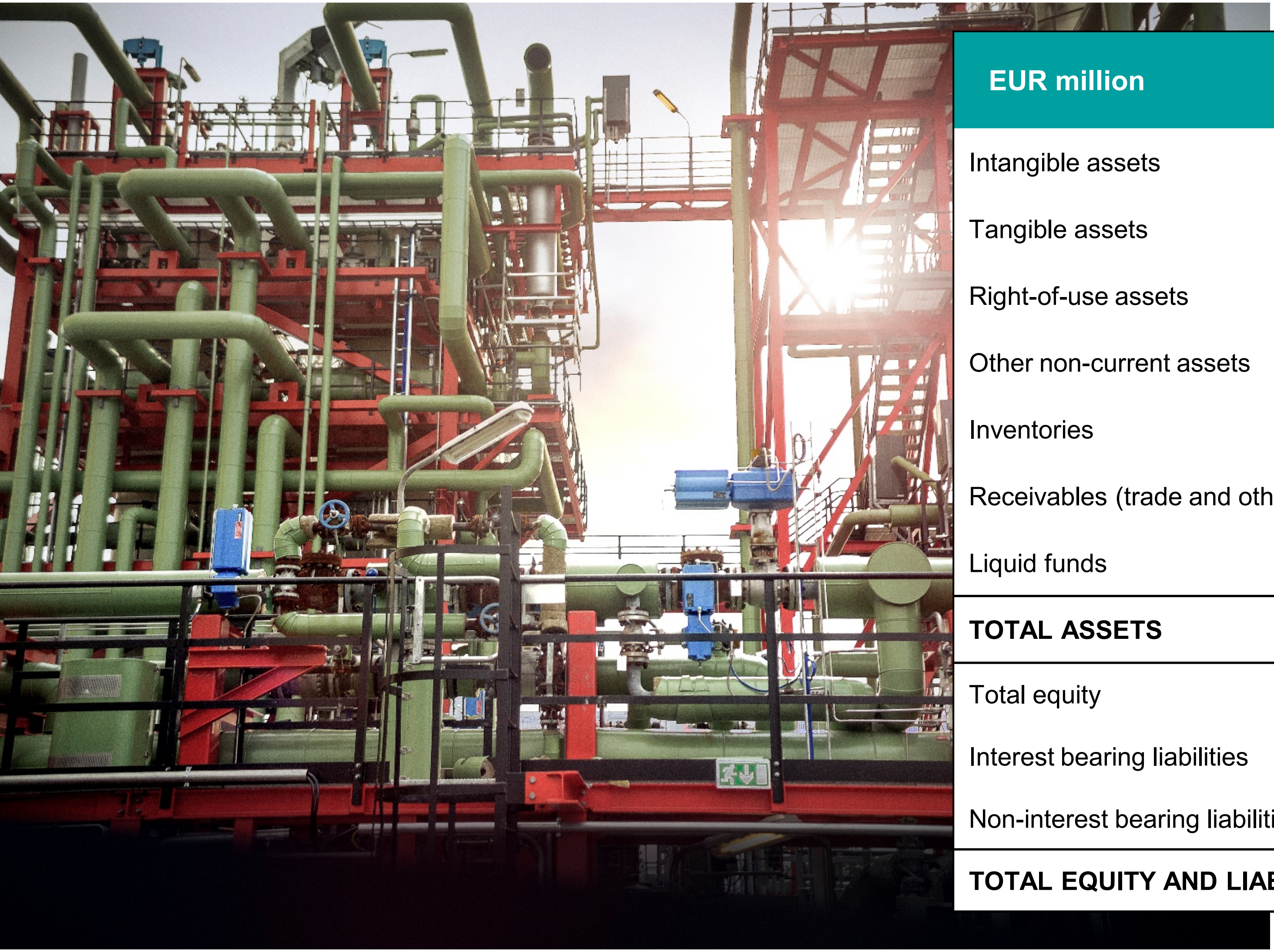


Sales

EUR million



Balance sheet



EUR million	Sept 30, 2019	% of total	Dec 31, 2018	% of total
Intangible assets	632	16%	608	*19%*
Tangible assets	334	8%	305	*9%*
Right-of-use assets	131	3%	0	*0%*
Other non-current assets	173	4%	157	*5%*
Inventories	1,046	27%	950	*29%*
Receivables (trade and other)	1,014	26%	834	*25%*
Liquid funds	642	16%	426	*13%*
TOTAL ASSETS	**3,972**		**3,279**	
Total equity	1,477	37%	1,416	*43%*
Interest bearing liabilities	1,068	27%	598	*21%*
Non-interest bearing liabilities	1,427	36%	1,265	*36%*
TOTAL EQUITY AND LIABILITIES	3,972		3,279	

IFRS 16 is adopted in the 2019 figures. Comparison figures for 2018 are not restated.

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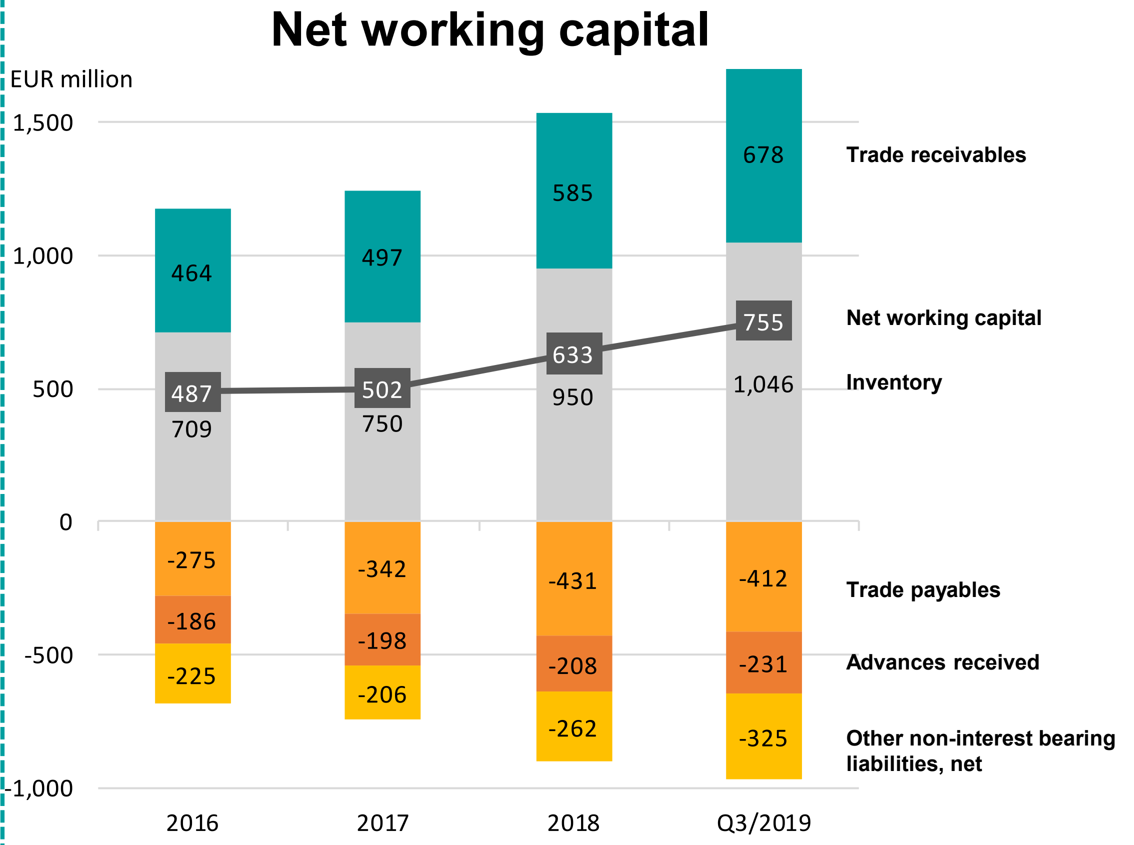
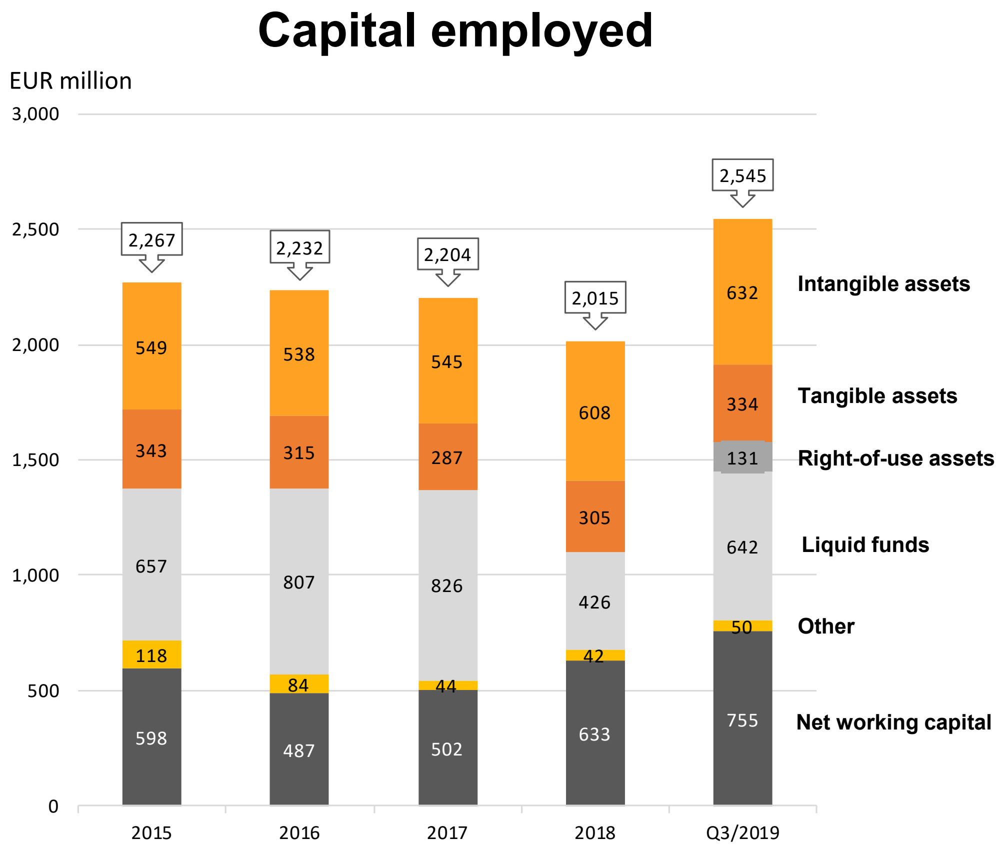
Net working capital and capital employed





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Cash flow

EUR million	Q3/2019	Q1-Q3/2019	2018
Profit for the period	74	227	229
Adjustments	63	168	181
Change in net working capital	-83	-243	-129
Financial income and expenses paid, net	-2	-18	-17
Taxes paid	-31	-83	-87
Net cash flows from operating activities	21	52	177
Capital expenditure on fixed assets	-31	-72	-67
Business acquisitions, net of cash	4	-30	-77
Proceeds from sale of businesses, net of cash sold	-	9	-
Other	4	5	1
Net cash flow from investments	-23	-89	-143
Free cash flow	12	22	146

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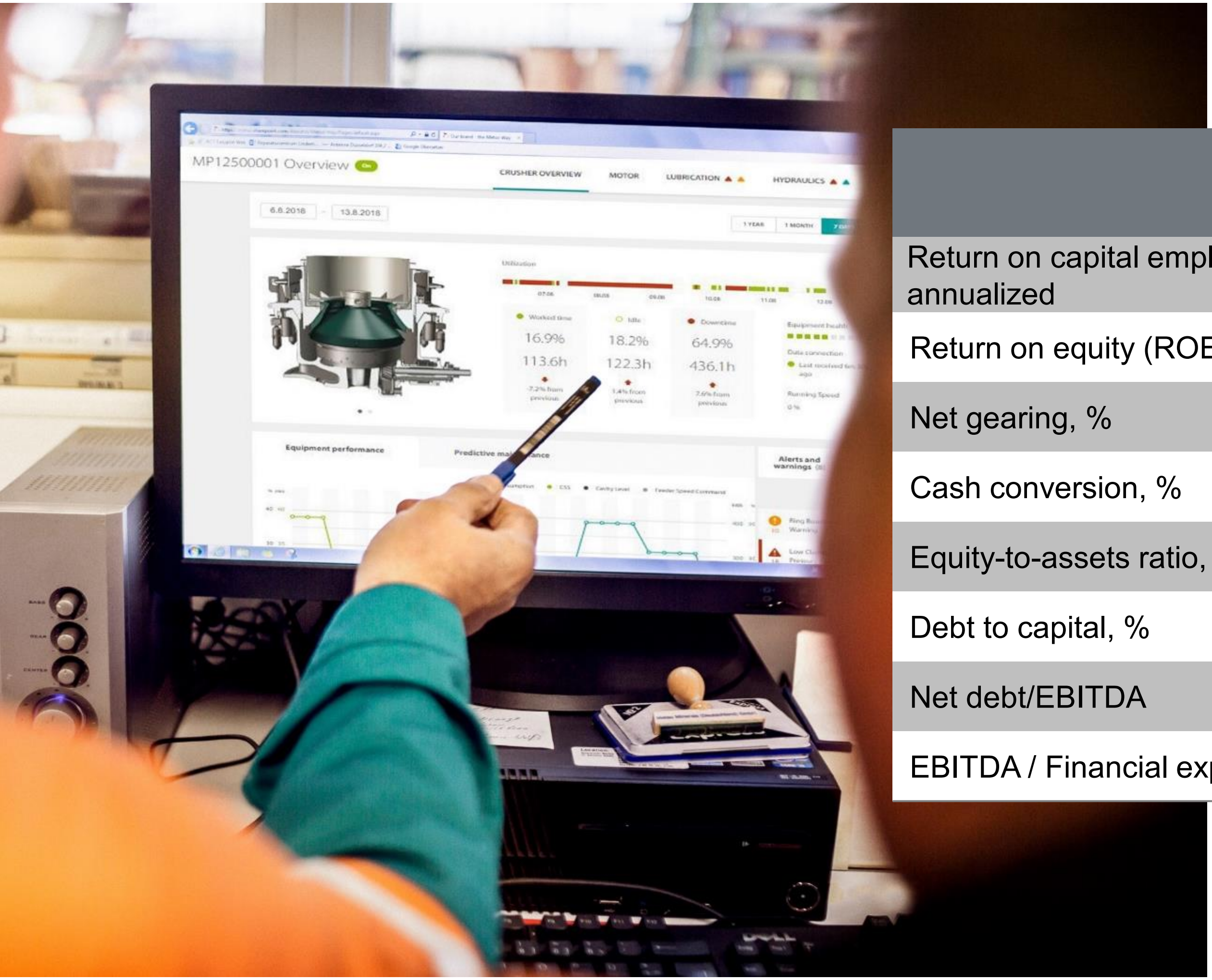
Financial position



	Sept 30, 2019	Dec 31, 2018
Return on capital employed before taxes (ROCE), %, annualized	**19.2**	**16.9**
Return on equity (ROE), %, annualized	**21.0**	**16.5**
Net gearing, %	**28.4**	**11.7**
Cash conversion, %	**10**	**64**
Equity-to-assets ratio, %	**40.2**	**47.7**
Debt to capital, %	**42.0**	**29.7**
Net debt/EBITDA	**0.8**	**0.4**
EBITDA / Financial expenses, net (interest coverage)	**14.4**	**13.7**

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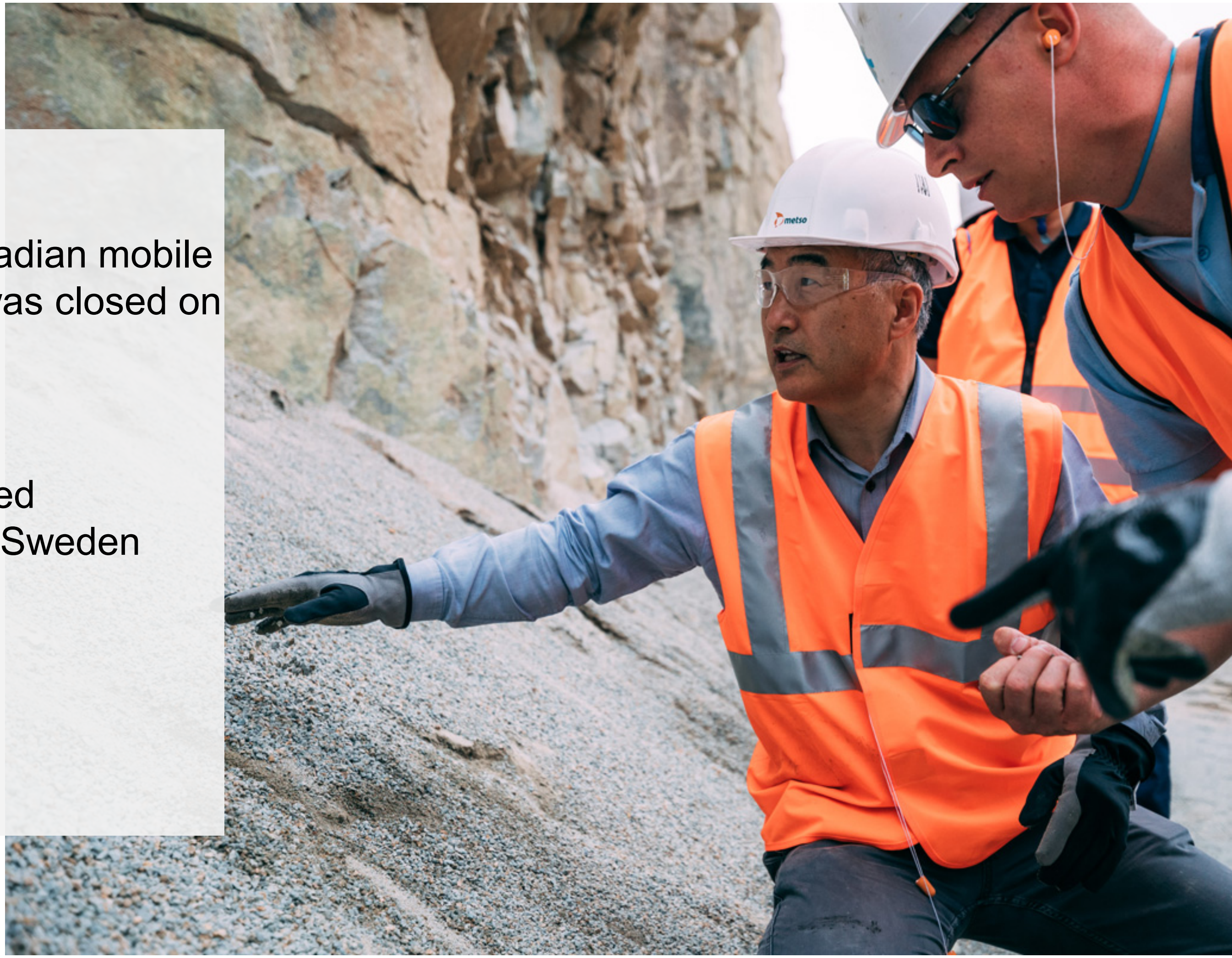
Strategy and outlook

Pekka Vauramo
President and CEO

Strategy execution



Strategic acquisitions

- Acquisition of McCloskey International, a Canadian mobile crushing and screening equipment provider, was closed on October 1.

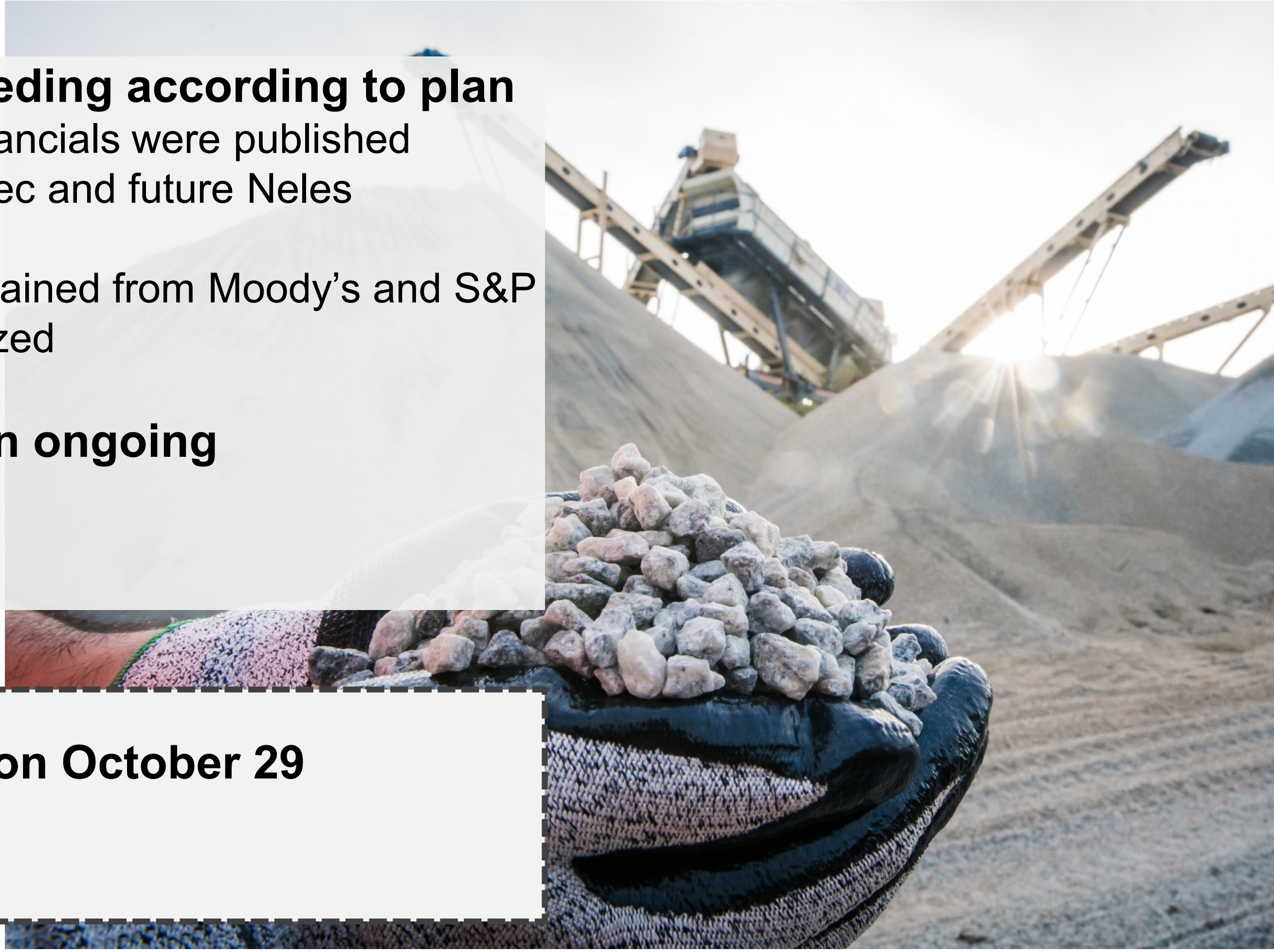
Supply footprint development

- Foundry operations in South Africa discontinued
- Negotiations ongoing at consumables sites in Sweden

Research and development at 1.7% of sales in January-September

- EUR 8 million growth year-on-year

Transaction to create Metso Outotec and Neles



Financial preparations of the transaction proceeding according to plan

- Prospectus (Offering Circular) and carve-out financials were published
- Revolving credit facilities for future Metso Outotec and future Neles were signed
- Credit ratings for future Metso Outotec were obtained from Moody's and S&P
- Bond consent solicitation process is being finalized

Planning of the future Metso Outotec integration ongoing

Preparations for future Neles strategy ongoing

EGMs of both Metso and Outotec to take place on October 29

Targeted closing in Q2/2020

Market outlook

Market activity in both segments, Minerals and Flow Control, is expected to remain at the current level in both the equipment and services business.

Metso's market outlook describes the expected sequential development in market activity during the following six-month period using three categories: improve, remain at the current level, or decline.

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Expect results

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