



Q2 and half-year 2019 results

Pekka Vauramo, President and CEO
Eeva Sipilä, CFO

July 25, 2019

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

Q2 highlights

Healthy market activity continued

Good order intake for both segments

- Growth in aggregates and services; strong flow of small orders in mining equipment
- Services, distribution and day-to-day strong in Flow Control

Strong sales growth and margin expansion

- Equipment sales continued to grow faster than services
- Profitability improved despite the mix

Successful strategy implementation

- Mining service acquisition closed in Chile
- McCloskey acquisition in Canada (aggregates equipment) announced
- Transaction to create Metso Outotec and Neles announced on July 4

Second-quarter group financials

Orders received up 2% to EUR 869 million (855 million)

Sales up 16% to EUR 903 million (776 million)

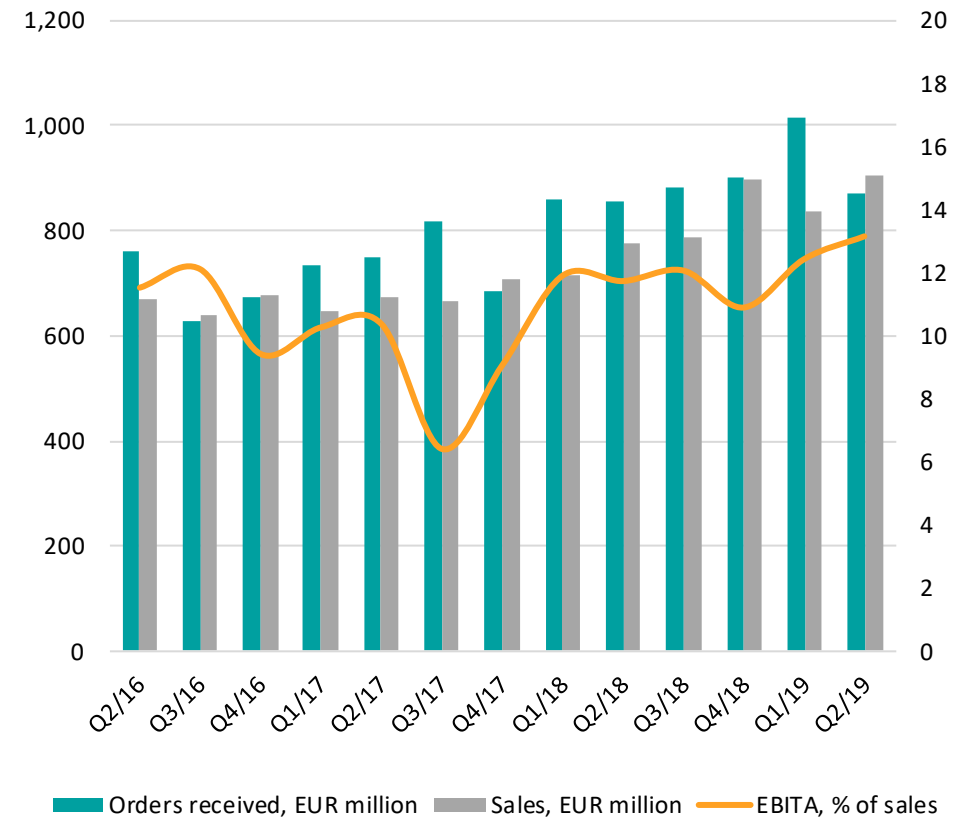
EBITA was EUR 119 million, margin of 13.1%
(91 million and 11.7%)

Operating profit was EUR 114 million, margin of 12.6%
(86 million or 11.1%)

Earnings per share were EUR 0.59 (EUR 0.38)

Free cash flow was EUR 28 million negative
(21 million positive)

Orders, sales and profitability



Minerals quarterly highlights

Orders received flat at EUR 704 million (704 million)

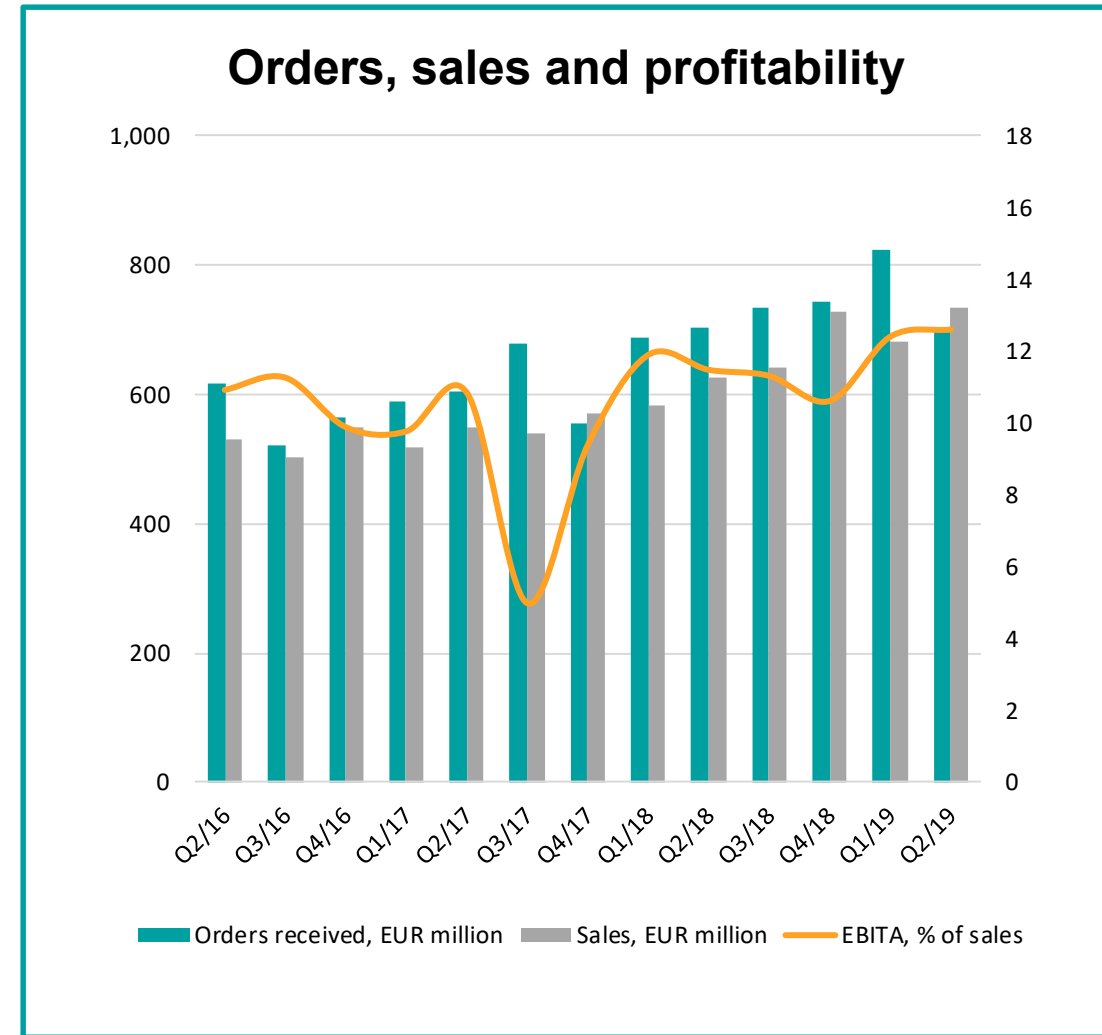
- Services and aggregates equipment grew well
- Good intake of small orders in mining equipment
- Healthy proposal pipeline in mining

Sales up 17% to EUR 735 million (627 million)

- Driven by equipment
- Share of services 59% (66%)

EBITA margin improved to 12.6% (11.5%)

- Improved execution in all businesses



Flow Control quarterly highlights

Orders received up 9% to EUR 165 million (151 million)

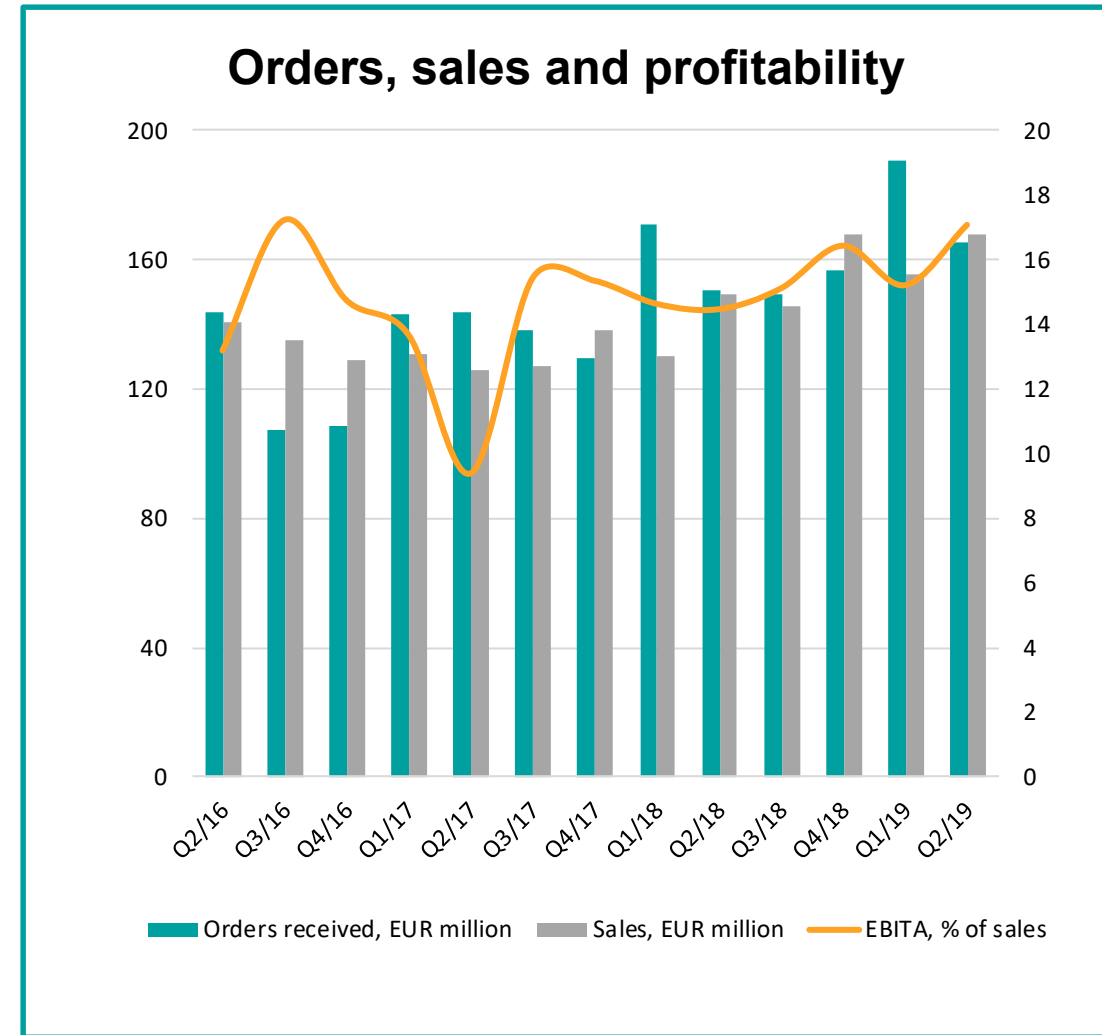
- Solid growth in services, distribution and day-to-day
- Project orders from oil & gas market in Asia
- Healthy proposal pipeline for pulp and paper projects

Sales up 13% to EUR 168 million (149 million)

- Double-digit growth for both equipment and services
- Majority was organic

EBITA margin improved to 17.1% (14.5%)

- Strong performance and operational leverage





Financials in detail

Eeva Sipilä
CFO

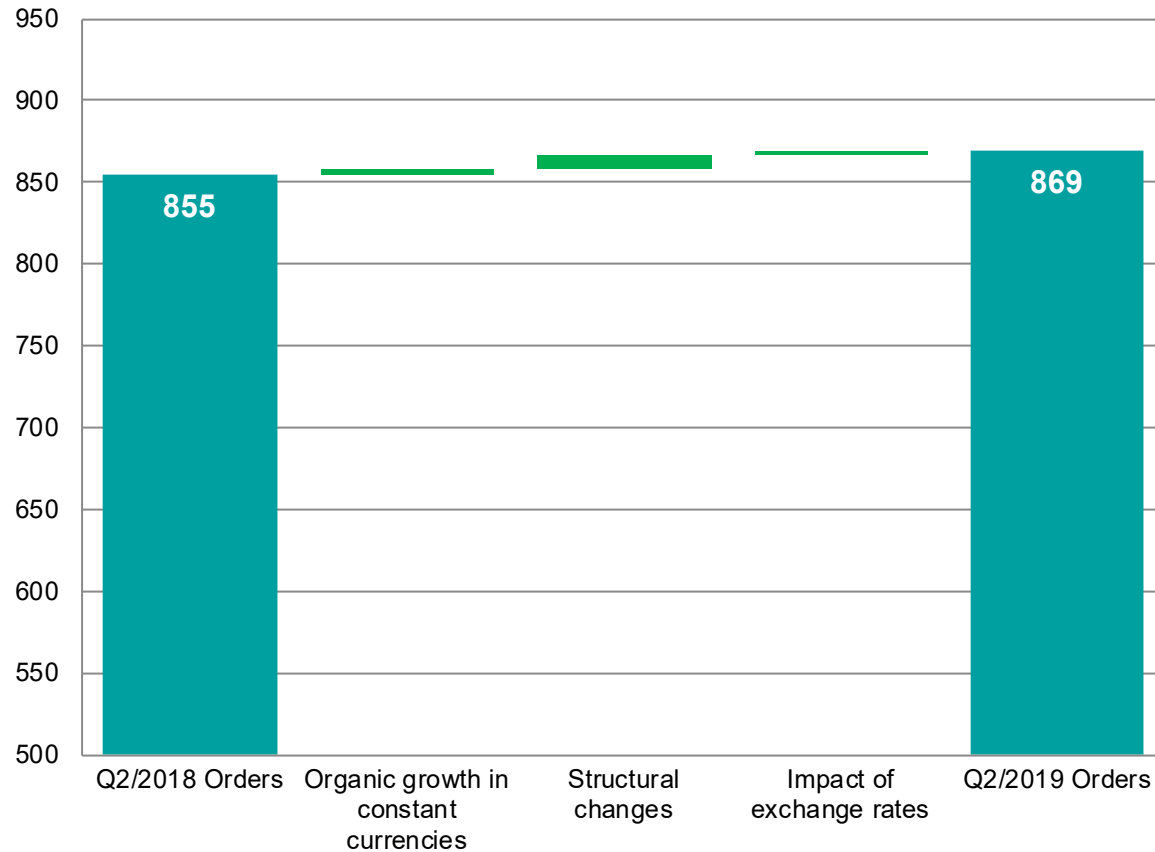
Income statement

EUR million	Q2/2019	Q2/2018	Change %	H1/2019	H1/2018	Change %	2018	Last 12 months
Orders received	869	855	2	1,883	1,714	10	3,499	3,670
Sales	903	776	16	1,739	1,490	17	3,173	3,422
EBITA	119	91	31	222	176	26	369	416
% of sales	13.1	11.7		12.8	11.8		11.6	12.1
Operating profit	114	86	33	214	167	28	351	398
% of sales	12.6	11.1		12.3	11.2		11.1	11.6
Net financial expenses	-10	-5		-20	-15		-30	-35
Taxes	-15	-24		-41	-45		-92	-88
Profit for the period	89	57	56	154	107	44	229	275
Earnings per share, EUR	0.59	0.38		1.02	0.71		1.53	1.84

Impacts of structural changes and currencies

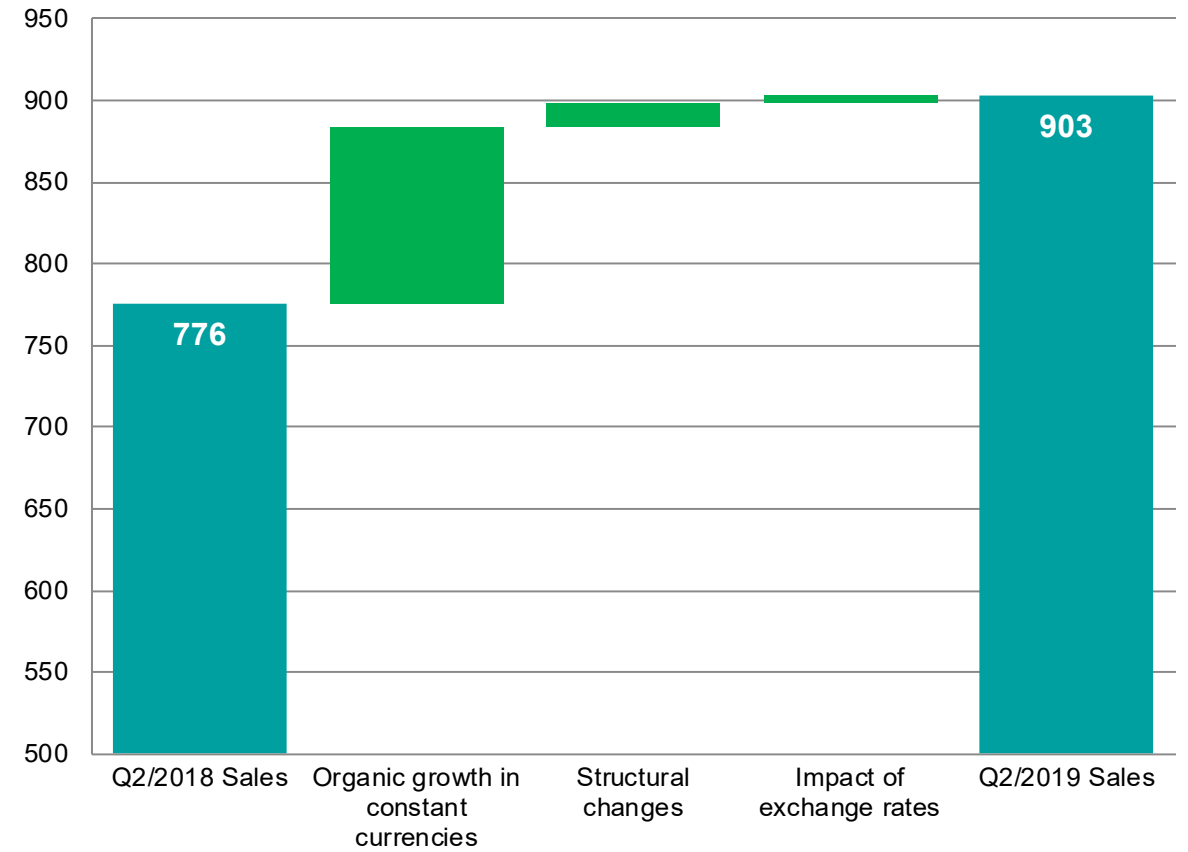
Orders received

EUR million

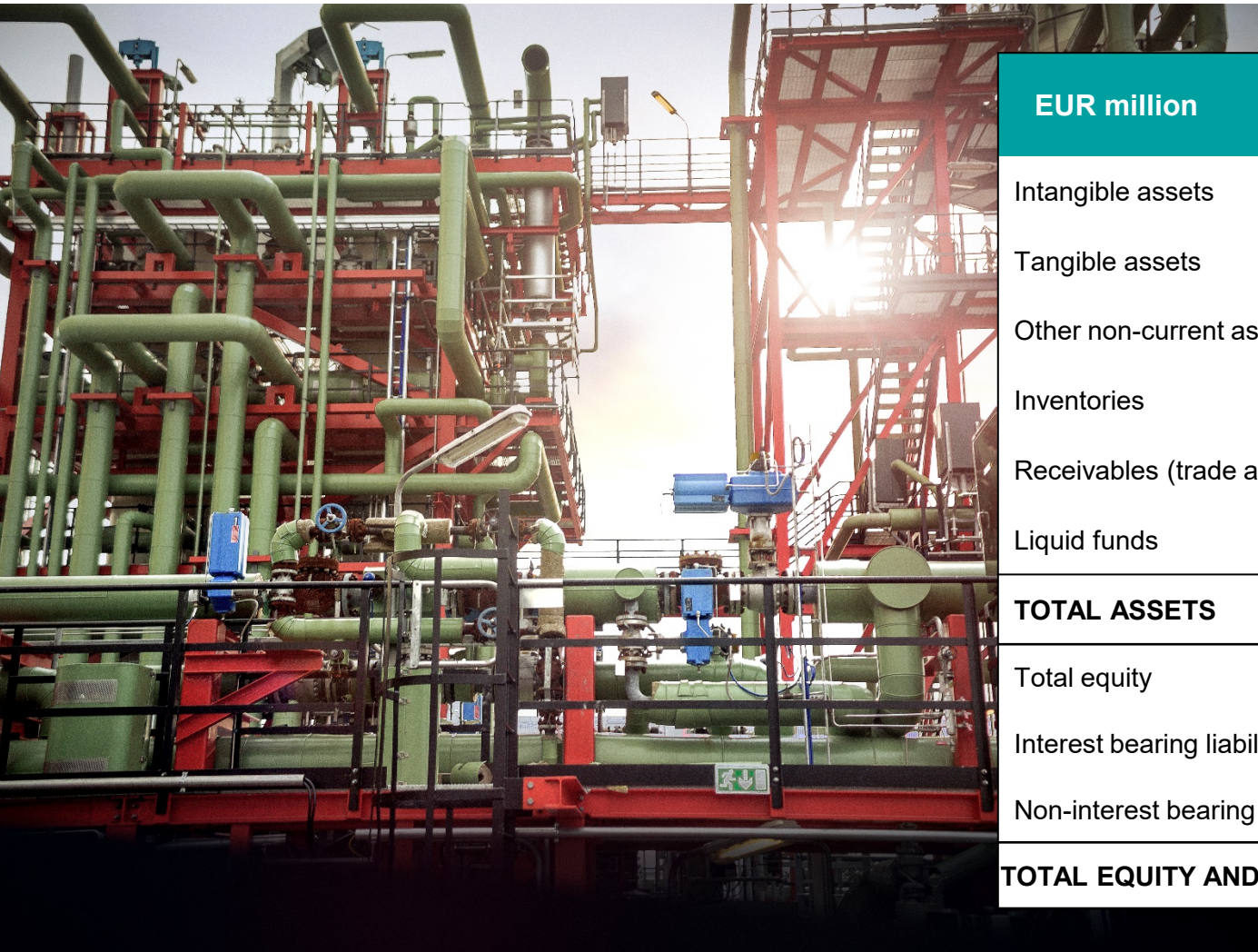


Sales

EUR million

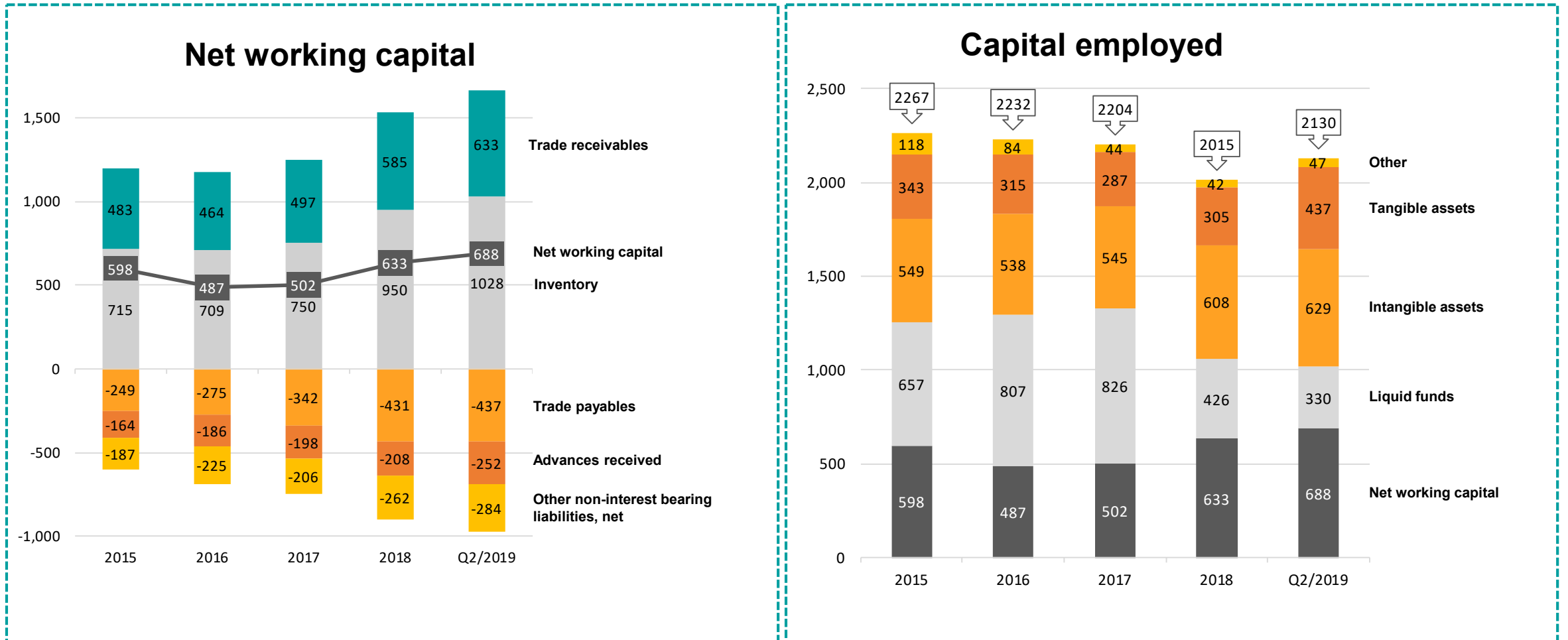


Balance sheet



EUR million	June 30, 2019	% of total	Dec 31, 2018	% of total
Intangible assets	629	18%	608	19%
Tangible assets	322	9%	305	9%
Other non-current assets	167	4%	157	5%
Inventories	1,028	28%	950	29%
Receivables (trade and other)	949	27%	834	25%
Liquid funds	330	14%	426	13%
TOTAL ASSETS	3,540		3,279	
Total equity	1,394	42%	1,416	43%
Interest bearing liabilities	736	20%	598	21%
Non-interest bearing liabilities	1,410	38%	1,265	36%
TOTAL EQUITY AND LIABILITIES	3,540		3,279	

Net working capital and capital employed



Cash flow



EUR million	H1/2019	2018
Profit for the period	154	229
Adjustments	106	181
Change in net working capital	-160	-129
Financial items, paid	-16	-17
Taxes paid	-52	-87
Net cash flows from operating activities	31	177
Capital expenditure on fixed assets	-41	-67
Business acquisitions, net of cash	-35	-77
Proceeds from sale of businesses, net of cash sold	9	-
Other	1	1
Net cash flow from investments	-66	-143
Free cash flow	10	146

Financial position



	June 30, 2019	Dec 31, 2018
Return on capital employed before taxes (ROCE), %, annualized	20.9	16.9
Return on equity (ROE), %, annualized	21.8	16.5
Net gearing, %	28.7	11.7
Cash conversion, %	6	64
Equity-to-assets ratio, %	43.4	47.7
Debt to capital, %	34.5	29.7
Net debt/EBITDA	0.8	0.4
EBITDA / Financial expenses, net (interest coverage)	13.3	13.7



Strategy and outlook

Pekka Vauramo
President and CEO

Strategy execution

Research and development at 1.8% of sales in Q2

- EUR 12 million growth in H1/19 compared to H1/18

Strategic acquisitions

- Agreement to acquire McCloskey International, a Canadian mobile crushing and screening equipment provider, was signed to expand Metso's offering in the aggregates industry globally. Closing expected in Q4.
- The acquisition of Chilean services business was completed



Transaction to create Metso Outotec and Neles announced

The transaction will create two leading companies

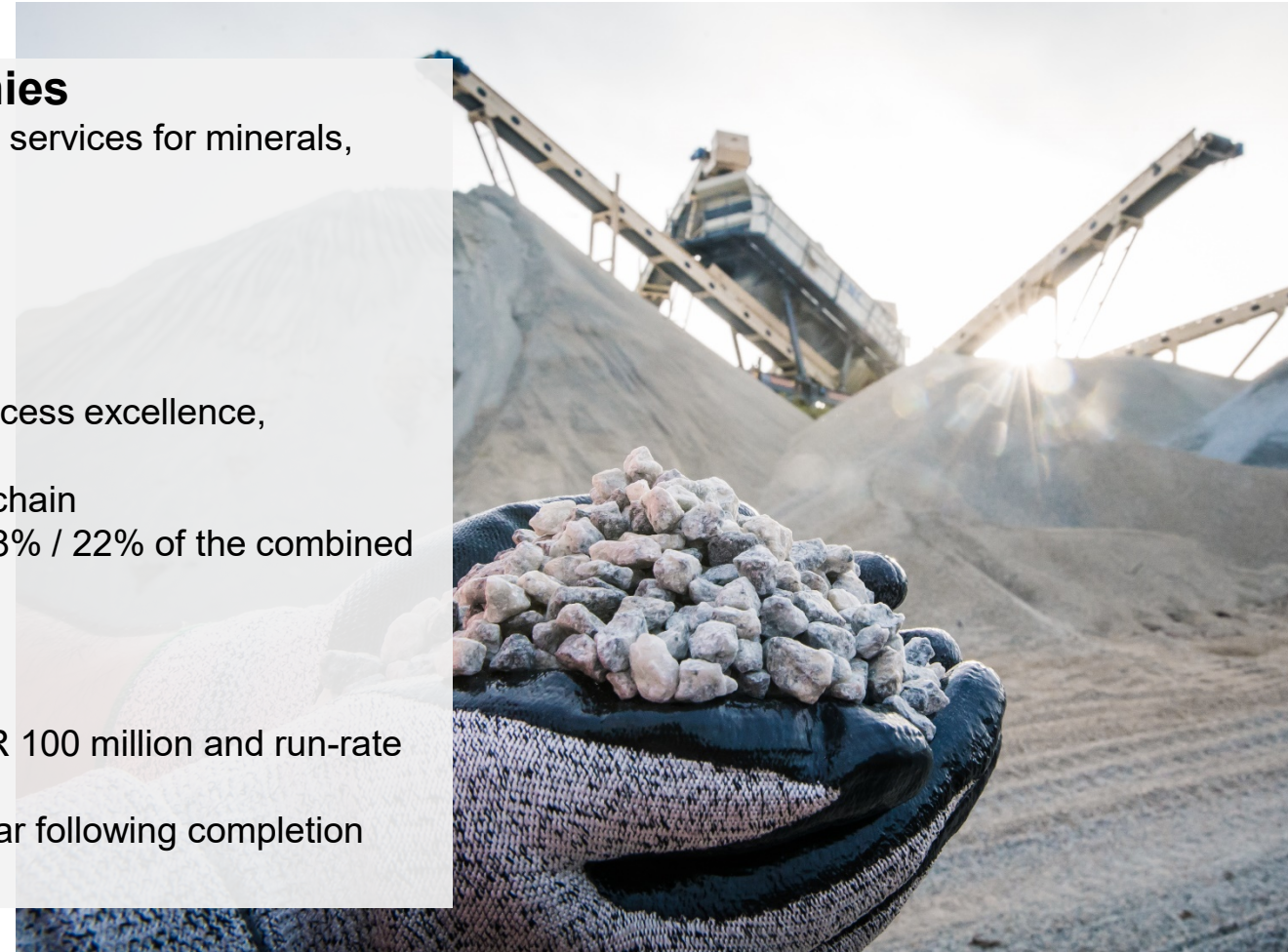
- 'Metso Outotec' in process technology, equipment and services for minerals, metals and aggregates industries
- 'Neles' in flow control

Metso Outotec

- Combined pro forma sales of EUR 4.2 billion* in 2018
- Highly complementary combination of product and process excellence, technology and R&D, service footprint and scale
- Wide presence across the minerals processing value chain
- Metso / Outotec shareholders to own approximately 78% / 22% of the combined company

Expected synergies

- Run-rate annual pre-tax cost synergies of at least EUR 100 million and run-rate annual revenue synergies of at least EUR 150 million
- Expected to be fully realized by the end of the third year following completion



Transaction to create Metso Outotec and Neles announced

Neles

- Leading position and market leadership in pulp & paper valves and downstream oil & gas control valves
- Continued outperformance of market growth with best-in-class profitability and proven resilience through the cycle
- Diversified regional and industrial sales mix
- Dedicated management to deliver shareholder value and leverage further growth opportunities

Timing

- Expected closing during Q2/2020, subject to customary closing conditions, including shareholder approval at the EGMs of both Metso and Outotec and regulatory approvals
- Metso and Outotec EGMs are expected to be held on October 29



Market outlook (unchanged)

Market activity in both segments, Minerals and Flow Control, **is expected to remain at the current high 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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