

A person wearing an orange safety vest with the Metso logo is holding a handful of crushed rocks. The background is a blurred outdoor setting.

Metso  
Capital Markets  
Day 2015

September 29,  
London

Making the big  
difference to  
our customers

On our way to improving  
profitability

João Ney Colagrossi  
President, Minerals business area

# We are on our way to improving profitability

- Minerals has a strong market position in our three customer industries: Mining, Recycling and Aggregates

- Short-term market outlook challenging in Mining and Recycling
- Market outlook in Aggregates is more positive
- Solid long-term fundamentals in all segments

- We have been adjusting ourselves to the new market environment

- Our strategy is to grow and improve profitability despite market conditions

# A competitive leader with a strong market position

## Mining



- Comminution equipment
- Process equipment
- Bulk material handling
- Pyro processing
- Mining systems

# #1

In mining crushers and grinding mills

## Aggregates



- Stationary crushers
- Stationary screens
- Mobile crushers and screens
- Aggregate systems

# #1

In aggregates crushing and screening

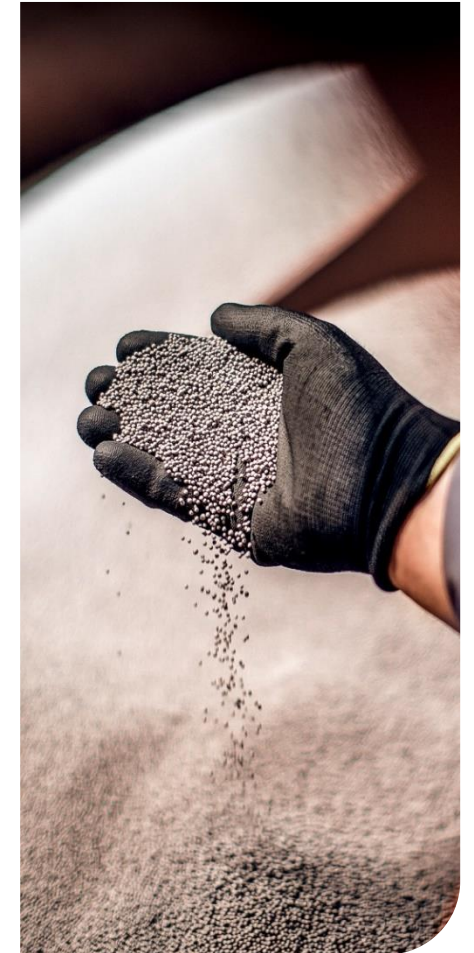
## Recycling



- Shredders
- Shears and balers
- Sorting solutions
- Waste recycling
- Recycling systems

# #1

In metal recycling equipment

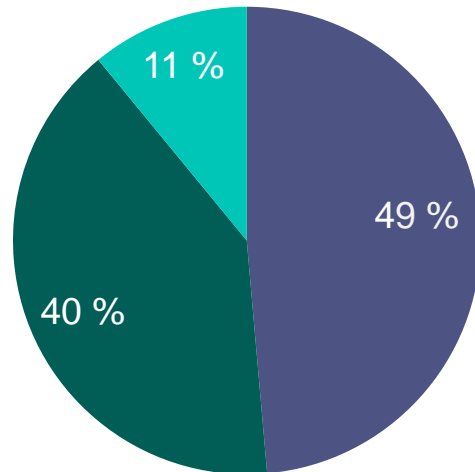


# We serve mining, aggregates and recycling customer industries globally

Net sales rolling 12 months (Q3 2014 – Q2 2015): EUR 1,057 million

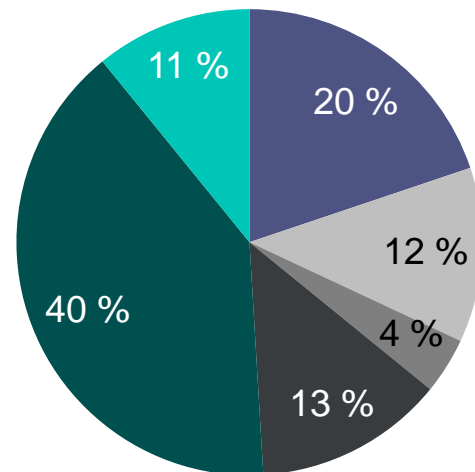
Personnel: ~3,300

Sales by segment



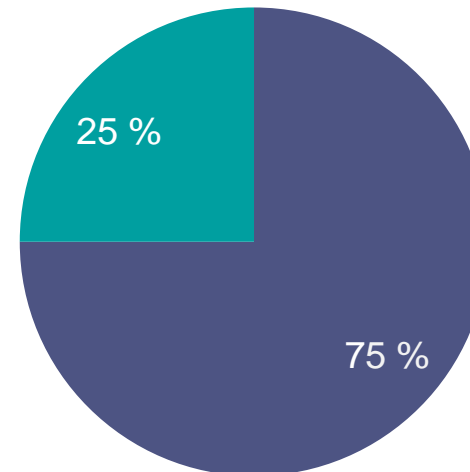
- Mining 49%
- Aggregates 40%
- Recycling 11%

Sales by application



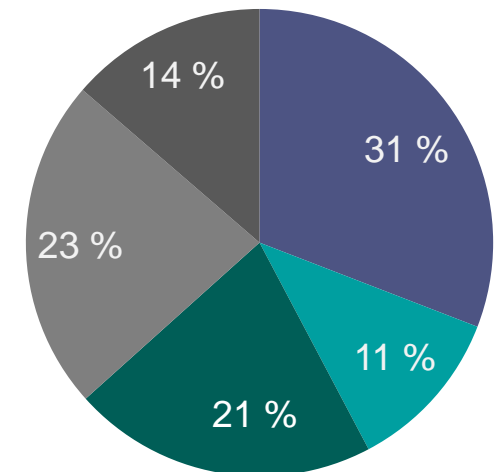
- Copper 20%
- Iron ore 12%
- Gold 4%
- Others 13%
- Aggregates 40%
- Recycling 11%

Sales by offering



- Equipment 75%
- Systems 25%

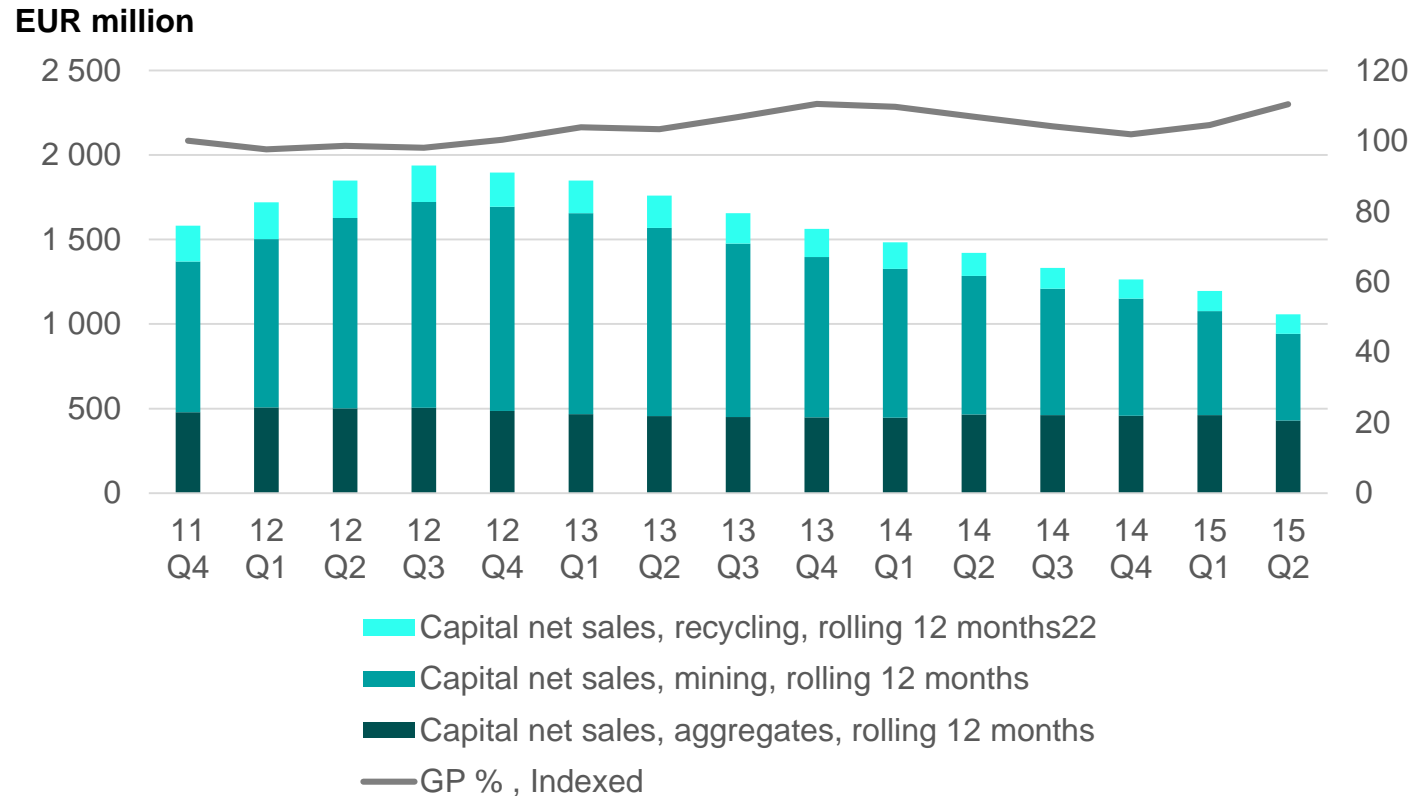
Sales by region



- Europe 31%
- North America 11%
- South America 21%
- Asia-Pacific 23%
- Africa and Middle East 14%

# We are maintaining margins in tough markets

## Metso Minerals BA net sales and GP index



## Key takeaways

- Downturn has hit hard on volumes
  - Mining business hardest hit
  - Recycling following iron ore
  - Developed & emerging markets changing roles in aggregates
  
- Margins maintained despite lower volumes
  - Sales mix: more aggregates and less systems business
  - Global pricing management
  - Global procurement

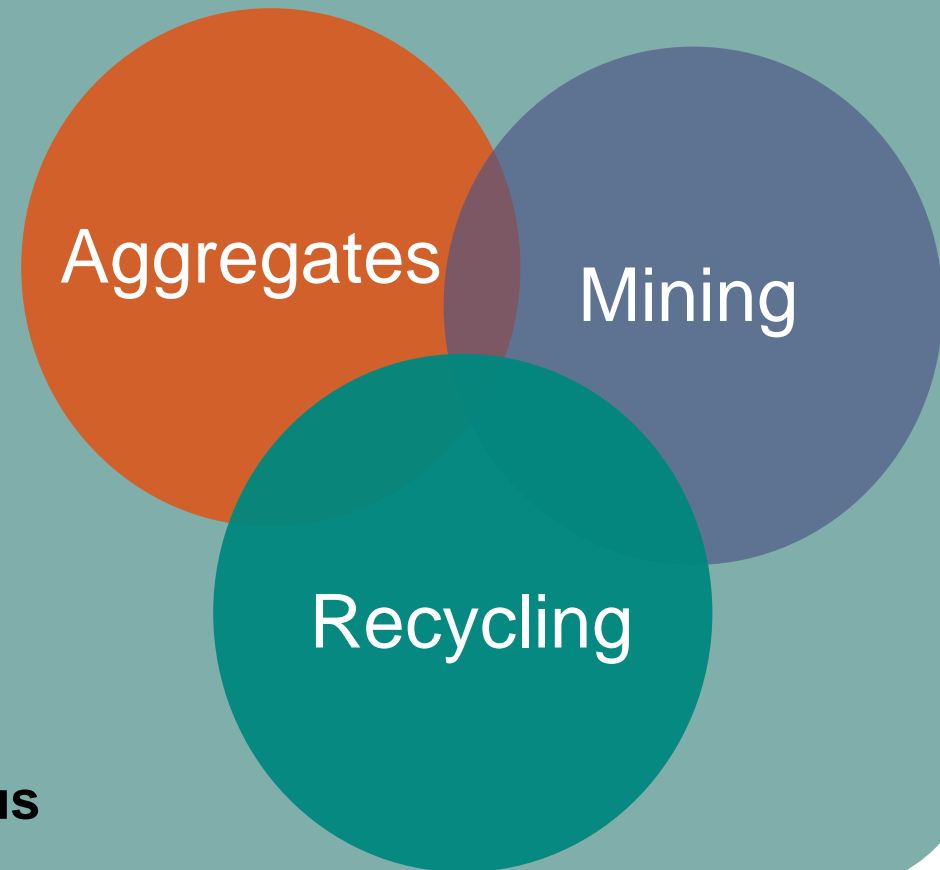


# Our businesses are synergistic

## Synergies

- Common supply chain with no/light assets
- Common crushing and screening technologies
- Common engineering and project capabilities
- Common global footprint and structures

**We support Services and Services supports us**

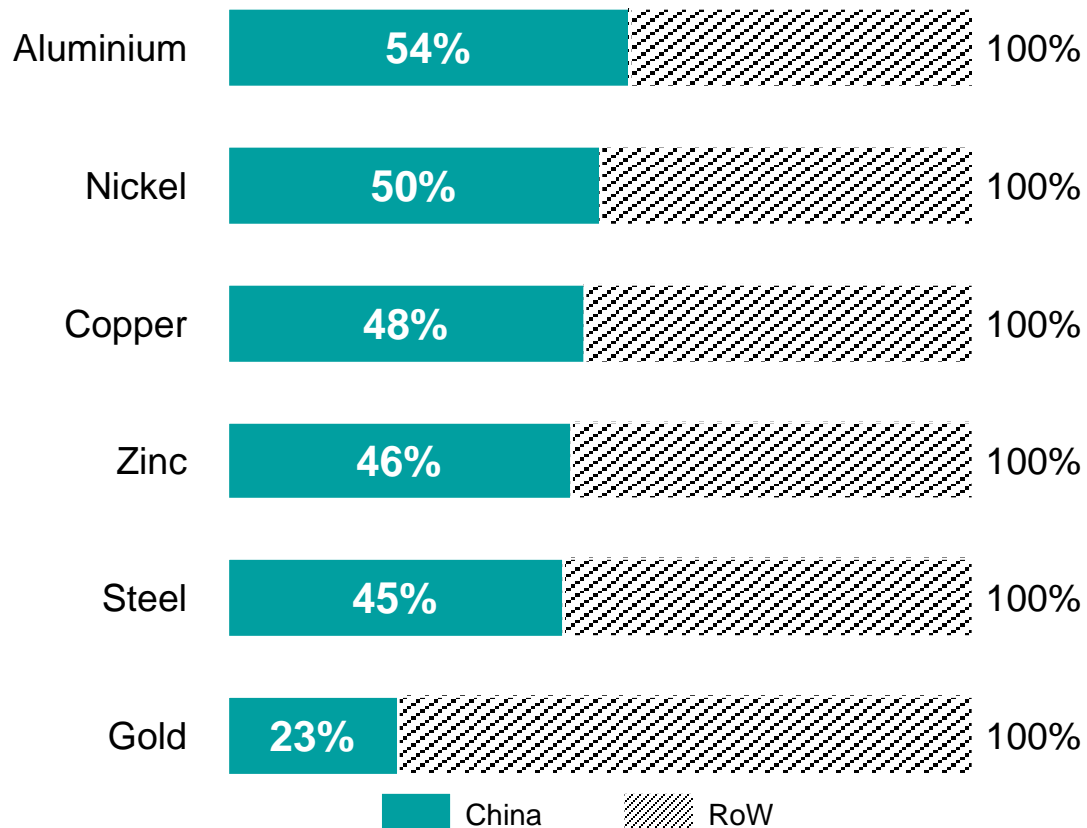


# Key takeaway # 1: We are strong

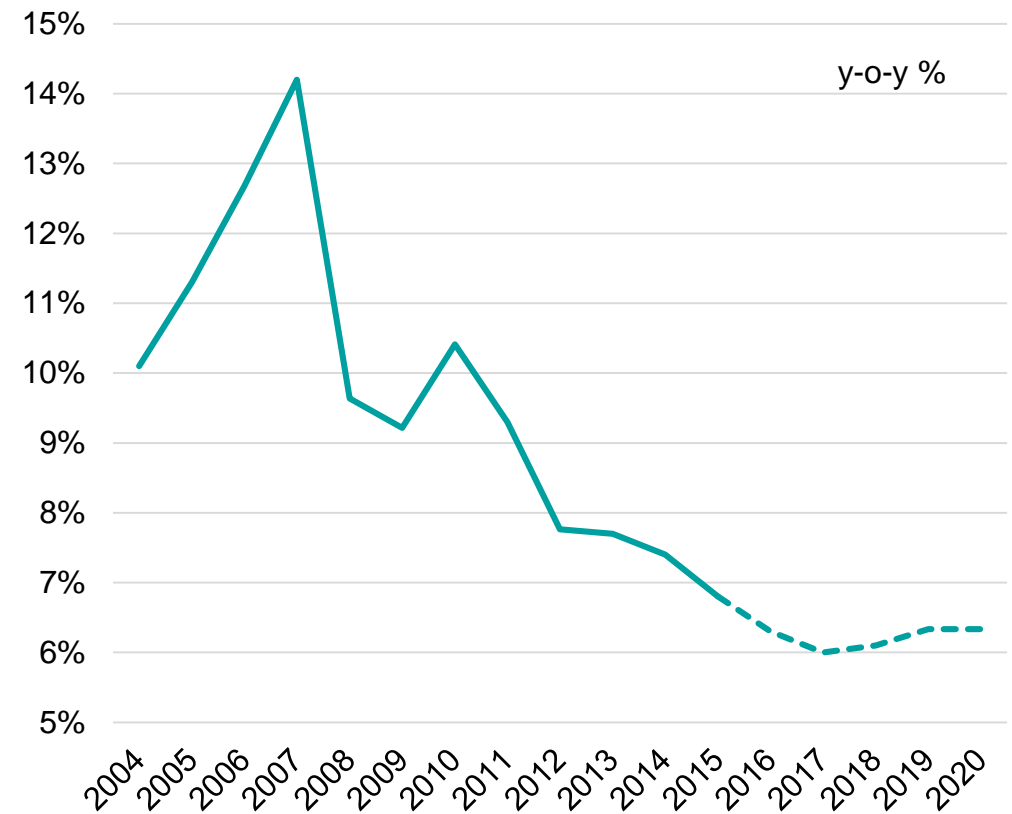
- We have a strong market position in our three customer industries
- Our businesses are synergistic
- We have an unbeatable presence at the customer sites through services
- We are maintaining margins in tough markets

# Mining: Demand affected by the slowdown of the biggest commodity consumer - China

China's share of world commodity consumption



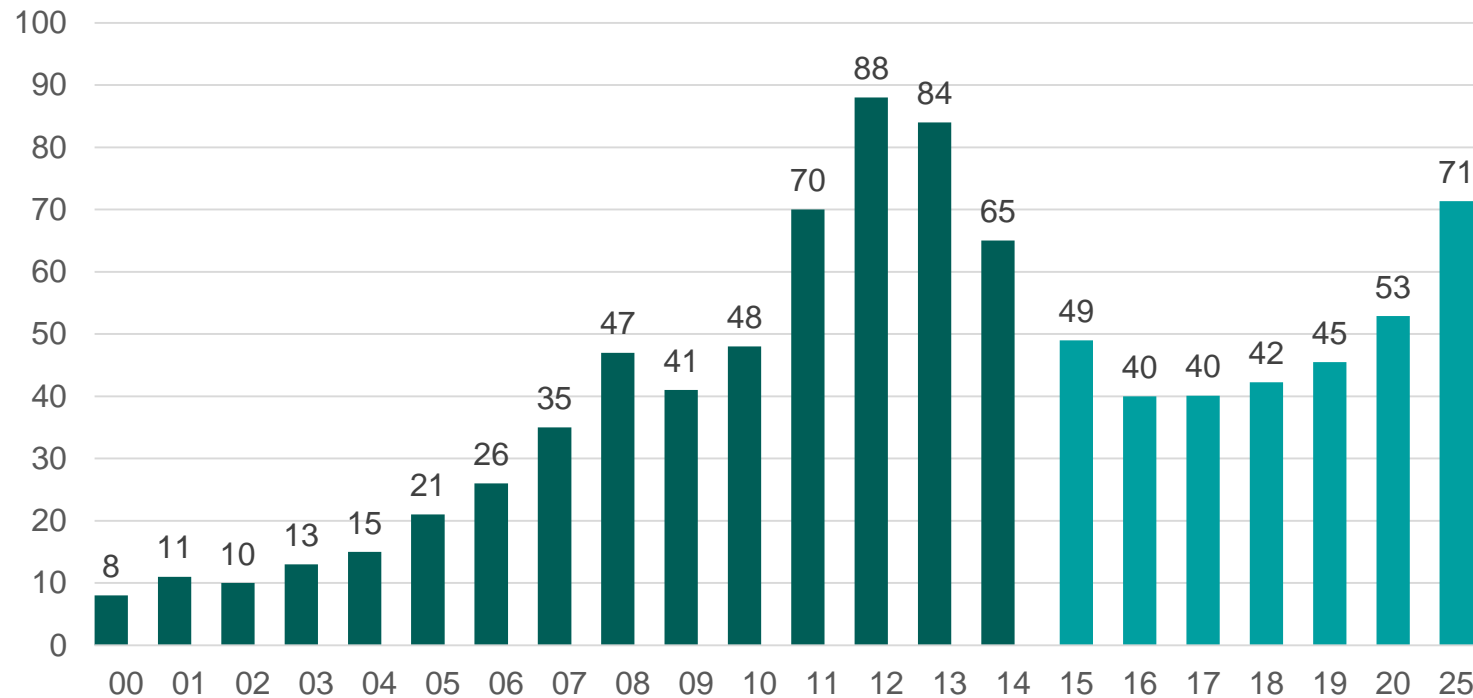
China's real GDP growth 2004 - 2020F





# Mining: Capex market still going down but... copper and gold have strong long-term outlook

Top 10 miners' capex and guidance (bn USD)

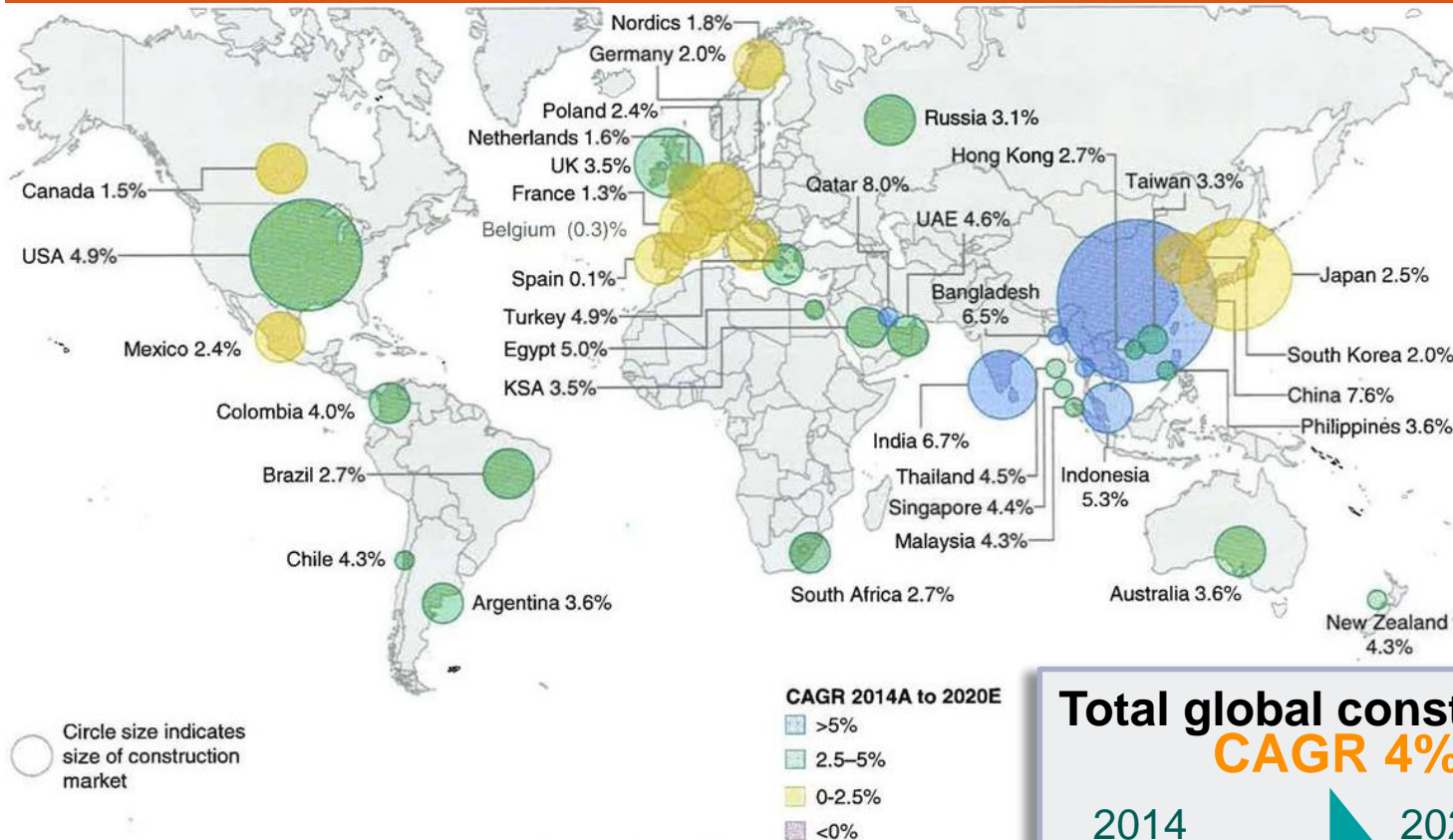


Long-term capex outlook

- Overall, more maintenance capex and less project capex
- Copper and base metals with strong outlook driven by consumption growth and erosion
- Gold with strong outlook driven by smaller mines that are getting complex and costlier to mine
- Iron ore with weak outlook due to slowing demand growth in China and persistent overcapacity

# Aggregates: Global growth opportunities despite flat development

## Construction market outlook



Source: AECOM, various Government Statistics, IHS Global, J.P. Morgan equity research

### Total global construction

**CAGR 4%**

2014

USD 9.4trn



2020

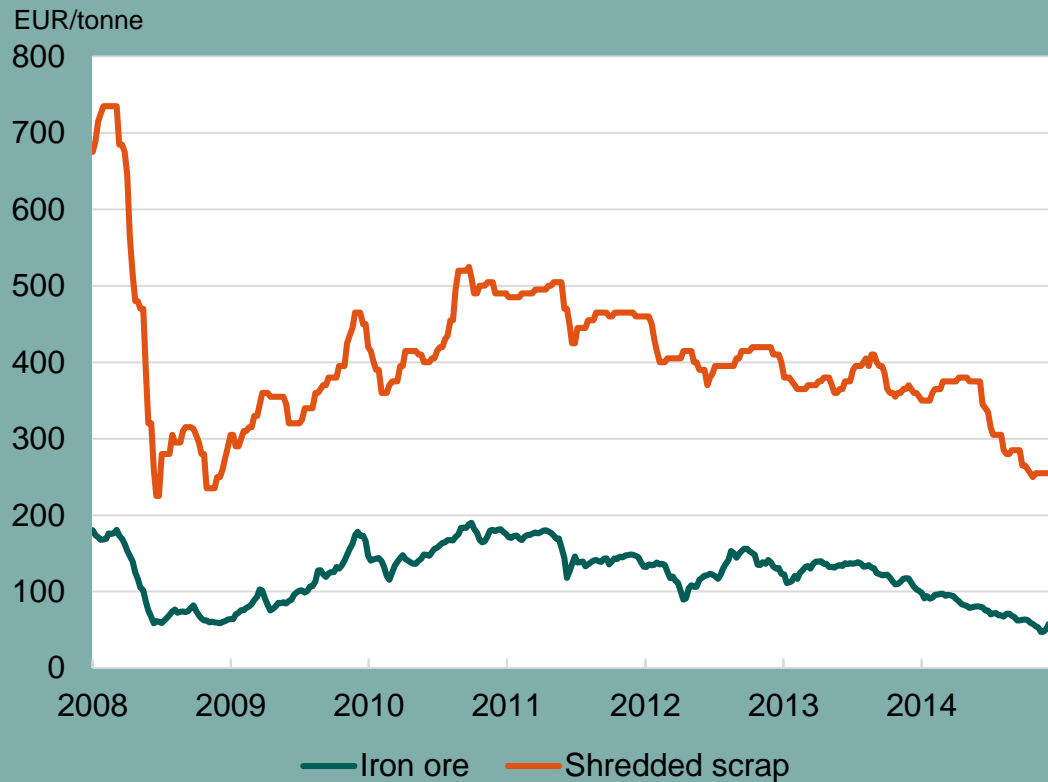
USD 11.9trn

## Key takeaways

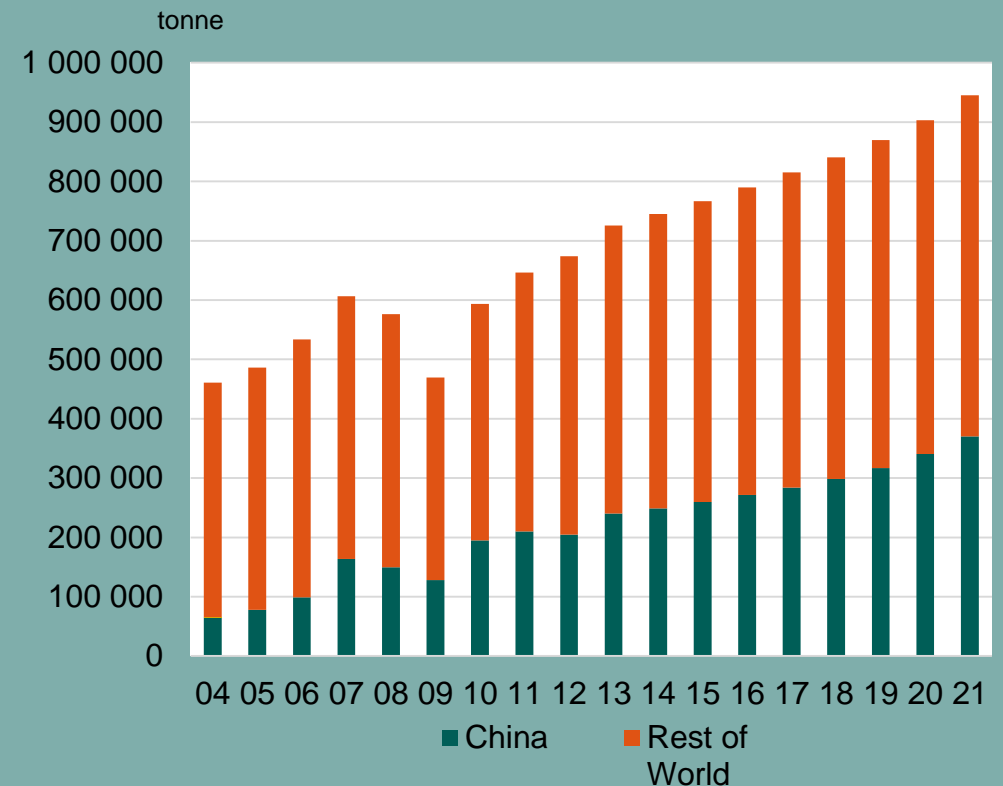
- Short-term outlook best in North America and Europe
- Long-term outlook best in China, India and North America
- Mid-market approach becoming more important as demand arises more from emerging markets

# Recycling: Short-term challenges due to low scrap prices, long-term depends on China

## Scrap and iron ore prices



## Forecast metal scrap recovery



# Short-term equipment outlook flat, long-term equipment outlook more positive in all segments

	LTM mix	Production growth*		Equipment outlook		Comments
		2008-14	2015-20	2015-16	2017-20	
Aggregates	40%	3-4%	4-5%			<ul style="list-style-type: none"> <li>Short term flat due to cooling down in China, APAC and Latin America</li> <li>Long term driven by China, rest of APAC and North America</li> </ul>
Metal Recycling	11%	2-4%	1-2%			<ul style="list-style-type: none"> <li>Short term negative due to low scrap prices</li> <li>Long term supported by China and rest of APAC</li> <li>Regulations key in Europe and North America</li> </ul>
Mining / Copper	20%	3-4%	2-3%			<ul style="list-style-type: none"> <li>Demand growth expected to continue</li> <li>Grade erosion driving part of CAPEX increase</li> <li>Copper supply not dominated by China – positive dynamics for high-quality equipment provider</li> </ul>
Mining / Iron ore	12%	4-7%	-1-0%			<ul style="list-style-type: none"> <li>Chinese steel demand growth slowing down but still the largest market for the next 15 years</li> <li>Iron ore demand to peak 2020-2025</li> <li>Iron ore overcapacity till 2025. CAPEX driven by brownfield projects from Western players</li> </ul>
Mining / Gold	4%	4-5%	4-5%			<ul style="list-style-type: none"> <li>CAPEX primarily driven by cost inflation instead of volumes</li> <li>Investment strongly linked to price, which can be very volatile due to tight supply market and financial speculation</li> <li>Increase in small mines, Chinese mines, and underlying geological complexity</li> </ul>

\* Production growth forecast for copper, iron ore and gold based on McKinsey run of mine projection

# Key takeaway # 2: Market is challenging

- Short-term market outlook challenging in Mining and Recycling
- More positive market outlook for Aggregates
- Solid long-term fundamentals in all segments

# Our strategy will enable us to improve profitability despite market conditions

## Operating model

- Right-sizing our cost base to current market activity
- Making Minerals simpler, lighter and much more efficient
- Making Minerals more market-driven and less product-driven

## Market expansion

- Taking our existing offering to new regions and segments
- Developing commercial excellence to capture more of the market

## Portfolio development

- Improving the competitiveness of our current offering
- Developing new solutions to expand our offering further



# We have solid achievements and priorities

## Operating model

### 2014 - 2015 Achievements

- ✓ Right-sizing to market activity
- ✓ Systems business re-focused
- ✓ No-asset supply chain for recycling
- ✓ No-asset supply chain for mining

### Current priorities

- Finalize asset-light supply chain for aggregates
- Recycling business turnaround
- Streamline of customer-facing functions
- Integrate common back-end operations

# We have solid achievements and priorities

## Market Expansion

### 2014 - 2015 Achievements

- ✓ Mid-market business growth in China
- ✓ Africa and Oceania coverage
- ✓ Key account management
- ✓ CRM, global pricing and analytics

### Current priorities

- Expand mid-market business
- Grow in adjacent markets: Coal, Fertilizer and Cement
- Manage global distribution
- Develop commercial excellence more broadly

# We have solid achievements and priorities

## Portfolio Development

### 2014 - 2015 Achievements

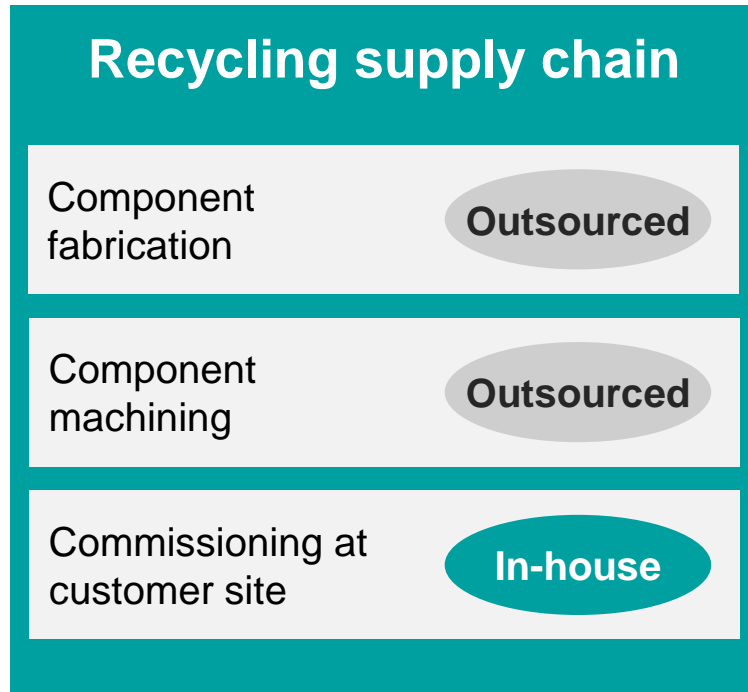
- ✓ Hydraulic roll crusher range
- ✓ Vertical grinding mill range
- ✓ Next generation Lokotracks
- ✓ In-pit crushing plants

### Current priorities

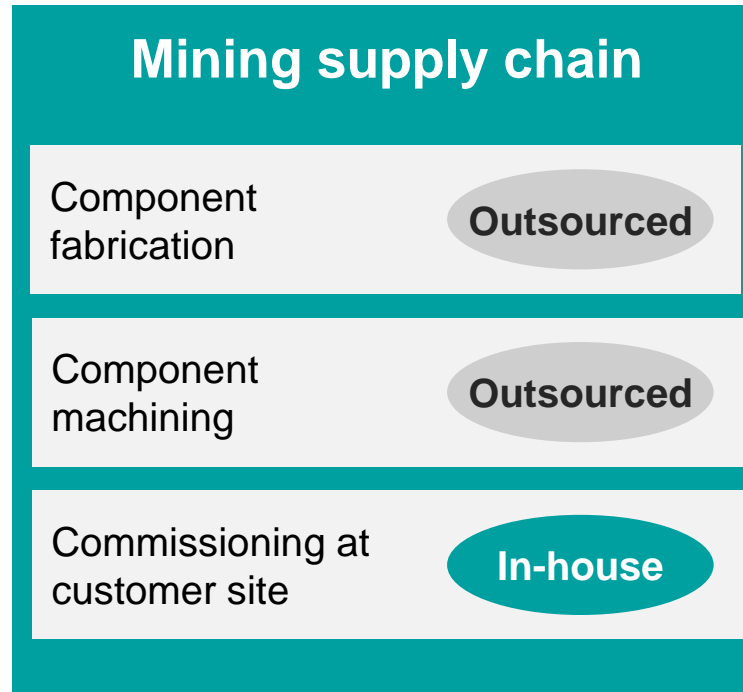
- Advanced classification solutions
- Next-generation crusher models
- Complete in-the-pit solutions
- Digitalization and remote monitoring

# Supply chain is significantly more agile and light

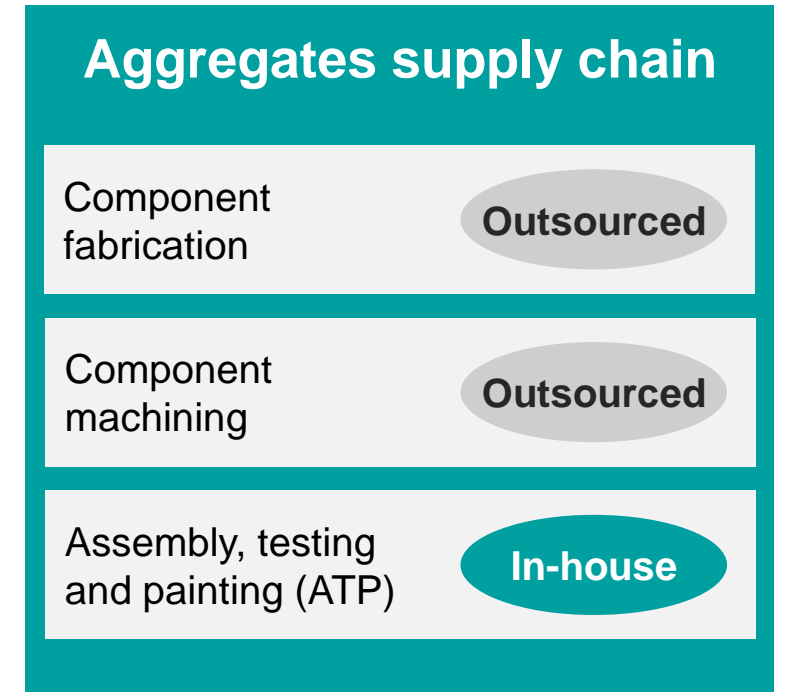
EUR 30M assets reduction, EUR 45M annual savings



Completed in 2013  
(Dusseldorf)



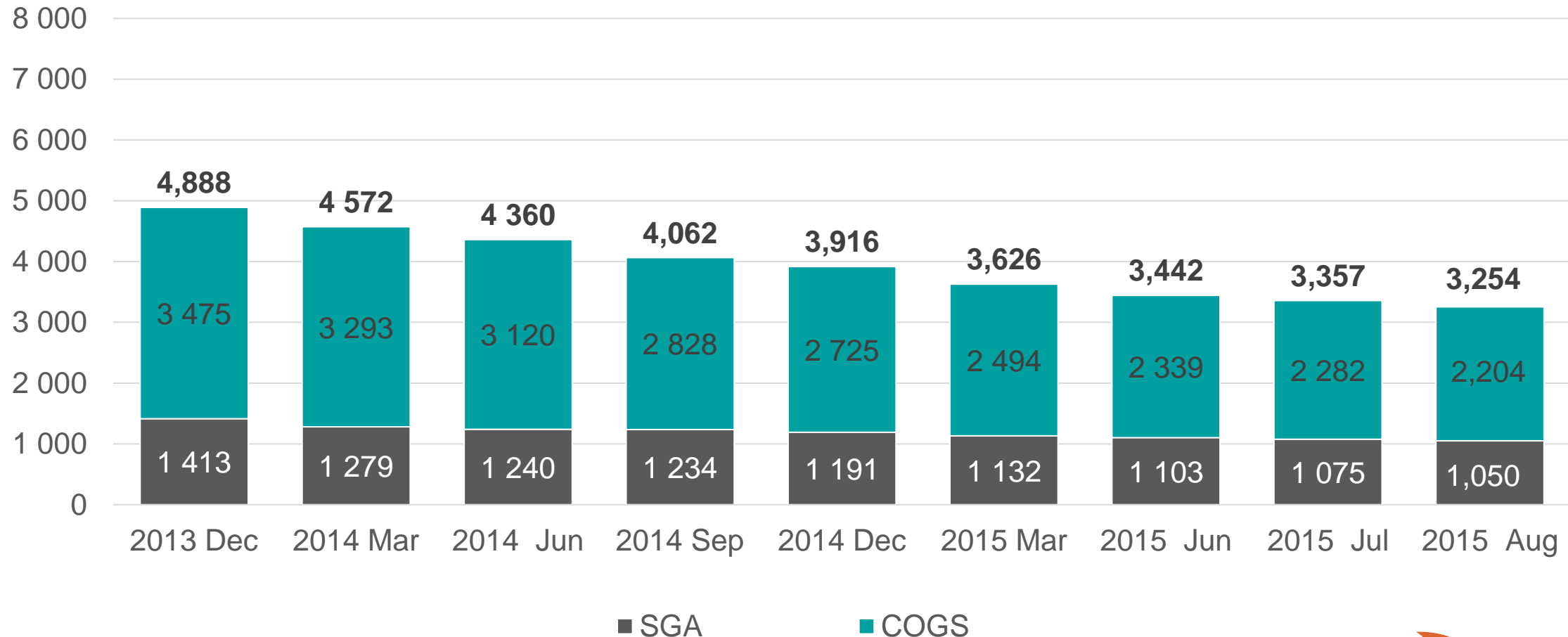
Completed in 2015  
(Lachine & York)



In progress  
(Matamata, 2013  
Bawal, 2014)

# Continuously sizing ourselves to market activity

## # Minerals employees



# We are addressing new markets, leveraging our existing products for adjacent growth

## Potash and phosphates



Full-scope portfolio ranging from comminution to beneficiation

## Cement



Solutions for limestone quarries, fly-ash handling and ready mix

## Coal

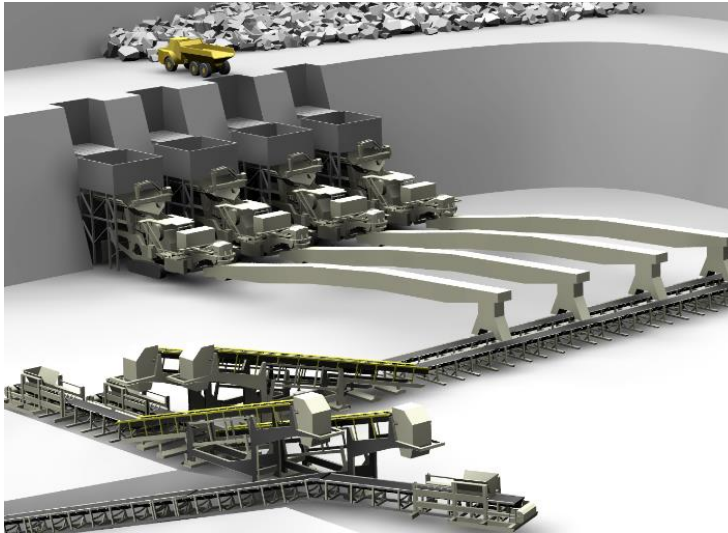


Modular coal washeries supported with other products



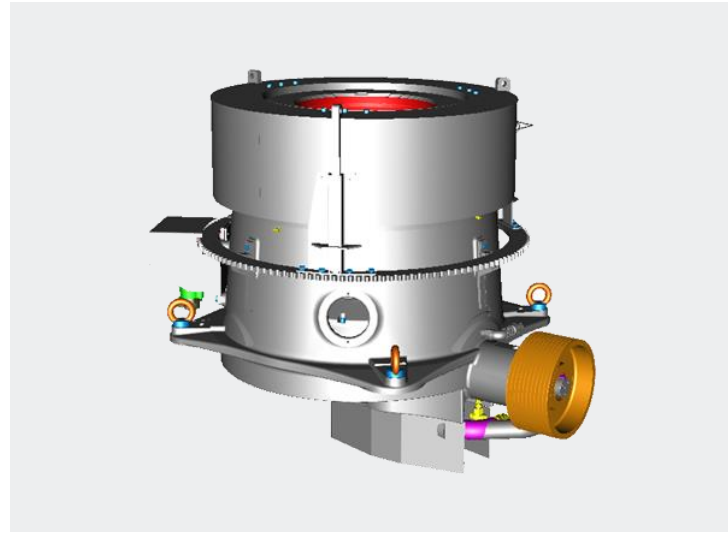
# We are expanding our existing products for adjacent growth and competitiveness

## Open-pit mining



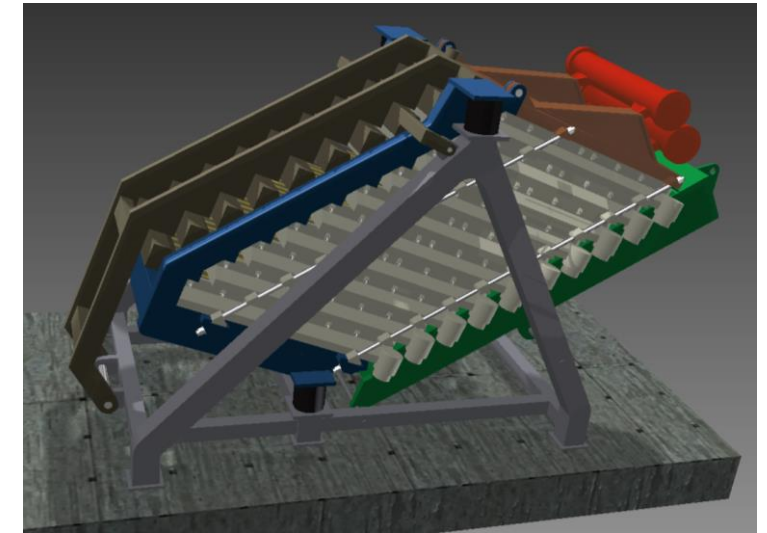
Complete in-the-pit solutions to expand our offering further upstream

## Comminution



Next generation crusher models to improve our competitiveness in our current core

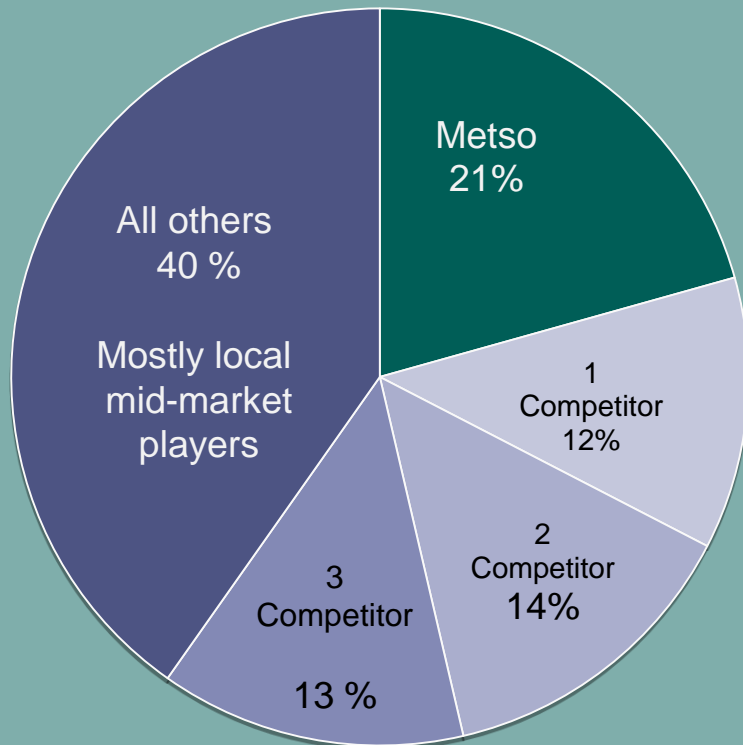
## Beneficiation



New ultra-fine screens and hydro cyclones to expand our offering further downstream

# We are expanding our mid-market business

## Global aggregates equipment market



## Key takeaways

- 50+ % market captured by ~6 globally operating OEMs, while remaining 40-50% is shared by mostly local mid-market players
- Mid-market segment growing faster than high-end segment, especially in emerging markets
- So far Metso has been active in the mid-market segment in China (Shaorui and LiuGong JV)
- Our plan is to expand our mid-market business to other relevant markets beyond China

# We are responding to the demand for new remote services with a new digital platform

## Connected Equipment Data



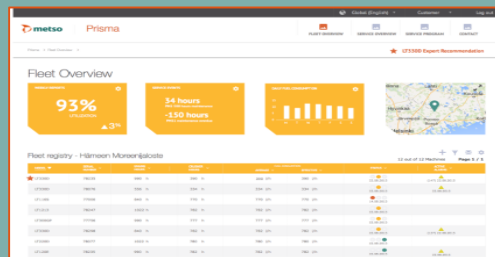
## New Remote Services

Remote ...

- Parts Scheduling
- Preventative Maintenance
- Expert Support
- Alarms & Reports
- Status & Performance
- Process Optimization



## Metso New Digital Platform



# Key takeaway # 3: We have a solid strategy

- We are adjusting ourselves to the new market environment
- Our strategy will enable us to grow and improve profitability despite market conditions:
  - Implementing an agile and customer centric operating model
  - Expanding our offering to adjacent markets
  - Continuously developing new technology

# We are on our way to improving profitability

- **Minerals has a strong market position in our three customer industries: Mining, Recycling and Aggregates**

- **Short-term market outlook challenging in Mining and Recycling**
- **Market outlook in Aggregates is more positive**
- **Solid long-term fundamentals in all segments**

- **We have been adjusting ourselves to the new market environment**

- **Our strategy is to grow and improve profitability despite market conditions**

Making the big  
difference to  
our customers



A close-up photograph of a man wearing safety glasses, looking intently at a computer screen. The background is blurred, showing what appears to be a control room or a technical environment. The lighting is soft, highlighting the man's face and the texture of his glasses.

# Metso Capital Markets Day 2015

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London

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## Appendix

# Our product and systems offering for Mining customers

Grinding mills



Mining crushers



Process equipment



Bulk material handling



Pyro processing



Mining systems





# Our product and systems offering for **Aggregates** customers

**Crushers**



**Screens and feeders**



**Lokotracks**



**Portable plants**



**Mid-market products**



**Aggregates systems**



# Our product, systems and services offering for Recycling customers

**Metal shredders**



**Metal shears**



**Metal balers**



**Waste recycling**



**Recycling services**



**Recycling systems**



# Case: An integrated solution for Centinela mine

## Challenge

- AMSA's Centinela Mine in Chile was not reaching its designed plant capacity
- The main bottleneck was the SAG mill stage, which was unable to handle full feed, especially with harder ore types
- The mine wanted a turn-key solution from a single supplier

## Metso Solution

- An integrated solution covering process studies, engineering, equipment, and plant construction
- A clever tunnel design bypasses the SAG stage, the ore is crushed in 2 stages and fed directly to the ball mills
- Space was restricted and interference to the production not allowed

## Results

- The solution has proven to be successful in production
- No downtime of operations as interventions were executed during planned maintenance shutdowns
- Crushing capacity has exceeded the guaranteed tonnage
- The crushed ore size meets the required specification, further improving efficiency of the downstream comminution process
- Optimum plant availability is guaranteed by Metso service team