

Q4 and FY 2018 results

Pekka Vauramo, President and CEO
Eeva Sipilä, CFO

February 6, 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

Highlights

Q4/2018 in brief

Healthy market activity continued

Strong growth in orders, sales and profitability

Two acquisitions closed

Full-year 2018 in brief

Strong growth backed by increased market activity

Step change in profitability improvement

Successful implementation of strategy and internal efficiency improvements

- Organic investments
- Three acquisitions closed

Board proposes a dividend of EUR 1.20

- Transition to semi-annual dividend payment with EUR 0.60 to be paid in May and EUR 0.60 in November

Group fourth-quarter financials

Orders received up 32% to EUR 904 million (684 million)

- 35% organic growth in constant currencies

Sales up 27% to EUR 897 million (709 million)

- 30% organic growth in constant currencies

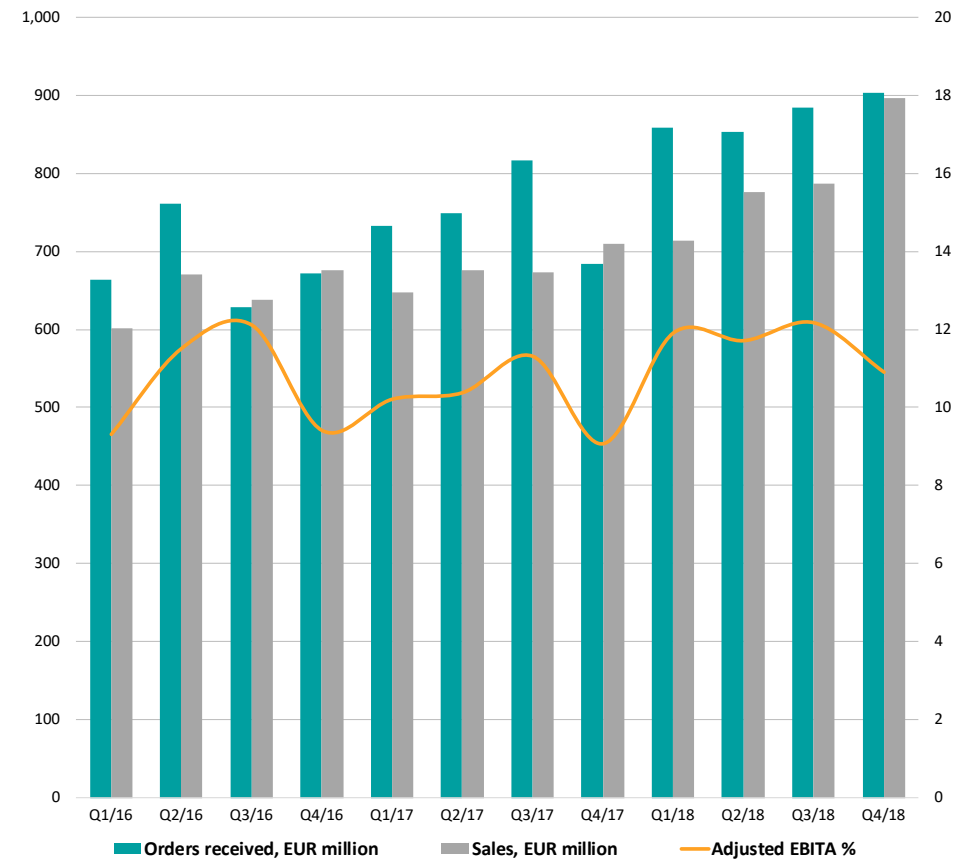
Adjusted EBITA was EUR 98 million, margin of 10.9% (64 million and 9.1%)

Operating profit was EUR 93 million, margin of 10.4% (60 million or 8.4%)

Earnings per share were EUR 0.42 (EUR 0.08)

Free cash flow was EUR 57 million (57 million)

Orders, sales and profitability



Minerals quarterly highlights

Orders received up 35% to EUR 714 million (527 million)

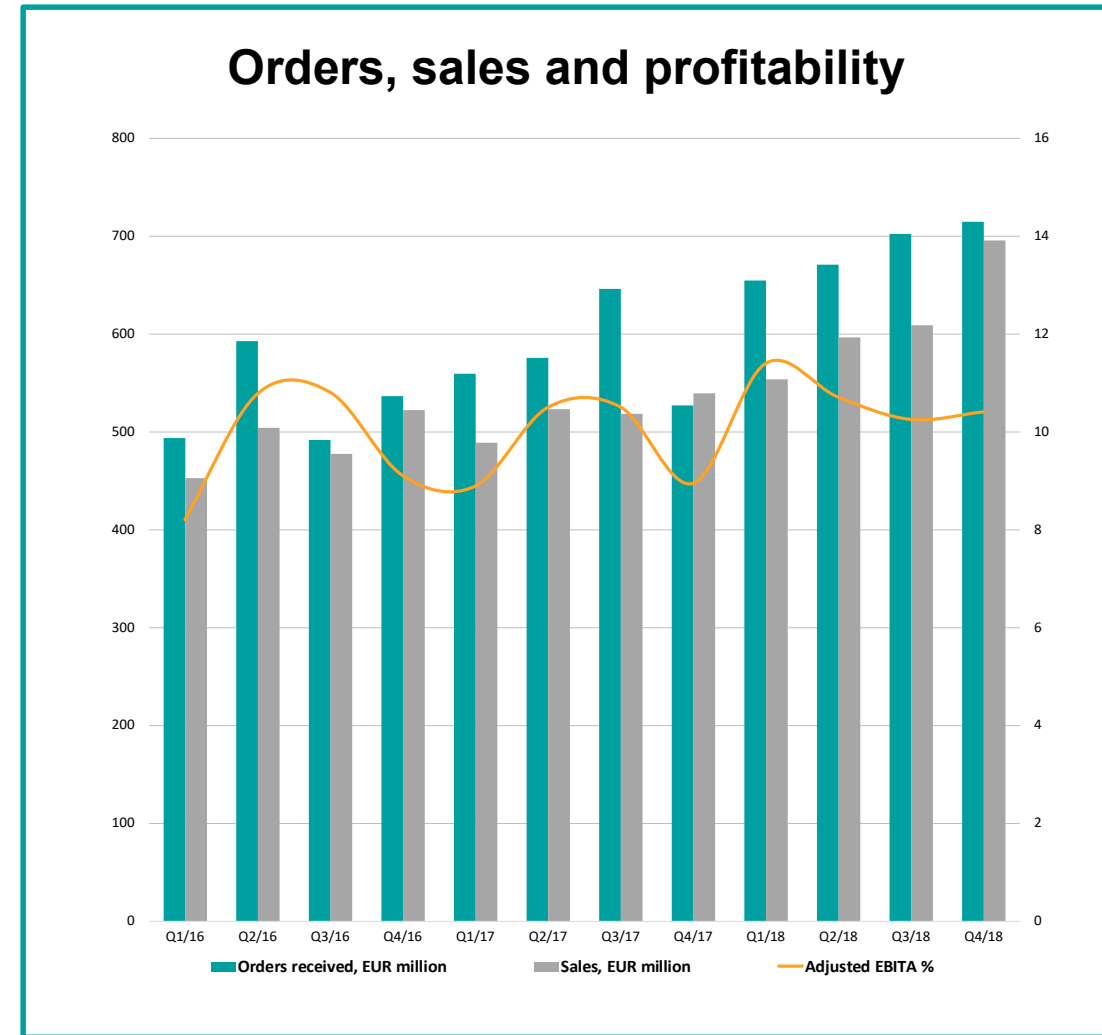
- 39% organic growth in constant currencies
- Strong order intake continued in all business areas
- In mining mainly small and mid-sized orders
- Aggregates equipment orders grew in the US, China and the Nordics
- Services orders increased across the board

Sales up 29% to EUR 695 million (540 million)

- 33% organic growth in constant currencies
- Growth driven by equipment
- Share of services was 58% (65%)

Adjusted EBITA margin was 10.4% (8.9%)

- Positive contribution from volume growth
- Strong equipment sales had an impact on margin



Flow Control quarterly highlights

Orders received up 19% to EUR 187 million (157 million)

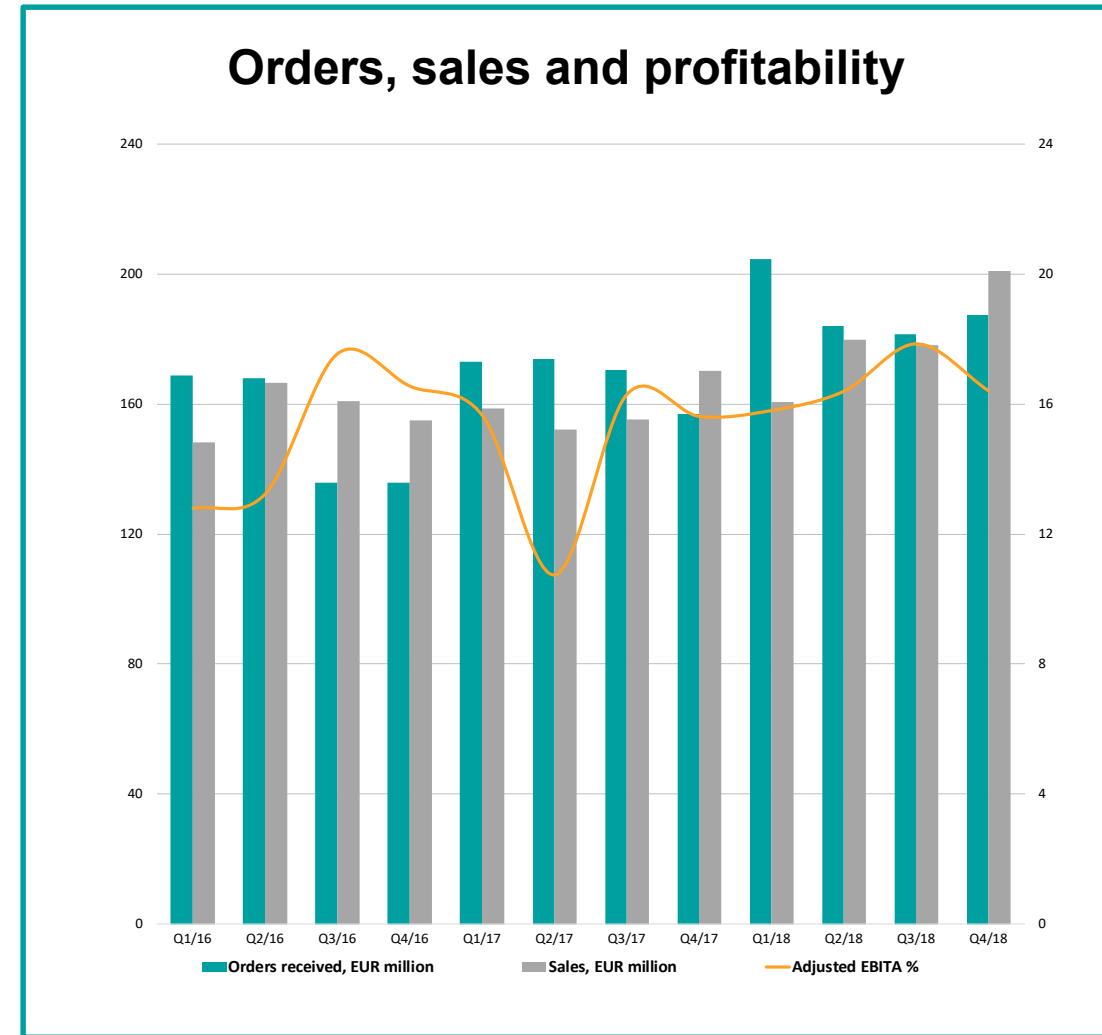
- 20% organic growth in constant currencies
- Solid growth overall
- Services grew 22%

Sales up 18% to EUR 201 million (170 million)

- 21% organic growth in constant currencies
- Supported by order growth during previous quarters

Adjusted EBITA margin was 16.4% (15.6%)

- Improved operational performance





Financials in detail

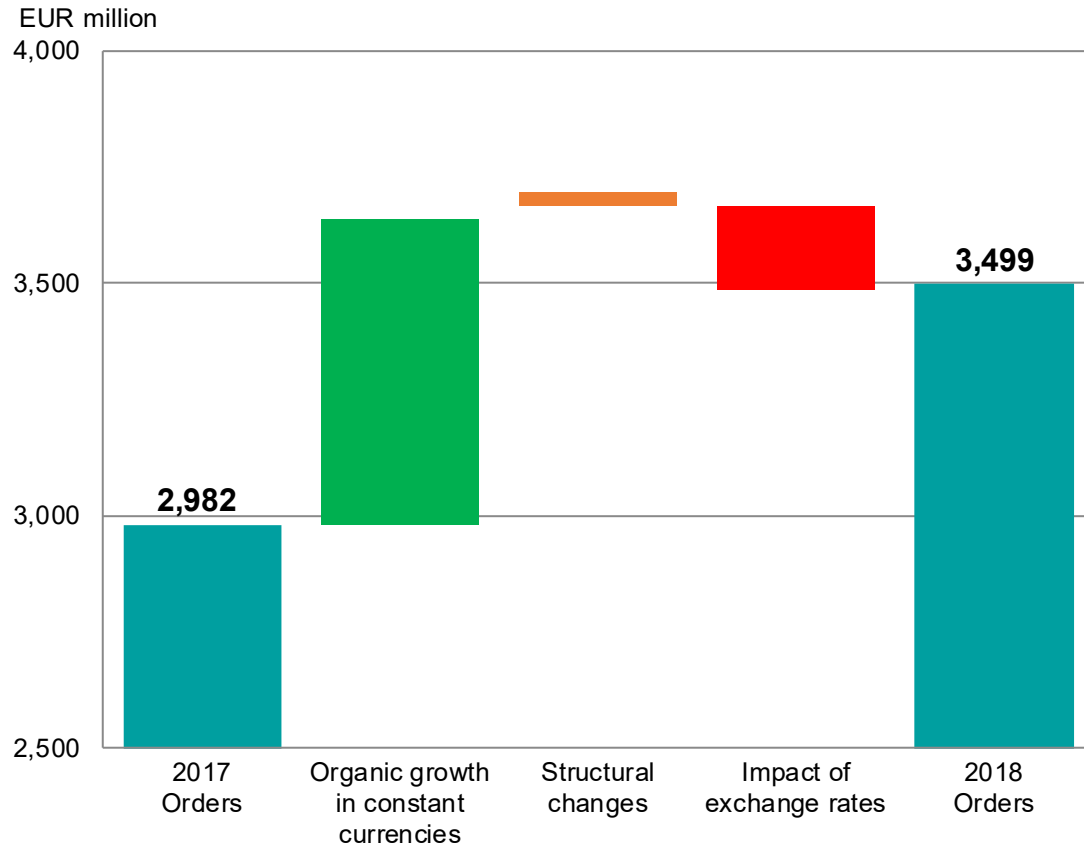
Eeva Sipilä
CFO

Income statement

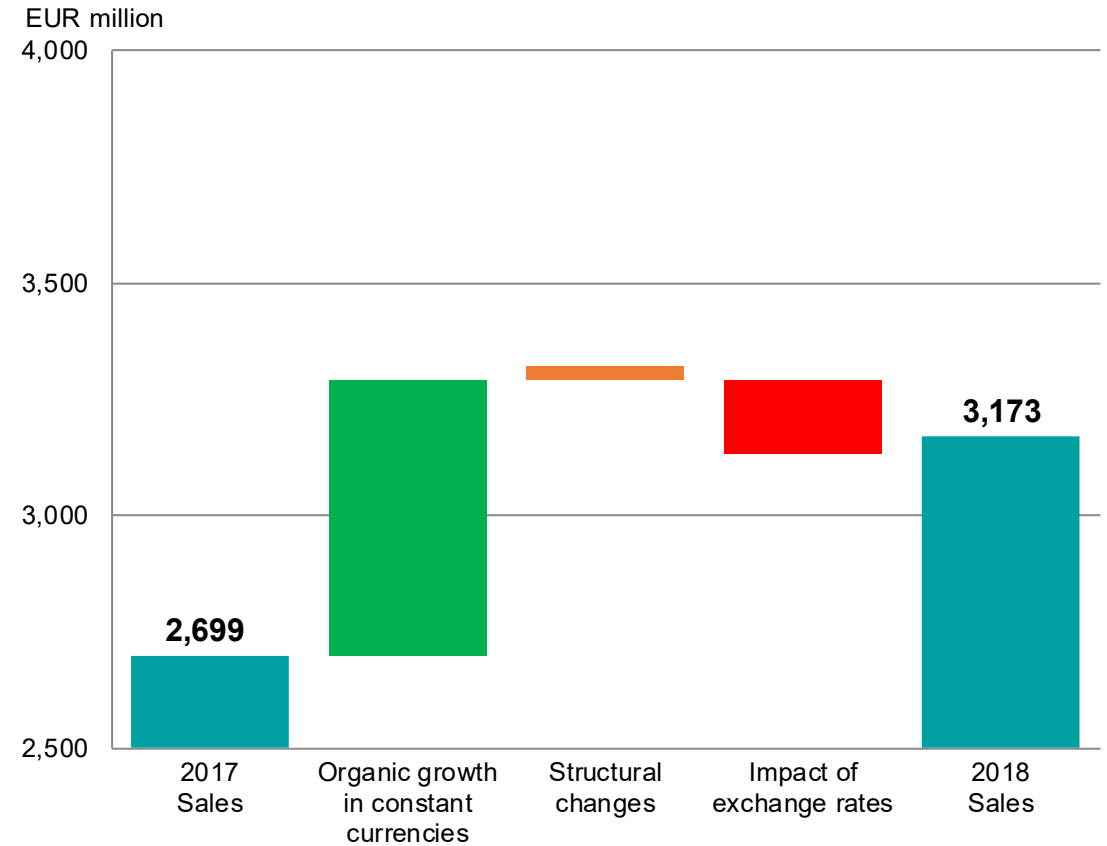
| EUR million | Q4/2018 | Q4/2017 | Change % | 2018 | 2017 | Change % |
|-------------------------|---------|---------|----------|-------|-------|----------|
| Orders received | 904 | 684 | 32 | 3,499 | 2,982 | 17 |
| Sales | 897 | 709 | 27 | 3,173 | 2,699 | 18 |
| Adjusted EBITA | 98 | 64 | 53 | 369 | 244 | 51 |
| % of sales | 10.9 | 9.1 | | 11.6 | 9.0 | |
| Operating profit | 93 | 60 | 55 | 351 | 218 | 61 |
| % of sales | 10.4 | 8.4 | | 11.1 | 8.1 | |
| Net financial expenses | -9 | -8 | | -30 | -35 | |
| Taxes | -22 | -40 | | -92 | -82 | |
| Profit for the period | 62 | 12 | 417 | 229 | 102 | 125 |
| Earnings per share, EUR | 0.42 | 0.08 | | 1.53 | 0.68 | |

Impacts from currency and structural changes

Orders received



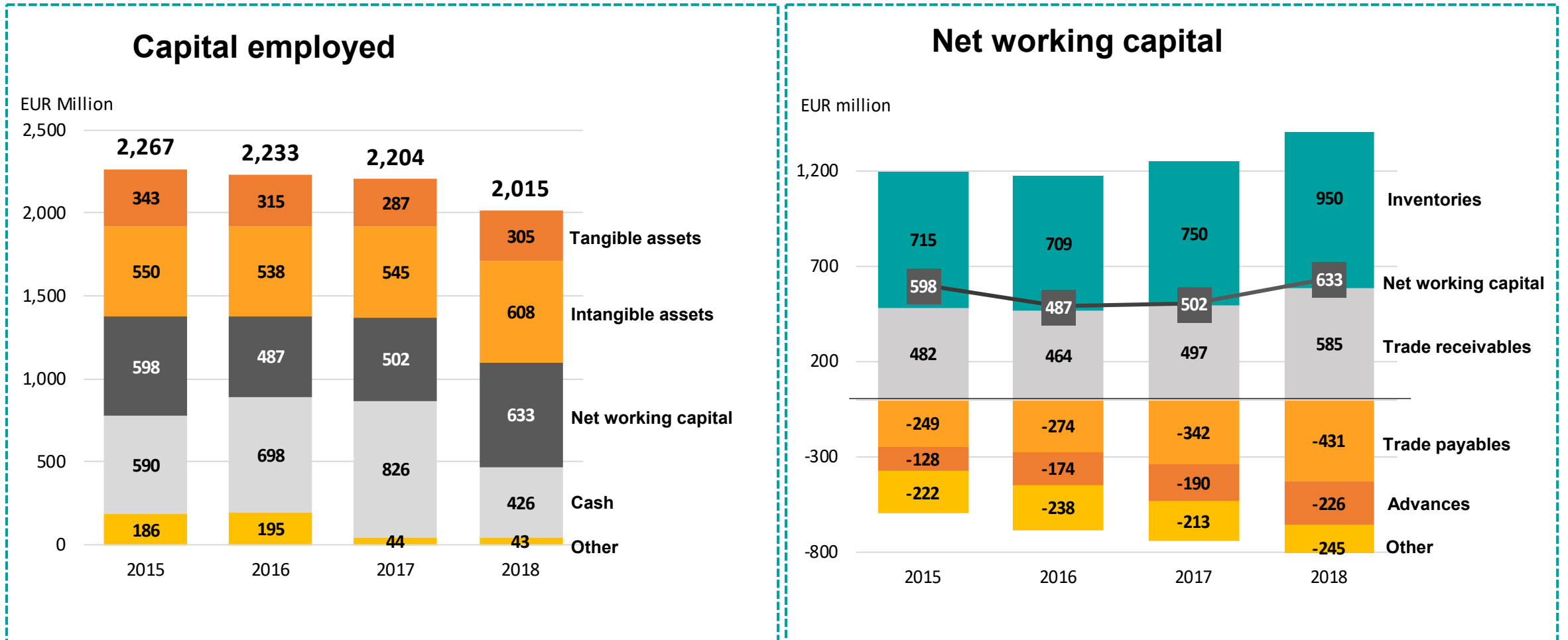
Sales



Balance sheet

| EUR million | Dec 31, 2018 | % of total | Dec 31, 2017 | % of total |
|-------------------------------------|--------------|------------|--------------|------------|
| Intangible assets | 608 | 19% | 545 | 17% |
| Tangible assets | 305 | 9% | 287 | 9% |
| Other non-current assets | 157 | 5% | 130 | 4% |
| Inventories | 950 | 29% | 750 | 23% |
| Receivables (trade and other) | 833 | 25% | 748 | 23% |
| Liquid funds | 426 | 13% | 826 | 25% |
| TOTAL ASSETS | 3,279 | | 3,287 | |
| Total equity | 1,416 | 43% | 1,351 | 41% |
| Interest bearing liabilities | 690 | 21% | 851 | 26% |
| Non-interest bearing liabilities | 1,173 | 36% | 1,085 | 33% |
| TOTAL EQUITY AND LIABILITIES | 3,279 | | 3,287 | |

Capital employed and net working capital



Cash flow

| EUR million | 2018 | 2017 |
|---|-------------|------------|
| Profit for the period | 230 | 102 |
| Adjustments | 180 | 192 |
| Change in net working capital | -129 | -23 |
| Financial items, paid | -17 | -21 |
| Taxes paid | -87 | -64 |
| Net cash flows from operating activities | 177 | 185 |
| Capital expenditure on fixed assets | -67 | -38 |
| Business acquisitions, net of cash | -77 | -30 |
| Other | 1 | 3 |
| Net cash flow from investments | -143 | -66 |
| Free cash flow | 146 | 158 |

Financial position



| | 2018 | 2017 |
|--|-------------|------|
| Return on capital employed before taxes (ROCE), % | 16.9 | 10.3 |
| Return on equity (ROE), % | 16.5 | 7.3 |
| Net gearing, % | 11.7 | 1.8 |
| Cash conversion, % | 64 | 155 |
| Equity-to-assets ratio, % | 47.7 | 44.5 |
| Debt to capital, % | 29.7 | 38.7 |
| Net debt/EBITDA | 0.4 | 0.1 |
| EBITDA / Financial expenses, net (interest coverage) | 13.7 | 8.0 |



Strategy and outlook

Pekka Vauramo
President and CEO

Execution of profitable growth strategy (1)

Investments in organic growth

- CAPEX in total EUR 67 million (EUR 38 million)
- Growth investments to aggregates equipment, foundry capacity, wear castings manufacturing capacity and rubber-based consumables
- Decision to invest into a new green-field valve plant in Jiaxing, China

Step-up in research and development

- Expenses totaled EUR 39 million (EUR 27 million) excl. Digital Program
- New higher-capacity models to the wheel-mounted crushing plant series, first model with the MX™ Multi-Action crusher
- Mobile Lokotrack® family expanded with a renewed, more efficient model, up to 15% savings in fuel consumption
- New 3rd generation gyratory crusher with 30% higher capacity and 70% lower downtime in a comminution circuit

Digital Program progressing well

- Launch of Metso Metrics: a new predictive maintenance solution for comminution circuit
- First 3D-printed components to valves delivered



Execution of profitable growth strategy (2)

Acquisitions

- Pyro processing in the UK, valve technology in India and aggregates equipment in Sweden
- HighService Service in Chile announced in January 2019
 - Plant Maintenance Service Management and Automatic Control Management, specializing in technical assistance and remote monitoring
 - pending regulatory approval from the authorities

Divestments

- Sale of the grinding media business closed in January 2019



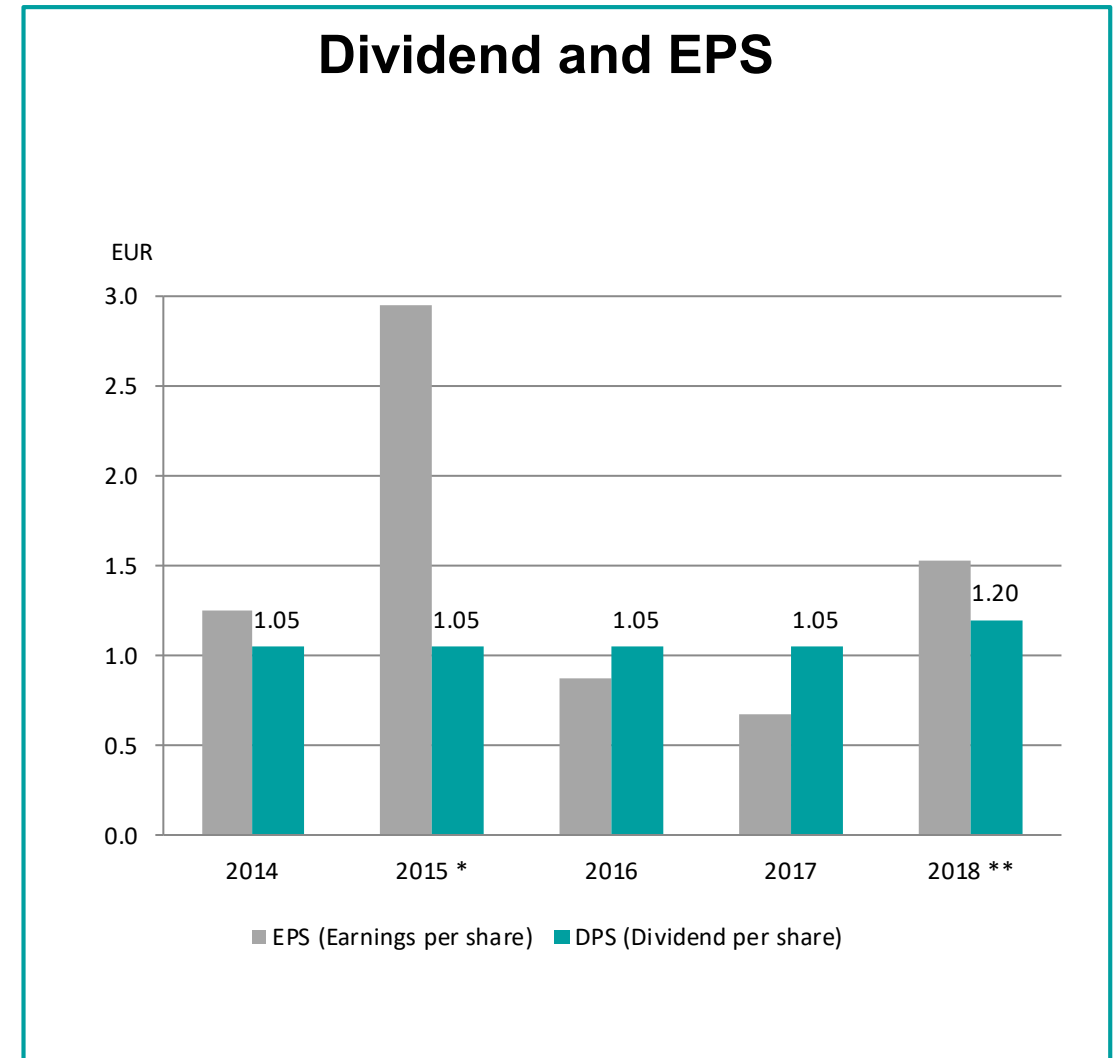
Board's dividend proposal of EUR 1.20

Transition to semi-annual dividend payments

- EUR 0.60 proposed to be paid in May and EUR 0.60 in November

The proposed dividend totals EUR 180 million,

78% of earnings per share



Market outlook

Market activity in Minerals is expected to continue to grow in both equipment and services business.

Market activity in Flow Control is expected to continue to grow in both equipment and services business.

Metso has changed the structure of its market outlook statement. Going forward, the market outlook will describe the expected sequential development in market activity during the following six-month period. Expected development will be described using three categories: grow, remain at the current level, or decline.



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