



Q3  
2015

# Interim Review

January 1 – September 30, 2015

Matti Kähkönen, President and CEO

Harri Nikunen, CFO

October 22, 2015

# Forward looking statements

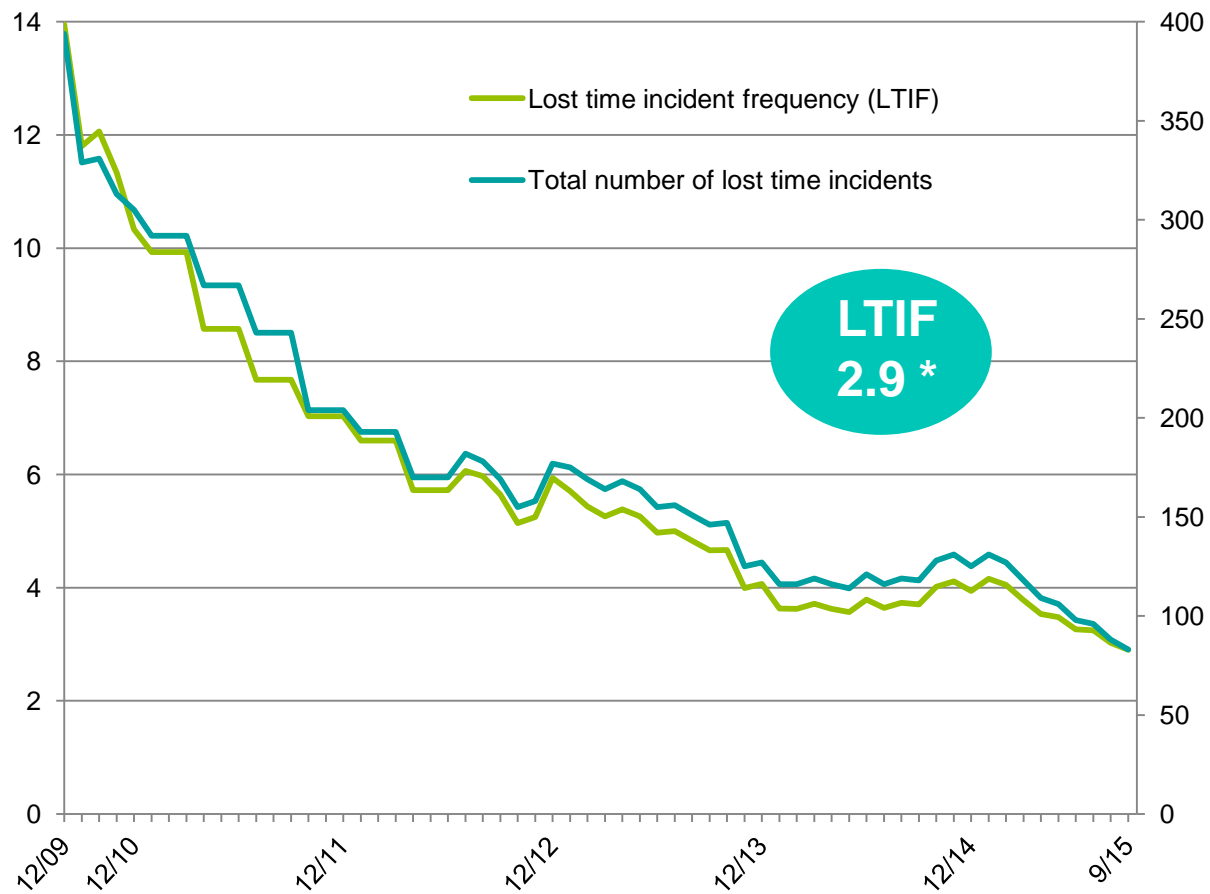
It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for customer industry profitability and investment willingness, expectations for company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

Continuous focus on our LTIF target of less than 1 leads to results

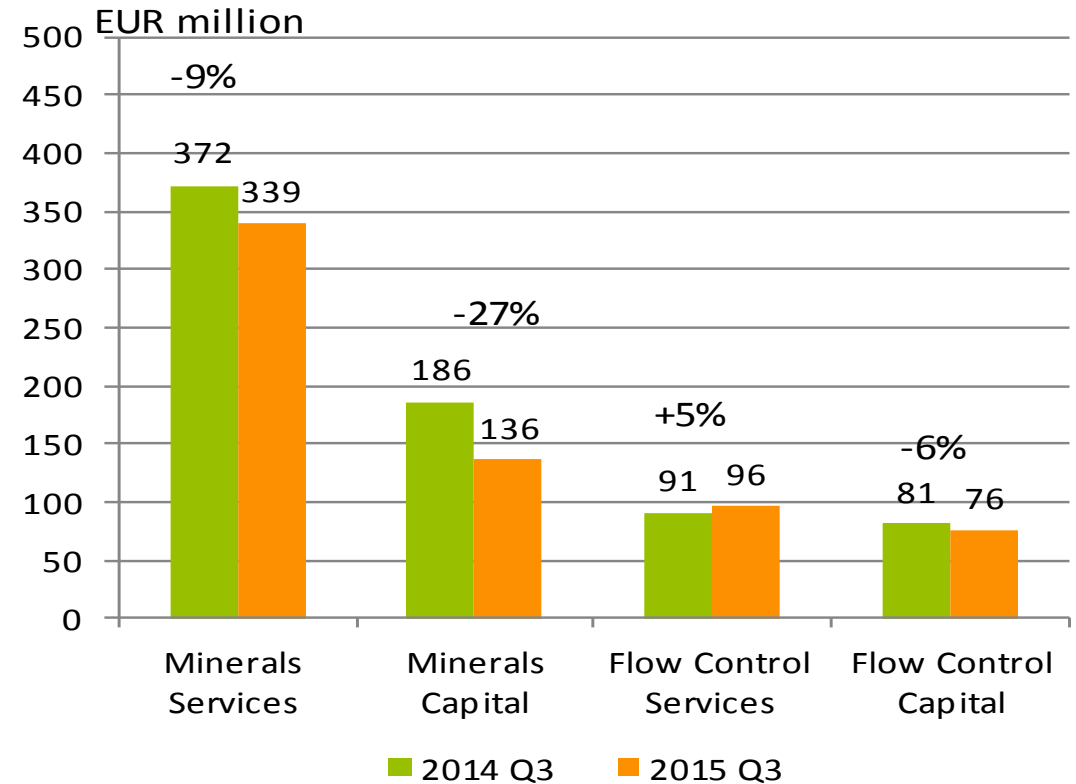


- Demand from customers: license to play
- Safe working environment for the whole personnel
- Improved safety performance supports productivity
- Actions leading to improvement
  - ✓ Active and visible management support
  - ✓ Safety being part of every decision
  - ✓ Safety included in incentive plans
  - ✓ Development of safety culture
  - ✓ Development of safe working methods
  - ✓ Learning from every incident

# Markets in brief

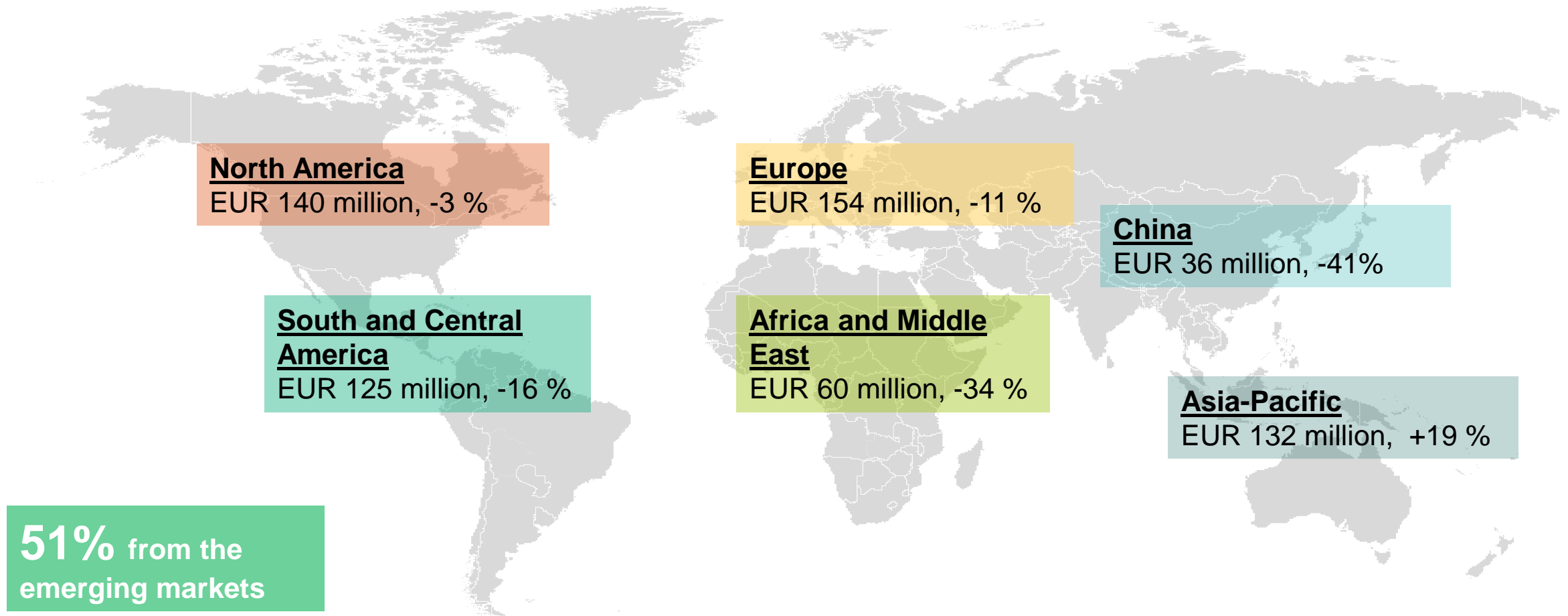
- **Mining:**
  - weak demand for new equipment
  - demand for services satisfactory, affected by miners' cost cutting with large regional differences
- **Aggregates:**
  - both equipment and services demand has declined in the emerging markets
  - better demand in North America and Europe
- **Flow Control:**
  - oil & gas project-related demand satisfactory
  - other process industries (e.g. pulp) stable

Orders received totaled EUR 647 million  
Excluding PAS



# Orders received by market area

Order intake in Q3/15 and change year-on-year (excluding PAS)

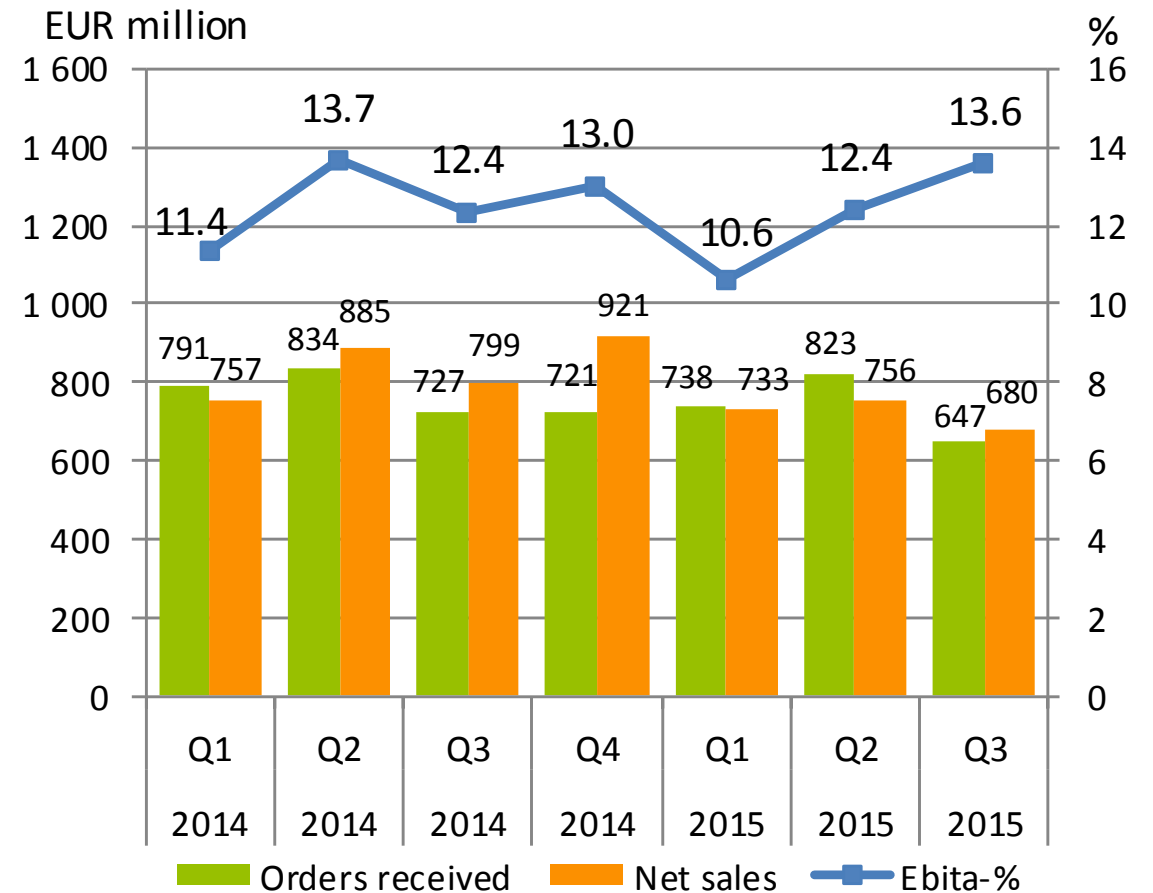


# Financial highlights

## Current structure

- Good performance in a challenging market situation
- Net sales declined largely due to lower equipment sales in Minerals
- Minerals' profitability holding up fairly well, thanks to mix and cost control
- Very good profitability at Flow Control
- Free cash flow increased to EUR 117 million (EUR 46 million)
- Extra dividend of EUR 0.40 was paid at the beginning of August

Quarterly orders received, net sales and EBITA%\*



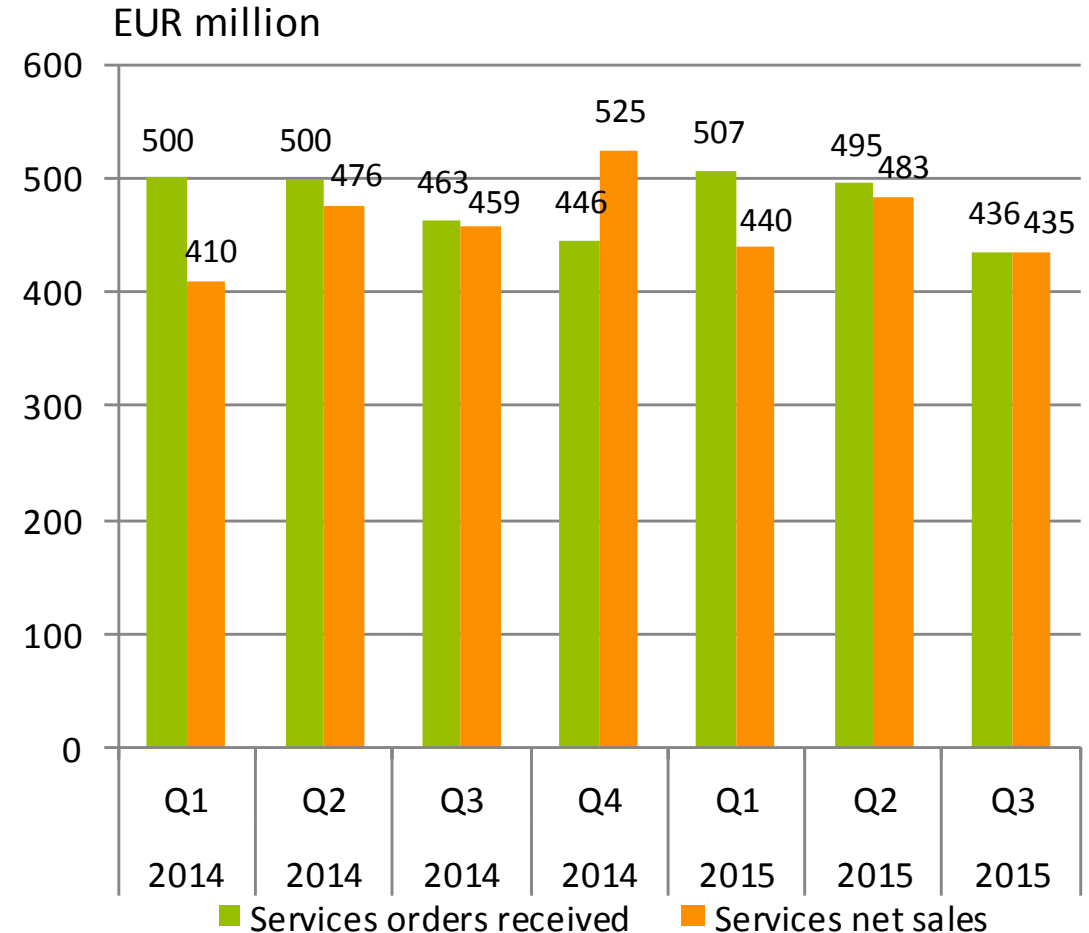
# Services development

## Current structure

- Our offering and competitiveness remain strong
- Significant differences in market activity between regions
- Minerals
  - Performance services orders at a good level
  - Miners' cost cutting actions impact wear and spare business
  - Orders from Central and South America, excluding Brazil, increased
  - China and North America declined
- Flow Control
  - Orders grew 5% (fastest growth was in pumps)

## Services orders and net sales

Excluding PAS





# Financial performance

Harri Nikunen  
CFO



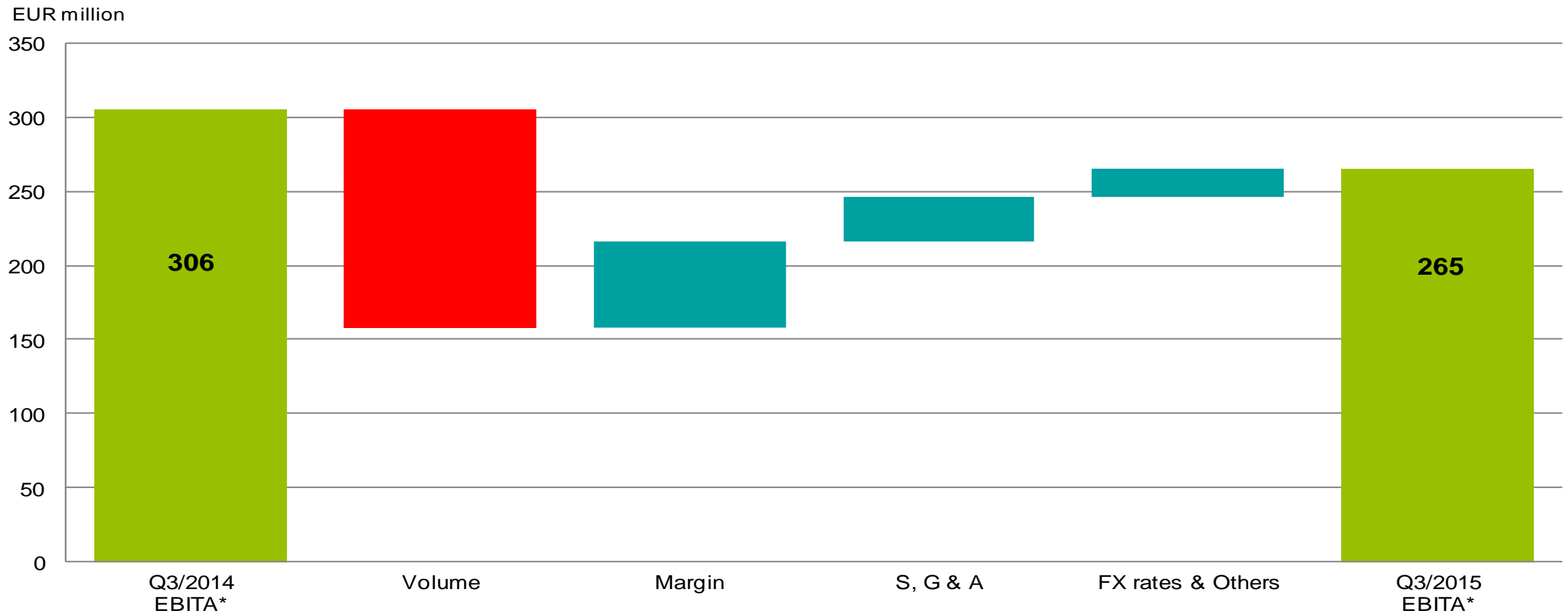
# Group key figures

Current structure except when noted

EUR million	Q3/2015	Q3/2014	Change %	Q1-Q3/ 2015	Q1-Q3/ 2014	Change %	2014
Orders received	647	727	-11	2,207	2,353	-6	3,074
without currency impact			-11			-11	
Service orders received	436	464	-6	1,434	1,459	-2	1,905
without currency impact			-5			-6	
Net sales	680	799	-15	2,168	2,443	-11	3,363
without currency impact			-16			-16	
Services net sales	435	459	-5	1,365	1,344	1	1,883
without currency impact			-4			-3	
EBITA*	92	99	-7	265	306	-13	426
% of net sales	13.6	12.4		12.2	12.5		12.7
EBIT**	76	72	5	488	250	95	351
Earnings per share**, EUR	0.29	0.26	12	2.60	0.89	192	1.25
Return on capital employed (ROCE) before taxes, annualized, %**				26.5	15.5		16.4
Free cash flow**	117	46	154	282	141	100	204

# Positive margin and SG&A impact on EBITA

Current structure, illustrative



Note: Volume, margin and SG&A changes calculated with constant currencies. Currency impact is included in 'FX rates & Others'.

# Gross margins remain healthy

## Current structure

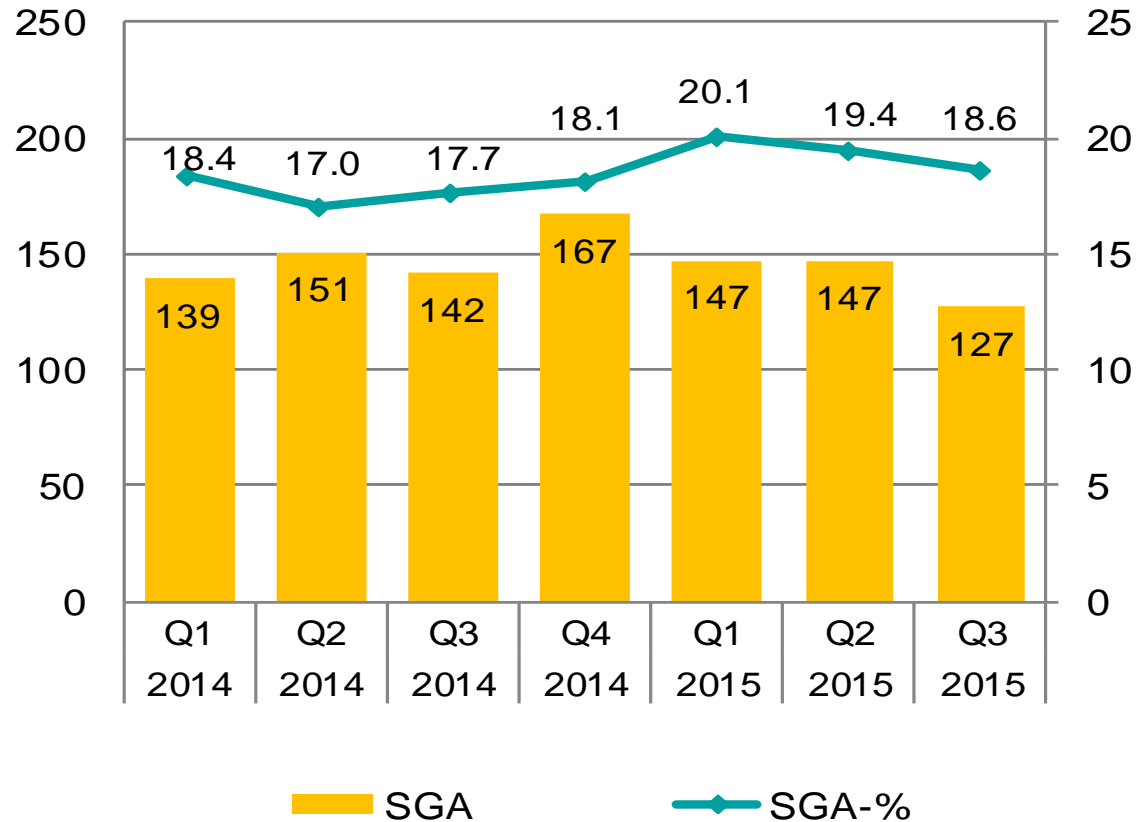


- The mix has improved (services vs. equipment)
- Margins in all businesses at a good level

# Actions to reduce SG&A continue

## Current structure

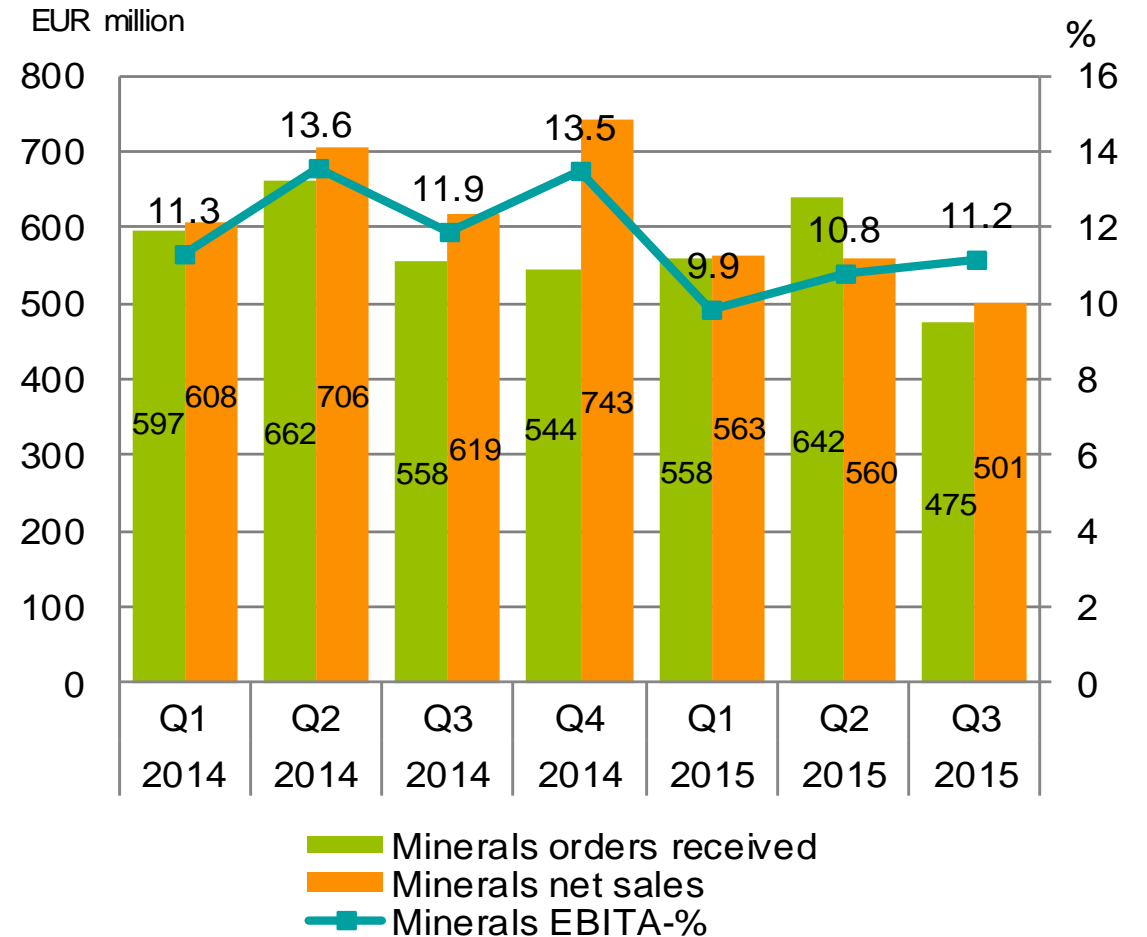
EUR million



- People costs and spend down year-on-year
- Total y-t-d 7% down in constant currencies
- Biggest decline in the mining equipment business

# Minerals quarterly performance

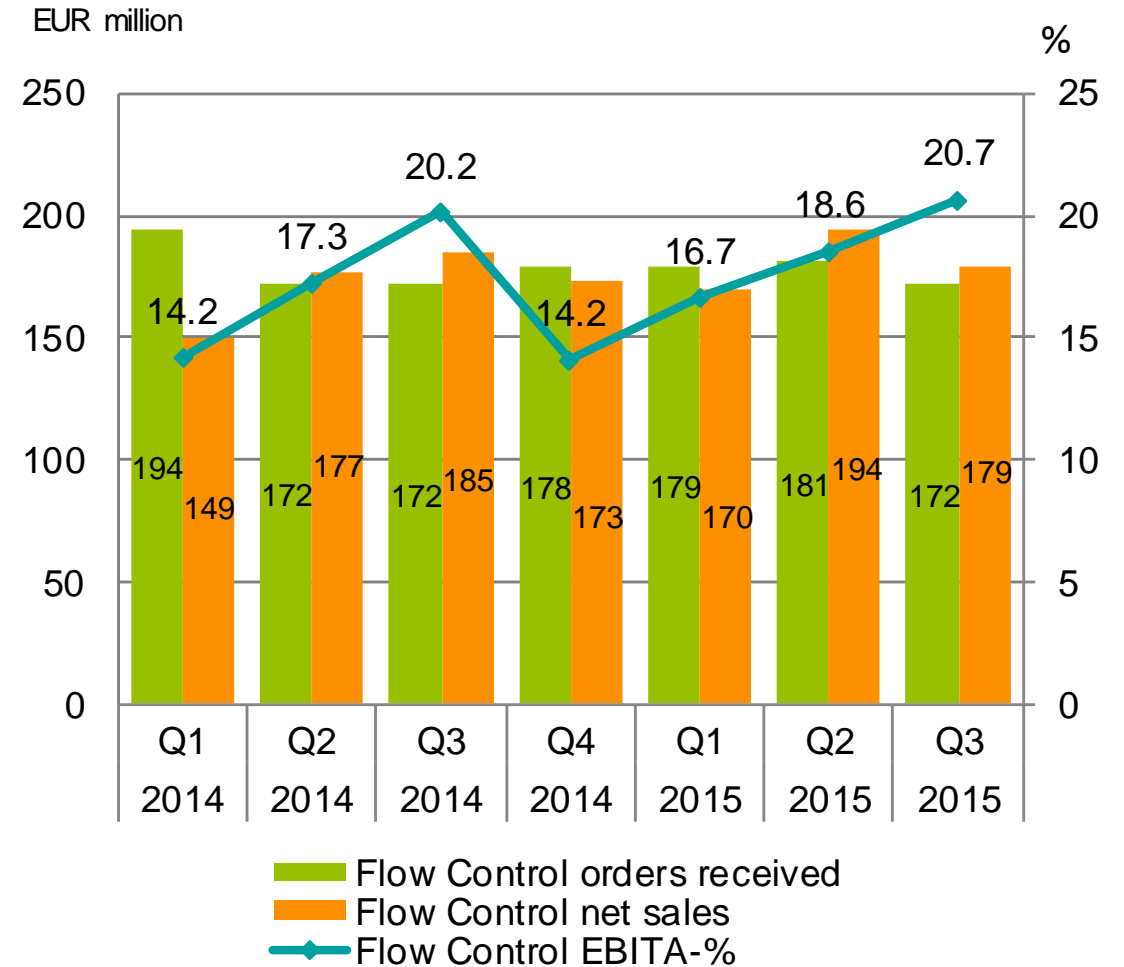
- Good profitability despite declining topline
- Net sales of new equipment declined close to 40%
- Gross margins held up well and SG&A declined overall 9%
- Strong cash flow
- Operational ROCE of 17.4% (18.9%)



# Flow Control quarterly performance

## Current structure

- Strong performance continued
- Good gross margins and lower SG&A
- Strong cash flow
- Operational ROCE of 40.4% (34.9%)



# Strong cash generation

EUR million	Q1-Q3/15	Q1-Q3/14	Comments
<b>EBITDA</b>	<b>538</b>	<b>305</b>	
Adjustments	-235	54	
Change in net working capital	70	-54	Lower inventories and receivables
Financial items and taxes, paid	-79	-137	
<b>NET CASH FROM OPERATIONS</b>	<b>294</b>	<b>168</b>	
Capex on fixed assets	-31	-46	FY 2015 well below FY 2014
Acquisitions and divestments	247	-19	PAS disposal
Proceeds from (+)/Investments in (-) financial assets	-50	1	
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>166</b>	<b>-64</b>	
<b>Cash flow from operations and investing activities</b>	<b>460</b>	<b>104</b>	

# Capital employed and net working capital

Larger cash position increased capital employed

EUR million	Sep 30, 2015	Dec 31, 2014	Change
Net working capital	592	681	-89
Tangible assets	345	398	-53
Intangible assets	552	560	-8
Other	160	176	-16
Cash	537	277	+260
<b>TOTAL</b>	<b>2,186</b>	<b>2,092</b>	<b>94</b>
Turnover	1.4	1.7	

NWC declined thanks to lower inventories and receivables

EUR million	Sep 30, 2015	Dec 31, 2014	Change
Inventories	752	842	-90
Trade receivables	486	645	-159
Trade payables	-279	-333	+54
Advances + POC	-155	-145	-10
<b>Customer NWC</b>	<b>804</b>	<b>1,009</b>	<b>-205</b>
Other	-212	-328	+116
<b>TOTAL</b>	<b>592</b>	<b>681</b>	<b>-89</b>
% of net sales	19.2%	20.2%	



# Solid balance sheet and financial position

EUR million	Sep 30, 2015	Sep 30, 2014	Dec 31, 2014
Return on equity (ROE), % *	33.3	15.0	15.7
Return on capital employed (ROCE) before taxes, %*	26.5 / 17.1**	15.5	16.4
Gearing at the end of the period, %	15.0	49.6	45.6
Cash conversion, %	206	105	108
Debt to capital, %	37.4	42.8	41.2
Net debt / EBITDA *	0.3	1.5	1.3
Interest cover (EBITDA)	17.4	5.9	6.2



# Outlook and guidance

Matti Kähkönen  
President and CEO

# Short-term market outlook

## Mining



46% of net sales\* of which 75% services

### Outlook:

- Weakness to continue in the equipment and systems business
- A few large orders being negotiated; timing is uncertain
- Demand for services satisfactory, impacted by miners' cost actions

## Aggregates



23% of net sales\* of which 45% services

### Outlook:

- Lower demand in the emerging markets compared to the US and Europe

## Flow Control



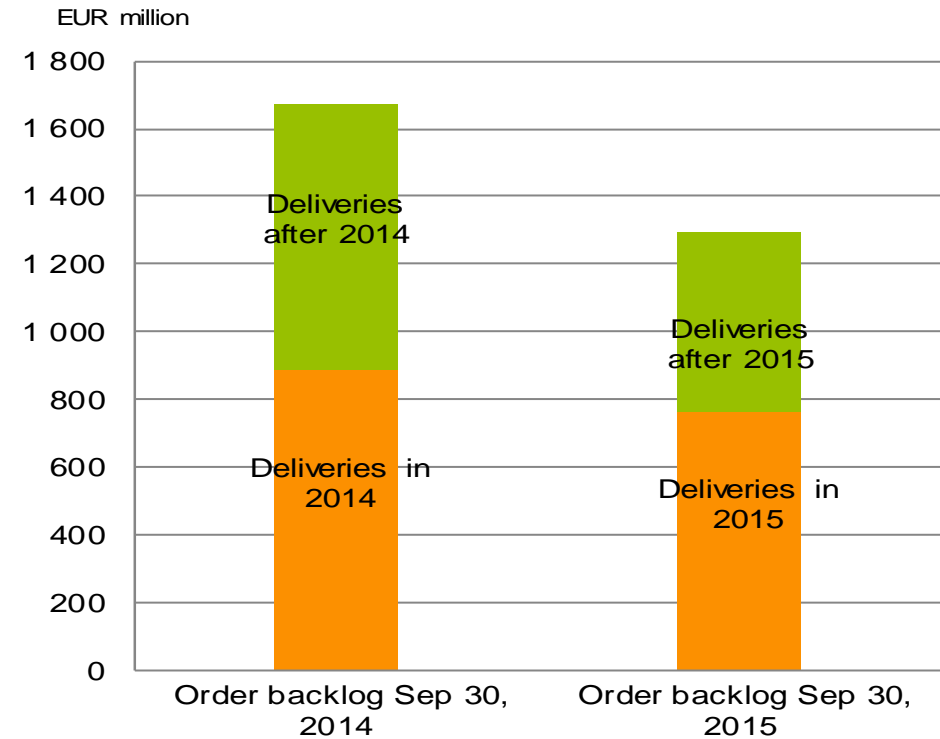
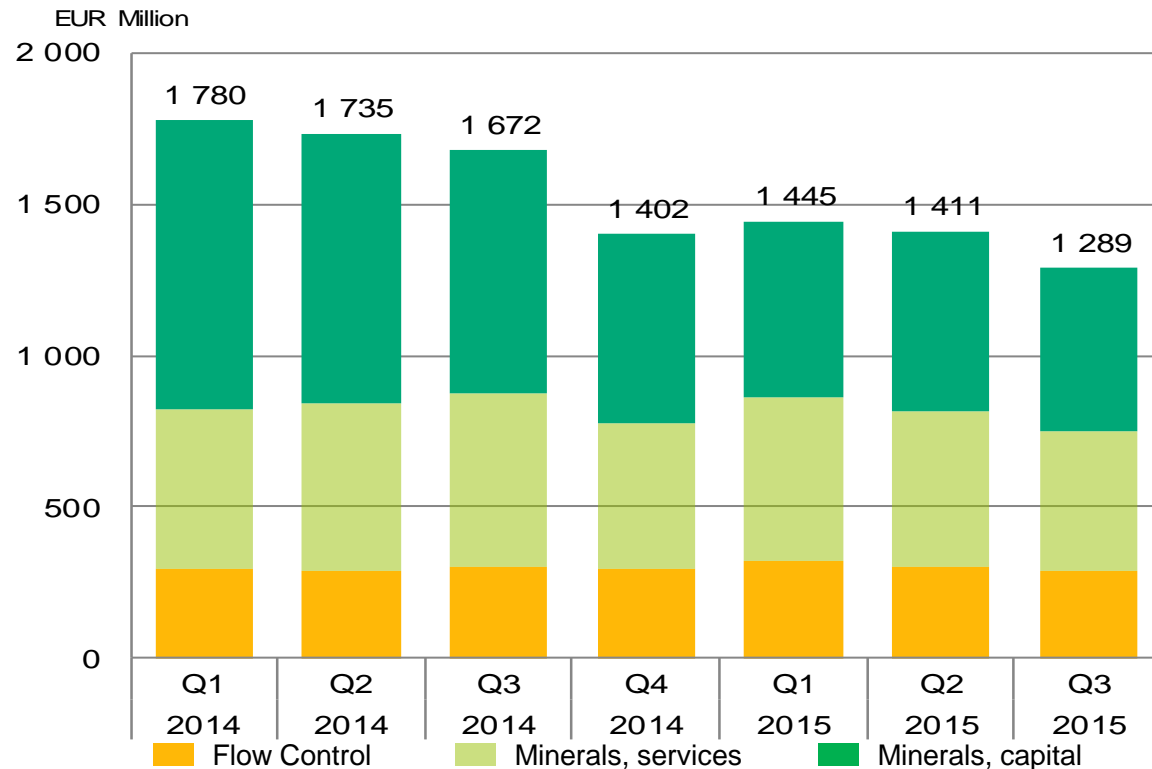
27% of net sales\* of which 55% services

### Outlook:

- Oil & gas-related project pipeline is soft; demand from other process industries remains stable
- Good demand for replacements and services

# Order backlog

## Current structure



- Healthy backlog and good mix, supporting our guidance

# Confirming the guidance for 2015

- Our net sales in 2015 will be between EUR 3,000 and 3,200 million
- Our EBITA margin before non-recurring items for 2015 will be around 12.5% (12.0-13.0%)



The guidance takes into account the current market activity in our customer industries and current exchange rates.



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