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MANAGEMENT DISCUSSION SECTION

Juha Rouhiainen
Vice President-Investor Relations, Metso Oyj

Good afternoon, ladies and gentlemen. This is Juha Rouhiainen from Metso's Investor Relations. And I want to welcome you all to this conference call, where we are reviewing and discussing our third quarter 2018 results. I'm sitting here with our Interim President and CEO and CFO, Eeva Sipilä, who will in a minute go through our presentation, after which there is time for Q&A. Couple of things before we go. Please note that we try to wrap up this call after 60 minutes, and that we have a disclaimer in the presentation, because we are using forward-looking statements in this call.

With these remarks, we'll be ready to start and I'll hand over to Eeva. Please go ahead.

Eeva Sipilä
Interim President and Chief Executive Officer & Chief Financial Officer, Metso Oyj

Thank you, Juha. Good morning, good afternoon, everyone. Starting with the third quarter in brief, I am very pleased with our strong order intake in both segments, Minerals, and Flow Control. On the foundation of a healthy order backlog, we have made progress in ramping up. That is visible in our sales growth. Profitability improved, thanks to higher volumes, but with higher sales growth in equipment than in services, the mix has an effect on the overall margin.

Overall, looking at the year-to-date performance, we have I believe demonstrated a step-change in our performance. The consistency we have shown gives us a good base to develop Metso forward. Here, I would like to remind everyone that my interim role ends next week as our President and CEO, Pekka Vauramo, joins on November 1.

Moving on to the third quarter financials, more to the numbers. So, orders received up 8% and 16% in constant currencies. So, you clearly see that the volatility we've seen in the emerging market currencies in the past months is sizable also on our numbers. Sales growth 18%, and also a similar sort of clearly higher number in constant currencies. This enabled an EBIT – adjusted EBITDA of €96 million, 12.2%. And on the operating profit, €91 million.

And with that, I would actually move to the segments more in details, starting with Minerals. So here, orders were up 9% to €702 million. Order growth is driven by both equipment and services, healthy activity in both. If one looks at sequential comparison to the second quarter, then clearly the mining equipment orders is something to highlight. We saw a very, very good growth there.

I would also want to highlight that on the aggregate side, the numbers are now including the acquisition we made earlier this year closed on July 2, P.J. Jonsson och Söner in Sweden. And that contributed to the aggregates equipment orders. Sales growth was 19%, and here we saw a significant part of the growth coming from the equipment side. So, looking at the sort of share of services, it was 61% in this quarter, compared to last year's 67%. So, this obviously has an impact on the margin, while at the same time, we saw a good positive contribution obviously from the increased volumes.

And obviously, just to remind at this point then, the previous quarter last year, the profitability numbers include a €33 million charge done at that time to cover old mining project issues, which – we have been – which had a sort of impact and hence affect somewhat the comparison of these two to year-to-date.

Moving on to Flow Control, so orders were up 6% here as well, a pretty significant currency impact, so 12% in constant currencies, and really solid day-to-day activity. The project orders were lower as we expected. And as we indicated when in connection with our second quarter reporting, we did change the outlook at that time in Flow downwards materialized, but we're very pleased with the day-to-day activity really enabling this €181 million of orders.

Good growth in sales 15%, and really sort of based on the healthy backlog. And that then contributed to 17.9% margin in the business. Here, maybe sort of saying that this is a very good performance. We do expect a bit more project deliveries from our earlier orders in the fourth quarter. So, not necessarily sort of continue the linear line in the graph, but good solid development in this business. So, we intend to continue with it also in the fourth quarter obviously.

Moving to the group income statement, here, I would highlight really once again the mix impact. You see our sales growth in the quarter being the earlier mentioned 18%. Services grew as such at a very healthy 10% level. Year-to-date, the same figures being 14% and 10%, respectively. This obviously clearly does mean that our equipment sales growth is much higher than the group growth percentages, bearing in mind that two-thirds of our business come from services. Another point to make is our earnings per share, €0.40 in the quarter. And really on a year-to-date level, we're almost running at the double what we were delivering on last year. So, a step change here as well.

Moving to the balance sheet. The total at end of September being €3.1 billion versus the €3.3 billion at the start of the year. We used cash in – already in the second quarter to pay back some loans. So, that's, obviously visible on the cash and cash equivalents row. Maybe a comment on that we've discussed earlier, but also visible in this quarter is that, you do see our inventories continuing to grow a substantial €150 million roughly from the start of the year. This is partly due to decisions made to improve availability in services specifically, but it does demonstrate that we have some further opportunity to improve our supply chain lead times and efficiency to improve – to deliver improved returns for our shareholders going forward. Otherwise, the development in working capital was positive, and obviously reflecting the overall sales growth.

Moving on to cash flow. So, here, maybe just to the profit, very much discussed, you see the change in net working capital in the year-to-date numbers of negative €106 million. They're really coming from the inventory side. The tax row is – if you remember when you compared to the previous year year-to-date, so here we did pay €21 million in tax due to a claim that we have ongoing with the tax authorities. But the cash impact you see here, so that may exchange – explains the difference on that row. Other points to note is CapEx, €39 million year-to-date, up as we have guided on the previous year number. We are now just ahead already of the full last year number. And we continue to expect this to trend up in the coming quarters. Business acquisitions in the quarter $25 million impact, and that then resulted in a free cash flow of €89 million for the year so far.

Moving on to a few key financial KPIs on the next page. I would point out the return on capital employed before taxes at 17% on an annualized basis, another indicator of the step-change we have delivered this this year. Our balance sheet continues very strong. Net debt to EBITDA of 0.3 and interest coverage being at 14.4, based on the calculating by kind of EBITDA divided by the financial expenses.

So, really to summarize on the activity in the quarter, the execution of our profitable growth strategy has really been the key focus throughout the year and also in the third quarter. Very happy to note several positive issues on that side. Capital expenditure, already mentioned, we did announce a further investment in India to our wear castings manufacturing capacity. This is an ongoing project that we are buying, whilst it is being constructed. Hope that will then deliver. It will consume CapEx during next year and we hope to sort of be ready to with the first deliveries at the very end of next year, so something to note and, obviously, will improve our availability and capabilities to serve our customers globally.

R&D is ramping up as planned. We have a much improved product lunch pipeline in all our businesses. But as discussed earlier, this does take some time and in that sense, the numbers don't jump up dramatically and of course, neither do the visible product launches. But going as planned is what I would want to really note on that and same thing on the digital strategy, so progressing as planned. I already mentioned the Jonsson acquisition earlier. So just noting it here again.

And then for those of you interested in organic growth and non-organic growth, we provide here the details as well as in the report. So, if you look at Jonsson and the WEARX acquisition made last in the final quarter of 2017, they have contributed €27 million to our orders in the quarter and €14 million to sales in the third quarter. And a final note, the Rotex acquisition announced in early April is expected to close by the end of this year.

And with that, I think it takes us to the market outlook. We are repeating our outlook on the market in Minerals we gave three months ago. This means we expect growth in demand to increase for Minerals equipment and we expect growth in demand to remain stable for Minerals services. In Flow Control, we have seen the market activity in projects materialize as expected in the past three months and, going forward, we expect growth in demand to be stable on the current level for this Flow Control segment.

And with that, I think we are ready open the floor for Q&A.

Juha Rouhiainen

Vice President-Investor Relations, Metso Oyj

Yes. Thank you. Operator, we are ready to take questions.

QUESTION AND ANSWER SECTION

Operator: Thank you very much. [Operator Instructions] Our first question comes from the line of Klas Bergelind of Citi. Please go ahead. Your line is open.

Klas H. Bergelind
Analyst, Citigroup Global Markets Ltd.

Q

Yes. Hi, Eeva. It's Klas from Citi. First one is on the drop-through in Minerals is being impacted by negative mix, because of the strong mining equipment deliveries, and then, obviously higher equipment volumes versus services in general. As the cycle progress, the mining equipment margin should start to recover. It's low now in the beginning of the cycle. But I would assume that it should start to hit the high-single-digits after a while. How is price cost developing on those new mining orders? And if you could comment on the cost side, I think 2,300 people left Metso during the downturn and you've said before that this is a structural cost take out. So you drop-through should improve also just on the cost side going forward. So, if you can comment there, Eeva, on what you expect to see on the equipment margin, please.

Eeva Sipilä
Interim President and Chief Executive Officer & Chief Financial Officer, Metso Oyj

A

Sure, Klas. Yeah, I think that we have several mix items to really note in Minerals. One is the equipment services mix, which I think is the bigger item. But you are right in noting quite correctly that based on the backlog that we have been building up, so we obviously have more mining equipment in the backlog than previously versus aggregates equipment. And as you all, I'm sure, well remember, our mining equipment has not had a positive contribution on profitability for quite some time. It is and it will improve as we get more volume through. I think we're kind of now seeing really the first months of sales revenue recognition basically on the higher backlog. This is a long lead time business so it doesn't come through in the same way as that volume starts to come through. Yes, that is expected to contribute because we have structurally – we are structurally in a – have a more healthy business.

Then again the cost inflation pressures out there are real and, hence, when you're – your question on the price cost development. I think we are working very hard to make sure that we are taking better business in and, obviously, being if needed also, a bit selective on what we take in and to ensure that the sort of price levels are such way we can deliver returns. But – but really with the cost inflation there, there is – this is really an area where work is needed. And it really has to be something that we focus on quite heavily in – not necessarily totally untypical of the cycle. But certainly something especially adding to this that we have some additional sort of items such as trade war tariffs and related cost impacts that have an impact as well.

So it's – there is work to be done, but I am happy with the backlog as such and, personally, I see good development in Minerals. We are not ready. I think we discussed the aggregates drop through in the previous quarter. We've made some progress, but we are not there yet and also on the services side, we still have further opportunity to improve. So, it's all what kind of continues.

Klas H. Bergelind
Analyst, Citigroup Global Markets Ltd.

Q

Okay, good. So aggregate throughput is slowly getting better as well. That's good to hear. Then, my second one is on the discussions with your customers in mining. We hit €160 million now on the equipment side from €120 million last quarter and €70 million in the first quarter. So that's pretty clear growth trajectory. Do you feel now that the late cycle, replacement cycle is now in full swing? If you look at the trade cycle over your equipment, it would suggest that we are now only starting to eat into the early part of the super-cycle years, i.e. demand that start to boom from 2003 and 2004. If you could comment on replacement demand and then of course on the larger order pipeline as well, whether that has changed at all given the uncertainties out there?

Eeva Sipilä
Interim President and Chief Executive Officer & Chief Financial Officer, Metso Oyj
A

Sure, yeah. This continues to be a cycle which is very much driven by replacement demand. And we had some greenfield business in the quarter, which was a new element, something we highlighted three months ago that we do expect that side to open up as well. It did. But the sort of individual orders are not very big. So, they are also – customers very focused on productivity and their returns. So, I think we're still in a way to kind of – or maybe downplay a bit here, being in full swing commentary in the sense that, it looks to be a very different cycle from the previous one. And I think we're a bit trying to kind of understand what will the swing be, but it is – activity is improving. And we definitely see a – like we say in our outlook, a positive outlook going forward. But really as said, let's come back to the swing part of it, then next year with a bit more visibility, because clearly there's sort of – there is turbulence and some uncertainty in the markets as well.

Klas H. Bergelind
Analyst, Citigroup Global Markets Ltd.
Q

My final one is on the services. How is the debottlenecking progressing? We're coming up against a quarter when you had very low volumes, last year, an extra cost for bottlenecks on the spare parts. Is that down now or you're thinking how much we can analyze when we're going here to the fourth quarter?

Eeva Sipilä
Interim President and Chief Executive Officer & Chief Financial Officer, Metso Oyj
A

Well – it's work-in-progress. Some of the things are obviously not as such that you kind of achieve even in sort of 9, 10 months period, but we've definitely made progress there. I think you'll see from our inventory levels that clearly we have stuff in the pipeline, but we're not there yet, where we want to be from a delivery capability and really the – sort of that. Otherwise, we wouldn't be adding – have had to add so much inventory to generate these sales. So there is some work to be done that also continues to next year, but I think we're sort of – we knew from the start that we're in for a marathon, and not a 100 meter sprint and that's still my sort of view on it.

Klas H. Bergelind
Analyst, Citigroup Global Markets Ltd.
Q

Thank you.

Operator: Thank you. Our next question comes from the line of Max Yates of Credit Suisse. Go ahead. Your line is now open.

Max Yates
Analyst, Credit Suisse Securities (Europe) Ltd.
Q

Thank you. Could I ask on the 2019 margins in mining? And obviously, if you strip out the charge you took last year, it looks like because of the mix, margins in Minerals have gone down year-over-year. So, when you look at the mix of the backlog, you also mentioned trade tariffs and deep bottlenecking, when you put all of this together and you look at margins for next year, does this maybe make next year a bit of a transition year, where it may be difficult to get margins up? Or are you comfortable that the pricing on the orders that you're taking are that much better than what was in the backlog this time last year that you should still be able to make progress on margins into 2019?

Eeva Sipilä
Interim President and Chief Executive Officer & Chief Financial Officer, Metso Oyj

A

Well, I am most comfortable with the actions we are taking to improve kind of the self-help part of it. And we made progress in the third quarter. And as I said, it was also already commenting to the question from Klas in a way that there is a lot of activity that continues. And as we continue to track progress, I am absolutely confident that we can improve next year. Pricing, we have to do it well. And it of course offers some upside, but at the same time it's also need – it will also be needed to just balance the cost inflation. So I think the self-help part is easy or quite fundamental in sort of making hopefully sort of another step change into on our performance.

Max Yates
Analyst, Credit Suisse Securities (Europe) Ltd.

Q

Okay. Maybe just a second question on the margins, when you look at the work that was done to the mining business in the downturn and the cost that was taken out the way, I think it was made into a bit more of an assembly business than previously. Do you think this alters where margins can go back to at the peak of next cycle, i.e. will we not see the same sort of incremental margins? The same sort of peak margins that we saw at the last peak of the cycle in 2012?

Eeva Sipilä
Interim President and Chief Executive Officer & Chief Financial Officer, Metso Oyj

A

Well, I think there is, in theory, there's obviously the element of that when you have a more outsourced model, you give a certain part of your margin away. And that's of course applies here as well. Then, I would say that the obviously the previous cycle was quite special. It was such a super cycle that when I look at some of the margins achieved, I don't think that it was necessarily so.

So the best achievement because the organization was just really, really, really a challenge to kind of deliver on that. So, if you're doing something that's not really on the core of a core, you're usually running into some hassle and some issues. And that I think it happened here as well. Now, it's a question that can we then manage our supply chain – outsourced supply chain better? Of course, you can argue there could be some hassle as well in growth, although the growth rates we're seeing are still kind of [indiscernible] (00:25:15). In absolute terms, we're obviously still very far from the high level. So in that sense globally, I think there is capacity. But this comes very much to how well we run our own processes, how well we work together on the whole channel in kind of sales and operational planning that we manage that and minimize that hassle.

So I'm pretty confident that there is a self-help element in that as well, but you're right. The kind of answer to your question obviously is that it is a different profile we have as a business in mining today in Metso. And that is something I think is absolutely the right decision that was made, but it does alter our profile a bit.

Max Yates
Analyst, Credit Suisse Securities (Europe) Ltd.

Q

Okay. And just very, very final sort of quick one. You mentioned in the Flow Control business that you are very happy with the day-to-day sales. Could you maybe give a little bit more color perhaps by end market region? Where you are really seeing that positive development? Thank you.

Eeva Sipilä
Interim President and Chief Executive Officer & Chief Financial Officer, Metso Oyj
A

Sure. I mean, the good news is that it is quite sort of well across. So kind of hard to pick sort of one or two highlights. If I look at the sort of both the sort of valves and pumps business in North America are clearly enjoying good growth. But then, again, we also had good activity in Asia, and also in Europe, although obviously maybe the growth rates are a bit lower in Europe is kind of reflecting overall economic activity. So rather broad based, I would say. And really as you well remember, I'm sure we have a pretty broad customer base in Flow. So obviously, there is an element of oil and gas, there is an element of the wider petro-chem, pulp and paper and various other smaller industries. So it – I think it is – that of course helps, and that it is quite broad based.

Max Yates
Analyst, Credit Suisse Securities (Europe) Ltd.
Q

Okay. Thank you very much.

Operator: Thank you. Our next question comes from the line of Andrew Wilson of JPMorgan. Please go ahead. Your line is open.

Andrew Wilson
Analyst, JPMorgan Securities Plc
Q

Hi. Good afternoon, everyone. Just a few questions, hopefully, [indiscernible] (00:27:47) following up on the previous ones. Just on the price cost – and sorry to kind of keep eyeing on this, but 2019, it sounds like you're relatively optimistic with regards to the price cost dynamics improving relative to the Q3 and the Q4 in Minerals. Is that the right way to think about it?

Eeva Sipilä
Interim President and Chief Executive Officer & Chief Financial Officer, Metso Oyj
A

Well, maybe – that is maybe a bit much said. I think we have better capabilities to do a better job in managing pricing, managing sort of customer interface, we're much more on top of things. And then, at the same time, obviously, the change in mining has meant that we have customers who actually see a real productivity improvement from buying our equipment. So of course, this is a change from the situation two years back. And any supplier should work to see that visible in the pricing. But I am – at the same time, I'm pretty concerned on the cost inflation. And of course, I don't have a crystal ball into 2019. But I am a bit cautious because in some areas, we're definitely using components that are used in multiple other industries. And we don't have really insights how their demand will develop, and hence, we don't know what type of impact will that have. So I think it's really sort of being very alert on the pricing side to first of all compensate. And then, obviously, hopefully, we do a better than average job. But as I was replying to Max earlier, I'm more confident on the pipeline of our internal improvement actions and kind of how we manage the business to deliver to deliver the sort of kind of positive upside to where we are.

Andrew Wilson
Analyst, JPMorgan Securities Plc
Q

That's helpful. And switching across just to Flow Control. And I guess, it sounds like the trigger for the higher guidance or the stronger guidance in terms of demand outlook was this pickup in day to day activity. And I think you referenced that the Q4 margin would be impacted by sort of mix in the sense of the projects, which you wouldn't [indiscernible] (00:30:19) would come through. And if we look into 2019, I guess the natural conclusion I would jump to would be that if the day to day activity was the trigger for the stronger outlook, then, presumably that would also be a positive for the Flow Control margin in 2019 as well?

Eeva Sipilä
Interim President and Chief Executive Officer & Chief Financial Officer, Metso Oyj

A

Well, yeah, I think there's sort of the mix is such that the day to day high is an important contributor to profitability. Of course, we need both, but it looks like, sort of, that we will start next year with a healthy backlog in Flow. Now, we had a pretty good start for this year, but we sort of have been able to – this has been a good year sort of building on that. So as such, this kind of a change in the outlook isn't necessarily a big surprise. I think we tried also to describe to you three months ago in a way that a bit downplay, the downward revision at that point because we really saw that the project pipeline activity is volatile. And it does change by quarter, and hence that our expectation was really at the day to day continues [indiscernible] (00:31:42) and hence so, that we're pretty much in that sense stating what the same, but really now the sort of project impact coming through now. It's better to give you an idea on what we kind of expect for the coming six months.

Andrew Wilson
Analyst, JPMorgan Securities Plc

Q

That's great. Thank you. And if I can just squeeze just one more in, and on the – I think obviously you've talked about ambitions from an M&A perspective before and the balance sheet optionality when we look at cash profile is clear. Can you just talk about what you are seeing in terms of evaluations and vendor expectations. I mean clearly given what markets have been doing potentially a bit of desiccation, which might provide some opportunities, which I think you talked previously about vendor expectations being too high. Can you just talk about kind of as you're seeing the M&A pipeline and then potentially [indiscernible] (00:32:35) maybe more interesting?

Eeva Sipilä
Interim President and Chief Executive Officer & Chief Financial Officer, Metso Oyj

A

Yeah. Sure. Sure, Andrew. We continue like I guess – I state somewhere in the report that they kind of continue working actively with the M&A pipeline. Of course, it's always that type of activity where no matter how hard you work to sort of, what comes out of the sort of funnel is always subject to the other party agreeing, and some sort of surprises both directions.

I think generally we continue to see a market, where obviously the market views of such are more similar in a way with the sort of what we see and what the sort of a sellers see, so that helps to get the discussion on the same level. Then, of course, there's always a view that usually the seller is a bit more optimistic on what can be done with the business. And we are a bit more cautious on what sort of future projections. But generally, as I said, sort of, no big changes I think with the sort of – we do see interesting opportunities in the [indiscernible] (00:34:03) typically smaller companies that are looking for bigger muscles and someone to really take some of their opportunities more global, which obviously kind of is something which fits Metso very, very well.

But yeah, as I said, let's see the sort of, I think this, sort of, stock market obviously recently has a bit changed its mind on certain things. And it's a bit too short time to really have an impact on much of those discussions. Let's see where it goes and what that leads to. But I think, generally, sort of like, sort of positive on that there is some opportunity for these – small non-organic opportunities to proceed in going into next year.

Andrew Wilson
Analyst, JPMorgan Securities Plc

Q

That's great. Thank you very much.

Operator: Thank you. Our next question comes from the line of Omid Vaziri of Jefferies. Please go ahead. Your line is now open.

Omid Vaziri
Analyst, Jefferies International Ltd.

Q

Yes. Good afternoon. Thanks for taking my questions. I've got three questions, if I may. Firstly, I want to talk about the labor market capacity tightening in the developed world, but also we're seeing some good signs of an emerging market. As you deliver further growth, you're needing to adjust your deliverability and capacity there. Do you see any issues from this recent trends? Clearly, we have talked about – you have already talked about the cost headwinds, raw materials, but also clearly labor is a key part of that?

My second question is in relation to the projects in India you're buying into. I was wondering if you could help us understand how much investment that would require from you next year, as the project moves towards completion? And in relation to that – [ph] they are (00:36:10) not too unrelated, clearly, you're spending a lot more on CapEx. So, where does that leave you in terms of spending on M&A?

And we saw that you paid back some portion of the debt in Q2. At the same time, cost headwinds remaining make it on to [indiscernible] (00:36:30) sort of cash generation you have next year? Clearly the backlog is not at the bad level, but what does all that mean in terms of how much you think you'd be left with to spend on M&A?

And finally, my third question is on the third quarter performance. Would you be able to quantify for us the margin impact from the dilution effects, [indiscernible] (00:36:56) growing faster than services? Is this something that you look at internally? Any guidance there would be very helpful. And the same for the impact from material cost inflation. Thank you.

Eeva Sipilä
Interim President and Chief Executive Officer & Chief Financial Officer, Metso Oyj

A

Okay, thanks. Starting with your question on the labor market. So yes, I think we have areas and competencies which are in high demand outside of our industry, but we're kind of tapping obviously on some of the same competencies, so that it's something where we need to work actively as a company. I think as such the improving results and growth outlook are something that help making us, as Metso, attractive to people. And that's obviously kind of overall kind of the working conditions and the sort of sense of whether that this is a company where people want to work becomes more important than in this.

As such not surprising it is kind of, due to this cycle, something to watch. But maybe no specific comments on that. But it is actually absolutely a good point and something we need to be careful. Luckily, as Metso we have operations globally, so as sort of any one area we can try to find the same competence somewhere else and still bring it in Metso. But yeah, it's a kind of possible to say on really on that.

And then to your question on the project in India, so we announced that in total to take it to the volumes we are looking forward to will be €25 million. Now, depending on when we close very soon, we probably will get something some CapEx going out this year. But obviously, we start to be in very close to November, so nothing very significant. So the big bulk will be next year, but there is a part of that cost will – definitely will only happen in 2020. So, that's kind of there, but the bulk of it, next year, as it now looks with the current schedule.

Omid Vaziri
Analyst, Jefferies International Ltd.

Q

Yeah.

Eeva Sipilä
Interim President and Chief Executive Officer & Chief Financial Officer, Metso Oyj

A

Generally, on the CapEx spending, yes, we are increasing – looking at our balance sheet. I don't think it has really that much impact on our M&A capability. I mean we're now sort of at €39 million year-to-date. And if we continue with this pace, we should close the year close to €50 million maybe, thereabouts, depending a bit on a few bigger items, do they fall into this year or do they go into next year, so in the context of our balance sheet. So, it's still, I would say, relatively small money. I think our M&A capabilities maybe most illustrated by the few KPIs, I mentioned in my presentation around really interest coverage, and kind of capacity.

So – yeah, I think it's more around working to find attractive opportunities. That I think is the main issue and main focus and rather than sort of being, say, too concerned on the availability – on delivering, executing them, bearing in mind that – that's just the majority of what we have been looking into is really adjacency. So these are not very big businesses from your point of view necessarily.

Then, on the Q3 performance, we don't publish the equipment or services margins. So, I would want to go into exact numbers, but I would say that if you look at the sort of 5 percentage point change in the share of services, and you just use any sort of average capital goods company margin, you clearly come to sort of several million as they impact.

And then, as such it's not – I don't mean it as an excuse, but it's more just stating the fact that we have and we will continue to have also in the future a difference in the margin between service and equipment than equipment has a key role in building our installed base. So it's been more depending on where we are in the cycle, and we're working on both margins as such to improve.

Omid Vaziri
Analyst, Jefferies International Ltd.

Q

Okay. Thanks.

Eeva Sipilä
Interim President and Chief Executive Officer & Chief Financial Officer, Metso Oyj

A

Hopefully that answered your questions.

Omid Vaziri
Analyst, Jefferies International Ltd.

Q

That's helpful. Thanks very much.

Operator: Thank you. [Operator Instructions] And there are no further questions at this time. Please go ahead speakers.

Juha Rouhiainen
Vice President-Investor Relations, Metso Oyj

Well. Perfect. Thanks for this discussion and thanks for your questions. We'll be wrapping up this conference call right now. And as Sipilä said, our new President and CEO, Pekka Vauramo, will join us next week. So, I'm sure that next time we talk to you guys, we'll have addition to our team. I'm looking forward to that. In the meantime, we say have a good weekend and thanks for this and bye-bye.

Eeva Sipilä

Interim President and Chief Executive Officer & Chief Financial Officer, Metso Oyj

Thank you.

Operator: This now concludes our call. Thank you for attending. Participants, you may disconnect your lines.