metso
Expect results

# Q4 & FY 2014


## Financial Statements 2014

January 1 – December 31

# Metso's Financial Statements Review for 2014

## Fourth quarter 2014 in brief

- Flow Control and Services orders increased, mining equipment market remained challenging
- Orders received totaled EUR 801 million (EUR 885 million)
- Net sales: EUR 1,018 million (EUR 1,018 million)
- EBITA before non-recurring items: EUR 138 million or 13.5 percent of net sales (EUR 147 million, 14.4%).
- Non-recurring items totaled EUR -32 million (EUR -33 million)

## Full year 2014 in brief

- Metso launched its new strategy targeting growth and higher profitability
- Good demand continued in Flow Control, whereas the demand for mining equipment remained weak
- Metso achieved good results overall, thanks to cost control and strong product and services businesses
- Orders received: EUR 3,409 million (EUR 3,709 million)
- Net sales: EUR 3,658 million (EUR 3,858 million)
- EBITA before non-recurring items: EUR 460 million or 12.6 percent of net sales (EUR 496 million, 12.8%), non-recurring items totaled EUR -90 million (EUR -54 million)
- The Board will propose a dividend of EUR 1.05 per share, i.e. 84% of earnings per share, which is higher payout compared to our dividend policy of 50 percent of annual earnings per share. In addition, the Board proposes that it would be authorized to decide on the payment of an extra dividend of up to EUR 0.40. The authorization could be used if the sale of Metso's Process Automation Systems (PAS) business is complete

## Financial guidance for 2015, excluding Process Automation Systems business

We estimate our net sales in 2015 to be between EUR 3,000 million and 3,300 million and EBITA margin before non-recurring items to be around 13 percent.

Our guidance for 2015 is based on the current market activity in our customer industries, our current backlog for 2015, and the current exchange rates. In addition, the divestment of our Process Automation Systems business is expected to be completed on April 1, 2015.

Figures in brackets refer to the comparison period, i.e. the same period last year, and all figures relate to Metso's continuing operations.

## President and CEO Matti Kähkönen:

"Last year was very unique for Metso as it marked the beginning of a new era for us. After completing the demerger we launched a number of new initiatives that are designed to transform Metso into a more integrated, flexible, and more profitable company. These initiatives have already started yielding results, which were visible in our performance during 2014. Overall, we can be satisfied with our achievements in 2014, especially given the volatility in some of our customer industries. We managed to maintain our healthy profitability despite lower net sales, and our services business showed both growth and better profitability. Looking into 2015, we will continue to implement our strategic actions in terms of growth and internal efficiencies and I am positive that we will take important steps forward to become an even better company than before."

## Key figures

| EUR million | Q4/2014 | Q4/2013 | Change % | 2014 | 2013 | Change % |
|---|---|---|---|---|---|---|
| Orders received | **801** | 885 | -9 | **3,409** | 3,709 | -8 |
| Orders received by the services business | **481** | 457 | 5 | **2,052** | 2,038 | 1 |
| % of orders received | **60** | 52 | | **60** | 55 | |
| Order backlog at the end of the year | | | | **1,575** | 1,927 | -18 |
| Net sales | **1,018** | 1,018 | 0 | **3,658** | 3,858 | -5 |
| Net sales of the services business | **572** | 509 | 12 | **2,007** | 1,976 | 2 |
| % of net sales | **56** | 50 | | **55** | 51 | |
| Earnings before interests, taxes and amortization (EBITA) and non-recurring items | **138** | 147 | -6 | **460** | 496 | -7 |
| % of net sales | **13.5** | 14.4 | | **12.6** | 12.8 | |
| Operating profit* | **101** | 108 | -7 | **351** | 423 | -17 |
| % of net sales | **9.9** | 10.6 | | **9.6** | 11.0 | |
| Earnings per share, EUR | **0.36** | 0.35 | 3 | **1.25** | 1.59 | -21 |
| Free cash flow | **63** | 65 | -3 | **204** | 251 | -19 |
| Return on capital employed (ROCE) before taxes, % | | | | **16.4** | 18.6 | |
| Equity-to-asset ratio at the end of the year, % | | | | **40.5** | 36.9 | |
| Net gearing at the end of the year, % | | | | **45.6** | 41.6 | |

*The full-year 2014 operating profit was negatively impacted by EUR 90 million of non-recurring items (EUR 54 million) and fourth quarter 2014 by EUR 32 million (EUR 33 million). Non-recurring items are detailed in the tables section.

## Currency impact on orders received
### compared to the same period in 2013

| | Q4/2014 Change % | Q4/2014 Change % using constant rates | 2014 Change % | 2014 Change % using constant rates |
|---|---|---|---|---|
| Minerals | -18 | -19 | -14 | -10 |
| Services business | 5 | 5 | 0 | 6 |
| Flow Control | 10 | 7 | 4 | 6 |
| Services business | 7 | 4 | 2 | 4 |
| **Metso total** | **-9** | **-11** | **-8** | **-4** |
| **Services business** | **5** | **5** | **1** | **6** |

## Currency impact on net sales
### compared to the same period in 2013

| | Q4/2014 Change % | Q4/2014 Change % using constant rates | 2014 Change % | 2014 Change % using constant rates |
|---|---|---|---|---|
| Minerals | -1 | -1 | -9 | -5 |
| Services business | 15 | 17 | 1 | 7 |
| Flow Control | -3 | -5 | 1 | 3 |
| Services business | 5 | 5 | 4 | 7 |
| **Metso total** | **0** | **0** | **-5** | **-1** |
| **Services business** | **12** | **14** | **2** | **7** |

## Operating environment

Global economic growth continued to be weak overall throughout the year. The US economy showed strongest growth, whereas the growth in China slowed down. Geopolitical tensions in Eastern Europe spread concern on the European market. Commodity prices weakened and remained volatile, which had a negative impact on investments in the mining industry in particular. High utilization rates at mines continued to support the mining services business. Activity in the aggregates market remained overall at the previous year's level with improvement in the North American market and weakening in some other key markets. The tumbling oil price during the second half of the year weakened the sentiment within the oil & gas industry but had no material impact on our customers' activities. Investment activity in the pulp and paper industry increased compared to the previous year.

## Orders received and order backlog

Order intake during the fourth quarter totaled EUR 801 million (EUR 885 million) which was 9 percent lower than in the same period in 2013. Low demand for mining equipment was the reason for the decline as the Services business and Flow Control recorded higher year-on-year orders. Orders in the Flow Control segment increased 10 percent on the comparison period. Overall, the Group's services orders increased 5 percent compared to the same quarter in the previous year to EUR 481 million (EUR 457 million), accounting for 60 percent of all orders (52%).

In 2014, our total order intake declined 8 percent and totaled EUR 3,409 million (EUR 3,709 million). Services orders remained at the same level as in 2013 at EUR 2,052 million (EUR 2,038 million), and accounted for 60 percent of total orders (55%). Flow Control's orders increased 4 percent, whereas orders in Minerals declined 14 percent. Emerging markets accounted for 53 percent (56%) of all new orders.

The order backlog at the end of December 2014 totaled EUR 1,575 million (EUR 1,927 million). We expect to recognize around 87 percent of this backlog, i.e. EUR 1,372 million, as net sales in 2015 and EUR 203 million in 2016. Services accounted for around 41 percent of the order backlog at the end of 2014.

## Net sales and financial performance

Metso's net sales in the fourth quarter totaled EUR 1,018 million (EUR 1,018 million). Services net sales increased 12 percent to EUR 572 million (EUR 509 million), accounting for 56 percent of total net sales.

Net sales in 2014 declined 5 percent and totaled EUR 3,658 million (EUR 3,858 million). Services sales increased 2 percent and accounted for 55 percent of total net sales (51%), i.e. EUR 2,007 million. Services sales in emerging markets accounted for 50 percent (49%) of total services sales and 28 percent of total sales in 2014.

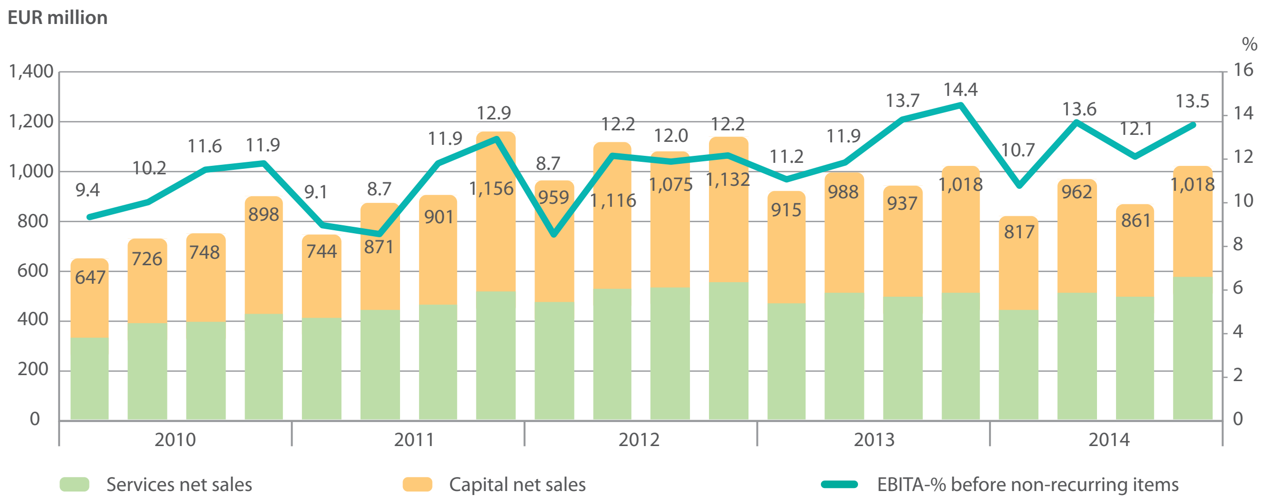
EBITA before non-recurring items totaled EUR 138 million, or 13.5 percent of net sales (EUR 147 million and 14.4%) for the fourth quarter, and EUR 460 million and 12.6 percent of net sales for the year as a whole (EUR 496 million and 12.8%). Profitability remained healthy despite lower net sales thanks to stable gross margins and savings in selling, general and administration costs.

Operating profit (EBIT) during the last quarter was EUR 101 million (EUR 108 million) and 9.9 percent (10.6%) of net sales. Total operating profit in 2014 amounted to EUR 351 million or 9.6 percent of net sales (EUR 423 million and 11.0%). Operating profit was negatively impacted by non-recurring items totaling EUR -90 million (EUR -54 million) in 2014. The majority of these were related to a credit loss of a long-term loan to our customer, Northland Resources, and capacity adjustment measures. Non-recurring items are detailed in the tables section.

Net financing expenses in 2014 totaled EUR 69 million (EUR 54 million), including EUR 38 million in interest expenses, EUR 9 million in interest income, and EUR 40 million in other financial net expenses. Other financial expenses included a EUR 19 million credit loss of a financial instrument.

Profit before taxes was EUR 282 million (EUR 369 million), and the Group's tax rate for 2014 was 33 percent (35%).

## Net sales and EBITA margin



## Cash flow and financing

Net cash generated by operating activities in 2014 totaled EUR 256 million (EUR 301 million). Net working capital increased to 709 million (EUR 651 million). Free cash flow was EUR 204 million (EUR 251 million). The annual dividend totaled EUR 150 million or EUR 1.00 per share.

Metso continues to maintain a strong liquidity. Total cash assets at the end of 2014 were EUR 292 million, of which EUR 13 million were invested in financial instruments with an initial maturity exceeding three months and the remaining EUR 279 million have been accounted for as cash and cash equivalents. In addition, Metso has a committed EUR 500 million revolving credit facility, which is currently undrawn.

Metso's balance sheet is strong. Net interest-bearing liabilities totaled EUR 561 million (EUR 490 million) and gearing was 45.6 percent. The equity-to-assets ratio was 40.5 percent.

Metso is credit rated by Standard & Poor's and Moody's Investor Service. No changes in the ratings were made in 2014. In October Moody's changed the outlook from "negative" to "stable". Current ratings are as follows:

- Standard & Poor's Ratings Services (April 2014): long-term corporate credit rating BBB and short-term A-2, outlook stable.
- Moody's Investors Service (October 2014): long-term credit rating Baa2, outlook stable.

## Capital expenditure

Gross capital expenditure in 2014 was EUR 74 million (EUR 95 million). Capital expenditure included a new globe valve technology center in South Korea and new service centers for mining industry needs in the US, Mexico, and Peru. Maintenance investments accounted for 81 percent, i.e. EUR 60 million (57% and EUR 55 million). Capital expenditure in 2015 is expected to be lower compared to 2014.

# Reporting Segments

## Minerals


- Services business remained strong
- Stable gross margins
- Mining equipment sales declined significantly

| EUR million | Q4/2014 | Q4/2013 | Change % | 2014 | 2013 | Change % |
|---|---|---|---|---|---|---|
| Orders received | **544** | 667 | -18 | **2,361** | 2,745 | -14 |
| Orders received by the services business | **353** | 337 | 5 | **1,511** | 1,506 | 0 |
| % of orders received | **65** | 51 | | **64** | 55 | |
| Order backlog at the end of the year | | | | **1,108** | 1,535 | -28 |
| Net sales | **743** | 754 | -1 | **2,676** | 2,955 | -9 |
| Net sales of the services business | **418** | 363 | 15 | **1,474** | 1,464 | 1 |
| % of net sales | **56** | 48 | | **55** | 50 | |
| Earnings before interest, taxes and amortization (EBITA) and non-recurring items | **100** | 107 | -6 | **338** | 383 | -12 |
| % of net sales | **13.5** | 14.1 | | **12.6** | 13.0 | |
| Operating profit | **67** | 74 | -9 | **244** | 322 | -24 |
| % of net sales | **9.1** | 9.8 | | **9.1** | 10.9 | |
| Return on operative capital employed (ROCE), % | | | | **19.4** | 25.3 | |
| Personnel at the end of the year | | | | **10,368** | 11,226 | -8 |

The demand for mining services remained good, whereas that for equipment and projects was weak in 2014. Demand for aggregates equipment and related services remained satisfactory.

Orders received in the last quarter of 2014 totaled EUR 544 million, which is 18 percent less than in the last quarter of 2013. The decline was due to lower demand in the mining equipment and project business. Order intake in the services business increased 5 percent year-on-year and accounted for 65 percent (51%) of the segment's orders received.

Annual orders received amounted to EUR 2,361 million, which is 14 percent less than in 2013. Emerging markets accounted for 40 percent (44%) of new orders. Services orders were EUR 1,511 million accounting for 64 percent (55%) of all orders received.

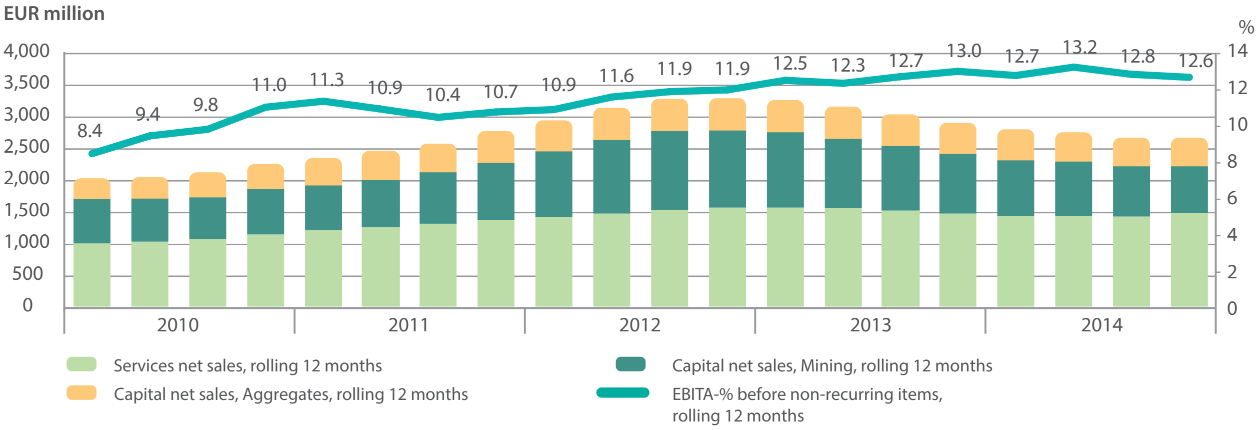
The Minerals order backlog at the end of December was EUR 1,108 million, which was 28 percent lower than at the end of 2013. We expect 86 percent of the order backlog to be delivered in 2015. Uncertainties related to the mining equipment and project backlog have increased somewhat compared to the end of 2013.

The Minerals net sales during the fourth quarter totaled EUR 743 million (EUR 754 million) and EBITA before non-recurring items EUR 100 million (EUR 107 million). The segment's EBITA margin was 13.5 percent (14.1%).

Total net sales in 2014 were down 9 percent and amounted to EUR 2,676 million (EUR 2,955 million). Mining equipment and projects net sales were down 27 percent while aggregates equipment sales increased 2 percent. The services business net sales increased 1 percent compared to 2013 and accounted for 55 percent (50%) of the segment's total net sales.

The Minerals EBITA before non-recurring items in 2014 declined 12 percent and was EUR 338 million, i.e. 12.6 percent of net sales. Net sales of the equipment and project business had a negative impact on profitability but this was partially offset by the strong services business and cost control. Minerals achieved an operating profit (EBIT) of EUR 244 million, or 9.1 percent of net sales and a return on operative capital employed (ROCE) of 19.4 percent (25.3%).

## Minerals, rolling net sales and EBITA




**Orders received during 2014 included:**

- delivery of a copper ore flotation plant in Kazakhstan
- life-cycle services orders to South America and Northern Europe
- a grinding media order for a gold mine in Egypt
- an 18-month services contract for Codelco's Chuquicamata facility in Chile, including changing the components in 33 ball mills
- a ball mill, a SAG mill, and mining services for a mine expansion project at Minera Chinalco in Peru
- mining equipment for the Angang Group in China.

# Flow Control

- Good demand and order flow
- Full-year profitability improved
- High order backlog offers a good start for 2015

| EUR million | Q4/2014 | Q4/2013 | Change % | 2014 | 2013 | Change % |
|---|---|---|---|---|---|---|
| Orders received | **256** | 233 | 10 | **1,051** | 1,012 | 4 |
| Orders received by the services business | **128** | 120 | 7 | **542** | 533 | 2 |
| % of orders received | **50** | 52 | | **52** | 53 | |
| Order backlog at the end of the period | | | | **468** | 394 | 19 |
| Net sales | **270** | 279 | -3 | **982** | 969 | 1 |
| Net sales of the services business | **154** | 146 | 5 | **533** | 513 | 4 |
| % of net sales | **57** | 52 | | **54** | 53 | |
| Earnings before interest, taxes and amortization (EBITA) and non-recurring items | **42** | 43 | -2 | **148** | 134 | 11 |
| % of net sales | **15.6** | 15.4 | | **15.1** | 13.8 | |
| Operating profit | **41** | 39 | 6 | **139** | 126 | 10 |
| % of net sales | **15.1** | 13.8 | | **14.1** | 13.0 | |
| Return on capital employed (ROCE), % | | | | **36.5** | 34.7 | |
| Personnel at the end of the period | | | | **4,557** | 4,685 | -3 |

Note: the Process Automation Systems business is included in the Flow Control segment figures.

Demand for Flow Control products and related services in the oil & gas industry remained good and demand in the pulp & paper industry increased compared to 2013. Flow Control orders amounted to EUR 256 million during the fourth quarter which is 10 percent more than in the same period of the previous year. Services orders accounted for 50 percent (52%) of orders received.

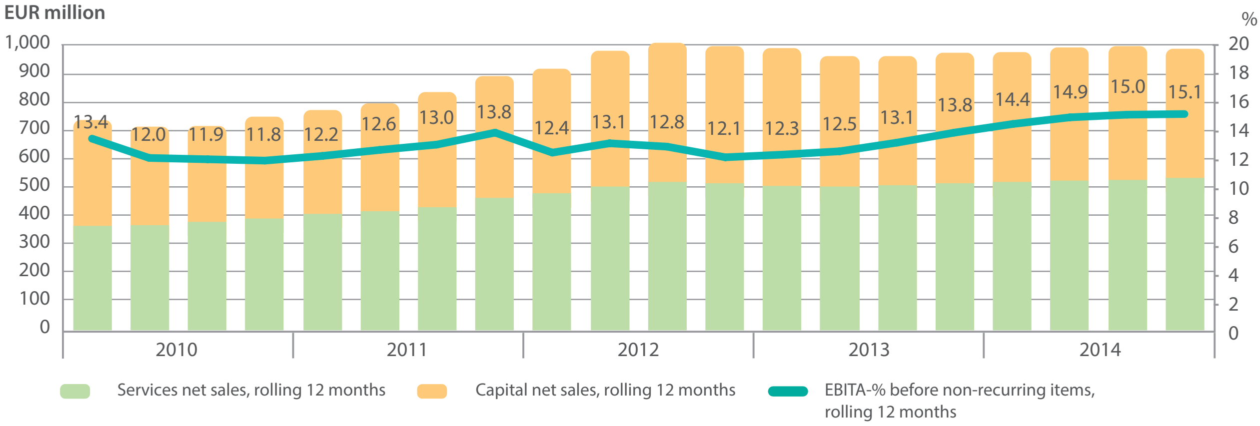
Annual order intake totaled EUR 1,051 million. Services orders increased 2 percent compared to 2013 and accounted for 52 percent (53%) of all orders received.

The backlog at the end of December 2014 was 468 million, which is 19 percent higher than at the end of 2013. 90 percent of the order backlog is expected to be delivered in 2015.

Net sales during the last quarter amounted to EUR 270 million (EUR 279 million) and EBITA before non-recurring items was EUR 42 million (EUR 43 million) resulting in a 15.6 percent margin (15.4%).

Annual net sales were EUR 982 million (EUR 969 million) of which 54 percent (53%) came from the service business. EBITA before non-recurring items increased to EUR 148 million (EUR 134 million), which is 15.1 percent (13.8%) of net sales. Profitability was supported by healthy margins and cost control. Operating profit (EBIT) amounted to EUR 139 million (EUR 126 million), or 14.1 percent (13.0%) of net sales. The segment's return on operative capital employed (ROCE) was 36.5 percent (34.7%).

## Flow Control, rolling net sales and EBITA




### Orders received during 2014 included:

- largest ever valve order for the world's largest pulp mill to be built in Indonesia
- critical valves for one of the largest Indian companies in the refining sector valve technology for a geothermal power plant for Zorlu Energy Companies Group in Turkey
- valve technology for Abu Dhabi Oil Refinery Company's (TAKREER) chemical refining complex
- a large valve order for the coal-to-hydrogen revamping project at Sinopec's Jiujiang refinery in Eastern China
- flow control technology for the PETRONAS Gas Berhad gas processing plant modernization project in Malaysia
- valves for rail tank cars transporting crude oil and an oil pipeline upgrade in the US
- automation technology for a pulverized coal injection process and plant renewal
- modernization of automation systems for Fortum's Loviisa nuclear power plant in Finland
- modernization of automation and flow control technology for the sulfur plant at Neste Oil's Porvoo refinery in Finland.

## Acquisitions and divestments

In December, Metso acquired certain intellectual property rights related to Rexnord Industries's Falk Mill Products business. The acquisition allows Metso to provide replacement gears and pinions for its customers utilizing original equipment manufacturer (OEM) drawings and specifications for mills and kilns purchased through Metso and certain other end users. The value of the acquisition is not disclosed. The acquisition is treated as capital expenditure.

In December, Metso announced the divestment of its Tampere foundry in Finland to the Finnish company Tevo Oy. Completion of the divestment is expected to take place in April 2015. The value of the transaction was not disclosed.

In December, Metso sold its remaining 41.3 percent holding in Valmet Automotive to Pontos Group and Finnish Industry Investment Ltd.

After the reporting period in January 2015, Metso announced the divestment of its Process Automation Systems (PAS) business to Valmet Corporation for an enterprise value of EUR 340 million. The transaction is estimated to be closed by April 1, 2015, and is subject to approval by competition authorities. Metso expects to book a significant capital gain after the closing.

## Research and technology development

Metso's research and technology development (RTD) network encompasses approximately 40 units around the world. RTD employed 336 (347) people in 2014 in engineering offices, RTD centers, and testing facilities. Metso actively develops and protects new technologies, processes, and service solutions, and the RTD network made 141(170) invention disclosures during 2014, resulting in 33 (33) priority patent applications. As of the end of 2014, 428 (400) Metso inventions were protected by patents. Research and development expenses in 2014 totaled EUR 59 million, which is 1.6 percent of net sales (EUR 60 million and 1.5%). In addition, expenses related to intellectual property rights amounted to EUR 3 million in 2014 (EUR 4 million).

Minerals started a 5-year strategic research and development program with the target of creating the next-generation minerals concentrator. The program is jointly run with the Chilean government (CORFO), mining companies operating in Chile, academia headed by University of Queensland and its JKTech Chilean center of excellence. The "Next-Generation Concentrator" program will contribute to more sustainable minerals processing and provide a step change in the energy, capital efficiency and production signatures of process plants, placing Metso in the forefront in this field. Within the crushing and screening area, a large number of new products were successfully launched; these products cover different technologies designed to lower customers' costs and increase their capacities.

The services business focused on developing new wear solutions, spare parts, performance services, and a life-cycle services offering globally close to our customers. New process optimization services and tools are designed to help customers save in operational costs and improve the sustainability of their operations. We also launched several new process wear solutions for screening media, crusher wears and mill linings applications to enhance performance with a special focus on safety.

Our Flow Control business continued to focus on product development for the oil & gas industry. New developments included a zero-leak butterfly valve series for cryogenic applications, such as LNG, with a special focus on fast and easy maintenance, and an energy-efficient electric actuator having exceptional market acceptance with upstream oil & gas customers. In addition, the extreme low temperature options in our actuators and positioners are enabling us to expand into new markets. We further increased our scope of global product approvals and certifications for globe and rotary valves for demanding oil & gas industry applications.

## Health, safety and environment

All our efforts in HSE aim to ensure a safe working environment for all Metso employees. Our mid-term target in occupational safety is to achieve an LTIF (lost-time incident frequency) of less than one. LTIF reflects the number of incidents resulting in an absence of at least one workday per million hours worked. Our long-term target is zero work-related incidents. The LTIF in 2014 was 3.8 (3.9) and we recorded 0 (1) work-related fatalities.

The focus in safety has been on strengthening our employees' personal commitment to safety programs and on strengthening personal responsibility in identifying hazards. The implementation of our minimum safety standards continued in all our locations. Additionally, a new focus area, road travel, was launched. Minimum safety standards give guidance on how to perform the most common work procedures in a safe manner and they create a baseline for safety.

In 2014, we concentrated on improving our HSE reporting by implementing a Group-wide HSE reporting system globally. The new Metso-wide reporting system will be globally implemented in 2014 and 2015 to improve the monitoring and management of our occupational safety, including accidents, near misses, first-aid situations and risk observations, and to develop our environmental performance.

We strive to reduce the environmental footprint of our own operations through a dedicated energy-efficiency program, while setting global, Group-wide targets for energy conservation and carbon dioxide emissions for our own production.

In 2014, Metso saved 0.9% of the energy of its own production, a total of 3,800 MWh (1,000 tons of $CO_2$). Since the beginning of the program, 11.6%, equaling 49.6 MWh of energy (13,400 tons of $CO_2$), has been saved through a wide range of actions around the world.

Metso constantly reviews and improves the environmental impacts of its production. In 2014, Metso was included in the CDP's Climate Disclosure Leadership Index and has a transparency score of 98/100. Metso was also included in the FTSE4Good index and the Ethibel Sustainability Index, among others.

## Risks and business uncertainties

We see our customer industries continuing to develop favorably in the long run driven by megatrends such as the emerging markets, urbanization and demand for environmentally sustainable solutions.

We face various strategic, financial, operational, and hazard risks continuously. We take measures to limit the adverse effects of potential threats but also to exploit emerging opportunities. Materialized risks can have negative effects on our business, financial situation, operating result, shares, and other securities. Risk mitigation is done through thorough risk assessments where probability and impact are considered. A new focus area during 2014 was cyber security.

Financial uncertainty in the euro zone and other global markets, together with fluctuating exchange rates and increasing regulation of financial markets puts pressure on certain customers in the form of limited available financing. Short-term financing deficits might have indirect adverse effects on Metso's operations due to our customers' reduced investment appetite. Our backlog, projects under negotiation, and other business operations might also be adversely affected by political turbulence seen, for example, in Eastern Europe and Russia. Measures for limiting our exposure to such risks include ongoing credit assessment of customers and down-payment invoicing. A significant slowdown in global growth might further reduce market size and lead to a tougher price competition.

New, cost-effective players might alter the competitive situation in individual businesses, especially in emerging markets. A tougher pricing environment makes it harder to integrate increasing labor costs into our prices. The same is true for raw materials, except that our customers' investments can be driven by higher raw material prices. Exchange rate fluctuations are likely to increase with economic uncertainty, although the wide scope of our operations reduces the impact of any individual currency. Metso Group hedges currency exposure linked to firm delivery and purchase agreements.

Sufficient funding and financing is crucial at all times, in order to ensure the continuity of our operations. Our current cash assets and funding are considered sufficient to secure liquidity and flexibility in the short and long run.

## Personnel

At the end of December 2014, Metso had 15,644 employees, which is 781 fewer than at the end of 2013 (16,425 employees). Personnel numbers decreased year-on-year by 8 and 3 percent respectively in Minerals and Flow Control. Personnel in emerging markets accounted for 47 percent (46%). Metso employed an average of 16,091 people in 2014.

## Personnel by area

| | December 31, 2014 | % of personnel | December 31, 2013 | % of personnel | Change % |
|---|---|---|---|---|---|
| Europe | **5,877** | **37** | 6,277 | 38 | -6 |
| North America | **2,517** | **16** | 2,740 | 17 | -8 |
| South and Central America | **3,027** | **20** | 3,020 | 18 | 0 |
| China | **1,424** | **9** | 1,493 | 9 | -5 |
| Other Asia-Pacific | **1,707** | **11** | 1,738 | 11 | -2 |
| Africa and Middle East | **1,092** | **7** | 1,157 | 7 | -6 |
| **Metso total** | **15,644** | **100** | 16,425 | 100 | -5 |

| | December 31, 2014 | % of personnel | December 31, 2013 | % of personnel | Change % |
|---|---|---|---|---|---|
| Emerging markets | **7,361** | **47** | 7,592 | 46 | -3 |
| Developed markets | **8,283** | **53** | 8,833 | 54 | -6 |
| **Metso total** | **15,644** | **100** | 16,425 | 100 | -5 |

## New strategy and financial targets

Metso published its new strategy and financial targets on July 31, 2014. Under the new strategy Metso will continue its transformation into a more focused and higher-margin industrial company. Our portfolio of services, product businesses and system deliveries will offer the opportunity for positive profitability development and resilience to the cyclicality typical for our customer industries.

Metso's financial targets are:

- Net sales growth exceeding market growth
- EBITA margin (before non-recurring items) exceeding 15 percent within the next three years
- Return on operative capital employed (ROCE) before taxes of at least 30 percent

## Decisions of the Annual General Meeting

Metso's Annual General Meeting (AGM) was held on March 26, 2014. The meeting approved the Financial Statements for 2013 and discharged the members of the Board of Directors and the President and CEO from liability for the 2013 financial year.

The Annual General Meeting also approved the proposals of the Board of Directors to authorize the Board to decide on the repurchase and issuance of Metso shares and issuance of special rights entitling to shares. The Nomination Board's Proposals concerning Board members and their remuneration were also approved. Authorized Public Accountant Ernst & Young was elected as the company's Auditor until the end of the next Annual General Meeting. In addition, the AGM decided to pay a dividend of EUR 1.00 per share for the 2013 financial year.

## Board of Directors

The Annual General Meeting elected Mikael Lilius as Chairman of the Board and Christer Gardell as Vice Chairman. Wilson Brumer, Ozey K. Horton Jr., Lars Josefsson, Nina Kopola and Eeva Sipilä were re-elected as members for a new term. The term of office of Board members will last until the end of the next AGM.

The Board elected the members of its Audit Committee and the Remuneration and HR Committee as follows:

- Audit Committee consists of Eeva Sipilä (Chairman), Lars Josefsson and Nina Kopola.
- Remuneration and HR Committee consists of Mikael Lilius (Chairman), Christer Gardell and Ozey K. Horton Jr.

After the reporting period, Metso's Nomination Board announced on January 14, 2015 that it will propose to the next Annual General Meeting that Mikael Lilius, Christer Gardell, Wilson Brumer, Ozey K. Horton, Jr., Lars Josefsson, Nina Kopola and Eeva Sipilä be re-elected as members of the Board of Directors for a term of office ending at the end of the Annual General Meeting of 2016 and that Mikael Lilius be re-elected as the Chairman of the Board of Directors and Christer Gardell as the Vice-Chairman of the Board of Directors. The Nomination Board consists of representatives of Metso's four largest shareholders and Mikael Lilius as an expert member in his capacity as the Chairman of the Metso Board. The Nomination Board's proposals in their entirety can be found in the stock exchange release published on January 14, 2015.

## Metso Executive Team

The Metso Executive Team consists of Matti Kähkönen, President and CEO; Harri Nikunen, EVP & CFO, Deputy to the CEO; João Ney Colagrossi, President, Minerals Business Area; Juha Silvennoinen, President, Services Business Area (member from October 1 onwards); Perttu Louhiluoto, President, Flow Control Business Area; Merja Kamppari, SVP, Human Resources; and Simo Sääskilahti, SVP, Strategy and Business Development.

## Corporate Governance Statement

We will publish a separate Corporate Governance Statement for 2014 that complies with the recommendations of the Finnish Corporate Governance Code for listed companies and also covers other central areas of corporate governance. The statement will be published on our website, separately from the Board of Directors' Report at www.metso.com/governance.

## Shares and share capital

On December 31, 2014, Metso Corporation's share capital was EUR 140,982,843.80, and the total number of shares 150,348,256. At the end of 2014, Metso Corporation held a total of 458,988 of the company's own shares, which represent 0.31 percent of all Metso shares and votes. Metso's market capitalization at year-end, excluding shares held by the company, was EUR 3,726 million.

In 2014, 170,218,971 Metso shares were traded on the NASDAQ OMX Helsinki, equivalent to a turnover of EUR 4,497 million. Metso's share price on the NASDAQ OMX Helsinki increased 2 percent, from EUR 24.32 to EUR 24.86, in 2014. At the same time, the NASDAQ OMX Helsinki portfolio index, OMX Helsinki CAP, increased 6 percent. The highest quotation of Metso's share on the NASDAQ OMX Helsinki in 2014 was EUR 31.97, and the lowest EUR 21.74. The average trading price for the year was EUR 26.42.

Metso's ADS (American Depositary Shares) are traded in the United States on the International OTCQX market. The ADS price at year-end 2014 was USD 30.13. During 2014, the highest trading price for Metso's ADS in the United States was USD 42.50, and the lowest USD 29.27.

There were no flagging notifications in 2014.

## Share-based incentive plans

Metso's share ownership plans are part of the remuneration and commitment program for management. All reward shares are acquired through public trading and do not have a diluting effect on share value. For further information, see our Corporate Governance Statement for 2014 and www.metso.com/investors.

## Short-term outlook

### Market development

We expect demand for mining equipment and projects to remain weak and demand for aggregates equipment to remain satisfactory. The demand for our mining and aggregates services is expected to remain good, thanks to high utilization rates. Demand for our products and services in the oil & gas industry is expected to remain good, but will face some uncertainty due to the volatile oil price.

### Financial guidance, excluding the Process Automation Systems business

We estimate our net sales in 2015 to be between EUR 3,000 million and 3,300 million and EBITA margin before non-recurring items to be around 13 percent.

The guidance for 2015 is based on the current market activity in our customer industries, our current backlog for 2015, and the current exchange rates. In addition, the divestment of our Process Automation Systems business is expected to be completed on April 1, 2015.

## Board of Director's proposal for the use of profit

The Company's distributable funds on December 31, 2014, totaled EUR 588,695,696.41, of which net profit for 2014 was EUR 73,702,572.61.

The Board of Directors proposes that a dividend of EUR 1.05 per share be paid based on the balance sheet to be adopted for the financial year, which ended December 31, 2014 and that the remaining portion of the profit is retained and included in the Company's unrestricted equity.

The dividend shall be paid on April 9, 2015, to the shareholders that are registered in the Company's shareholders' register held by Euroclear Finland Ltd on the dividend record date of March 31, 2015. All shares are entitled to a dividend, with the exception of the own shares held by the Company on the dividend record date.

In addition, the Board of Directors proposes that the Board be authorized to decide, within its discretion, on the payment of a dividend in addition to the dividend of EUR 1.05 per share decided in the Annual General Meeting. The amount of such dividend would be up to EUR 0.40 per share and the authorization could be used if the sale of Metso Corporation's Process Automation Systems (PAS) business to Valmet Corporation is completed. The authorization shall be effective until December 31, 2015. The dividend paid on the basis of the decision of the Board of Directors will be paid to the shareholders registered in the Company's shareholders' register held by Euroclear Finland Ltd on the record date decided by the Board of Directors. The Board shall decide the record date for dividend and the date of payment of the dividend that is usually the fifth banking day from the record date.

## Annual General Meeting 2015

Metso Corporation's Annual General Meeting 2015 is planned to be held on Friday, March 27, 2015 at the Messukeskus Helsinki (Messuaukio 1, FI-00520 Helsinki). The Board will convene the meeting later by separate invitation.

Helsinki, February 5, 2015

Metso Corporation's Board of Directors

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 that 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.

# Consolidated statement of income

| EUR million | 10-12/2014 | 10-12/2013 | 1-12/2014 | 1-12/2013 |
|---|---|---|---|---|
| Net sales | **1,018** | 1,018 | **3,658** | 3,858 |
| Cost of goods sold | **-719** | -725 | **-2,579** | -2,707 |
| Gross profit | **299** | 293 | **1,079** | 1,151 |
| | | | | |
| Selling, general and administrative expenses | **-189** | -182 | **-683** | -703 |
| Other operating income and expenses, net | **-10** | -4 | **-46** | -26 |
| Share in profits of associated companies | **1** | 1 | **1** | 1 |
| Operating profit | **101** | 108 | **351** | 423 |
| | | | | |
| Financial income and expenses, net | **-17** | -16 | **-69** | -54 |
| Profit before taxes | **84** | 92 | **282** | 369 |
| | | | | |
| Income taxes | **-28** | -40 | **-93** | -131 |
| **Profit from continuing operations** | **56** | 52 | **189** | 238 |
| Profit from discontinued operations | **-** | 68 | **-** | 57 |
| **Profit** | **56** | 120 | **189** | 295 |
| | | | | |
| Attributable to: | | | | |
| Shareholders of the company | **55** | 52 | **188** | 238 |
| Non-controlling interests | **1** | 0 | **1** | 0 |
| **Profit from continuing operations** | **56** | 52 | **189** | 238 |
| | | | | |
| Shareholders of the company | **-** | 78 | **-** | 74 |
| Non-controlling interests | **-** | -11 | **-** | -17 |
| Profit from discontinued operations | **-** | 67 | **-** | 57 |
| | | | | |
| **Earnings per share from continuing operations** | | | | |
| Basic, EUR | **0.36** | 0.35 | **1.25** | 1.59 |
| Diluted, EUR | **0.36** | 0.35 | **1.25** | 1.59 |
| | | | | |
| **Earnings per share from discontinued operations** | | | | |
| Basic, EUR | **-** | 0.52 | **-** | 0.49 |
| Diluted, EUR | **-** | 0.52 | **-** | 0.49 |

# Consolidated statement of comprehensive income

| EUR million | 10-12/2014 | 10-12/2013 | 1-12/2014 | 1-12/2013 |
|---|---|---|---|---|
| Profit | 56 | 120 | 189 | 295 |
| | | | | |
| **Items that may be reclassified to profit or loss in subsequent periods:** | | | | |
| Cash flow hedges, net of tax | -1 | 2 | -3 | 4 |
| Available-for-sale equity investments, net of tax | 0 | 0 | 0 | 0 |
| Currency translation on subsidiary net investments | -1 | -36 | 33 | -106 |
| Net investment hedge gains (+) / losses (-), net of tax | - | - | - | - |
| | -2 | -34 | 30 | -102 |
| **Items that will not be reclassified to profit or loss:** | | | | |
| Defined benefit plan actuarial gains (+) / losses (-), net of tax | -19 | 28 | -19 | 28 |
| **Other comprehensive income (+) / expense (-)** | -21 | -6 | 11 | -74 |
| | | | | |
| **Total comprehensive income (+) / expense (-)** | 35 | 114 | 200 | 221 |
| | | | | |
| Attributable to: | | | | |
| Shareholders of the company | 34 | 29 | 199 | 238 |
| Non-controlling interests | 1 | -7 | 1 | -17 |
| **Total comprehensive income (+) / expense (-)** | 35 | 22 | 200 | 221 |

# Consolidated balance sheet

## ASSETS

| EUR million | Dec 31, 2014 | Dec 31, 2013 |
|---|---|---|
| **Non-current assets** | | |
| **Intangible assets** | | |
| Goodwill | **461** | 456 |
| Other intangible assets | **105** | 113 |
| | **566** | 569 |
| **Property, plant and equipment** | | |
| Land and water areas | **52** | 50 |
| Buildings and structures | **144** | 131 |
| Machinery and equipment | **172** | 173 |
| Assets under construction | **30** | 22 |
| | **398** | 376 |
| **Financial and other assets** | | |
| Investments in associated companies | **8** | 6 |
| Available-for-sale equity investments | **2** | 2 |
| Loan and other interest bearing receivables | **10** | 71 |
| Derivative financial instruments | **7** | - |
| Deferred tax asset | **127** | 117 |
| Other non-current assets | **40** | 32 |
| | **194** | 228 |
| | | |
| **Total non-current assets** | **1,158** | 1,173 |
| | | |
| **Current assets** | | |
| **Inventories** | **842** | 921 |
| | | |
| **Receivables** | | |
| Trade and other receivables | **860** | 866 |
| Cost and earnings of projects under construction in excess of advance billings | **217** | 212 |
| Loan and other interest bearing receivables | **0** | 1 |
| Financial instruments held for trading | **13** | 20 |
| Derivative financial instruments | **9** | 11 |
| Income tax receivables | **25** | 7 |
| **Receivables total** | **1,124** | 1,117 |
| | | |
| **Cash and cash equivalents** | **279** | 467 |
| | | |
| **Total current assets** | **2,245** | 2,505 |
| | | |
| **TOTAL ASSETS** | **3,403** | 3,678 |

## SHAREHOLDERS' EQUITY AND LIABILITIES

| EUR million | Dec 31, 2014 | Dec 31, 2013 |
|---|---|---|
| **Equity** | | |
| Share capital | **141** | 141 |
| Cumulative translation adjustments | **-52** | -85 |
| Fair value and other reserves | **302** | 305 |
| Retained earnings | **830** | 812 |
| **Equity attributable to shareholders** | **1,221** | 1,173 |
| | | |
| Non-controlling interests | **8** | 8 |
| | | |
| **Total equity** | **1,229** | 1,181 |
| | | |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Long-term debt | **791** | 771 |
| Post employment benefit obligations | **121** | 96 |
| Provisions | **22** | 22 |
| Derivative financial instruments | **6** | 9 |
| Deferred tax liability | **13** | 14 |
| Other long-term liabilities | **3** | 4 |
| **Total non-current liabilities** | **956** | 916 |
| | | |
| **Current liabilities** | | |
| Current portion of long-term debt | **1** | 179 |
| Short-term debt | **71** | 99 |
| Trade and other payables | **630** | 679 |
| Provisions | **104** | 97 |
| Advances received | **277** | 339 |
| Billings in excess of cost and earnings of projects under construction | **88** | 140 |
| Derivative financial instruments | **22** | 17 |
| Income tax liabilities | **25** | 31 |
| **Total current liabilities** | **1,218** | 1,581 |
| | , | , |
| **Total liabilities** | **2,174** | 2,497 |
| | , | , |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **3,403** | 3,678 |

## NET INTEREST BEARING LIABILITIES

| EUR million | Dec 31, 2014 | Dec 31, 2013 |
|---|---|---|
| Long-term interest bearing debt | **791** | 771 |
| Short-term interest bearing debt | **72** | 278 |
| Cash and cash equivalents | **-279** | -467 |
| Other interest bearing assets | **-23** | -92 |
| **Net interest bearing liabilities** | **561** | 490 |

# Condensed consolidated cash flow statement

| EUR million | 10-12/2014 | 10-12/2013 | 1-12/2014 | 1-12/2013 |
|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | |
| Profit | **56** | 52 | **189** | 238 |
| Adjustments to reconcile profit to net cash provided by operating activities | | | | |
| Depreciation and amortization | **20** | 21 | **75** | 73 |
| Financial income and expenses, net | **17** | 16 | **69** | 54 |
| Income taxes | **28** | 40 | **93** | 131 |
| Other | **20** | -26 | **74** | -84 |
| Change in net working capital | **-21** | 5 | **-75** | 52 |
| Cash flows from operations | **120** | 108 | **425** | 464 |
| Financial income and expenses, net paid | **-6** | -9 | **-43** | -45 |
| Income taxes paid | **-26** | -15 | **-126** | -118 |
| **Continuing operations total** | **88** | 84 | **256** | 301 |
| **Discontinued operations** | **-** | 14 | **-** | 15 |
| **Net cash provided by operating activities** | **88** | 98 | **256** | 316 |
| | | | | |
| **Cash flows from investing activities:** | | | | |
| Capital expenditures on fixed assets | **-28** | -23 | **-74** | -95 |
| Proceeds from sale of fixed assets | **1** | -2 | **8** | 5 |
| Business acquisitions, net of cash acquired | **-** | -46 | **-19** | -44 |
| Proceeds from sale of businesses, net of cash sold | **-** | -12 | **-** | -12 |
| Proceeds from sale of / (Investments in) financial assets | **5** | 2 | **7** | 212 |
| Other | **-5** | -1 | **-13** | -11 |
| **Continuing operations total** | **-27** | -82 | **-91** | 55 |
| **Discontinued operations** | **-** | -20 | **-** | -137 |
| **Net cash provided by (+) / used in (-) investing activities** | **-27** | -102 | **-91** | -82 |
| | | | | |
| **Cash flows from financing activities:** | | | | |
| Dividends paid | **-** | - | **-150** | -277 |
| Net funding | **-36** | 13 | **-215** | -16 |
| Net funding of discontinued operations | **-** | -27 | **-** | -177 |
| Other | **-** | 5 | **0** | 5 |
| **Continuing operations total** | **-36** | -9 | **-365** | -465 |
| **Discontinued operations** | **-** | 46 | **-** | 213 |
| **Net cash used in financing activities** | **-36** | 37 | **-365** | -252 |
| | | | | |
| Net increase (+) / decrease (-) in cash and cash equivalents | **25** | 33 | **-200** | -18 |
| Effect from changes in exchange rates | **-1** | -13 | **12** | -35 |
| Cash and cash equivalents transferred in demerger | **-** | -211 | **-** | -211 |
| Cash and cash equivalents at beginning of period | **255** | 658 | **467** | 731 |
| **Cash and cash equivalents at end of period** | **279** | 467 | **279** | 467 |

## FREE CASH FLOW

| EUR million | 10-12/2014 | 10-12/2013 | 1-12/2014 | 1-12/2013 |
|---|---|---|---|---|
| Net cash provided by operating activities | **88** | 84 | **256** | 301 |
| Capital expenditures on maintenance investments | **-26** | -17 | **-60** | -55 |
| Proceeds from sale of fixed assets | **1** | -2 | **8** | 5 |
| **Free cash flow, continuing operations** | **63** | 65 | **204** | 251 |

# Consolidated statement of changes in shareholders' equity

| EUR million | Share capital | Cumulative translation adjustments | Fair value and other reserves | Retained earnings | Equity attributable to shareholders | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance at Jan 1, 2013** | **241** | **23** | **718** | **1,225** | **2,207** | **20** | **2,227** |
| | | | | | | | |
| Profit from continuing operations | - | - | - | 238 | 238 | 0 | 238 |
| Profit from discontinued operations | - | - | - | 74 | 74 | -17 | 57 |
| | | | | | | | |
| Other comprehensive income (+) / expense (-) | | | | | | | |
| Cash flow hedges, net of tax | - | - | 4 | - | 4 | - | 4 |
| Available-for-sale equity investments, net of tax | - | - | 0 | - | 0 | - | 0 |
| Currency translation on subsidiary net investments | - | -106 | - | - | -106 | - | -106 |
| Net investment hedge gains (losses), net of tax | - | - | - | - | - | - | - |
| Defined benefit plan actuarial gains (+) / losses (-), net of tax | - | - | - | 28 | 28 | - | 28 |
| Total comprehensive income (+) / expense (-) | - | -106 | 4 | 340 | 238 | -17 | 221 |
| | | | | | | | |
| Dividends | - | - | - | -277 | -277 | 0 | -277 |
| Assets transferred in the demerger, fair value | - | - | - | -997 | -997 | - | -997 |
| Effect of demerger | -100 | -2 | -413 | 515 | - | - | - |
| Share-based payments, net of tax | - | - | 4 | 0 | 4 | - | 4 |
| Other | - | - | -8 | 7 | -1 | - | -1 |
| Changes in non-controlling interests | - | - | - | -1 | -1 | 5 | 4 |
| **Balance at Dec 31, 2013** | **141** | **-85** | **305** | **812** | **1,173** | **8** | **1,181** |
| | | | | | | | |
| | | | | | | | |
| **Balance at Jan 1, 2014** | **141** | **-85** | **305** | **812** | **1,173** | **8** | **1,181** |
| | | | | | | | |
| Profit | - | - | - | 188 | 188 | 1 | 189 |
| | | | | | | | |
| Other comprehensive income (+) / expense (-) | | | | | | | |
| Cash flow hedges, net of tax | - | - | -3 | - | -3 | - | -3 |
| Available-for-sale equity investments, net of tax | - | - | 0 | - | 0 | - | 0 |
| Currency translation on subsidiary net investments | - | 33 | - | - | 33 | - | 33 |
| Net investment hedge gains (losses), net of tax | - | - | - | - | - | - | - |
| Defined benefit plan actuarial gains (+) / losses (-), net of tax | - | - | - | -19 | -19 | 0 | -19 |
| Total comprehensive income (+) / expense (-) | - | 33 | -3 | 169 | 199 | 1 | 200 |
| | | | | | | | |
| Dividends | - | - | - | -150 | -150 | 0 | -150 |
| Share-based payments, net of tax | - | - | 0 | 0 | 0 | - | 0 |
| Other | - | - | 0 | -1 | -1 | -1 | -2 |
| Changes in non-controlling interests | - | - | - | - | - | - | - |
| **Balance at Dec 31, 2014** | **141** | **-52** | **302** | **830** | **1,221** | **8** | **1,229** |

# Acquisitions and disposals of businesses 2014

Metso made no business acquisitions or divestments during 2014, but paid a deferred consideration of EUR 19 million according to agreed timetable relating to an acquisition made in 2013.

In December 2014, Metso entered into an agreement to sell its Tampere foundry in Finland to a Finnish company Tevo Oy. Completion of the divestment is expected to take place in April 2015.

## Disposals agreed after the period

In connection with the new strategy, Metso stated in July 2014 that it will study strategic alternatives for its Process Automation Systems (PAS) business. In January 2015, Metso announced that it had entered into an agreement to sell the PAS business to Finnish Valmet Corporation. The criteria of IFRS 5 for classification into a disposal group held for sale were not fulfilled at the end of the accounting period on December 31, 2014. Therefore, the assets and liabilities of the PAS business have not been reclassified in the consolidated balance sheets of Metso as at December 31, 2014.

The value of the deal is EUR 340 million. The transaction is estimated to be closed on April 1, 2015 and is subject to approval by competition authorities. As the intended legal structure of the PAS business is not complete and the transferring structure together with its assets and liabilities contain uncertainties, the capital gain on the sale can not be exactly estimated at the date of these financial statements. However, Metso estimates to recognize a significant capital gain after the closing of the transaction.

The PAS business is part of Metso's Flow Control segment and is market leader in process automation solutions for the pulp, paper and power industries, with an extensive range of offering covering automation and quality control systems, analyzers and measurements and related services.

# Fair value estimation

For those financial assets and liabilities which have been recognized at fair value in the balance sheet, the following measurement hierarchy and valuation methods have been applied:

Level 1 Quoted unadjusted prices at the balance sheet date in active markets. The market prices are readily and regularly available from an exchange, dealer, broker, market information service system, pricing service or regulatory agency. The quoted market price used for financial assets is the current bid price. Level 1 financial instruments include debt and equity investments classified as financial instruments available-for-sale or at fair value through profit and loss.

Level 2 The fair value of financial instruments in Level 2 is determined using valuation techniques. These techniques utilize observable market data readily and regularly available from an exchange, dealer, broker, market information service system, pricing service or regulatory agency. Level 2 financial instruments include:

- Over-the-counter derivatives classified as financial assets/liabilities at fair value through profit and loss or qualified for hedge accounting.
- Debt securities classified as financial instruments available-for-sale or at fair value through profit and loss.
- Fixed rate debt under fair value hedge accounting.

Level 3 A financial instrument is categorized into Level 3 if the calculation of the fair value cannot be based on observable market data. Metso had no such instruments.

The table below present Metso's financial assets and liabilities that are measured at fair value. There has been no transfers between fair value levels during 2013 or 2014.

December 31, 2014

| EUR million | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| **Assets** | | | |
| Financial assets at fair value through profit and loss | | | |
| • Derivatives | - | 5 | - |
| • Securities | 13 | - | - |
| Derivatives qualified for hedge accounting | - | 13 | - |
| Available for sale investments | | | |
| • Equity investments | 0 | - | - |
| • Debt investments | - | - | - |
| **Total assets** | **13** | **18** | **-** |
| | | | |
| **Liabilities** | | | |
| Financial liabilities at fair value through profit and loss | | | |
| • Derivatives | - | 22 | - |
| • Long term debt at fair value | - | 418 | - |
| Derivatives qualified for hedge accounting | - | 9 | - |
| **Total liabilities** | **-** | **449** | **-** |

December 31, 2013

| EUR million | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| **Assets** | | | |
| Financial assets at fair value through profit and loss | | | |
| • Derivatives | - | 7 | - |
| • Securities | 20 | - | - |
| Derivatives qualified for hedge accounting | - | 4 | - |
| Available for sale investments | | | |
| • Equity investments | 0 | - | - |
| • Debt investments | 0 | - | - |
| **Total assets** | **20** | **11** | **-** |
| | | | |
| **Liabilities** | | | |
| Financial liabilities at fair value through profit and loss | | | |
| • Derivatives | - | 18 | - |
| • Long term debt at fair value | - | 404 | - |
| Derivatives qualified for hedge accounting | - | 8 | - |
| **Total liabilities** | **-** | **430** | **-** |

Carrying value of other financial assets and liabilities than those presented in this fair value level hierarchy table approximates their fair value. Fair values of other debt is calculated as net present values.

# Assets pledged and contingent liabilities

| EUR million | Dec 31, 2014 | Dec 31, 2013 |
|---|---|---|
| On own behalf | | |
| Mortgages | 1 | 1 |
| On behalf of others | | |
| Guarantees | 1 | 2 |
| Other commitments | | |
| Repurchase commitments | 1 | 3 |
| Other commitments | 4 | 3 |
| Lease commitments | 159 | 144 |

# Notional amounts of derivative financial instruments

| EUR million | Dec 31, 2014 | Dec 31, 2013 |
|---|---|---|
| Forward exchange rate contracts | 1,040 | 1,349 |
| Interest rate swaps | 285 | 285 |
| Cross currency swaps | 244 | 244 |
| Option agreements | | |
| Bought | - | - |
| Sold | 20 | 20 |

The notional amount of electricity forwards was 112 GWh as of December 31, 2014 and 238 GWh as of December 31, 2013.

The notional amount of nickel forwards to hedge stainless steel prices was 342 tons as of December 31, 2014 and 264 tons as of December 31, 2013.

The notional amounts indicate the volumes in the use of derivatives, but do not indicate the exposure to risk.

# Key ratios

| | 1-12/2014 | 1-12/2013 |
|---|---|---|
| Earnings per share, EUR | **1.25** | 2.08 |
| - continuing operations, EUR | **1.25** | 1.59 |
| - discontinued operations, EUR | **-** | 0.49 |
| Diluted earnings per share, EUR | **1.25** | 2.08 |
| - continuing operations, EUR | **1.25** | 1.59 |
| - discontinued operations, EUR | **-** | 0.49 |
| | | |
| Equity/share at end of period, EUR | **8.15** | 7.83 |
| Return on equity (ROE), %, (annualized) | **15.7** | 19.0 |
| Return on capital employed (ROCE) before taxes, % | **16.4** | 18.6 |
| Return on capital employed (ROCE) after taxes, % | **12.1** | 12.9 |
| Equity to assets ratio at end of period, % | **40.5** | 36.9 |
| Net gearing at end of period, % | **45.6** | 41.6 |
| | | |
| Free cash flow, continuing operations, EUR million | **204** | 251 |
| Free cash flow/share, EUR | **1.36** | 1.68 |
| Cash conversion, % | **108** | 105 |
| | | |
| Gross capital expenditure (excl. business acquisitions), EUR million | **74** | 95 |
| Business acquisitions, net of cash acquired, EUR million | **19** | 44 |
| Depreciation and amortization, EUR million | **75** | 73 |
| | | |
| Number of outstanding shares at end of period (thousands) | **149,889** | 149,865 |
| Average number of shares (thousands) | **149,884** | 149,826 |
| Average number of diluted shares (thousands) | **149,970** | 149,942 |

# Exchange rates used

| | | 1-12/2014 | 1-12/2013 | Dec 31, 2014 | Dec 31, 2013 |
|---|---|---|---|---|---|
| USD | (US dollar) | **1.3256** | 1.3300 | **1.2141** | 1.3791 |
| SEK | (Swedish krona) | **9.1004** | 8.6625 | **9.3930** | 8.8591 |
| GBP | (Pound sterling) | **0.8055** | 0.8475 | **0.7789** | 0.8337 |
| CAD | (Canadian dollar) | **1.4639** | 1.3722 | **1.4063** | 1.4671 |
| BRL | (Brazilian real) | **3.1207** | 2.8791 | **3.2207** | 3.2576 |
| CNY | (Chinese yuan) | **8.1693** | 8.1769 | **7.5358** | 8.3491 |
| AUD | (Australian dollar) | **1.4777** | 1.3842 | **1.4829** | 1.5423 |

# Formulas for calculation of indicators

**EBITA before non-recurring items:**

Operating profit + amortization + goodwill impairment + non-recurring items

**Earnings per share from continuing operations, basic:**

$$\frac{\text{Profit from continuing operations attributable to shareholders}}{\text{Average number of outstanding shares during period}}$$

**Earnings per share from continuing operations, diluted:**

$$\frac{\text{Profit from continuing operations attributable to shareholders}}{\text{Average number of diluted shares during period}}$$

**Earnings per share from discontinued operations, basic:**

$$\frac{\text{Profit from discontinued operations attributable to shareholders}}{\text{Average number of outstanding shares during period}}$$

**Earnings per share from discontinued operations, diluted:**

$$\frac{\text{Profit from discontinued operations attributable to shareholders}}{\text{Average number of diluted shares during period}}$$

**Equity / share**

$$\frac{\text{Equity attributable to shareholders}}{\text{Number of outstanding shares at the end of period}}$$

**Return on equity (ROE), %:**

$$\frac{\text{Profit from continuing operations}}{\text{Total equity (average for period)}} \times 100$$

**Return on capital employed (ROCE) before taxes, %:**

$$\frac{\text{Profit before tax (from continuing operations) + interest and other financial expenses}}{\text{Balance sheet total - non-interest bearing liabilities (average for period)}} \times 100$$

**Return on capital employed (ROCE) after taxes, %:**

$$\frac{\text{Profit from continuing operations + interest and other financial expenses}}{\text{Balance sheet total - non-interest bearing liabilities (average for period)}} \times 100$$

**Net gearing, %:**

$$\frac{\text{Net interest bearing liabilities}}{\text{Total equity}} \times 100$$

**Equity to assets ratio, %:**

$$\frac{\text{Total equity}}{\text{Balance sheet total – advances received}} \times 100$$

**Free cash flow, continuing operations:**

Net cash provided by operating activities
- capital expenditures on maintenance investments
+ proceeds from sale of fixed assets

= Free cash flow

**Free cash flow / share:**

$$\frac{\text{Free cash flow}}{\text{Average number of outstanding shares during period}}$$

**Cash conversion, %:**

$$\frac{\text{Free cash flow}}{\text{Profit from continuing operations}} \times 100$$

# Segment information

## ORDERS RECEIVED

| EUR million | 10-12/2014 | 10-12/2013 | 1-12/2014 | 1-12/2013 |
|---|---|---|---|---|
| Minerals | **544** | 667 | **2,361** | 2,745 |
| Flow Control | **256** | 233 | **1,051** | 1,012 |
| Group Head Office and other | **-** | - | **-** | - |
| Intra Metso orders received | **1** | -15 | **-3** | -48 |
| **Metso total** | **801** | 885 | **3,409** | 3,709 |

## NET SALES

| EUR million | 10-12/2014 | 10-12/2013 | 1-12/2014 | 1-12/2013 |
|---|---|---|---|---|
| Minerals | **743** | 754 | **2,676** | 2,955 |
| Flow Control | **270** | 279 | **982** | 969 |
| Group Head Office and other | **5** | - | **5** | - |
| Intra Metso net sales | **0** | -15 | **-5** | -66 |
| **Metso total** | **1,018** | 1,018 | **3,658** | 3,858 |

## EBITA BEFORE NON-RECURRING ITEMS

| EUR million | 10-12/2014 | 10-12/2013 | 1-12/2014 | 1-12/2013 |
|---|---|---|---|---|
| Minerals | **100.0** | 106.5 | **337.8** | 383.4 |
| Flow Control | **42.2** | 43.1 | **148.2** | 133.6 |
| Group Head Office and other | **-4.5** | -3.1 | **-25.8** | -21.4 |
| **Metso total** | **137.7** | 146.5 | **460.2** | 495.6 |

## EBITA BEFORE NON-RECURRING ITEMS, % OF NET SALES

| % | 10-12/2014 | 10-12/2013 | 1-12/2014 | 1-12/2013 |
|---|---|---|---|---|
| Minerals | **13.5** | 14.1 | **12.6** | 13.0 |
| Flow Control | **15.6** | 15.4 | **15.1** | 13.8 |
| Group Head Office and other | **n/a** | n/a | **n/a** | n/a |
| **Metso total** | **13.5** | 14.4 | **12.6** | 12.8 |

## NON-RECURRING ITEMS

| EUR million | 10-12/2014 | 10-12/2013 | 1-12/2014 | 1-12/2013 |
|---|---|---|---|---|
| Minerals | **-29.4** | -29.2 | **-80.7** | -49.9 |
| Flow Control | **-0.5** | -3.8 | **-6.1** | -3.8 |
| Group Head Office and other | **-2.3** | -0.2 | **-3.6** | -0.2 |
| **Metso total** | **-32.2** | -33.2 | **-90.4** | -53.9 |

## AMORTIZATION

| EUR million | 10-12/2014 | 10-12/2013 | 1-12/2014 | 1-12/2013 |
|---|---|---|---|---|
| Minerals | **-3.2** | -3.3 | **-13.2** | -11.2 |
| Flow Control | **-1.0** | -0.9 | **-3.4** | -3.8 |
| Group Head Office and other | **-0.7** | -1.0 | **-2.4** | -3.8 |
| **Metso total** | **-4.9** | -5.2 | **-19.0** | -18.8 |

## OPERATING PROFIT (LOSS)

| EUR million | 10-12/2014 | 10-12/2013 | 1-12/2014 | 1-12/2013 |
|---|---|---|---|---|
| Minerals | **67.4** | 74.0 | **243.9** | 322.4 |
| Flow Control | **40.7** | 38.5 | **138.7** | 126.0 |
| Group Head Office and other | **-7.5** | -4.4 | **-31.8** | -25.4 |
| **Metso total** | **100.6** | 108.1 | **350.8** | 423.0 |

## OPERATING PROFIT (LOSS), % OF NET SALES

| % | 10-12/2014 | 10-12/2013 | 1-12/2014 | 1-12/2013 |
|---|---|---|---|---|
| Minerals | **9.1** | 9.8 | **9.1** | 10.9 |
| Flow Control | **15.1** | 13.8 | **14.1** | 13.0 |
| Group Head Office and other | **n/a** | n/a | **n/a** | n/a |
| **Metso total** | **9.9** | 10.6 | **9.6** | 11.0 |

# Quarterly information

## ORDERS RECEIVED

| EUR million | 10-12/2013 | 1-3/2014 | 4-6/2014 | 7-9/2014 | 10-12/2014 |
|---|---|---|---|---|---|
| Minerals | 667 | 597 | 662 | 558 | **544** |
| Flow Control | 233 | 279 | 286 | 230 | **256** |
| Group Head Office and other | - | - | - | - | **-** |
| Intra Metso orders received | -15 | -1 | -1 | -2 | **1** |
| **Metso total** | 885 | 875 | 947 | 786 | **801** |

## NET SALES

| EUR million | 10-12/2013 | 1-3/2014 | 4-6/2014 | 7-9/2014 | 10-12/2014 |
|---|---|---|---|---|---|
| Minerals | 754 | 608 | 706 | 619 | **743** |
| Flow Control | 279 | 210 | 255 | 247 | **270** |
| Group Head Office and other | - | - | - | - | **5** |
| Intra Metso net sales | -15 | -1 | 1 | -5 | **0** |
| **Metso total** | 1,018 | 817 | 962 | 861 | **1,018** |

## EBITA BEFORE NON-RECURRING ITEMS

| EUR million | 10-12/2013 | 1-3/2014 | 4-6/2014 | 7-9/2014 | 10-12/2014 |
|---|---|---|---|---|---|
| Minerals | 106.5 | 68.6 | 95.7 | 73.5 | **100.0** |
| Flow Control | 43.1 | 23.3 | 40.9 | 41.8 | **42.2** |
| Group Head Office and other | -3.1 | -4.4 | -5.4 | -11.5 | **-4.5** |
| **Metso total** | 146.5 | 87.5 | 131.2 | 103.8 | **137.7** |

## EBITA BEFORE NON-RECURRING ITEMS, % OF NET SALES

| % | 10-12/2013 | 1-3/2014 | 4-6/2014 | 7-9/2014 | 10-12/2014 |
|---|---|---|---|---|---|
| Minerals | 14.1 | 11.3 | 13.6 | 11.9 | **13.5** |
| Flow Control | 15.4 | 11.1 | 16.0 | 16.9 | **15.6** |
| Group Head Office and other | n/a | n/a | n/a | n/a | **n/a** |
| **Metso total** | 14.4 | 10.7 | 13.6 | 12.1 | **13.5** |

## NON-RECURRING ITEMS

| EUR million | 10-12/2013 | 1-3/2014 | 4-6/2014 | 7-9/2014 | 10-12/2014 |
|---|---|---|---|---|---|
| Minerals | -29.2 | -5.3 | -24.2 | -21.8 | **-29.4** |
| Flow Control | -3.8 | -0.2 | -0.4 | -5.0 | **-0.5** |
| Group Head Office and other | -0.2 | -1.1 | 0.1 | -0.3 | **-2.3** |
| **Metso total** | -33.2 | -6.6 | -24.5 | -27.1 | **-32.2** |

## AMORTIZATION

| EUR million | 10-12/2013 | 1-3/2014 | 4-6/2014 | 7-9/2014 | **10-12/2014** |
|---|---|---|---|---|---|
| Minerals | -3.3 | -3.3 | -3.4 | -3.3 | **-3.2** |
| Flow Control | -0.9 | -0.8 | -0.8 | -0.8 | **-1.0** |
| Group Head Office and other | -1.0 | -0.5 | -0.6 | -0.6 | **-0.7** |
| **Metso total** | -5.2 | -4.6 | -4.8 | -4.7 | **-4.9** |

## OPERATING PROFIT (LOSS)

| EUR million | 10-12/2013 | 1-3/2014 | 4-6/2014 | 7-9/2014 | **10-12/2014** |
|---|---|---|---|---|---|
| Minerals | 74.0 | 60.2 | 68.1 | 48.2 | **67.4** |
| Flow Control | 38.5 | 22.2 | 39.6 | 36.2 | **40.7** |
| Group Head Office and other | -4.4 | -6.1 | -5.8 | -12.4 | **-7.5** |
| **Metso total** | 108.1 | 76.3 | 101.9 | 72.0 | **100.6** |

## OPERATING PROFIT (LOSS), % OF NET SALES

| % | 10-12/2013 | 1-3/2014 | 4-6/2014 | 7-9/2014 | **10-12/2014** |
|---|---|---|---|---|---|
| Minerals | 9.8 | 9.9 | 9.6 | 7.8 | **9.1** |
| Flow Control | 13.8 | 10.6 | 15.5 | 14.6 | **15.1** |
| Group Head Office and other | n/a | n/a | n/a | n/a | **n/a** |
| **Metso total** | 10.6 | 9.3 | 10.6 | 8.4 | **9.9** |

## CAPITAL EMPLOYED

| EUR million | Dec 31, 2013 | Mar 31, 2014 | June 30, 2014 | Sep 30, 2014 | **Dec 31, 2014** |
|---|---|---|---|---|---|
| Minerals | 1,266 | 1,248 | 1,260 | 1,337 | **1,337** |
| Flow Control | 344 | 383 | 406 | 396 | **376** |
| Group Head Office and other | 699 | 610 | 412 | 355 | **379** |
| **Metso total** | 2,309 | 2,241 | 2,078 | 2,088 | **2,092** |

Capital employed includes only external balance sheet items.

## ORDER BACKLOG

| EUR million | Dec 31, 2013 | Mar 31, 2014 | June 30, 2014 | Sep 30, 2014 | **Dec 31, 2014** |
|---|---|---|---|---|---|
| Minerals | 1,535 | 1,483 | 1,442 | 1,381 | **1,108** |
| Flow Control | 394 | 462 | 496 | 500 | **468** |
| Group Head Office and other | - | - | - | - | **-** |
| Intra Metso order backlog | -2 | -1 | 0 | -9 | **-1** |
| **Metso total** | 1,927 | 1,944 | 1,938 | 1,872 | **1,575** |

## PERSONNEL

| | Dec 31, 2013 | Mar 31, 2014 | June 30, 2014 | Sep 30, 2014 | **Dec 31, 2014** |
|---|---|---|---|---|---|
| Minerals | 11,226 | 10,818 | 10,724 | 10,660 | **10,368** |
| Flow Control | 4,685 | 4,636 | 4,776 | 4,562 | **4,557** |
| Group Head Office and other | 514 | 744 | 748 | 717 | **719** |
| **Metso total** | 16,425 | 16,198 | 16,248 | 15,939 | **15,644** |

# Non-recurring items and amortization of intangible assets

| 10-12/2014<br>EUR million | Minerals | Flow Control | Group Head office and other | Metso total |
|---|---|---|---|---|
| **EBITA before non-recurring items** | **100.0** | **42.2** | **-4.5** | **137.7** |
| **% of net sales** | **13.5** | **15.6** | **-** | **13.5** |
| Credit loss of Northland long-term receivables | -12.0 | - | - | **-12.0** |
| Capacity adjustment expenses | -17.4 | -0.5 | -0.4 | **-18.3** |
| Demerger costs | - | - | -1.9 | **-1.9** |
| Amortization of intangible assets | -3.2 | -1.0 | -0.7 | **-4.9** |
| Operating profit (EBIT) | 67.4 | 40.7 | -7.5 | **100.6** |
| Credit loss of Northland bonds in other financial expenses | | | -3.9 | |

| 10-12/2013<br>EUR million | Minerals | Flow Control | Group Head office and other | Metso total |
|---|---|---|---|---|
| **EBITA before non-recurring items** | **106.5** | **43.1** | **-3.1** | **146.5** |
| **% of net sales** | **14.1** | **15.4** | **-** | **14.4** |
| Loss on revaluation of Northland receivables reclassified as long-term interest bearing loan | -8.0 | - | - | **-8.0** |
| Capacity adjustment expenses | -21.2 | -3.8 | -0.2 | **-25.2** |
| Amortization of intangible assets | -3.3 | -0.9 | -1.0 | **-5.2** |
| Operating profit (EBIT) | 74.0 | 38.4 | -4.3 | **108.1** |

| 1-12/2014<br>EUR million | Minerals | Flow Control | Group Head office and other | Metso total |
|---|---|---|---|---|
| **EBITA before non-recurring items** | **337.8** | **148.2** | **-25.8** | **460.2** |
| **% of net sales** | **12.6** | **15.1** | **-** | **12.6** |
| Credit loss of Northland long-term receivables | -47.5 | - | - | **-47.5** |
| Capacity adjustment expenses | -33.2 | -6.1 | -0.4 | **-39.7** |
| Demerger costs | - | - | -3.2 | **-3.2** |
| Amortization of intangible assets | -13.2 | -3.4 | -2.4 | **-19.0** |
| Operating profit (EBIT) | 243.9 | 138.7 | -31.8 | **350.8** |
| Credit loss of Northland bonds in other financial expenses | | | -18.7 | |

| 1-12/2013<br>EUR million | Minerals | Flow Control | Group Head office and other | Metso total |
|---|---|---|---|---|
| **EBITA before non-recurring items** | **383.4** | **133.6** | **-21.4** | **495.6** |
| **% of net sales** | **13.0** | **13.8** | **-** | **12.8** |
| Loss on revaluation of Northland receivables reclassified as long-term interest bearing loan | -29.7 | - | - | **-29.7** |
| Capacity adjustment expenses | -23.2 | -3.8 | -0.2 | **-27.2** |
| Gain on business disposals | 3.9 | - | - | **3.9** |
| Intellectual property items | -0.6 | - | - | **-0.6** |
| Amortization of intangible assets | -11.2 | -3.8 | -3.8 | **-18.8** |
| Operating profit (EBIT) | 322.4 | 126.0 | -25.4 | **423.0** |

# Notes to the Financial Statements Review

This Financial Statements Review has been prepared in accordance with IAS 34 'Interim Financial Reporting'. The same accounting policies have been applied in the Annual Financial Statements. The figures in this Financial Statements Review are based on the audited Financial Statement 2014.

As of January 1, 2014, Metso applied the new IFRS 10 'Consolidated Financial Statements' standard, the new IFRS 11 'Joint Arrangements' standard, and the new IFRS 12 'Disclosure of Interest in Other Entities' -standard. These standards have no material impact on our financial statements.

**Metso's financial reporting and events in 2015**

Metso's Interim Reviews for 2015 will be published as follows:
January–March on April 23, January–June on July 23, and January–September on October 22.

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