



Metso 2015
Annual Review

Metso in 2015

In 2015 Metso's profitability remained at a good level, even though the uncertain economic development created challenges for our customer industries. However, we continued to renew our operating models, costs structure as well as product and services offering. Our goal is to continue to create added value for all of our stakeholders.



How to read Metso's reports for 2015

Metso has published 3 reports that together form the Annual report for 2015. This Annual Review for 2015 has been published and printed in English and Finnish. The "Read more" section contains additional sources and information about the topics presented in the Review. Some links are presented as QR codes for camera-equipped mobile devices.

To read all the three, Annual Review, Financial Statements and Sustainability Report, please visit our reporting website annualreportmetso.com. On the website you can read our Financial Statements for 2015, as a PDF or order the printed version in either English or Finnish. Sustainability information is presented on the website in English, as a PDF file. The Sustainability Report has been externally assured.

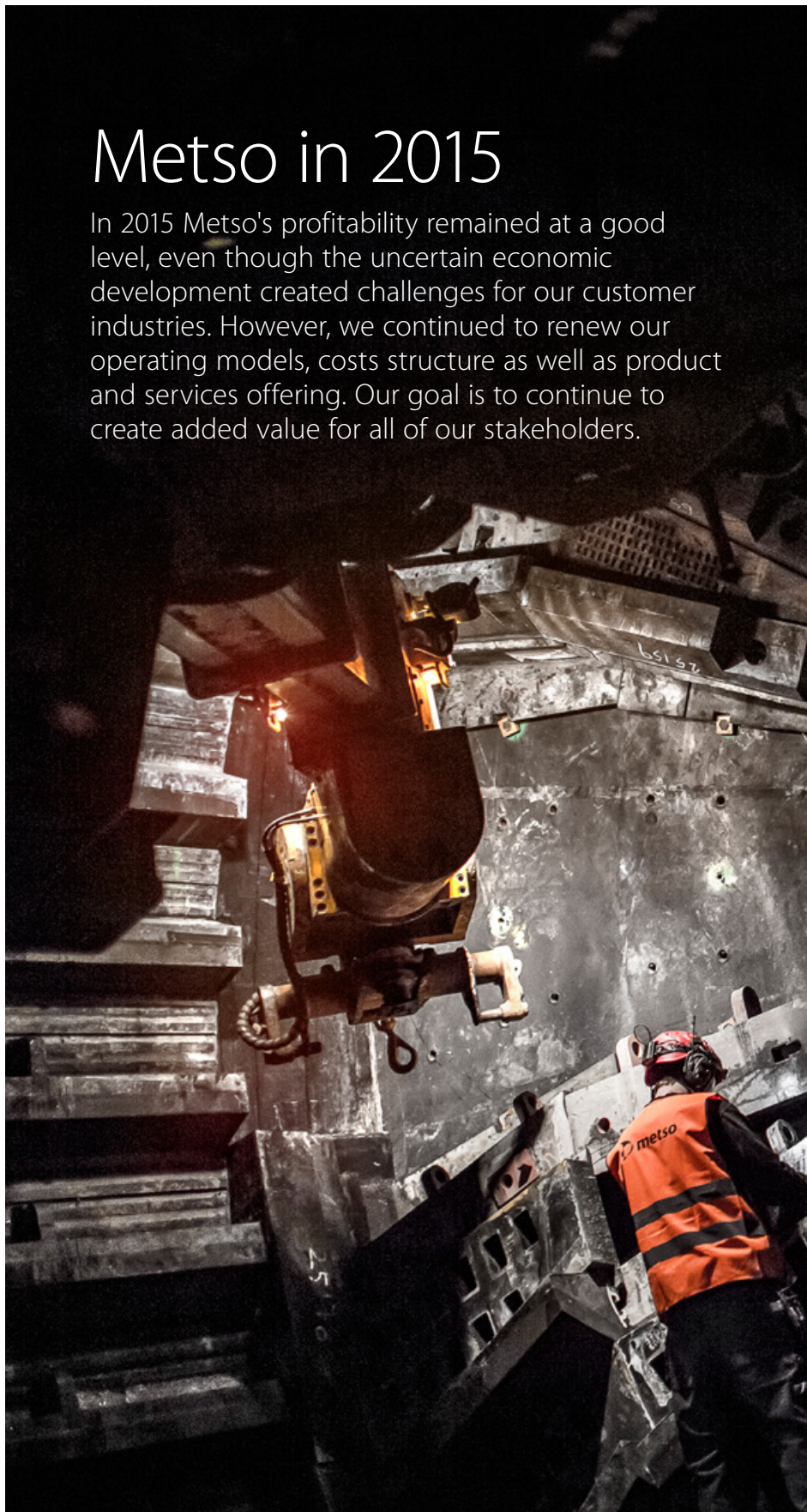


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Highlights



From the CEO 2



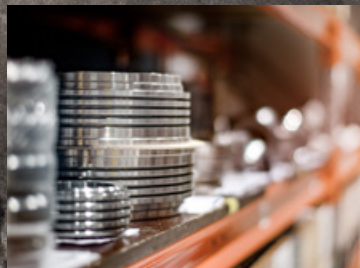
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From the CEO

Uncertain economic development created challenges for many of Metso's customer industries last year, challenges that impacted our businesses. But rather than passively lamenting the changes in our operating environment, we continued renewing the company's operating models, cost structure, and product and services offering. As a result of these measures, our profitability has remained at a good level, and we are continuously in a stronger position to create added value for our customers and other stakeholders in all circumstances.

For Metso, 2015 was a fairly good year even though our operating environment was challenging. Despite the challenges, order intake by our current businesses decreased only by four percent from the previous year, and mining industry orders, for example, increased by two percent. This growth is noteworthy, because China's weakened economic growth, which contributed to the price drop in minerals, like iron ore and copper, has negatively impacted the mining sector's investment activity. Additionally, the low prices have prompted mining companies to cut costs, and some mines have had to be closed. These factors have also affected our services business, which has, nevertheless, proven its competitiveness and has performed well in the tight market situation. Orders in our valve business were close to the previous year's level, even though the oil and gas industry's demand weakened somewhat with the steep drop in the price of oil. The fact that we sell valves and related equipment and services to many other process industry sectors – in addition to the oil and gas industry – also helps us in this situation.


Despite these market challenges, we worked hard throughout the year to make Metso an increasingly better and more competitive company. We have renewed our product and services offering to meet our customers' changing needs, and we've advanced ways to take advantage of digitalization in our different businesses. At the same time, we've renewed our business models so that our organizations are structurally lighter, our experts are even closer to our customers, responsibilities are clear in all areas, and we are generally more flexible in reacting to changes in the business environment. Some of these projects have unfortunately meant that we've had to reduce the number of our personnel; lightening our cost

structure, however, has been necessary in order for Metso to succeed in the ever-tighter competitive environment.

We also continued implementing the strategy we published in summer 2014; one step was the divestment of the Process Automation Systems (PAS) business to Valmet. PAS wasn't a core business for Metso in its current form, and we can be pleased that it found a good new owner. The gains we earned from the divestment strengthened Metso's balance sheet significantly and give us good financial opportunities to explore – and, hopefully, to also implement – business acquisitions that align with our strategy.

Overall, the results we achieved last year were fairly good. Despite the decline in orders and net sales, our profitability (EBITA margin before non-recurring items) decreased only slightly and was 12.2 percent compared to 12.7 percent the previous year. These figures do not include the divested PAS business. The sales profit gained from the PAS divestment increased our operating profit (EBIT) to EUR 555 million and earnings per share to EUR 2.95. We made significant progress also in the management of capital employed, where the special focus has been on inventories and receivables. The major improvements we made in our efficiency in both these areas bolstered our strong cash flow last year.

I want to highlight occupational safety right alongside financial performance, because the only way we can succeed is by offering our own people and partners a safe work environment. Safety also has a direct impact on productivity, quality and customer satisfaction. I am pleased to see the substantial progress in Metso's safety culture in recent years, and the decreasing number of work-related injuries reflects this. The number of recordable incidents decreased by 39% from the previous year, and



the lost time incident frequency (LTIF) was 2.6 compared to 3.9 in 2014. We will continue our efforts to improve safety; our target is to bring the lost time incident frequency rate down to less than one.

In closing, I want to thank Metso employees for the commendable tenacity they've demonstrated during these tough times. I want to thank our customers and shareholders for their trust in Metso, and I hope that we continue to be worthy of your trust also this year. Thanks are also in order to our other stakeholders for their good collaboration. I wish all of you a successful 2016!



Matti Kähkönen
President and CEO

Earnings per share*
EUR 2.95

Operating profit*
EUR 555 million

LTIF*
2.6

* According to old structure and including gain on the divestment of PAS

* Lost time incident frequency

This is Metso

Metso is the world's leading industrial company serving the mining, aggregates, recycling, oil, gas, pulp, paper and process industries. In 2015 Metso's net sales totaled EUR 2,923 million. Services business accounted for 63% of our net sales.

We help our customers improve their operational efficiency, reduce risks and increase profitability by using our unique knowledge, experienced people and innovative solutions to build new, sustainable ways of growing together.

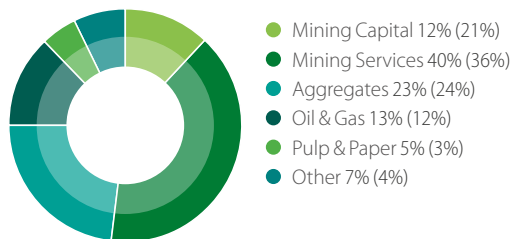
Our products range from mining and aggregates processing equipment and systems to industrial valves and controls. Our customers are supported by a broad scope of services and a global network of over 80 service centers and about 6,400 services professionals. Metso has an uncompromising attitude towards safety.

Metso is listed on the NASDAQ OMX Helsinki, Finland, and had net sales of about EUR 2.9 billion in 2015. Metso employs over 12,000 persons in more than 50 countries.

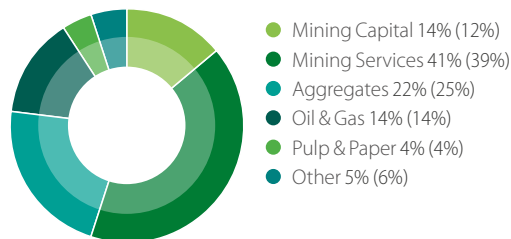
Our integrated operating model



Net sales by customer industry



Orders received by customer industry



Personnel

12,375

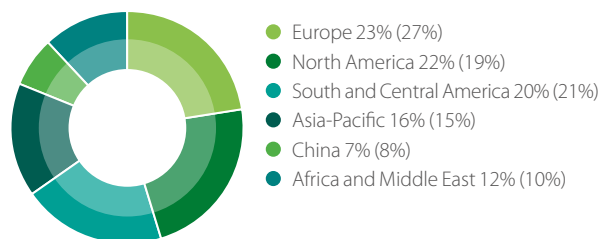
excluding inactive personnel



"Our profitability has remained at a good level, and we are continuously in a stronger position to create added value for our customers and other stakeholders."

Matti Kähkönen
President and CEO

Net sales by market area



Orders

EUR 2,965 million

LTIF*

2.6

*lost time incident frequency

EBITA-%*

12.2

*before non-recurring items

Net sales

EUR 2,923 million

Free cash flow

EUR 341 million

(According to old structure)

All figures describe Metso's current structure unless otherwise stated.

Financial targets and achievements

Net sales growth

Net sales growth exceeding market growth



Result 2015
EUR 2,923 million
In line with the target

EBITA margin before non-recurring items



Result 2015
12.2%

Return on capital employed (ROCE) before taxes



Result 2015
16.1%

Orders received

EUR 2,965 million

Net sales

EUR 2,923 million

Earnings per share*

EUR 2.95

Free cash flow*

EUR 341 million

Dividend proposal

EUR 1.05

* According to old structure and earnings per share including gain on the divestment of Process Automation Systems

All figures describe Metso's current structure unless otherwise stated.

Mission, values, value proposition

Our mission, values, value proposition and leadership principles are at the core of everything we do.

Our mission is to contribute to a more sustainable world by helping our customers to process natural resources and recycle materials into valuable products.

Our values are: driving customer success, seeking innovations, performing together, and respecting each other. These values guide us in how we do business and how we work together with internal and external stakeholders.

Our value proposition: We help our customers improve operational efficiency, reduce risks and increase profits by utilizing our unique knowledge, experienced people and our innovative solutions to build new ways of growing together.



Mission, values, value proposition, leadership principles



Our values

What values guide our daily operations?
 Driving customer success
 Seeking innovations
 Performing together
 Respecting each other



Our mission

Why do we exist?
 We contribute to a more sustainable world by helping our customers to process natural resources and recycle materials into valuable products



Our value proposition

What do we offer?
 We help our customers improve operational efficiency, reduce risks and increase profits by utilizing our unique knowledge, experienced people and our innovative solutions to build new ways of growing together



Our leadership principles

What is expected from our managers?
 Show the way forward
 Build inspiration and trust
 Develop and coach
 Drive results

Operating environment

Demand for our products, services and solutions is driven by the following megatrends:

A globalizing economy

Sustainability and climate change



Urbanization

Emerging markets growth



In the longer term, the megatrends support the investment growth of all of Metso's core industries. Our good positioning within all our customer industries provides attractive opportunities for us. In addition, the increasing focus on sustainability generates new types of demand from our customers.

Flow Control in Oil and Gas

In Oil and Gas, the low oil price environment has been putting pressure on customers. Spending discipline and cost cutting continued to be seen during the year, resulting in an increasing number of projects being cancelled or put on hold, as well as rising pricing pressure on equipment suppliers. In non-OPEC countries, particularly the U.S., upstream investment and activity levels were sharply scaled back from the peak. Production levels and mid-/downstream activity remained healthy. Downstream activity was boosted as Oil and Gas downstream players benefited from low feedstock prices, although the advantage started to erode. The trend to move towards higher value-adding downstream business can be seen in the traditional crude exporting region of the Middle East, with aggressive refinery capacity build-up.

Flow Control in Pulp and Paper

Pulp and Paper flow control activity level remained healthy with some signs of cooling down. Nevertheless, investments in the pulp market still remain good.

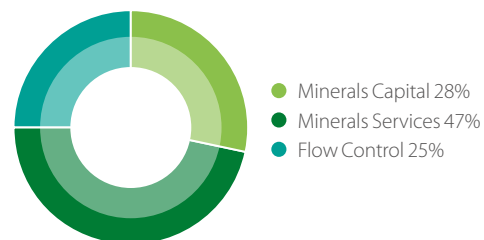
Minerals

Weak metal prices impacted the mining sector globally, as mining companies were forced to focus on protecting their cash flows, reducing costs and improving operational efficiency. Capital investments from major miners continued to drop. Production volumes remained at good level, yet demand for services softened due to miners cost-saving actions and mining site closures.

In Aggregates, the equipment market was impacted by a slow down in China, APAC and Latin America. Market demand in North America and Europe was relatively better. The industry saw consolidation among key aggregates producers.

In Recycling, low scrap prices mirroring the decline of iron ore prices have weakened the operating environment.

Net sales by business area



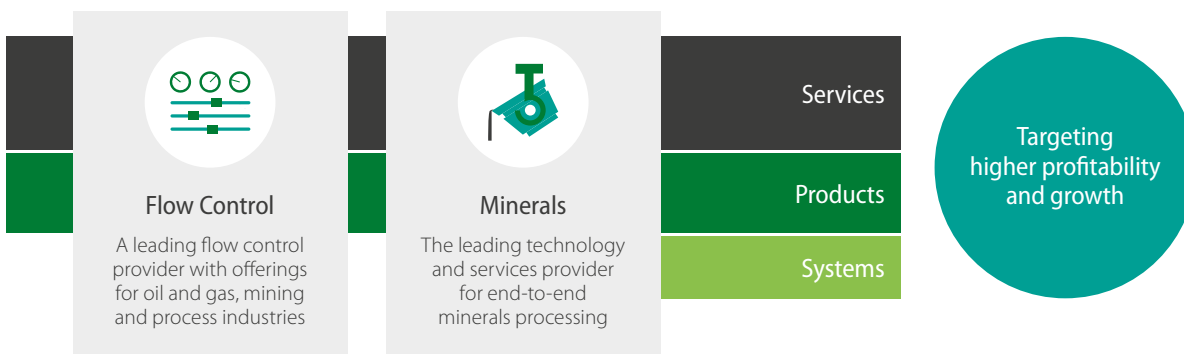
Metso strategy

Targeting growth and higher profitability

We continue to strive for high profitability and growth in our core businesses, and ensure value creation for our customers and shareholders.

In Minerals, we are the leading technology and services provider for the mining and aggregates industries, whereas in Flow Control, we are a leading valves and pumps provider with offering for oil and gas, mining, pulp and paper and process industries.

Resolute steps have been taken in our transformation and today we are a focused and integrated company and we have a strong foundation to grow and improve profitability.



Services

- 63% of our net sales
- We provide uniquely broad offering of wears, spares field services, refurbishments, upgrades, life-cycle services as well as performance services to our customers
- We continue to focus on services and strengthening our presence and capabilities close to customers

Products

- Minerals processing equipment, valves and pumps
- Leading market positions
- Focus on value-adding product renewals and reaching to new customer segments

Systems (large deliveries)

- Only for Minerals customers
- Concentrating on the proprietary technology
- Supporting products and the future services business

Our core customer industries are mining, aggregates, recycling, oil and gas, pulp and paper and other process industries. We have a strong market position in all of them, being the market leader in mining and aggregates and having firm positions in various flow control markets.

We have strong market positions in all our businesses

#1

Mining crushers and grinding mills

#1

Pulp and paper valves

#1

Aggregates crushing and screening

#5

Oil and gas control valves

#1

Metal recycling equipment

+

Global leader in slurry pumps

#1

Services for minerals processing

Strategy implementation

Our strategy implementation will continue based on five Group-level must-wins (Customer centricity, Services, Technology offering, Operational excellence and People and leadership). We have broadened our Growth Countries theme that used to be one of our must-wins to a broader topic of Customer Centricity. This reflects our increased investments and our attention to developing excellence in sales and customer relationship management across regions, as well as emphasizes our strategy of expanding to new customer segments such as new process industry segments in flow control and mid-market customer segments in aggregates.



Customer centricity

expand to new customer segments and make processes more responsive to customer needs



Services

expand service concepts (e.g. life-cycle services) and offering



Technology offering

product renewal, expand offering to new segments, digitalization



Operational excellence

implement new operating models with clear responsibilities and processes, take procurement to the next level



People and leadership

develop leadership to drive global transformation, resource and develop people with strategic focus, drive organizational efficiency to enable performance

Strategy implementation focus areas and some highlights from 2015



Customer centricity

We have continued implementing sales management practices and tools that enable us to mobilize to our customers the knowledge from within Metso and capture the potential in our markets – including efficient opportunity creation from our own installed base.

- A global renewed Metso sales process taken into use in all business areas
- Salesforce.com solution rolled-out in all our sales teams
- Our new Distributor salesforce portal for crushing and screening being rolled out



Services

- New service centers in Sweden, USA, Mexico, Qatar and United Arab Emirates
- Continued progress on life-cycle services sales and concepts
- New Flow Control services concepts
- Expanding our Flow Control service capabilities and network
- Over 80 service centers and about 6,400 service experts



Technology offering

Product renewal

- New innovative Metso hydrocyclone product offering
- Launch of the QdX4 mill drive system
- Launch of GP7, a new secondary crusher
- Installation and commissioning of MP2500, the largest cone crusher in the world
- New intelligent positioner for globe valves enabling cost efficient installation
- New energy saving metal-seated butterfly valve for cryogenic and oxygen services
- New high pressure ball valve offering to fulfill high safety requirements
- Pneumatic actuator offering update for arctic temperatures



Offering expansion to new segments

- Introduction of the HRC™ HPGR as an energy efficient solution into the aggregates and sand making market segment
- Development of Metso In Pit Solutions, integrating our mobile, crushing, screening and bulk equipment, a cost- and energy-efficient alternative to truck haulage
- Metso becomes the unique supplier of total grinding circuit systems (mills, valves, pumps, slurry piping, hydrocyclones)
- Development of a Metso Balance Crane for the Scrap/ Recycling Industry now available for US and European markets

Digitalization

- New Internet-of-Things portal for remote monitoring and remote servicing of our mobile and portable equipment fleet
- New generation of ICX0C easy and intelligent automation offering
- ScreenCheck portable sensor for inspection of vibrating screens and feeders, for distributors and field technicians

Operational excellence

- Procurement cost savings (around EUR 50 million)
- More integrated procurement organizations and global procurement models implemented
- Procurement capability as part of Assemble-Test-Paint business model strengthened
- Supply Chain, Procurement and Quality competences developed

- Continuing productivity and efficiency improvements in Flow Control
- Right-sizing Minerals operations to market activity
- New operating model: During 2015 – in line with the strategy we made changes in the business areas' operating models and market area structures to further improve customer responsiveness, clarify responsibilities and help drive profitable growth

People and leadership

Enabling engagement and performance to enhance business growth.

Leadership – Driving global transformation

- Leadership development portfolio available to managers globally
- A more structured process for succession planning
- Focus on performance and rewards

Right people – Resourcing and developing with strategic focus

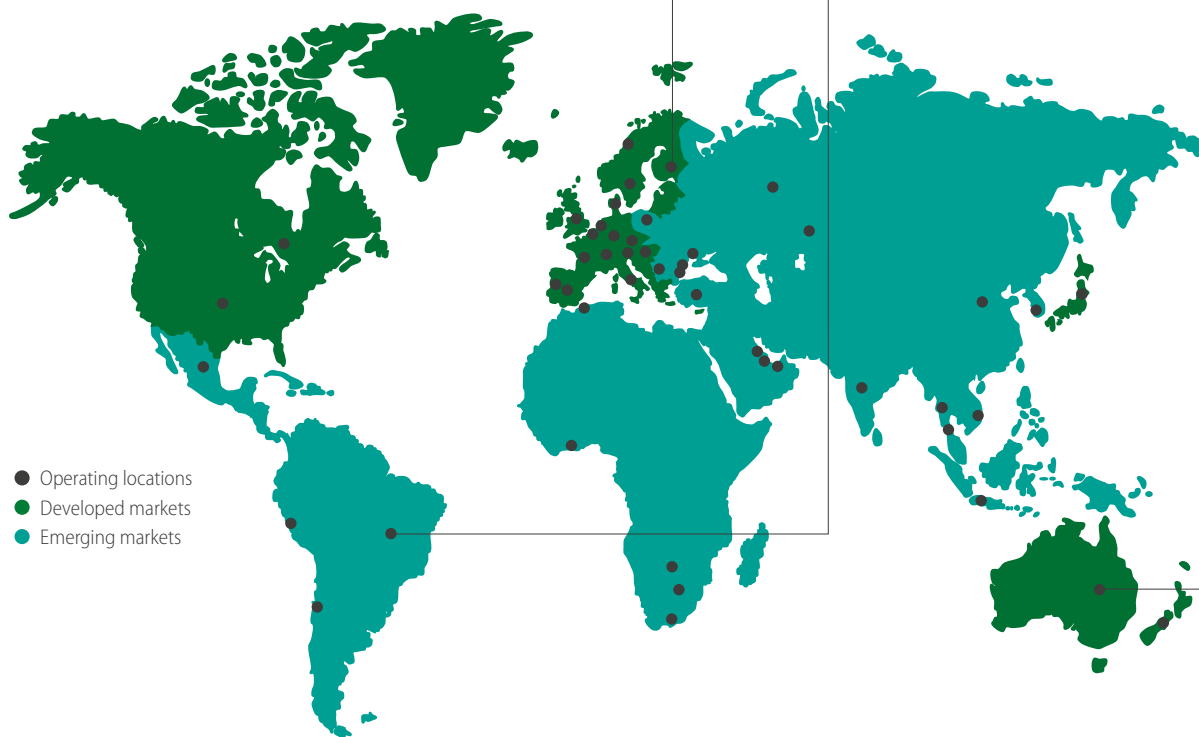
- Employer brand implementation in all stages of our renewed recruitment process to attract the right talent for us
- Strategy driven competence development solutions introduced
- High quality, timely Development Discussions combining business and individual needs

Organizational efficiency – Driving results

- Renewed key people management processes and a new people data tool, PeoplePoint, implemented to further support strategy implementation, increase visibility, and drive the digitalization of people processes

Global presence

Metso's goal is to be present where our customers are and meet their needs in all possible ways. To answer our customers' needs we have operations in more than 50 countries on six continents, with extensive logistics networks and over 12,000 industry experts.



North America
 Net sales
EUR 644 million
 Personnel 1,939

Europe
 Net sales
EUR 673 million
 Personnel 4,249

China
 Net sales
EUR 199 million
 Personnel 1,189

South and Central America
 Net sales
EUR 599 million
 Personnel 2,545

Africa and Middle East
 Net sales
EUR 339 million
 Personnel 965

Asia-Pacific
 Net sales
EUR 469 million
 Personnel 1,488



Enabling emission reduction at a gold mine in Australia

Roasting is the most efficient way to maximize the recovery of gold from ore. The downside of roasting is the presence of sulfur dioxide and mercury in the off-gas emissions. KCGM would stop their roasting process whenever prevailing winds could blow the emissions towards residential areas. This resulted in unplanned stops and loss of production time.

In 2015, KCGM installed a new ultra-fine grinding mill to replace roasting. However, ultra-fine grinding does not remove the sulfur or mercury as roasting did. As a result the mercury carries over into the downstream process, where it adsorbs onto activated carbon, reducing its capacity for gold adsorption, and thus, reducing the efficiency of the process.

To tackle this issue, KCGM commissioned a Metso carbon regeneration kiln, which reactivates the carbon for reuse by heating it up to 700°C, vaporizing the impurities.

➤ metso.com/showroom



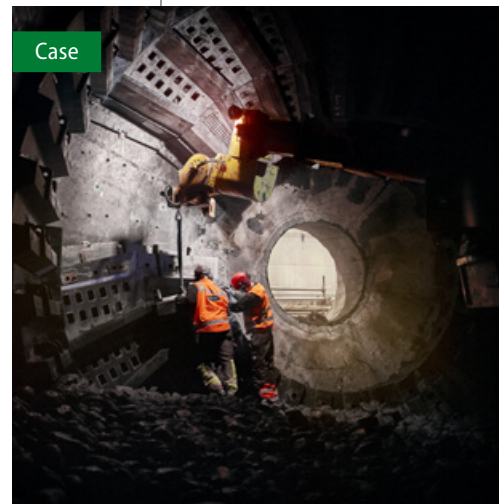
Helping Vale's Salobo Mine improve production

At Vale's Salobo mine in Brazil, the poor condition of the mine access road was causing tires on the large transport trucks to degrade quickly. Regularly maintaining the tires on its fleet of transport trucks had begun to add up quickly in terms of unplanned costs and also slowed production down significantly.

Metso solved the challenge by providing rental crushing plants to produce the right grade of gravel to improve the condition of the road. In addition, Metso maintains the supplied equipment and measures its success under a Life Cycle Services agreement, ensuring that the solution is delivering on its promised savings.

As a result, the road conditions have considerably improved. Tire life for the big trucks has increased by over 50%, leading to significant savings, and the rental agreement allowed Vale to avoid large capital expenditures.

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Increasing uptime at FQM Kevitsa

FQM's Kevitsa mine exploits an extremely low-grade deposit in Sodankylä, Finland. The copper content of the ore is 0.35 percent and the nickel content 0.29 percent. These grades mean that to be profitable, the mine has to reach maximum uptime.

A Life Cycle Services agreement with Metso has shortened the shutdowns and increased the availability of Kevitsa's comminution process. Relining an AG mill in Kevitsa used to take 11 or 12 days – an unacceptable amount of time. Metso has been able to cut the shutdown time to five days, and a recent switch to Metso's Megaliner™ mill linings and crusher wear parts will cut the shutdown time even more. Megaliner™ linings consist of larger pieces and are easier and safer to install than traditional liners. This means that fewer pieces are needed and installation is faster, offering Kevitsa an even greater advantage in their quest for maximum uptime.

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Customer industries

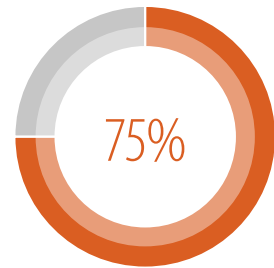
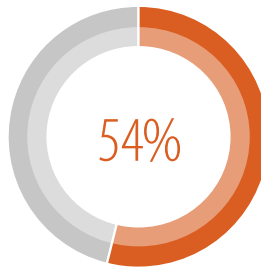
Metso serves customers in mining, aggregates, recycling, oil, gas, pulp, paper and other process industries. We are well positioned in all of our customer industries, either globally or in a selected niche market. Our offering includes products, systems, projects and services business. Large-scale project deliveries are typical for the mining industry, whereas our deliveries to the aggregates and process industries mainly consist of individual equipment deliveries and smaller products packages. The services business is essential for all of our businesses.

End markets

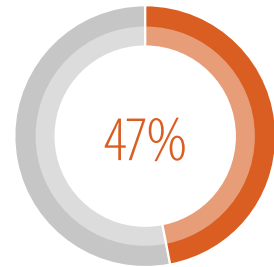
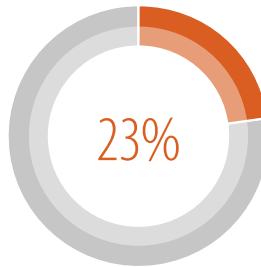
Orders received

Share of services

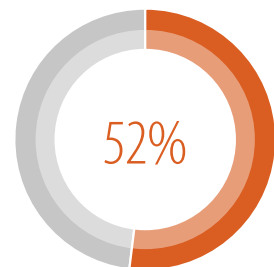
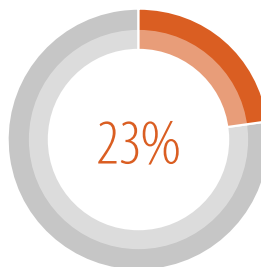
Mining



Aggregates



Process industries





Energy efficient crushing at the Morenci copper mine in Arizona

Energy efficiency is the key to success at modern mines. The most potential for energy and cost savings can be realized in the comminution process, where ore is ground and crushed into smaller particles. Metso's HRC™3000, the largest fully operating high-pressure grinding roll (HPGR) in the world, provides an energy efficient solution with an impressive range of industry-leading features, aimed at getting more value from every ton of ore.

The HRC™3000 was the result of a close collaboration between Metso and Freeport-McMoRan Inc. The goal was to develop a highly efficient HPGR crushing circuit for the newly constructed Metcalf concentrator at Freeport-McMoRan's copper mine in Morenci, Arizona.

In approximately 4 years, the team went from a design concept to the largest fully operating HPGR in the world.

The HRC™3000 started operating at Freeport-McMoRan's copper mine in May 2014. The installed unit is the largest of its kind in the world, allowing for fewer lines of equipment. Depending on the application, the total capacity of this HPGR can exceed over 5,400 tph of ore. To date, the unit has operated for over 8,400 hours and has crushed more than 34 million tons of porphyry copper ore. Metso's solution has provided the Morenci mine with several benefits, including an estimated 13.5% increase in energy efficiency over traditional HPGRs based on pilot scale testing.

Customer industries



Mining



Aggregates



Process industries

Market drivers

- Mining investments driven by demand for minerals
- Growth of middle class with purchasing power
- Urbanization, infrastructure investments
- Utilization rates of mines

- Infrastructure investments
- Growth of emerging markets
- Urbanization

- Growth of emerging markets
- Growth in energy consumption
- Changes in energy mix
- New production technologies
- Demand for process safety
- Increasing focus on sustainability and environmental regulations

Market trends

- Declining ore grades, more materials to be processed
- Smarter equipment, automation
- High focus on productivity and costs
- Increased social and environmental responsibilities, need for energy-efficient processes
- Large mining companies cutting capex in order to cope with the continuous low commodity price environment

- Long-term demand driven by urbanization and industrialization in emerging markets
- US economic recovery ongoing, housing investment picking up
- Consolidation among key aggregates producers

- Overall growing demand for energy
- Growth driven by India, North America, Southeast Asia, Middle East and Latin America
- Unconventional energy (e.g. tar sand) growth in North America
- Increasing demand to maximize production uptime supporting demand for high-quality services
- Continuous drive for more cost-efficient solutions
- Oil producing countries expanding in O&G downstream business

Short-time market outlook

- Demand for mining services has softened due to miners' cost-cutting actions and some mining site closures stemming from low commodity prices
- Weakness has continued in the equipment and systems business

- Demand for equipment and services in emerging markets has been weak
- Better demand in US and Europe

- Lower oil price challenges growth outlook; impact more in upstream with effects to midstream signs of spilling over to downstream
- Contraction in investments on lower oil prices, continued spending discipline; subsequent toughening of competition across flow control end markets
- Lower oil price: potential changes in competitive landscape for equipment providers
- Services and replacement demand stable, some uncertainty due to customer cost pressure
- General industries: cautiously positive

Achievements

- Several life-cycle services contracts e.g. FQM Kevitsa, Boliden
- Big orders from India and Peru
- Introducing innovative solutions such as:
 - The Hydraulic Roll Crusher (HRC)[™] offering highest energy efficiency and flexibility in ore processing
 - Mill drive systems: cost efficient to install, operate and maintain
 - Metso ranked first place in the Mining Industry's Best Performance Supplier of the Minerals Processing segment in Chile
 - The HRC[™]3000, the largest fully operating high-pressure grinding roll (HPGR) in the world won the Mining Magazine award

- Significant orders to supply Lokotrack plants
- Expanding mid-market business in China with Shaorui and LiuGong
- Introducing:
 - Two screening product ranges; Metso PREMIER Screens[™] and Metso COMPACT Screens[™]
 - Metso NW Quick Fix/Rapid portable crushing & screening plant range, enables rapid plant setup in less than 12 hours without heavy cranes
 - Nordberg[®] HP5[™] cone crusher that offers tailored performance for customers
 - Lokotrack[®] LT130E[™] mobile jaw crushing plant for primary crushing in quarry operations
 - Nordberg[®] NP13[™] for secondary and tertiary applications

- Several pulp and paper orders: valve solutions for Metsä Fibre, Kotkamills, Södra Cell, Stora Enso
- Several valve orders for refinery industry in India, China, Middle East and Europe; oil transportation in North America; power industry in South Korea and Turkey
- Several pump orders for the new Mill Discharge product line and other standard pump offering
- Continue developing strong global presence: five new service centers
- Increased demand for valve service knowledge with over 100 shutdowns and turnarounds around the world in various industry sectors
- Introducing innovative cryogenic BWX valve created in collaboration between Metso and Linde



Valve controllers bring predictability and savings for Goliat

Named for its sheer size and power, Goliat is a floating, production, storage and off-loading (FPSO) plant operating approximately 100 km northwest of Hammerfest, Norway in the Barents Sea. The colossal plant, owned 65% by Eni Norge and 35% by Statoil, produces both oil and gas. It boasts a diameter of 107 meters and is equipped with the world's latest technical solutions that enable it to operate reliably in the extreme Nordic cold climate and darkness during the harsh winters.

Metso's range of stainless steel controllers was chosen for the project. Goliat is in fact the first FPSO plant to equip all of its automated pneumatic valves with stainless steel valve controllers. The aim is to enhance safety and minimize

the operational and maintenance costs associated with a large number of valves.

Goliat will be able to utilize the diagnostic information provided by the smart controllers and integrate this with its asset management and ERP system to optimally manage maintenance scheduling and the number of staff needed onboard. This results in significantly fewer working hours and less risk for the operators' health and safety. Moreover, the system considerably lowers any negative impact on the surrounding marine environment. Maintenance costs are cut too as service visits can be better scheduled in advance and occur only as needed, which reduces servicing time and associated expenses.

Metso's businesses

Metso operates through its three business areas: Minerals Capital, Minerals Services and Flow Control.



Minerals Capital

Net sales in 2015
EUR 832 million



Minerals Services

Net sales in 2015
EUR 1,366 million



Flow Control

Net sales in 2015
EUR 723 million

Current structure

Products and services

- Full scope solutions for the mining industry
- Grinding mills
- Mining crushers, screens and feeders
- Mining conveyors
- Process equipment (e.g. separation, flotation, filtration and thickening)
- Bulk materials handling solutions
- Pyro processing
- Aggregate crushers, screens and feeders
- Mobile crushers and screens
- Mid-market equipment for aggregates
- Products and systems for metal recycling

- Expert and maintenance services
- Spare and wear parts for the mining and aggregates industries

- Control valves, automated on-off valves and emergency shutdown (ESD) valves
- Ball and butterfly valves
- Intelligent positioners
- Slurry pump solutions
- Intelligent field services
- Spare and wear parts

Customers

- Mining industry
- Aggregates industry (quarries and contractors)
- Scrap yards, automotive industry, waste handling companies

- Mining industry
- Aggregates industry (quarries and contractors)

- Oil and gas
- Process industries
- Chemical and petrochemical industry
- Mining industry
- Pulp and paper industry
- Power generation industry
- Other selected process industries

Competitors

- Mining: FLSmidth, Outotec, ThyssenKrupp, Sandvik, Weir, Citic Heavy Industries
- Aggregates: Sandvik, Terex, Wirtgen, Atlas Copco, Astec

- Sigdo Koppers, Arrium, other regional companies

- Valves: Cameron, Emerson, Flowserve, Pentair IMI
- Pumps: Weir, KSB, FLSmidth



Minerals Capital



Minerals Services



Flow Control

Global market position

- Mining: Grinding mills 1., Mining crushers 1.
- Recycling: Metal recycling 1.
- Aggregates: Crushing and screening 1.–2.
- Market leader
- Valves and Pumps: Pulp and paper control valves 1., Oil and gas control valves 5., Refining control valves 3., Chemical control valves 6., Slurry pumps for mining 2.–3.

Businesses

Aggregates Net sales

EUR 381 million

Mining Net sales

EUR 334 million

Recycling Net sales

EUR 117 million

Wears Solutions Net sales

EUR 566 million

Spares Net sales

EUR 330 million

Engineered Services Solutions Net sales

EUR 470 million

Oil and Gas Net sales

EUR 333 million

Pulp and Paper Net sales

EUR 106 million

Services Net sales

EUR 112 million

Valve Controls Net sales

EUR 55 million

Mining Flow Control Net sales

EUR 117 million

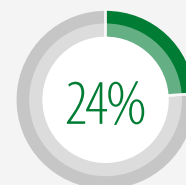
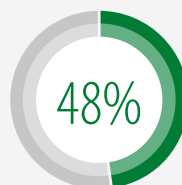
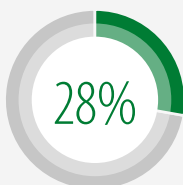
Operating model

Mining equipment highly outsourced with focus on engineering and managing delivery projects. Aggregate equipment and quality control focus on the final assembly of components supplied by our subcontractor network.

Wide network of resources, repair centers, distribution centers and manufacturing units close to customers. In-house manufacturing complemented by wide range of suppliers for components, spare and wear parts.

Focus on the engineering, manufacturing, delivery, maintenance and optimization of control, automated on-off valves and pumps. Designing and assembling products as well as providing knowledge based and OEM services in-house.

Share of orders received in 2015



Innovation

Metso's innovation process is customer-driven. Innovations are based on a deep industry knowledge.

In Metso we are continuously developing new technologies and expanding our existing products to meet our customers' changing and increasingly demanding requirements and also adjust our offering to changes in the market environment.

Sustainable innovation is one of the focus areas for our product development. Major part of the innovations are best industry practices.

Metso's research and technology development (RTD) network encompasses approximately 20 locations around the world. A lot of the research and development work is carried out in collaboration with a network of customers, research institutions, universities and other partners.

Examples of portfolio development:

- Complete in-the-pit solutions to expand our offering further upstream
- Next generation crusher models to improve our competitiveness in our current core
- New ultra-fine screens and hydro cyclones to expand our offering further downstream
- Expanding mid-market offering
- Digital platforms
- Increasing service solutions portfolio
- Developing control valve offering
- Launching new Neles NDX positioner
- Expanding mining pumps range

Metso Award

Metso Award is a recognition program open to all Metso employees, either individually or as part of a team. The award is about discovering ideas, insights and practices that have proved to have a positive effect on the way we work and on our business environment.

Metso Award offers a unique opportunity to be recognized for excellent work and to share best practices with colleagues around the world. Besides the category winners selected by the jury, every Metso employee has the opportunity to vote for their favorite finalist project for the Metso Award. The project that receives the most employee votes will be awarded as the Employees' choice.

This year Metso Executive Team as the jury and category owners, paid special attention to projects that demonstrated innovativeness and commitment to the drive for customer success while working according to our values. The jury also assessed how well the projects made use of the knowledge in the company as well as the attitude of our employees in finding solutions to customer challenges. The finalist projects demonstrated our strengths as a company and the knowledge of our employees manifested as valuable solutions that make the big difference to our customers.

There has been more than

500 competition applications over the years





METSO AWARD 2015 FINALS WERE HELD IN THE GROUP HEAD OFFICE IN HELSINKI, FINLAND. IN THE PICTURE VILLE KAUKONEN, THE WINNER OF THE OPERATIONAL EXCELLENCE CATEGORY AND ANDREAS WÖRNER WINNER OF THE EMPLOYEES CHOICE CATEGORY.



Employees' choice 2015

Cryo X – butterfly valve: From idea to order in six months

Through a long-lasting partnership with customers, feedback, experience and knowledge, **Ingo Leufgen, Martin Dreßen, Abdulkadir Cevik, Andreas Pauer** and **Andreas Wörner** from Germany discovered the market need for butterfly valves in cryogenic applications of air separation units. In cooperation with the customer's engineering department, they developed an innovative BWX valve that meets the requirements for high safety, quality and performance of cryogenic and oxygen services at Linde's air separation unit (ASU) in Eisenhüttenstadt, Germany.

The time to market was really fast. The first order was received in March 2015, just six months after the development started. In addition to 100% compliance with the customer requirements, the product also has potential new customers in the industrial gas sector and in pump and turbine businesses.

"If you believe in your idea, collaborate across borders and involve your customer, you can achieve really a lot in

a short period of time. Development of this product was possible only because of the long experience and the high level of process and product knowledge of our engineering team in Horgau, Germany. Also the customer relationship brought additional value. It is always best to involve your customer in development work," says team leader Ingo Leufgen.

Metso Award competition

- Annual competition since 2011
- More than 500 applications over the years
- Four categories derived from Metso's values and strategy: Customer care, Innovation, Operational excellence and Sustainability.

Financial performance



EBITA margin
12.2%

before non-recurring items



Net sales
EUR 2,923
million



Earnings per share
EUR 2.95

According to old structure
and including gain on
the divestment of PAS

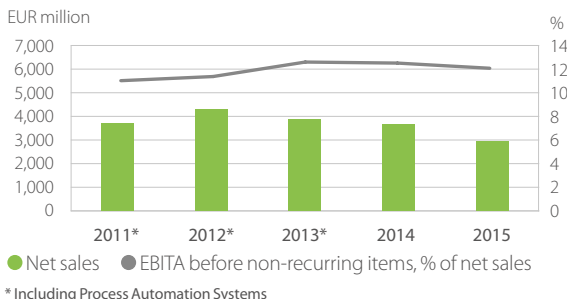
Group key figures

| EUR million | 2014** | 2015** | 2014 | 2015 |
|--|--------|---------------|--------|---------------|
| Orders received | 3,409 | 3,027 | 3,074 | 2,965 |
| Orders received of services business | 2,052 | 1,913 | 1,910 | 1,879 |
| Net sales | 3,658 | 2,977 | 3,363 | 2,923 |
| Services net sales | 2,007 | 1,869 | 1,869 | 1,840 |
| Services, % of net sales | 55 | 63 | 56 | 63 |
| Earnings before interest, tax and amortization (EBITA) and non-recurring items | 460 | 347 | 426 | 356 |
| % of net sales | 12.6 | 11.7 | 12.7 | 12.2 |
| Order backlog, December 31 | 1,575 | 1,268 | 1,400 | 1,268 |
| Return on capital employed (ROCE) before taxes, % | 16.4 | 25.7 | | 16.1 |
| Profit | 189 | 442 | | |
| Earnings per share, EUR | 1.25 | 2.95 | | |
| Dividend per share | 1.45 | 1.05* | | |
| Gearing at the end of period, % | 45.6 | 10.6 | | |
| Free cash flow | 204 | 341 | | |
| Personnel, December 31 | 15,644 | 12,375 | 14,072 | 12,375 |

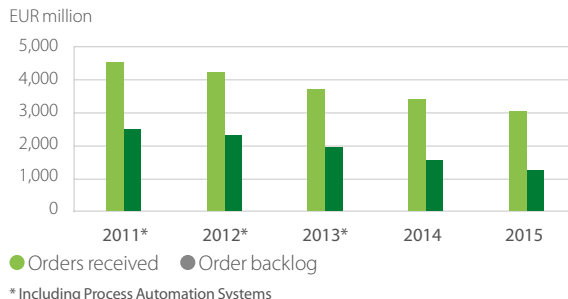
* 2015 Board's proposal ** Including Process Automation Systems

All figures on both pages describe Metso's current structure unless otherwise stated.

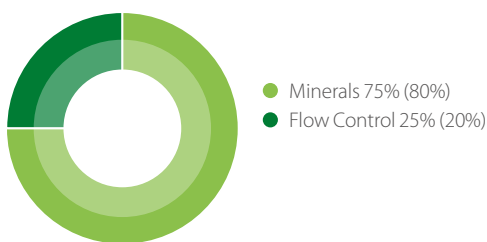
Net sales and EBITA before non-recurring items



Orders received and order backlog



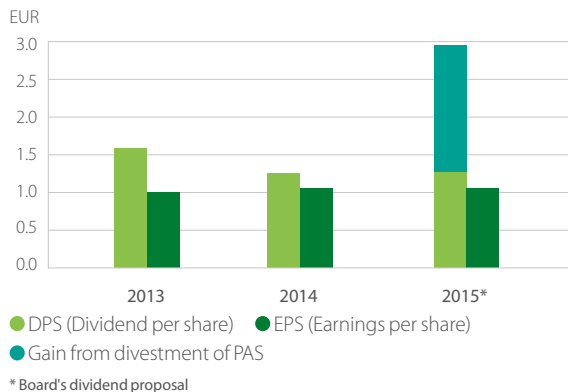
Net sales by reporting segment



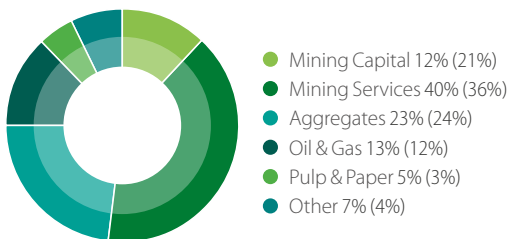
Dividend proposal

EUR 1.05

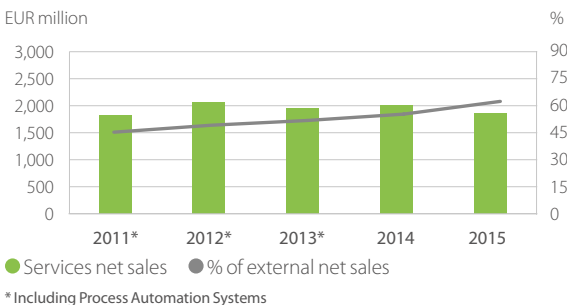
Dividend history



Net sales by customer industry



Services net sales



Gearing

10.6%

at the end of period



Read more

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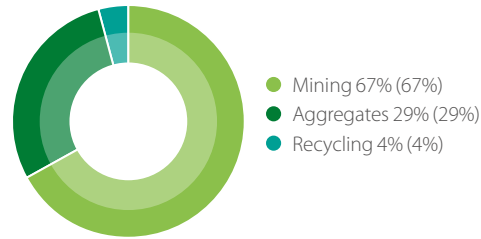
Segment key figures

Minerals

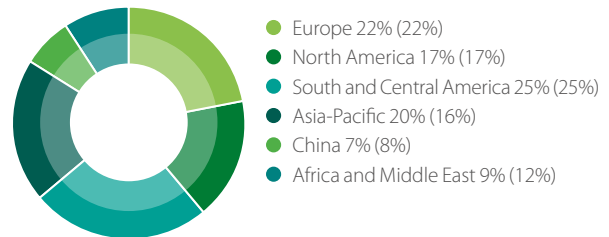
Minerals reporting segment consists of two business areas, Minerals Capital and Minerals Services. Minerals Capital is responsible for providing minerals processing solutions and system deliveries for mining customers and crushing and screening products for aggregates customers. Minerals Services is providing minerals customers with full-scope services solutions, ranging from spare and wear parts all the way to high-value adding services.



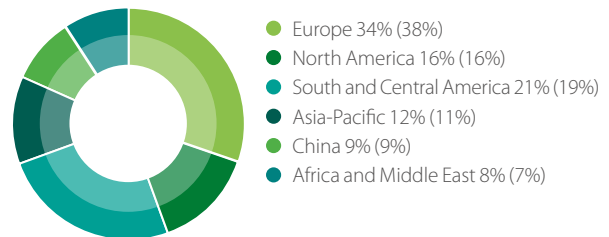
Net sales by customer industry



Orders received by market area



Personnel by area



| EUR million | 2014 | 2015 |
|-----------------------------------|--------|--------------|
| Net sales | 2,676 | 2,198 |
| Services net sales | 1,474 | 1,437 |
| % of net sales | 55 | 65 |
| EBITA before non-recurring items | 338 | 241 |
| % of net sales | 13 | 11 |
| Operating profit | 244 | 213 |
| Capital employed, Dec 31 | 1,337 | 1,162 |
| Gross capital expenditure | 47 | 29 |
| Research and development expenses | 21 | 17 |
| Orders received | 2,361 | 2,260 |
| Services orders received | 1,511 | 1,477 |
| Order backlog, Dec 31 | 1,108 | 1,006 |
| Personnel, Dec 31 | 10,368 | 9,039 |



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> metso.com



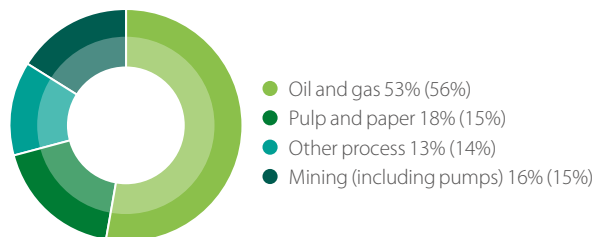
Segment key figures

Flow Control

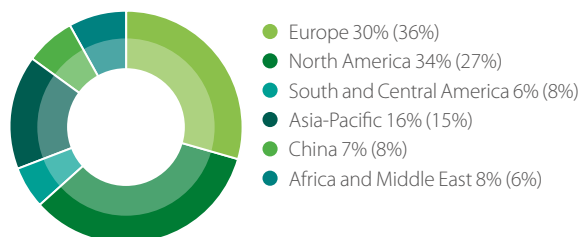
Flow Control is a product and service focused organization which consists of valves and pumps and related services. Flow Control is responsible for developing both the valve offering for oil and gas, pulp and paper and other process industries as well as pumps for mining by pursuing new opportunities in these markets.



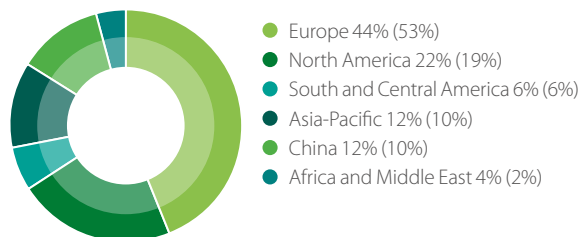
Net sales by customer industry



Orders received by market area



Personnel by area



| EUR million | 2014 | 2015 |
|------------------------------------|-------|--------------|
| Net sales | 685 | 723 |
| Services net sales | 395 | 402 |
| % of net sales | 58 | 56 |
| EBITA before non-recurring items | 114 | 126 |
| % of net sales | 17 | 18 |
| Operating profit* | 139 | 110 |
| Capital employed, Dec 31* | 376 | 321 |
| Gross capital expenditure* | 22 | 12 |
| Research and development expenses* | 37 | 23 |
| Orders received | 717 | 705 |
| Services orders received | 399 | 402 |
| Order backlog, Dec 31 | 294 | 262 |
| Personnel, Dec 31 | 2,985 | 2,770 |

Current structure unless otherwise stated
* Old structure



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Other key figures

| | |
|-------------------------|----------------|
| Emissions to air | 1,000 t |
| CO ₂ | 127.3 |

| | |
|----------------------|----------------|
| Waste | 1,000 t |
| Waste, hazardous | 2.8 |
| Waste, non-hazardous | 55.7 |

| | |
|--------------|----------------------------|
| Water | 1,000 m³ |
| Water | 1,357 |

| | |
|-----------------------------|--------|
| Risk observations | |
| Number of risk observations | 14,587 |

Support for non-profit organizations

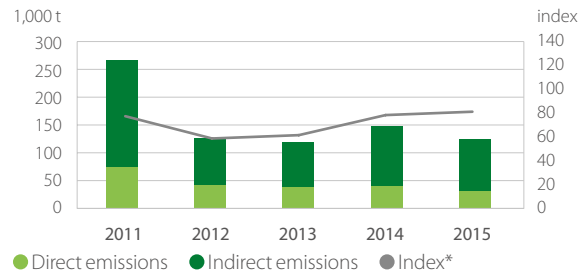


- Youth activities 18% (17%)
- Culture and sports 36% (27%)
- Science, research and education 5% (16%)
- Environmental protection 2% (5%)
- Health and social 37% (27%)
- Others 2% (8%)

12.5%

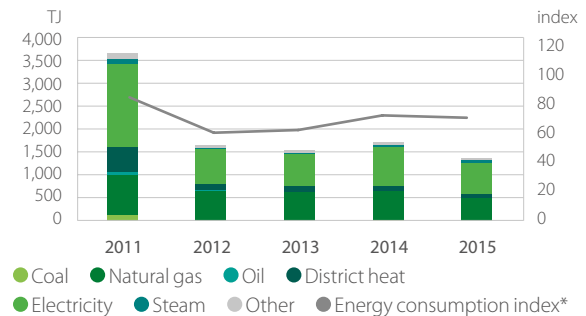
Metso energy efficiency program (MEEP) savings since the beginning of the program

CO₂ emissions



* The index is proportioned to Metso's net sales. For comparison, the reference year is 2009 = 100 index value

Energy consumption



* The index is proportioned to Metso's net sales. For comparison, the reference year is 2009 = 100 index value



Metso as an employer

We have a strong global presence. Our services, products and systems networks offer solutions for our customers around the world.

Number of countries

51

(2014: 51)

Number of locations

192

(2014: 270)

We are focused on performing and delivering our customer promise "Expect results".

Number of employees*

12,375

(2014: 15,644)

New employees

1,359

(2014: 2,209)

We are competent and committed industry professionals, with the spirit of making things happen – and this creates a unique environment.

Average length of service

9.3

(2014: 9.1)

Voluntary turnover rate

6.3%

(2014: 6.2%)

Our employees from various countries and cultures are driving customer success.

Average age

41.5

(2014: 41.1)

Number of nationalities

83

(2014: 83)

Our proactive approach to safety is integrated in our everyday management. We raise awareness about health, safety and environmental topics as part of our daily routines.

LTIF**

(lost-time incident frequency)

2.6

(2014: 3.9)

Work related fatalities

0

(2014: 0)

At Metso, we support our employees to reach their highest potential. Our international working environment enables us to learn together. That makes an excellent basis for growing and developing, and taking charge of own career.

Performance Review participation

61%

(2014: 64%)

* Excluding inactive personnel

** LTIF reflects the number of injuries in an absence of at least one workday per million hours worked

Metso people

People and leadership enable business growth

Metso is a global company with highly competent and committed industry professionals forming a tight-knit network of dedicated colleagues. Our customer promise, "Expect results," means that we are focused on performing and delivering.

The knowledge, expertise and skills of the Metso people form a strong foundation for our success, and thus People and leadership is one of our strategic must-wins.

The overall target of People and leadership must-win is to enhance business growth by enabling engagement and performance. This we will reach e.g. by having the right people supported by good leadership, and by working effectively together towards the same direction. Metso's vision, mission and values form the foundation for this development.

In 2015, we implemented renewed people management processes, and introduced a new people data tool, PeoplePoint. It is a key vehicle to drive the digitalization of our people processes and to enhance transparency and quality of people management.

Leadership drives performance

We believe that the right kind of leadership drives performance. Metso strategy and leadership principles create the foundation for leadership development.

Leadership development portfolio globally in use

In 2015 we implemented strategic learning solutions for leadership development globally, and provided focused support in change management.

Structured process for succession planning

In 2015 we developed our succession planning process to be more globally structured. This together with the new tool provided enhanced visibility to our talent, which supports business decision making e.g. during organizational changes.

Increased focus in performance and rewards

We have continued to support managers in rewards related topics, e.g. by providing a comprehensive introduction to global rewards practices at Metso. In addition, our leadership development portfolio solutions include performance and rewards modules.



Resourcing with strategic focus

Metso's unique employer brand is in the core of attracting and retaining the right kind of people to work with us. In 2015 we have implemented our employer brand, and renewed our global recruitment process for internal and external applicants.

Developing with strategic focus

Metso strategy, performance targets and the development of competencies are linked together. In 2015 all Metso employees were supported in having either an individual or group level development discussion. In individual Development Discussions employees identify the most important competence development areas, plan and take ownership for future competence and career development actions.

We have implemented professional competence development portfolios based on business requirements, and developed learning solutions together with the business.

Strengthening people processes to drive results

To support managers leading their people, we developed more efficient people processes, and the new cloud-based

system, PeoplePoint. The same system is now used in all global people processes. This comprehensive approach both supports strategy implementation and increases visibility across processes.

One of the renewed processes was Performance Review, an important tool for managers to tie individual and team targets to the strategy. In 2015, 61% of all our personnel participated in the individual Performance Review process, and the completion rate was 80% (81%). In addition there are local team level performance discussions.

A new Metso Bonus program was also taken into use in 2015. This global program drives strategic priorities through focused and aligned target setting.

➤ More about Metso People in the separate Sustainability Report available on annualreportmetso.com.

1,267

managers participated in the leadership development solutions.



Performance Review discussions should be about understanding your role in our strategy. The PeoplePoint tool makes communication between the manager and employees more transparent."

Simon Pelletier

Global Sales and Marketing SVP in Services

6,755

employees had Performance Review discussions and documented their targets in the new PeoplePoint tool

Word from the management

Matti Kähkönen

PRESIDENT AND CEO

We will continue implementing our strategy in a challenging marketplace. Despite the difficult environment, we have performed pretty well and aim to do so also going forward. Importantly, we will do our best to capitalize on the growth opportunities that the markets offer.



Merja Kamppari

HUMAN RESOURCES

Our target is to enhance business growth by enabling engagement and performance. We will focus on attracting and developing people for the future, and ensuring good leadership and organizational efficiency.



Perttu Louhiluoto

MINERALS SERVICES

We concentrate on providing services that allow our customers to prosper during the times of considerable headwinds and to leverage our superior footprint and breadth of offering in order to continue to grow.



John Quinlivan

FLOW CONTROL

We want to grow in our core businesses in a difficult market environment. We concentrate on productivity and cost savings programs to protect profitability development.



João Ney Colagrossi

MINERALS CAPITAL

Our new operating model will improve our customer centricity and agility. We will also ensure that our people and their competencies and knowledge are in right places to add value to customers. Finally, we will continue to renew our processes and product offering as well as add efficiency across our global supply chain.



Harri Nikunen

CHIEF FINANCIAL OFFICER

Our finance and IT organizations performed well in 2015. The difficult market conditions created great demand for business finance support and the improvements in capital employed and cost management introduced in 2014 were successfully put in use. Besides the load from daily business we were also able to successfully implement the planned structural changes supporting Metso's long term strategic development.



Simo Säaskilahti

STRATEGY AND BUSINESS DEVELOPMENT

We support our businesses in defining and implementing sustainable growth strategies.



>metso.com



Annual Review



Financial Statements



Sustainability Report

Metso's Annual Report 2015

Our Annual Report 2015 consists of three reports: a printed Annual Review and a printed Financial Statements available in Finnish and English, as well as an assured Sustainability Report available as a PDF in English. All reports can be viewed as PDF files online at annualreportmetso.com. The reports for 2015 present Metso's way of working with our customers, focusing also on strategy, our business and sustainability issues.

Online you can also view a video interview with our CEO, Matti Kähkönen.

Welcome to explore more on > annualreportmetso.com

Financial calendar 2016

Financial Statements Review, 2015

February 4, 2016

Annual Report 2015

week 8 2016

Annual General Meeting

March 21, 2016

Interim Review


April 22, 2016

Interim Review

July 21, 2016

Interim Review

October 21, 2016



Metso is a world leading industrial company serving the mining, aggregates, recycling, oil, gas, pulp, paper and process industries. We help our customers improve their operational efficiency, reduce risks and increase profitability by using our unique knowledge, experienced people and innovative solutions to build new, sustainable ways of growing together.

Metso Corporation

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