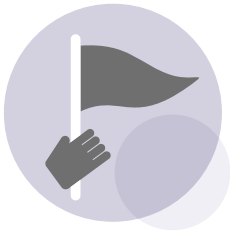


Metso 2014  
Focused and set to deliver





### How to read this report

This printed review about Metso's year in 2014 is published in Finnish and English. The Financial Statements are also available in printed format in the same languages. For the complete Annual Report, including the Financial Statements and the Sustainability Report, please see our online Annual Report at [www.metso.com/2014](http://www.metso.com/2014). In this printed summary, we briefly discuss the past year, our strategy and its implementation, customer industries and operational key indicators. The online Annual Report 2014 expands the focus on these topics. The 'Read more' section contains additional sources and information about the topics presented in this review. Some links are presented as QR codes for camera-equipped mobile devices.



### Read more

- [www.metso.com](http://www.metso.com)
- [www.metso.com/2014](http://www.metso.com/2014)
- [www.twitter.com/metsogroup](https://twitter.com/metsogroup)
- [www.linkedin.com/company/metso](https://www.linkedin.com/company/metso)
- [www.facebook.com/metsoworld](https://www.facebook.com/metsoworld)
- [www.youtube.com/metsoworld](https://www.youtube.com/metsoworld)



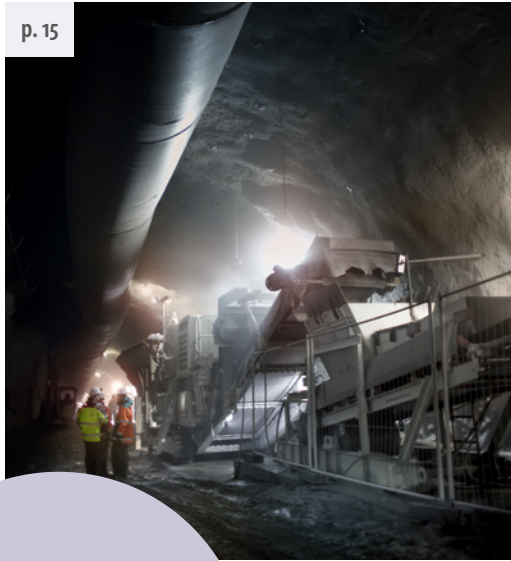
# Focused and set to deliver

In 2014 we renewed our company strategy with a goal to drive growth in our core businesses and strengthen our financial performance and value creation. This brochure presents Metso in 2014 in brief. You can explore our year in more detail in our online Annual Report, [www.metso.com/2014](http://www.metso.com/2014).



p. 11

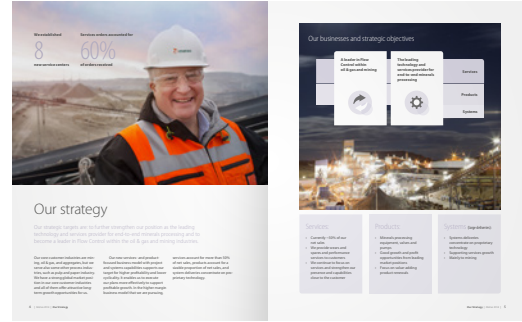




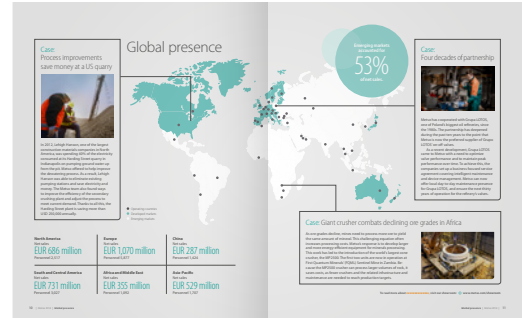
Read more about our financial targets on page 9.



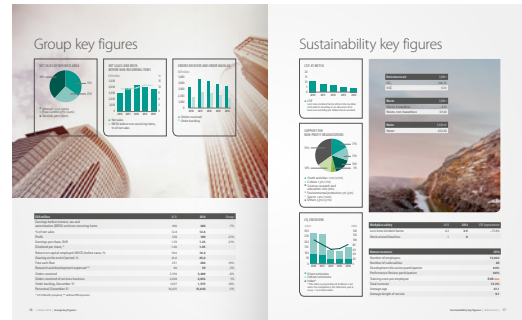
## Table of Contents



From the CEO ..... 2  
 Our strategy ..... 4  
 Strategy implementation ..... 6  
 Our offering ..... 8



Metso in 2014 ..... 9  
 Global presence ..... 10  
 Metso's strategy ..... 12



Customer industries ..... 13  
 Group key figures ..... 16  
 Sustainability key figures ..... 17  
 Segment key figures: Minerals ..... 18  
 Segment key figures: Flow Control ..... 19  
 From the Metso Executive Team ..... 20

# From the CEO

2014 was an exceptional year for us because it was the first year of operation for Metso in its current form. The start of the new, post-demergers, era was filled with new and interesting aspects, and I want to start out by thanking Metso employees for their capabilities and for the flexibility they have demonstrated during the change.

During the year we spent a lot of time creating a new strategy for Metso. Right from the start, the intention was that the demerged Metso would not remain the same; we wanted to blaze new trails and set increasingly higher targets on the journey to becoming a world-class company by all measures. We announced the new strategy in the summer, and, in line with it, we have an even stronger focus on our products and services for the mining, aggregates, and oil and gas industries. Our goal is to be the leading provider of technology and services in all of these areas; indeed, several projects supporting this goal were advanced already during 2014. In addition to updating the strategy, we also updated the company's financial targets aiming for growth, higher profitability, and a high return on capital employed.

Our financial targets and business goals are ambitious, but they are realistic because they are all based on Metso's existing strengths. On the journey from good to excellent we don't need to create something totally new or invest a lot of capital into totally new targets. Instead, we are focusing on being close to our customers and listening even more closely to their needs, and we are renewing our offering to meet their changing needs. Internally, we are developing our ways of operating and our culture so that we can achieve a good balance between business growth and cost efficiency.

One of my favorite topics that I regularly talk about in different conjunctions is occupational safety. We have made positive advancements in this area in

recent years – although, last year's Lost Time Incident Frequency (LTIF) was at the previous year's level and thus short of our target. Improving occupational safety is not only a promise to our personnel for a safe work environment, it's also an increasingly important competitive factor because our customers very carefully scrutinize their partners' performance in this area. Some tender rounds accept bids only from companies that fulfill certain criteria for occupational safety. Consequently, the continuous improvement of safety is of utmost importance for Metso's success. As part of this work, last year we adopted a Metso-wide Health, Safety and Environment (HSE) reporting system designed to bring efficiency to the monitoring and control of safety issues.

As I mentioned, last year brought a lot of new and even surprising things, and the changes in the global economy and in our customer industries weren't always favorable. Despite the bumps in the road, our performance was good in light of the numbers and provides a favorable foundation for 2015. We have spent the past couple of years on restructuring, and, as I have said before, 2015 is a year for growth and results. This year too is bound to bring surprises, and our customer industries are cyclical by nature, i.e. demand in them can fluctuate quickly. Nevertheless, Metso is in good shape. Its current structure gives it the flexibility to operate effectively in all conditions.

In conclusion, I want to thank our customers, our shareholders and our other stakeholders for the good collaboration and for the support shown to Metso.



**Matti Kähkönen**

*President and CEO*

“Our financial targets and business goals are ambitious, but they are realistic because they are all based on Metso’s existing strengths.”

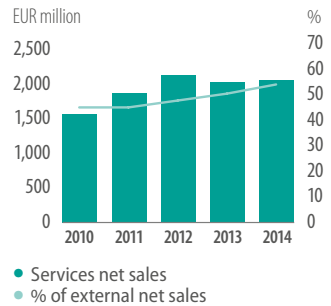


Services accounted for  
**55%**  
of net sales

Personnel around  
**16,000**

Orders received  
**EUR 3,409 million**

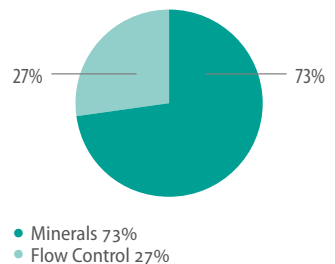
#### SERVICES NET SALES



#### NET SALES AND EBITA BEFORE NON-RECURRING ITEMS



#### NET SALES BY REPORTING SEGMENT



 Read more

- [www.metso.com](http://www.metso.com)
- [www.metso.com/2014](http://www.metso.com/2014)



We established

8

new service centers

Services orders accounted for

60%

of orders received



## Our strategy

Our strategic targets are: to further strengthen our position as the leading technology and services provider for end-to-end minerals processing and to become a leader in flow control within the oil & gas and mining industries.

Our core customer industries are mining, oil & gas, and aggregates, but we serve also some other process industries, such as pulp and paper industry. We have a strong global market position in our core customer industries and all of them offer attractive long-term growth opportunities for us.

Our new services- and product-focused business model with project and systems capabilities supports our target for higher profitability and lower cyclicality. It enables us to execute our plans more effectively to support profitable growth. In the higher margin business model that we are pursuing,

services account for more than 50% of net sales, products account for a sizable proportion of net sales, and systems deliveries concentrate on proprietary technology.

## Our businesses and strategic objectives

**A leader in flow control within oil & gas and mining**



**The leading technology and services provider for end-to-end minerals processing**



**Services**

**Products**

**Systems**



### Services:

- Currently 55% of our net sales
- We provide wears and spares and performance services to customers
- We continue to focus on services and strengthen our presence and capabilities close to the customer

### Products:

- Minerals processing equipment, valves and pumps
- Good growth and profit opportunities from leading market positions
- Focus on value-adding product renewals

### Systems (large deliveries):

- Systems deliveries concentrate on proprietary technology
- Supporting services growth
- Mainly to mining customers



# Strategy implementation

Focus areas and some highlights from 2014



## Services

- Improving local capabilities: strengthening presence and sales and pricing tools, developing account management and processes
- Development of distribution centers and services hubs
- New service centers in Canada, United States, Peru, Mexico, United Arab Emirates, Qatar, Germany and France



## Technology offering

**Focus on product renewal, cost competitive solutions and offering development**

**Product renewal:**

- Launch of new Lokotrack LT330D mobile crusher series
- Launch of the cost-efficient Lokotrack LT220D track-mounted plant combining a crusher and a screen
- Continuous development of mid-market product range (e.g. LT1000) and next-generation Lokotrack mobile crushing plants
- Introduction of the first prototypes of track-mounted mobile crushing and screening plants tailored for China by the LiuGong-Metso joint venture
- Strengthened slurry handling solution portfolio and introduction of new products
- Intelligent valve controllers for arctic temperatures

**Offering expansion:**

- Developing intelligent solutions and innovative process optimization solutions
- Services product development

## Growth countries

- New service centers in Peru, Mexico, United Arab Emirates and Qatar
- New valve technology center in South Korea
- Strengthened local presence and key oil & gas projects won in Middle East
- Strong Flow Control growth in North America and especially in oil & gas transportation valves
- New market area organization for Minerals
- Successful start of mid-market strategy implementation with Shaorui in China

## Operational excellence

- New strategy and new organization. More integrated operating model supporting strategy implementation
- Capital efficiency program ongoing
- More lean and agile support functions
- Continued procurement improvements

**Minerals business transformation:**

- Adjusting to current market
- Asset-light operating model
- Agile and simpler organization

**Continued valve operations development:**

- Operating efficiency improvements
- Plant utilization optimization

## People and leadership

**Working environment that enables business and customer success**

- **Leadership:** Consistent development of leadership capabilities to build basis for solid talent pool for current and future leadership needs
- **Performance:** Strengthening tools and processes to support performance management
- **Capabilities:** Competence development aligned with strategic needs, and focused Development Discussion guiding employees to take ownership of their own development
- **Resourcing:** Employer image clarified and resourcing processes developed to meet the requirements of Metso's new strategy and operating model to attract and retain the right people



# Our offering



## Mining

- Grinding mills, mill linings and grinding media
- Crushers and screens
- Process equipment
- Bulk materials handling equipment
- Pyro processing equipment
- Complete minerals processing systems
- Slurry pumps
- Products and systems for recycling
- Process expertise and maintenance services
- Spare and wear parts

## Aggregates

- Crushers
- Screens, feeders and conveyors
- Track-mounted plants
- Portable plants
- Mid-market products
- Complete aggregates systems
- Spare and wear parts

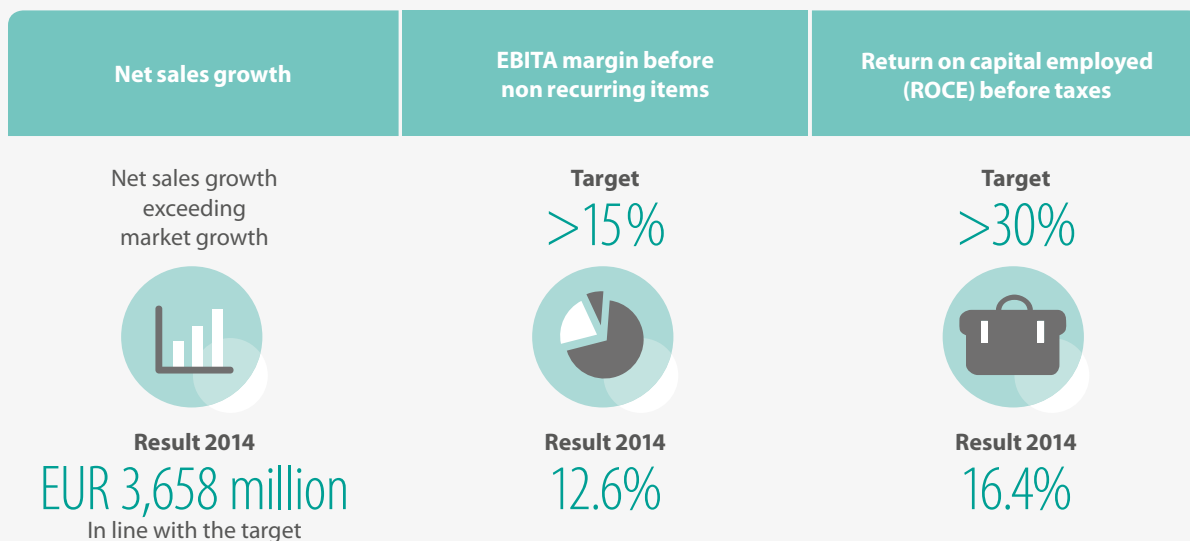
## Oil and gas

- Control valves
- On-off valves
- Intelligent safety valves
- Intelligent valve controllers and limit switches
- Intelligent field services
- Spare and wear parts
- Performance services

# Metso in 2014

Our strategic targets are: to further strengthen our position as the leading technology and services provider for end-to-end minerals processing and to become a leader in flow control within the oil & gas and mining industries.

## Financial targets and achievements



## Results in focus

<p><b>Net sales</b> EUR 3,658 million</p>	<p><b>Orders received</b> EUR 3,409 million</p>	<p><b>Dividend proposal</b> EUR 1.05</p>
<p><b>Emerging markets</b> 53% of net sales</p>	<p><b>Services orders</b> 60% of orders received</p>	<p><b>LTIF*</b> 3.9 * lost time incident frequency</p>

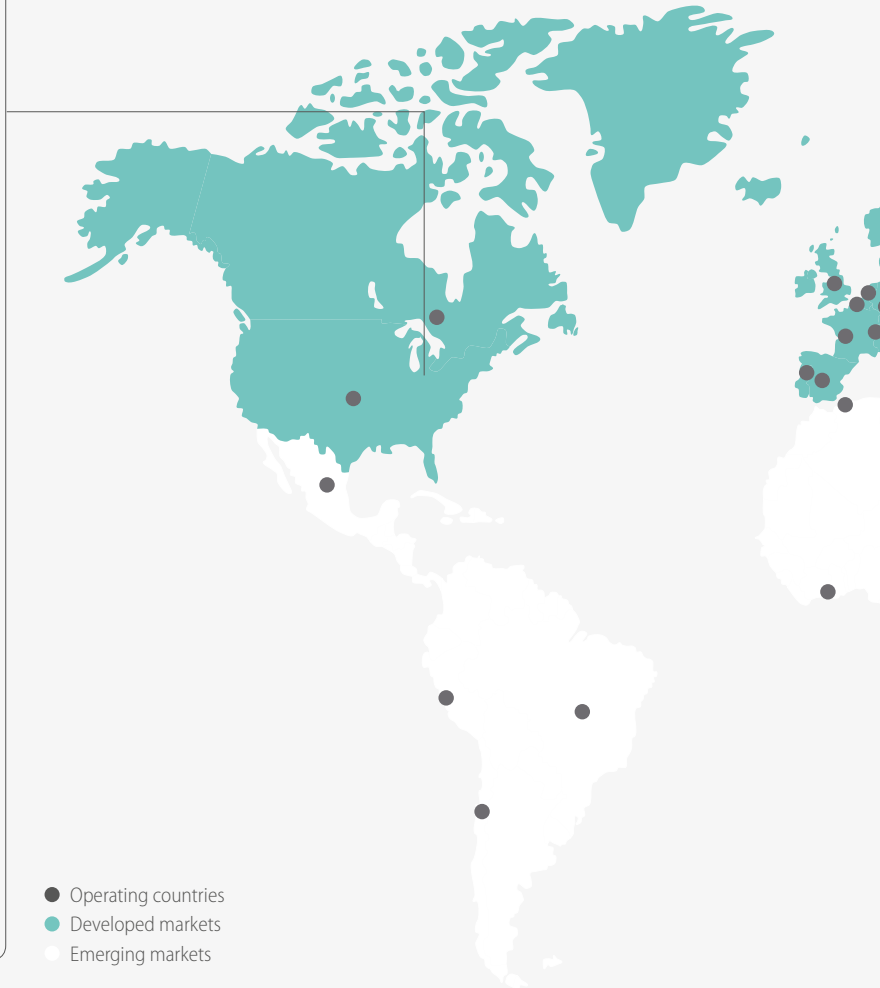
## Case:

Process improvements save money at a US quarry



In 2012, Lehigh Hanson, one of the largest construction materials companies in North America, was spending 40% of the electricity consumed at its Harding Street quarry in Indianapolis on pumping ground water up from the pit. Metso offered to help improve the dewatering process. As a result, Lehigh Hanson was able to eliminate existing pumping stations and save electricity and money. The Metso team also found ways to improve the efficiency of the secondary crushing plant and adjust the process to meet current demand. Thanks to all this, the Harding Street plant is saving more than USD 250,000 annually.

# Global presence



- Operating countries
- Developed markets
- Emerging markets

### North America

Net sales

**EUR 685 million**

Personnel 2,517

### Europe

Net sales

**EUR 1,070 million**

Personnel 5,877

### China

Net sales

**EUR 287 million**

Personnel 1,424

### South and Central America

Net sales

**EUR 731 million**

Personnel 3,027

### Africa and Middle East

Net sales

**EUR 356 million**

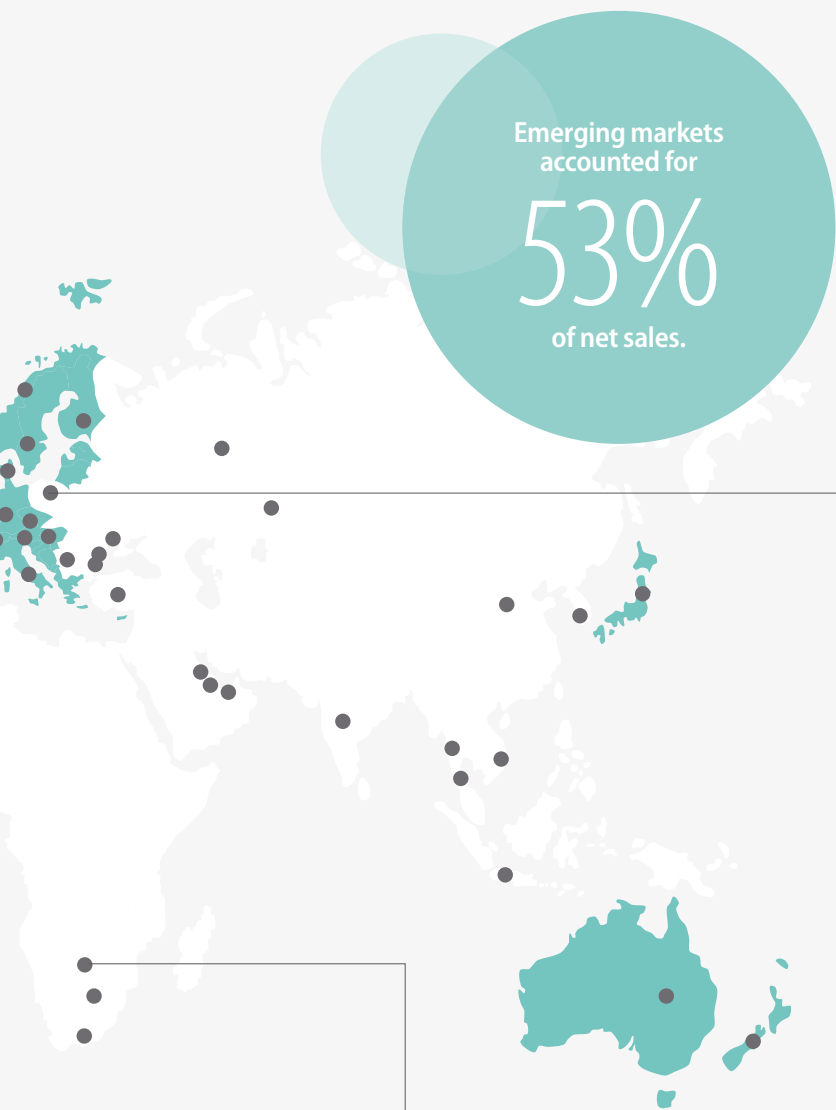
Personnel 1,092

### Asia-Pacific

Net sales

**EUR 529 million**

Personnel 1,707



## Case:

### Four decades of partnership



Metso has cooperated with Grupa LOTOS, one of Poland's biggest oil refineries, since the 1980s. The partnership has deepened during the past ten years to the point that Metso is now the preferred supplier of Grupa LOTOS' on-off valves.

As a recent development, Grupa LOTOS came to Metso with a need to optimize valve performance and to maintain peak performance over time. To achieve this, the companies set up a business focused service agreement covering intelligent maintenance and device management. Metso can now offer local day-to-day maintenance presence for Grupa LOTOS, and ensure the next thirty years of operation for the refinery's valves.

## Case: Giant crusher combats declining ore grades in Africa

As ore grades decline, mines need to process more ore to yield the same amount of mineral. This challenging equation often increases processing costs. Metso's response is to develop larger and more energy-efficient equipment for minerals processing. This work has led to the introduction of the world's largest cone crusher, the MP2500. The first two units are now in operation at First Quantum Minerals' (FQML) Sentinel Mine in Zambia. Because the MP2500 crusher can process larger volumes of rock, it saves costs, as fewer crushers related infrastructure and maintenance are needed to reach production targets.



Explore more our customer cases in our showroom [www.metso.com/showroom](http://www.metso.com/showroom)

**Megatrends:** Global economy • Demographic changes • Rise of emerging markets • Sustainability and climate change

**Customer industry trends**

Customer industries



Mining



Aggregates



Oil & Gas

Value to customers



Business model

Services

Products

Systems

Strategy implementation

Strategic targets

Mission

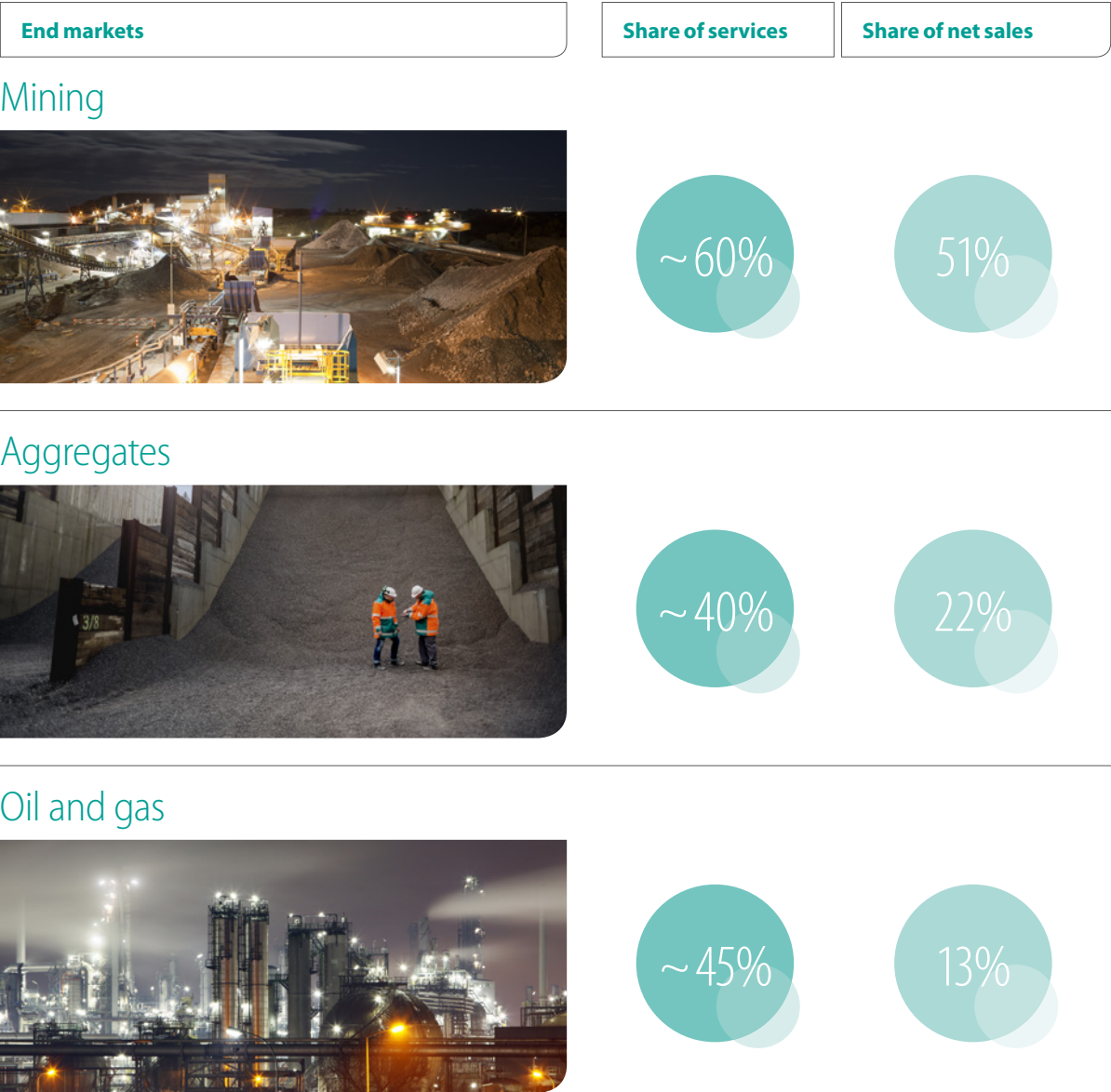
We contribute to a more sustainable world by helping our customers to process natural resources and recycle materials into valuable products.

Values

- Driving customer success
- Seeking innovations
- Performing together
- Respecting each other

# Customer industries

Metso is a global services, products and systems provider. We serve our customers in mining, oil and gas as well as aggregates industries. We serve also some other process industries, such as pulp and paper industry. We are well positioned in all of our customer industries, either globally or in a selected niche market.



## Customer industries



### Mining

- Demand for minerals:
  - Emerging markets' growth
  - Growth of middle class with purchasing power
  - Urbanization, infrastructure investments
- Utilization rates of mines

#### Market drivers

- 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

#### Market trends

- Good demand for our mining services from growing mineral production and our large installed base
- Weak demand for the equipment and project business

#### Short-time market outlook

- A 5-year strategic research agreement in Chile with The University of Queensland's JKTech division to develop next-generation technologies and services for energy-efficient minerals concentration
- Large installed base and strengthened service center network; 5 new centers inaugurated or currently under construction
- Several longtime life-cycle services contracts
- Introducing the world's largest cone crusher, MP2500, to respond to the mining industry's efficiency challenge
- Winning Aprimin's Annual Safety Award for the second year running

#### Achievements 2014



### Aggregates

- Infrastructure investments
- Growth of emerging markets
- Urbanization

- Increasing urbanization, major emerging markets becoming more industrialized
- Ongoing global investments plans in China, increasing the demand for aggregates
- US economic recovery ongoing, housing investment picking up

- Satisfactory demand for equipment, services demand good

- Launching the cost-efficient Lokotrack LT220D track-mounted plant combining a crusher and screen
- Introducing the first prototypes of track-mounted mobile crushing and screening plants for China by the LiuGong-Metso joint venture
- Successful start of mid-market strategy implementation with Shaorui in China
- Capitalizing on market recovery in North America and Europe



### Oil and gas

- Growth of emerging markets
- Growth in energy consumption
- New production technologies
- Demand for process safety and sustainability

- Changing supply dynamics bring potential opportunities
- Overall growing demand for energy
- Growth driven by China, India, Brazil, Russia and the Middle East
- Shale gas and tar sands growth in North America
- Constant demand to maximize production capacity supporting demand for high quality services

- Growth outlook challenges due to the lower oil price; impact clearer on upstream while downstream healthier
- Contraction in investments from lower oil prices and focus on spending discipline by O&G majors
- Potential changes in competitive landscape due to lower oil price environment
- Services demand good

- Investing on new Neles® Globe Valve Technology center in South Korea
- Increasing valve services capability and presence close to customers; 5 new valve service centers
- Industry-leading Neles® globe valve technology selected for Abu Dhabi Oil Refinery's (TAKREER) plant
- Receiving a significant repeat order for Neles® ball valves with patented Neles® Q-Trim noise attenuating technology from a North American pipeline owner that brings crude oil from Canada to US refineries
- Receiving several orders: valves for rail tank cars transporting crude oil and oil pipeline upgrade in the US
- Introducing a special intelligent valve controller option for arctic temperatures
- Receiving several orders: valve solutions to Jamnagar, the world's largest oil refinery in India



## Customer industry case:

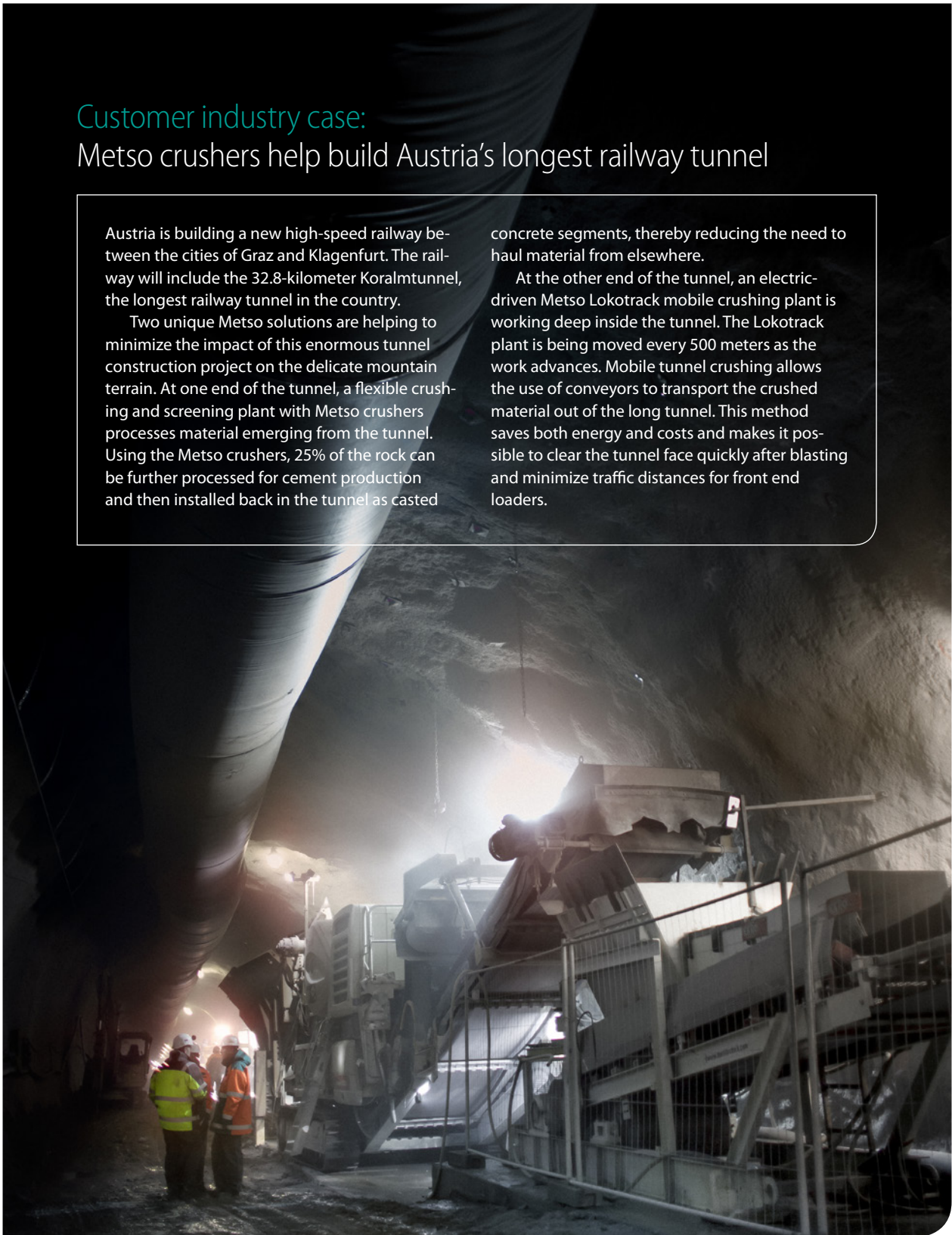
# Metso crushers help build Austria's longest railway tunnel

Austria is building a new high-speed railway between the cities of Graz and Klagenfurt. The railway will include the 32.8-kilometer Koralmtunnel, the longest railway tunnel in the country.

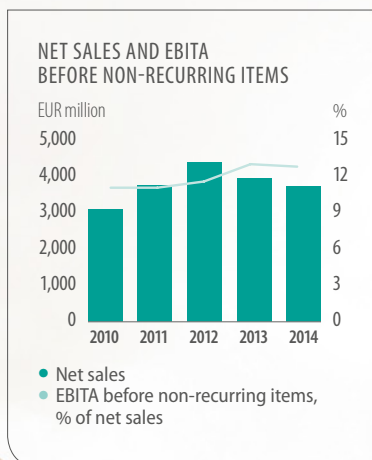
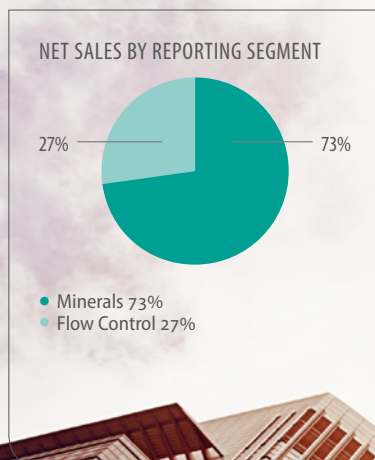
Two unique Metso solutions are helping to minimize the impact of this enormous tunnel construction project on the delicate mountain terrain. At one end of the tunnel, a flexible crushing and screening plant with Metso crushers processes material emerging from the tunnel. Using the Metso crushers, 25% of the rock can be further processed for cement production and then installed back in the tunnel as casted

concrete segments, thereby reducing the need to haul material from elsewhere.

At the other end of the tunnel, an electric-driven Metso Lokotrack mobile crushing plant is working deep inside the tunnel. The Lokotrack plant is being moved every 500 meters as the work advances. Mobile tunnel crushing allows the use of conveyors to transport the crushed material out of the long tunnel. This method saves both energy and costs and makes it possible to clear the tunnel face quickly after blasting and minimize traffic distances for front end loaders.



# Group key figures

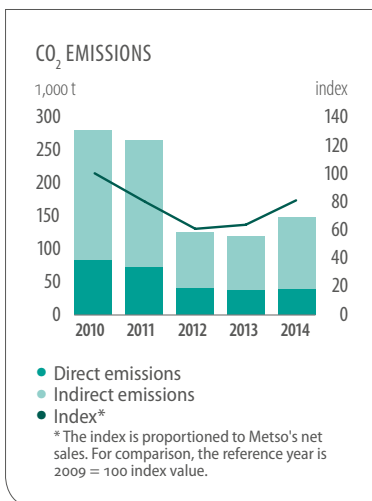
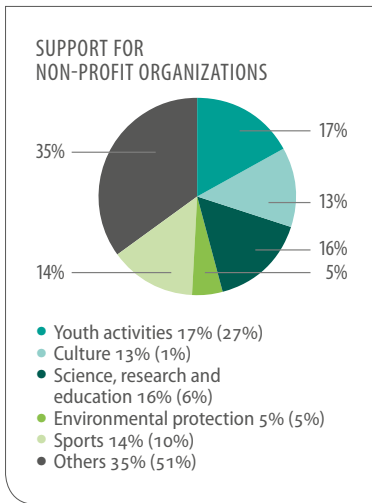
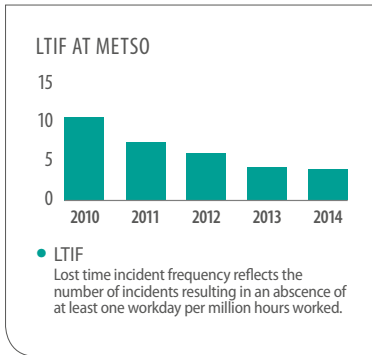


EUR million	2013	2014	Change
Net sales	3,858	<b>3,658</b>	-5%
Services net sales	1,976	<b>2,007</b>	2%
Services, % of net sales	51	<b>55</b>	
Earnings before interest, tax and amortization (EBITA) and non-recurring items	496	<b>460</b>	-7%
% of net sales	12.8	<b>12.6</b>	
Profit	238	<b>189</b>	-21%
Earnings per share, EUR	1.59	<b>1.25</b>	-21%
Dividend per share, *	1.00	<b>1.05</b>	
Return on capital employed (ROCE) before taxes, %	18.6	<b>16.4</b>	
Gearing, %	41,6	<b>45,6</b>	
Free cash flow	251	<b>204</b>	-19%
Research and development expenses**	60	<b>59</b>	-2%
Orders received	3,709	<b>3,409</b>	-8%
Orders received of services business	2,038	<b>2,052</b>	1%
Order backlog	1,927	<b>1,575</b>	-18%
Personnel, December 31	16,425	<b>15,644</b>	-5%

\* 2014 Board's proposal

\*\* without IPR expenses

# Sustainability key figures



Emissions to air	1,000 t
CO <sub>2</sub>	148.55
VOC	0.31

Waste	1,000 t
Waste, hazardous	4.41
Waste, non-hazardous	67.44

Water	1,000 m <sup>3</sup>
Water	652.93

Workplace safety	2013	2014
Lost time incident frequency	4.2	3.9
Work-related fatalities	1	0

Human resources	2014
Number of employees	15,644
Number of nationalities	83
Development Discussion participation	64%
Performance Review participation	66%
Total personnel turnover	15.3%
Average age	41.1
Average length of service, years	9.1

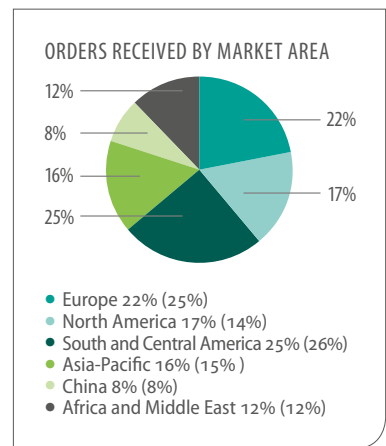
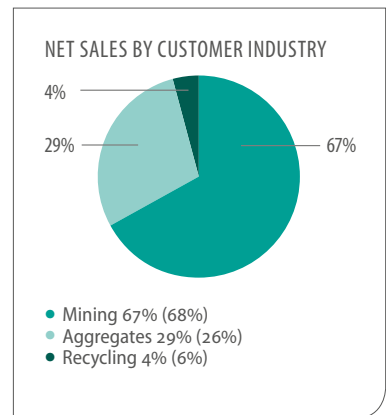
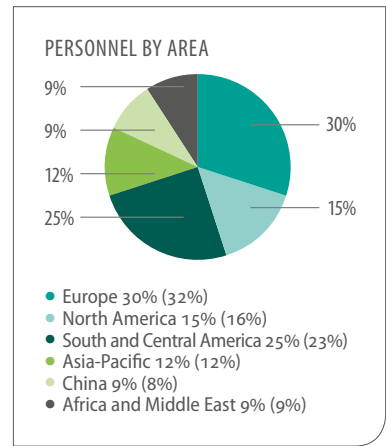


# Minerals

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

## Segment key figures

EUR million	2013	2014
Net sales	2,955	<b>2,676</b>
Services net sales	1,464	<b>1,474</b>
% of net sales	50	<b>55</b>
EBITA before non-recurring items	383	<b>338</b>
% of net sales	13.0	<b>12.6</b>
Operating profit	322	<b>244</b>
Capital employed, Dec 31	1,266	<b>1,337</b>
Gross capital expenditure	115	<b>47</b>
Research and development expenses	23	<b>21</b>
Orders received	2,745	<b>2,361</b>
Services orders received	1,506	<b>1,511</b>
Order backlog	1,535	<b>1,108</b>
Personnel, Dec 31	11,226	<b>10,368</b>



Read more

[www.metso.com/2014](http://www.metso.com/2014)

> Financial Performance > Minerals

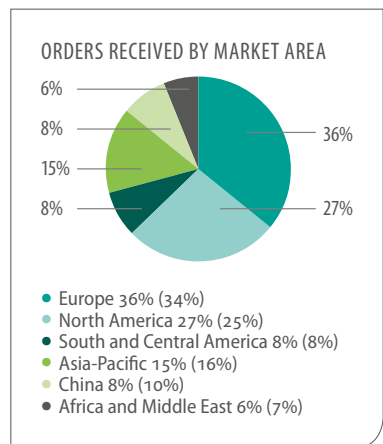
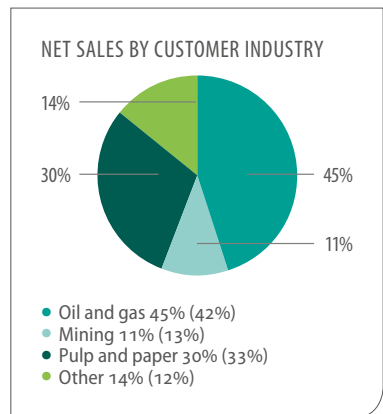
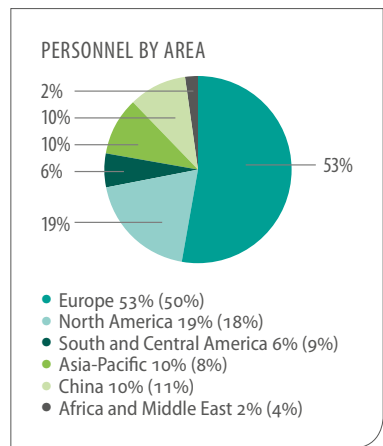


# Flow Control

Flow Control is responsible for developing and growing both the valve offering mainly for oil & gas customers as well as pumps for mining customers by pursuing new opportunities in these markets. Flow Control segment comprises Process Automation Systems figures.

## Segment key figures

EUR million	2013	2014
Net sales	969	<b>982</b>
Services net sales	513	<b>533</b>
% of net sales	53	<b>54</b>
EBITA before non-recurring items	134	<b>148</b>
% of net sales	13.8	<b>15.1</b>
Operating profit	126	<b>139</b>
Capital employed, Dec 31	344	<b>376</b>
Gross capital expenditure	23	<b>22</b>
Research and development expenses	37	<b>37</b>
Orders received	1,012	<b>1,051</b>
Services orders received	533	<b>542</b>
Order backlog	394	<b>468</b>
Personnel, Dec 31	4,685	<b>4,557</b>



**Read more**

[www.metso.com/2014](http://www.metso.com/2014)  
 > Financial Performance > Flow Control

# From the Metso Executive Team



*Matti Kähkönen, CEO*

"Our new strategy marked the beginning of a new era. We now have a solid foundation and ambitious targets for the company's long-term development. The main outlines have been drawn; now it's time for growth."

"We will implement our new strategy and the new lean and agile operating model close to our customers. Simultaneously, we will continue to develop future solutions to help our customers in their challenges."



*João Ney Colagrossi, Minerals*

"We will continue developing leadership to drive strong performance. We will put an extra focus on aligning individual targets with our strategy. New competence development portfolios will help employees to develop the leadership and professional competencies needed in the implementation of Metso's strategy."



*Juha Silvennoinen, Services*



*Merja Kamppari, Human Resources*



*Harri Nikunen, Finance*

"The balance sheet management culture was created during 2014, and 2015 will be the first harvesting year. During 2015 we will become an even more integrated company with a streamlined legal and administrative structure."

"We will walk the extra mile so our customers can fully rely on our support, or in other words, we will leverage our new Flow Control platform to make the most of its growth opportunities."



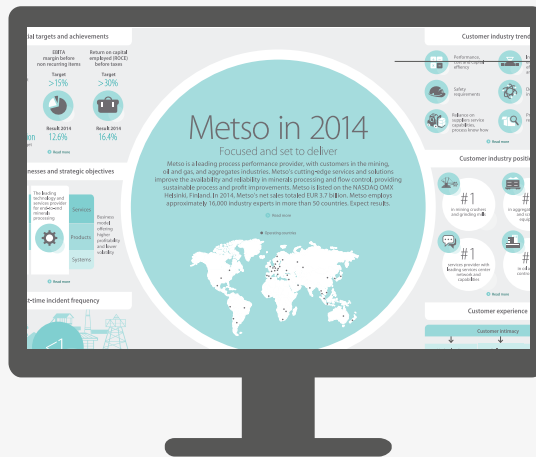
*Perttu Louhiluoto, Flow Control*

"We will support our businesses in implementing their strategic initiatives effectively to improve our competitiveness, market position and profitability and to drive growth. Continuous development of our safety culture is high on our agenda as well."



*Simo Sääskilahti, Strategy and Business Development*

Our online annual report is responsive and can easily be viewed on both smart phones and tablets.



The annual report allows you to explore our strategy in more detail both within the report content and with an interactive background canvas that helps you grasp the big picture of our strategy and targets.

## Metso's Annual Report – Focused and set to deliver

Our Annual Report 2014 has been published online at [www.metso.com/2014](http://www.metso.com/2014). In 2014 we renewed our company strategy with a goal to focus on our core customer industries and businesses that offer growth potential. To also help you get acquainted with the new strategy, we chose it as the main theme for our report. The report includes our Financial Statements, Sustainability Report and GRI index as well as our Corporate Governance and Risk Management. You will also find a video interview of our CEO and CFO.

Explore more [▶ www.metso.com/2014](http://www.metso.com/2014)

Metso is a leading process performance provider, with customers in the mining, oil and gas, and aggregates industries. Metso's cutting-edge services and solutions improve the availability and reliability in minerals processing and flow control, providing sustainable process and profit improvements. Metso is listed on the NASDAQ OMX Helsinki, Finland. In 2014, Metso's net sales totaled EUR 3.7 billion. Metso employs approximately 16,000 industry experts in more than 50 countries. Expect results.

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