



Financial
Statements
Review
2015

Financial Statements 2015

January 1 – December 31

Matti Kähkönen, President and CEO
Harri Nikunen, CFO

February 4, 2016

Forward looking statements

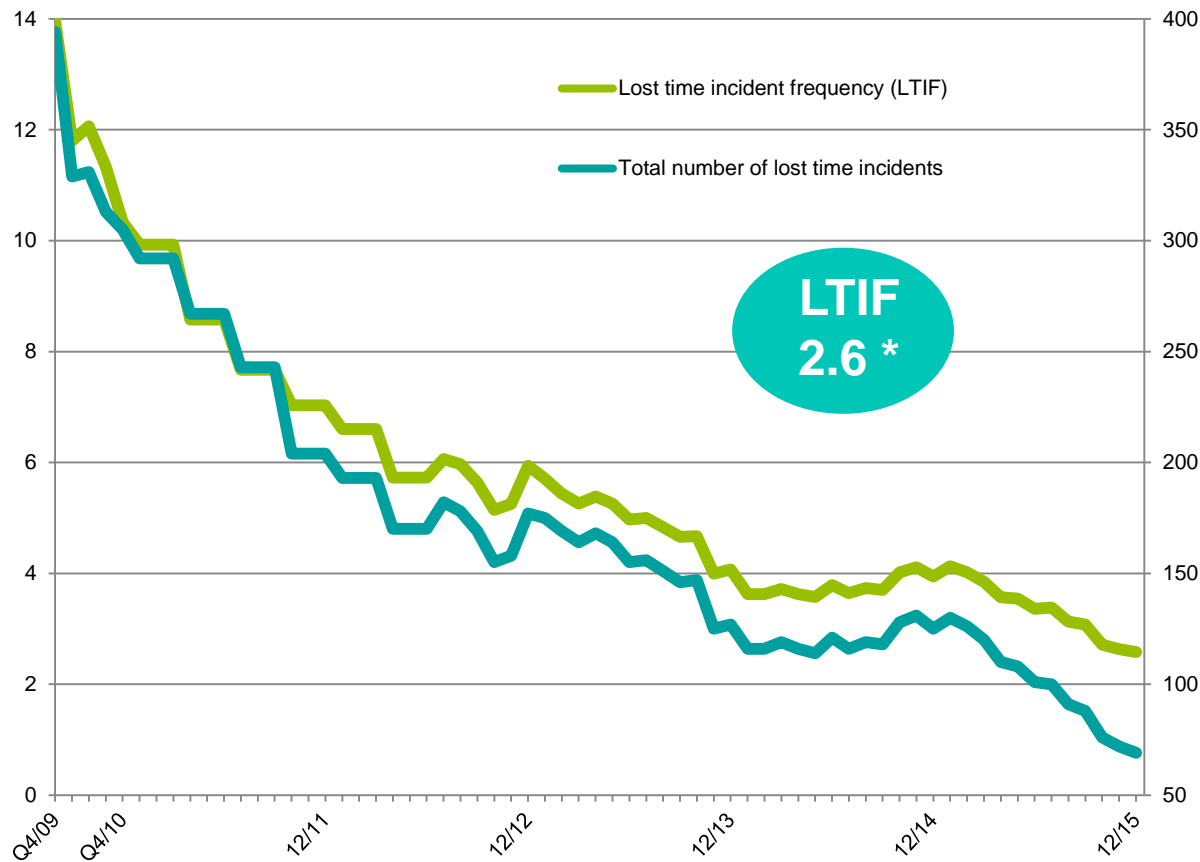
It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for customer industry profitability and investment willingness, expectations for company growth, development and profitability and the realization of synergy benefits and cost savings, and statements preceded by "expects", "estimates", "forecasts" or similar expressions, are forward looking statements. These statements are based on current decisions and plans and currently known factors. They involve risks and uncertainties which may cause the actual results to materially differ from the results currently expected by the company.

Such factors include, but are not limited to:

- 1) general economic conditions, including fluctuations in exchange rates and interest levels which influence the operating environment and profitability of customers and thereby the orders received by the company and their margins
- 2) the competitive situation, especially significant technological solutions developed by competitors
- 3) the company's own operating conditions, such as the success of production, product development and project management and their continuous development and improvement
- 4) the success of pending and future acquisitions and restructuring.

Safety is an important driver for success

Recorded incidents declined 28 percent in 2015



- Safe working environment for all employees
- Improved safety performance supports productivity
- Demand from customers: license to operate
- Actions leading to improvement:
 - ✓ Active and visible management support
 - ✓ Safety being part of every decision
 - ✓ Safety included in incentive plans
 - ✓ Continuous development of safety culture
 - ✓ High focus on safe working methods
 - ✓ Continuous learning

Highlights in 2015

Current structure

Fourth quarter 2015

- Orders increased and were higher than net sales
- Mining orders 26% higher y-o-y
- Unfavorable mix in Flow Control impacted EBITA

Order intake:
EUR 758 million, 5%

Net sales:
EUR 754 million, -18%

EBITA margin*:
12.0% (13.0%)

Full year 2015

- Orders higher than net sales (mining orders up 2%)
- Strong free cash flow of EUR 341 million (EUR 204 million**)
- The Board's dividend proposal: EUR 1.05 (1.05 + extra 0.40)

Order intake:
EUR 2,965 million, -4%

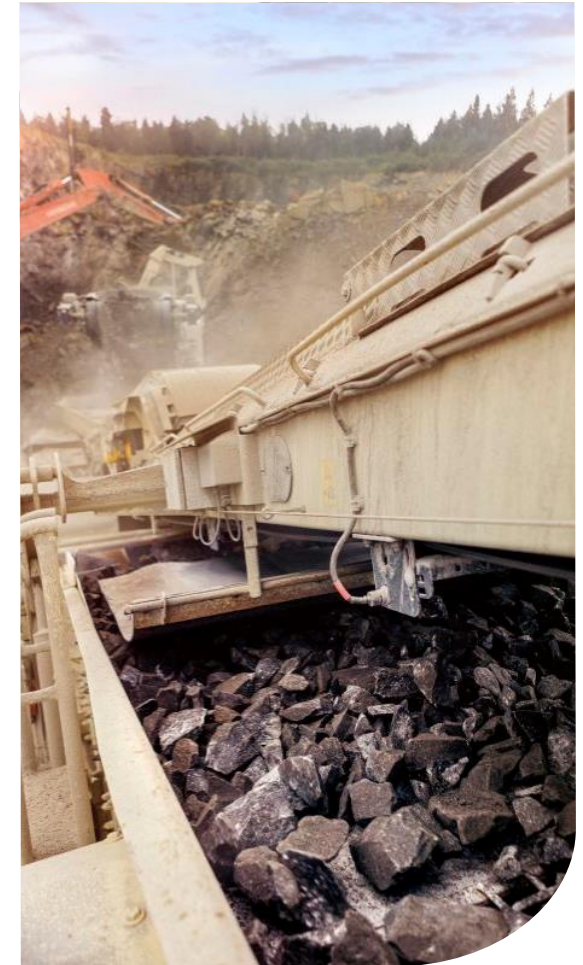
Net sales:
EUR 2,923 million, -13%

EBITA margin*:
12.2% (12.7%)

Strategic achievements in 2015

Implementing the strategy outlined in summer 2014

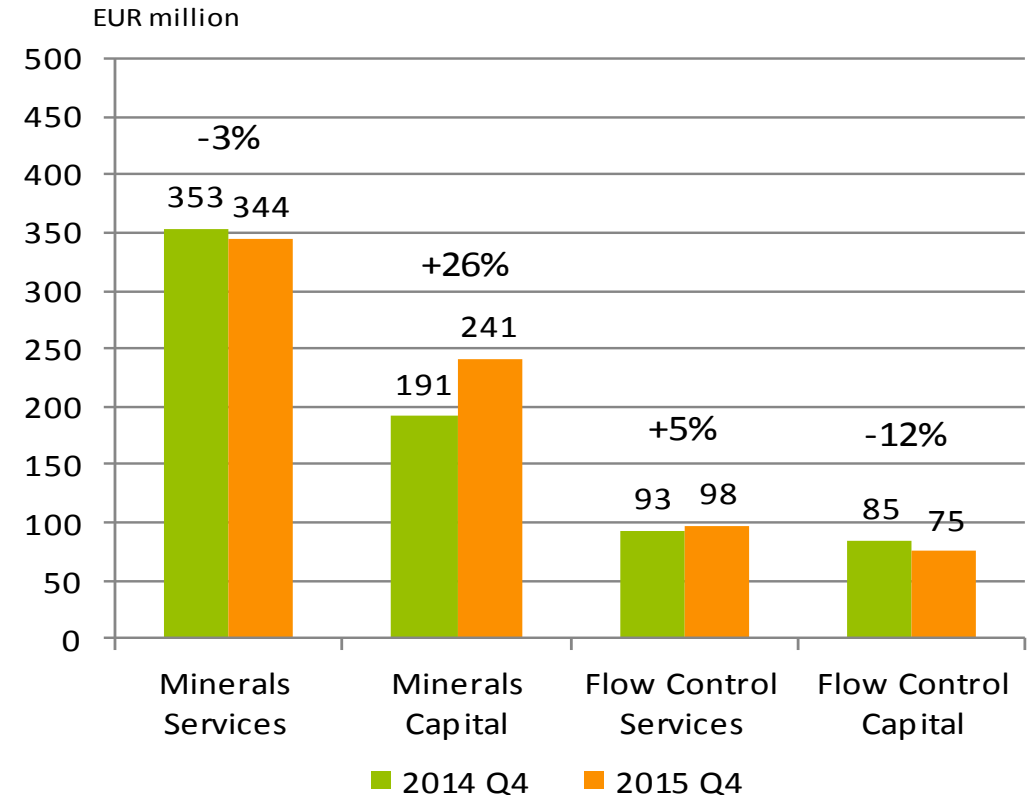
- New service centers, services offering and capabilities
- Product renewal, expansion and digitalization
- Flexible and lean operating models
 - Focus on customers and growth
- Focus on people and leadership
 - Successor planning
 - Job rotation
- Divestment of the non-core Process Automation Systems business



Markets in Q4

- **Mining (orders +26%):**
 - A couple of larger equipment orders; market still depressed
 - Mining services orders stable y-o-y
- **Aggregates (orders -13%):**
 - Continued weakness in the emerging markets
 - Activity good in North America and Europe
- **Flow Control (orders -3%):**
 - Oil & gas project-related demand satisfactory
 - Other process industries stable
 - Pump orders slightly up

Orders received totaled EUR 758 million, +5%
Excluding PAS



Orders received by market area

Q4/15, FY15 and change year-on-year (excluding PAS)

North America

Q4 EUR 157 million, +5%
FY EUR 642 million, +3%

Europe

Q4 EUR 170 million, +12%
FY EUR 678 million, 0%

China

Q4 EUR 32 million, -52%
FY EUR 204 million, -22%

South and Central America

Q4 EUR 142 million, -11%
FY EUR 613 million, -7%

Africa and Middle East

Q4 EUR 54 million, -33%
FY EUR 267 million, -25%

Asia-Pacific

Q4 EUR 203 million, +82%
FY EUR 562 million, +14%

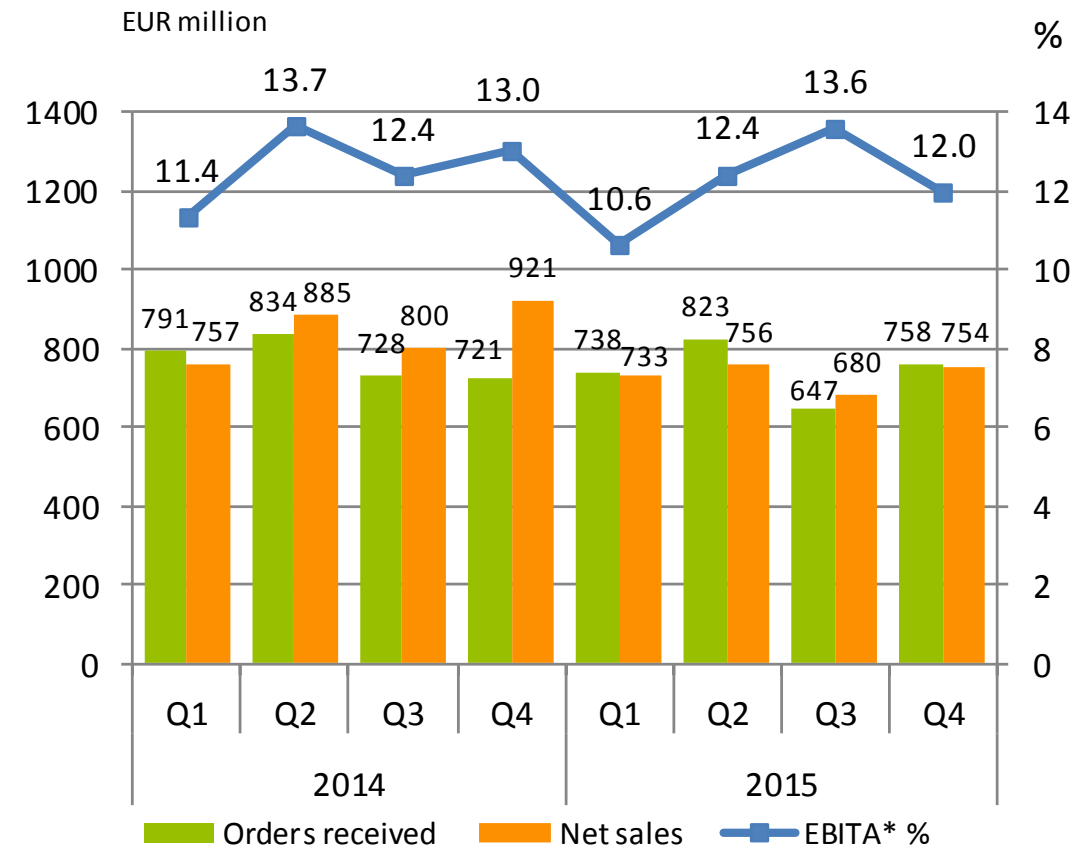
54% from the
emerging markets

Financial highlights

Current structure

- Fairly good performance in a challenging market and competitive environment
- Net sales declined largely due to lower equipment sales in Minerals
- Minerals' profitability declined but holding up thanks to mix and cost control
- Flow Control's EBITA lower due to higher portion of project deliveries

Quarterly orders received, net sales and EBITA*%



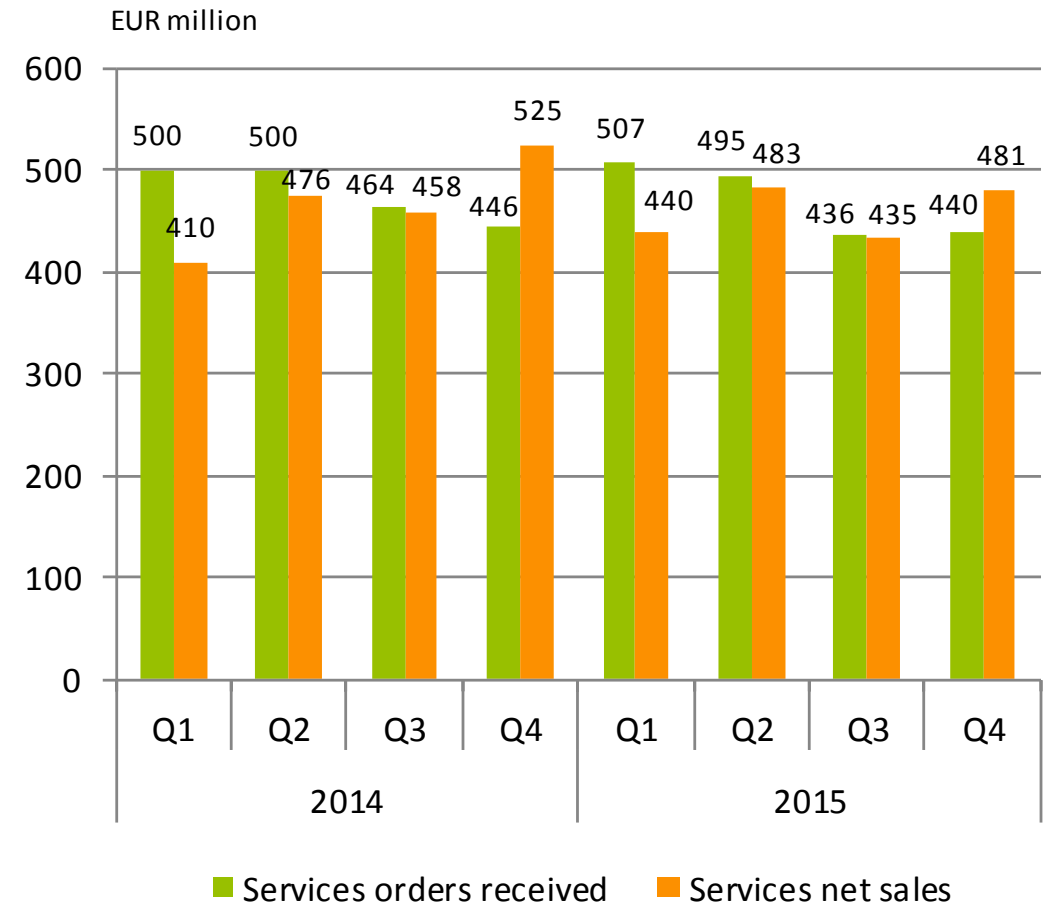
Services development

Current structure

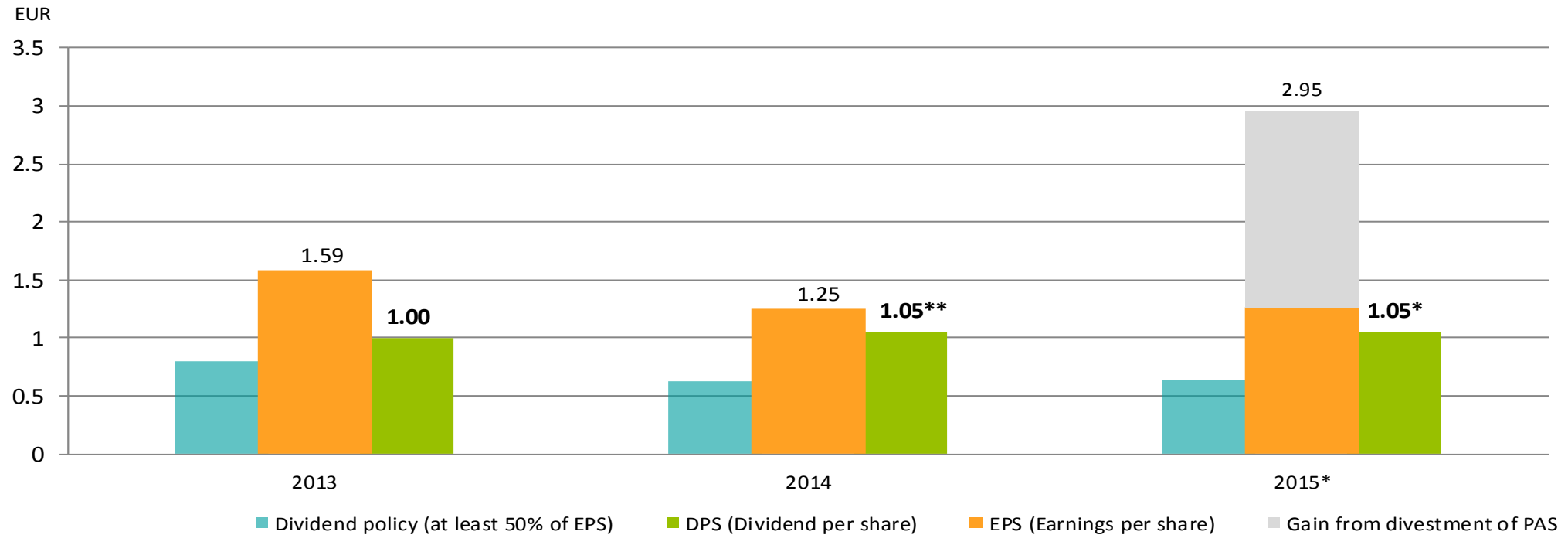
- Our offering and competitiveness remain strong
- Mining
 - Performance services orders at a good level
 - Miners' cost cutting actions impact wear and spare business
 - Orders from Europe and Latin America, excluding Brazil, increased
 - Significant decline in China and North America
- Aggregates
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

Services orders and net sales

Excluding PAS



The Board's dividend proposal of EUR 1.05



- Proposal in line with the dividend policy
- Targeting stable and predictable payout



Financial performance

Harri Nikunen
CFO

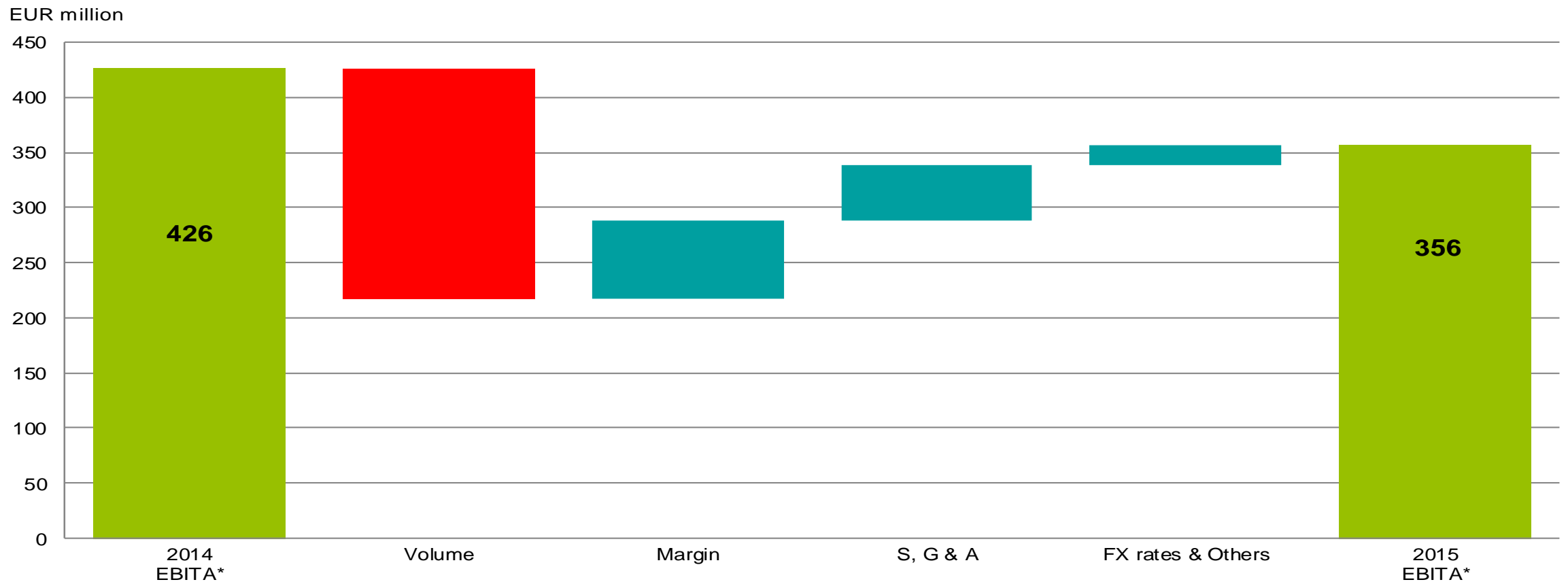
Group key figures

Current structure except when noted

EUR million	Q4/2015	Q4/2014	Change %	2015	2014	Change %
Orders received	758	721	5	2,965	3,074	-4
without currency impact			4			-7
Service orders received	440	446	-1	1,879	1,910	-2
without currency impact			0			-4
Net sales	754	921	-18	2,923	3,363	-13
without currency impact			-18			-16
Services net sales	481	525	-9	1,840	1,869	-2
without currency impact			-7			-4
EBITA*	91	120	-24	356	426	-16
% of net sales	12.0	13.0		12.2	12.7	
EBIT **	67	101	-33	555	351	58
Earnings per share**, EUR	0.35	0.36	-3	2.95	1.25	136
Return on capital employed (ROCE) before taxes, %**				25.7	16.4	
Free cash flow**	59	63	-6	341	204	67

Positive margin and SG&A impact on EBITA

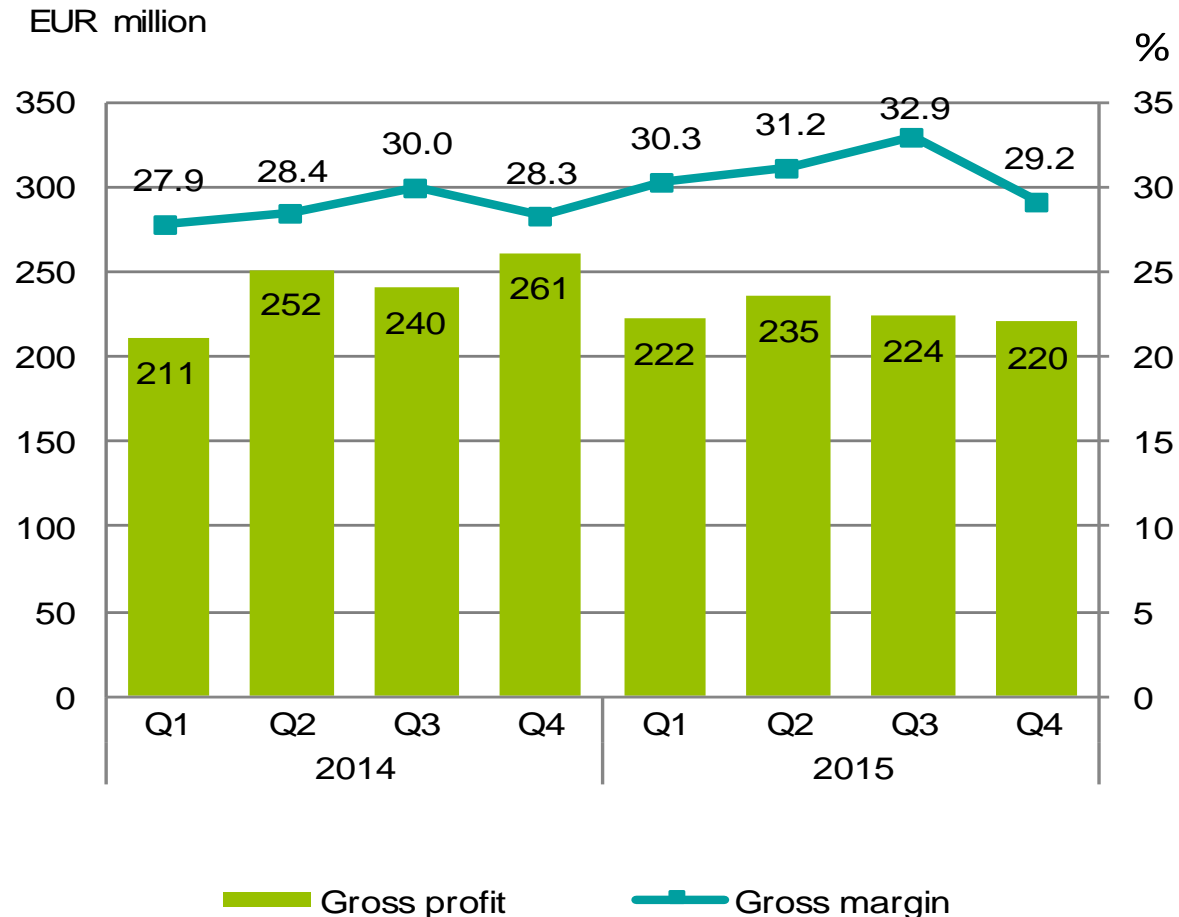
Current structure, illustrative



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

Gross margins were healthy

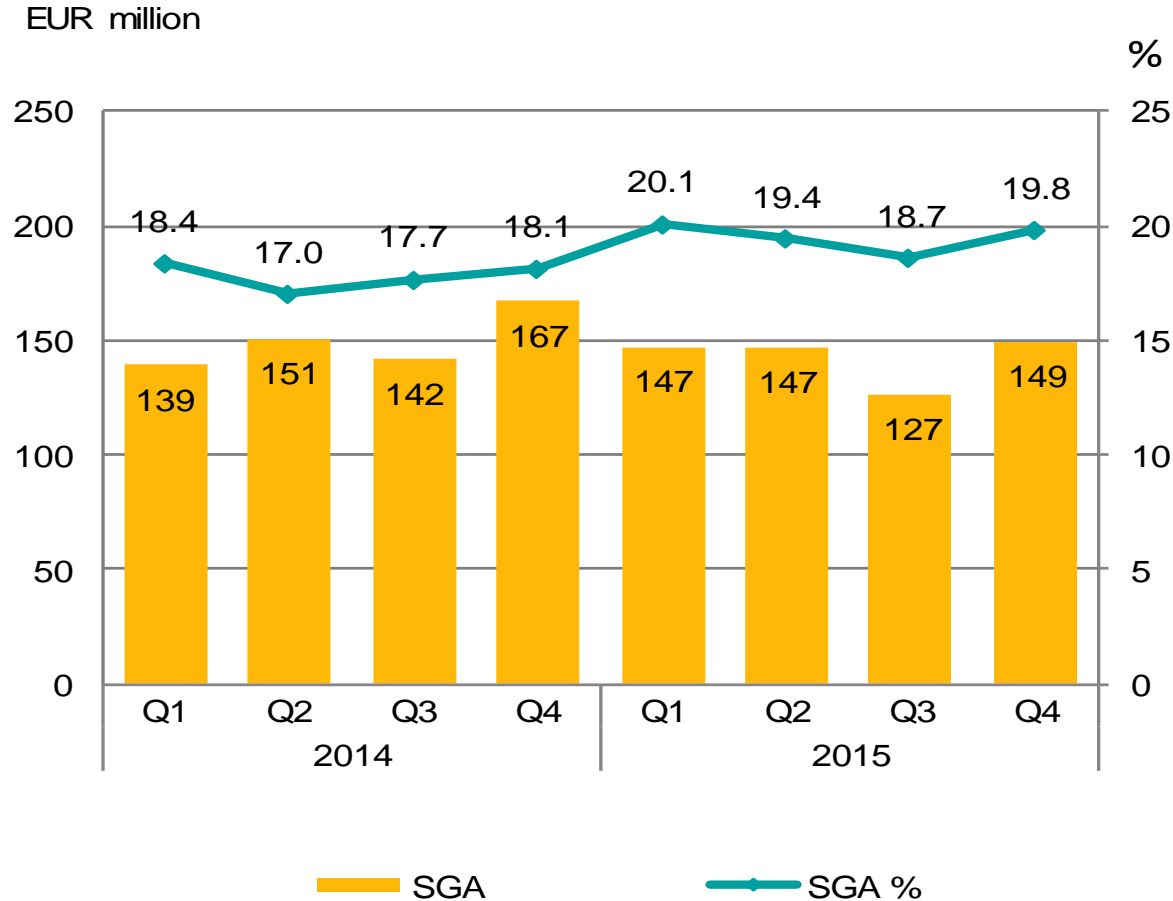
Current structure



- Underlying margins remained at good level throughout the year
- Q4 mix was project-heavy and also included sizeable restructuring costs of about EUR 12 million. GP% before restructuring costs was around 31% in Q4.
- COGS personnel was reduced by ~1,200 (12%)
- Gross purchase savings were around EUR 50 million
- Actions taken in 2015 will have full impact in 2016 and new purchasing savings are in the pipeline

Actions to reduce SG&A continue

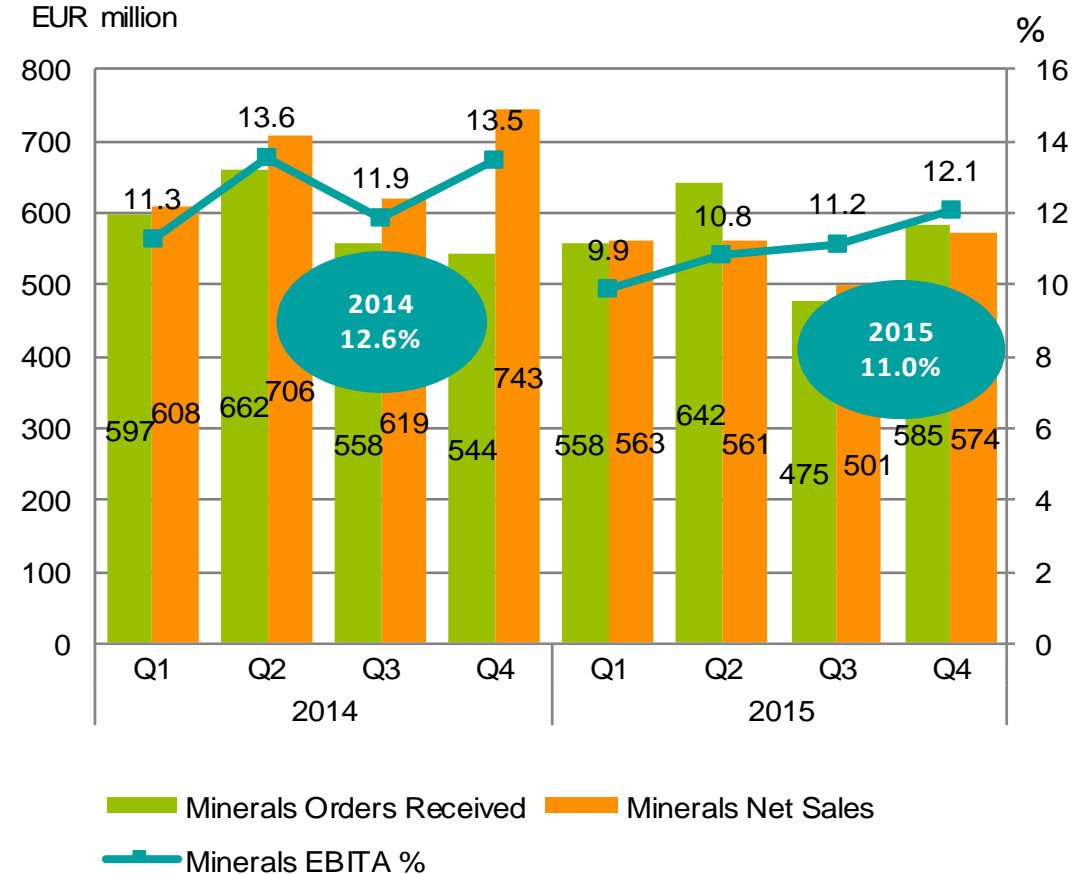
Current structure



- Full-year SG&A was down by EUR 50 million in constant currencies (-20 million in reported currencies). The full year SG&A includes around EUR 20 million restructuring costs, majority booked in Q4.
- SG&A headcount was reduced by 12% (595 persons) and the SG&A spend was significantly reduced
- The full impact of 2015 actions will be seen in 2016 and new actions are under way

Minerals quarterly performance

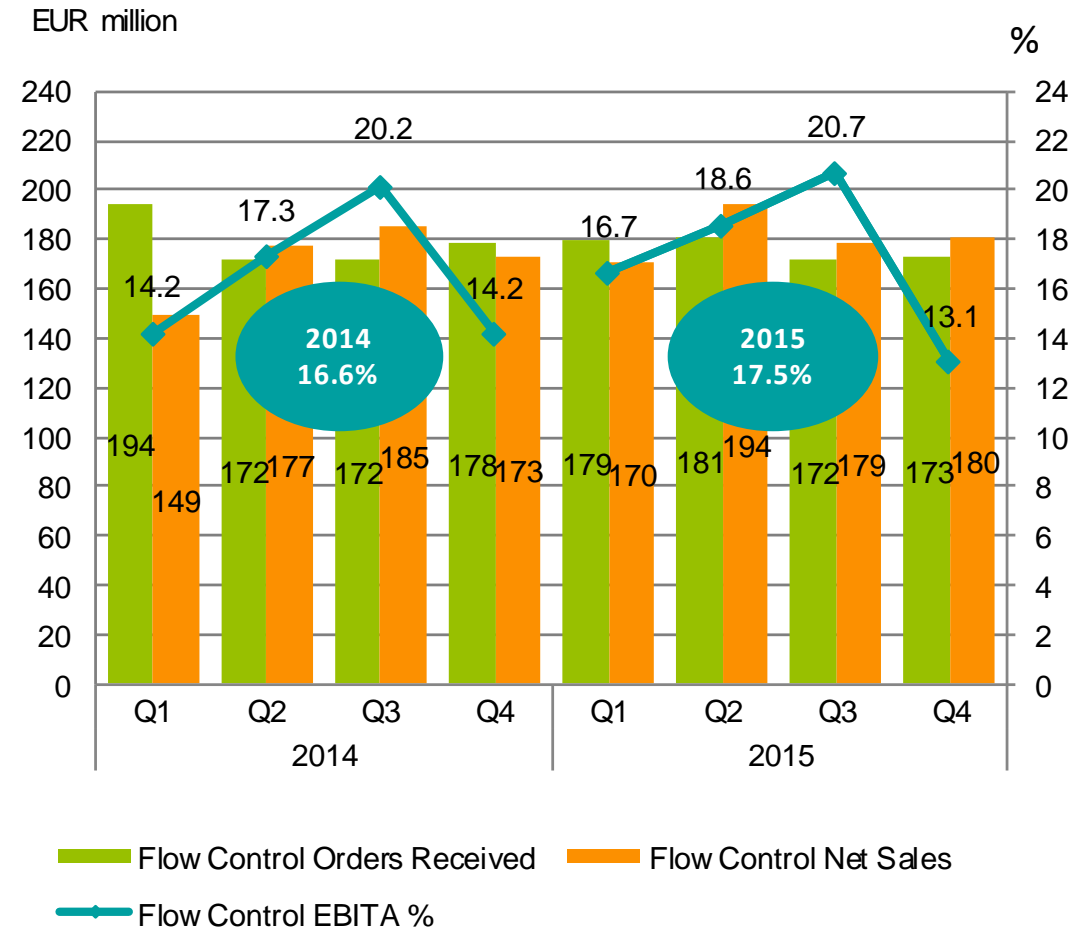
- Good profitability despite difficult market and lower net sales
- Net sales of new equipment declined close to 40%
- Gross margins held up well and SG&A declined overall 9%
- Strong cash flow
- Full-year operational ROCE was 17.5% (19.4%)



Flow Control quarterly performance

Current structure

- Orders declined driven by lower demand for oil & gas valves. Services and other process industries orders increased
- Net sales of pumps increased; valve sales were flat
- Lower profitability as a result of project-heavy mix and costs related to two new sales companies
- Full-year operational ROCE was 37.1% (33.1%)



Solid balance sheet and financial position

EUR million	2015	2014
Return on equity (ROE), % *	33.1	15.7
Return on capital employed (ROCE) before taxes, %	25.7 / 16.1**	16.4
Gearing at the end of the period, %	10.6	45.6
Cash conversion, %	180	108
Debt to capital, %	36.3	41.2
Net debt / EBITDA *	0.2	1.3
Interest cover (EBITDA)	15.8	6.2
Credit rating (Standard & Poor's)	BBB, stable outlook	BBB, stable outlook
Cash assets	657	292

Strong cash generation

EUR million	2015	2014	Comments
EBITDA	624	426	
Adjustments	-232	74	
Change in net working capital	64	-75	Lower inventories and receivables
Financial items and taxes, paid	-96	-169	
NET CASH FROM OPERATIONS	360	256	
Capex on fixed assets	-46	-74	FY 2015 well below FY 2014
Proceeds from sale of fixed assets	17	8	
Acquisitions and divestments	305	-19	PAS disposal
Proceeds from (+)/Investments in (-) other assets	-56	7	
Other	-5	-13	
NET CASH FROM INVESTING ACTIVITIES	215	-91	
❖ Cash flow from operations and investing activities	575	165	

Capital employed and net working capital

Larger cash position increased capital employed

EUR million	2015	2014	Change
Net working capital	598	681	-83
Tangible assets	343	398	-55
Intangible assets	550	560	-10
Other	186	176	+10
Cash	590	277	+313
TOTAL	2,267	2,092	+175
Turnover	1.3	1.7	

NWC declined thanks to lower inventories and receivables

EUR million	2015	2014	Change
Inventories	715	842	-127
Trade receivables	482	645	-163
Trade payables	-249	-333	+84
Advances + POC	-128	-145	+17
Customer NWC	820	1,009	-189
Other	-222	-328	+106
TOTAL	598	681	-83
% of net sales	20.1	18.6	



Outlook and backlog

Matti Kähkönen
President and CEO

Short-term market outlook

Mining



48% of net sales of which 75% services

Outlook:

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

Aggregates



23% of net sales of which 45% services

Outlook:

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

Flow Control



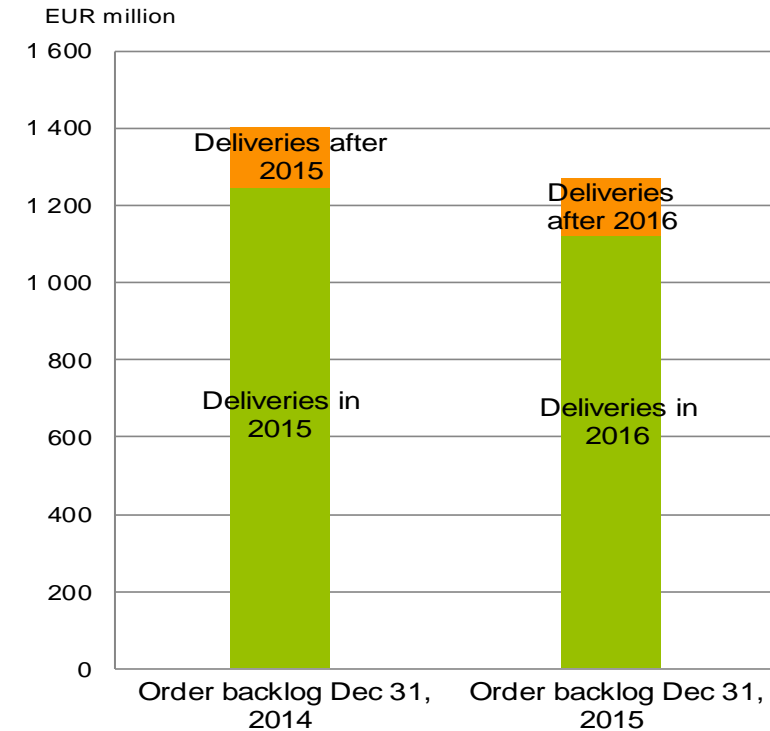
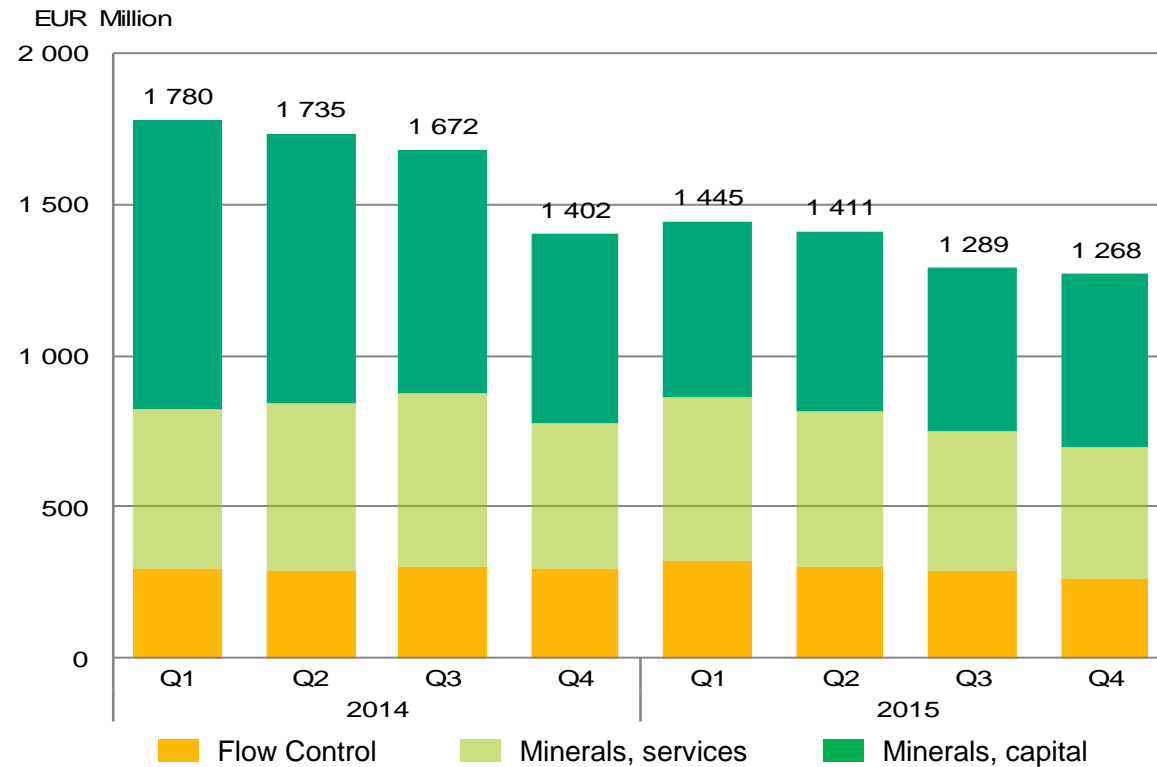
25% of net sales of which 55% services

Outlook:

- Oil & gas capex-related demand is satisfactory; demand from other process industries remains stable
- Good demand for replacements and services

Order backlog

Current structure



- Year-end backlog 10% lower than at the end of 2014
- Market environment posing some risk to deliveries

Outlook for 2016

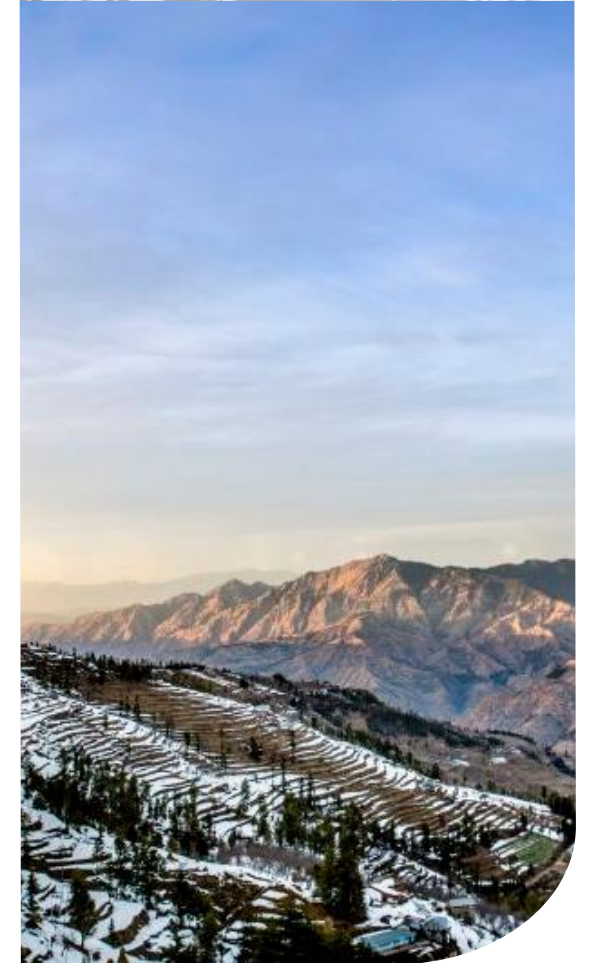
Financial guidance discontinued as of the beginning of 2016

Metso's overall trading conditions are expected to weaken somewhat in 2016 compared to 2015. Demand for our products and services is expected to develop as follows:

- remain weak for mining equipment and satisfactory for mining services
- remain satisfactory for aggregates equipment and services
- remain satisfactory for Flow Control products related to customers' new investments and good for Flow Control services

We expect to invoice EUR 1.1 billion from our year-end 2015 backlog during 2016. Internal efficiency actions will continue to improve competitiveness and mitigate price pressure that can be seen in the markets that are facing weak or satisfactory demand.

Restructuring costs are expected to be lower than in 2015. Capital expenditure without acquisitions and net financial costs are expected to be on the same level as in 2015.



Eeva Sipilä appointed Metso's CFO

- Eeva will start in her new position on August 1st, 2016
- She is currently member of Metso's Board of Directors (since 2012) and CFO of Cargotec Corporation (since 2008)
- Previously, she has served as the Head of IR and communications at Cargotec (2005-2008) and Head of IR at Metso (2002-2005). In 1999-2002 she worked as equity analyst.
- Harri Nikunen, Metso's current CFO until July 31, will continue in a new position in the company





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