metso
Expect results


# Interim Review

January 1 – June 30, 2013

Metso Corporation's Interim Review January 1 – June 30, 2013

# Good result in a challenging market environment

Figures in brackets, unless otherwise stated,
refer to the comparison period, i.e. the same period last year.

## Highlights of the first quarter of 2013

- New orders worth EUR 1,883 million (EUR 1,735 million) were received in April-June, an increase of 9 percent. Orders received by the services business across all segments were on a par with the comparison period, amounting to EUR 806 million, i.e. 44 percent of all orders received (EUR 812 million and 48%).
- Net sales totaled EUR 1,756 million (EUR 1,897 million). Services business net sales were comparable to those booked during the same quarter last year, totaling EUR 780 million, and accounted for 46 percent of total net sales (EUR 795 million and 43%).
- Earnings before interest, tax, and amortization (EBITA), and before non-recurring items, were EUR 142 million, i.e. 8.1 percent of net sales (EUR 178 million and 9.4%).
- Earnings per share were EUR 0.34 (EUR 0.69).
- Free cash flow was EUR 20 million negative (EUR 46 million negative).
- The demerger process proceeded according to plan.

## We have updated our guidance for 2013 financial performance:

Based on the current economic situation, the market outlook, our order backlog for 2013, and foreign exchange rates remaining similar to those at the end of June, we estimate that Metso's net sales and EBITA before non-recurring items in 2013 will be somewhat lower than those in 2012.

*Previous guidance (from January-March 2013 Interim Review, published on April 23, 2013):* We estimate that Metso's EBITA before non-recurring items in 2013 will be at around 2012 levels and that our net sales will be similar to that in 2012 or slightly lower.

## Metso's President and CEO Matti Kähkönen comments on the second quarter:

We can be satisfied with what we achieved during the second quarter. Despite the prevailing uncertainty of the global economy, which has continued to impact our customer industries, we received new orders worth more than EUR 1.8 billion during the quarter. It was positive to see Metso win another major pulp mill order; new investments in the mining industry have continued at a lower level, however. Our net sales declined year-on-year, primarily due to a slow-down in some of our capital businesses. The services business has remained at a similar level to last year, which is positive, but we are continuing our efforts to grow volumes in this area. EBITA before non-recurring items was fairly good, with Automation performing well, while Mining and Construction was impacted by declining capital deliveries. Pulp, Paper and Power faced similar challenges to those experienced during previous quarters.

We also made good progress with the demerger in the second quarter. The Board signed a demerger plan at the end of May and will propose that shareholders approve the demerger at an Extraordinary General Meeting in early October. Outlining the strategies and organization of the new Metso and Valmet will keep us busy during the next few months, and I remain confident that the demerger, conditional on the EGM's approval of course, will be successful and will be in the best interest of Metso and its shareholders.

## Metso's key figures

| EUR million | Q2/ 2013 | Q2/ 2012 | Change % | Q1-Q2/ 2013 | Q1-Q2/ 2012 | Change % | 2012 |
|---|---|---|---|---|---|---|---|
| Orders received | **1,883** | 1,735 | 9 | **3,467** | 3,655 | -5 | 6,865 |
| Orders received of services business | **806** | 812 | -1 | **1,679** | 1,693 | -1 | 3,264 |
| % of orders received *) | **44** | 48 | | **50** | 48 | | 49 |
| Order backlog at end of period | | | | **4,141** | 5,290 | -22 | 4,515 |
| Net sales | **1,756** | 1,897 | -7 | **3,346** | 3,652 | -8 | 7,504 |
| Net sales of services business | **780** | 795 | -2 | **1,507** | 1,516 | -1 | 3,174 |
| % of net sales *) | **46** | 43 | | **46** | 43 | | 44 |
| Earnings before interest, tax and amortization (EBITA) and non-recurring items | **142.2** | 178.2 | -20 | **273.7** | 319.4 | -14 | 687.5 |
| % of net sales | **8.1** | 9.4 | | **8.2** | 8.7 | | 9.2 |
| Operating profit | **97.0** | 164.7 | -41 | **216.2** | 293.7 | -26 | 601.7 |
| % of net sales | **5.5** | 8.7 | | **6.5** | 8.0 | | 8.0 |
| Earnings per share, EUR | **0.34** | 0.69 | -51 | **0.82** | 1.25 | -34 | 2.46 |
| Free cash flow | **-20** | -46 | 57 | **54** | 70 | -23 | 257 |
| Return on capital employed (ROCE) before taxes, annualized % | | | | **13.6** | 19.7 | | 19.7 |
| Equity to assets ratio at end of period, % | | | | **38.9** | 39.6 | | 40.5 |
| Net gearing at end of period, % | | | | **27.4** | 22.6 | | 14.2 |

*) Excluding Valmet Automotive

## Operating environment and demand in April–June

Good capacity utilization rates within our customer industries kept demand for Metso's services business at a good level. Demand for equipment and projects was weaker year-on-year, but remained comparable to that in the first quarter. Instability in the world economy and lower metal prices have had an impact on our customers' investment decisions. Wage inflation in emerging markets continued at a comparable level to that seen during the first quarter.

Mining customers continued to be cautious about new investment decisions, and demand for mining equipment and projects was satisfactory. Lower iron ore and copper prices during the first half of the year had no major impact on our customers' utilization rates and their output remained at the same good level seen at the beginning of the year. Stable utilization rates at mines and our stronger services presence, together with our extensive installed base, kept demand for our mining services good.

Demand for construction equipment slowed and remained satisfactory, whereas demand for related services grew.

Demand for products and services supplied by our Automation business to the energy, oil and gas industries remained good, while demand from pulp and paper customers remained satisfactory.

The pulp mill market remained satisfactory, supported by a modest increase in pulp prices. Some pulp projects are still under negotiation in the market, but decision-making has been further delayed. Demand for rebuilds and services was good as a result of good capacity utilization rates at customers' sites.

Structural changes are continuing in the paper industry and the demand for paper and board lines remained weak, whereas demand for tissue lines continued to be good. We have seen signs of a recovery in customer activity in China. Stable capacity utilization rates in the paper and board industry kept demand for our services at a good level.

Demand for recovery boilers for pulp mills remained unchanged. Overall uncertainty in the power generation markets, affected by legislation and booming shale gas investments, continued to have a negative impact on the demand for renewable energy power plants in North America and Europe. We expect the demand for related services to remain satisfactory.

## Orders received

We received new orders worth EUR 1,883 million during the second quarter of 2013, i.e. 9 percent more than in the comparison period (EUR 1,735 million). This growth can mainly be attributed to the significant CMPC's pulp line order in Brazil that Metso was awarded during the period. Order intake also increased in the Flow Control business, by 12 percent. At comparable exchange rates, growth was 11 percent. Emerging markets accounted for 57 percent (51%) of orders. Services orders remained at first-quarter levels and accounted for 44 percent (48%) of all orders received. Using comparable exchange rates, services orders grew 2 percent. Emerging markets accounted for 43 percent (41%) of services orders received.

Major orders received during the second quarter included:

- an order for 38 feeders for the Buenavista del Cobre copper mine owned by Grupo Mexico,
- the renewal of a multi-year mill maintenance outsourcing agreement for UPM's Plattling paper mill in Germany,
- a containerboard line and automation package for China's Zhejiang Jingxing Paper,
- a service contract with the Finnish company Vapo, including 30 continuously-operating water quality measuring stations, service and maintenance for these stations, and certified measurement results,
- key pulp mill technology and automation package for CMPC's Guaíba II pulp line in Brazil,
- ball valves for tank cars transporting crude oil by rail in the US,
- a tissue production line for PT Suparma Tbk in Indonesia, and
- a containerboard line and comprehensive automation package for Lee & Man Paper Manufacturing in China.

We received new orders worth EUR 3,467 million in January-June, i.e. 5 percent less than in the comparison period (EUR 3,655 million). This lower figure resulted primarily from weaker order intake for mining equipment. Orders received by Automation increased by 10 percent and those by Pulp, Paper and Power by 9 percent during the first half. Exchange rates had a 1 percentage point negative impact on the comparison of received orders. Emerging markets accounted for 56 percent (48%) of new orders. Services order intake remained similar to that seen during the comparison period and accounted for 50 percent (48%) of all orders received. Using comparable exchange rates, services orders grew 1 percent in January-June. Emerging markets accounted for 43 percent (41%) of services orders received.

The top three countries for new orders were Brazil, the US, and China, which together accounted for 38 percent of all orders received. Order intake in the Power, Construction and Process Automation Systems business was similar to the comparison period, but lower in Mining and Paper.

January-March orders received included:

- two tissue lines and an automation package for Hayat Kimya in Turkey,
- a tissue paper line for Forestal y Papelera Concepción in Chile,
- a containerboard production line for Siam Kraft Industry in Thailand,
- two repeat orders for Altay Polimetally's copper mine in Kazakhstan, including complete secondary, tertiary, and quaternary crushing and screening plants, as well as an automation system,
- a six-and-a-half-year life-cycle services contract covering ZAO Russian Copper Company's copper concentrator in southwestern Russia, and
- automation systems for power plants in Finland, the US, and Poland.

## Order backlog

Our order backlog at the end of June was EUR 4,141 million, which was somewhat lower than at the end of 2012 (EUR 4,515 million). Around 62 percent of the backlog, i.e. EUR 2,6 billion, is expected to be recognized as net sales this year (50% and EUR 2.6 billion), and around 38 percent of this is related to the services business.

The proportion of order backlog expected to be delivered in 2013 is as follows:

- Mining and Construction: 61 percent,
- Automation: 84 percent, and
- Pulp, Paper and Power: 58 percent.

In addition, we have more than EUR 450 million worth of services orders extending over a number of years. These multi-year services contracts are booked on a phased basis, depending on what is estimated to be the contractually secured portion of each order. The majority of these large multi-year services contracts are in our Mining and Construction segment.

## Orders received and order backlog by reporting segment

| EUR million | Q2/ 2013 | Q2/ 2012 | Change % | Q1-Q2/ 2013 | Q1-Q2/ 2012 | Change % | 2012 |
|---|---|---|---|---|---|---|---|
| **Mining and Construction** | **743** | 891 | -17 | **1,529** | 1,855 | -18 | 3,436 |
| Services business | **412** | 429 | -4 | **883** | 906 | -3 | 1,771 |
| Equipment, product and project business | **329** | 461 | -29 | **643** | 946 | -32 | 1,658 |
| Intra-Metso orders received | **2** | 1 | | **3** | 3 | | 7 |
| **Automation** | **239** | 225 | 6 | **493** | 449 | 10 | 845 |
| Services business | **110** | 97 | 13 | **228** | 201 | 13 | 382 |
| Equipment, product and project business | **117** | 112 | 4 | **245** | 215 | 14 | 404 |
| Intra-Metso orders received | **12** | 16 | | **20** | 33 | | 59 |
| **Pulp, Paper and Power** | **861** | 586 | 47 | **1,372** | 1,263 | 9 | 2,444 |
| Services business | **284** | 286 | -1 | **568** | 586 | -3 | 1,111 |
| Equipment, product and project business | **573** | 298 | 92 | **795** | 673 | 18 | 1,323 |
| Intra-Metso orders received | **4** | 2 | | **9** | 4 | | 10 |
| Valmet Automotive | **57** | 51 | 12 | **104** | 128 | -19 | 216 |
| Intra-Metso orders received | **-17** | -18 | | **-31** | -40 | | -76 |
| **Metso total** | **1,883** | 1,735 | 9 | **3,467** | 3,655 | -5 | 6,865 |
| **Order backlog** | | | | | | | |
| Mining and Construction | | | | **1,872** | 2,299 | -19 | 1,983 |
| Automation | | | | **438** | 398 | 10 | 343 |
| Pulp, Paper and Power | | | | **1,883** | 2,663 | -29 | 2,249 |
| Intra-Metso orders received in order backlog | | | | **-52** | -70 | | -60 |
| **Metso total** | | | | **4,141** | 5,290 | -22 | 4,515 |

## Orders received by market area

| EUR million | Q2/ 2013 | Q2/ 2012 | Change % | Q1-Q2/ 2013 | Q1-Q2/ 2012 | Change % | 2012 |
|---|---|---|---|---|---|---|---|
| Emerging markets | **1,079** | 882 | 22 | **1,946** | 1,751 | 11 | 3,278 |
| Mining and Construction | **385** | 530 | | **878** | 1,109 | | 2,010 |
| % of Mining and Construction orders received | **52** | 59 | | **57** | 60 | | 58 |
| Automation | **107** | 96 | | **219** | 185 | | 356 |
| % of Automation orders received | **45** | 43 | | **44** | 41 | | 42 |
| Pulp, Paper and Power | **591** | 259 | | **854** | 466 | | 933 |
| % of Pulp, Paper and Power orders received | **69** | 44 | | **62** | 37 | | 38 |
| Developed markets | **804** | 853 | -6 | **1,521** | 1,904 | -20 | 3,587 |
| **Metso total** | **1,883** | 1,735 | 9 | **3,467** | 3,655 | -5 | 6,865 |

## Financial performance

Our net sales in April-June decreased 7 percent to EUR 1,756 million (EUR 1,897 million). Using comparable exchange rates, net sales decreased 6 percent. Net sales in the services business decreased 2 percent during the second quarter, equaling 46 percent of total net sales. Using comparable exchange rates, services net sales increased 1 percent.

Earnings before interest, tax, and amortization (EBITA), and before non-recurring items during the second quarter were EUR 142 million, i.e. 8.1 percent of net sales (EUR 178 million and 9.4%).

Our operating profit (EBIT) during the second quarter was EUR 97 million, i.e. 5.5 percent of net sales (EUR 165 million and 8.7%). Operating profit was negatively impacted by EUR 33 million of non-recurring items (EUR 1 million) related to the Pulp, Paper and Power segment's cost saving program and the demerger process, as well as an IFRS based non-cash fair valuation of a receivable related to Northland Resources' project. Non-recurring items are detailed in the tables section.

Net sales in January-June decreased by 8 percent to EUR 3,346 million (EUR 3,652 million). This affected all segments and capital equipment businesses in particular. Exchange rates had a one percentage point negative impact on net sales in the first half of the year. The net sales of the services business were on a par with the comparison period and totaled EUR 1,507 million, accounting for 46 percent of net sales (EUR 1,516 million and 43%). The top three countries in terms of net sales were the US, China, and Brazil, which together accounted for 34 percent of total net sales. Net sales from emerging markets decreased 6 percent and accounted for 50 percent (49%) of net sales.

Earnings before interest, tax, and amortization (EBITA), and before non-recurring items in January-June were EUR 274 million, i.e. 8.2 percent of net sales (EUR 319 million and 8.7%). Profitability improved in Automation and Mining and Construction, and weakened in Pulp, Paper and Power, largely due to lower product margins resulting from a tougher competitive situation and underabsorption.

Our operating profit (EBIT) during the first half was EUR 216 million, i.e. 6.5 percent of net sales (EUR 294 million and 8.0%) and included non-recurring expenses of EUR 33 million (EUR 1 million).

Net financing expenses in January–June were EUR 34 million (EUR 23 million). Interest expenses accounted for EUR 33 million (EUR 34 million), interest income for EUR 5 million (EUR 14 million), foreign exchange gain for EUR 0.3 million (EUR 2 million), and other net financial expenses for EUR 6 million (EUR 5 million), of which EUR 5 million relate to the demerger process.

Profit before taxes was EUR 182 million (EUR 271 million), and Metso's tax rate for 2013 is expected to be similar to that in 2012 (32%). The profit attributable to shareholders in January–June was EUR 122.7 million (EUR 186.7 million), corresponding to earnings per share (EPS) of EUR 0.82 (EUR 1.25). Return on capital employed (ROCE) before taxes during January–June was 13.6 percent (19.7%) and return on equity (ROE) 11.6 percent (18.4%).

## Net sales by reporting segment

| EUR million | Q2/ 2013 | Q2/ 2012 | Change % | Q1-Q2/ 2013 | Q1-Q2/ 2012 | Change % | 2012 |
|---|---|---|---|---|---|---|---|
| **Mining and Construction** | **800** | 899 | -11 | **1,544** | 1,686 | -8 | 3,492 |
| Services business | **410** | 428 | -4 | **793** | 816 | -3 | 1,692 |
| Equipment, product and project business | **388** | 468 | -17 | **745** | 866 | -14 | 1,793 |
| Intra-Metso net sales | **2** | 3 | | **6** | 4 | | 7 |
| **Automation** | **207** | 232 | -11 | **391** | 414 | -6 | 859 |
| Services business | **97** | 97 | 0 | **180** | 180 | 0 | 380 |
| Equipment, product and project business | **93** | 122 | -24 | **185** | 213 | -13 | 416 |
| Intra-Metso net sales | **17** | 13 | | **26** | 21 | | 63 |
| **Pulp, Paper and Power** | **714** | 733 | -3 | **1,345** | 1,454 | -7 | 3,014 |
| Services business | **274** | 271 | 1 | **534** | 521 | 2 | 1,102 |
| Equipment, product and project business | **436** | 459 | -5 | **805** | 929 | -13 | 1,903 |
| Intra-Metso net sales | **4** | 3 | | **6** | 4 | | 9 |
| Valmet Automotive | **57** | 51 | 12 | **104** | 128 | -19 | 216 |
| Intra-Metso net sales | **-22** | -18 | | **-38** | -30 | | -77 |
| **Metso total** | **1,756** | 1,897 | -7 | **3,346** | 3,652 | -8 | 7,504 |
| Services business | **780** | 795 | -2 | **1 507** | 1 516 | -1 | 3 174 |
| % of total net sales * | **46** | 43 | | **46** | 43 | | 44 |

*) Excluding Valmet Automotive

## Net sales by market area

| EUR million | Q2/ 2013 | Q2/ 2012 | Change % | Q1-Q2/ 2013 | Q1-Q2/ 2012 | Change % | 2012 |
|---|---|---|---|---|---|---|---|
| Emerging markets | **891** | 912 | -2 | **1,675** | 1,790 | -6 | 3,718 |
| Developed markets | **865** | 985 | -12 | **1,671** | 1,862 | -10 | 3,786 |
| **Metso total** | **1,756** | 1,897 | -7 | **3,346** | 3,652 | -8 | 7,504 |

### EBITA before non-recurring items and percentage of net sales

| EUR million | Q2/ 2013 | Q2/ 2012 | Change % | Q1-Q2/ 2013 | Q1-Q2/ 2012 | Change % | 2012 |
|---|---|---|---|---|---|---|---|
| **Mining and Construction** | **96.5** | 112.6 | -14 | **187.7** | 194.7 | -4 | 419.9 |
| % of net sales | **12.1** | 12.5 | | **12.2** | 11.5 | | 12.0 |
| **Automation** | **28.5** | 30.5 | -7 | **44.6** | 41.6 | 7 | 101.2 |
| % of net sales | **13.8** | 13.1 | | **11.4** | 10.0 | | 11.8 |
| **Pulp, Paper and Power** | **27.2** | 46.1 | -41 | **55.5** | 101.9 | -46 | 203.8 |
| % of net sales | **3.8** | 6.3 | | **4.1** | 7.0 | | 6.8 |
| **Metso total** | **142.2** | 178.2 | -20 | **273.7** | 319.4 | -14 | 687.5 |
| **% of net sales** | **8.1** | 9.4 | | **8.2** | 8.7 | | 9.2 |

# Reporting Segments

### Mining and Construction

Net sales in Mining and Construction decreased 8 percent during the first half to EUR 1,544 million. Net sales related to mining were down 16 percent and those related to construction equipment declined 12 percent. The services business' net sales decreased somewhat from the comparison period, and accounted for 51 percent of the segment's total net sales.

Mining and Construction's EBITA before non-recurring items declined 4 percent in January-June, and was EUR 188 million, i.e. 12.2 percent of net sales. A 14 percent decline in EBITA during the second quarter was linked to lower volumes in the mining capital business and a EUR 4 million customer-related provision for potential bad debt.

Operating profit (EBIT) was EUR 162 million, i.e. 10.5 percent of net sales. Operating profit was negatively impacted by a EUR 21 million non-recurring item linked to an IFRS based non-cash fair valuation of a customer receivable.

The segment's return on operative capital employed (ROCE) was 23.0 percent (28.9%).

### Automation

Net sales in the Automation segment decreased 6 percent on the comparison period and totaled EUR 391 million. Net sales declined 6 percent in the Flow Control business and 14 percent in the Process Automation Systems business. Net sales in the services business were on a par with the comparison period and accounted for 46 percent of the segment's net sales.

Automation's EBITA before non-recurring items increased 7 percent to EUR 45 million, i.e. 11.4 percent of net sales. This favorable development was mainly due to a positive delivery mix in the Flow Control business and good cost control.

Automation's operating profit (EBIT) was EUR 42 million, i.e. 10.8 percent of net sales.

The segment's return on operative capital employed (ROCE) was 28.8 percent (27.5%).

### Pulp, Paper and Power

Net sales in Pulp, Paper and Power during the first half decreased 7 percent to EUR 1,345 million, mainly as a result of sluggish equipment business compared to the same period last year. Net sales of the services business were similar to the comparison period and accounted for 40 percent of the segment's net sales.

EBITA before non-recurring items declined 46 percent and was EUR 56 million, i.e. 4.1 percent of net sales. The decline was mainly due to lower product margins resulting from an increasingly competitive market situation and underabsorption.

Pulp, Paper and Power's operating profit (EBIT) was EUR 34 million, i.e. 2.5 percent of net sales. EBIT included non-recurring costs of EUR 8 million related to the ongoing cost reduction program.

The segment's return on operative capital employed (ROCE) was 9.2 percent (28.6%).

## Separate business entity

### Valmet Automotive

Valmet Automotive's net sales in January-June totaled EUR 104 million (EUR 128 million). EBITA before non-recurring items was EUR 0.2 million negative (EUR 0.9 million positive). Valmet Automotive employed 1,334 people as of the end of June (1, 093 at the end of 2012), of whom 260 employees were temporarily laid-off. Around half of personnel were employed in Finland and the rest mainly in Germany and Poland. Preparations for starting production of Mercedes-Benz A-Class cars in Finland are ongoing, and manufacturing is set to begin during the third quarter of this year.

## Cash flow and financing

Net cash generated by operating activities in January–June was EUR 102 million (EUR 116 million).

Net working capital increased by EUR 7 million (EUR 143 million) and was EUR 439 million at the end of June (EUR 429 million). Free cash flow in January-June was EUR 54 million (EUR 70 million).

Net interest-bearing liabilities totaled EUR 555 million at the end of the period (EUR 470 million).

Our liquidity position remains strong. Total cash assets at the end of June were EUR 626 million, of which EUR 45 million has been invested in financial instruments with an initial maturity exceeding three months. The remaining EUR 581 million has been accounted for as cash and cash equivalents. In addition, we have an undrawn syndicated EUR 500 million revolving credit facility available until 2015 and primarily intended for short-term funding purposes.

Gearing at the end of June was 27.4 percent (22.6%) and the equity-to-assets ratio was 38.9 percent (39.6%). Following the Annual General Meeting, EUR 277 million was paid in dividends for 2012 in April.

We participated in the refinancing of one of our customers, Northland Resources, in May, by investing USD 22 million in Northland's convertible bonds and reclassifying Northland's short-term trade receivables as a long-term interest-bearing loan. A non-recurring non-cash expense of EUR 21 million was booked related to IFRS based fair valuation of the receivable.

## Capital expenditure

Gross capital expenditure in January–June, excluding business acquisitions, was EUR 116 million (EUR 64 million) and reflected investments in production line changes and modifications at Valmet Automotive related to the Mercedes-Benz A-Class contract. Maintenance investments accounted for 45 percent, i.e. EUR 51 million (78% and EUR 50 million). Capital expenditure in 2013 is expected to remain at around 2012 levels, not including investments related to Valmet Automotive's Daimler contract, which will increase total investments and be compensated for by the customer.

Capital expenditure in January–June included:

- the on-going expansion of global rubber mill lining capacity at production plants in Chile, Sweden, Canada, Mexico, and Peru,
- the inauguration of a mining service hub in Chile and the construction of new hubs in Mexico and Peru, and
- the global ERP system project in the Automation segment, which is nearing completion.

Research and development expenses in January–June totaled EUR 60 million, i.e. 1.8 percent of Metso's net sales (EUR 62 million and 1.7%).

## Acquisitions, divestments and associated companies

In June, we acquired Indian-based EPT Engineering Services, a company that provides engineering services to the power, oil & gas, and petrochemical sectors. The company employs around 80 people and has been consolidated into Metso's Power business since June 2013.

In June, we completed the acquisition of FLSmidth's lime kiln and recausticizing technology business, which has been integrated into the Fiber business line of the Pulp, Paper and Power segment. A new lime kiln technology center will be established in Copenhagen, Denmark, and will employ 15–25 people. Acquisition was included in the capital expenditures.

In February, we agreed to acquire the JX steel foundry in China to improve our capabilities to supply wear parts to the mining and construction industry in China and other markets in the Asia-Pacific region. The acquired assets and about 240 employees will transfer to Metso when the transaction is closed. The transaction is subject to local regulatory approvals, which are expected in the third quarter.

In May, we sold our 70-percent stake in Metso ND Engineering to the former minority owner. The company has around 250 employees and serves industries such as pulp and paper, mining, petrochemicals, and sugar, and has its offices and manufacturing facilities in Durban in South Africa.

In April, we agreed to sell 50 percent holding in Shanghai-Neles Jamesbury (SNJ) to the other partner in the joint venture, Shanghai Electric Corporation, and will transfer Jamesbury valve production in China to our Technology Center in Shanghai. SNJ employs around 280 people.

In January, we divested all of our shares in Metso Husum AB to Pichano Holding AB as a result of a restructuring plan linked to the Pulp and Paper service workshop network in Sweden.

## Personnel

As of the end of June, Metso had 30,111 employees, which was 101 less than at the end of 2012 (30,212). Personnel numbers increased by 200 in the Automation segment and declined by 100 in the Mining and Construction, and close to 500 in the Pulp, Paper and Power segment from the year-end levels. Personnel in emerging markets accounted for 34 percent (34%). An average of 30,113 people were employed during the first half.

## Personnel by area

| | June 30, 2013 | % of personnel | June 30, 2012 | % of personnel | Change % | Dec 31, 2012 |
|---|---|---|---|---|---|---|
| Finland | **8,656** | **29** | 9,500 | 30 | -9 | 8,464 |
| Other Nordic countries | **2,926** | **10** | 3,105 | 10 | -6 | 2,934 |
| Rest of Europe | **4,527** | **15** | 4,549 | 15 | 0 | 4,546 |
| North America | **4,003** | **13** | 3,943 | 13 | 2 | 3,974 |
| South and Central America | **3,381** | **11** | 3,275 | 10 | 3 | 3,406 |
| China | **3,033** | **10** | 3,240 | 10 | -6 | 3,156 |
| Other Asia-Pacific | **2,401** | **8** | 2,289 | 7 | 5 | 2,313 |
| Africa and Middle East | **1,184** | **4** | 1,437 | 5 | -18 | 1,419 |
| **Metso total** | **30,111** | **100** | 31,338 | 100 | -4 | 30,212 |

| | June 30, 2013 | % of personnel | June 30, 2012 | % of personnel | Change % | Dec 31, 2012 |
|---|---|---|---|---|---|---|
| Emerging markets | **10,375** | **34** | 10,631 | 34 | -2 | 10,669 |
| Developed markets | **19,736** | **66** | 20,707 | 66 | -5 | 19,543 |
| **Metso total** | **30,111** | **100** | 31,338 | 100 | -4 | 30,212 |

## Cost reduction program in Pulp, Paper and Power

The Pulp, Paper and Power business initiated a global cost competitiveness program in April to adapt to changes in the marketplace and improve profitability. The program will target an annual cost reduction of approximately EUR 100 million by 2016.

The first phase of the program is being implemented in the Fabrics and Power businesses and as a result, over 200 jobs will be reduced. These reductions are estimated to result in annual cost savings of around EUR 17 million. Savings are estimated to be fully realized in 2014. A one-off restructuring cost of EUR 8 million was incurred and booked in the second quarter of 2013.

## Demerger process moving forward

In March, Metso's Board of Directors decided to embark on a process to study the potential separation of the Pulp, Paper and Power businesses into a new company. In May, the Board completed a strategy study and signed a demerger plan. The new parent company for Metso's Pulp, Paper and Power businesses will be named Valmet Corporation and Pasi Laine has been appointed as the new company's President and CEO. Following the demerger, the Mining and Construction and Automation businesses will remain in Metso.

The necessary waivers and consents from lenders and bondholders in the consent solicitation process were received in June.

Costs related to the demerger process totaled EUR 9 million in January-June. The total costs of the process in 2013 are estimated to be around EUR 25 million.

An Extraordinary General Meeting is planned to be held in early October 2013 to take the final decision on the demerger.

The demerger is expected to be completed before the end of 2013, and the listing of Valmet shares will commence at the beginning of 2014.

## Legal proceedings

In May, the US Court of Appeals reversed an earlier favorable decision in a patent infringement case and held Metso's patent invalid with respect to the lawsuit Metso has initiated against Terex GB Ltd, Terex Corporation, Emerald Equipment Systems, Inc. et al. Metso will seek a reversal of this Court of Appeals decision by motions and, as necessary, by further appeal. The final outcome of the lawsuit can be expected during 2014. Metso has not booked any compensation in its financial results based on the earlier decisions related to this case.

## Risks and business uncertainties

Turbulence in terms of global economic growth, particularly in emerging markets, may have an adverse impact on new projects under negotiation or on projects in our order backlog. Some projects may be postponed, suspended, or canceled.

Financial uncertainty in the euro zone, coupled with fluctuations in exchange rates and tightening financial market regulations, may have an adverse effect on the availability of financing from banks and capital markets, and could reduce our customers' investment appetite and increase receivables-related risks.

We may see changes in the competitive situation of our individual businesses, such as the emergence of new, cost-effective players in emerging markets.

Securing the continuity of our operations requires that we have sufficient funding available under all circumstances. We estimate that our cash assets, totaling EUR 626 million, together with available credit facilities, are sufficient to secure our short-term liquidity and overall financial flexibility. The average maturity of our long-term debt is 4.3 years. There are no prepayment covenants in our debt facilities that would be triggered by changes in credit ratings. Some debt facilities include financial covenants related to capital structure. We fully meet the requirements of our covenants and the other terms related to our financing agreements.

Net working capital and capital expenditure levels have a key impact on the adequacy of our financing.

Changes in labor costs and the prices of raw materials and components can affect our profitability. On the other hand, some of our customers are raw material producers, and their ability to operate and invest may be enhanced by strengthening commodity prices and hampered by declining commodity prices.

## Short-term outlook

### Market development

Uncertainty in the global economy continued and demand in our customer industries deteriorated somewhat during the first half of the year. Some initial positive signs seen in the US and China have not impacted materially our customer industries.

We expect demand for mining equipment to remain satisfactory. Due to our large installed equipment base and our stronger services presence, we expect demand for our mining services to remain good.

Demand for construction equipment and related services is projected to remain satisfactory.

Demand for our process automation systems and flow control products and services is expected to remain good. Strong demand in the oil and gas industry is expected to offset the continuing softness affecting the pulp and paper industry.

The market for pulp mills and rebuilds is expected to remain satisfactory, with good demand for services.

Structural changes in the paper industry are likely to continue and the demand for papermaking lines is expected to remain weak, while the outlook for services is good.

Demand for recovery boilers for pulp mills is projected to continue satisfactory. Demand for power plants based on renewable energy sources is expected to stay weak and that for related services to remain satisfactory.

### Financial performance

We have updated our guidance for 2013 financial performance based on the current economic situation, the market outlook, our order backlog for 2013, and foreign exchange rates remaining similar to those at the end of June. We estimate that Metso's net sales and EBITA before non-recurring items in 2013 will be somewhat lower than those in 2012.

*Previous guidance (from January-March 2013 Interim Review, published on April 23, 2013):* We estimate that Metso's EBITA before non-recurring items in 2013 will be at around 2012 levels and that our net sales will be similar to that in 2012 or slightly lower.

Helsinki, July 25, 2013

Metso Corporation's Board of Directors

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

Such factors include, but are not limited to:

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

The Interim Review is unaudited

# Consolidated statement of income

| EUR million | 4-6/2013 | 4-6/2012 | 1-6/2013 | 1-6/2012 | 1-12/2012 |
|---|---|---|---|---|---|
| Net sales | **1,756** | 1,897 | **3,346** | 3,652 | 7,504 |
| Cost of goods sold | **-1,327** | -1,421 | **-2,506** | -2,753 | -5,703 |
| Gross profit | **429** | 476 | **840** | 899 | 1,801 |
| | | | | | |
| Selling, general and administrative expenses | **-315** | -308 | **-609** | -592 | -1,184 |
| Other operating income and expenses, net | **-17** | -3 | **-16** | -13 | -16 |
| Share in profits of associated companies | **0** | 0 | **1** | 0 | 1 |
| Operating profit | **97** | 165 | **216** | 294 | 602 |
| | | | | | |
| Financial income and expenses, net | **-19** | -17 | **-34** | -23 | -59 |
| Profit before taxes | **78** | 148 | **182** | 271 | 543 |
| | | | | | |
| Income taxes | **-26** | -46 | **-59** | -84 | -175 |
| **Profit** | **52** | 102 | **123** | 187 | 368 |
| | | | | | |
| Attributable to: | | | | | |
| Shareholders of the company | **51** | 104 | **123** | 187 | 369 |
| Non-controlling interests | **1** | -2 | **0** | 0 | -1 |
| **Profit** | **52** | 102 | **123** | 187 | 368 |
| | | | | | |
| **Earnings per share, EUR** | **0.34** | 0.69 | **0.82** | 1.25 | 2.46 |
| **Diluted earnings per share, EUR** | **0.34** | 0.69 | **0.82** | 1.25 | 2.46 |

# Consolidated statement of comprehensive income

| EUR million | 4-6/2013 | 4-6/2012 | 1-6/2013 | 1-6/2012 | 1-12/2012 |
|---|---|---|---|---|---|
| Profit | **52** | 102 | **123** | 187 | 368 |
| | | | | | |
| **Items that may be reclassified to profit or loss in subsequent periods:** | | | | | |
| Cash flow hedges, net of tax | **1** | -7 | **2** | -1 | 7 |
| Available-for-sale equity investments, net of tax | **0** | 0 | **0** | 0 | 0 |
| Currency translation on subsidiary net investments | **-70** | 27 | **-40** | 16 | -22 |
| Net investment hedge gains (+) / losses (-), net of tax | **-** | 0 | **-** | 0 | 0 |
| | **-69** | 20 | **-38** | 15 | -15 |
| **Items that will not be reclassified to profit or loss:** | | | | | |
| Defined benefit plan actuarial gains (+) / losses (-), net of tax | **-** | - | **-** | - | -16 |
| **Other comprehensive income (+) / expense (-)** | **-69** | 20 | **-38** | 15 | -31 |
| | | | | | |
| **Total comprehensive income (+) / expense (-)** | **-17** | 122 | **85** | 202 | 337 |
| | | | | | |
| Attributable to: | | | | | |
| Shareholders of the company | **-18** | 124 | **85** | 202 | 338 |
| Non-controlling interests | **1** | -2 | **0** | 0 | -1 |
| **Total comprehensive income (+) / expense (-)** | **-17** | 122 | **85** | 202 | 337 |

# Consolidated balance sheet

## ASSETS

| EUR million | June 30, 2013 | June 30, 2012 | Dec 31, 2012 |
|---|---|---|---|
| **Non-current assets** | | | |
| **Intangible assets** | | | |
| Goodwill | **887** | 889 | 887 |
| Other intangible assets | **238** | 257 | 253 |
| | **1,125** | 1,146 | 1,140 |
| **Property, plant and equipment** | | | |
| Land and water areas | **68** | 69 | 69 |
| Buildings and structures | **282** | 287 | 289 |
| Machinery and equipment | **426** | 438 | 429 |
| Assets under construction | **88** | 61 | 46 |
| | **864** | 855 | 833 |
| **Financial and other assets** | | | |
| Investments in associated companies | **18** | 16 | 17 |
| Available-for-sale equity investments | **6** | 6 | 6 |
| Loan and other interest bearing receivables | **70** | 9 | 9 |
| Available-for-sale financial investments | **16** | 2 | 0 |
| Derivative financial instruments | **0** | 0 | 3 |
| Deferred tax asset | **172** | 176 | 177 |
| Other non-current assets | **46** | 39 | 38 |
| | **328** | 248 | 250 |
| **Total non-current assets** | **2,317** | 2,249 | 2,223 |
| **Current assets** | | | |
| **Inventories** | **1,529** | 1,913 | 1,529 |
| **Receivables** | | | |
| Trade and other receivables | **1,288** | 1,446 | 1,442 |
| Cost and earnings of projects under construction in excess of advance billings | **414** | 374 | 420 |
| Loan and other interest bearing receivables | **1** | 1 | 1 |
| Available-for-sale financial assets | **1** | 1 | 1 |
| Financial instruments held for trading | **44** | 77 | 232 |
| Derivative financial instruments | **23** | 30 | 36 |
| Income tax receivables | **54** | 29 | 27 |
| **Receivables total** | **1,825** | 1,958 | 2,159 |
| **Cash and cash equivalents** | **581** | 479 | 731 |
| **Total current assets** | **3,935** | 4,350 | 4,419 |
| **TOTAL ASSETS** | **6,252** | 6,599 | 6,642 |

## SHAREHOLDERS' EQUITY AND LIABILITIES

| EUR million | June 30, 2013 | June 30, 2012 | Dec 31, 2012 |
|---|---|---|---|
| **Equity** | | | |
| Share capital | **241** | 241 | 241 |
| Cumulative translation adjustments | **-17** | 61 | 23 |
| Fair value and other reserves | **725** | 709 | 718 |
| Retained earnings | **1,069** | 1,055 | 1,225 |
| **Equity attributable to shareholders** | **2,018** | 2,066 | 2,207 |
| | | | |
| **Non-controlling interests** | **18** | 22 | 20 |
| | | | |
| **Total equity** | **2,036** | 2,088 | 2,227 |
| | | | |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Long-term debt | **907** | 711 | 1,086 |
| Post employment benefit obligations | **238** | 223 | 245 |
| Provisions | **53** | 68 | 58 |
| Derivative financial instruments | **12** | 7 | 10 |
| Deferred tax liability | **28** | 37 | 34 |
| Other long-term liabilities | **5** | 7 | 6 |
| **Total non-current liabilities** | **1,243** | 1,053 | 1,439 |
| | | | |
| **Current liabilities** | | | |
| Current portion of long-term debt | **256** | 223 | 136 |
| Short-term debt | **105** | 105 | 68 |
| Trade and other payables | **1,339** | 1,503 | 1,349 |
| Provisions | **178** | 220 | 198 |
| Advances received | **608** | 668 | 570 |
| Billings in excess of cost and earnings of projects under construction | **410** | 652 | 567 |
| Derivative financial instruments | **29** | 31 | 31 |
| Income tax liabilities | **48** | 56 | 57 |
| **Total current liabilities** | **2,973** | 3,458 | 2,976 |
| | | | |
| **Total liabilities** | **4,216** | 4,511 | 4,415 |
| | | | |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **6,252** | 6,599 | 6,642 |

## NET INTEREST BEARING LIABILITIES

| EUR million | June 30, 2013 | June 30, 2012 | Dec 31, 2012 |
|---|---|---|---|
| Long-term interest bearing debt | **907** | 711 | 1,086 |
| Short-term interest bearing debt | **361** | 328 | 204 |
| Cash and cash equivalents | **-581** | -479 | -731 |
| Other interest bearing assets | **-132** | -90 | -243 |
| **Net interest bearing liabilities** | **555** | 470 | 316 |

# Condensed consolidated cash flow statement

| EUR million | 4-6/2013 | 4-6/2012 | 1-6/2013 | 1-6/2012 | 1-12/2012 |
|---|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | | |
| Profit | **52** | 102 | **123** | 187 | 368 |
| Adjustments to reconcile profit to net cash provided by operating activities | | | | | |
| Depreciation and amortization | **41** | 41 | **82** | 82 | 166 |
| Interests and dividend income | **15** | 13 | **29** | 20 | 52 |
| Income taxes | **26** | 46 | **59** | 84 | 175 |
| Other | **-61** | 8 | **-59** | 9 | 1 |
| Change in net working capital | **2** | -142 | **-7** | -143 | -176 |
| Cash flows from operations | **75** | 68 | **227** | 239 | 586 |
| Interest paid and dividends received | **-28** | -25 | **-31** | -23 | -39 |
| Income taxes paid | **-38** | -63 | **-94** | -100 | -188 |
| **Net cash provided by operating activities** | **9** | -20 | **102** | 116 | 359 |
| | | | | | |
| **Cash flows from investing activities:** | | | | | |
| Capital expenditures on fixed assets | **-59** | -34 | **-116** | -64 | -156 |
| Proceeds from sale of fixed assets | **2** | 1 | **3** | 4 | 10 |
| Business acquisitions, net of cash acquired | **-3** | -4 | **-3** | -5 | -5 |
| Proceeds from sale of businesses, net of cash sold | **-1** | - | **-1** | - | - |
| Proceeds from sale of / (Investments in) financial assets | **134** | 37 | **188** | 90 | -62 |
| Other | **-19** | 0 | **-20** | 0 | 0 |
| **Net cash provided by (+) / used in (-) investing activities** | **54** | 0 | **51** | 25 | -213 |
| | | | | | |
| **Cash flows from financing activities:** | | | | | |
| Dividends paid | **-277** | -254 | **-277** | -254 | -254 |
| Changes in ownership interests in subsidiaries | **-5** | - | **-5** | - | - |
| Net funding | **9** | 25 | **-11** | 8 | 268 |
| Other | **-** | 0 | **-** | 0 | -1 |
| **Net cash used in financing activities** | **-273** | -229 | **-293** | -246 | 13 |
| | | | | | |
| Net increase (+) / decrease (-) in cash and cash equivalents | **-210** | -249 | **-140** | -105 | 159 |
| Effect from changes in exchange rates | **-21** | -2 | **-10** | -6 | -18 |
| Cash and cash equivalents at beginning of period | **812** | 730 | **731** | 590 | 590 |
| **Cash and cash equivalents at end of period** | **581** | 479 | **581** | 479 | 731 |

## FREE CASH FLOW

| EUR million | 4-6/2013 | 4-6/2012 | 1-6/2013 | 1-6/2012 | 1-12/2012 |
|---|---|---|---|---|---|
| Net cash provided by operating activities | **9** | -20 | **102** | 116 | 359 |
| Capital expenditures on maintenance investments | **-31** | -27 | **-51** | -50 | -112 |
| Proceeds from sale of fixed assets | **2** | 1 | **3** | 4 | 10 |
| **Free cash flow** | **-20** | -46 | **54** | 70 | 257 |

# Consolidated statement of changes in shareholders' equity

| EUR million | Share capital | Cumulative translation adjustments | Fair value and other reserves | Retained earnings | **Equity attributable to shareholders** | Non-controlling interests | **Total equity** |
|---|---|---|---|---|---|---|---|
| **Balance at Jan 1, 2012** | **241** | **45** | **706** | **1,123** | **2,115** | **21** | **2,136** |
| | | | | | | | |
| Profit | - | - | - | 187 | 187 | 0 | 187 |
| | | | | | | | |
| Other comprehensive income (+) / expense (-) | | | | | | | |
| Cash flow hedges, net of tax | - | - | -1 | - | -1 | - | -1 |
| Available-for-sale equity investments, net of tax | - | - | 0 | - | 0 | - | 0 |
| Currency translation on subsidiary net investments | - | 16 | - | - | 16 | - | 16 |
| Net investment hedge gains (losses), net of tax | - | - | - | - | - | - | - |
| Total comprehensive income (+) / expense (-) | - | 16 | -1 | 187 | 202 | 0 | 202 |
| | | | | | | | |
| Dividends | - | - | - | -254 | -254 | 0 | -254 |
| Redemption of own shares | - | - | 0 | - | 0 | - | 0 |
| Share-based payments, net of tax | - | - | 2 | 0 | 2 | - | 2 |
| Other | - | - | 2 | -1 | 1 | 1 | 2 |
| **Balance at June 30, 2012** | **241** | **61** | **709** | **1,055** | **2,066** | **22** | **2,088** |
| | | | | | | | |
| | | | | | | | |
| **Balance at Jan 1, 2013** | **241** | **23** | **718** | **1,225** | **2,207** | **20** | **2,227** |
| | | | | | | | |
| Profit | - | - | - | 123 | 123 | 0 | 123 |
| | | | | | | | |
| Other comprehensive income (+) / expense (-) | | | | | | | |
| Cash flow hedges, net of tax | - | - | 2 | - | 2 | - | 2 |
| Available-for-sale equity investments, net of tax | - | - | 0 | - | 0 | - | 0 |
| Currency translation on subsidiary net investments | - | -40 | - | - | -40 | - | -40 |
| Net investment hedge gains (losses), net of tax | - | - | - | - | - | - | - |
| Total comprehensive income (+) / expense (-) | - | -40 | 2 | 123 | 85 | 0 | 85 |
| | | | | | | | |
| Dividends | - | - | - | -277 | -277 | - | -277 |
| Share-based payments, net of tax | - | - | 4 | 0 | 4 | - | 4 |
| Other | - | - | 1 | 0 | 1 | - | 1 |
| Changes in non-controlling interests | - | - | - | -2 | -2 | -2 | -4 |
| **Balance at June 30, 2013** | **241** | **-17** | **725** | **1,069** | **2,018** | **18** | **2,036** |

# Acquisitions 2013

In June, Metso acquired EPT Engineering Services Pvt. Ltd. in India into its Power business line.

# Disposals of businesses 2013

In May, Metso sold its 70% holding in ND Engineering (Pty) Ltd in South Africa. This transaction had no material effect on Metso.

In January Metso divested Metso Husum AB, a service workshop servicing pulp and paper industry in Sweden. The transaction had no material effect on Metso.

# Fair value estimation

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

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

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

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

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

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

JUNE 30, 2013

| EUR million | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| **Assets** | | | |
| Financial assets at fair value through profit and loss | | | |
| • Derivatives | - | 10 | - |
| • Securities | 33 | 11 | - |
| Derivatives qualified for hedge accounting | - | 13 | - |
| Available for sale investments | | | |
| • Equity investments | 1 | - | - |
| • Debt investments | 16 | - | - |
| **Total assets** | **50** | **34** | **-** |
| | | | |
| **Liabilities** | | | |
| Financial liabilities at fair value through profit and loss | | | |
| • Derivatives | - | 16 | - |
| • Long term debt at fair value | - | 194 | - |
| Derivatives qualified for hedge accounting | - | 25 | - |
| **Total liabilities** | **-** | **235** | **-** |

# Assets pledged and contingent liabilities

| EUR million | June 30, 2013 | June 30, 2012 | Dec 31, 2012 |
|---|---|---|---|
| Mortgages on corporate debt | **39** | 0 | 0 |
| Other pledges and contingencies | | | |
| Mortgages | **5** | 5 | 5 |
| Other guarantees | **3** | 4 | 2 |
| | | | |
| Repurchase and other commitments | **5** | 7 | 5 |
| Lease commitments | **212** | 219 | 223 |

# Notional amounts of derivative financial instruments

| EUR million | June 30, 2013 | June 30, 2012 | Dec 31, 2012 |
|---|---|---|---|
| Forward exchange rate contracts | **2,311** | 2,690 | 2,488 |
| Interest rate swaps | **285** | 85 | 285 |
| Cross currency swaps | **33** | 33 | 33 |
| Option agreements | | | |
| Bought | **-** | - | 1 |
| Sold | **20** | 20 | 10 |

The notional amount of electricity forwards was 616 GWh as of June 30, 2013 and 657 GWh as of June 30, 2012.

The notional amount of nickel forwards to hedge stainless steel prices was 498 tons as of June 30, 2013 and 540 tons as of June 30, 2012.

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

# Key ratios

| | 1-6/2013 | 1-6/2012 | 1-12/2012 |
|---|---|---|---|
| Earnings per share, EUR | **0.82** | 1.25 | 2.46 |
| Diluted earnings per share, EUR | **0.82** | 1.25 | 2.46 |
| | | | |
| Equity/share at end of period, EUR | **13.46** | 13.80 | 14.74 |
| Return on equity (ROE), % (annualized) | **11.6** | 18.4 | 17.3 |
| Return on capital employed (ROCE) before taxes, % (annualized) | **13.6** | 19.7 | 19.7 |
| Return on capital employed (ROCE) after taxes, % (annualized) | **10.1** | 14.4 | 14.2 |
| Equity to assets ratio at end of period, % | **38.9** | 39.6 | 40.5 |
| Net gearing at end of period, % | **27.4** | 22.6 | 14.2 |
| | | | |
| Free cash flow, EUR million | **54** | 70 | 257 |
| Free cash flow/share, EUR | **0.36** | 0.47 | 1.72 |
| Cash conversion, % | **44** | 37 | 70 |
| | | | |
| Gross capital expenditure (excl. business acquisitions), EUR million | **116** | 64 | 156 |
| Business acquisitions, net of cash acquired, EUR million | **3** | 5 | 5 |
| Depreciation and amortization, EUR million | **82** | 82 | 166 |
| | | | |
| Number of outstanding shares at end of period (thousands) | **149,864** | 149,756 | 149,756 |
| Average number of shares (thousands) | **149,787** | 149,674 | 149,715 |
| Average number of diluted shares (thousands) | **149,924** | 149,813 | 149,870 |

# Impact on income statement due to changes in accounting principles following IAS 19 R 'Employee benefits'

| | 1-6/2013 | 1-6/2012 | 1-12/2012 |
|---|---|---|---|
| Earnings per share, EUR, restated | **0.82** | 1.25 | 2.46 |
| Earnings per share, EUR, as published in 2012 | | 1.26 | 2.49 |
| | | | |
| Operating profit, restated | **216** | 294 | 602 |
| Operating profit, as published in 2012 | | 292 | 599 |
| Financial income and expenses, net, restated | **-34** | -23 | -59 |
| Financial income and expenses, net, as published in 2012 | | -18 | -49 |
| Income taxes, restated | **-59** | -84 | -175 |
| Income taxes, as published in 2012 | | -85 | -178 |
| Profit, restated | **123** | 187 | 368 |
| Profit, as published in 2012 | | 189 | 372 |

According to IAS 19 R amendment, Metso now determines the net interest expense on the net defined benefit plan by applying the discount rate used to measure the defined benefit obligation, and the plan assets can not anymore have a higher return in the calculations than the liability discount rate. The net interest is now booked into financial income and expenses in the income statement.

# Exchange rates used

| | | 1-6/2013 | 1-6/2012 | 1-12/2012 | June 30, 2013 | June 30, 2012 | Dec 31, 2012 |
|---|---|---|---|---|---|---|---|
| USD | (US dollar) | **1.3119** | 1.3017 | 1.2932 | **1.3080** | 1.2590 | 1.3194 |
| SEK | (Swedish krona) | **8.5599** | 8.8756 | 8.7015 | **8.7773** | 8.7728 | 8.5820 |
| GBP | (Pound sterling) | **0.8481** | 0.8240 | 0.8137 | **0.8572** | 0.8068 | 0.8161 |
| CAD | (Canadian dollar) | **1.3365** | 1.3080 | 1.2930 | **1.3714** | 1.2871 | 1.3137 |
| BRL | (Brazilian real) | **2.6900** | 2.4270 | 2.5220 | **2.8899** | 2.5788 | 2.7036 |
| CNY | (Chinese yuan) | **8.1209** | 8.2197 | 8.1462 | **8.0280** | 8.0011 | 8.2207 |
| AUD | (Australian dollar) | **1.3028** | 1.2585 | 1.2468 | **1.4171** | 1.2339 | 1.2712 |

# Formulas for calculation of indicators

**EBITA before non-recurring items:**
Operating profit + amortization + goodwill impairment + non-recurring items

**Earnings/share, basic:**

$$\frac{\text{Profit attributable to shareholders of the company}}{\text{Average number of outstanding shares during period}}$$

**Earnings/share, diluted:**

$$\frac{\text{Profit attributable to shareholders of the company}}{\text{Average number of diluted shares during period}}$$

**Equity/share:**

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

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

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

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

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

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

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

**Net gearing, %:**

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

**Equity to assets ratio, %:**

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

**Free cash flow:**

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

**Free cash flow / share:**

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

**Cash conversion, %:**

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

# Segment information

## NET SALES

| EUR million | 4-6/2013 | 4-6/2012 | 1-6/2013 | 1-6/2012 | 7/2012-6/2013 | 1-12/2012 |
|---|---|---|---|---|---|---|
| Mining and Construction | **800** | 899 | **1,544** | 1,686 | 3,350 | 3,492 |
| Automation | **207** | 232 | **391** | 414 | 836 | 859 |
| Pulp, Paper and Power | **714** | 733 | **1,345** | 1,454 | 2,905 | 3,014 |
| Valmet Automotive | **57** | 51 | **104** | 128 | 192 | 216 |
| Group Head Office and other | **-** | - | **-** | - | - | - |
| Group Head Office and others total | **57** | 51 | **104** | 128 | 192 | 216 |
| Intra Metso net sales | **-22** | -18 | **-38** | -30 | -85 | -77 |
| **Metso total** | **1,756** | 1,897 | **3,346** | 3,652 | 7,198 | 7,504 |

## EBITA BEFORE NON-RECURRING ITEMS

| EUR million | 4-6/2013 | 4-6/2012 | 1-6/2013 | 1-6/2012 | 7/2012-6/2013 | 1-12/2012 |
|---|---|---|---|---|---|---|
| Mining and Construction | **96.5** | 112.6 | **187.7** | 194.7 | 412.9 | 419.9 |
| Automation | **28.5** | 30.5 | **44.6** | 41.6 | 104.2 | 101.2 |
| Pulp, Paper and Power | **27.2** | 46.1 | **55.5** | 101.9 | 157.4 | 203.8 |
| Valmet Automotive | **-1.0** | -3.2 | **-0.2** | 0.9 | -0.5 | 0.6 |
| Group Head Office and other | **-9.0** | -7.8 | **-13.9** | -19.7 | -32.2 | -38.0 |
| Group Head Office and others total | **-10.0** | -11.0 | **-14.1** | -18.8 | -32.7 | -37.4 |
| **Metso total** | **142.2** | 178.2 | **273.7** | 319.4 | 641.8 | 687.5 |

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

| % | 4-6/2013 | 4-6/2012 | 1-6/2013 | 1-6/2012 | 7/2012-6/2013 | 1-12/2012 |
|---|---|---|---|---|---|---|
| Mining and Construction | **12.1** | 12.5 | **12.2** | 11.5 | 12.3 | 12.0 |
| Automation | **13.8** | 13.1 | **11.4** | 10.0 | 12.5 | 11.8 |
| Pulp, Paper and Power | **3.8** | 6.3 | **4.1** | 7.0 | 5.4 | 6.8 |
| Valmet Automotive | **-1.8** | -6.3 | **-0.2** | 0.7 | -0.3 | 0.3 |
| Group Head Office and other | **n/a** | n/a | **n/a** | n/a | n/a | n/a |
| Group Head Office and others total | **n/a** | n/a | **n/a** | n/a | n/a | n/a |
| **Metso total** | **8.1** | 9.4 | **8.2** | 8.7 | 8.9 | 9.2 |

## NON-RECURRING ITEMS

| EUR million | 4-6/2013 | 4-6/2012 | 1-6/2013 | 1-6/2012 | 7/2012-6/2013 | 1-12/2012 |
|---|---|---|---|---|---|---|
| Mining and Construction | **-20.7** | - | **-20.7** | - | -28.9 | -8.2 |
| Automation | **-** | - | **-** | - | -1.0 | -1.0 |
| Pulp, Paper and Power | **-8.0** | - | **-8.0** | - | -31.7 | -23.7 |
| Valmet Automotive | **-** | - | **-** | - | -1.1 | -1.1 |
| Group Head Office and other | **-4.4** | -1.2 | **-4.4** | -1.2 | -5.2 | -2.0 |
| Group Head Office and others total | **-4.4** | -1.2 | **-4.4** | -1.2 | -6.3 | -3.1 |
| **Metso total** | **-33.1** | -1.2 | **-33.1** | -1.2 | -67.9 | -36.0 |

## AMORTIZATION

| EUR million | 4-6/2013 | 4-6/2012 | 1-6/2013 | 1-6/2012 | 7/2012-6/2013 | 1-12/2012 |
|---|---|---|---|---|---|---|
| Mining and Construction | **-2.5** | -2.6 | **-5.1** | -5.2 | -10.3 | -10.4 |
| Automation | **-1.1** | -1.1 | **-2.3** | -2.2 | -4.6 | -4.5 |
| Pulp, Paper and Power | **-6.8** | -7.3 | **-13.5** | -14.5 | -28.0 | -29.0 |
| Valmet Automotive | **-0.8** | -0.8 | **-1.6** | -1.5 | -3.2 | -3.1 |
| Group Head Office and other | **-0.9** | -0.5 | **-1.9** | -1.1 | -3.6 | -2.8 |
| Group Head Office and others total | **-1.7** | -1.3 | **-3.5** | -2.6 | -6.8 | -5.9 |
| **Metso total** | **-12.1** | -12.3 | **-24.4** | -24.5 | -49.7 | -49.8 |

## OPERATING PROFIT (LOSS)

| EUR million | 4-6/2013 | 4-6/2012 | 1-6/2013 | 1-6/2012 | 7/2012-6/2013 | 1-12/2012 |
|---|---|---|---|---|---|---|
| Mining and Construction | **73.3** | 110.1 | **161.9** | 189.6 | 373.7 | 401.4 |
| Automation | **27.4** | 29.3 | **42.3** | 39.3 | 98.6 | 95.6 |
| Pulp, Paper and Power | **12.4** | 38.8 | **34.0** | 87.4 | 97.7 | 151.1 |
| Valmet Automotive | **-1.9** | -3.9 | **-1.9** | -0.5 | -4.8 | -3.4 |
| Group Head Office and other | **-14.2** | -9.6 | **-20.1** | -22.1 | -41.0 | -43.0 |
| Group Head Office and others total | **-16.1** | -13.5 | **-22.0** | -22.6 | -45.8 | -46.4 |
| **Metso total** | **97.0** | 164.7 | **216.2** | 293.7 | 524.2 | 601.7 |

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

| % | 4-6/2013 | 4-6/2012 | 1-6/2013 | 1-6/2012 | 7/2012-6/2013 | 1-12/2012 |
|---|---|---|---|---|---|---|
| Mining and Construction | **9.2** | 12.2 | **10.5** | 11.2 | 11.2 | 11.5 |
| Automation | **13.2** | 12.6 | **10.8** | 9.5 | 11.8 | 11.1 |
| Pulp, Paper and Power | **1.7** | 5.3 | **2.5** | 6.0 | 3.4 | 5.0 |
| Valmet Automotive | **-3.3** | -7.6 | **-1.8** | -0.4 | -2.5 | -1.6 |
| Group Head Office and other | **n/a** | n/a | **n/a** | n/a | n/a | n/a |
| Group Head Office and others total | **n/a** | n/a | **n/a** | n/a | n/a | n/a |
| **Metso total** | **5.5** | 8.7 | **6.5** | 8.0 | 7.3 | 8.0 |

## ORDERS RECEIVED

| EUR million | 4-6/2013 | 4-6/2012 | 1-6/2013 | 1-6/2012 | 7/2012-6/2013 | 1-12/2012 |
|---|---|---|---|---|---|---|
| Mining and Construction | **743** | 891 | **1,529** | 1,855 | 3,110 | 3,436 |
| Automation | **239** | 225 | **493** | 449 | 889 | 845 |
| Pulp, Paper and Power | **861** | 586 | **1,372** | 1,263 | 2,553 | 2,444 |
| Valmet Automotive | **57** | 51 | **104** | 128 | 192 | 216 |
| Group Head Office and other | **-** | - | **-** | - | - | - |
| Group Head Office and others total | **57** | 51 | **104** | 128 | 192 | 216 |
| Intra Metso orders received | **-17** | -18 | **-31** | -40 | -67 | -76 |
| **Metso total** | **1,883** | 1,735 | **3,467** | 3,655 | 6,677 | 6,865 |

# Quarterly information

## NET SALES

| EUR million | 4-6/2012 | 7-9/2012 | 10-12/2012 | 1-3/2013 | 4-6/2013 |
|---|---|---|---|---|---|
| Mining and Construction | 899 | 882 | 924 | 744 | **800** |
| Automation | 232 | 212 | 233 | 184 | **207** |
| Pulp, Paper and Power | 733 | 635 | 925 | 631 | **714** |
| Valmet Automotive | 51 | 45 | 43 | 47 | **57** |
| Group Head Office and other | - | - | - | - | **-** |
| Group Head Office and others total | 51 | 45 | 43 | 47 | **57** |
| Intra Metso net sales | -18 | -20 | -27 | -16 | **-22** |
| **Metso total** | 1,897 | 1,754 | 2,098 | 1,590 | **1,756** |

## EBITA BEFORE NON-RECURRING ITEMS

| EUR million | 4-6/2012 | 7-9/2012 | 10-12/2012 | 1-3/2013 | 4-6/2013 |
|---|---|---|---|---|---|
| Mining and Construction | 112.6 | 106.2 | 119.0 | 91.2 | **96.5** |
| Automation | 30.5 | 28.8 | 30.8 | 16.1 | **28.5** |
| Pulp, Paper and Power | 46.1 | 45.1 | 56.8 | 28.3 | **27.2** |
| Valmet Automotive | -3.2 | -1.7 | 1.4 | 0.8 | **-1.0** |
| Group Head Office and other | -7.8 | -7.0 | -11.3 | -4.9 | **-9.0** |
| Group Head Office and others total | -11.0 | -8.7 | -9.9 | -4.1 | **-10.0** |
| **Metso total** | 178.2 | 171.4 | 196.7 | 131.5 | **142.2** |

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

| % | 4-6/2012 | 7-9/2012 | 10-12/2012 | 1-3/2013 | 4-6/2013 |
|---|---|---|---|---|---|
| Mining and Construction | 12.5 | 12.0 | 12.9 | 12.3 | **12.1** |
| Automation | 13.1 | 13.6 | 13.2 | 8.8 | **13.8** |
| Pulp, Paper and Power | 6.3 | 7.1 | 6.1 | 4.5 | **3.8** |
| Valmet Automotive | -6.3 | -3.8 | 3.3 | 1.7 | **-1.8** |
| Group Head Office and other | n/a | n/a | n/a | n/a | **n/a** |
| Group Head Office and others total | n/a | n/a | n/a | n/a | **n/a** |
| **Metso total** | 9.4 | 9.8 | 9.4 | 8.3 | **8.1** |

## NON-RECURRING ITEMS

| EUR million | 4-6/2012 | 7-9/2012 | 10-12/2012 | 1-3/2013 | 4-6/2013 |
|---|---|---|---|---|---|
| Mining and Construction | - | -1.0 | -7.2 | - | **-20.7** |
| Automation | - | - | -1.0 | - | **-** |
| Pulp, Paper and Power | - | - | -23.7 | - | **-8.0** |
| Valmet Automotive | - | - | -1.1 | - | **-** |
| Group Head Office and other | -1.2 | - | -0.8 | - | **-4.4** |
| Group Head Office and others total | -1.2 | - | -1.9 | - | **-4.4** |
| **Metso total** | -1.2 | -1.0 | -33.8 | - | **-33.1** |

## AMORTIZATION

| EUR million | 4-6/2012 | 7-9/2012 | 10-12/2012 | 1-3/2013 | **4-6/2013** |
|---|---|---|---|---|---|
| Mining and Construction | -2.6 | -2.5 | -2.7 | -2.6 | **-2.5** |
| Automation | -1.1 | -1.2 | -1.1 | -1.2 | **-1.1** |
| Pulp, Paper and Power | -7.3 | -7.3 | -7.2 | -6.7 | **-6.8** |
| Valmet Automotive | -0.8 | -0.8 | -0.8 | -0.8 | **-0.8** |
| Group Head Office and other | -0.5 | -0.9 | -0.8 | -1.0 | **-0.9** |
| Group Head Office and others total | -1.3 | -1.7 | -1.6 | -1.8 | **-1.7** |
| **Metso total** | -12.3 | -12.7 | -12.6 | -12.3 | **-12.1** |

## OPERATING PROFIT (LOSS)

| EUR million | 4-6/2012 | 7-9/2012 | 10-12/2012 | 1-3/2013 | **4-6/2013** |
|---|---|---|---|---|---|
| Mining and Construction | 110.1 | 102.5 | 109.3 | 88.6 | **73.3** |
| Automation | 29.3 | 27.7 | 28.6 | 14.9 | **27.4** |
| Pulp, Paper and Power | 38.8 | 37.8 | 25.9 | 21.6 | **12.4** |
| Valmet Automotive | -3.9 | -2.4 | -0.5 | 0.0 | **-1.9** |
| Group Head Office and other | -9.6 | -7.9 | -13.0 | -5.9 | **-14.2** |
| Group Head Office and others total | -13.5 | -10.3 | -13.5 | -5.9 | **-16.1** |
| **Metso total** | 164.7 | 157.7 | 150.3 | 119.2 | **97.0** |

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

| % | 4-6/2012 | 7-9/2012 | 10-12/2012 | 1-3/2013 | **4-6/2013** |
|---|---|---|---|---|---|
| Mining and Construction | 12.2 | 11.6 | 11.8 | 11.9 | **9.2** |
| Automation | 12.6 | 13.1 | 12.3 | 8.1 | **13.2** |
| Pulp, Paper and Power | 5.3 | 6.0 | 2.8 | 3.4 | **1.7** |
| Valmet Automotive | -7.6 | -5.3 | -1.2 | 0.0 | **-3.3** |
| Group Head Office and other | n/a | n/a | n/a | n/a | **n/a** |
| Group Head Office and others total | n/a | n/a | n/a | n/a | **n/a** |
| **Metso total** | 8.7 | 9.0 | 7.2 | 7.5 | **5.5** |

## CAPITAL EMPLOYED

| EUR million | June 30, 2012 | Sep 30, 2012 | Dec 31, 2012 | Mar 31, 2013 | **June 30, 2013** |
|---|---|---|---|---|---|
| Mining and Construction | 1,432 | 1,449 | 1,357 | 1,456 | **1,328** |
| Automation | 325 | 299 | 289 | 290 | **286** |
| Pulp, Paper and Power | 653 | 697 | 786 | 782 | **811** |
| Valmet Automotive | 47 | 36 | 35 | 24 | **75** |
| Group Head Office and other | 671 | 717 | 1,050 | 778 | **812** |
| Group Head Office and others total | 718 | 753 | 1,085 | 802 | **887** |
| **Metso total** | 3,128 | 3,198 | 3,517 | 3,330 | **3,312** |

Capital employed includes only external balance sheet items.

## ORDERS RECEIVED

| EUR million | 4-6/2012 | 7-9/2012 | 10-12/2012 | 1-3/2013 | **4-6/2013** |
|---|---|---|---|---|---|
| Mining and Construction | 891 | 787 | 794 | 786 | **743** |
| Automation | 225 | 190 | 206 | 254 | **239** |
| Pulp, Paper and Power | 586 | 504 | 677 | 511 | **861** |
| Valmet Automotive | 51 | 45 | 43 | 47 | **57** |
| Group Head Office and other | - | - | - | - | **-** |
| Group Head Office and others total | 51 | 45 | 43 | 47 | **57** |
| Intra Metso orders received | -18 | -15 | -21 | -14 | **-17** |
| **Metso total** | 1,735 | 1,511 | 1,699 | 1,584 | **1,883** |

## ORDER BACKLOG

| EUR million | June 30, 2012 | Sep 30, 2012 | Dec 31, 2012 | Mar 31, 2013 | **June 30, 2013** |
|---|---|---|---|---|---|
| Mining and Construction | 2,299 | 2,189 | 1,983 | 2,061 | **1,872** |
| Automation | 398 | 374 | 343 | 417 | **438** |
| Pulp, Paper and Power | 2,663 | 2,534 | 2,249 | 2,138 | **1,883** |
| Valmet Automotive | - | - | - | - | **-** |
| Group Head Office and other | - | - | - | - | **-** |
| Group Head Office and others total | - | - | - | - | **-** |
| Intra Metso order backlog | -70 | -66 | -60 | -58 | **-52** |
| **Metso total** | 5,290 | 5,031 | 4,515 | 4,558 | **4,141** |

## PERSONNEL

| | June 30, 2012 | Sep 30, 2012 | Dec 31, 2012 | Mar 31, 2013 | **June 30, 2013** |
|---|---|---|---|---|---|
| Mining and Construction | 11,772 | 11,754 | 11,721 | 11,686 | **11,620** |
| Automation | 4,171 | 4,119 | 4,128 | 4,124 | **4,336** |
| Pulp, Paper and Power | 13,030 | 12,650 | 12,439 | 12,170 | **11,970** |
| Valmet Automotive | 1,514 | 1,086 | 1,093 | 1,216 | **1,334** |
| Group Head Office and other | 851 | 818 | 831 | 821 | **851** |
| Group Head Office and others total | 2,365 | 1,904 | 1,924 | 2,037 | **2,185** |
| **Metso total** | 31,338 | 30,427 | 30,212 | 30,017 | **30,111** |

# Non-recurring items and amortization of intangible assets

| 4-6/2013<br>EUR million | Mining and Construction | Automation | Pulp, Paper and Power | Metso total |
|---|---|---|---|---|
| **EBITA before non-recurring items** | **96.5** | **28.5** | **27.2** | **142.2** |
| **% of net sales** | **12.1** | **13.8** | **3.8** | **8.1** |
| Loss on revaluation of Northland receivables reclassified as long-term interest bearing loan | -20.7 | - | - | **-20.7** |
| Capacity adjustment expenses | - | - | -8.0 | **-8.0** |
| Costs related to demerger process | - | - | - | **-4.4** |
| Amortization of intangible assets *) | -2.5 | -1.1 | -6.8 | **-12.1** |
| Operating profit (EBIT) | 73.3 | 27.4 | 12.4 | **97.0** |
| Non-recurring items in other financial expenses related to demerger process | - | - | - | **-4.5** |

*) Includes EUR 4.2 million amortization of intangible assets acquired through business acquisitions.

| 4-6/2012<br>EUR million | Mining and Construction | Automation | Pulp, Paper and Power | Metso total |
|---|---|---|---|---|
| **EBITA before non-recurring items** | **112.6** | **30.5** | **46.1** | **178.2** |
| **% of net sales** | **12.5** | **13.1** | **6.3** | **9.4** |
| Costs related to business acquisition projects | - | - | - | **-1.2** |
| Amortization of intangible assets *) | -2.6 | -1.1 | -7.3 | **-12.3** |
| Operating profit (EBIT) | 110.1 | 29.3 | 38.8 | **164.7** |

*) Includes EUR 5.0 million amortization of intangible assets acquired through business acquisitions.

| 1-6/2013<br>EUR million | Mining and Construction | Automation | Pulp, Paper and Power | Metso total |
|---|---|---|---|---|
| **EBITA before non-recurring items** | **187.7** | **44.6** | **55.5** | **273.7** |
| **% of net sales** | **12.2** | **11.4** | **4.1** | **8.2** |
| Loss on revaluation of Northland receivables reclassified as long-term interest bearing loan | -20.7 | - | - | **-20.7** |
| Capacity adjustment expenses | - | - | -8.0 | **-8.0** |
| Costs related to demerger process | - | - | - | **-4.4** |
| Amortization of intangible assets *) | -5.1 | -2.3 | -13.5 | **-24.4** |
| Operating profit (EBIT) | 161.9 | 42.3 | 34.0 | **216.2** |
| Non-recurring items in other financial expenses related to demerger process | - | - | - | **-4.5** |

*) Includes EUR 9.2 million amortization of intangible assets acquired through business acquisitions.

| 1-6/2012<br>EUR million | Mining and Construction | Automation | Pulp, Paper and Power | Metso total |
|---|---|---|---|---|
| **EBITA before non-recurring items** | **194.7** | **41.6** | **101.9** | **319.4** |
| **% of net sales** | **11.5** | **10.0** | **7.0** | **8.7** |
| Costs related to business acquisition projects | - | - | - | **-1.2** |
| Amortization of intangible assets *) | -5.2 | -2.2 | -14.5 | **-24.5** |
| Operating profit (EBIT) | 189.6 | 39.3 | 87.4 | **293.7** |

*) Includes EUR 10.1 million amortization of intangible assets acquired through business acquisitions.

| 1-12/2012<br>EUR million | Mining and Construction | Automation | Pulp, Paper and Power | Metso total |
|---|---|---|---|---|
| **EBITA before non-recurring items** | **419.9** | **101.2** | **203.8** | **687.5** |
| **% of net sales** | **12.0** | **11.8** | **6.8** | **9.2** |
| Capacity adjustment expenses | -10.7 | -1.0 | -23.7 | **-35.6** |
| Intellectual property items | 2.5 | - | - | **2.5** |
| Costs related to business acquisition projects | - | - | - | **-1.8** |
| Costs related to bankruptcy of THINK Global A/S | - | - | - | **-1.1** |
| Amortization of intangible assets *) | -10.4 | -4.5 | -29.0 | **-49.8** |
| Operating profit (EBIT) | 401.4 | 95.6 | 151.1 | **601.7** |

*) Includes EUR 20.4 million amortization of intangible assets acquired through business acquisitions.

# Notes to the Interim Review

We have prepared this Interim Review in accordance with IAS 34 'Interim Financial Reporting'. The same accounting policies have been applied as in the Financial Statements for 2012, except for the amendment to the IAS19 'Employee Benefits' standard. This requires the immediate recognition of changes in net defined liability (asset).

Disaggregation of the defined benefit cost is split into three components: service, net interest, and remeasurement components, with the latter recognized under other comprehensive income. Henceforward, Metso will present net interest under financial items.

The figures for the comparative period have been amended to reflect the requirements of the amended standard. This Interim Review is unaudited.

## Decisions of the Annual General Meeting

Metso's Annual General Meeting (AGM) on March 28, 2013 approved the Financial Statements for 2012 and discharged the members of the Board of Directors and the President and CEO from liability for the 2012 financial year. The AGM approved the proposals of the Board of Directors to authorize the Board to decide on a repurchase of Metso shares, to amend the Articles of Association, and to establish a Shareholders' Nomination Board.

The AGM decided that a dividend of EUR 1.85 per share would be paid for the financial year ending on December 31, 2012, and the dividend was paid on April 11, 2013.

The Annual General Meeting confirmed the number of Board members as eight and elected Jukka Viinanen as Chairman of the Board and Mikael von Frenckell as Vice Chairman. Mikael Lilius was elected as a new Board member. Christer Gardell, Ozey K. Horton, Jr, Erkki Pehu-Lehtonen, Pia Rudengren, and Eeva Sipilä were re-elected for a new term.

The Annual General Meeting decided the following annual remuneration for Board members: EUR 100,000 for the Chairman, EUR 60,000 for the Vice Chairman and for the Chairman of the Audit Committee, and EUR 48,000 for members. In addition, it was decided that a meeting fee of EUR 700 be paid to members who reside in the Nordic countries, EUR 1,400 to members who reside elsewhere in Europe, and EUR 2,800 to members who reside outside of Europe for each meeting they attend, including committee meetings. The Annual General Meeting decided that, as a condition for this annual remuneration, the members of the Board of Directors will be obliged, directly based on the General Meeting's decision, to use 40 percent of their fixed annual remuneration for purchasing Metso shares from the market at a price formed in public trading. Board members acquired the shares from the market within two weeks following the publication of the first-quarter Interim Review on April 23, 2013. A total of 6,304 shares were acquired at the beginning of May.

Authorized Public Accountant Ernst & Young Oy was elected to act as the company's Auditor until the end of the next Annual General Meeting.

The Annual General Meeting decided to establish a Nomination Board to prepare proposals for the following Annual General Meeting regarding the composition of the Board of Directors and directors' remuneration. Representatives of the four largest shareholders were elected to the Nomination Board, and the Chairman of Metso's Board of Directors serves as the Nomination Board's expert member.

## Members of the Board committees and personnel representative

The Board of Directors elected the members of the Audit Committee and the Remuneration and HR Committee at its assembly meeting on March 28, 2013. The Board also decided to establish a new committee (Demerger Committee) related to the preparations for a possible demerger. The Audit Committee consists of Pia Rudengren (Chairman), Erkki Pehu-Lehtonen, and Eeva Sipilä. The Remuneration and HR Committee consists of Jukka Viinanen (Chairman), Mikael von Frenckell, Christer Gardell, and Mikael Lilius. The Demerger Committee comprises Jukka Viinanen (Chairman), Pia Rudengren, and Mikael Lilius, with Metso's President and CEO, Matti Kähkönen, as an expert member.

Metso's personnel groups in Finland have elected Eija Lahti-Jäntti as the personnel representative. She will participate in the meetings of Metso's Board of Directors as an invited expert, and her term of office is the same as that of Board members.

## Shares and share capital

As of the end of June 2013, Metso's share capital was EUR 240,982,843.80 and the number of shares was 150,348,256. The number of shares included 484,050 shares held by the Parent Company, which represented 0.32 percent of all shares and votes.

The average number of shares outstanding in January-June 2013, excluding Metso shares held by the Parent Company, was 149,787,111 and the average number of diluted shares was 149,924,048.

Metso's market capitalization, excluding shares held by the Parent Company, was EUR 3,914 million on June 30, 2013 (EUR 4,796 million).

Metso is not aware of any shareholders' agreements regarding the ownership of Metso shares and voting rights.

## Share-based incentive plans

Metso's share ownership plans are part of the remuneration and commitment program for Metso management. For further information, see www.metso.com/investors.

As reward shares for the plans are acquired in public trading, these plans do not have a diluting effect on share value.

The following share ownership plans are currently effective:

- SOP 2010–2012. In May 2013, Metso distributed rewards to 79 participants, amounting to 108,172 shares, of which 17,632 shares were allocated to the Executive Team. The directed share issue without consideration is based on the authorization granted to the Board of Directors by Metso's Annual General Meeting of Shareholders held on March 29, 2012.
- SOP 2011–2013. This plan had approximately 70 participants as of the end of June 2013 and the potential rewards it offers correspond to a maximum of 233,348 Metso shares.
- Long-term Incentive Plan for 2012–2014. This plan had 93 participants as of the end of June for the 2012 performance period and potential rewards correspond to a maximum of 414,880 Metso shares.
- Long-term Incentive Plan for 2013–2015. This plan had 99 participants as of the end of June for the 2013 performance period and potential rewards correspond to a maximum of 413,472 Metso shares.

## Trading in Metso shares

A total of 90,933,246 Metso shares were traded on NASDAQ OMX Helsinki in January-June, equivalent to a turnover of EUR 2,854 million. The share price on the last trading day of the period, June 28, 2013, was EUR 26.12 and the average trading price for the period was EUR 31.38. The highest quotation during the first half of the year was EUR 34.93 and the lowest EUR 26.12.

Metso's ADRs (American Depositary Receipts) are traded on the International OTCQX, the premier tier of the OTC (over-the-counter) market in the United States. On June 28, 2013, the closing price of the Metso ADR was USD 33.90. Metso is traded on the OTCQX market under the ticker symbol 'MXCYY', with each ADR representing one Metso share.

## Flagging notifications

Metso did not receive any flagging notifications during the period under review.

Shareholders currently owning more than 5.0 percent of Metso are Solidium Oy, with 11.1 percent of share capital and voting rights (flagging notification on December 31, 2011), and Cevian Capital Partners Limited, with 8.3 percent of share capital and voting rights (flagging notification on December 18, 2012).

## Credit ratings

Standard & Poor's Ratings Services, June 2013: Metso's long-term corporate credit rating BBB and short-term A-2 and outlook stable.

Moody's Investors Service, March 2013: long-term credit rating Baa2 and positive outlook, rating under review due to the company's possible demerger.

## Metso's Financial Reporting in 2013

The Interim Review for January–September 2013 will be published on October 24, 2013.

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