Metso is a leading process performance provider, with customers in the mining, construction, and oil & gas industries. Our focus is on the continuous development of intelligent solutions that improve sustainability and profitability. Metso's shares are listed on the NASDAQ OMX Helsinki Ltd. Metso employs around 16,000 professionals in 50 countries. Expect results.

Financial Statements 2013

Good result in 2013

Investment activity and demand for equipment and services related to the oil & gas industry remained good in 2013, while mining was soft. Our orders received were 3,709 million, of which EUR 2,038 million were services orders. Our net sales were EUR 3,858 million, of which services business accounted for 51 per cent. Our EBITA margin before non-recurring items increased significantly, which resulted from cost efficiency and sales mix improvements across the Group.

METSO'S BUSINESSES

Mining and Construction

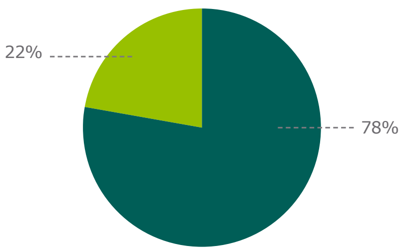
- Technology, processes, machinery and services for aggregates production, construction, mining and minerals processing and recycling.

78% of Metso's net sales

Automation

- Process industry flow control solutions, automation and information management systems as well as applications and services.

22% of Metso's net sales



How to read these Financial Statements
The Financial Statements 2013 have been published and printed in English and Finnish. For the complete Annual Report, including the Financial Statements and the Sustainability Report, please see our online Annual Report on www .metso.com/2013. We have also published a short Annual Review printed both in English and Finnish that summarizes the past year. Sustainability information presented online has been externally assured.

The "Related links" section contains additional sources and information about the topics presented in the Financial Statements. Some links are presented as QR codes for camera-equipped mobile devices.

RELATED LINKS

1. www.metso.com
2. www.metso.com/2013
3. www.twitter.com/metsogroup

Financial Statements 2013

Financial Statements are condensed from audited financial statements of Metso Corporation and comprise the consolidated financial statements of Metso, the Board of Directors' report, as well as the income statement, balance sheet and statement of changes in the shareholders' equity of the Parent Company. Audited financial statements are available on our website **www.metso.com**.

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Financial statements presented in the Annual Report are condensed from the audited financial statements of Metso Corporation and comprise the consolidated financial statements of Metso, the Board of Directors' report, as well as the income statement, balance sheet and statement of changes in the shareholders' equity of the Parent Company. Audited financial statements, including also notes to the Parent Company financial statements, are available on our website www.metso.com.

*) The accompanying notes form an integral part of these Financial Statements.

Notes to the Consolidated Financial Statements:

Board of Directors' Report

Operating environment, orders received and order backlog

Global economic growth was weaker throughout 2013 compared to the last few years. Despite this, our customers in the oil & gas industry continued to invest actively, which kept demand for our Flow Control business good. Investment appetite in the mining industry was soft the whole year. Thanks to high utilization rates at mines, the Mining and Construction services business saw good underlying demand, although this was somewhat offset by lower demand for rebuilds and destocking, the latter particularly during the first half of the year. Demand for Automation services was good.

Order intake totaled EUR 3,709 million (EUR 4,215 million) for 2013. This decline was primarily due to lower mining equipment and project orders. Orders in the Automation segment increased by 2 percent, or 6 percent with constant currencies. Services orders accounted for 55 percent of total orders (51%) and totaled EUR 2,038 million for the year as a whole (EUR 2,153 million). During the year, emerging markets accounted for 56 percent (55%) of all orders and 52 percent (49%) of services orders. The top three countries for new orders were the US, China, and Brazil, which together accounted for 29 percent of all new orders received.

Order backlog at the end of December was EUR 2.0 billion, which was 17 percent lower than at the end of 2012 (EUR 2.3 billion). We expect to recognize around 87 percent of backlog, i.e. EUR 1.6 billion, as net sales in 2014 (83% and EUR 1.9 billion), and 0.2 billion in 2015. Around 35 percent of order backlog for 2014 is related to the services business.

Currency impact on orders received

	2013 Change %	2013 Change % with constant rates
Mining and Construction	–17	–13
Services business	–9	–3
Automation	7	10
Services business	11	14
Metso total	**–12**	**–8**

Currency impact on net sales

	2013 Change %	2013 Change % with constant rates
Mining and Construction	–12	–8
Services business	–7	–1
Automation	–1	2
Services business	5	8
Metso total	**–10**	**–6**

Financial performance and net sales

Net sales in 2013 declined 10 percent and totaled EUR 3,858 million (EUR 4,282 million). Services sales declined 5 percent and accounted for 51 percent of total net sales (48%), i.e. EUR 1,976 million. Using fixed exchange rates, total net sales declined 6 percent and services net sales remained at 2012 levels. Emerging markets accounted for 49 percent of services sales and 56 percent of total sales in 2013.

EBITA before non-recurring items totaled EUR 496 million and 12.8 percent of net sales (EUR 486 million and 11.4%). The operating profit of EUR 423 million (EUR 458 million) was negatively impacted by non-recurring items of EUR 54 million (EUR 11 million), which are detailed in page 4.

Net financing expenses in 2013 were EUR 54 million (EUR 58 million). Interest expenses accounted for EUR 48 million (EUR 55 million), interest income for EUR 8 million (EUR 9 million) and other net financial expenses for EUR 14 million (EUR 12 million).

The Group's tax rate for 2013 was 35 percent (36%). The tax rate in 2014 is expected to be around 35 percent.

Cash flow and financing
(including discontinued operations)

Net cash generated by operating activities in 2013 totaled EUR 316 million (EUR 359 million). Net working capital decreased EUR 73 million (increased EUR 176 million) and amounted to EUR 627 million at the end of year (EUR 452 million). Free cash flow was EUR 224 million (EUR 257 million). The annual dividend totaled EUR 277 million or EUR 1.85 per share.

Metso's balance sheet remained strong despite the demerger. Net interest-bearing liabilities totaled EUR 490 million at the end of the year (EUR 316 million) and gearing was 41.6 percent (14.2%). Metso's liquidity position remains strong. Total cash assets at the end of 2013 were EUR 487 million, of which EUR 20 million were invested in financial instruments with an initial maturity exceeding three months and the remaining EUR 467 million have been accounted for as cash and cash equivalents. In addition, Metso has an undrawn syndicated EUR 500 million revolving credit facility available until December 2015, primarily intended for short-term funding purposes. The equity-to-assets ratio was 36.9 percent.

In May, due to extraordinary circumstances Metso participated in the refinancing of one of its customers, Northland Resources, 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 approximately EUR 30 million has been booked related to the IFRS-based fair valuation of this receivable.

Capital expenditure

Gross capital expenditure in 2013 was EUR 95 million (EUR 93 million), including EUR 29 million of business acquisitions. Maintenance investments accounted for 57 percent, i.e. EUR 55 million (64% and EUR 59 million). Capital expenditure in 2014 is expected to decline slightly compared to 2013.

Capital expenditure in 2013 included:

- completion of a mining service hub in Chile and the construction of new hubs in Canada, Mexico, and Peru
- a service and repair facility in Arizona, US capable of providing service and repairs for large grinding mills, crushers, and screens for mining customers
- the ongoing expansion of global rubber mill lining capacity at production plants in Chile, Sweden, Canada, Mexico, and Peru and
- completion of the ERP system project in the Automation segment.

Metso's key figures

EUR million	2013	2012	Change %
Orders received	**3,709**	4,215	–12
Orders received of services business	**2,038**	2,153	–5
% of orders received	**55**	51	
Order backlog	**1,927**	2,324	–17
Net sales	**3,858**	4,282	–10
Net sales of services business	**1,976**	2,072	–5
% of net sales	**51**	48	
Earnings before interests, tax and amortization (EBITA) and non-recurring items	**496**	486	2
% of net sales	**12.8**	11.4	
Earnings per share, EUR	**1.59**	1.71	–7
Free cash flow *)	**224**	257	-13
Return on capital employed (ROCE) before taxes, %	**18.6**	21.2	
Equity to asset ratio, %	**36.9**	39.1	
Net gearing, %	**41.6**	28.4	

*) Including discontinued operations

Reporting Segments

Mining and Construction

Mining customers continued to be cautious about new investment decisions and demand for mining equipment and projects was satisfactory, whereas that for mining services was good. Demand for construction equipment and related services remained unchanged and was satisfactory.

Annual orders received amounted to EUR 2,855 million, which is 17 percent less than in the comparison period (EUR 3,436 million). Orders received from mining customers declined whereas activity from construction customers remained similar to that seen in 2012. Emerging markets accounted for 60 percent (58%) of new orders. Services order intake declined 9 percent, or 3 percent using comparable exchange rates, compared to 2012 and accounted for 57 percent (52%) of all orders received.

The order backlog in Mining and Construction at the end of December was EUR 1,555 million, which was 22 percent lower than at the end of 2012 (EUR 1,983 million). There were no major order cancellations or postponements during the period. We expect 86 percent of the order backlog to be delivered in 2014. In addition, there are unbooked services orders extending over a number of years worth around EUR 300 million. The contractually secured portion of these multi-year service contracts is booked annually into backlog.

Net sales in 2013 declined to EUR 3,070 million (EUR 3,492 million). Net sales related to equipment and projects for mining customers were down 21 percent and those for construction customers declined 8 percent. The services business' net sales decreased 7 percent compared to 2012 and accounted for 51 percent (48%) of the segment's total net sales.

Mining and Construction's EBITA before non-recurring items in 2013 declined 5 percent and was EUR 401 million, i.e. 13.1 percent of net sales (EUR 420 million and 12.0%). Operating profit (EBIT) was EUR 340 million, i.e. 11.1 percent of net sales (EUR 401 million and 11.5%). The segment's return on operative capital employed (ROCE) was 25.1 percent (28.9%).

Orders received included:

- a life cycle services contract in Chile
- a process improvement project comprising crushing plant equipment and an automation system for Minera Esperanza's copper and gold mine in Antofagasta, Chile
- a crushing and screening project for Franzefoss, an aggregates producer in Norway
- a complete grinding system for Altay Polimetally's new copper mine in Kazakhstan
- a crushing and screening system for Monier's quarry in Papua New Guinea
- two repeat orders for Altay Polimetally's copper mine in Kazakhstan, including complete secondary, tertiary, and quaternary crushing and screening plants
- a railcar dumper facility for the iron ore producer, Société Nationale Industrielle et Minière, at the port of Nouadhibou in Mauritania and
- a six-and-a-half-year life-cycle services contract covering ZAO Russian Copper Company's copper concentrator in southwestern Russia.

Automation

Demand for products and related services to the energy and oil & gas industries remained good and the segment recorded its highest-ever annual order intake in 2013. Demand from pulp and paper customers remained satisfactory.

Annual orders received totaled EUR 902 million, which is 7 percent more than in 2012 (EUR 845 million). Order intake improved in all the segment's businesses. Emerging markets accounted for 44 percent (42%) of new orders. Services order intake increased 10 percent, or 14 percent using comparable exchange rates, compared to 2012 and accounted for 47 percent (45%) of all orders received.

Automation's order backlog at the end of December was EUR 373 million, which was 9 percent higher than at the end of 2012 (EUR 343 million). Out of the order backlog, 91 percent is expected to be delivered in 2014.

Net sales for 2013 as a whole declined 1 percent compared to 2012 and totaled EUR 854 million (EUR 859 million). Net sales improved 2 percent in the Flow Control business and declined 14 percent in the Process Automation Systems business. Net sales in the services business increased 5 percent and accounted for 47 percent of the segment's net sales (44%).

Non-recurring items and amortization of intangible assets

2013 EUR million	Mining and Construction	Automation	Group Head office and other	Metso total
EBITA before non-recurring items	**400.8**	**116.2**	**–21.3**	**495.7**
% of net sales	**13.1**	**13.6**		**12.8**
Loss on revaluation of Northland receivables reclassified as long-term interest bearing loan	–29.7	-	-	**–29.7**
Capacity adjustment expenses *)	–23.6	–3.6	–0.2	**–27.4**
Gain on business disposal	3.9	-	-	**3.9**
Intellectual property items	–0.6	-	-	**–0.6**
Amortization of intangible assets **)	–10.9	–4.1	–3.9	**–18.9**
Operating profit (EBIT)	339.9	108.5	–25.4	**423.0**

*) Includes EUR 5.3 million impairment of fixed assets and inventory.
**) Includes EUR 4.3 million amortization of intangible assets acquired through business acquisitions.

2012 EUR million	Mining and Construction	Automation	Group Head office and other	Metso total
EBITA before non-recurring items	**419.9**	**101.2**	**–34.8**	**486.3**
% of net sales	**12.0**	**11.8**		**11.4**
Capacity adjustment expenses	–10.7	–1.0	–1.5	**–13.2**
Intellectual property items	2.5	-	–0.4	**2.1**
Amortization of intangible assets *)	–10.3	–4.6	–2.7	**17.6**
Operating profit (EBIT)	401.4	95.6	–39.4	**457.6**

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

Automation's EBITA before non-recurring items in 2013 increased 15 percent to EUR 116 million, i.e. 13.6 percent of net sales (EUR 101 million and 11.8%), mainly due to good performance in the Flow Control business. Automation's operating profit (EBIT) was EUR 109 million, i.e. 12.7 percent of net sales (EUR 96 million and 11.1%). The segment's return on operative capital employed (ROCE) was 38.5 percent (31.8%).

Orders received included:
- the biggest-ever marine system order for a cruise ship
- a large process automation system and automated valves for a petrochemical industry customer in Finland
- advanced automation technology for Mondi SCP's Ružomberok pulp and paper mill in Slovakia and
- the relocation of a production line at the Chenming paper mill in China
- a valve refurbishing project to an ethylene plant in Russia
- valves for Sadara Chemical Company's fully integrated chemicals complex in Saudi Arabia
- valves for GS Engineering in Korea
- an automation system and capital equipment for Altay Polimetally's copper mine in Kazakhstan
- automation systems for power plants in Finland, the US and Poland
- an automation package for CMPC's Guaíba II pulp line in Brazil and
- a comprehensive automation package for Lee & Man Paper Manufacturing's new containerboard line in China.

Separation of the Pulp, Paper and Power businesses

On December 31, the completion of the partial demerger decided by Metso's Extraordinary General Meeting held on October 1, 2013 was registered with the Finnish Trade Register and all the assets, debts, and liabilities of the Pulp, Paper and Power businesses were transferred to Valmet Corporation. As part of the partial demerger, Metso's shareholders received one Valmet share for each of their Metso shares as a demerger consideration. Valmet Corporation was listed on the OMX Helsinki Stock Exchange on January 2, 2014.

Acquisitions, divestments, and associated companies

Business acquisitions

In November, Metso became the only full-scope supplier of comminution wear parts for mining customers through the acquisition of the Spanish grinding media supplier, Santa Ana de Bolueta SA (Sabo).

In September, we concluded the acquisition of a 75 percent stake in the Chinese crushing and screening equipment manufacturer, Shaorui Heavy Industries.

In August, we closed the acquisition of the JX manganese steel foundry in China, which has strengthened our ability to supply wear parts to the mining and construction industries in China and the Asia-Pacific region. The acquisition has been recognized as a technology acquisition.

Business divestments

At the end of December, we reduced our holding in Valmet Automotive from approximately 61 percent to approximately 41 percent, and Valmet Automotive ceased to be a Metso subsidiary.

In November, we completed the divestment of parts of our industrial rubber conveyor belt manufacturing and related sales and services operations. The divestment covered 27 locations, with around 330 employees. These previously came under the Mining and Construction segment although they served other industries.

In September, we finalized the divestment of our 50 percent holding in Shanghai-Neles Jamesbury to the other partner in the joint venture, Shanghai Electric Corporation, and transferred the production of Jamesbury valves in China to our Technology Center in Shanghai.

Research and technology development

Metso's research and technology development (RTD) network encompasses approximately 40 units around the world. RTD employed 347 (372) people in 2013 in engineering offices, RTD centers, and testing facilities. Metso actively develops and protects new technologies, processes, and service solutions, and the RTD network made about 170 (120) invention disclosures during 2013, resulting in 33 priority patent applications (60). As of the end of 2013, approximately 400 Metso inventions were protected by patents (380). Research and development expenses in 2013 totaled approximately EUR 60 million, i.e. 1.5 percent of net sales (EUR 60 million and 1.4%). In addition, expenses related to intellectual property rights amounted to EUR 4 million in 2013 (EUR 4 million).

We continued to strengthen our technology leadership in several areas, including energy-efficient comminution and crushing and screening. Metso's new high-pressure grinding mill and vertical grinding mill technologies offer significant savings in energy and process costs. New comminution wear solutions were launched to improve safety and efficiency. Metso also supplied two of the world's largest fully mobile, track-mounted in-pit crushing plants to Altay Polimetally in Kazakhstan and Samarco in Brazil.

Our Flow Control business modernized a cost-efficient high pressure ball valve for demanding shut-down applications for flow control services for customers in the energy and oil & gas sectors. We also launched a new cost-effective digital valve controller for control valve actuators. Capable of being used in any industry, it offers particular benefits for pulp & paper customers.

Our Process Automation Systems business released a new version of the MetsoDNA automation system. The new capabilities for turbine controls, monitoring, and protection, as well as for interfacing with electric network substations, that this offers will enhance the system's overall competitiveness in power plant automation. Our condition monitoring offering was also extended with the launch of wireless monitoring sensors. We strengthened our leading position in pulp & paper technology by launching a new fiber laboratory analyzer based on our new high-definition camera analyzer technology. Deliveries of paper surface orientation measurement equipment were started. A completely new moisture analyzer for pulp & paper, bio-power, and other customers was also launched. We also released the world's first advanced control applications for wastewater measurement and control systems, strengthening Metso's existing measurement offering in this area.

Health, safety and environment

One of Metso's strategic priorities is to support the development of a safe and healthy work environment that promotes employee wellbeing. Our long-term objective is to have zero work-related incidents. Metso is targeting a lost-time incident frequency (LTIF, number of incidents resulting in an absence of at least one workday per million hours worked) of less than one. The LTIF in 2013 was 4.2 (6.0).

Work continued in 2013 on the minimum safety standards introduced in 2012 relating to working at height, lock out/ tag out procedures, lifting, confined spaces, operating tools and equipment, working with hazardous substances, personal protective equipment, and maintaining good order. Ongoing efforts will continue in this area over the next few years, and additional standards will be introduced during 2014.

The environmental impact of Metso's production operations mainly relates to the consumption of raw materials, water, and energy, which generate carbon dioxide and other emissions, as well as waste. We are continuously improving our environmental management practices and the eco-efficiency of our production units, and we strive to develop sustainable business operations within our supply chain.

We have set global energy savings and carbon dioxide emissions targets covering production operations. Our goal is to boost energy efficiency and reduce carbon dioxide emissions by 15 percent by 2015 and 20 percent by 2020. External audits of energy consumption were completed in most units that consume large amounts of energy by the end of 2013 and identified a number of areas where significant savings could be made, particularly related to the use of fuel and heating. Potential savings were also found in cooling, compressed air systems, and building services. In 2013, Metso saved 1.1 percent of the energy of its own production, a total of 5,800 MWh. Since 2009, when Metso's energy efficiency program was started, 8.3%, i.e. a total of 45,700 MWh of energy, has been saved through a wide range of actions around the world.

Quarterly reporting metrics have been developed to measure energy-saving actions at all sites and will help promote energy-efficiency improvements and monitoring at Group level.

Metso was selected for inclusion in the Dow Jones Sustainability Index in 2013, and was among five Finnish companies included in the Dow Jones Sustainability World and Europe Indices. Metso was also included in CDP's Climate Disclosure Leadership Index and had the highest possible transparency score of 100/100 and a performance band of A-.

Risks and business uncertainties

Our operations are affected by various strategic, financial, operational, and hazard risks. We take measures to exploit emerging opportunities and limit the adverse effects of potential threats. If such threats materialize, they could have material adverse effects on our business, financial situation, and operating result, or on the value of Metso shares and other securities.

Our risk assessments take into consideration the probability of these risks and their estimated impact on net sales and financial results. Management estimates that the company's overall risk level is currently manageable in proportion to the scope of our operations and the practical measures available for managing these risks.

Financial uncertainty in the euro zone and elsewhere in global markets, 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. Despite this, we estimate that the business environment in our customer industries will develop favorably over the long term as a result of global megatrends, such as the rise of emerging markets, urbanization, and the increasing importance of environmentally sustainable process solutions. We estimate that the high proportion of our business derived from services and emerging markets will reduce the possible negative effects that market uncertainties may have.

Turbulence in terms of global economic growth and the political situation 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. In the case of long-term delivery projects, initial customer down-payments are typically 10–30 percent of the value of a project, and customers make progress payments as a project is implemented. This significantly reduces our risk and financing requirements related to these

Personnel by area

	Dec 31, 2013	% of total personnel	Dec 31, 2012	% of total personnel	Change %
Europe	**6,277**	**38**	6,890	41	–9
North America	**2,740**	**17**	2,832	17	–3
South and Central America	**3,020**	**18**	2,997	18	1
China	**1,493**	**9**	911	6	64
Other Asia-Pacific	**1,738**	**11**	1,808	11	–4
Africa and Middle East	**1,157**	**7**	1,174	7	–1
Metso total	**16,425**	**100**	16,612	100	–1

	Dec 31, 2013	% of total personnel	Dec 31, 2012	% of total personnel	Change %
Emerging markets	**7,592**	**46**	6,985	42	9
Developed markets	**8,833**	**54**	9,627	58	–8
Metso total	**16,425**	**100**	16,612	100	–1

projects. We continually assess our customers' creditworthiness and their ability to meet their obligations. As a rule, we do not finance customer projects. If growth in the global economy slows significantly, the markets for our products may shrink, which may lead to tougher price competition, for example. Changes in our customers' financial position may increase our project- and receivables-related risks.

We may see changes in the competitive situation of individual businesses, such as the emergence of new, cost-effective players in emerging markets. We can safeguard our market position by developing our products and services, and through good customer service and a local presence.

Securing the continuity of our operations requires that we have sufficient funding available under all circumstances. We estimate that our cash assets totaling EUR 467 million and available credit facilities are sufficient to secure our short-term liquidity and overall financial flexibility. The average maturity of our long-term debt is 4.5 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. We have developed our practices and information systems related to the management of net working capital, and expect that these measures will help us manage changes in our net working capital more effectively. We believe that we are well-positioned to keep capital expenditure at the level of total amortization and depreciation.

As of the end of 2013, we had EUR 456 million of goodwill on our balance sheet. Most of this is related to business acquisitions made over the last 12 years. We conduct regular impairment tests annually and more frequently if needed, and have not detected any impairment. The principles used for impairment testing are presented in the notes of our Financial Statements.

Changes in labor costs and the prices of raw materials and components can affect our profitability. Wage inflation is continuing, but our goal is to offset this by increasing productivity and price discipline. It is possible, however, that tough competition in some product categories will make it difficult to pass on cost increases to product prices. On the other hand, some of our customers are raw material producers, and their ability to operate and invest may be enhanced by strengthening raw material prices and hampered by declining raw material prices.

Currency exchange rate risks are among Metso's most substantial financial risks. Exchange rate changes can affect our business, although the wide geographical scope of our operations reduces the impact of any individual currency. In general, economic uncertainty is likely to increase exchange rate fluctuations. We hedge currency exposures linked to firm delivery and purchase agreements.

Personnel

As of the end of December, Metso had 16,425 employees, which was 187 less than at the end of 2012 (16,612 employees). Personnel numbers decreased by 51 in Mining and Construction and increased by 113 in the Automation segment compared to the end of 2012. Personnel in emerging markets accounted for 46 percent (42%). Metso employed an average of 16,687 people in 2013 and the average length of service was 9.2 years.

Mining and Construction employed 71 percent of personnel, Automation 26 percent, and Metso Group Head Office and Shared Services 3 percent. The countries with the largest numbers of personnel were Finland, the US, and Brazil – which accounted for 41 percent of total personnel.

In line with our strategy, we aim to develop a working environment that attracts the right people, helps them develop and reach their full potential, and enables our business success. In 2013, we continued focusing on leadership, performance, capabilities, and resourcing.

The roll-out of global Leadership Essentials Workshops continued, to ensure that our managers can build a connection between their day-to-day work and our strategy, customer needs, and industry challenges. The first Leadership Essentials Workshops were held in 2012 and have covered around 2,500 line managers since then.

Development work on global compensation processes continued in 2013 and included the implementation of a global pay range system that will enhance the analytical capabilities of Metso's global HR information system. We have also developed a compensation basic training package for managers to support decision-making on compensation matters in a global business environment.

The salaries and wages of Metso employees are determined on the basis of local collective and individual agreements, employee performance, and job evaluations. Basic salaries and wages are complemented by performance-based compensation systems. A total of EUR 699 million (EUR 725 million) was paid in salaries and wages in 2013. Indirect employee costs totaled EUR 203 million (EUR 201 million).

Metso Executive Team

As of October 2, 2013, Metso's Executive Team has consisted of the following members: Matti Kähkönen, President and CEO; Harri Nikunen, CFO; Andrew Benko, President, Mining and Construction, (until December 31, 2013); João Ney Colagrossi, President, Mining and Construction (as of January 1, 2014); Perttu Louhiluoto, President, Automation; Kalle Reponen, SVP, Strategy and M&A (until October 31, 2013); Simo Sääskilahti, SVP, Strategy and M&A (as of November 1, 2013); and Merja Kamppari, SVP, HR.

As of November 1, 2013, Harri Nikunen has been appointed as Executive Vice President and Deputy to the CEO alongside his duties as CFO. Pasi Laine, President of Pulp, Paper and Power and former Deputy to the CEO, was nominated President and CEO of Valmet Corporation and resigned from the Metso Executive Team on October 1, 2013.

Board of Directors

The Annual General Meeting on March 28, 2013, 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 member and Christer Gardell, Ozey K. Horton, Jr., Erkki Pehu-Lehtonen, Pia Rudengren, and Eeva Sipilä were re-elected for a new term.

On October 1, 2013, the Extraordinary General Meeting approved the number of Board members as seven and elected members for a term starting at the completion of Metso's partial demerger on December 31, 2013 and lasting until the end of the 2014 Annual General Meeting. Mikael Lilius was elected Chairman of the Board and Christer Gardell as Vice Chairman. In addition, Ozey K. Horton, Jr. and Eeva Sipilä were re-elected and Wilson Nélio Brumer, Lars Josefsson, and Nina Kopola were elected as new members. The Board elected the members of its Audit Committee and the Remuneration and HR Committee as follows: Eeva Sipilä was elected Chair of the Audit Committee and Lars Josefsson and Nina Kopola as members. Mikael Lilius was elected Chair of the Remuneration and HR Committee, with Christer Gardell and Ozey K. Horton, Jr. as members.

Corporate Governance Statement

We have prepared a separate Corporate Governance Statement for 2013 that complies with the recommendations of the Finnish Corporate Governance Code for listed companies and also covers other central areas of corporate governance. The statement will be published on our website, separately from the Board of Directors' Report, at www.metso.com/governance.

Strategy and financial targets

In September, the Board of Directors approved Metso's strategy, organization, and financial targets.

Metso intends to improve its profitability by expanding its services business, developing its operational excellence, and increasing its internal integration.

Metso's long-term financial targets are:

- Net sales growth to exceed market growth
- Services net sales annual growth of more than 10 percent on average
- EBITA margin before non-recurring items of 11–16 percent
- Return on capital employed (ROCE) before tax of 30 percent
- Earnings per share to grow faster than net sales
- Capital structure that supports a solid investment-grade credit rating
- Dividend payout of at least 50 percent of annual earnings per share.

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 Nomination Board's proposals concerning Board members and their remuneration were also approved. Authorized Public Accountant Ernst & Young Oy was elected to act as the company's Auditor until the end of the next AGM.

In addition, the AGM decided to pay a dividend of EUR 1.85 per share for the 2012 financial year.

Shares and share capital

At the end of December 31, 2013, after the completion of demerger, Metso's share capital was EUR 140,982,843.80 and the number of shares was 150,348,256. The number of shares included 483,637 shares held by the Parent Company, which represented 0.32 percent of all shares and votes.

The average number of shares outstanding in 2013, excluding Metso shares held by the Parent Company, was 149,826,119 and the average number of diluted shares was 149,941,820.

Metso's market capitalization, excluding shares held by the Parent Company, was EUR 4,649 million on December 31, 2013 (EUR 4,798 million). On January 2, 2014, after the listing of Valmet Corporation, Metso's market capitalization, excluding shares held by the Parent company, was EUR 3,645 million.

Share numbers at the end of December 2013 relate to the company structure at that time, including Valmet. 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 management. For further information, see www.metso.com/investors and in the Notes to the Financial Statements (Note 23 on pages 49-50).

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

Rewards related to the Share Ownership Plan 2010-2012 were distributed to 80 participants in 2013. The total amount of shares was 108,585, of which 17,632 shares were allocated to the Executive Team.

The following share ownership plans are currently in effect:

Share Ownership Plan 2011–2013

This plan had 66 participants as of the end of 2013 and after the demerger the number of Metso participants is 40. The potential rewards offered correspond to a maximum of 147,550 Metso shares. The amount will be determined in February 2014 and will be paid in both Metso and Valmet shares by the end of March 2014.

Long-term Incentive Plan for 2012–2014

This plan had 93 participants as of the end of December for the 2012 performance period, and after the demerger the number of Metso participants is 61. The potential rewards correspond to a maximum of 277,094 Metso shares. However, the maximum number of shares will be recalculated in April 2014 to take into account the effect of demerger to Metso share value.

Long-term Incentive Plan for 2012–2014
This plan had 99 participants as of the end of December for the 2013 performance period, and after the demerger the number of Metso participants is 65. The potential rewards correspond to a maximum of 284,372 Metso shares. However, the maximum number of shares will be recalculated in April 2014 to take into account the effect of demerger to Metso share value.

The share-based incentive plan approved in December 2011 remains in force. A maximum of 60 key employees in Metso will be covered by the plan for the 2014 performance period.

Events after the review period

On January 13, 2014, the United States Supreme Court denied Metso the right to appeal a decision by the United States Court of Appeals for the Federal Circuit in a patent infringement lawsuit between Metso and Terex Corporation. The dispute between Metso and Powerscreen International Ltd (today known as Terex GB Ltd) covered Metso's claims for damages related to a patent covering conveyers used in various mobile crushing and screening machinery.

On January 15, 2014, the Nomination Board established by Metso's Annual General Meeting (AGM) published its proposals for Board members and their remuneration. The Nomination Board will propose to the next AGM, due to be held on March 26, 2014, that the Board of Directors should have seven members and that Mikael Lilius, Christer Gardell, Wilson Nélio Brumer, Ozey K. Horton, Jr., Lars Josefsson, Nina Kopola, and Eeva Sipilä should be re-elected as Board members. Mikael Lilius will be proposed for re-election as Chairman of the Board and Christer Gardell as Vice Chairman. The Nomination Board will also propose that the annual remuneration of Board members should remain the same as in 2013. Metso's Board of Directors will include these proposals in the notice of the Annual General Meeting.

The Nomination Board was appointed by Metso's four largest registered shareholders on August 30, 2013, and consisted of Lars Förberg (Managing Partner, Cevian Capital) as Chairman and Kari Järvinen (Managing Director, Solidium Oy), Harri Sailas (President and CEO, Ilmarinen Mutual Pension Insurance Company), and Matti Vuoria (President and CEO, Varma Mutual Pension Insurance Company) as members. Metso's Chairman of the Board (Jukka Viinanen until December 31, 2013, and Mikael Lilius as of December 31, 2013) served as the Nomination Board's expert member.

On January 17, 2014, we announced that Valmet and Valmet Automotive will be reported as discontinued operations (IFRS 5) in our consolidated financial statements for 2013.

Short-term outlook

Market development

We expect demand for mining equipment and projects to be weak. 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 is expected to remain satisfactory, whereas demand for flow control products and related services is expected to remain good.

Financial performance

Market activity is estimated to remain roughly similar to 2013 and our order backlog in the beginning of 2014 was some EUR 400 million lower compared to the beginning of 2013. Continuing cost efficiency efforts are expected to support our profitability. We therefore estimate that our net sales in 2014 will be somewhat below 2013 and our EBITA margin before non-recurring items at around 12 percent of net sales.

Board of Director's proposal for the use of profit

The Company's distributable funds totaled EUR 664,314,590.01 on December 31, 2013, of which the net profit for 2013 was EUR 202,849,027.56.

The Board of Directors proposes that a dividend of EUR 1.00 per share be paid based on the balance sheet to be adopted for the financial year which ended December 31, 2013 and that the remaining portion of the profit be retained and included in the Company's unrestricted equity.

The dividend will be paid to shareholders who are registered in the Company's shareholders' register held by Euroclear Finland Ltd on the dividend record date of March 31, 2014. Payment will be made on April 8, 2014. All shares are entitled to a dividend, with the exception of the own shares held by the Company on the dividend record date.

Annual General Meeting 2014

Metso Corporation's Annual General Meeting for 2014 will be held at 11:00 a.m. on Wednesday, March 26, 2014 at the Helsinki Fair Centre (Messuaukio 1, FI–00520 Helsinki).

Helsinki, February 6, 2014
Metso Corporation's Board of Directors

Consolidated Statements of Income

EUR million	Note	2012	2013
		Year ended December 31,	
Net sales	33	4,282	**3,858**
Cost of goods sold	6, 7	–3,116	**–2,707**
Gross profit		1,166	**1,151**
Selling, general and administrative expenses	4, 6, 7	–707	**–703**
Other operating income and expenses, net	5	–2	**–26**
Share in profits and losses of associated companies	14	1	**1**
Operating profit	33	458	**423**
Financial income and expenses, net	8	–58	**–54**
Profit before tax		400	**369**
Income taxes	9	–144	**–131**
Profit from continuing operations		256	**238**
Profit from discontinued operations	11	112	**57**
Profit		368	**295**
Attributable to:			
Shareholders of the company		256	**238**
Non-controlling interests		0	**0**
Profit from continuing operations		256	**238**
Shareholders of the company		113	**74**
Non-controlling interests		–1	**–17**
Profit from discontinued operations		112	**57**
Earnings per share from continuing operations			
Basic, EUR	12	1.71	**1.59**
Diluted, EUR	12	1.71	**1.59**
Earnings per share from discontinued operations			
Basic, EUR	12	0.75	**0.49**
Diluted, EUR	12	0.75	**0.49**

Consolidated Statements of Comprehensive Income

EUR million	Note	2012	2013
		Year ended December 31,	
Profit		368	**295**
Items that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges, net of tax	22, 31	7	**4**
Available-for-sale equity investments, net of tax	15, 22	0	**0**
Currency translation on subsidiary net investments	22	–22	**–106**
Net investment hedge gains (+) / losses (-), net of tax	22	-	**-**
		–15	**–102**
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains (+) / losses (-), net of tax	28	–12	**28**
Other comprehensive income (+) / expense (-)		–27	**–74**
Total comprehensive income (+) / expense (-)		341	**221**
Attributable to:			
Shareholders of the company		342	**238**
Non-controlling interests		–1	**–17**
Total comprehensive income (+) / expense (-)		341	**221**

Consolidated Balance Sheets

Assets

EUR million	Note	As at December 31 2012	2013
Non-current assets			
Intangible assets	13		
Goodwill		887	**456**
Other intangible assets		253	**113**
		1,140	**569**
Property, plant and equipment	13		
Land and water areas		69	**50**
Buildings and structures		289	**131**
Machinery and equipment		429	**173**
Assets under construction		46	**22**
		833	**376**
Financial and other assets			
Investments in associated companies	14	17	**6**
Available-for-sale equity investments	15, 20	6	**2**
Loan and other interest bearing receivables	19, 20	9	**71**
Available-for-sale financial investments	19, 20	0	**-**
Derivative financial instruments	20, 31	3	**-**
Deferred tax asset	9	177	**117**
Other non-current assets	19, 20	38	**32**
		250	**228**
Total non-current assets		2,223	**1,173**
Current assets			
Inventories	16	1 529	**921**
Receivables			
Trade and other receivables	19, 20	1,442	**866**
Cost and earnings of projects under construction in excess of advance billings	17	420	**212**
Loan and other interest bearing receivables	19, 20	1	**1**
Available-for-sale financial investments	19, 20	1	**-**
Financial instruments held for trading	19, 20	232	**20**
Derivative financial instruments	20, 31	36	**11**
Income tax receivables		27	**7**
		2,159	**1,117**
Cash and cash equivalents	21	731	**467**
Total current assets		4,419	**2,505**
Total assets		6,642	**3,678**

Shareholders' equity and liabilities

		As at December 31,	
EUR million	Note	2012	**2013**
Equity	22		
Share capital		241	**141**
Cumulative translation adjustments		23	**-85**
Fair value and other reserves		718	**305**
Retained earnings		1,225	**812**
Equity attributable to shareholders		2,207	**1,173**
Non-controlling interests		20	**8**
Total equity		2,227	**1,181**
Liabilities			
Non-current liabilities			
Long-term debt	20, 24	1,086	**771**
Post-employment benefit obligations	28	245	**96**
Provisions	25	58	**22**
Derivative financial instruments	20, 31	10	**9**
Deferred tax liability	9	34	**14**
Other long-term liabilities	20	6	**4**
Total non-current liabilities		1,439	**916**
Current liabilities			
Current portion of long-term debt	20, 24	136	**179**
Short-term debt	20, 26	68	**99**
Trade and other payables	20, 27	1,349	**679**
Provisions	25	198	**97**
Advances received		570	**339**
Billings in excess of cost and earnings of projects under construction	17	567	**140**
Derivative financial instruments	20, 31	31	**17**
Income tax liabilities		57	**31**
Total current liabilities		2,976	**1,581**
Total liabilities		4,415	**2,497**
Total shareholders' equity and liabilities		6,642	**3,678**

Consolidated Statements of Cash Flows

(including discontinued operations)

		Year ended December 31,	
EUR million	Note	2012	**2013**
Cash flows from operating activities:			
Profit		368	**295**
Adjustments to reconcile profit to net cash provided by operating activities			
Depreciation and amortization	7	166	**171**
Net gain on revaluation of discontinued operations' assets	11	-	**–166**
Gain (–) / loss (+) on sale of fixed assets	5	–4	**–1**
Gain (–) / loss (+) on sale of subsidiaries and associated companies	5	-	**–4**
Gain on sale of available-for-sale equity investments	5	-	**0**
Share of profits and losses of associated companies	14	–1	**–2**
Dividend income and interests, net	8	52	**53**
Income taxes	9	175	**122**
Other non-cash items		6	**–12**
Change in net working capital, net of effect from business acquisitions and disposals	18	–176	**73**
Interest paid		–61	**–59**
Interest received		22	**11**
Dividends received		0	**0**
Income taxes paid		–188	**–165**
Net cash provided by operating activities		359	**316**
Cash flows from investing activities:			
Capital expenditures on fixed assets	13	–156	**–232**
Proceeds from sale of fixed assets		10	**9**
Business acquisitions, net of cash acquired	10	–5	**–47**
Proceeds from sale of businesses, net of cash sold		-	**–13**
Investments in associated companies		-	**–1**
Proceeds from sale of associated companies		-	**9**
Investments in available-for-sale equity investments		0	**0**
Proceeds from sale of available-for-sale equity investments		0	**0**
Proceeds from sale of available-for-sale financial investments		80	**0**
Investments in financial instruments held for trading		–219	**–32**
Proceeds from sale of financial instruments held for trading		77	**244**
Increase in loan receivables		–1	**–20**
Decrease in loan receivables		1	**1**
Net cash provided by (+) / used in (–) investing activities		–213	**–82**
Cash flows from financing activities:			
Dividends paid		–254	**–277**
Changes in ownership interests in subsidiaries		0	**–5**
Net borrowings (+) / payments (–) on short-term debt		8	**73**
Proceeds from issuance of long-term debt		506	**71**
Principal payments of long-term debt		–245	**–114**
Principal payments of finance leases		–1	**0**
Other items		–1	**0**
Net cash used in financing activities		13	**–252**
Net increase (+) / decrease (–) in cash and cash equivalents		159	**–18**
Effect of changes in exchange rates on cash and cash equivalents		–18	**–35**
Cash and cash equivalents transferred in demerger		-	**–211**
Cash and cash equivalents at beginning of year	21	590	**731**
Cash and cash equivalents at end of year		731	**467**

Consolidated Statements 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 December 31, 2011	**241**	**45**	**706**	**1,123**	**2,115**	**21**	**2,136**
Profit	-	-	-	369	369	–1	368
Other comprehensive income (+) / expense (–)							
Cash flow hedges, net of tax	-	-	7	-	7	-	7
Available-for-sale equity investments, net of tax	-	-	0	-	0	-	0
Currency translation on subsidiary net investments	-	–22	-	-	–22	-	–22
Net investment hedge gains (+) / losses (–), net of tax	-	-	-	-	-	-	-
Defined benefit plan acturial gains (+) / losses (-), net of tax	-	-	-	–12	–12	-	–12
Total comprehensive income (+) / expense (–)	-	–22	7	357	342	–1	341
Dividends	-	-	-	–254	–254	–1	–255
Redemption of own shares	-	-	0	-	0	-	0
Share-based payments, net of tax	-	-	3	0	3	-	3
Other	-	-	2	–1	1	1	2
Changes in non-controlling interests	-	-	-	0	0	0	0
Balance at December 31, 2012	**241**	**23**	**718**	**1,225**	**2,207**	**20**	**2,227**
Profit from continuing operations	-	-	-	238	238	0	238
Profit from discontinued operations	-	-	-	74	74	–17	57
Other comprehensive income (+) / expense (–)							
Cash flow hedges, net of tax	-	-	4	-	4	-	4
Available-for-sale equity investments, net of tax	-	-	0	-	0	-	0
Currency translation on subsidiary net investments	-	–106	-	-	–106	-	–106
Net investment hedge gains (+) / losses (–), net of tax	-	-	-	-	-	-	-
Defined benefit plan acturial gains (+) / losses (–), net of tax	-	-	-	28	28	-	28
Total comprehensive income (+) / expense (–)	-	–106	4	340	238	–17	221
Dividends	-	-	-	–277	–277	-	–277
Assets transferred in the demerger, fair value	-	-	-	–997	–997	-	–997
Effect of demerger	–100	–2	–413	515	-	-	-
Share-based payments, net of tax	-	-	4	0	4	-	4
Other	-	-	–8	7	–1	-	–1
Changes in non-controlling interests	-	-	-	–1	–1	5	4
Balance at December 31, 2013	**141**	**–85**	**305**	**812**	**1,173**	**8**	**1,181**

Notes to the Consolidated Financial Statements

1 Accounting principles

Description of businesses

Metso Corporation (the "Parent Company") and its subsidiaries (together with the Parent Company, "Metso" or the "Group") form a global supplier of sustainable technology and services, which designs, develops and produces systems, automation solutions, machinery and equipment for process industries. The main customers operate in mining, construction, oil and gas, pulp, paper as well as in power generation industries. The reporting segments in 2013 were Mining and Construction and Automation. The Pulp, Paper and Power segment is reported separately as discontinued operations following the partial demerger approved by the Extraordinary General Meeting on October 1, 2013 (the "demerger"). In addition, Metso disposed the controlling interest in Valmet Automotive which has also been reported as a discontinued operation.

Metso Corporation is a publicly listed company and its shares are listed on the NASDAQ OMX Helsinki Ltd under the trading symbol MEO1V. Metso Corporation is domiciled in Finland and the address of the Group Head Office is Fabianinkatu 9A, 00130 Helsinki, Finland.

These consolidated financial statements were authorized for issue by the Board of Directors on February 6, 2014 after which, in accordance with Finnish Company Law, the financial statements are either approved, amended or rejected in the Annual General Meeting.

Discontinued operations

The demerger was registered in the Finnish Trade Register on December 31, 2013. At that date all the assets, debts and liabilities relating to Metso's Pulp, Paper and Power business were transferred to a new company Valmet Corporation. Valmet Corporation's shares were admitted for public trading on NASDAQ OMX Helsinki Ltd on January 2, 2014.

The demerger has been accounted for as a disposal to owners in accordance with IFRIC 17, "Distributions of non-cash assets to owners". Accordingly, the difference between the fair value for the Metso's Pulp, Paper and Power business and its book value in Metso's consolidated balance sheet has been recorded as a distribution gain in the income statement.

The net results of the Pulp, Paper and Power business are reported in the income statement under "Profit from discontinued operations" up to December 31, 2013 separately from continuing operations for all periods presented. In addition, the fair value gain on demerger and the demerger related expenses and taxes are reported under discontinued operations. The "Profit from discontinued operations" includes also the net result of and the loss from the disposal of Valmet Automotive. Metso's consolidated balance sheet for the comparative year ended December 31, 2012 includes all assets and liabilities attributable to the discontinued operations. For more information, see note 11 Discontinued operations.

Following the disposals, Metso's continuing operations comprise Mining and Construction segment and Automation segment.

Basis of preparation and changes in accounting policies

The consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU include the financial statements of Metso Corporation and its subsidiaries. There are no differences between IFRS standards and interpretations as adopted by the EU, as applied in Metso, and IFRS as written by the International Accounting Standards Board ("IASB").

New and amended standards adopted by Metso

The following standards have been adopted by Metso on January 1, 2013 which have had an impact to Metso's financial statements:

IAS 19 "Employee Benefits" amendment eliminates the possibility to use the corridor approach and all the actuarial gains and losses are recognized immediately in the statement of other comprehensive income. As Metso has not historically applied the corridor approach in the recognition of actuarial gains and losses, this change did not have an impact on Metso. According to the amended standard, Metso determines its 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 cannot anymore have a higher return in the calculations than the discount rate used to measure the defined benefit obligation. The net interest is now booked into financial income and expenses in the income statement.

The revised IAS 19 standard requires retrospective application. Accordingly, impacts of the revised standard on Metso's financial information for the year ended December 31, 2012 has been presented in the table below:

	Year ended December 31, 2012		
	As previously reported*	Adjustment	Restated
Consolidated statements of income			
Continuing operations			
Operating profit	458	0	458
Financial income and expenses, net	–53	–5	–58
Income taxes	–146	2	–144
Profit from continuing operations	259	–3	256
Discontinued operations			
Profit from discontinued operations	113	–1	112
Profit for the year	**372**	**–4**	**368**
Consolidated statements of comprehensive income			
Other comprehensive income and expenses	–16	4	–12
Total comprehensive income	**341**	**-**	**341**

* Reported net profit has been allocated between continuing and discontinued operations

The impacts of the revised standard on the shareholders' equity and net liability as of January 1, 2012 were insignificant.

IAS 1 "Financial Statement Presentation" regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). As a result of the amendments to IAS 1, Metso has modified the presentation of items of OCI in its consolidated statements of comprehensive income.

IFRS 13 "Fair value measurement" aims to improve consistency in fair value measurement and provide new disclosure requirements when such measurements are required or permitted by other IFRSs. Standard incorporates the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard had no significant impact on the fair value measurements or the disclosures of Metso's consolidated financial statement.

Use of estimates

The preparation of financial statements, in conformity with IFRS, requires management to make estimates and assumptions and to exercise its judgment in the process of applying the group's accounting policies. These affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to Metso's consolidated financial statements are disclosed in note 3.

Accounting convention

The financial statements are prepared under the historical cost convention, except for assets and liabilities classified as fair valued through profit and loss, available-for-sale investments, financial instruments held for trading and derivative instruments, which are recognized at fair value.

Principles of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the Parent Company and each of those companies in which it owns, directly or indirectly through subsidiaries, over 50 percent of the voting rights or in which it is in a position to govern the financial and operating policies of the entity. The companies acquired during the financial period have been consolidated from the date Metso acquired control. Subsidiaries sold or distributed to the owners have been included up to their date of disposal.

All intercompany transactions, balances and gains or losses on transactions between subsidiaries are eliminated as part of the consolidation process. Non-controlling interests are presented in the consolidated balance sheets within equity, separate from the equity attributable to shareholders. Non-controlling interests are separately disclosed in the consolidated statements of income.

Acquisitions of businesses are accounted for using the acquisition method. The purchase consideration of an acquisition is measured at fair value over the assets given up, shares issued or liabilities incurred or assumed at the date of acquisition. For each acquisition the non-controlling interest in the acquiree, if any, can be recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess acquisition price over the fair value of net assets acquired is recognized as goodwill (see also intangible assets). If the purchase consideration is less than the fair value of the Group's share of the net assets acquired, the difference is recognized directly through profit and loss.

When Metso ceases to have control, any retained interest in the equity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities.

Transactions with non-controlling interests are regarded as transactions with equity owners. In case of purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets acquired in the subsidiary is recorded in shareholders' equity. Gains or losses on disposals to non-controlling interests are also recorded directly in shareholders' equity.

Associated companies and joint ventures

The equity method of accounting is used for investments in associated companies in which the investment provides Metso the ability to exercise significant influence over the operating and financial policies of the investee company. Such influence is presumed to exist for investments in companies in which Metso's direct or indirect shareholding is between 20 and 50 percent of the voting rights or if Metso is able to exercise significant influence. Investments in associated companies are initially recognized at cost after which Metso's share of their post-acquisition retained profits and losses is included as part of investments in associated companies in the consolidated balance sheets.

Under the equity method, the share of profits and losses of associated companies and joint ventures is presented separately in the consolidated statements of income.

Investments in joint ventures in which Metso has the power to jointly govern the financial and operating activities of the investee company are accounted for using the equity method.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Metso's Board of Directors that makes strategic decisions.

Foreign currency translation

The financial statements are presented in euros, which is the Parent Company's functional currency and Metso's presentation currency.

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the date of the transaction. At the end of the accounting period, unsettled foreign currency transaction balances are valued at the rates of exchange prevailing at the balance sheet date. Trade flow related foreign currency exchange gains and losses are recorded in other operating income and expenses, unless the foreign currency denominated transactions have been subject to hedge accounting, in which case the related exchange gains and losses are recorded in the same line item as the hedged transaction. Foreign exchange gains and losses associated with financing are entered as a net amount under financial income and expenses.

The statements of income of subsidiaries with a functional currency different from the presentation currency are translated into euro at the average exchange rates for the financial year and the balance sheets are translated at the exchange rate of the balance sheet date. This exchange rate difference is recorded through Other Comprehensive Income/Expense (OCI) in the cumulative translation adjustment line item in equity.

The translation differences arising from subsidiary net investments and long-term subsidiary loans without agreed settlement dates are recognized through the OCI to the cumulative translation adjustments under equity. When Metso hedges the net investment of its foreign subsidiaries with foreign currency loans and with financial derivatives, the translation difference is adjusted by the currency effect of hedging instruments which has been recorded, net of taxes, through the OCI in equity. When a foreign entity is disposed of, the respective accumulated translation difference, including the effect from qualifying hedging instruments, is reversed through the OCI and recognized in the consolidated statements of income as part of the gain or loss on the sale. If the equity of a foreign currency denominated subsidiary is reduced by reimbursement of invested funds, the translation difference relating to the reduction is reversed through the OCI and recognized in the consolidated statements of income.

Derivative financial instruments

Derivatives are initially recognized in the balance sheet at fair value and subsequently measured at their fair value at each balance sheet date. Derivatives are designated at inception either as hedges of firm commitments or forecasted transactions (cash flow hedge) or as hedges of fixed rate debt (fair value hedge), or as hedges of net investment in a foreign operation (net investment hedge), or as derivatives at fair value through profit and loss that do not meet the hedge accounting criteria.

In case of hedge accounting, Metso documents at inception the relationship between the hedging instruments and hedged items in accordance with its risk management strategy and objectives. Metso also tests the effectiveness of the hedge relationships at hedge inception and quarterly both prospectively and retrospectively.

Derivatives are classified as non-current assets or liabilities when the remaining maturities exceed 12 months and as current assets or liabilities when the remaining maturities are less than 12 months.

Cash flow hedge

Metso applies cash flow hedge accounting to certain interest rate swaps, foreign currency forward contracts and to electricity forwards.

Metso designates only the currency component of the foreign currency forward contracts as the hedging instrument to hedge foreign currency denominated firm commitments. The interest component is recognized under other operating income and expenses, net. The gain or loss relating to the effective portion of the currency forward contracts is recognised in the income statement concurrently with the underlying in the same line item. The effective portion of foreign currency forwards hedging sales and purchases is recognized in the net sales and the cost of goods sold, respectively. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is reversed from the hedge reserve through the OCI to the income statement within financial items concurrently with the recognition of the underlying. Both at hedge inception and at each balance sheet date an assessment is performed to ensure the continued effectiveness of the designated component of the derivatives in offsetting changes in the fair values of the cash flows of hedged items.

Metso assesses regularly the effectiveness of the fair value changes of the electricity forwards in offsetting the changes in the fair value changes of the underlying forecasted electricity purchases in different countries. The gain or loss relating to the effective portion of the electricity forward contracts is recognised in the cost of goods sold.

The effective portion of the derivatives is recognized through OCI in the hedge reserve under equity and reversed through OCI to be recorded through profit and loss concurrently with the underlying transaction being hedged.

The gain or loss relating to the ineffective portion of the derivatives is reported under other operating income and expenses, net or under financial items when contracted to hedge variable rate borrowings. Should a hedged transaction no longer be expected to occur, any cumulative gain or loss previously recognized under equity is reversed through OCI to profit and loss.

Fair value hedge

Metso applies fair value hedge accounting to certain fixed rate loans. The change in fair value of the interest rate swap hedging the loan is recognized through profit and loss concurrently with the change in value of the underlying. Both at inception and quarterly the effectiveness of the derivatives is tested by comparing their change in fair value against those of the underlying instruments.

Net investment hedge

Metso may hedge its net foreign investments in certain currencies to reduce the effect of exchange rate fluctuations. The hedging instruments are mainly foreign currency loans and foreign currency forward contracts. Both realized and unrealized exchange gains and losses measured on these instruments are recorded, net of taxes, through OCI in a separate component of equity against the translation differences arising from consolidation to the extent these hedges are effective. The interest portion of derivatives qualifying as hedges of net investment is recognized under financial income and expenses, net.

Derivatives at fair value through profit and loss

Certain derivative instruments do not qualify for hedge accounting. These instruments, which have been contracted to mitigate risks arising from operating and financing activities, comprise foreign exchange forward contracts, currency and interest rate options, interest rate swaps and swap agreements for nickel.

Changes in the fair value of interest rate swaps are recognized in interest expenses. Changes in the fair value of foreign exchange forward contracts are mainly recognized in other operating income and expenses. However, when the foreign exchange forwards have been contracted to mitigate the exchange rate risks arising from foreign currency denominated cash and from financial instruments used for cash management, the changes in fair value of the derivatives are recognized in financial income and expenses, net. Changes in the fair value of other derivative instruments such as commodity instruments are recognized in other operating income and expenses, net.

Fair value estimation of derivative instruments

The fair value of the foreign currency forward contracts is determined using forward exchange market rates at the balance sheet date. The fair value of the interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of the commodity forwards and swaps are based on quoted market prices at the balance sheet date. The fair value of options is determined using Black-Scholes valuation model.

Employee benefits

Share-based payments

Metso has share-based incentive plans for its key personnel.

The equity-settled share awards are valued based on the market price of the Metso share as of the grant date, and recognized as an employee benefit expense over the vesting period with corresponding entry in other reserves of the equity. The liability resulting from the cash-settled transactions is measured based on the market price of the Metso share as of the balance sheet date and accrued as an employee benefit expense with corresponding entry in the current liabilities until the settlement date.

Market conditions, such as the total shareholder return upon which vesting is conditioned, is taken into account when estimating the fair value of the equity instruments granted. The expense relating to the market condition is recognized irrespective of whether that market condition is satisfied.

Non-market vesting conditions, such as operating profit, services business growth, return on capital employed and earnings per share targets are included in assumptions about the amount of share-based payments that are expected to vest. At each balance sheet date, Metso revises its estimates on the amount of share-based payments that are expected to vest. The impact of the revision to previous estimate is recognized through profit and loss with corresponding adjustment to equity and current liabilities, as appropriate.

Pensions and coverage of pension liabilities

Metso has several different pension schemes in accordance with local regulations and practices in countries where it operates. In certain countries, the pension schemes are defined benefit plans with retirement, disability, death, and other post retirement benefits, such as health services, and termination income benefits. The retirement benefits are usually based on the number of service years and the salary levels of the final service years. The schemes are generally funded through payments to insurance companies or to trustee-administered funds as determined by periodic actuarial calculations.

In addition, certain companies within Metso have multi-employer pension arrangements and defined contribution pension schemes. The contributions to defined contribution plans and to multi-employer and insured plans are charged to profit and loss concurrently with the payment obligations.

In the case of defined benefit plans, the liability recognized from the plan is the present value of the defined benefit obligation as of the balance sheet date less the fair value of the plan assets. Independent actuaries calculate the defined benefit obligation by applying the projected unit credit method under. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the related pension obligation. The cost of providing retirement and other post retirement benefits to the personnel is charged to profit and loss concurrently with the service rendered by the personnel. The net interest is recorded into financial income and expenses in the income statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized through OCI into shareholders' equity in the period in which they arise. Past service costs are recognized immediately in income statement.

Revenue recognition

Revenues from goods and services sold are recognized, net of sales taxes and discounts, when substantially all the risks and rewards of ownership are transferred to the buyer or when legal title of the goods and responsibility for shipment has been transferred to the buyer. The transfer of risk takes place either when the goods are shipped or made available to the buyer for shipment depending on the terms of the contract. The credit worthiness of the buyer is verified before engaging into a sale. However, if a risk of non-payment arises after revenue recognition, a provision for non-collectability is established.

Percentage-of-completion method

Sales and anticipated profits under engineering and construction contracts are recorded on a percentage-of-completion basis. The stage of completion is determined either by units of delivery, which are based on predetermined milestones and on the realized value added (contract value of the work performed to date) or by the cost-to-cost method of accounting. The milestones method of accounting is only attributable to the discontinued operations. Estimated contract profits are recorded in earnings in proportion to recorded sales. In the cost-to-cost method, sales and profits are recorded after considering the ratio of accumulated costs to estimated total costs to complete each contract. Subcontractor materials, labor and equipment, are included in sales and costs of goods sold when management believes that Metso is responsible for the ultimate acceptability of the project. Changes to total estimated contract costs and losses, if any, are recognized in the period in which they are determined.

Service revenue

Revenues from short-term service contracts are recognized once the service has been rendered. Revenues from long-term service contracts are recognized using the cost-to-cost method.

Trade-ins

Sales against which trade-ins are accepted are recorded at contract price. Any reduction between the agreed trade-in price and its recorded value in the inventory is recognized in cost of goods sold concurrently with the sale.

Government grants

Government grants relating to acquisition of property, plant and equipment are deducted from the acquisition cost of the asset and they reduce the depreciation charge of the related asset. Other government grants are deferred and recognized in profit and loss concurrently with the costs they compensate.

Emission rights and trading

Metso has received emission rights under the European Emission Trading Scheme. These rights, for the recognition of which there are no authoritative rules, are recognized as government grants at acquisition price and as they have been granted free of charge their acquisition value is nil. They are being consumed concurrently with CO_2 emissions over the compliance period. Any excess of rights is disposed of and the gain is recognized under other operating income. Should the emissions made exceed the initially allocated rights, additional rights are acquired at prevailing market price and recognized as cost in the costs of goods sold. Metso's emission rights are attributable to discontinued operations.

Other operating income and expenses, net

Other operating income and expenses, net, comprise income and expenses, which do not directly relate to the operating activity of businesses within Metso or which arise from unrealized and realized changes in fair value of foreign currency denominated financial instruments associated with the operating activity, including forward exchange contracts. Such items include costs related to significant restructuring programs, gains and losses on disposal of assets, except for those qualifying as discontinued operations, and foreign exchange gains and losses, excluding those qualifying for hedge accounting and those, which are reported under financial income and expenses, net. Additionally, non recoverable foreign taxes, which are not based on taxable profits, are reported in other operating income and expenses, net. These include for example foreign taxes and/or suchlike payments not based on Double Tax Treaties in force.

Income taxes

Income taxes presented in the consolidated statements of income consist of current and deferred taxes. Current taxes include estimated taxes corresponding to the Group companies' taxable results for the financial year, and adjustments to taxes for previous years.

A deferred tax liability or asset has been determined for all temporary differences between the tax bases of assets and liabilities and their amounts in financial reporting, using the enacted tax rates effective for the future years. The deferred tax liabilities are recognized in the balance sheet in full, and the deferred tax assets are only recognized when it is probable that there will be sufficient taxable profit against which the asset can be utilized. Deferred taxes are accounted for asset and liabilities acquired in business combinations.

No deferred tax liability has been recognized for undistributed earnings of domestic subsidiaries (i.e. Finnish) since such earnings can be transferred to the Parent Company without tax consequences. Metso does not provide deferred income taxes on undistributed earnings of foreign subsidiaries, except in subsidiaries where Metso has elected to distribute earnings in prior years and, which become subject to additional non-recoverable taxes triggered by a distribution.

Fixed assets

Fixed assets comprise intangible assets and property, plant and equipment.

Intangible assets

Intangible assets, which comprise mainly goodwill, trademarks, patents and licenses, are stated at historical cost less accumulated amortization and impairment losses, if any. Goodwill and intangible assets with indefinite useful lives, such as brands, are not amortized, but tested annually for impairment.

Amortization of intangible assets

Amortization of intangible assets with a definite useful life is calculated on a straight-line basis over the expected economic lives of the assets as follows:

Patents and licenses	5–10 years
Computer software	3–5 years
Technology	3–15 years
Customer relationships	3–12 years
Other intangibles (incl. acquired order backlog)	< 1–15 years

Expected useful lives are reviewed at each balance sheet date and if they differ significantly from previous estimates, the remaining amortization periods are adjusted accordingly.

The carrying value of intangible assets subject to amortization is reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. A previously recognized impairment loss may be reversed if there is a significant improvement to the circumstances having initially caused the impairment, however not to a higher value than the carrying amount, which would have been recorded had there been no impairment in prior years.

Impairment of intangible assets with indefinite useful lives

The carrying value of goodwill for each segment and of other intangible assets with indefinite useful lives are reviewed annually or more frequently for impairment, if the facts and circumstances, such as declines in sales, operating profit or cash flows or material adverse changes in the business environment, suggest that its carrying value may not be recoverable. The testing of goodwill is performed at the cash generating unit level, whereas the testing of other intangible assets with an indefinite useful life is either performed as part of a cash generating unit or separately if the asset generates independent cash flows. The annual testing may be performed using previous year's recoverable amounts of the cash generating units, if there has not been any significant changes to the assets and liabilities of the cash generating unit, and if in the previous testing the recoverable value clearly exceeded the carrying values tested, and if the likelihood that the current recoverable value would be less than the current carrying value of the cash generating unit is remote. Metso uses a discounted cash flow analysis to assess the fair value of goodwill or of another intangible asset subject to testing. A previously recognized impairment loss on goodwill is not reversed even if there is a significant improvement in circumstances having initially caused the impairment.

Research and development costs

Research and development costs are mainly expensed as incurred. Research and development costs comprise salaries, administration costs, depreciation and amortization of tangible and intangible fixed assets. Development costs meeting certain capitalization criteria under IAS 38 are capitalized and amortized during the expected economic life of the underlying technology.

Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment loss, if any. Land and water areas are not depreciated.

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets as follows:

Buildings and structures	15–40 years
Machinery and equipment	3–20 years

Expected useful lives are reviewed at each balance sheet date and if they differ significantly from previous estimates, the remaining depreciation periods are adjusted accordingly.

Subsequent improvement costs related to an asset are included in the carrying value of such asset or recognized as a separate asset, as appropriate, only when the future economic benefits associated with the costs are probable and the related costs can be separated from normal maintenance costs.

Metso reviews property, plant and equipment to be held and used by the company for impairment whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment of property, plant and equipment and capital gains and losses on their disposal are included in other operating income and expenses, net. Previously recognized impairment on property, plant and equipment is reversed only if there has been a significant change in the estimates used to determine the recoverable amount, however not to exceed the carrying value, which would have been recorded had there been no impairment in prior years.

Capitalization of interest expenses

The interest expenses of self-constructed investments are capitalized in Metso's financial statements. The capitalized interest expense is amortized over the estimated useful life of the underlying asset.

Leases

Leases for property, plant and equipment, where Metso has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in long-term debt, and the interest element is charged to profit and loss over the lease period. Property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset or over the lease period, if shorter.

Leases of property, plant and equipment, where the lessor retains a significant portion of the risks and rewards, are classified as operating leases. Payments under operating leases are expensed as incurred.

Financial assets and liabilities

Metso classifies its financial investments into the following categories: assets and liabilities at fair value through profit and loss, loans and receivables and available-for-sale financial assets. The classification is determined at the time of the acquisition depending on the intended purpose. Assets at fair value through profit and loss comprise derivatives and financial instruments designated as at fair value through profit and loss upon initial recognition.

Available-for-sale financial assets are further classified into available-for-sale equity investments and available-for-sale financial investments. Loans and receivables include loans and other interest bearing receivables and other receivables, which are not interest bearing.

Purchases and sales of assets and liabilities at fair value through profit and loss, and loans and receivables are recognized or derecognized on the trade date, i.e. the date Metso commits to purchase or sell the asset. Purchases and sales of available-for-sale financial assets are recognized on the transaction date at fair value including transaction costs.

Financial assets are presented as non-current when their maturity exceeds one year.

At each balance sheet date, Metso assesses whether there is objective evidence of an available-for-sale financial asset or of a group of assets under this category being impaired. In case of significant or prolonged decline in the fair value of such an asset compared to its acquisition value, the accumulated net loss is reversed from equity and recognized in the income statement.

Assets and liabilities at fair value through profit and loss

Financial instruments held for trading, which are fair valued through profit and loss, comprise investments in financial instruments, and time deposits with various maturities exceeding three months. The instruments are fair valued quarterly and the change in fair value is recognized through profit and loss. Gains and losses at disposal and impairment, if any, are recorded in profit and loss.

Fixed rate debt hedged with derivatives are qualified for hedge accounting (fair value hedge) and fair valued quarterly through profit and loss. Gains and losses at disposal are recorded in profit and loss.

Derivatives that are not designated as hedges do not meet the hedge accounting criteria, and are fair valued quarterly through profit and loss. Gains and losses at disposal are recorded in profit and loss.

Available-for-sale equity investments

Available-for-sale equity investments include mainly shares in publicly listed companies. Available-for-sale equity investments are carried at fair value, based on quoted closing prices as of the respective balance sheet date. Unrealized gains and losses arising from changes in fair value are recognized through OCI in the fair value reserve of equity. Gains and losses at disposal and impairment, if any, are recorded in the profit and loss and the accumulated change in fair value previously recorded in the fair value reserve of equity is reversed through OCI. Unlisted shares, for which fair values cannot be measured reliably, are recognized at cost less impairment, if any.

Available-for-sale financial investments

Non-current available-for-sale financial investments

Available-for-sale financial investments, which are reported under non-current assets and which have been contracted as part of the cash management of Metso, comprise investments in financial instruments, e.g. bonds, commercial papers and time deposits with maturities exceeding one year or with an undefined maturity and which Metso plans to hold for more than one year. The instruments are fair valued quarterly and the change in fair value is recognized through OCI in the fair value reserve of equity. Gains and losses at disposal and impairment, if any, are recorded in profit and loss and the accumulated change in fair value previously recorded in the fair value reserve of equity is reversed through OCI.

Current available-for-sale financial investments

Available-for-sale financial investments, which are reported under current assets, comprise highly liquid investments, which have been contracted as part of the cash management of Metso and which do not qualify as cash and cash equivalents. They are fair valued quarterly and the change in fair value is recognized through OCI in the fair value reserve of equity. Gains and losses at disposal and impairment, if any, are recorded in profit and loss and the accumulated change in fair value previously recorded in the fair value reserve of equity is reversed through OCI.

Loans and receivables

Loans and other interest bearing receivables comprise interest bearing trade and loan receivables.

Loans and receivables are initially recognized at fair value including transaction costs. Subsequently they are recognized at amortized cost using the effective interest method. They are subject to regular and systematic review as to collectability. If a loan receivable is estimated to be partly or totally unrecoverable, an impairment loss is recognized for the shortfall between the carrying value and the present value of the expected cash flows. Interest income on loan and other interest bearing receivables is included in financial income and expenses, net.

Inventories

Inventories are stated at the lower of historical cost calculated on average cost basis or net realizable value. Costs include purchase costs as well as transportation and processing costs. The costs of finished goods include direct materials, wages and salaries plus social costs, subcontracting and other direct costs. In addition, production costs include an allocable portion of production and project administration overheads. Net realizable value is the estimated amount that can be realized from the sale of the asset in the normal course of business after allowing for the costs of realization.

Inventories are shown net of a reserve for obsolete and slow-moving inventories. A reserve is established and a corresponding charge is taken to profit and loss in the period in which the loss occurs based upon an assessment of technological obsolescence and related factors.

Trade-in equipment received is recorded as inventory at the lower of cost or net realizable value.

Trade receivables

Trade receivables are recognized at original invoice amount to customers and reported in the balance sheet, net of impairment. The impairment, which is expensed under selling, general and administrative expenses, is recorded on the basis of periodic reviews of potential non-recovery of receivables by taking into consideration individual customer credit risk, economic trends in customer industries and changes in payment terms. Bad debts are written off when official announcement of receivership, liquidation or bankruptcy is received confirming that the receivable will not be honored.

If extended payment terms, exceeding one year, are offered to customers, the invoiced amount is discounted to its present value and interest income is recognized over the credit term.

Cash and cash equivalents

Cash and cash equivalents consist of cash in banks and other liquid investments with initial maturity of three months or less.

Assets classified as held-for-sale

Non-current assets and discontinued operations are classified as held-for-sale and stated at the lower of carrying value and the fair value less cost to sell, if their carrying value is recovered principally through a sale transaction rather than through a continuing use.

A discontinued operation results from the management's decision and commitment to dispose either through a sale or distribution to owners of a separate business for which the related assets, liabilities and operating results can be distinguished both operationally and for financial reporting purposes. When specific criteria for the held-for-sale classification has been met, the non-current assets are recorded at the lower of carrying value or fair value less cost to sell, and non-current assets subject to depreciation or amortization are no longer amortized. The assets and liabilities of a disposal group classified as held-for-sale are presented in the balance sheet separate from assets and liabilities related to continuing operations as of the date the operation qualified as discontinued. The results of discontinued operations, net of taxes and the gain or loss on their disposal are presented for all periods separate from continuing operations in the consolidated statements of income. Balance sheet data from periods preceding the qualifying disposal decision is not reclassified.

Issue of new shares and own shares

Transaction costs directly attributable to the issue of new shares or options are shown net of their tax effect in equity as a deduction from the proceeds.

Own shares held by the Parent Company valued at historical acquisition price are deducted from equity. Should such shares be subsequently sold or reissued, the consideration received, net of any directly attributable transaction costs and related income tax, is recorded in the equity.

Dividends

Dividends proposed by the Board of Directors are not recognized in the financial statements until they have been approved by the shareholders in the Annual General Meeting.

Long-term debt

Long-term debt is initially recognized at fair value, net of transaction costs incurred. Debt is classified as current liability unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Capitalization of transaction costs related to issuance of debt instruments

Transaction costs arising from issuance of debt instruments are included in the carrying value of the debt and amortized using the effective interest method over the period of the respective liability.

Capitalization of transaction costs related to modification of debt instruments

Transaction costs arising from modification of debt instruments are included in the carrying value of the debt and amortized using the effective interest method over the remaining period of the modified liability provided that the new conditions obtained through the modification do not substantially differ from those of the original debt. The assessment of whether the conditions are substantially different is based on a comparison of the discounted present value of the cash flows under the new terms and the present value of the remaining cash flows of the original financial liability.

Provisions

Provisions, for which settlement is expected to occur more than one year after the initial recognition, are discounted to their present value and adjusted in subsequent closings for the time effect.

Restructuring and capacity adjustment costs

A provision for restructuring and capacity adjustment costs is recognized only after management has developed and approved a formal plan to which it is committed. Employee termination benefits are recognized after the representatives of employees or individual employees have been informed of the intended measures in detail and the related compensation packages can be reliably measured. The costs included in a provision for capacity adjustment are those costs that are either incremental or incurred as a direct result of the plan or are the result of a continuing contractual obligation with no continuing economic benefit to Metso or a penalty incurred to cancel the contractual obligation. Restructuring and capacity adjustment expenses are recognized in either cost of goods sold or selling, general and administrative expenses depending on the nature of the restructuring expenses. Restructuring costs can also include other costs incurred as a result of the plan, which are recorded under other operating income and expenses, net, such as asset write-downs.

Environmental remediation costs

Metso accrues for losses associated with environmental remediation obligations when such losses are probable and can be estimated reliably. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed virtually certain.

Warranty costs

An accrual is made for expected warranty costs. The adequacy of this accrual is reviewed periodically based on an analysis of historical experience and anticipated probable warranty liabilities.

2 Financial risk management

As a global company, Metso is exposed to a variety of business and financial risks. Financial risks are managed centrally by the Group Treasury under annually reviewed written policies approved by the Board of Directors. Treasury operations are monitored by the Treasury Management Team chaired by the CFO. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the operating units. Group Treasury functions as counterparty to the operating units, manages centrally external funding and is responsible for the management of financial assets and appropriate hedging measures. The objective of financial risk management is to minimize potential adverse effects on Metso's financial performance.

All comparison figures in connection with financial risk and balance sheet figures represent the situation of old Metso as of 31.12.2012 (including Pulp, Paper and Power segment and Valmet Automotive).

Sensitivity analysis

Sensitivity analysis figures presented in connection with different financial risks are based on the risk exposures at the balance sheet date. The sensitivity is calculated by assuming a change in one of the risk factors of a financial instrument, such as interest or currency. It is not likely that the future volatility of a risk factor will develop in accordance with the test assumptions and that only one factor would be impacted.

When calculating the sensitivity, Metso has chosen to use market conventions in assuming a one percentage point (100 basis points) variation in interest rates, 10 percent change in foreign exchange rates and in commodity prices because this provides better comparability from one period to another and information on the volatility to users of financial statements. Metso is aware that such assumptions may not be realistic when compared to past volatility and they are not intended to reflect the future. Metso has chosen not to use past volatility as this could mislead the users of financial statements to assume the analysis reflect management's view on the future volatility of the financial instruments.

Liquidity and refinancing risk and capital structure management

Liquidity or refinancing risk arises when a company is not able to arrange funding at terms and conditions corresponding to its creditworthiness. Sufficient cash, short-term investments and committed and uncommitted credit facilities are maintained to protect short-term liquidity. Diversification of funding among different markets and adequate number of financial institutions is used to safeguard the availability of liquidity at all times. Group Treasury monitors bank account structures, cash balances and forecasts of the operating units and manages the utilization of the consolidated cash resources.

At the end of 2013 (end of 2012 respectively) cash and cash equivalents amounted to EUR 467 million (EUR 731 million), available-for-sale financial investments to EUR 0 million (EUR 1 million), financial instruments held for trading EUR 20 million (EUR 232 million) and committed undrawn credit facilities to EUR 500 million (EUR 500 million). The five year revolving credit facility matures in December 2015.

Liquidity risk management as described here excludes trade receivables (both interest and non-interest bearing) and similar financial instruments, as they are not considered active risk management tools within the responsibility of Group Treasury. Similarly, non-interest bearing liabilities such as trade and other payables are not included in liquidity management.

Metso's refinancing risk is managed by balancing the proportion of short-term and long-term debt as well as the average remaining maturity of long-term debt. The tables below analyze the repayments and interests on Metso's liabilities by the remaining maturities from the balance sheet date to the contractual maturity date. The net interest payments of interest rate swaps hedging long-term loans are included in the long-term debt repayment figures.

Maturities as of December 31, 2012

EUR million	<1 year	1-5 years	>5 years
Long-term debt			
Repayments	136	342	744
Interests	52	143	46
Short-term debt			
Repayments	68	-	-
Interests	1	-	-
Trade payables	518	-	-
Other liabilities	837	-	-
Total	1,612	485	790
Financial guarantee contracts	0		

Maturities as of December 31, 2013

EUR million	<1 year	1-5 years	>5 years
Long-term debt			
Repayments	179	318	496
Interests	35	81	24
Short-term debt			
Repayments	99	-	-
Interests	2	-	-
Trade payables	345	-	-
Other liabilities	86	-	-
Total	746	399	520
Financial guarantee contracts	-		

Detailed information of balance sheet items is presented in other notes to consolidated financial statements.

Capital structure management in Metso comprises both equity and interest bearing debt. As of December 31, 2013 the equity attributable to shareholders was EUR 1,173 million (EUR 2,207 million) and the amount of interest bearing debt was EUR 1,049 million (EUR 1,290 million). The objectives are to safeguard the ongoing business operations and to optimize the cost of capital. Metso has a target to maintain a solid investment grade credit rating.

The credit ratings are as at December 31, 2013:

Moody's	Baa2
Standard & Poor's	BBB / A-2

There are no prepayment covenants in Metso's financial contracts which would be triggered by changes in credit rating. Financial covenants included in some loan agreements refer to Metso's capital structure. Metso is in compliance with all covenants and other terms of its debt instruments.

Capital structure is assessed regularly by the Board of Directors and managed operationally by the Group Treasury.

Capital structure ratios are included in financial indicators for years 2009-2013 on page 70 in these financial statements. The formulas for calculating the financial indicators are presented on page 71.

Interest rate risk

Interest rate risk arises when changes in market interest rates and interest margins influence finance costs, returns on financial investments and valuation of interest bearing balance sheet items. Interest rate risks are managed through balancing the ratio between fixed and floating interest rates and duration of debt and investment portfolios. Additionally, Metso may use derivative instruments such as forward rate agreements, swaps, options and futures contracts to mitigate the risks arising from interest bearing assets and liabilities. The interest rate risk is managed and controlled by the Group Treasury and measured using sensitivity analysis and duration of long term debt. The Macaulay Duration of long term debt was 2.5 years on December 31, 2013 (2.7 years).

At the end of 2013 the balance sheet items exposed to interest rate risk were interest bearing assets of EUR 558 million (EUR 974 million) and interest bearing debt of EUR 1,049 million (EUR 1,290 million). Of the total of the interest bearing debt 90 percent (79%) was denominated in EUR.

The basis for the interest rate risk sensitivity analysis is an aggregate group level interest rate exposure, composed of interest bearing assets, interest bearing debt and financial derivatives, such as interest rate swaps and options, which are used to hedge the underlying exposures. For all interest bearing debt and assets to be fixed during next 12 months a one percentage point move upwards or downwards in interest rates with all other variables held constant would have an effect on Metso's net interest expenses, net of taxes, of EUR -/+ 1.3 million (EUR +/- 2.6 million).

A one percentage point move upwards or downwards in all interest rates with all other variables held constant would have following effects, net of taxes, in income statement and equity:

EUR million	2012	**2013**
Effects in		
income statement	+/–0.4	**+/– 1.4**
equity	+/–1.4	**+/– 1.1**

The effect in the income statement comprises the changes in the fair value of financial instruments which are directly recognized through profit and loss as well as financial instruments under fair value hedge accounting. The effect in the equity is comprised of the changes in the fair value of derivatives qualifying as effective cash flow hedge instruments for long-term floating rate debt.

Foreign exchange risk

Metso operates globally and is exposed to foreign exchange risk in several currencies, although the geographical diversity of operations decreases the significance of any individual currency. Over 80 percent of Metso's net sales originate from outside euro zone; the main currencies being USD, EUR, BRL, CNY, AUD and RUB.

Transaction exposure

Foreign exchange transaction exposure arises when an operating unit has commercial or financial transactions and payments in other than its own functional currency, and when related cash inflow and outflow amounts are not equal or concurrent.

In accordance with the Metso Treasury Policy, operating units are required to hedge in full the foreign currency exposures on balance sheet and other firm commitments. Future cash flows denominated in a currency other than the functional currency of the unit are hedged with internal foreign exchange contracts with the Group Treasury for periods, which do not usually exceed two years. Operating units also do some hedging directly with banks in countries, where regulation does not allow corporate internal cross-border contracts

Group Treasury monitors the net position of each currency and decides to what extent a currency position is to be closed. Group Treasury is however responsible for entering into external forward transaction whenever an operating unit applies hedge accounting. Metso Treasury Policy defines upper limits on the open currency exposures managed by the Group Treasury; limits have been calculated on the basis of their potential profit impact. To manage the foreign currency exposure Group Treasury may use forward exchange contracts and foreign exchange options.

Total amount of foreign currency exposures on December 31 was as follows:

EUR million	2012	**2013**
Operational items	682	**193**
Financial items	–110	**345**
Hedges	–531	**–478**
Total exposure	41	**60**

The change in operative items is a consequence of the demerger, when part of the volume was transferred to Valmet. Also in current Metso the netting effect of sales and purchases is rather high compared to Metso before the demerger. The change in financial items comes from changes in funding arrangements.

This aggregate group level currency exposure is the basis for the sensitivity analysis of foreign exchange risk. This exposure, net of respective hedges, is composed of all assets and liabilities denominated in foreign currencies, projected cash flows for unrecognized firm commitments, both short- and long-term sales and purchase contracts and anticipated operational cash flows to the extent their realization has been deemed highly probable and therefore hedged. This analysis excludes net foreign currency investments in subsidiaries together with instruments hedging these investments. Assuming euro to appreciate or depreciate ten percent against all other currencies, the impact on cash flows, net of taxes, derived from the year-end net exposure as defined above, would be EUR -/+ 1.5 million (EUR -/+ 1.8 million).

Transaction exposure is spread in about 30 currencies and as of December 31, 2013 the biggest open exposures were in USD (47%). A 10 percent appreciation of USD would have an effect, net of taxes, of EUR +3.4 million. A corresponding effect on any other currency would be less than EUR 1 million.

A sensitivity analysis of financial instruments as required by IFRS 7, excludes following items: projected cash flows for unrecognized firm commitments, advance payments, both short- and long-term purchase contracts and anticipated operational cash flows. The table below presents the effects, net of taxes, of a +/- 10 percent change in EUR foreign exchange rates:

EUR million	2012 Total	USD	SEK	2013 others	Total
Effects in					
• income statement	+/–9.5	+/– 0.6	–/+ 0.5	+/– 0.5	+/– 0.6
• equity	+/–18.3	+/– 2.6	–/+ 1.3	–/+ 0.4	+/– 0.9

Effect in equity is the fair value change in derivatives contracts qualifying as cash flow hedges for unrecognized firm commitments. Effect in income statement is the fair value change for all other financial instruments exposed to foreign exchange risk including derivatives, which qualify as cash flow hedges, to the extent the underlying sales transaction, recognized under the percentage of completion method, has been recognized as revenue.

Translation or equity exposure

Foreign exchange translation exposure arises when the equity of a subsidiary is denominated in currency other than the functional currency of the parent company. The major translation exposures are in CNY, BRL and USD which altogether comprise over 60 percent of the total equity exposure. Metso is currently not hedging any equity exposure.

Commodity risk

Metso is exposed to variations in prices of raw materials and of supplies including energy. Metso units identify their commodity price hedging needs and hedges are executed through the Group Treasury using approved counterparties and instruments. For commodity risks separate overall hedging limits are defined and approved. Hedging is done on a rolling basis with a declining hedging level over time.

Electricity exposure in the Nordic units has been hedged with electricity forwards and fixed price physical contracts, which are designated as hedges of highly probable future electricity purchases. Hedging is focused on the estimated energy consumption for the next two year period with some contracts extended to approximately five years. Execution of electricity hedging has been outsourced to an external broker. As of December 31, 2013 Metso had outstanding electricity forwards amounting to 238 GWh (648 GWh).

To reduce its exposure to the volatility caused by the surcharge for certain metal alloys (Alloy Adjustment Factor) comprised in the price of stainless steel charged by its suppliers, Metso has entered into average-price swap agreements for nickel. The Alloy Adjustment Factor is based on monthly average prices of its components of which nickel is the most significant. As of December 31, 2013 Metso had outstanding nickel swaps amounting to 264 tons (504 tons).

The following table on the sensitivity analysis of the commodity prices based on financial instruments under IFRS 7 comprises the net aggregate amount of commodities bought through forward contracts and swaps but excludes the anticipated future consumption of raw materials and electricity.

A 10 percent change upwards or downwards in commodity prices would have following effects, net of taxes:

EUR million	2012	2013
Electricity – effect in equity	+/– 1.0	+/– 0.4
Electricity – effect in income statement	+/– 0.8	+/– 0.2
Nickel – effect in income statement	+/– 0.4	+/– 0.2

As cash flow hedge accounting is applied, the effective portion of electricity forwards is recognized in equity. The ineffective portion is recognized through profit and loss. Hedge accounting is not applied to nickel agreements, and the change in the fair value is recorded through profit and loss.

Other commodity risks are not managed using financial derivative instruments.

Credit and counterparty risk

Credit or counterparty risk is defined as the possibility of a customer or a financial counterparty not fulfilling its commitments towards Metso. Metso's operating units are primarily responsible for credit risks pertaining to sales and procurement activities. The units assess the credit quality of their customers, by taking into account their financial position, past experience and other relevant factors. When appropriate, advance payments, letters of credit and third party guarantees are used to mitigate credit risks. Group Treasury provides centralized services related to customer financing and seeks to ensure that the principles of the Treasury Policy are adhered to with respect to terms of payment and required collateral. Metso has no significant concentrations of credit risks.

The maximum credit risk equals the carrying value of trade and loan receivables. The credit quality is evaluated both on the basis of aging of the trade receivables and also on the basis of customer specific analysis. The aging structure of trade receivables is presented in note 18.

Counterparty risk arises also from financial transactions agreed upon with banks, financial institutions and corporates. The risk is managed by careful selection of banks and other counterparties, by counterparty specific limits determined in the Treasury Policy, and netting agreements such as ISDA (Master agreement of International Swaps and Derivatives Association). The compliance with counterparty limits is regularly monitored.

The maximum amount of financial counterparty risk is calculated as the fair value financial assets available for sale or held for trading, derivatives and cash and cash equivalents on the balance sheet date.

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 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 in 2012 or in 2013.

The tables below present Metso's financial assets and liabilities that are measured at fair value:

December 31, 2012

EUR million	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
Derivatives	-	11	-
Securities	25	207	-
Derivatives qualified for hedge accounting	-	28	-
Available for sale investments			
Equity investments	1	-	-
Debt investments	1	-	-
Total assets	**27**	**246**	**-**
Liabilities			
Financial liabilities at fair value through profit and loss			
Derivatives	-	24	-
Long term debt at fair value	-	201	-
Derivatives qualified for hedge accounting	-	17	-
Total liabilities	**-**	**242**	**-**

December 31, 2013

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

3 Critical accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and judgments affecting the amounts reported in the consolidated financial statements and accompanying notes. These estimates and judgments, based on historical evidence and plausible future scenarios, are continually evaluated. Following assets and liabilities include a high degree of management estimate and assumptions and their carrying value can therefore materially differ from current value in the next financial year.

Trade receivables

Metso's policy is to calculate an impairment loss based on the best estimate of the amounts that are potentially uncollectable at the balance sheet date. The estimates are based on a systematic, on-going review and evaluation performed as part of the credit-risk evaluation process. As part of this evaluation, Metso takes into account the history of collections, the size and compositions of the receivable balances, current economic events and conditions.

Inventory

Metso's policy is to maintain a provision for slow-moving and obsolete inventory based on the best estimate of such amounts at the balance sheet date. The estimates are based on a systematic, on-going review and evaluation of inventory balances. As part of this evaluation, Metso also considers the composition and age of the inventory compared to anticipated future needs.

Revenue recognition

Metso delivers complete installations to its customers, where the moment of signing a sales contract (firm commitment) and the final acceptance of a delivery by the customer may take place in different financial periods. In accordance with its accounting principles, Metso applies the percentage of completion method ("POC method") for recognizing such long-term delivery contracts. In year 2013, approximately 26 percent of the net sales for continuing operations and approximately 46 percent of the net sales for discontinuing operations were recognized under the POC method, which is based on predetermined milestones and where the revenue is recognized based on the estimated realized value added or on the cost-to-cost method. A projected loss on a firm commitment is recognized through profit and loss, when it becomes known. The estimated revenue, the costs and profit, together with the planned delivery schedule of the projects are subject to regular revisions as the contract progresses to completion. Revisions in profit estimates are charged through profit and loss in the period in which the facts that give rise to the revision become known. Although Metso has significant experience using the POC method, the total costs estimated to be incurred on projects may change over time due to changes in the underlying project cost structures, which may ultimately affect the revenue recognized. Therefore, the POC method is not applied for recognizing sales commitments where the final outcome of the project and related cost structure cannot be pre-established reliably.

Hedging of foreign currency denominated firm commitments

Under Metso hedging policy units have to hedge their foreign currency risk when they become engaged in a firm commitment denominated in a currency different of their functional currency. The commitment can be either internal to Metso or external. When a firm commitment qualifies for recognition under the percentage of completion method, the unit applies cash flow hedge accounting and recognizes the effect of the hedging instruments in the OCI until the commitment is recognized. Though Metso has defined the characteristics triggering a firm commitment, the final realization of the unrecognized commitment depends also on factors beyond management control, which cannot be foreseen when initiating the hedge relationship. Such factors can be a change in the market environment causing the other party to postpone or cancel the commitment. To the extent possible management tries to include in the contracts clauses reducing the impact of such adverse events to the result.

Accounting for income taxes

As part of the process of preparing its consolidated financial statements, Metso is required to estimate the income taxes in each of the jurisdictions and countries in which it operates. This process involves estimating the actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as deferred revenue and cost reserves, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the consolidated balance sheet. The likelihood for the recovery of deferred tax assets from future taxable income is assessed, and to the extent the recovery is not considered likely the deferred asset is adjusted in accordance.

Significant management judgment is required in determining the provision for income taxes and the deferred tax assets. Metso has recorded net deferred tax assets of EUR 103 million as of December 31, 2013, adjusted by EUR 4 million for uncertainties related to its ability to utilize some of the deferred tax assets, primarily consisting of operating losses carried forward and deductible temporary differences for certain foreign subsidiaries and the final outcome of tax audits in some subsidiaries. When recording the deferred tax assets judgement has been used based on Metso's estimates of taxable income in each subsidiary and country in which it operates, and the period over which the deferred tax assets will be recoverable based on estimated future taxable income and planned tax strategies to utilize these assets. In the event that actual results differ from these estimates, the deferred tax asset needs to be adjusted in coming financial years. The final outcome may also be affected by future changes in tax laws applicable in the jurisdictions where Metso operates.

Allocation of purchase price to acquired assets

In accordance with the accounting principles, the purchase price is allocated to the acquired assets and assumed liabilities the excess being recognized as goodwill in the balance sheet. Whenever feasible, Metso has used as a basis for such allocations readily available market values to determine the fair value to be recognized. However, when this has not been possible, as often is the case with non-current intangible assets and certain assets with no active markets or available price quotations, the valuation has been based on past performance of such asset and expected future cash generating capacity. The appraisals, which have been based on current replacement costs, discounted cash flows and estimated selling prices depending on the underlying asset, require management to make estimates and assumptions of the future performance and use of these assets and their impact on the financial position. Any change in Metso's future business priorities and orientations may affect the planned outcome of initial appraisals.

Impairment testing

The carrying value of identifiable intangible assets with indefinite economic life such as goodwill is tested annually or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. The carrying values of property, plant and equipment and intangible assets, subject to depreciation and amortization are reviewed for impairment whenever there are indications that their carrying values could exceed their value in use or disposal value if disposal is considered as a possible option. In 2013, Metso recognized an impairment for continuing operations of EUR 5 million on fixed assets.

Triggering events for impairment reviews include the following:

- Material permanent deterioration in the economic or political environment of the customers' or of own activity
- Business's or asset's significant under-performance relative to historical or projected future performance
- Significant changes in Metso's strategic orientations affecting the business plans and previous investment policies

The policy related to the impairment tests is based on numerous estimates. The valuation is inherently judgmental and highly susceptible to change from period to period because it requires Metso to make assumptions about future supply and demand related to its individual business units, future sales prices and achievable cost savings. The value of the benefits and savings expected from the efficiency improvement programs are inherently subjective. The fair value of the cash generating units is determined using a derived weighted average cost of capital as the rate to discount estimated future cash flows. This rate may not be indicative of actual rates obtained in the market. In the annual goodwill impairment test, a 0,5 percentage point reduction in the terminal growth rate applied for determining the fair values of the cash generating units would have reduced the total value of units tested by 5 percent and would not have caused impairment. A second sensitivity test with a two percentage point increase in the discount rates combined with the lower terminal growth rate would have reduced the fair values by 26 percent without triggering impairment.

Reserves for restructuring costs

Reserves for capacity adjustments and restructuring costs are recognized when the requirements for recognition are satisfied. For reason beyond the control of management the final costs may differ from the initial amount reserved. At December 31, 2013 the amount of reserves for restructuring costs amounted to EUR 19 million.

Reserves for warranty and guarantee costs

The warranty and guarantee reserve is based on the history of past warranty costs and claims on machines and equipment under warranty. The typical warranty period is 12 months from the date of customer acceptance of the delivered equipment. For larger projects, the average warranty period is two years. For sales involving new technology and long-term delivery contracts, additional warranty reserves can be established on a case by case basis to take into account the potentially increased risk.

Pensions

In accordance with IAS 19, the benefit expense for defined benefit arrangements is based on assumptions that include the following:

- A weighted average expected return assessed in the beginning of the financial year on plan assets. Actual return on plan assets may differ significantly based on market activity.
- An assumed discount rate based on rates observed in the beginning of the financial year to be used in the calculation of the current year pension expense and pension liability balance. This rate may not be indicative of actual rates realized in the market.
- Estimated rates of future pay increases. Actual increases may not reflect estimated future increases. Due to the significant change in the Group's structure and the uncertainty of the global market place, these estimates are difficult to project.

The actuarial experience that differs from the assumptions and changes in the assumptions results in gains and losses, which are recognized in OCI. Sensitivity analyses on present value of defined benefit obligation have been presented in note 28.

Share-based payments

Share-based payment plans and related incentive programs include vesting conditions such as targets for earnings per share, return on capital employed (ROCE) before taxes and total shareholder return, and service year requirements subsequent to the grant date. The maximum share reward is in relation to each participant's annual salary. At each balance sheet date, the management revises its estimates for the number of shares that are expected to vest. As part of this evaluation, Metso takes into account the changes in the forecasted performance of the Group and its reporting segments, the expected turnover of the personnel benefiting from the incentive plan and other pertinent information impacting the number of shares to be vested.

Financial instruments

In accordance with the disclosure requirements on financial instruments, the management is obliged to make certain assumptions of the future cash in- and outflows arising from such instruments. The management has also had to assume that the fair values of derivatives, especially foreign currency denominated derivatives at balance sheet date materially reflect the future realized cash in- or outflow of such instruments.

4 Selling, general and administrative expenses

Year ended December 31,		
EUR million	2012	**2013**
Marketing and selling expenses	–395	**–401**
Research and development expenses, net	–60	**–60**
Administrative expenses	–252	**–242**
Total	–707	**–703**

Research and development expenses, net, consist of following:

Year ended December 31,		
EUR million	2012	**2013**
Research and development expenses, total	–61	**–63**
Capitalized development costs	-	**-**
Capital expenditure	0	**0**
Grants received	2	**3**
Depreciation and amortization	–1	**0**
Research and development expenses, net	–60	**–60**

5 Other operating income and expenses, net

Year ended December 31,		
EUR million	2012	**2013**
Gain on sale of subsidiaries and businesses	-	**4**
Gain on sale of fixed assets	2	**3**
Gain on sale of available-for-sale equity investments	0	**1**
Royalty income	1	**1**
Rental income	2	**1**
Foreign exchange gains [1]	39	**39**
Legal costs compensations	3	**-**
Other income	5	**7**
Other operating income, total	52	**56**
Loss on sale of fixed assets	0	**–1**
Impairment on fixed assets	–2	**–2**
Loss on revaluation of Northland receivables reclassified as long-term interest bearing loan	-	**–30**
Foreign exchange losses [1]	–48	**–41**
Intellectual property lawsuits	0	**–1**
Other expenses	–4	**–7**
Other operating expenses, total	–54	**–82**
Other operating income and expenses, net	–2	**–26**

[1] Includes foreign exchange gains and losses resulting from trade receivables and payables and related derivatives.

6 Personnel expenses and the number of personnel

Personnel expenses:

	Year ended December 31,	
EUR million	2012	**2013**
Salaries and wages	–725	**–699**
Pension costs, defined contribution plans	–46	**–42**
Pension costs, defined benefit plans [1]	–5	**–4**
Other post-employment benefits [1]	–1	**–2**
Share-based payments	–5	**–1**
Other indirect employee costs	–149	**–155**
Total	–931	**–903**

[1] For more information on pension costs, see note 28.

Number of personnel at end of year:

	2012	**2013**
Mining and Construction	11,721	**11,670**
Automation	4,128	**4,241**
Group Head Office and others total	763	**514**
Continuing operations	16,612	**16,425**
Pulp, Paper and Power	12,507	**11,765**
Valmet Automotive	1 093	**1 567**
Discontinued operations	13,600	**13,332**
Total	30,212	**29,757**

Average number of personnel during the period:

	2012	**2013**
Mining and Construction	11,653	**11,758**
Automation	4,061	**4,216**
Group Head Office and others total	743	**713**
Continuing operations	16,457	**16,687**
Pulp, Paper and Power	12,719	**12,057**
Valmet Automotive	1,421	**1,362**
Discontinued operations	14,140	**13,419**
Total	30,597	**30,106**

Board remuneration:

EUR thousand	2012	**2013**
Serving Board members December 31, 2013:		
Mikael Lilius	-	**–61**
Christer Gardell	–57	**–65**
Wilson Nelio Brumer	-	**-**
Ozey K. Horton, Jr.	–78	**–110**
Lars Josefsson	-	**-**
Nina Kopola	-	**-**
Eeva Sipilä	–55	**–69**
Former Board members:		
Jukka Viinanen	–111	**–120**
Mikael von Frenckell	–70	**–77**
Maija–Liisa Friman	–2	**-**
Erkki Pehu–Lehtonen	–59	**–68**
Pia Rudengren	–71	**–81**
Yrjö Neuvo	–3	**-**
Eija Lahti–Jäntti[1]	–6	**–15**
Jukka Leppänen[1]	–2	**-**
Total	–514	**–666**

[1] Has attended meetings as a personnel representative, without voting right.

According to the decision of the Annual General Meeting held on March 28, 2013, the annual fees of the Board members are as follows: Chairman EUR 100,000, Vice Chairman and Chairman of the Audit Committee EUR 60,000, and other members EUR 48,000 each. Based on the decision of the Annual General Meeting, the Board members have used 40 percent of their annual remuneration to buy Metso shares. The Board members acquired the shares from the market within two weeks after the publication of the first-quarter 2013 Interim Review on April 23, 2013. In addition, an attendance fee of EUR 700 per meeting is paid to members whose residence is in the Nordic countries, EUR 1,400 to members whose residence is elsewhere in Europe and for those residing outside Europe, EUR 2,800 per meeting they attend, including committee meetings. Compensations for traveling expenses and daily allowances are paid in accordance with Metso's travel policy.

Remuneration paid to Chief Executive Officer, Executive Vice President and other Executive Team members:

EUR	Annual salary	Paid performance bonus	Fringe benefits	Share-based payment	**Total**
2012					
President and CEO Matti Kähkönen	551,820	201,965	16,487	300,489	1,070,761
Executive Vice President Pasi Laine	383,386	222,348	11,624	300,489	917,847
Other Executive Team members	1,504,274	428,050	74,326	776,085	2,782,735
Total	**2,439,480**	**852,363**	**102,437**	**1,377,063**	**4,771,343**
2013					
President and CEO Matti Kähkönen	551,820	212,598	16,665	282,030	1,063,113
Executive Vice President Pasi Laine from Jan 1 to Oct 31, 2013	326,206	205,443	12,750	282,030	826,429
Executive Vice President Harri Nikunen from Nov 1 to Dec 31, 2013	49,730	119,730	2,234	109,976	281,670
Other Executive Team members	1,654,235	615,717	54,565	655,451	2,979,968
Total	**2,581,991**	**1,153,488**	**86,214**	**1,329,487**	**5,151,180**

Additionally, in 2014 a bonus of about EUR 49,000 will be paid to President and CEO Matti Kähkönen and a bonus of about EUR 78,000 to Executive Vice President Harri Nikunen based on 2013 performance.

Remuneration paid to President and CEO Matti Kähkönen is presented in the table above. The fringe benefits comprised a company car and a telephone. Mr. Kähkönen participates in the remuneration programs for Metso's management, the remuneration of which consists of Metso shares and a cash-settled portion. For more information on share-based payments, see note 23.

According to his executive contract, Matti Kähkönen is eligible to retire at the age of 63 (2019) and his retirement pension is 60 percent of his pensionable compensation during the past four service years. In case of termination of contract, he is entitled to compensation equivalent to 24 months' salary. For the year ended December 31, 2013 contributions made to the executive defined benefit plan amounted to EUR 195 thousand.

Remuneration paid to Executive Vice President Harri Nikunen is presented in the table above. The fringe benefits comprised a company car and a telephone. Mr. Nikunen participates in the remuneration programs for Metso's management, the remuneration of which consists of Metso shares and a cash-settled portion.

According to his executive contract, Harri Nikunen is eligible to retire at the age of 63 (2018). In case of termination of contract, he is entitled to compensation equivalent to 6 months' salary. For the year ended December 31, 2013 contributions made to the executive defined benefit plan amounted to EUR 65 thousand.

Metso has subscribed supplementary pension plans for senior management for retirement, the beneficiaries include the Metso Executive Team. For the year ended December 31, 2013 these pension insurance premium payments totaled approximately EUR 0.2 million.

Board share ownership in Metso as at December 31, 2013:	
Mikael Lilius	**25,609**
Christer Gardell	**2,429**
Wilson Nelio Brumer	**0**
Ozey K. Horton, Jr.	**1,756**
Lars Josefsson	**0**
Nina Kopola	**47**
Eeva Sipilä	**1,304**
Total	**31,145**

Executive Team share ownership in Metso as at December 31, 2013:	
Matti Kähkönen	**20,507**
Harri Nikunen	**8,115**
Perttu Louhiluoto	**2,753**
João Ney Colagrossi	**14,029**
Merja Kamppari	**5,284**
Simo Sääskilahti	**0**
Total	**50,688**

7 Depreciation and amortization

Year ended December 31,		
EUR million	2012	**2013**
Intangible assets	–18	**–19**
Property, plant and equipment		
Buildings and structures	–11	**–11**
Machinery and equipment	–42	**–43**
Total	–71	**–73**

Depreciation and amortization by function are as follows:

Year ended December 31,		
EUR million	2012	**2013**
Cost of goods sold	–46	**–47**
Selling, general and administrative expenses		
Marketing and selling	–5	**–5**
Research and development	–1	**0**
Administrative	–19	**–21**
Total	–71	**–73**

8 Financial income and expenses, net

Year ended December 31,		
EUR million	2012	**2013**
Financial income		
Dividends received	0	**0**
Interest income on cash and cash equivalents	5	**5**
Income on financial investments	4	**3**
Other financial income	2	**1**
Financial income total	11	**9**
Financial expenses		
Interest expenses from financial liabilities at amortized cost	–55	**–48**
Interest expenses on financial leases	0	**0**
Other financial expenses	–14	**–15**
Net loss from foreign exchange	0	**0**
Financial expenses total	–69	**–63**
Financial income and expenses, net	–58	**–54**

9 Income taxes

The components of income taxes are as follows:

	Year ended December 31,	
EUR million	2012	**2013**
Current tax expense	–144	**–144**
Deferred taxes	0	**13**
Income taxes, total	–144	**–131**

The differences between income tax expense computed at Finnish statutory rate and income tax expense provided on earnings are as follows:

	Year ended December 31,	
EUR million	2012	**2013**
Income before taxes	400	**369**
Income tax expense at Finnish statutory tax rate 24.5%	–98	**–91**
Decrease of Finnish statutory tax rate (24.5% –> 20.0%)	-	**0**
Income tax for prior years	3	**0**
Difference between Finnish and foreign tax rates	–33	**–35**
Benefit of operating loss carryforward	0	**0**
Operating losses and credits with no current tax benefit	–6	**0**
Foreign with no tax credit withholding taxes	0	**–2**
Non-deductible expenses	–2	**–3**
Tax exempt income	0	**0**
Other	–8	**0**
Income tax expense	–144	**–131**

Tax effects of components in other comprehensive income:

	Year ended December 31,					
	2012			**2013**		
EUR million	Before taxes	Tax	After taxes	**Before taxes**	**Tax**	**After taxes**
Cash flow hedges	9	–2	7	3	–1	**2**
Available-for-sale equity investments	0	0	0	0	0	**0**
Defined benefit plan acturial gains (+) / losses (–)	–20	4	–16	25	–7	**18**
Currency translation on subsidiary net investments	–17	–5	–22	–108	0	**–108**
Total comprehensive income (+) / expense (–)	–28	–3	–31	**–80**	**–8**	**–88**
Current tax		–5			–1	
Deferred tax		2			–7	
Total		–3			**–8**	

Reconciliation of deferred tax balances:

EUR million	Balance at beginning of year	Charged to income statement	Charged to shareholders' equity	Translation differences	Balance at end of year
2012					
Deferred tax assets					
Tax losses carried forward	18	7	0	-	25
Fixed assets	23	5	-	-	28
Inventory	30	0	-	-	30
Provisions	44	−1	−2	-	41
Accruals	15	17	-	-	32
Pension related items	51	0	4	-	55
Other	38	−9	0	9	38
Total deferred tax assets	219	19	2	9	249
Offset against deferred tax liabilities [1]	−52	−20	-	-	−72
Net deferred tax assets	167	−1	2	9	177
Deferred tax liabilities					
Purchase price allocations	55	−5	-	-	50
Fixed assets	26	−1	-	-	25
Other	11	20	-	-	31
Total deferred tax liabilities	92	14	-	-	106
Offset against deferred tax assets [1]	−52	−20	-	-	−72
Net deferred tax liabilities	40	−6	-	-	34
Deferred tax assets, net	**127**	**5**	**2**	**9**	**143**

EUR million	Balance at beginning of year	Charged to income statement	Charged to shareholders' equity	Translation differences	Discontinued operations	Acquisitions and business disposals	Balance at end of year
2013							
Deferred tax assets							
Tax losses carried forward	25	6	0	−1	−8	-	22
Fixed assets	28	20	-	−1	−24	-	23
Inventory	30	2	-	-	−3	-	29
Provisions	41	−5	-	-	−15	-	21
Accruals	32	−11	-	-	−14	-	7
Pension related items	55	−10	−7	−3	−16	-	19
Other	38	−10	0	−3	−9	-	16
Total deferred tax assets	249	−8	−7	−8	−89	-	137
Offset against deferred tax liabilities [1]	−72	33	-	-	19	-	−20
Net deferred tax assets	177	25	−7	−8	−70	-	117
Deferred tax liabilities							
Purchase price allocations	50	−1	-	-	−38	2	13
Fixed assets	25	6	-	-	−16	0	15
Other	31	−26	-	1	−1	0	5
Total deferred tax liabilities	106	−21	0	1	−55	2	33
Offset against deferred tax assets [1]	−72	33	-	-	19	-	−20
Net deferred tax liabilities	34	12	0	1	−36	2	13
Deferred tax assets, net	**143**	**13**	**−7**	**−9**	**−34**	**−2**	**104**

[1] Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

A deferred tax liability on undistributed profits of subsidiaries located in countries where distribution generates tax consequences is recognized when it is likely that earnings will be distributed in the near future. For the years ended December 31, 2012 and 2013, respectively, earnings of EUR 262 million and EUR 261 million would have been subject to recognition of a deferred tax liability, had Metso regarded a distribution in the near future as likely.

10 Acquisitions and business disposals

ACQUISITIONS

In November, Metso acquired a Spanish grinding media supplier Santa Ana de Bolueta Grinding Media S.A.U. (Sabo), for a consideration of EUR 30 million. The acquisition complements Metso's comminution wear parts offering for mining customers. The business was consolidated into the Mining and Construction segment on November 11, 2013.

In September, Metso acquired 75 percent ownership in Chinese Shaoguan City Shaorui Heavy Industries Co., Ltd for a purchase price of EUR 36 million. The company is one of the leading mid-market crushing and screening equipment producers in China and it was consolidated from October 1, 2013 onwards into the Mining and Construction segment.

In June, Metso's Pulp, Paper and Power segment, which was classified as discontinued operations, acquired EPT Engineering Services Pvt. Ltd., in India for a purchase price of EUR 3 million. This business was consolidated from June 11, 2013 onwards into the Pulp, Paper and Power segment. The company is a diverse repair service provider for pulp mills and related industry.

From the date of acquisition, the acquired businesses have contributed EUR 15 million of net sales and EUR 1 million net income in Metso. Had the acquisitions taken place on January 1, the net sales of continuing operations of Metso would have increased by EUR 60 million and the profit from continuing operations would have decreased by EUR 1 million.

Summary information on acquisitions made in January–December 2013 is as follows: (including discontinued operations)

EUR miilion	Fair value
Intangible assets	18
Property, plant and equipment	22
Inventories	28
Trade and other receivables	18
Deferred tax liabilities	–2
Non-controlling interest	–7
Other liabilities assumed	–28
Non-interest bearing net assets	49
Cash and cash equivalents acquired	5
Debt assumed	–3
Purchase price	–70
Goodwill	**19**
Purchase price	–70
Purchace price payable after 2013	18
Cash and cash equivalents acquired	5
Net cash outflow on acquisitions in 2013	**–47**

DISPOSALS OF BUSINESSES

In November, Metso completed the divestment of certain parts of its industrial rubber conveyor belt manufacturing and related sales and service operations. The business was part of Mining and Construction segment and the transaction had no material effect on Metso's results.

In May, Metso sold its 70 percent 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 industries in Sweden. The transaction had no material effect on Metso.

11 Discontinued operations

Metso Corporation's Extraordinary General Meeting approved the demerger plan on October 1, 2013, pursuant to which all the assets, debts, and liabilities relating to Metso's Pulp, Paper and Power businesses were transferred without liquidation to Valmet Corporation on December 31, 2013 at the effective date of the partial demerger. The net results of the Pulp, Paper and Power business are reported in the income statement under "Profit from discontinued operations" up to December 31, 2013 separately from continuing operations for all periods presented. In addition, the fair value gain on demerger, demerger expenses and income taxes related to discontinued operations are reported under discontinued operations.

The demerger has been accounted for as a disposal to owners in accordance with IFRIC 17, "Distributions of non-cash assets to owners". Accordingly, the difference between the fair value of the Metso's Pulp, Paper and Power business and its book value in Metso's consolidated balance sheet has been recorded as a distribution gain in the income statement. The fair value for the Pulp, Paper and Power business at the date of the demerger has been determined by multiplying closing share price of EUR 6.65 for Valmet Corporation shares on NASDAQ OMX Helsinki on January 2, 2014 (listing date) by the number of Valmet Corporation's shares given as demerger consideration of 149,864,619. The resulting total fair value of Pulp, Paper and Power business amounted to EUR 997 million. The comparable carrying amount of the net assets distributed to the owners amounted to EUR 813 million, and the gross distribution gain amounted to EUR 183 million.

Metso disposed the controlling interest in Valmet Automotive Oy on December 31, 2013. Metso sold 19.7 percent of its investment in Valmet Automotive Oy to Metso Paper Oy, a subsidiary of Valmet Corporation. Following the disposal, the net result of and the loss from the disposal of Valmet Automotive Oy, which has previously reported as a separate business, has been reported as discontinued operations for all periods presented. Metso's retained interest in Valmet Automotive of 41.3 percent has been accounted for as an associate in the consolidated financial statements and has been re-measured to its fair value at December 31, 2013. The impairment loss on Valmet Automotive amounted to EUR 21 million.

Analysis of the results of the discontinued operations:

	Year ended December 31,					
	2012			**2013**		
EUR million	Pulp, Paper and Power	Valmet Automotive	Total	**Pulp, Paper and Power**	**Valmet Automotive**	**Total**
Net sales	3,005	216	3,221	2,600	204	**2,804**
Cost of goods sold	–2,396	–190	–2,586	–2,159	–218	**–2,377**
Gross profit	609	26	635	441	–14	**427**
Selling, general and administrative expenses	–444	–31	–475	–457	–36	**–493**
Other operating income and expenses, net	–14	0	–14	–31	4	**–27**
Share in profits and losses of associated companies	0	0	0	1	0	**1**
Operating profit	151	–5	146	–46	–46	**–92**
Financial income and expenses, net	–3	0	–3	–7	–2	**–9**
Profit before tax	148	–5	143	–53	–48	–101
Income taxes	–32	1	–31	4	2	**6**
Profit	**116**	**–4**	**112**	**–49**	**–46**	**–95**
Fair value gain on demerger				183	-	**183**
Impairment loss on Valmet Automotive				-	–21	**–21**
Net other comprehensive income reclassified to the income statement				2	-	**2**
Demerger expenses				–15	-	**–15**
Income taxes				2	-	**2**
Profit from discontinued operations	**116**	**–4**	**112**	**124**	**–67**	**57**
Attributable to:						
Equityholders of the parent	116	–3	113	123	–49	**74**
Non-controlling interest		–1	–1	1	–18	**–17**
Profit from discontinued operations	**116**	**–4**	**112**	**124**	**–67**	**57**

Net cash flows from discontinued operations:

	Year ended December 31,	
EUR million	2012	**2013**
Net cash provided by operating activities	-32	**15**
Net cash provided (used) by investing activities	-60	**-137**
Net cash provided (used) by financing activities	-44	**213**
Total	-136	**91**
Effect of changes in exchange rates of cash & cash equivalents	-13	**-18**
Net increase (decrease) in cash and cash equivalents	-149	**73**
Cash and cash equivalents at beginning of year	312	**163**
Cash and cash equivalents at end of year	163	**236**

Assets and liabilities attributable to discontinued operations:

	As at December 31, 2013		
EUR million	**Pulp, Paper and Power**	**Valmet Automotive**	**Total**
Assets			
Intangible assets	550	11	561
Property, plant and equipment	389	99	488
Financial and other non-current assets	97	12	109
Inventories	431	36	467
Current receivables	635	37	672
Cash and cash equivalents	211	25	236
Total	**2,313**	**220**	**2,533**
Liabilities			
Non-current liabilities	308	37	345
Current liabilities	1,192	194	1 386
Total	**1,500**	**231**	**1,731**

Cash and cash equivalents attributable to the Pulp, Paper and Power business in the Metso demerger have been adjusted in the consolidated cash flow statement separately as a change in the cash and cash equivalents. Cash and and cash equivalents attributable to Valmet Automotive have been included under investing cash flows in the line item proceeds from sale of businesses, net of cash sold.

In January 2013, Metso's demerged Pulp, Paper and Power business divested Metso Husum AB, a service workshop servicing pulp and paper industries in Sweden and in May 2013, sold its 70 percent holding in ND Engineering (Pty) Ltd in South Africa. The transactions were immaterial.

In June 2013, Metso's Pulp Paper and Power business acquired EPT Engineering Services Private Ltd., in India for a purchase price of EUR 3 million. This business was consolidated from June 11, 2013 onwards into the Pulp Paper and Power segment. The company is a diverse repair service provider for pulp mills and related industry.

12 Earnings per share

Earnings per share are calculated as follows:

Basic

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the company by the weighted average number of shares in issue during the year, excluding own shares.

	Year ended December 31,	
	2012	**2013**
Profit from continuing operations attributable to shareholders of the company, EUR million	256	**238**
Profit from discontinued operations attributable to shareholders of the company, EUR million	112	**74**
Total	368	**312**
Weighted average number of shares issued and outstanding (in thousands)	149,715	**149,826**
Earnings per share from continuing operations, basic, EUR	1.71	**1.59**
Earnings per share from discontinued operations, basic, EUR	0.75	**0.49**
Earnings per share, basic, EUR	2.46	**2.08**

Diluted

The shares to be potentially issued in the future are treated as outstanding shares when calculating the "Diluted earnings per share" if they have a diluting effect. The own shares held by Metso are reissued within the terms of the share ownership plan to the key personnel if the targets defined in the plan are met. The diluted earnings per share are calculated by increasing the weighted average number of outstanding shares with the number of those shares, which would be distributed to the beneficiaries based on the results achieved, if the conditional earnings period ended at the end of the financial period in question. As at December 31, 2013, Metso held 483,637 own shares intended for the share ownership plans.

	Year ended December 31,	
	2012	**2013**
Profit from continuing operations attributable to shareholders of the company, EUR million	256	**238**
Profit from discontinued operations attributable to shareholders of the company, EUR million	112	**74**
Total	368	**312**
Weighted average number of shares issued and outstanding (in thousands)	149,715	**149,826**
Adjustment for potential shares distributed (in thousands)	155	**116**
Weighted average number of diluted shares issued and outstanding (in thousands)	149,870	**149,942**
Earnings per share from continuing operations, diluted, EUR	1.71	**1.59**
Earnings per share from discontinued operations, diluted, EUR	0.75	**0.49**
Earnings per share, diluted, EUR	2.46	**2.08**

13 Intangible assets and property, plant and equipment

Intangible assets

EUR million	Goodwill	Patents and licences	Capitalized software	Other intangible assets	Intangible assets total
2012					
Acquisition cost at beginning of year	883	81	165	338	1,467
Translation differences	2	0	–1	1	2
Business acquisitions	1	0	-	3	4
Capital expenditure	-	3	2	25	30
Reclassifications	-	4	7	–11	0
Other changes	1	–6	3	–6	–8
Acquisition cost at end of year	887	82	176	350	1,495
Accumulated amortization at beginning of year	-	–51	–91	–170	–312
Translation differences	-	0	1	0	1
Other changes	-	7	–3	4	8
Impairment losses, continuing operations	-	–1	0	0	–1
Impairment losses, discontinued operations	-	–1	0	0	–1
Amortization charges for the year, continuing operations	-	–3	–9	–6	–18
Amortization charges for the year, discontinued operations	-	–5	–6	–21	–32
Accumulated amortization at end of year	-	–54	–108	–193	–355
Net book value at end of year	**887**	**28**	**68**	**157**	**1,140**
2013					
Acquisition cost at beginning of year	887	82	176	350	1,495
Translation differences	–7	–4	–2	–1	–14
Business acquisitions	19	0	-	18	37
Disposals of businesses	0	0	–12	–8	–20
Capital expenditure	-	4	4	14	22
Effect of demerger	–443	–42	–58	–250	–793
Reclassifications	-	3	5	–8	0
Other changes	-	–17	–20	–2	–39
Acquisition cost at end of year	456	26	93	113	688
Accumulated amortization at beginning of year	-	–54	–108	–193	–355
Translation differences	-	0	2	1	3
Disposals of businesses	-	–2	7	4	9
Effect of demerger	-	28	51	164	243
Other changes	-	18	18	1	37
Impairment losses, continuing operations	-	0	–1	0	–1
Impairment losses, discontinued operations	-	–2	–4	0	–6
Amortization charges for the year, continuing operations	-	–3	–10	–6	–19
Amortization charges for the year, discontinued operations	-	–5	–6	–19	–30
Accumulated amortization at end of year	-	–20	–51	–48	–119
Net book value at end of year	**456**	**6**	**42**	**65**	**569**

Metso participates in the European Emissions Tradings Scheme (EU ETS) and has been granted CO_2 emission rights of 70,972 units for the current compliance period of 2008-2013 against greenhouse gases emitted by its production units. All Metso's emission rights allocated to discontinued operations were transferred to Valmet Corporation in connection with the Metso demerger on 31 December 2013.

Property, plant and equipment

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Assets under construction	Property, plant and equipment total
2012					
Acquisition cost at beginning of year	67	663	1 615	46	2 391
Translation differences	0	–1	–9	–1	–11
Business acquisitions	0	1	0	-	1
Capital expenditure	0	7	61	58	126
Reclassifications	2	21	36	–59	0
Other changes	0	–15	–60	2	–73
Acquisition cost at end of year	69	676	1 643	46	2 434
Accumulated depreciation at beginning of year	-	–369	–1 168	-	–1 537
Translation differences	-	0	4	-	4
Reclassifications	-	-	-	-	0
Other changes	-	11	53	-	64
Impairment losses, continuing operations	0	–1	–1	-	–2
Impairment losses, discontinued operations	-	–4	–10	-	–14
Amortization charges for the year, continuing operations	-	–11	–42	-	–53
Amortization charges for the year, discontinued operations	-	–13	–50	-	–63
Accumulated depreciation at end of year	-	–387	–1 214	-	–1 601
Net book value at end of year	**69**	**289**	**429**	**46**	**833**
2013					
Acquisition cost at beginning of year	69	676	1,643	46	2,434
Translation differences	–2	–18	–62	–3	–85
Business acquisitions	2	11	16	-	29
Disposals of businesses	–3	–54	–181	–4	–242
Capital expenditure	6	21	129	54	210
Effect of demerger	–21	–363	–848	–21	–1,253
Reclassifications	-	8	39	–47	0
Other changes	–1	–9	–110	–3	–123
Acquisition cost at end of year	50	272	626	22	970
Accumulated depreciation at beginning of year	-	–387	–1,214	-	–1,601
Translation differences	-	7	42	-	49
Business acquisitions	-	0	–8	-	–8
Disposals of businesses	-	37	103	-	140
Effect of demerger	-	226	638	-	864
Other changes	-	7	106	-	113
Impairment losses, continuing operations	0	0	–4	-	–4
Impairment losses, discontinued operations	-	–7	–18	-	–25
Amortization charges for the year, continuing operations	-	–11	–43	-	–54
Amortization charges for the year, discontinued operations	-	–13	–55	-	–68
Accumulated depreciation at end of year	-	–141	–453	-	–594
Net book value at end of year	**50**	**131**	**173**	**22**	**376**

For information on pledged assets, see note 29.

Other intangible assets with indefinite useful life, i.e. brands, amounted to EUR 16 million and EUR 16 million for the years ended December 31, 2012 and 2013, respectively. They relate to Mining and Construction segment and have been recognized in connection with business acquisitions. As no economic useful life can be determined for these brands, the management has assessed them to have indefinite useful lives based on their continuous competitive advantage to the business. The brands are actively used in promoting the products. They are subject to annual impairment test concurrently with that of the goodwill.

For the year ended December 31, 2013 the amortization expense for continuing operations related to the intangible assets recognized through business acquisitions was EUR 4 million. The future amortization expense is expected to amount to EUR 6, EUR 5, EUR 5, EUR 4 and EUR 4 million for the years 2014, 2015, 2016, 2017 and 2018, respectively.

Assets leased under financial lease arrangements are included in property, plant and equipment as follows:

EUR million	Buildings and structures	Machinery and equipment	Property, plant and equipment total
2012			
Acquisition cost at end of year	13	6	19
Accumulated depreciation at end of year	–12	–6	–18
Net book value at end of year	**1**	**0**	**1**
2013			
Acquisition cost at end of year	-	1	1
Accumulated depreciation at end of year	-	–1	–1
Net book value at end of year	**-**	**0**	**0**

Goodwill and impairment tests

In the year ended December 31, 2013, the total amount of goodwill in Metso was EUR 456 million, equalling 39 percent of the equity. The goodwill amount of EUR 443 million related to the Pulp, Paper and Power segment was entirely transferred to Valmet Corporation in connection with the demerger on December 31, 2013. As at December 31, 2012, the goodwill, including the goodwill allocated to discontinued operations, amounted to EUR 887 million, equalling 40% of the equity.

The goodwill arising from business acquisitions is allocated as of the acquisition date to cash generating units expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. In acquisitions made under continuing operations in 2013, new goodwill of EUR 17 million was generated.

If Metso reorganizes its reporting structure by changing the composition of one or more cash generating units to which goodwill has been allocated, the goodwill is reallocated to the units affected based on their relative fair values, which correspond to the present values of the cash generating units' cash flows at the time of the reorganization. Subsequent to reorganization announced in October 2012 the number of cash generating units changed as the Recycling business line was combined with the Mining and Construction segment and the goodwill of the Recycling business line was allocated to the latter.

The cash generating units in Metso are either reportable segments such as Mining and Construction and Automation or separate business lines under the reportable segments. In 2013, on the date of testing Metso had four cash generating units with goodwill. Due to the demerger at the reporting date, Metso has only two cash generating units with goodwill: Mining and Construction and Automation.

Metso measures the value of its goodwill for impairment annually or more frequently, to ensure that the carrying value of goodwill does not exceed its fair value. The assessment is done using fair value measurement techniques, such as the discounted cash flow methodology. The testing is performed on the cash generating unit level to which the goodwill has been allocated. The recoverable amount of a cash generating unit is based on value-in-use calculations. In the discounted cash flow method, Metso discounts forecasted performance plans to their present value.

The performance plans, which include four years of projection, are calculated in the annual strategy process and subsequently reviewed by Metso's management and approved by the Board of Directors. In addition to the projection period, the discounted cash flows include an additional year, which is extrapolated from the performance of the projection period adjusted for cyclicality of each cash generating unit. The growth rate reflecting the long-term average growth rate of businesses subject to testing, was estimated to be 1.7% in 2012 and 2013. The forecasted sales and production volumes are based on the current structure and production capacity of each cash generating unit. The assumptions requiring most management judgment are the market and product mix. Values assigned to key assumptions reflect past experience. Data on growth, demand and price development provided by various research institutions are utilized in establishing the assumptions for the projection period.

The discount rates used in testing are derived from the weighted average cost of capital based on comparable peer industry betas, capital structure and tax rates. Pre-tax discount rates are used in the value in use calculations.

In the September 2013 annual test, the average EBITDAs (earnings before interest, tax, depreciation and amortization) of the tested cash generating units for the projection period 2013-2017 were following: Mining and Construction 15%, Automation 16% and Pulp, Paper and Power 8% of net sales.

As a result of the annual impairment tests, no impairment loss was recognized in 2012 and 2013.

Summary of assumptions and impacts of sensitivity tests to present values:

	Derived weighted average cost of capital applied	Sensitivity tests Reduction of present values *) Terminal growth rate 1.2%	Increase of discount rate by 200 bp, terminal growth rate 1.2%
2012			
Continuing operations			
Mining and Construction	9.7%	4%	23%
Automation	10.9%	4%	20%
Discontinued operations			
Pulp, Paper and Power	8.9 – 10.1%	5%	26%
Group total	8.9 – 10.9%	4%	23%
2013			
Continuing operations			
Mining and Construction	12.2%	5%	25%
Automation	11.7%	6%	26%
Discontinued operations			
Pulp, Paper and Power	11.5%	6%	28%
Group total	**11.5% – 12.2%**	**5%**	**26%**

*) Sensitivity figures represent the weighted average impact to segments and the total represents the impact to the combined carrying goodwill of all segments.

The sensitivity to impairment of each cash generating unit is tested by applying a change both in the discount and terminal growth rate. The discount rate is increased by 200 basis points and the terminal growth rate is dropped from 1.7% to 1.2%. In 2013, the sensitivity tests did not indicate any risks of impairment.

The management believes that no reasonably possible change of the key assumptions used would cause the carrying value of any cash generating unit to exceed its recoverable amount.

From time to time the sensitivity tests include several cash projections based on reasonable change in the future performance of a unit. However, the impact to the fair value obtained is limited as long as there is no permanent weakening expected for the business, which would affect the terminal value. These projections have not led to impairment.

A summary of changes in Metso's goodwill is as follows:

EUR million	Balance at beginning of year	Translation differences and other changes	Acquisitions	Disposals	Balance at end of year	As percent of total goodwill
2012						
Continuing operations						
Mining and Construction	409	–1	-	-	408	46%
Automation	31	1	1	-	33	4%
Discontinued operations						
Pulp, Paper and Power	443	3	-	-	446	50%
Group total	883	3	1	-	887	100%
2013						
Continuing operations						
Mining and Construction	408	–2	17	0	423	93%
Automation	33	0	-	0	33	7%
Discontinued operations						
Pulp, Paper and Power	446	–5	2	–443	0	0%
Group total	**887**	**–7**	**19**	**–443**	**456**	**100%**

Except for the goodwill amount related to the cash generating unit Mining and Construction, the goodwill amounts of other cash generating units are not material in relation to the total goodwill of Metso. In the demerger of Metso, the entire Pulp, paper and power reportable segment, presented as discontinued operations, was transferred to Valmet on December 31, 2013. The amount of other intangible assets with indefinite useful lives is insignificant and their carrying value is tested as part of the annual goodwill impairment tests.

14 Investments in associated companies

	As at December 31,	
EUR million	2012	**2013**
Investments in associated companies and joint ventures		
Acquisition cost at beginning of year	5	**5**
Translation differences	0	**0**
Increases	-	**1**
Effect of demerger	-	**–1**
Disposals and other decreases	-	**–1**
Acquisition cost at end of year	5	**4**
Equity adjustments in investments in associated companies and joint ventures		
Equity adjustments at beginning of year	11	**12**
Share of results	1	**1**
Translation differences	0	**0**
Dividend income	0	**0**
Effect of demerger	-	**–3**
Disposals and other changes	-	**–8**
Equity adjustments at end of year	12	**2**
Carrying value of investments in associated companies and joint ventures at end of year	17	**6**

	As at December 31, 2012		**2013**	
EUR million	Ownership	Carrying value	**Ownership**	**Carrying value**
Allimand S.A.	35.8%	4	**-**	**-**
Shanghai Neles–Jamesbury Valve Co. Ltd	50.0%	9	**-**	**-**
Nanjing SAC Metso Control Systems Co. Ltd	33.0%	3	**33.0%**	**4**
Valmet Automotive Oy		-	**41.3%**	**0**
Others		1		**2**
Total investments in associated companies and joint ventures		17		**6**

The amounts representing Metso's share of the assets and liabilities, net sales and results of the associated companies and joint ventures, which have been accounted for using the equity method are presented below:

	Year ended December 31,	
EUR million	2012	**2013**
Assets	49	**22**
Liabilities	32	**16**
Net sales	43	**18**
Profit	1	**1**

Related party transactions

The following transactions were carried out with associated companies and joint ventures and the following balances have arisen from such transactions:

	Year ended December 31,	
EUR million	2012	**2013**
Net sales	6	**2**
Purchases	2	**2**
Receivables	0	**0**
Payables	0	**0**

Transactions with Valmet Group

After the consummation of the demerger as of December 31, 2013, all inter-company balances between Metso Group and Valmet Group became external. Metso's consolidated balance sheet as of December 31, 2013 includes balances with Valmet Group as follows:

EUR million	**2013**
Trade and other receivables	**33**
Trade and other payables	**3**
Advances received	**4**
Short-term debt	**9**

15 Available-for-sale equity investments

The available-for-sale equity investments as at December 31, 2012 comprise EUR 1 million of publicly listed shares which are valued at their market value. The remaining investments consist of various industrial participations, shares in real estate companies and other shares for which market values do not exist and thereby they are valued at cost. The value of such investments as at December 31, 2012 and 2013 was EUR 5 million and EUR 2 million, respectively.

The available-for-sale equity investments have changed as follows:

EUR million	2012	**2013**
Carrying value at beginning of year	6	**6**
Additions	-	**0**
Changes in fair values	0	**0**
Effect of discontinued operations	-	**–3**
Disposals and other changes	-	**–1**
Carrying value at end of year	6	**2**

16 Inventory

	As at December 31,	
EUR million	2012	**2013**
Materials and supplies	260	**168**
Work in process	682	**265**
Finished products	587	**488**
Total inventory	1,529	**921**

The cost of inventories recognized as expense was EUR 5,608 million and EUR 2,662 million for the years ended December 31, 2012 and 2013, respectively.

Provision for inventory obsolescence has changed as follows:

EUR million	2012	**2013**
Balance at beginning of year	92	**85**
Impact of exchange rates	–2	**–5**
Additions charged to expense	17	**15**
Increase from business acquisitions	0	**0**
Used reserve	–5	**–3**
Effect of discontinued operations	-	**–18**
Deductions / other additions	–17	**–11**
Balance at end of year	85	**63**

17 Percentage of completion

Net sales recognized under the percentage of completion method amounted to EUR 1 131 million, or 26 percent of net sales, in 2012 and EUR 831 million, or 22 percent of net sales, in 2013. The percentage was highest in the Mining and Construction segment, where it accounted for 30 percent in 2012 and 25 percent in 2013.

Information on balance sheet items of uncompleted projects at December 31 is as follows:

EUR million	Cost and earnings of uncompleted projects	Billings of projects	Net
2012			
Projects where cost and earnings exceed billings	2,697	2,277	420
Projects where billings exceed cost and earnings	2,079	2,646	567
2013			
Projects where cost and earnings exceed billings	**1,216**	**1,004**	**212**
Projects where billings exceed cost and earnings	**632**	**772**	**140**

EUR million	POC revenue
2012	
Continuing operations	1,131
Discontinued operations	1,775
Total Metso	2,906
2013	
Continuing operations	**831**

18 Change in net working capital

Change in net working capital, net of effect from business acquisitions and disposals:
(including discontinued operations)

	Year ended December 31,	
EUR million	2012	**2013**
Increase (–) / decrease (+) in assets and increase (+) / decrease (–) in liabilities:		
Inventory	136	**71**
Trade and other receivables	71	**62**
Percentage of completion: recognized assets and liabilities, net	–90	**–200**
Trade and other payables	–293	**140**
Total	–176	**73**

19 Interest bearing and non-interest bearing receivables

	As at December 31,					
	2012			**2013**		
EUR million	Non-current	Current	Total	**Non-current**	**Current**	**Total**
Interest bearing receivables						
Loan receivables	8	1	9	**70**	**1**	**71**
Available-for-sale financial investments	0	1	1	**-**	**-**	**-**
Financial instruments held for trading	–	232	232	**–**	**20**	**20**
Trade receivables	1	-	1	**1**	**-**	**1**
Total	9	234	243	**71**	**21**	**92**
Non-interest bearing receivables						
Loan receivables	-	0	0	**0**	**0**	**0**
Trade receivables	0	1,159	1,159	**0**	**690**	**690**
Prepaid expenses and accrued income	-	91	91	**-**	**57**	**57**
Other receivables	38	192	230	**32**	**119**	**151**
Total	38	1,442	1,480	**32**	**866**	**898**

Metso actively manages its cash by investing in financial instruments with varying maturities. Instruments exceeding maturity of three months are classified as available-for-sale financial investments or financial instruments held for trading.

As of December 31, 2012, other non-interest bearing receivables comprised EUR 54 million of Brazilian tax credits arising from circulation of goods and transfer of services (ICMS) recognized by local subsidiaries, EUR 15 million thereof was classified as long-term. As of December 31, 2013, these Brazilian tax credits amounted to EUR 28 million, of which EUR 8 million was long-term.

Provision for impairment has changed as follows:

EUR million	2012	**2013**
Balance at beginning of year	42	**42**
Impact of exchange rates	0	**–2**
Additions charged to expense	10	**11**
Increase from business acquisitions	0	**1**
Used reserve	–2	**–4**
Effect of discontinued operations	-	**–13**
Deductions / other additions	–8	**–6**
Balance at end of year	42	**29**

Analysis of non-interest bearing trade receivables by age:

	As at December 31,	
EUR million	2012	**2013**
Trade receivables, not due at reporting date	745	**438**
Trade receivables 1-30 days overdue	206	**137**
Trade receivables 31-60 days overdue	81	**49**
Trade receivables 61-90 days overdue	36	**26**
Trade receivables 91-180 days overdue	44	**18**
Trade receivables more than 180 days overdue	47	**22**
Total	1,159	**690**

20 Financial assets and liabilities

Financial assets and liabilities divided by categories were as follows as of December 31:

EUR million	Assets at fair value through profit and loss	Derivatives qualified for hedge accounting	Loans and receivables	Available-for-sale financial assets	Carrying value	Fair value
2012						
Non–current assets						
Available-for-sale equity investments	-	-	-	6	6	6
Loan receivables	-	-	8	-	8	8
Available-for-sale financial investments	-	-	-	-	-	-
Financial instruments held for trading	0	-	-	-	0	0
Trade receivables	-	-	1	-	1	1
Derivative financial instruments	-	3	-	-	3	3
Other receivables	-	-	38	-	38	38
Total	**0**	**3**	**47**	**6**	**56**	**56**
Current assets						
Loan receivables	-	-	1	-	1	1
Available-for-sale financial investments	-	-	-	1	1	1
Financial instruments held for trading	232	-	-	-	232	232
Trade receivables	-	-	1 159	-	1 159	1 159
Derivative financial instruments	11	25	-	-	36	36
Other receivables	-	-	283	-	283	283
Total	**243**	**25**	**1,443**	**1**	**1,712**	**1,712**

EUR million	Liabilities at fair value through profit and loss	Derivatives qualified for hedge accounting	Financial liabilities measured at amortized cost	Carrying value	Fair value
Non-current liabilities					
Bonds	201	-	718	919	958
Loans from financial institutions	-	-	162	162	177
Pension loans	-	-	5	5	5
Finance lease obligations	-	-	0	0	0
Other long-term debt	-	-	0	0	0
Derivative financial instruments	5	5	-	10	10
Other liabilities	-	-	6	6	6
Total	**206**	**5**	**891**	**1,102**	**1,156**
Current liabilities					
Current portion of long-term debt	-	-	136	136	136
Short-term debt	-	-	68	68	68
Trade payables	-	-	518	518	518
Derivative financial instruments	19	12	-	31	31
Other liabilities	-	-	831	831	831
Total	**19**	**12**	**1,553**	**1,584**	**1,584**

EUR million	Assets at fair value through profit and loss	Derivatives qualified for hedge accounting	Loans and receivables	Available-for-sale financial assets	Carrying value	Fair value
2013						
Non–current assets						
Available-for-sale equity investments	-	-	0	2	2	2
Loan receivables	-	0	70	-	70	70
Available-for-sale financial investments	-	-	0	-	0	0
Financial instruments held for trading	-	-	-	-	-	-
Trade receivables	-	0	1	-	1	1
Derivative financial instruments	-	-	-	-	-	-
Other receivables	-	0	27	-	27	27
Total	**-**	**0**	**98**	**2**	**100**	**100**
Current assets						
Loan receivables	-	0	1	-	1	1
Available-for-sale financial investments	-	-	-	-	-	-
Financial instruments held for trading	20	-	-	-	20	20
Trade receivables	-	0	690	-	690	690
Derivative financial instruments	7	4	-	-	11	11
Other receivables	-	0	176	-	176	176
Total	**27**	**4**	**867**	**-**	**898**	**898**

EUR million	Liabilities at fair value through profit and loss	Derivatives qualified for hedge accounting	Financial liabilities measured at amortized cost	Carrying value	Fair value
Non-current liabilities					
Bonds	197	-	369	566	585
Loans from financial institutions	164	-	41	205	243
Pension loans	-	-	0	0	0
Finance lease obligations	-	-	0	0	0
Other long-term debt	-	-	0	0	0
Derivative financial instruments	4	5	-	9	9
Other liabilities	-	-	5	5	5
Total	**365**	**5**	**415**	**785**	**842**
Current liabilities					
Current portion of long-term debt	-	-	179	179	179
Short-term debt	-	-	75	75	75
Trade payables	-	-	345	345	345
Derivative financial instruments	13	4	-	17	17
Other liabilities	-	-	358	358	358
Total	**13**	**4**	**957**	**974**	**974**

For more information on derivative financial instruments, see note 31.

Carrying value of other financial assets and liabilities than those presented in the fair value level table in Note 2 approximates their fair value. Fair values of other debt is calculated as net present values.

21 Cash and cash equivalents

	As at December 31,	
EUR million	2012	**2013**
Bank and cash	333	**357**
Commercial papers and other investments	398	**110**
Total cash and cash equivalents	731	**467**

22 Equity

Share capital and number of shares

The Extraordinary General Meeting of Metso Corporation approved the demerger plan for the demerger on October 1, 2013. The demerger was registered in the Finnish Trade Register on December 31, 2013. At that date all the assets, debts and liabilities relating to Metso's Pulp, Paper and Power business were transferred to a new company Valmet Corporation.

Metso Corporation's registered share capital, which is fully paid, was EUR 240,982,843.80 as at December 31, 2012 and EUR 140,982,843.80 as at December 31, 2013. The share capital was decreased by EUR 100,000,000.00 in connection with the demerger on December 31, 2013.

	2012	**2013**
Number of outstanding shares, January 1	149,629,196	**149,756,034**
Redemption of own shares by the Parent Company	-	**-**
Shares granted from share ownership plans	127,356	**108,585**
Shares returned from share ownership plans	–518	**-**
Number of outstanding shares, December 31	149,756,034	**149,864,619**
Own shares held by the Parent Company	592 222	**483 637**
Total number of shares, December 31	150,348,256	**150,348,256**

As of December 31, 2013 the acquisition price of 483,637 own shares held by the Parent Company was EUR 9,540,417.35 and was recognized in the treasury stock.

Dividends

The Board of Directors proposes that a dividend of EUR 1.00 per share be paid based on the balance sheet to be adopted for the financial year which ended December 31, 2013 and the remaining part of the profit be retained and carried further in the Company's unrestricted equity. These financial statements do not reflect this dividend payable of EUR 150 million.

Fair value and other reserves

Hedge reserve includes the fair value movements of derivative financial instruments which qualify as cash flow hedges.

Fair value reserve includes the change in fair values of assets classified as available-for-sale. Share-based payments are presented in fair value reserve.

Legal reserve consists of restricted equity, which has been transferred from distributable funds under the Articles of Association, local company act or by a decision of the shareholders.

Other reserves consist of the distributable fund and the invested non-restricted equity fund held by the Parent Company.

Changes in fair value and other reserves:

EUR million	Treasury stock	Hedge reserve	Fair value reserve	Legal reserve	Other reserves	Total
Balance as of December 31, 2011	**–12**	**–10**	**7**	**29**	**692**	**706**
Cash flow hedges						
Fair value gains (+) / losses (–), net of taxes	-	4	-	-	-	4
Transferred to profit and loss, net of taxes						
Net sales	-	1	-	-	-	1
Cost of goods sold / Administrative expenses	-	2	-	-	-	2
Interest income / expenses	-	0	-	-	-	0
Available-for-sale equity investments						
Fair value gains (+) / losses (–), net of taxes	-	-	0	-	-	0
Transferred to profit and loss, net of taxes	-	-	0	-	-	0
Redemption of own shares	0	-	-	-	-	0
Share-based payments, net of taxes	4	-	–1	-	-	3
Other	-	-	-	2	-	2
Balance as of December 31, 2012	**–8**	**–3**	**6**	**31**	**692**	**718**
Cash flow hedges						
Fair value gains (+) / losses (–), net of taxes	-	5	-	-	-	5
Transferred to profit and loss, net of taxes						
Net sales	-	–3	-	-	-	–3
Cost of goods sold / Administrative expenses	-	0	-	-	-	0
Interest income / expenses	-	2	-	-	-	2
Available-for-sale equity investments						
Fair value gains (+) / losses (–), net of taxes	-	-	0	-	-	0
Transferred to profit and loss, net of taxes	-	-	0	-	-	0
Redemption of own shares	0	-	-	-	-	0
Share-based payments, net of taxes	–2	-	0	-	6	4
Effect of demerger	-	–2	0	–3	–408	–413
Other	-	-	-	–8	-	–8
Balance as of December 31, 2013	**–10**	**–1**	**6**	**20**	**290**	**305**

Foreign currency translation included in the shareholders' equity:

EUR million	2012	**2013**
Cumulative translation adjustment as of January 1	45	**23**
Currency translation on subsidiary net investments	–22	**–106**
Hedging of net investment denominated in foreign currency	-	**–2**
Cumulative translation adjustment as of December 31	23	**–85**

23 Share-based payments

Share ownership plan 2006-2008

The Board of Directors of Metso Corporation decided in December 2005 upon a share ownership plan for the 2006–2008 strategy period. The share ownership plan was part of the remuneration and commitment program of the management and covered a maximum of 360,000 own shares. The share ownership plan covered three earnings periods i.e. calendar years 2006, 2007 and 2008. The incentives consisted of both shares and cash. The cash-settled portion was dedicated to cover taxes and tax-related payments of the beneficiaries. The main earnings triggers were the operating profit targets and four years of service subsequent to grant date. The operating profit targets and potential personal earnings triggers were set separately for each year.

A maximum share price was determined annually for the share ownership plan.

The equity-settled portion for the earnings period 2008 was recognized over the vesting period i.e. from 2008 until March 2012. The final amount of the granted shares was based on the share price on the payment date of the rewards.

Share ownership plan for 2009-2011

In October 2008, the Board of Directors of Metso Corporation approved a share-based incentive plan for Metso's management. The plan had one three-year earnings period and required participants' personal investment in Metso shares at the beginning of the program. Earnings criteria were based on Metso's Total Shareholder Return (TSR) during three years' time and on earnings per share in the years 2009–2011. In April 2012 the reward was paid in Metso shares and partly in cash.

The equity-settled portion of the plan was recognized over the vesting period i.e. from the beginning of 2009 until the end of April 2012 based on calculated fair value of the Metso share as of the grant date of EUR 8.64. The historical development of Metso share and the expected dividends have been taken into account when calculating the fair value.

Share ownership plan for 2010-2012

In October 2009, the Board of Directors of Metso Corporation approved a share-based incentive plan for Metso's management. The plan had one three-year earnings period and required participants' personal investment in Metso shares at the beginning of the program. Earnings criteria were based on Metso's Total Shareholder Return (TSR) during three years' time and on earnings per share in the years 2010–2012. In April 2013 the reward was paid in Metso shares and partly in cash.

The equity-settled portion of the plan was recognized over the vesting period i.e. from the beginning of 2010 until the end of April 2013 based on calculated fair value of the Metso share as of the grant date of EUR 22.63. The historical development of the Metso share and the expected dividends have been taken into account when calculating the fair value.

Share ownership plan for 2011-2013

The Board of Directors of Metso Corporation approved in September 2010 a share-based incentive plan for Metso's management for the years 2011–2013. The plan includes one three-year earnings period. Participation in the plan required a personal investment in Metso shares at the beginning of the earnings period. 66 key persons are participating in the plan and after the demerger the number of Metso participants is 40. Metso participant initial investment was 21,500 Metso shares, which must be held until the end of the earnings period. The rewards to be paid to Metso participants from the plan correspond to maximum of 147,500 shares. Earnings criteria are based on Metso's Total Shareholder Return (TSR) during three years' time and on earnings per share in the years 2011-2013. The plan was amended due to the demerger. Pursuant to the amended plan, the reward will be paid in Metso shares, an equal number of Valmet shares and partly in cash. The cash-settled portion is dedicated to cover taxes and tax-related payments. The maximum share reward is capped to each participant's taxable annual basic salary, excluding performance bonuses and share-based payments, multiplied by 1.5.

The equity-settled portion of the plan was recognized over the vesting period i.e. from the beginning of 2011 until the end of April 2014 based on calculated fair value of the Metso share as of the grant date of EUR 37.37.The historical development of Metso share and the expected dividends have been taken into account when calculating the fair value. The portion of the plan to be settled with Valmet shares as a result of the demerger has been accounted for as a cash-settled transaction as at December 31, 2013 and the related liability has been measured based on the market price of the Valmet shares as of January 2, 2014.

Long-term incentive plan for 2012-2014

In December 2011, the Board of Directors of Metso Corporation approved a new share-based incentive plan for Metso's management. The plan includes three performance periods, which are calendar years 2012, 2013 and 2014. The Board shall decide on the performance criteria, targets and participants in the beginning of each performance period. The reward for each performance period of plan may not exceed 120 percent of a participant's total annual base salary. The reward for each performance period will be paid in Metso shares and partly in cash. The cash-settled portion is dedicated to cover taxes and tax-related payments.

For the 2012 performance period, the plan was targeted to 93 persons in Metso's management. After the demerger the number of Metso participants is 61. The potential rewards to be paid from the plan to Metso participants correspond to a maximum total of 277,094 shares. The earnings criteria of the performance period 2012 was based on the net sales growth of the services business, return on capital employed (ROCE) before taxes and earnings per share (EPS). The equity-settled portion of the plan is recognized over the vesting period i.e. from the beginning of 2012 until the end of February 2015 based on the average share price on the grant date of EUR 33.89. According to the Board of Directors' decision, the number of maximum shares will be recalculated in April 2014 to take into account the effect of the demerger to Metso share value.

For the 2013 performance period, the Board of Directors of Metso Corporation targeted the plan to 99 persons in Metso's management. After the demerger the number of Metso participants is 65. The potential rewards to be paid from the plan to Metso participants correspond to a maximum total of 284,327 shares. The earnings criteria are based on the net sales growth of the services business, Metso's return on capital employed (ROCE) before taxes and earnings per share (EPS). The equity-settled portion of the plan is recognized over the vesting period i.e. from the beginning of 2013 until the end of February 2016 based on the average share price on the grant date of EUR 33.51. According to the Board of Directors' decision, the maximum number of shares will be recalculated in April 2014 to take into account the effect of demerger to Metso share value.

In December 2013, the Board of Directors of Metso Corporation decided to continue the share-based incentive plan approved in 2011. For the 2014 performance period, the plan will cover about 60 Metso managers, and the potential reward generated will be based on the same criteria as for the 2013 performance period. The potential rewards to be paid from the plan will correspond to a maximum total of 320,000 Metso shares.

Costs recognized for the share ownership plans

The compensation expense for the shares, which is accounted for as equity-settled, is recognized as an employee benefit expense with corresponding entry in equity. The cost of the equity-settled portion, which will be evenly recognized during the required service period, is based on the market price of the Metso share on the grant date. The compensation expense resulting from the cash-settled portion is recognized as an employee benefit expense with a corresponding entry in short-term liabilities. The cash-settled portion is fair valued at each balance sheet date based on the prevailing share price and accrued until the settlement date. As of December 31, 2013, the demerger of Metso became effective. At that date, all obligations related to the share-based incentive plans for 2011-2013 and 2012-2014 attributable to Valmet key employees were transferred to Valmet.

Beneficiaries and granted shares of the share ownership plan as at December 31, 2013:

	Metso Executive Team	Shares	Other beneficiaries	Shares	Beneficiaries total	Shares total
Plan 2009-2011						
Granted	7	19,459	75	107,897	82	127,356
Plan 2010-2012						
Granted	7	17,632	73	90,953	80	108,585

Costs recognized for the share ownership plans:

EUR thousand	Plan 2008	Plan 2009-2011	Plan 2010-2012	Plan 2011-2013	Plan 2012-2014	Total
2012						
Metso Executive Team	–9	–245	–383	–501	–545	–1,683
Other beneficiaries	–35	–1,659	–1,412	–1,084	–1,833	–6,023
Total	–44	–1,904	–1,795	–1,585	–2,378	–7,706
Continuing operations	–43	–1,188	–1,071	–1,060	–1,653	–5,015
Discontinued operations	–1	–716	–724	–525	–725	–2,691
Total	–44	–1,904	–1,795	–1,585	–2,378	–7,706
2013						
Metso Executive Team	-	-	–107	250	–705	–562
Other beneficiaries	-	-	–285	355	–2,049	–1,979
Total	**-**	**-**	**–392**	**605**	**–2,754**	**–2,541**
Continuing operations	-	-	–247	435	–1,892	–1,704
Discontinued operations	-	-	–145	170	–862	–837
Total	**-**	**-**	**–392**	**605**	**–2,754**	**–2,541**

As of balance sheet date, a liability of EUR 955 thousand was recognized as an accrued expense for the cash-settled portion of Metso Share Ownership Plan 2011-2013 including the portion that will be settled with Valmet shares and EUR 712 thousand from Plan 2012-2014.

For the 2013 performance period no costs were recognized, as the threshold values for the earnings criteria were not reached and no rewards will be paid.

24 Long-term debt

	As at December 31,			
	Carrying values		Fair values	
EUR million	2012	**2013**	2012	**2013**
Bonds	970	**740**	1,009	**759**
Loans from financial institutions	236	**205**	251	**243**
Pension loans	15	**5**	15	**5**
Finance lease obligations	1	**0**	1	**0**
Other long-term debt	0	**-**	0	**-**
	1,222	**950**	1,276	**1,007**
Less current maturities	136	**179**	136	**179**
Total	1,086	**771**	1,140	**828**

The fair values of long-term debt are equal to the present value of their future cash flows.

Bonds:

EUR million	Nominal interest rate Dec. 31, 2013	Effective interest rate Dec. 31, 2013	Original loan amount	Outstanding carrying value at December 31, 2012	**2013**
Public bond 2009–2014	7.25 %	7.42 %	300	176	**174**
Public bond 2012–2019	2.75 %	2.91 %	400	399	**397**
Private placements maturing 2018–2022		2.54% – 4.7%	440	395	**169**
Bonds total				970	**740**
Less current maturities				52	**174**
Bonds, long-term portion				918	**566**

Metso has a Euro Medium Term Note Program (EMTN) of EUR 1.5 billion, under which EUR 970 million and EUR 740 million at carrying value were outstanding at the end of 2012 and 2013, respectively. EUR 571 million of the outstanding amount were public bonds and EUR 169 million private placements.

Loans from financial institutions consist of bank borrowings with either fixed or variable interest rates. A major share of loans is EUR denominated. The interest rates vary from 2.757% to 10.8%.The loans are payable from year 2015 to 2018.

Metso's five-year revolving loan facility of EUR 500 million was renewed in 2010 and includes 14 banks. The facility was undrawn at the end of 2012 and 2013.

Contractual maturities of interest bearing debt as at December 31, 2013 are as follows:

EUR million	Bonds	Loans from financial institutions	Pension loans	Finance lease obligations	Total
Repayments	174	0	5	0	**179**
Interests	30	5	0	0	**35**
Total 2014	**204**	**5**	**5**	**0**	**214**
Repayments	0	1	0	0	**1**
Interests	17	5	0	0	**22**
Total 2015	**17**	**6**	**0**	**0**	**23**
Repayments	0	35	-	0	**35**
Interests	17	4	-	0	**21**
Total 2016	**17**	**39**	**-**	**0**	**56**
Repayments	0	0	-	0	**0**
Interests	17	3	-	0	**20**
Total 2017	**17**	**3**	**-**	**0**	**20**
Repayments	70	212	-	-	**282**
Interests	16	2	-	-	**18**
Total 2018	**86**	**214**	**-**	**-**	**300**
Repayments	496	0	-	-	**496**
Interests	24	0	-	-	**24**
Later	**520**	**0**	**-**	**-**	**520**

The maturities of derivative financial instruments are presented in note 31.

25 Provisions

	As at December 31,							
	2012			**2013**				
EUR million	Non-current	Current	Total	**Non-current**	**Effect of discontinued operations**	**Current**	**Effect of discontinued operations**	**Total**
Warranty and guarantee liabilities	25	152	177	**24**	**–23**	**129**	**–70**	**60**
Accrued restructuring expenses	4	20	24	**8**	**–5**	**45**	**–29**	**19**
Environmental and product liabilities	1	3	4	**1**	**-**	**3**	**-**	**4**
Other provisions	28	23	51	**23**	**–6**	**28**	**–9**	**36**
Total	58	198	256	**56**	**–34**	**205**	**–108**	**119**

The provisions, both non-current and current, have changed as follows during the financial year 2013:

EUR million	Accrued restructuring expenses	Environmental and product liabilities	Total
Balance at beginning of year	24	4	28
Impact of exchange rates	–1	0	–1
Addition charged to expense	62	1	63
Used reserve	–25	–1	–26
Reversal of reserve / other changes	–7	0	–7
Discontinued operations	–34	0	–34
Balance at end of year	**19**	**4**	**23**

Provisions, for which the expected settlement date exceeds one year from the moment of their recognition, are discounted to their present value and adjusted in subsequent periods for the time effect.

Accrued restructuring expenses

The costs included in a provision for restructuring are those costs that are either incremental and incurred as a direct result of the formal plan approved and committed by management, or are the result of a continuing contractual obligation with no economic benefit to Metso or a penalty incurred for a cancelled contractual obligation.

Environmental and product liabilities

Metso accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably calculable. The amounts of accruals are adjusted later as further information develops or circumstances change. As at December 31, 2013, environmental liabilities amounted to EUR 1 million. They included clean-up costs for soil and water contamination at various sites in the Unites States previously operated by Mining and Construction.

Metso is occasionally involved in product liability claims. As at December 31, 2013, provisions for product liabilities amounted to EUR 3 million.

Other provisions

Other provisions comprise among other things provisions related to personnel, delivery project costs and lawsuits.

Warranty and guarantee provisions

Metso issues various types of contractual product warranties under which it generally guarantees the performance levels agreed in the sales contract, the performance of products delivered during the agreed warranty period and services rendered for a certain period or term. The warranty liability is based on historical realized warranty costs for deliveries of standard products and services. The usual warranty period is 12 months from the date of customer acceptance of the delivered equipment. For larger projects, the average warranty period is two years. For more complex contracts, including long-term projects, the warranty reserve is calculated contract by contract and updated regularly to ensure its sufficiency.

The provisions for warranty and guarantee liabilities have changed as follows:

EUR million	2012	**2013**
Balance at beginning of year	220	**177**
Impact of exchange rates	0	**–6**
Increase for current year's deliveries	85	**78**
Increase for previous years' deliveries	26	**17**
Increase from business acquisitions	-	**0**
Used reserve	–84	**–58**
Reversal of reserve / other changes	–70	**–55**
Discontinued operations	-	**–93**
Balance at end of year	177	**60**

26 Short-term debt

	As at December 31,	
EUR million	2012	**2013**
Loans from financial institutions	68	**75**
Finnish commercial paper financing	-	**15**
Other debt	-	**9**
Total	68	**99**

The weighted average interest rate applicable to short-term borrowing at December 31, 2012 and 2013 was 7.5% and 4.6%, respectively. In 2014, interest amounting to EUR 1.6 million is expected to be paid concurrently with respective principals on the short-term debt.

Metso has established a Finnish commercial paper program amounting to EUR 500 million. There were no commercial papers outstanding as of December 31, 2012 and EUR 15 million was outstanding as of December 31, 2013.

27 Trade and other payables

	As at December 31,	
EUR million	2012	**2013**
Trade payables	518	**345**
Accrued interests	18	**14**
Accrued personnel costs	239	**107**
Accrued project costs	378	**73**
Other	196	**140**
Total	1,349	**679**

The maturities of payables rarely exceed six months. The maturities of trade payables are largely determined by local trade practices and individual agreements between Metso and its supplier.

Accrued project costs may be settled after six months depending on the issuance of the supplier invoice when the costs arise from work performed by third parties.

The accrued personnel costs, which include holiday pay, are settled in accordance with local laws and stipulations.

28 Post-employment benefit obligations

Metso operates various defined benefit pension and other long term employee benefit arrangements pursuant to local conditions, practices and collective bargaining agreements in the countries in which it operates. The majority of Metso's defined benefit liabilities relate to arrangements that are funded through payments to either insurance companies or to independently administered funds based on periodic actuarial calculations. Other arrangements are unfunded with benefits being paid directly by Metso as they fall due. All arrangements are subject to local tax and legal restrictions in their respective jurisdictions.

Metso's defined benefit pension arrangements in the US, Canada, the UK and Sweden together represent 74% of Metso's Defined Benefit Obligation and 83% of its pension assets. These arrangements provide income in retirement which is substantially based on salary and service at or near retirement. In the US and Canada annual valuations are carried out to determine whether cash funding contributions are required in accordance with local legislation. In the UK, Metso's defined benefit pension arrangement is closed to the future accrual. Plan assets are held by a separate pension fund and are administered by a board of trustees. Cash contributions are determined on a triennial basis in accordance with local funding legislation, with the level of cash payments being agreed between the trustees and Metso. Defined benefit pension arrangements in Sweden are offered in accordance with collective labour agreements and are unfunded.

In the US, liabilities of EUR 7.3 million were settled in 2013 due to certain members being given the opportunity to exchange their accrued pension rights for a cash lump sum. Assets of EUR 7.7 million were paid in respect of this offer, resulting in a settlement cost of EUR 0.4 million being recorded in the income statement.

The liability recorded on Metso's balance sheet and cash contributions to funded arrangements are sensitive to the assumptions used to measure the liabilities, the extent to which actual experience differs to the assumptions made and the returns on plan assets. Therefore Metso is exposed to the risk that balance sheet liabilities and/or cash contributions increase based on these influences. Assets of Metso's funded arrangements are managed by external fund managers. The allocation of assets is reviewed regularly by those responsible for managing Metso's arrangements based on local legislation, professional advice and consultation with Metso, based on acceptable risk tolerances.

The expected contributions in 2014 are EUR 0.7 million in respect of Finnish plans and EUR 15 million in respect of foreign plans.

The amounts recognized as of December 31 in the balance sheet were following:

	Pension benefits, Finnish		Pension benefits, foreign		Other post-employment benefits		Total	**Total**
EUR million	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**
Present value of funded obligations	12	**6**	411	**255**	-	**-**	423	**261**
Fair value of plan assets	–6	**–2**	–340	**–251**	-	**-**	–346	**–253**
	6	**4**	71	**4**	-	**-**	77	**8**
Present value of unfunded obligations	-	**-**	121	**47**	47	**34**	168	**81**
Unrecognized asset	-	**-**	0	**0**	-	**-**	0	**0**
Net liability recognized	6	**4**	192	**51**	47	**34**	245	**89**
Amounts in the balance sheet:								
Liabilities	6	**4**	192	**56**	47	**34**	245	**94**
Assets	-	**-**	0	**5**	-	**-**	0	**5**
Net liability recognized	6	**4**	192	**51**	47	**34**	245	**89**

Movements in the net liability recognized in the balance sheet were as follows:

EUR million	Pension benefits, Finnish 2012	**2013**	Foreign pension and other post-employment benefits 2012	**2013**
Net liability at beginning of year	7	**6**	230	**239**
Demerger	-	**–1**	0	**–121**
Other adjustment to present value	-	**–1**	1	**1**
Net expense recognized in the income statement	1	**1**	18	**12**
Employer contributions	–1	**–1**	–26	**–17**
Gain (+) / loss (–) recognized through OCI	–1	**0**	15	**–24**
Translation differences	-	**-**	1	**–5**
Net liability at end of year	6	**4**	239	**85**

The amounts recognized in the income statement were as follows:

	Year ended December 31,					
	Pension benefits, Finnish		Pension benefits, foreign		Other post-employment benefits	
EUR million	2012	**2013**	2012	**2013**	2012	**2013**
Employer's current service cost	2	**1**	11	**7**	1	**1**
Net interest on net surplus/ (deficit)	0	**0**	7	**3**	2	**1**
Settlements	0	**-**	0	**1**	-	**-**
Recognition of past service cost/(credit)	–1	**-**	0	**–1**	–3	**-**
Administration costs paid by the scheme	0	**-**	0	**0**	-	**-**
Expense (+) / income (–) recognized in income statement	1	**1**	18	**10**	0	**2**

The amounts recognized through OCI were following:

	Year ended December 31,							
	Pension benefits, Finnish		Pension benefits, foreign		Other post-employment benefits		Total	**Total**
EUR million	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**
Return on plan assets, excluding amounts included in interest expense/(income)	–1	**0**	–16	**–10**	-	**-**	–17	**–10**
Actuarial (gain)/loss on liabilities due to change in financial assumptions	3	**1**	29	**–3**	2	**–2**	34	**–4**
Actuarial (gain)/loss on liabilities due to change in demographic assumptions	-	**-**	-	**–1**	-	**-**	0	**–1**
Actuarial (gain)/loss on liabilities due to experience	–3	**–1**	2	**–8**	–2	**0**	–3	**–9**
Gain (–) / loss (+) as result of asset ceiling	-	**-**	-	**-**	-	**-**	0	**0**
Total gain (–) / loss (+) recognized through OCI	–1	**0**	15	**–22**	0	**–2**	14	**–24**

The changes in the value of the defined benefit obligation were as follows:

	Pension benefits, Finnish		Pension benefits, foreign		Other post-employment benefits		Total	Total
EUR million	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**
Defined benefit obligation at beginning of year	16	**12**	494	**532**	49	**47**	559	**591**
Demerger	-	**–4**	-	**–192**	-	**–10**	-	**–206**
Other adjustment to present value	-	**–1**	1	**-**	-	**-**	1	**–1**
Employer's current service cost	2	**1**	11	**7**	1	**1**	14	**9**
Interest cost	1	**0**	21	**14**	2	**1**	24	**15**
Plan participant contributions	-	**-**	2	**1**	0	**-**	2	**1**
Past service cost (+) / credit (–)	-	**-**	-	**–1**	–3	**-**	–3	**–1**
Actuarial gain (–) / loss (+) due to change in financial assumptions	3	**1**	29	**–3**	2	**–2**	34	**–4**
Actuarial (gain)/loss on liabilities due to change in demographic assumptions	-	**-**	2	**–1**	-	**-**	2	**–1**
Actuarial gain (–) / loss (+) due to experience	–3	**–1**	0	**–8**	–2	**0**	–5	**–9**
Settlements	–7	**0**	0	**–10**	1	**-**	–6	**–10**
Benefits paid from the arrangement	-	**–1**	–17	**–13**	-	**-**	–17	**–14**
Benefits paid direct by employer	-	**-**	–7	**–4**	–3	**–1**	–10	**–5**
Translation differences	-	**-**	–4	**–21**	0	**–2**	–4	**–23**
Defined benefit obligation at end of year	12	**7**	532	**301**	47	**34**	591	**342**

The changes in the fair value of the plan assets during the year were as follows:

	Pension benefits, Finnish		Foreign pension and other post-employment benefits		Total	Total
EUR million	2012	**2013**	2012	**2013**	2012	**2013**
Fair value of assets at beginning of year	9	**6**	313	**340**	322	**346**
Demerger	-	**–3**	-	**–81**	0	**–84**
Other adjustments to the fair value of assets	-	**0**	-	**-**	0	**0**
Interest income on assets	1	**0**	14	**11**	15	**11**
Return on plan assets excluding interest income	1	**0**	16	**10**	17	**10**
Assets distributed on settlements	–6	**–1**	-	**–10**	–6	**–11**
Employer contributions	1	**0**	26	**17**	27	**17**
Plan participant contributions	-	**-**	2	**1**	2	**1**
Benefits paid from the arrangements	-	**0**	–17	**–13**	–17	**–13**
Benefits paid direct by employer	-	**-**	–9	**–6**	–9	**–6**
Administration expenses paid from the scheme	-	**-**	-	**0**	0	**0**
Translation differences	-	**-**	–5	**–18**	–5	**–18**
Fair value of assets at end of year	6	**2**	340	**251**	346	**253**

The major categories of plan assets as a percentage of total plan assets as at December 31 were as follows:

	2012	**2013**
Equity securities	42%	**49%**
Bonds	52%	**47%**
Insurance contracts	2%	**2%**
Other	4%	**2%**

The principal actuarial assumptions at December 31 (expressed as weighted averages):

	Finnish		Foreign	
	2012	**2013**	2012	**2013**
Benefit obligation: discount rate	4.25%	**3.60%**	4.14%	**4.90%**
Benefit obligation: rate of compensation increase	3.50%	**3.76%**	3.32%	**3.86%**
Benefit obligation: rate of pension increase	2.10%	**2.10%**	1.77%	**2.78%**
Expense in income statement: discount rate	4.25%	**3.60%**	4.14%	**4.90%**
Expense in income statement: rate of compensation increase	3.50%	**3.76%**	3.32%	**3.86%**
Expense in income statement: rate of pension increase	2.10%	**2.10%**	1.77%	**2.78%**

The weighted average life expectancy (expressed in years) used for the major defined benefit plans are as follows:

	Life expectancy at age of 65 for a male member currently aged 65		Life expectancy at age of 65 for a male member currently aged 45	
Country	2012	**2013**	2012	**2013**
United Kingdom	21.3	**21.1**	22.6	**22.4**
United States	19.6	**19.8**	20.8	**21.3**
Canada	19.1	**19.2**	19.6	**19.8**

Life expectancy is allowed for in the assessment of the Defined Benefit Obligation using mortality tables which are generally based on experience within the country in which the arrangement is located with (in many cases) an allowance made for anticipated future improvements in longevity.

Sensitivity analyses on present value of Defined Benefit Obligation in below table presents the present value of the Defined Benefit Obligation when major assumptions are changes while others held costant

	2012				**2013**			
	Domestic	Foreign Pension	Foreign Other	Total	Domestic	Foreign Pension	Foreign Other	Total
Discount rate								
Increase of 0.25%	(0.5)	(14.5)	(1.2)	(16.3)	(0.3)	(8.2)	(0.9)	(9.4)
Decrease of 0.25%	0.5	15.6	1.4	17.5	0.3	8.9	1.0	10.1
Salary increase rate								
Increase of 0.25%	0.1	1.8	n/a	1.9	0.1	1.0	0.5	1.6
Decrease of 0.25%	(0.1)	(1.8)	n/a	(1.9)	(0.1)	(1.0)	(0.5)	(1.5)
Pension increase rate								
Increase of 0.25%	0.5	4.8	n/a	5.3	0.2	2.7	n/a	3.0
Decrease of 0.25%	(0.5)	(4.6)	n/a	(5.1)	(0.2)	(2.6)	n/a	(2.9)
Medical cost trend								
Increase of 0.25%	n/a	n/a	3.8	3.8	n/a	n/a	2.7	2.7
Decrease of 0.25%	n/a	n/a	(3.1)	(3.1)	n/a	n/a	(2.2)	(2.2)
Life expectancy								
Increase of one year	0.5	12.0	1.0	13.6	0.3	6.8	0.7	7.8
Decrease of one year	(0.5)	(12.2)	(1.0)	(13.7)	(0.3)	(6.9)	(0.8)	(7.9)

Weighted average duration of Defined Benefit Obligation expressed in years by geographic area

	2012				**2013**			
	Domestic	Foreign Pension	Foreign Other	Total	Domestic	Foreign Pension	Foreign Other	Total
At December 31	15.7	15.9	11.7	15.5	13.9	14.1	10.4	13.8

29 Mortgages and contingent liabilities

EUR million (As at December 31,)	2012	2013
On own behalf		
Mortgages	5	**1**
On behalf of others		
Guarantees	2	**2**
Other commitments		
Repurchase commitments	3	**3**
Other contingencies	2	**3**
Total	12	**9**

The mortgages given as security for own commitments relate to industrial real estate. The mortgage amount on corporate debt has been calculated as the amount of corresponding loans. The nominal value of the mortgages at December 31, 2013 was equal to the amount of the corresponding liability.

The repurchase commitments represent engagements whereby Metso agrees to purchase back equipment sold to customer. The conditions triggering the buy back obligation are specific to each sales contract. The amounts in the above table comprise the agreed value in full of each repurchase commitment.

Metso Corporation has guaranteed obligations arising in the ordinary course of business of many of its subsidiaries up to a maximum of EUR 1,614 million and EUR 487 million as of December 31, 2012 and 2013, respectively.

Pursuant to the Companies Act, Metso Corporation is secondary liable for debts which have arisen prior to the registration of the completion of the demerger, which have been allocated to Valmet Corporation in the demerger plan and which are not subject to any limitation/exclusion of liability agreed with relevant creditors. The liability is limited to a total amount equal to the value of the net assets retained by Metso Corporation.

30 Lease contracts

Metso leases offices, manufacturing and warehouse space under various noncancellable leases. Certain contracts contain renewal options for various periods of time.

Minimum annual rental expenses for leases in effect at December 31 are shown in the table below:

	Operating leases		Finance leases	
EUR million	2012	**2013**	2012	**2013**
Not later than 1 year	64	**41**	1	**0**
Later than 1 year and not later than 2 years	46	**26**	0	**0**
Later than 2 years and not later than 3 years	32	**19**	0	**0**
Later than 3 years and not later than 4 years	19	**14**	0	**0**
Later than 4 years and not later than 5 years	15	**11**	-	**-**
Later than 5 years	47	**33**	-	**-**
Total minimum lease payments	223	**144**	1	**0**
Future financial expenses			0	**0**
Total net present value of finance leases			1	**0**

Net present value of annual rentals for finance leases in effect at December 31 are shown in the table below:

EUR million	2012	2013
Not later than 1 year	1	**0**
Later than 1 year and not later than 2 years	0	**0**
Later than 2 years and not later than 3 years	0	**0**
Later than 3 years and not later than 4 years	0	**0**
Later than 4 years and not later than 5 years	-	**-**
Later than 5 years	-	**-**
Total net present value of finance leases	1	**0**

Total rental expenses amounted to EUR 56 million and EUR 54 million in the years ended December 31, 2012 and 2013, respectively.

Annual repayments of principal are presented in the maturities of long-term debt, see note 24.

31 Derivative financial instruments

Notional amounts and fair values of derivative financial instruments as at December 31 were as follows:

EUR million	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net
2012				
Forward exchange contracts [1]	2,488	36	29	7
Interest rate swaps	285	2	4	–2
Cross currency swaps	33	-	3	–3
Option agreements				
Bought	-	-	-	-
Sold	20	-	1	–1
Electricity forward contracts [2]	648	0	3	–3
Nickel swap contracts [3]	504	0	0	0
Total		38	40	–2
2013				
Forward exchange contracts [1]	**1,349**	**11**	**15**	**–4**
Interest rate swaps	**285**	**0**	**5**	**–5**
Cross currency swaps	**244**	**0**	**2**	**–2**
Option agreements				
Bought	**-**	**-**	**-**	**-**
Sold	**20**	**-**	**1**	**–1**
Electricity forward contracts [2]	**238**	**-**	**2**	**–2**
Nickel swap contracts [3]	**264**	**0**	**1**	**–1**
Total		**11**	**26**	**–15**

[1] Some 45 percent and 24 percent of the notional amount at the end of 2012 and 2013, respectively, qualified for cash flow hedge accounting.
[2] Notional amount in GWh
[3] Notional amount in tons

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

Derivative financial instruments recognized in balance sheet as at December 31 are presented below:

	2012		**2013**	
EUR million	Assets	Liabilities	**Assets**	**Liabilities**
Interest rate swaps - cash flow hedges	-	-	**-**	**0**
Interest rate swaps - fair value hedges	2	-	**0**	**2**
Interest rate swaps - non-qualifying hedges	0	4	**0**	**3**
	2	4	**0**	**5**
Cross currency swaps - cash flow hedges	-	3	**-**	**2**
Cross currency swaps - fair value hedges	-	-	**0**	**0**
	-	3	**0**	**2**
Forward exchange contracts - cash flow hedges	25	11	**4**	**2**
Forward exchange contracts - non-qualifying hedges	11	18	**7**	**13**
	36	29	**11**	**15**
Electricity forward contracts - cash flow hedges	0	3	**0**	**2**
Nickel swaps - non-qualifying hedges	0	0	**0**	**1**
Options - non-qualifying hedges	-	1	**-**	**1**
Total derivatives	38	40	**11**	**26**

In the year ended December 31, 2013 there was ineffectiveness related to the cash flow hedges, which resulted in recognition of EUR 0.7 million loss (a loss of EUR 1.2 million in year 2012) in the income statement. As at December 31, 2013, the fixed interest rates of swaps varied from 1.3 percent to 3.9 percent.

As at December 31, 2013, the maturities of financial derivatives are the following (expressed as notional amounts):

EUR million	2014	2015	2016	2017	2018 and later
Forward exchange contracts	1,334	15	-	-	-
Interest rate swaps	-	20	40	-	225
Cross currency swaps	-	-	-	-	244
Option agreements	-	-	-	-	20
Electricity forward contracts [1]	82	69	47	28	11
Nickel swap contracts [2]	234	30	-	-	-

[1] Notional amount in GWh
[2] Notional amount in tons

32 Subsidiaries

Company name	Ownership, %
Finland	
Metso Minerals Oy	100.0%
Metso Minerals (Finland) Oy	100.0%
EC Technology Oy	100.0%
Metso Automation Oy	100.0%
Metso Endress+Hauser Oy	90.0%
Metso Shared Services Oy	100.0%
Kaukotalo Oy	87.2%
Rauma Oy	100.0%
Sweden	
Metso Minerals (Sweden) AB	100.0%
Metso Automation AB	100.0%
Norway	
Metso Minerals (Norway) A/S	100.0%
Metso Automation A/S	100.0%
Austria	
Metso Minerals (Austria) GmbH	100.0%
Metso Automation GesmbH	100.0%
Belgium	
Metso Minerals (Belux) SA	100.0%
Metso Automation SA NV	100.0%
Czech Republic	
Metso Minerals s.r.o.	100.0%
Metso Automation s.r.o.	100.0%
France	
Metso SAS	100.0%
Metso Minerals (France) SA	100.0%
Metso Automation SAS	100.0%
Germany	
Metso Minerals (Deutschland) GmbH	100.0%
Metso Automation Mapag GmbH	100.0%
Metso Automation GmbH	100.0%
United Kingdom	
Metso Minerals (UK) Ltd	100.0%
Metso Minerals (Cappagh) Ltd	100.0%
Metso Automation Ltd	100.0%
Metso Captive Insurance Limited	100.0%
Italy	
Metso SpA	100.0%
Metso Minerals (Italy) SpA	100.0%
Metso Automation SpA	100.0%
Netherlands	
Metso Minerals International BV	100.0%
Metso Minerals (Dordrecht) BV	100.0%
Metso Automation BV	100.0%
Poland	
Metso Minerals (Poland) Sp zoo	100.0%
Metso Automation Polska Sp zoo	100.0%
Portugal	
Metso Minerals (Portugal) Lda	100.0%
Metso Automation Portugal Lda	100.0%

Company name	Ownership, %
Spain	
Metso Minerals Espana SA	100.0%
Metso Spain Holding, S.L.U	100.0%
Santa Ana de Bolueta Grinding Media, S.A.U	100.0%
Forjas del Guadalquivir, S.L.U	100.0%
Metso Automation Espana SA	100.0%
Russia	
ZAO Metso Minerals (CIS)	100.0%
ZAO Metso Automation	100.0%
Turkey	
Metso Minerals Anosim Sirketi	100.0%
Metso Otomasyon Anosim Sirketi	100.0%
United States	
Metso USA Inc.	100.0%
Metso Minerals Industries Inc.	100.0%
Neles-Jamesbury Inc.	100.0%
Metso Automation USA Inc.	100.0%
Jamesbury Shanghai Valve (USA) Inc.	100.0%
Expertune Inc.	100.0%
Canada	
Metso Minerals Canada Inc.	100.0%
Metso Automation Canada Ltd	100.0%
Metso Canada Ltd	100.0%
Metso Shared Services Ltd	100.0%
Brazil	
Metso Brazil Indústria e Comércio Ltda	100.0%
Metso Automation do Brasil Ltda	100.0%
Chile	
Metso Minerals (Chile) SA	100.0%
Metso Automation Chile Ltda	100.0%
Mexico	
Metso (Mexico) SA de CV	100.0%
Metso SA de CV	100.0%
Australia	
Metso Minerals (Australia) Ltd	100.0%
Metso Automation (ANZ) Pty Ltd	100.0%
China	
Metso Minerals (Tianjin) Co. Ltd	100.0%
Metso Minerals (Tianjin) International Trade Co. Ltd	100.0%
Metso Minerals (Quzhou) Co Ltd	100.0%
Metso Minerals (Hong Kong) Ltd	100.0%
Shaoguan City Shaorui Heavy Industries Co Ltd	75.0%
Metso Automation (Shanghai) Co. Ltd	100.0%
Metso (China) Investment Co. Ltd	100.0%
India	
Metso Minerals (India) Private Ltd	100.0%
Metso Automation India Private Ltd	100.0%
Indonesia	
PT Metso Minerals Indonesia Ltda	100.0%
PT Metso Indonesia	100.0%
Japan	
Metso Minerals Japan Co. Ltd	100.0%
Metso Automation KK	100.0%

Company name	Ownership, %
Singapore	
Metso Minerals (Singapore) Pte Ltd	100.0%
Metso Singapore Pte Ltd	100.0%
South Korea	
Metso Automation Korea Ltd	100.0%
Valstone Control Ltd	100.0%
Thailand	
Metso Minerals (Thailand) Co. Ltd	100.0%
Metso Automation Co. Ltd	100.0%
South Africa	
Metso Minerals Investment Holdings (SA) (Pty) Ltd	100.0%
Metso Minerals (South Africa) Pty Ltd	100.0%
Metso Mining and Construction (South Africa) (Pty) Ltd	75.0%
Metso Automation RSA (Pty) Ltd	100.0%
Others	
Metso Denmark A/S	100.0%
Metso (Kazakhstan) LLP	100.0%
Metso Minerals (Ukraine) LLC	100.0%
Metso Perú SA	100.0%
Metso Argentina SA	100.0%
Metso Minerals (Malaysia) Sdn Bhd	100.0%
Metso New Zealand Ltd	100.0%
Metso Vietnam Co. Ltd	100.0%
Metso Algeria EURL	100.0%
Metso Ghana Ltd	100.0%
Metso Minerals (Lebanon) sarl	100.0%
Metso Minerals (Zambia) Ltd	100.0%
Metso Minerals (Zimbabwe) PVT Ltd	100.0%
Nordberg Manufacturing (Pty)	100.0%
Nordberg Namibia (Pty)	100.0%
Metso Automation FZE (Dubai)	100.0%

33 Reporting segment and geographic information

Corporate structure

Metso Group is a global supplier of sustainable technology and services for mining, construction, oil and gas.

The Board of Directors, which has been identified as Metso's chief operating decision maker, decides on strategy, selection of key employees, major development projects, business acquisitions, investments, organization and financing. The operating segments in Metso are determined based on the reports delivered to the Board of Directors who uses them in decision making. The accounting policies applicable to the segment reporting are the same as those used for establishing the consolidated financial statements.

The Pulp, Paper and Power business, transferred to Valmet Corporation through the demerger as of December 31, 2013, has been classified as discontinued operations. Discontinued operations also include the results from and loss from the disposal of Valmet Automotive, which has previously been reported as separate business. As such, they have been excluded from segment reporting.

Following the demerger of Pulp, Paper and Power business and disposal of a controlling interest in Valmet Automotive, the operations are organized into the following two segments:

Mining and Construction supplies technology, processes, machinery and services for aggregates production, construction, mining and minerals processing. The segment is organized in three business lines: Minerals Processing Systems, Crushing and Screening Equipment as well as Services.

Automation supplies process industry flow control solutions, automation and information management systems and applications and services. Automation comprises three business lines: Flow Control, Process Automation Systems and Services.

Group Head Office and other is comprised of the Parent Company and shared service centers as well as holding companies in several countries.

Transfer pricing in intra-Metso transactions is primarily based on market prices. In some cases, cost-based prices are used, thereby including the margin (cost plus method).

The financial performance of the segments is measured through their ability to generate operating profit and earnings before interest, tax and amortization (EBITA) both in absolute figures and as percentage of net sales. The performance is also analyzed by excluding from EBITA items qualifying as non-recurring, such as capacity adjustment costs, outcome of material intellectual property rights disputes, gains and losses on business disposals, busi¬ness prospection and acquisition costs, gains and losses on business disposals, and other infrequent events, as these items reduce the comparability of the segments' performance from one period to another. The effect the non-recurring items have on cost of goods sold, selling, general and administrative expenses as well as other income and expenses, net, is presented in the segment information.

Financial income and expenses, net, and income taxes are not allocated to segments but included in the profit (loss) of Group Head Office and other. The treasury activities of Metso are coordinated and managed by the Group Treasury to benefit from cost efficiency obtained from pooling arrangements, financial risk management, bargaining power, cash management, and other measures. Tax planning aims at the minimization of Metso's overall tax cost and it is based on the legal structure and the utilization of holding company structure as applicable.

Segment assets comprise intangible assets, property, plant and equipment, investments in associated companies and joint ventures, available-for-sale equity investments, inventories and non-interest bearing operating assets and receivables. They exclude interest bearing assets, including also cash and cash equivalents, income tax receivables and deferred tax assets, which are included in the assets of Group Head Office and other.

Segment liabilities comprise non-interest bearing operating liabilities and exclude income tax liabilities and deferred tax liabilities, which are included in the liabilities of Group Head Office and other. Interest bearing liabilities are not allocated to segments, but included in the liabilities of Group Head Office and other.

Non-cash write-downs include write-offs made to the value of notes, receivables, and inventories and impairment and other write-offs recognized to reduce the value of intangible assets, property, plant and equipment and other assets.

Gross capital expenditure comprises investments in intangible assets, property, plant and equipment, associated companies, joint ventures and available-for-sale equity investments including additions through business acquisitions.

Information about Metso's reportable segments as of and for the years ended December 31, 2012 and 2013 is presented in the following tables.

EUR million	Mining and Construction	Automation	Group Head Office and other	Eliminations	**Metso total**
2012					
External net sales	3,485	797	-	-	**4,282**
Intra-Metso net sales	7	62	-	–69	**-**
Net sales	3,492	859	-	–69	**4,282**
EBITA before non–recurring items	419.9	101.2	–34.8	-	**486.3**
% of net sales	12.0	11.8	n/a	-	**11.4**
Operating profit (loss)	401.4	95.6	–39.4	-	**457.6**
% of net sales	11.5	11.1	n/a	-	**10.7**
Non-recurring items in cost of goods sold	–8.4	–0.3	-	-	**–8.7**
Non-recurring items in selling, general and administrative expenses	–1.4	–0.7	–1.9	-	**–4.0**
Non-recurring items in other operating income and expenses, net	1.6	-	-	-	**1.6**
Total non-recurring items	–8.2	–1.0	–1.9	-	**–11.1**
Amortization	–10	–5	–3	-	**–18**
Depreciation	–41	–11	–1	-	**–53**
Gross capital expenditure (including business acquisitions)	–67	–25	–4	-	**–96**
Non-cash write-downs	2	–5	0	-	**–3**
Intangible assets and property, plant and equipment	752	138	26	-	**916**
Investments in associated companies	-	13	0	-	**13**
Available-for-sale equity investments	0	0	3	-	**3**
Inventories and other non-interest bearing assets	1,757	374	69	-	**2,200**
Interest bearing assets	-	-	974	-	**974**
Deferred tax assets	-	-	177	-	**177**
Total assets	2,509	525	1,249	-	**4,283**
Discontinued operations					**2,359**
Total					**6,642**
Non-interest bearing liabilities	1,152	236	165	-	**1,553**
Interest bearing debt	-	-	1,290	-	**1,290**
Deferred tax liability	-	-	34	-	**34**
Total liabilities	1,152	236	1,489	-	**2,877**
Discontinued operations					**1,538**
Total					**4,415**
Capital employed	1,357	289	774	-	**2,420**
Orders received	3,436	845	-	–66	**4,215**
Order backlog	1,983	343	-	–2	**2,324**

Capital employed includes only external balance sheet items.

EUR million	Mining and Construction	Automation	Group Head Office and other	Eliminations	**Metso total**
2013					
External net sales	3,062	796	-	-	**3,858**
Intra–Metso net sales	8	58	-	–66	**–**
Net sales	3,070	854	-	–66	**3,858**
EBITA before non–recurring items	400.8	116.2	–21.3	-	**495.7**
% of net sales	13.1	13.6	n/a	-	**12.8**
Operating profit (loss)	339.9	108.5	–25.4	-	**423.0**
% of net sales	11.1	12.7	n/a	-	**11.0**
Non-recurring items in cost of goods sold	–16.8	–1.0	-	-	**–17.8**
Non-recurring items in selling, general and administrative expenses	–7.3	–2.6	–0.2	-	**–10.1**
Non-recurring items in other operating income and expenses, net	–25.9	-	-	-	**–25.9**
Total non-recurring items	–50.0	–3.6	–0.2	-	**–53.8**
Amortization	–11	–4	–4	-	**–19**
Depreciation	–41	–12	–1	-	**–54**
Gross capital expenditure (including business acquisitions)	–121	–17	0	-	**–138**
Non-cash write-downs	–10	–2	0	-	**–12**
Intangible assets and property, plant and equipment	793	116	36	-	**945**
Investments in associated companies	1	5	0	-	**6**
Available-for-sale equity investments	0	0	2	-	**2**
Inventories and other non-interest bearing assets	1,578	393	79	-	**2,050**
Interest bearing assets	-	-	558	-	**558**
Deferred tax assets	-	-	117		**117**
Total assets	2,372	514	792	-	**3,678**
Non-interest bearing liabilities	1,028	248	158	-	**1,434**
Interest bearing debt	-	-	1,049	-	**1,049**
Deferred tax liability	-	-	14	-	**14**
Total liabilities	1,028	248	1,221	-	**2,497**
Capital employed	1,344	266	620	-	**2,230**
Orders received	2,855	902	-	–48	**3,709**
Order backlog	1,555	373	-	–1	**1, 927**

Capital employed includes only external balance sheet items.

Entity-wide information

Metso's businesses are present in over 50 countries. The main market areas are Europe and North America accounting for over 50 procent of net sales. However, Asia and South America are becoming increasingly important. Metso has production units on all continents.

Net sales to unaffiliated customers by destination:

EUR million	Finland	Other European countries	North America	South and Central America	Asia-Pacific	China	Africa and Middle East	**Metso total**
2012	155	1,054	776	997	702	265	333	4,282
2013	**152**	**904**	**719**	**836**	**597**	**302**	**348**	**3,858**

Metso's exports, including sales to unaffiliated customers and intra-group sales from Finland, by destination:

EUR million	European countries	North America	South and Central America	Asia-Pacific	China	Africa and Middle East	**Total**
2012	327	66	54	149	35	43	674
2013	**295**	**67**	**56**	**134**	**41**	**66**	**659**

Long-term assets by location:

EUR million	Finland	Other European countries	North America	South and Central America	Asia-Pacific	China	Africa and Middle East	Non-allocated	**Metso total**
2012	138	67	106	80	58	23	7	479	958
Discontinued									1,076
Metso total									2,034
2013	**120**	**87**	**95**	**75**	**52**	**62**	**6**	**488**	**985**

Long-term assets comprise intangible assets, property, plant and equipment, investments in associated companies, available-for-sale equity investments and other non-interest bearing non-current assets. Non-allocated assets include mainly goodwill and other allocated assets arising from business acquisitions that have not been pushed down to the subsidiaries' books.

Gross capital expenditure (excluding business acquisitions) by location:

EUR million	Finland	Other European countries	North America	South and Central America	Asia-Pacific	China	Africa and Middle East	**Metso total**
2012	17	15	26	18	11	4	2	93
2013	**12**	**11**	**17**	**16**	**10**	**27**	**2**	**95**

Analysis of net sales by category:

	Year ended December 31,	
EUR million	2012	**2013**
Sale of services	2,072	**1,976**
Sale of projects, equipment and goods	2,210	**1,882**
Total	4,282	**3,858**

Major customers

Metso delivers large long-term construction contracts which, however, never exceed 10 percent of its net revenue.

34 Audit fees

	Year ended December 31,	
EUR million	2012	**2013**
Audit	–2.6	**–2.5**
Tax consulting	–1.5	**–0.9**
Other services	–0.5	**–0.4**
Total	–4.6	**–3.8**

In addition, other services related to the demerger –1,6

35 Lawsuits and claims

Several lawsuits, claims and disputes based on various grounds are pending against Metso in various countries, including product liability lawsuits and claims as well as legal disputes related to Metso's deliveries. However, Metso's management does not expect to the best of its present understanding that the outcome of these lawsuits, claims and disputes will have a material adverse effect on Metso in view of the grounds presented for them, provisions made, insurance coverage in force and the extent of Metso's total business activities.

Pending asbestos litigation

On December 31, 2013 there were 329 pending litigation cases filed in the United States in relation to asbestos injuries in which a Metso entity is one of the named defendants. Metso management's present belief is that the risk caused by the pending asbestos litigation cases in the United States is not material in the context of Metso's total business operations.

Lawsuits related to intellectual property rights

On January 13, 2014, the United States Supreme Court decided to deny Metso the right to appeal a decision by the United States Court of Appeals for the Federal Circuit in a patent infringement lawsuit between Metso and Terex Corporation that rejected Metso's claims for damages against Terex. As a result, this ruling remains final. The dispute between Metso and Powerscreen International Ltd. (today known as Terex GB Ltd.) covered Metso's claims for damages related to a patent covering conveyers used in various mobile crushing and screening machinery. The outcome is not expected to have any significant financial impact on Metso.

36 New accounting standards

IFRS 10

In May 2011, IASB published IFRS 10 'Consolidated Financial Statements', which defines the principle of control, which is the basis for consolidation to be used to identify whether an investor controls an investee and therefore must consolidate it. The standard covers the principles for the presentation and preparation of consolidated financial statements. Metso will start applying the standard in the accounting period beginning January 1, 2014.

The standard will not have a material impact on our financial statements.

IFRS 11

In May 2011, IASB published IFRS 11 'Joint Arrangements' on how a party to a joint arrangement should account for its involvement in such an arrangement. The entity has to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and account for those rights and obligations in accordance. The joint arrangement can either be a joint operation or a joint venture. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. Metso will start applying the standard in the accounting period beginning January 1, 2014.

The standard will not have a material impact on our financial statements.

IFRS 12

In May 2011, IASB published IFRS 12 'Disclosure of Interests in Other Entities' which includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. Metso will start applying the standard in the accounting period beginning January 1, 2014.

The standard will not have a material impact on our financial statement disclosures.

IFRS 9

The IFRS 9 'Financial instruments' is to replace IAS 39. Currently IFRS 9 contains new requirements for the classification and measurement of financial assets and liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for) financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The new guidance for hedge accounting aligns hedge accounting more closely with risk management. Also IFRS 9 relaxes the requirements for hedge effectiveness and change what qualifies as a hedged item. IFRS 9 allows hedge accounting for example for risk components of commodities, aggregated exposures, groups of items when hedging foreign currency and equity investments. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The effective date for the standard is undefined.

Until the entire standard is finalized, we cannot assess its impact on our financial statements.

There are no other IFRS standards, amendments to standards and IFRIC interpretations that are not yet effective that would be expected to have a material impact on Metso.

37 Events after balance sheet date

On January 13, 2014, the United States Supreme Court denied Metso the right to appeal a decision by the United States Court of Appeals for the Federal Circuit in a patent infringement lawsuit between Metso and Terex Corporation. The dispute between Metso and Powerscreen International Ltd. (today known as Terex GB Ltd.) covered Metso's claims for damages related to a patent covering conveyers used in various mobile crushing and screening machinery.

On January 15, 2014, the Nomination board established by Metso's Annual General Meeting (AGM) published its proposals for Board members and their remuneration. The Nomination Board will propose to the next AGM due to be held on March 26, 2014 that the board of Directors should have seven members and that that Mikael Lilius, Christer Gardell, Wilson Nélio Brumer, Ozey K. Horton, Jr., Lars Josefsson, Nina Kopola and Eeva Sipilä should be re-elected as Board members. Mikael Lilius will be proposed to be re-elected as Chairman of the Board and Christer Gardell as Vice-Chairman.

The Nomination Board will further propose that the annual remuneration of the Board members should remain the same as in 2013. Metso's Board of Directors will include these proposals into the notice of the Annual General Meeting.

The Nomination Board was named by Metso's four largest registered shareholders on August 30, 2013, and consisted of Lars Förberg (Managing Partner, Cevian Capital) as Chairman and Kari Järvinen (Managing director, Solidium Oy), Harri Sailas (President and CEO, Ilmarinen Mutual Pension Insurance Company) and Matti Vuoria (President and CEO, Varma Mutual Pension Insurance Company) as members. Metso's Chairman of the Board (Jukka Viinanen until December 31, 2013, and Mikael Lilius as of December 31, 2013) served as the Nomination Board's expert member.

Exchange Rates Used

		Average rates		Year-end rates	
		2012	**2013**	2012	**2013**
USD	(US dollar)	1.2932	**1.3300**	1.3194	**1.3791**
SEK	(Swedish krona)	8.7015	**8.6625**	8.5820	**8.8591**
GBP	(Pound sterling)	0.8137	**0.8475**	0.8161	**0.8337**
CAD	(Canadian dollar)	1.2930	**1.3722**	1.3137	**1.4671**
BRL	(Brazilian real)	2.5220	**2.8791**	2.7036	**3.2576**
CNY	(Chinese yuan)	8.1462	**8.1769**	8.2207	**8.3491**
AUD	(Australian dollar)	1.2468	**1.3842**	1.2712	**1.5423**

Financial Indicators 2009–2013

EUR million	2009	2010	2011	2012	**2013**
Net sales	5,016	5,552	6,646	4,282	**3,858**
Operating profit	294	445	572	458	**423**
% of net sales	5.9	8.0	8.6	10.7	**11.0**
Profit before taxes	222	370	507	400	**369**
% of net sales	4.4	6.7	7.6	9.3	**9.6**
Profit from continuing operations	151	258	358	256	**238**
% of net sales	3.0	4.6	5.4	6.0	**6.2**
Profit from continuing operations, attributable to shareholders of the company	150	257	356	256	**238**
Exports from Finland and international operations	4,706	5,269	6,281	4,125	**3,710**
% of net sales	93.8	94.9	94.5	96.3	**96.2**
Amortization	41	58	52	18	**19**
Depreciation	102	120	120	53	**54**
Depreciation and amortization	143	178	172	71	**73**
% of net sales	2.9	3.2	2.6	1.7	**1.9**
EBITA	334	503	623	476	**442**
% of net sales	6.7	9.1	9.4	11.1	**11.5**
EBITDA	437	623	744	529	**496**
% of net sales	8.7	11.2	11.2	12.4	**12.9**
Financial income and expenses, net	72	75	65	58	**54**
% of net sales	1.4	1.4	1.0	1.4	**1.4**
Interest expenses	75	69	75	55	**48**
% of net sales	1.5	1.2	1.1	1.3	**1.2**
Interest cover (EBITDA)	6.1x	8.3x	11.4x	9.1x	**9.2x**
Gross capital expenditure (excl. business acquisitions)	117	135	166	93	**95**
% of net sales	2.3	2.4	2.5	2.2	**2.5**
Business acquisitions, net of cash acquired	1	21	15	4	**44**
Net capital expenditure (excl. business acquisitions and disposals)	85	117	156	91	**80**
% of net sales	1.7	2.1	2.3	2.1	**2.1**
Net cash provided by operating activities *)	770	506	466	359	**316**
Free cash flow *)	717	435	375	257	**224**
Cash conversion, % *)	475	169	105	70	**76**
Research and development	115	111	124	61	**63**
% of net sales	2.3	2.0	1.9	1.4	**1.6**
Balance sheet total	5,715	6,232	6,618	3,923	**3,678**
Equity attributable to shareholders	1,783	2,049	2,115	1,326	**1,173**
Total equity	1,792	2,071	2,136	1,326	**1,181**
Interest bearing liabilities	1,576	1,373	1,027	1,094	**1,049**
Net interest bearing liabilities	583	310	260	377	**490**
Net working capital	242	247	281	452	**627**
% of net sales	4.8	4.5	4.2	10.6	**16.3**
Capital employed	3,368	3,444	3,164	2,420	**2,230**
Return on equity (ROE), %	9.8	13.6	17.8	19.8	**19.0**
Return on capital employed (ROCE) before taxes, %	10.0	13.5	18.4	21.2	**18.6**
Return on capital employed (ROCE) after taxes, %	7.7	10.2	13.8	14.7	**12.9**
Equity to assets ratio, %	35.7	38.1	39.8	39.1	**36.9**
Net gearing, %	32.5	15.0	12.2	28.4	**41.6**
Debt to capital, %	46.8	39.9	32.5	45.2	**47.0**
Orders received	4,358	5,944	7,961	4,215	**3,709**
Order backlog, December 31	3,415	4,023	5,310	2,324	**1,927**
Average number of personnel	27,813	27,585	29,590	16,457	**16,687**
Personnel, December 31	27,166	28,593	30,324	16,612	**16,425**

*) including discontinued operations

Years 2012-2013 are presented for continuing operations unless otherwise indicated. For illustrative purposes, the balance sheet of 2012 has been restated to represent the continuing operations. For calculating averages in 2012, also 2011 balance sheet has been recalculated to present comparable average information. Key figures for 2012 are in this respect based on unaudited numbers.

Formulas for Calculation of Indicators

Formulas for calculation of financial indicators

EBITA:
Operating profit + amortization + goodwill impairment

EBITDA:
Operating profit + depreciation and amortization + goodwill impairment

Return on equity (ROE), %:

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

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

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

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

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

Net gearing, %:

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

Equity to assets ratio, %:

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

Net working capital:
Inventory + trade receivables + other non-interest bearing receivables - trade payables - advances received - other non-interest bearing liabilities

Capital employed:
Balance sheet total - non-interest bearing liabilities

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

Cash conversion, %:

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

Debt to capital, %:

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

Interest cover (EBITDA):

$$\frac{\text{EBITDA}}{\text{Financial income and expenses, net}}$$

Formulas for calculation of share-related indicators

Earnings per share from continuing operations, basic:

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

Earnings per share from continuing operations, diluted:

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

Earnings per share from discontinued operations, basic:

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

Earnings per share from discontinued operations, diluted:

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

Dividend/share:

$$\frac{\text{Dividend distribution}}{\text{Number of outstanding shares at end of period}}$$

Dividend/earnings, %:

$$\frac{\text{Dividend per share}}{\text{Earnings per share from continuing operations}} \times 100$$

Equity/share:

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

Free cash flow/share:

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

Effective dividend yield, %:

$$\frac{\text{Dividend per share}}{\text{Share price on December 31}} \times 100$$

P/E ratio:

$$\frac{\text{Share price on December 31}}{\text{Earnings per share from continuing operations}}$$

Average share price:

$$\frac{\text{Total value of shares traded in euro}}{\text{Number of shares traded during period}}$$

Market capitalization:
Number of outstanding shares x share price at end of period

Total shareholder return (TSR), %:

$$\frac{\text{Change in share price + dividend paid during period}}{\text{Share price at end of previous period}} \times 100$$

Parent Company Statement of Income, in accordance with Finnish Accounting Standards, FAS

	Year ended December 31,	
EUR million	2012	**2013**
Net sales	-	**-**
Other operating income	0	**0**
Personnel expenses	–14	**–15**
Depreciation and amortization	–1	**0**
Other operating expenses	–18	**–19**
Operating loss	–33	**–34**
Financial income and expenses, net	200	**147**
Profit before extraordinary items	167	**113**
Group contributions	106	**91**
Profit before appropriations and taxes	273	**204**
Income taxes for the period	0	**0**
Income taxes, previous years	–1	**-**
Change in deferred taxes	–6	**–1**
Profit	266	**203**

Parent Company Balance Sheet, FAS

Assets

	As at December 31,	
EUR million	2012	**2013**
Non-current assets		
Intangible assets	0	**0**
Tangible assets	2	**20**
Investments		
Shares in Group companies	2,472	**851**
Other investments	155	**410**
Total non-current assets	2,629	**1,281**
Current assets		
Long-term receivables	2	**1**
Short-term receivables	718	**524**
Securities	439	**35**
Bank and cash	118	**166**
Total current assets	1,277	**726**
Total assets	3,906	**2,007**

Shareholders' equity and liabilities

	As at December 31,	
EUR million	2012	**2013**
Shareholders' equity		
Share capital	241	**141**
Invested non-restricted equity fund	573	**365**
Other reserves	194	**0**
Retained earnings	896	**299**
Total shareholders' equity	1,904	**805**
Liabilities		
Long-term liabilities	1,171	**781**
Current liabilities	831	**421**
Total liabilities	2,002	**1,202**
Total shareholders' equity and liabilities	3,906	**2,007**

Parent Company Statement of Changes in Shareholders' Equity, FAS

EUR million	Share capital	Invested non-restricted equity fund	Other reserves	Retained earnings	Total
Balance at December 31, 2011	**241**	**573**	**194**	**880**	**1 888**
Dividends	-	-	-	–254	–254
Other	-	-	-	4	4
Profit	-	-	-	266	266
Balance at December 31, 2012	**241**	**573**	**194**	**896**	**1,904**
Demerger	–100	–213	–194	–521	–1,028
Dividends				–277	–277
Other		5		–2	3
Profit				203	203
Balance at December 31, 2013	**141**	**365**	**0**	**299**	**805**

Auditor's Report

To the Annual General Meeting of Metso Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Metso Corporation for the year ended 31 December, 2013. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the President and CEO of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, February 21, 2014

Ernst & Young Oy
Authorized Public Accounting Firm

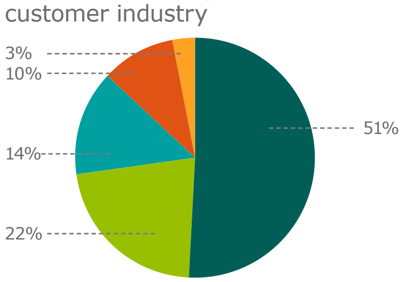
Roger Rejström
Authorized Public Accountant

Financial targets and achievements

		2013 achievements
Net sales	Growth to exceed market growth	+/–
Services net sales	>10% annual growth on average	–5%
Profitability (EBITA %)	11–16% before NRE	12.8%
Return on capital employed (ROCE)	At least 30% (before taxes)	18.6%
Earnings per share	To grow faster than net sales	+
Capital structure	Supporting a solid investment-grade credit rating	BBB, Baa2
Dividend payout	At least 50% of annual earnings per share	63%*

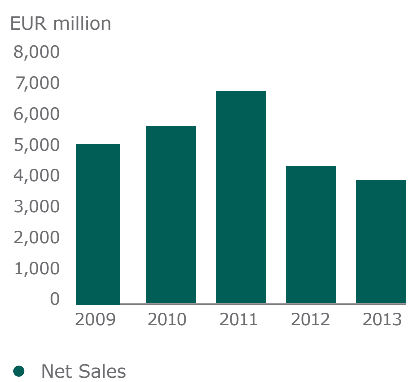
* The Board proposes a dividend of EUR 1.00 per share, i.e. 63% of earnings per share.

Orders received by customer industry

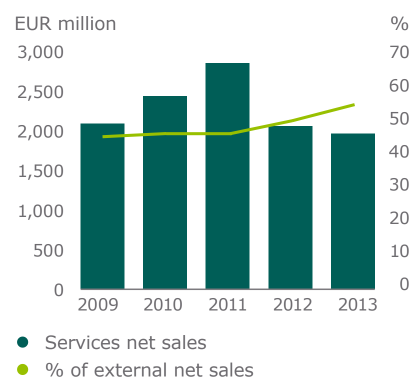


- Mining 51% (58%)
- Construction 22% (18%)
- Oil and gas 14% (12%)
- Pulp and paper 10% (8%)
- Other 3% (4%)

Net Sales



Services net sales



Shares and shareholders

Shares and share capital

On December 31, 2013, Metso Corporation's share capital, fully paid up and entered in the trade register, was EUR 140 982 843.80, and the total number of shares 150,348,256. In conjunction with demerger, Metso's share capital was reduced by an amount equivalent to Valmet's share capital, in other words by EUR 100,000,000.

Metso has one share series, and each share entitles its holder to one vote at the General Meeting and to an equal amount of dividend. Metso's shares are registered in the Finnish book-entry system.

The demerger of Pulp, Paper and Power businesses to create Valmet Corporation

The completion of the partial demerger decided by Metso's Extraordinary General Meeting held on October 1, 2013 was registered with the Finnish Trade Register on December 31, 2013. Metso's shareholders received one Valmet share for each of their Metso shares as a demerger consideration (1:1). Trading of Valmet Corporation shares on NASDAQ OMX Helsinki commenced on January 2, 2014.

The Bank of New York Mellon acts as the depositary bank for Metso's American Depository Receipts and is responsible for the distribution of the demerger consideration to the holders of the American Depositary Shares.

Metso's own shares

On December 31, 2013, Metso Corporation held a total of 483,637 of the company's own shares, which represent 0.32 percent of all Metso shares and votes.

Board authorizations

On March 28, 2013, the Annual General Meeting authorized the Board to decide on the repurchase and/or accept as a pledge of the company's own shares.

Under the authorization granted, the Board is entitled to decide on the repurchase and/or acceptance as a pledge of a maximum of 10,000,000 of the company's own shares. The company's own shares can be repurchased and/or accepted as a pledge in deviation from the proportion to the holdings of the shareholders with the company's non-restricted equity and acquired through public trading on the NASDAQ OMX Helsinki Ltd at the market price at the time of repurchase.

The shares can be repurchased and/or accepted as a pledge to develop Metso's capital structure or to finance or carry out future acquisitions, investments or other arrangements related to the company's business or as part of Metso's incentive program.

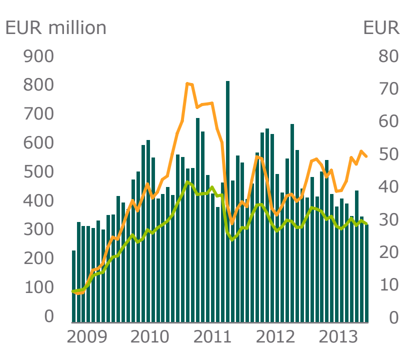
The company's repurchased shares can be held by the company, cancelled or conveyed. The Board of Directors shall decide on other matters related to the repurchase and/or acceptance as a pledge of the company's own shares.

The repurchase authorization is valid until June 30, 2014, and it revokes the repurchase authorization given by the Annual General Meeting on March 29, 2012.

On March 29, 2012, the Annual General Meeting authorized the Board to decide on the issuance of shares and the granting of special rights. Under the authorization granted, the Board is entitled to decide on the issuance of a maximum of 15,000,000 new shares and on the conveying of a maximum 10,000,000 own shares held by the company.

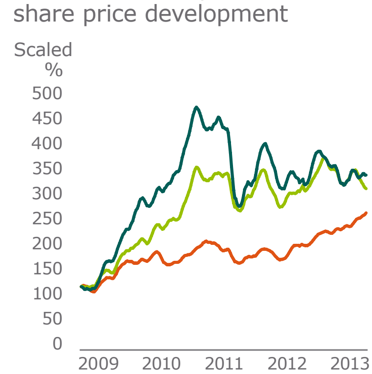
Additionally, the Board is authorized to grant special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act, which carry the right to receive, against payment, new shares of the company or the company's own shares held by the company in such a manner that the subscription price is paid by using the subscriber's receivables to offset the subscription price. The maximum number of shares to be issued pursuant to the special rights is 15,000,000. The maximum number is included in the maximum number of shares noted in the previous paragraph.

Metso share's turnover and share price on the NASDAQ OMX Helsinki



- Monthly turnover, EUR
- Average monthly share price
- OMX portfolio index, scaled

Metso's and competitors' share price development



- Metso
- Mining competitors (Atlas Copco, FLSmidth, Outotec, Sandvik and Weir)
- Automation competitors (ABB, Siemens, Flowserve and Cameron)

The new shares may be issued and the company's own shares conveyed either against payment or without payment.

The Board may decide on a share issue without payment also to the company itself. The number of shares to be issued to the company shall not exceed 10,000,000 including the number of own shares acquired by the company by virtue of the authorization to repurchase the company's own shares.

The new shares, special rights and own shares held by the company may be issued to the company's shareholders in proportion to their current holding, or by means of a directed issue, in deviation from the pre-emptive subscription rights of the shareholders, if there is a weighty financial reason for the company to do so, such as to develop the capital structure of the company or to finance or carry out future acquisitions, investments or other arrangements related to the company's business or as part of the company's incentive program. A directed issue can only be executed without payment if there is an especially weighty financial reason for the company to do so, taking the interests of all shareholders into account.

The Board of Directors shall decide on other matters related to the share issues and granting of special rights. The authorization is valid until April 30, 2015, and it revokes the authorization given by the Annual General Meeting on March 30, 2011.

Market capitalization and trading

Metso Corporation's shares are quoted on the NASDAQ OMX Helsinki (OMXH: MEO1V) since July 1, 1999. Metso's ADSs (American Depositary Shares) are traded in the United States on the International OTCQX market under the ticker symbol MXCYY. The Bank of New York Mellon serves as the depository bank for Metso's ADRs.

OTCQX is the premier tier of the OTC (over-the-counter) markets, and requires more comprehensive financial reporting and availability of financial data from listed companies.

Metso's share price on the NASDAQ OMX Helsinki in 2013 decreased 3 percent, from EUR 32.04 to EUR 31.02. At the same time, the NASDAQ OMX Helsinki portfolio index, OMX Helsinki CAP, increased 26 percent. The highest quotation of Metso's share on the NASDAQ OMX Helsinki in 2013 was EUR 34.93, and the lowest EUR 25.64. The share price on the last trading day of the year, December 30, 2013, was EUR 32.02 and the average trading price for the year was EUR 30.12. Metso's market capitalization at year-end, excluding shares held by the company, was EUR 4,649 million. Total shareholder return (TSR) was 2.6 percent positive in 2013 (17.8% positive).

In 2013, 173,318,027 Metso shares were traded on the NASDAQ OMX Helsinki, equivalent to a turnover of EUR 5,220 million. The average daily trading volume decreased 22 percent from the previous year and was 693,272 shares. During the year, the relative turnover was 116 percent (149%). In addition to the NASDAQ OMX Helsinki, Metso shares were traded on alternative market places, for example on BOAT, BATS Chi-X and Turquoise.

In 2013, the highest trading price for Metso's ADSs in the United States was USD 46.45, and the lowest USD 33.60. The ADS price on the OTCQX market at year-end was USD 42.87. Each ADS represents one share.

Incentive plans

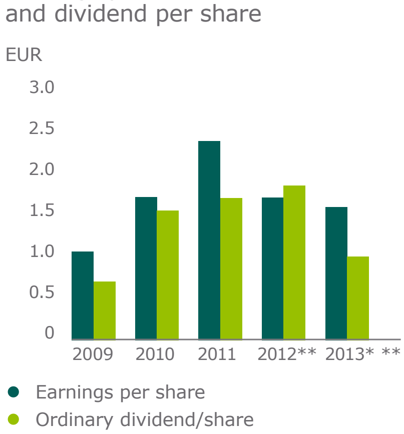
Option programs

There are no option programs in Metso.

Share-based incentive plans

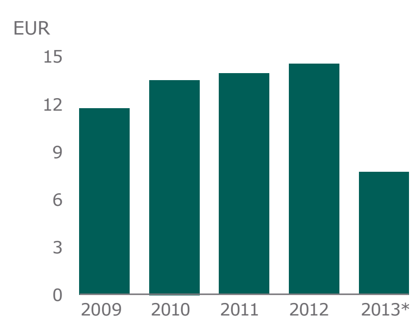
Metso's share ownership plans are part of the remuneration program for Metso management. For further information, see www.metso.com/investors and in the Notes to the Financial Statements (Note 23, on pages 49-50).

Earnings per share
and dividend per share



* Board's proposal
** Profit from continuing operations

Equity/share



* After the demerger

The reward shares for the plan are acquired in public trading and therefore the plans do not have a diluting effect on share value.

Rewards related to the Share Ownership Plan 2010-2012 were distributed to 80 participants in 2013. The total amount of shares was 108,585, of which 17,632 shares were allocated to the Executive Team. The following share ownership plans are currently in effect:

- Share Ownership Plan 2011–2013. This plan had 66 participants prior to demerger and after the demerger the number of Metso participants is 40. The potential rewards offered correspond to a maximum of 147,550 Metso shares. The amount will be determined in February 2014 and will be paid in both Metso and Valmet shares by the end of March 2014.
- Long-term Incentive Plan for 2012–2014. This plan had 93 participants as of the end of December for the 2012 performance period, and after the demerger the number of Metso participants is 61. The potential rewards correspond to a maximum of 277,094 Metso shares. However, the maximum number of shares will be recalculated in April 2014 to take into account the effect of demerger to Metso share value.
- Long-term Incentive Plan for 2012–2014. This plan had 99 participants prior to demerger, and after the demerger the number of Metso participants is 65. The potential rewards correspond to a maximum of 284,372 Metso shares. However, the maximum number of shares will be recalculated in April 2014 to take into account the effect of demerger to Metso share value.
- The share-based incentive plan approved in December 2011 remains in force. A maximum of 60 key employees in Metso will be covered by the plan for the 2014 performance period.

Holdings of Metso's Board of Directors and executive management

At year-end, the members of Metso's Board of Directors, CEO Matti Kähkönen, Executive Vice President Harri Nikunen (as of November 1, 2013), and their interest parties held altogether 60,638 Metso shares, which correspond to 0.04 percent of the total amount of shares and votes in Metso.

Dividend policy

Metso's dividend policy is to distribute at least 50 percent of earnings per share in annual dividends. The Board of Directors proposes to the Annual General Meeting to be held on March 26, 2014 that the dividend of EUR 1.00 per share be paid for the year ended on December 31, 2013. The proposed dividend of EUR 1.00 (EUR 1.85) corresponds to 63 percent (74%) of the profit attributable to shareholders for the year, and the effective dividend yield is 3.2 percent (5.8%).

Shareholders

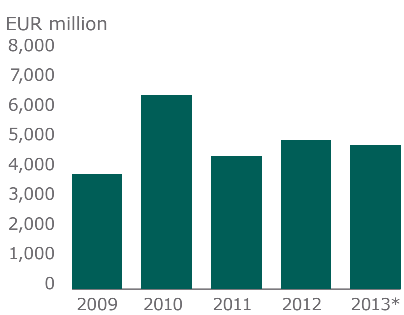
At the end of 2013, Metso had 58,499 shareholders in the book-entry system, the largest of which was Solidium Oy, with 11.1 percent (11.1%) ownership. Nominee-registered shares and shares in direct foreign ownership accounted for 47.6 percent (48.2%) of the total stock. Finnish institutions, companies and organizations accounted for 36.7 percent (26.0%) and Finnish private persons for 15.7 percent (14.7%) of Metso's shares. Metso is not aware of any shareholders' agreements regarding the ownership of Metso shares and voting rights.

Flagging notifications

On September 27, 2013, Cevian Capital II Master Fund L.P. announced that its holding in shares of Metso Corporation exceeded the 5 percent threshold on August 29, 2013. The holding amounted at such time to 7,560,179 shares, which corresponded to 5.03 percent of the total amount of shares and votes in Metso Corporation. The total holding of Cevian funds (Cevian Capital II Master Fund L.P. and Cevian Capital Partners Ltd.) amounted to 20,068,239 shares on August 29, 2013, which corresponded to 13.35 percent of the total amount of shares and votes in Metso Corporation. On July 26, 2013, the Metso Corporation shares held by Cevian-managed funds exceeded the 10 percent threshold.

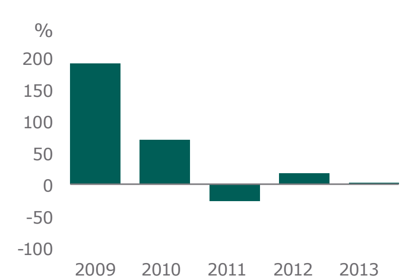
Another shareholder exceeding 5 percent ownership in Metso is Solidium Oy, with 11.1 percent of the total amount of shares and votes (December 31, 2013).

Market capitalization, on December 31



*Metso's market capitalization after listing of Valmet Corporation on 2.1.2014 was EUR 3,656 million

Total shareholder return (TSR)



SHARE CAPITAL AND SHARE DATA 2009 - 2013

	2009	2010	2011	2012	**2013**
Share capital, December 31, EUR million	241	241	241	241	**141**
Number of shares, December 31:					
Number of outstanding shares	149,938,639	149,629,859	149,629,196	149,756,034	**149,864,619**
Own shares held by the Parent Company	409,617	718,397	719,060	592,222	**483,637**
Total number of shares	150,348,256	150,348,256	150,348,256	150,348,256	**150,348,256**
Average number of outstanding shares	141,477,476	149,682,703	149,629,690	149,715,383	**149,826,119**
Average number of diluted shares	141,526,284	149,836,864	149,832,989	149,870,074	**149,941,820**
Trading volume, NASDAQ OMX Helsinki Ltd	321,093,368	217,467,633	206,936,576	223,439,548	**173,318,027**
% of shares [1]	214.1	145.3	138.3	149.2	**115.6**
Earnings/share from continuing operations, basic, EUR	1.06	1.71	2.38	1.71	**1.59**
Earnings/share from continuing operations, diluted, EUR	1.06	1.71	2.38	1.71	**1.59**
Free cash flow/share, EUR	5.07	2.91	2.50	1.72	**1.49**
Dividend/share [2], EUR	0.70	1.55	1.70	1.85	**1.00**
Dividend [2], EUR million	105	232	254	277	**150**
Dividend/earnings [2], %	66	91	71	108	**63**
Effective dividend yield [2], %	2.8	3.7	5.9	5.8	**3.2**
P/E ratio	23.24	24.44	12.04	18.74	**19.51**
Equity/share, EUR	11.89	13.69	14.13	14.74	**7.83**
Highest share price, EUR	24.78	43.23	43.27	37.27	**34.93**
Lowest share price, EUR	7.03	20.91	19.72	24.88	**25.64**
Average share price, EUR	13.26	28.81	31.79	30.02	**30.12**
Share price, December 31, EUR	24.63	41.80	28.65	32.04	**31.02**
Market capitalization, December 31 [3], EUR million	3,693	6,255	4,287	4,798	**4,649**

[1] Of the total amount of shares for public trading
[2] 2013 proposal by the Board of Directors
[3] Excluding own shares held by the Parent Company

Formulas for calculation of share-related indicators are on page 71.

LINKS & ADDITIONAL INFO

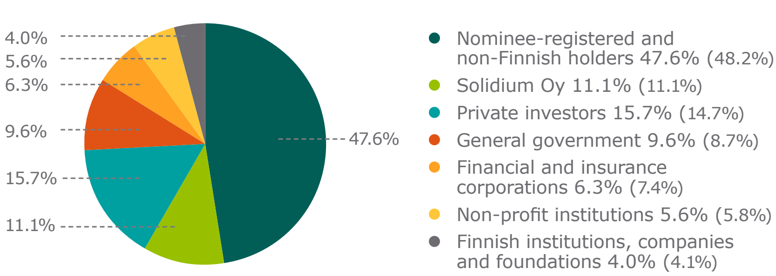
1. More on Metso's share-based incentive plans at **www.metso.com/remuneration**
2. Metso's biggest shareholders and their holdings **www.metso.com/shareholders**
3. Up-to-date information on Metso's insiders and their holdings **www.metso.com/insiders**

Metso´s biggest shareholders on December 31, 2013

		Shares and votes	% of share capital and voting rights
1	**Solidium Oy**	**16,695,287**	**11.1**
2	**Ilmarinen Mutual Pension Insurance Company**	**4,450,126**	**3.0**
3	**Nordea Funds**	**3,336,923**	**2.2**
	Nordea Nordenfonden	1,566,531	1.0
	Nordea Fennia	732,500	0.5
	Nordea Nordics	418,494	0.3
	Nordea Pro Finland	345,000	0.2
	Nordea Finland	155,809	0.1
	Nordea Finland index fund	49,000	0.0
	Nordea Private Banking Focus Nordic	39,968	0.0
	Nordea Premium asset management Growth	16,000	0.0
	Nordea Private Banking Focus Finland	10,185	0.0
	Nordea World index fund	1,811	0.0
	Nordea Europe index fund	1,625	0.0
4	**Varma Mutual Pension Insurance Company**	**2,908,465**	**1.9**
5	**The state Pension Fund**	**1,720,000**	**1.1**
6	**OP Funds**	**1,564,231**	**1.0**
	OP-Delta	622,231	0.4
	OP-Focus	610,000	0.4
	OP-Finland Value	332,000	0.2
7	**Keva**	**1,543,015**	**1.0**
8	**Mandatum Life Insurance**	**1,487,381**	**1.0**
9	**Svenska litteratursällskapet i Finland r.f.**	**1,188,076**	**0.8**
10	**Odin Funds**	**983,570**	**0.7**
	Odin Norden	737,035	0.5
	Odin Finland	236,824	0.2
	Odin Finland II	6,372	0.0
	Odin Norden II	3,339	0.0
	10 largest owner groups in total	**35,877,074**	**23.9**
	Nominee-registered shares *)	66,304,870	44.1
	Other shareholders	47,673,635	31.7
	Own shares held by the Parent Company	483,637	0.3
	In the issuer account	9,040	0.0
	Total	**150,348,256**	**100.0**

*) Shareholders have an obligation to notify the company of changes in their holdings, when the holdings have reached, exceeded or fallen below 5 percent of Metso's voting rights or share capital. An up-to-date list of all flagging notifications made can be found at www.metso.com/flagging.

Breakdown by shareholder category on December 31, 2013



Changes in number of shares and share capital

		Number of shares	Change in number of shares	Share capital, EUR	Change in share capital, EUR
2001	New shares subscribed with the Metso 1994 options, which were transferred from Valmet Corporation	136,250,545	793,270	231,625,926.50	1,348,559.00
2005	New shares subscribed with the Metso 2000A/B and 2001A/B options	141,654,614	5,404,069	240,812,843.80	9,186,917.30
2006	New shares subscribed with the Metso 2003A options	141,719,614	65,000	240,923,343.80	110,500.00
2007	New shares subscribed with the Metso 2003A options	141,754,614	35,000	240,982,843.80	59,500.00
2008	No changes in number of shares nor in share capital	141,754,614	-	240,982,843.80	-
2009	New shares issued as consideration for Tamfelt acquisition	150,348,256	8,593,642	240,982,843.80	-
2010- 2012	No changes in number of shares nor in share capital	150,348,256	-	240,982,843.80	-
2013	Metso's share capital decreased in connection with the demerger by an amount equaling Valmet Corporation's share capital	150,348,256	-	140,982,843.80	–100,000,000.00

Breakdown of share ownership on December 31, 2013

Number of shares	Shareholders	% of share-holders	Total number of shares and votes	% of share and votes
1-100	24,595	40.4	1,297,326	0.9
101-500	22,788	40.3	5,878,980	3.9
501-1 000	5,710	9.8	4,324,880	2.9
1 001-5 000	4,455	7.8	9,115,486	6.1
5 001-10 000	502	0.8	3,626,789	2.4
10 001-50 000	331	0.7	6,799,855	4.5
50 001-100 000	43	0.1	3,115,654	2.1
100 001-500 000	42	0.1	8,940,880	5.9
over 500 001	22	0.0	40,934,496	27.2
Total	58,488	100.0	84,034,346	55.9
Nominee-registered shares	13		66,304,870	44.1
Own shares held by the Parent Company			483,637	0.3
In the issuer account			9,040	0.0
Number of shares issued			**150,348,256**	**100.0**

Investor Relations

Our main task at Metso's Investor Relations is to support the correct valuation of Metso's share by providing up to date information on matters concerning the company's operations and operating environment, strategy, objectives and financial situation.

Providing the most current information about the company

We anticipate that capital market participants find this information valuable when forming a balanced view of Metso as an investment. Additionally, we regularly gather and analyze market information and investor feedback for use by top management and the Board of Directors. Our goal is to provide correct, adequate and current information regularly and impartially to all market participants.

Working closely and interacting with our stakeholders

Investor Relations is responsible for investor communications and daily contact with representatives of capital markets and the financial press including centrally organizing all investor and equity analyst meetings with Metso's management or with an IR representative. Our investor communications consists of quarterly financial reporting, our actively updated online services as well as investor meetings and seminars, in which also our top management actively participates. We also arrange an annual Capital Markets Day.

Investor services on the Internet

The investor information included on Metso's website contains the most accurate and the latest information and useful services, like a share monitor, list of largest shareholders, insider register, an archive of presentations and financial reports, as well as other services, such as consensus estimates, a historical price lookup, an investment calculator and a financial calendar. A list of the banks and brokerage firms that analyze Metso as an investment as well as the analysts is also available online. IR 2.0 service contains information about the social media channels and mobile services through which you can follow Metso.

Silent period

During the three-week period prior to publication of the annual or interim financial results, we are not in contact with capital market representatives. At other times, we are happy to answer enquiries of analysts and investors by phone, email or at arranged investor meetings.

RELATED LINKS

1. www.metso.com
2. www.metso.com/2013
3. www.metso.com/investors

IMPORTANT DATES 2014

Financial statements for 2013	February 6, 2014
Annual Report 2013	week 10, 2014
Record date of AGM participation	March 14, 2014
AGM registration period ends	March 21, 2014
Annual General Meeting	March 26, 2014
Dividend ex-date	March 27, 2014
Record date of dividend payment	March 31, 2014
Date of dividend payment	April 8, 2014
Interim review for January-March	April 24, 2014
Interim review for January-June	July 31, 2014
Interim review for January-September	October 24, 2014
Capital Markets Day	November 25–26, 2014

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2013 was a historical year for Metso. We separated our Pulp, Paper and Power businesses into a new company to increase our focus on our customers in the mining, construction, and oil & gas industries.

The Financial Statements presents Metso's 2013 result. It is a part of Metso's annual reporting publication series that includes online Annual Report and printed Annual Review and Financial Statements.
All parts of the series are available at **www.metso.com/2013**.

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