metso
Expect results

Q1 2015

Interim Review
January 1 – March 31, 2015

Metso's Interim Review January 1 – March 31, 2015

Figures in brackets refer to the corresponding period in 2014, unless otherwise stated. The Process Automation Systems (PAS) business was divested on April 1, 2015, and is included in the Flow Control segment in this report. This report also contains pro forma information for periods of January–March 2015 and January–March 2014, which represents the Metso Group excluding the PAS business.

First quarter 2015 in brief

- Services net sales increased 7%
- Challenging market conditions affected equipment, project and product orders
- Divestment of the Process Automation Systems (PAS) business to Valmet was agreed on January 15, 2015 and closed on April 1, 2015
- Orders received EUR 799 million (EUR 875 million), of which EUR 542 million (EUR 545 million) were services orders
- Net sales EUR 787 million (EUR 817 million), of which EUR 470 million services (EUR 438 million)
- EBITA before non-recurring items EUR 70 million, or 8.9% of net sales (EUR 88 million, 10.7%)
- Pro forma information: orders received EUR 737 million (791 million), net sales EUR 732 million (756 million), EBITA before non-recurring items EUR 78 million, 10.6% of net sales (EUR 85 million and 11.3%)

Financial guidance for 2015

Our guidance for 2015 (originally published on February 5, 2015) remains unchanged. We estimate that our net sales, excluding the Process Automation Systems business, in 2015 will be between EUR 3,000 million and EUR 3,300 million and that our EBITA margin before non-recurring items will be around 13 percent.

The guidance for 2015 is based on the current market activity in our customer industries, our current backlog and the current exchange rates.

President and CEO Matti Kähkönen:

The mining equipment market weakened further in the beginning of this year, and revised investment plans in the oil & gas market have resulted in softening project market for our valve business. The services business, however, grew in the first quarter and is helping to offset the headwind from the equipment and project business.

Overall, we were successful in maintaining our gross margins healthy and our performance was fairly stable in our core businesses. This gives us confidence in meeting our full-year guidance for 2015. During the quarter we also continued implementing our strategy by signing an agreement to sell our Process Automation business (PAS) to Valmet for an enterprise value of EUR 340 million. The divestment was closed on April 1, 2015, and, as a result, major strategic repositioning of Metso has now been completed.

Key figures

EUR million	Q1/2015	Q1/2014	Change %	2014
Orders received	**799**	875	-9	3,409
Orders received by the services business	**542**	545	-1	2,052
% of orders received	**68**	62		60
Order backlog at the end of the period	**1,631**	1,944	-16	1,575
Net sales	**787**	817	-4	3,658
Net sales of the services business	**470**	438	7	2,007
% of net sales	**60**	54		55
Earnings before interest, tax and amortization (EBITA) and non-recurring items	**70**	88	-20	460
% of net sales	**8.9**	10.7		12.6
Operating profit	**65**	76	-14	351
% of net sales	**8.3**	9.3		9.6
Earnings per share, EUR	**0.25**	0.28	-11	1.25
Free cash flow	**87**	48	81	204
Return on capital employed (ROCE) before taxes, annualized, %	**12.9**	14.3		16.4
Equity-to-asset ratio at the end of the period, %	**36.6**	33.6		40.5
Net gearing at the end of the period, %	**41.4**	42.8		45.6
Personnel at the end of the period	**15,350**	16,198	-5	15,644

Currency impact on orders received
compared to the same period in 2014

	Q1/2015 Change %	Q1/2015 Change % using constant rates
Minerals	-7	-13
Services business	5	-1
Flow Control	-14	-20
Services business	-14	-19
Metso total	**-9**	**-15**
Services business	**-1**	**-6**

Currency impact on net sales
compared to the same period in 2014

	Q1/2015 Change %	Q1/2015 Change % using constant rates
Minerals	-7	-13
Services business	9	2
Flow Control	7	-2
Services business	4	-1
Metso total	**-4**	**-10**
Services business	**7**	**1**

Operating environment, orders received and backlog

Our customers' production activities continued on a healthy level during the quarter, which supported the demand for our services business. Demand for mining equipment weakened further compared to the last quarter of 2014, due to declining metal prices. Reshaping of investment plans in the oil & gas market has resulted in a weaker project pipeline for our valve business. Demand for both aggregates equipment and pulp and paper valves remained stable. In addition, changes in the currency exchange rates, depreciation of the euro against the US dollar in particular, had a positive impact on our orders and net sales.

Our order intake during the first quarter declined 9 percent to EUR 799 million (875 million), which was largely due to significantly lower orders for mining equipment and Process Automation Systems business. The group's services orders amounted to EUR 542 million (EUR 545 million) or 68 percent of total order intake.

Orders declined in both emerging and developed countries. Emerging countries accounted for 49 percent (53%) of total orders, with Brazil as the biggest contributor with orders of EUR 56 million. All BRIC countries performed poorly and orders declined 31 percent. USA remained the largest country in terms of order intake, where orders grew 5 percent to EUR 143 million. The Nordics showed a 12 percent order increase.

Our backlog increased by 4 percent from the end of last year and totaled EUR 1,631 million at the end of March. We expect to recognize around 82 percent of this backlog, i.e. EUR 1,344 million, as net sales in 2015, and 234 million in 2016. Services account for about 45 percent of the order backlog.

Net sales

Net sales in the first quarter totaled EUR 787 million (EUR 817 million). Net sales in services increased 7 percent year-on-year and totaled EUR 470 million, accounting for 60 percent of total net sales. Services net sales grew in both Flow Control and Minerals, where mining services increased 9 percent. The sales of new equipment increased 7 percent in Flow Control and declined 26 percent in Minerals.

Financial performance

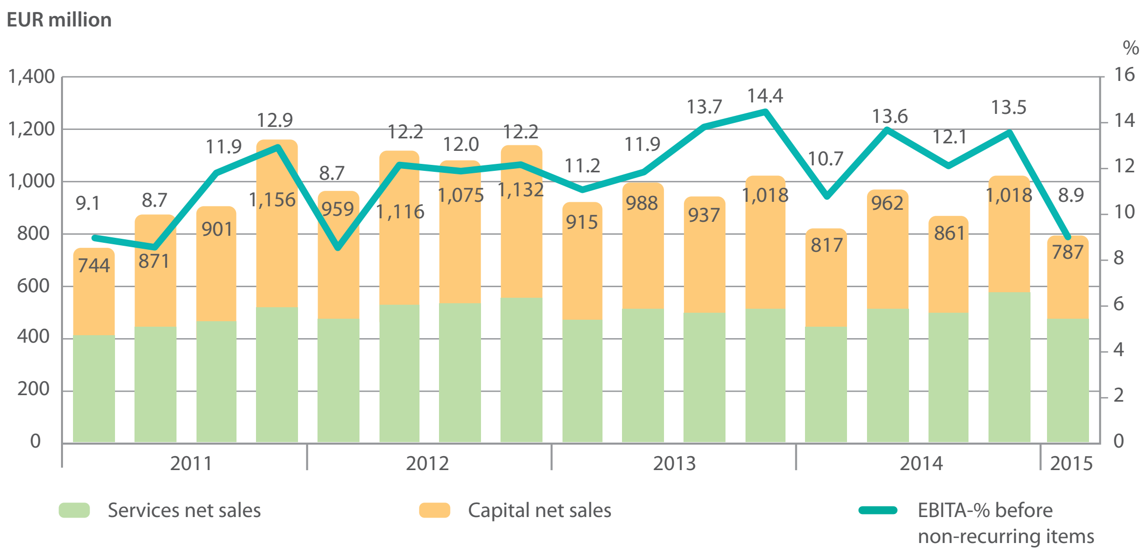
Earnings before interest, taxes and amortization (EBITA) and non-recurring items during the first quarter were EUR 70 million, or 8.9 percent of net sales (EUR 88 million and 10.7%). EBITA was negatively impacted by lower sales in the mining equipment business and a weaker result in Process Automation Systems. Profitability of the valve and pump businesses improved significantly.

Operating profit (EBIT) during the first quarter was EUR 65 million and 8.3 percent of net sales (EUR 76 million and 9.3%). There were no non-recurring items in the first quarter (EUR 6.6 million negative impact).

Net financing expenses in January-March were EUR 10 million (EUR 13 million). Interest expenses accounted for EUR 6 million (EUR 10 million), interest income for EUR 1 million (EUR 2 million), foreign exchange losses for EUR 1 million (EUR 2 million loss), and other net financial expenses for EUR 4 million (EUR 3 million).

Profit before taxes was EUR 55 million (EUR 63 million). Net cash generated by operating activities totaled EUR 91 million (EUR 56 million) and free cash flow was EUR 87 million (EUR 48 million).

Net sales and EBITA margin



Financial position

Net working capital decreased EUR 36 million (decreased EUR 7 million) during the first quarter of 2015.

Metso's liquidity position remains strong. Total cash assets at the end of the period were EUR 384 million, of which EUR 8 million were invested in financial instruments with an initial maturity exceeding three months and the remaining EUR 376 million is accounted for as cash and cash equivalents.

Metso's balance sheet remains strong. Net interest-bearing liabilities totaled EUR 480 million at the end of March (EUR 458 million) and gearing was 41.4 percent. The equity-to-assets ratio was 36.6 percent.

There were no changes in our credit ratings during the reporting period. Current ratings are as follows:

- Standard & Poor's Ratings Services (April 2014): long-term corporate credit rating BBB and short-term A-2, outlook stable.
- Moody's Investors Service (November 2014): long-term credit rating Baa2, outlook stable.

Capital expenditure

Gross capital expenditure in January-March, excluding business acquisitions, was EUR 12 million (EUR 12 million). Maintenance accounted for 83 percent, i.e. EUR 10 million (90% and EUR 10 million). Capital expenditure in 2015 is expected to decline compared to 2014 (EUR 74 million). Research and development expenses in January-March totaled approximately EUR 16 million, i.e. 2.0 percent of net sales (EUR 14 million and 1.7%).

Pro forma information (Metso excl. PAS)

Order intake during the first quarter totaled EUR 737 million compared to EUR 791 million in the corresponding period in 2014. Net sales were EUR 732 million compared to EUR 756 million. EBITA before non-recurring items totaled EUR 78 million or 10.6% of net sales (EUR 85 million and 11.3%).

Reporting Segments

Minerals

- Services continued to grow with healthy margins
- Declining equipment sales put pressure on profitability

EUR million	Q1/2015	Q1/2014	Change %	2014
Orders received	**558**	597	-7	2,361
Orders received by the services business	**406**	386	5	1,511
% of orders received	**73**	65		64
Order backlog at the end of the period	**1,120**	1,483	-24	1,108
Net sales	**563**	608	-7	2,676
Net sales of the services business	**351**	323	9	1,474
% of net sales	**62**	53		55
Earnings before interest, taxes and amortization (EBITA) and non-recurring items	**55**	69	-19	338
% of net sales	**9.9**	11.3		12.6
Operating profit	**54**	60	-11	244
% of net sales	**9.6**	9.9		9.1
Return on operative capital employed (ROCE), %	**16.9**	19.1		19.4
Personnel at the end of the period	**10,182**	10,818	-6	10,368

Demand for services remained good and services orders increased 5 percent, accounting for 73 percent of total order intake. Orders for both mining and aggregates equipment declined, resulting in a 7 percent decline of the segment's total orders. While demand for mining equipment weakened further, some positive development could be seen in South and Central America, where order intake increased by around 40 percent in both Chile and Mexico.

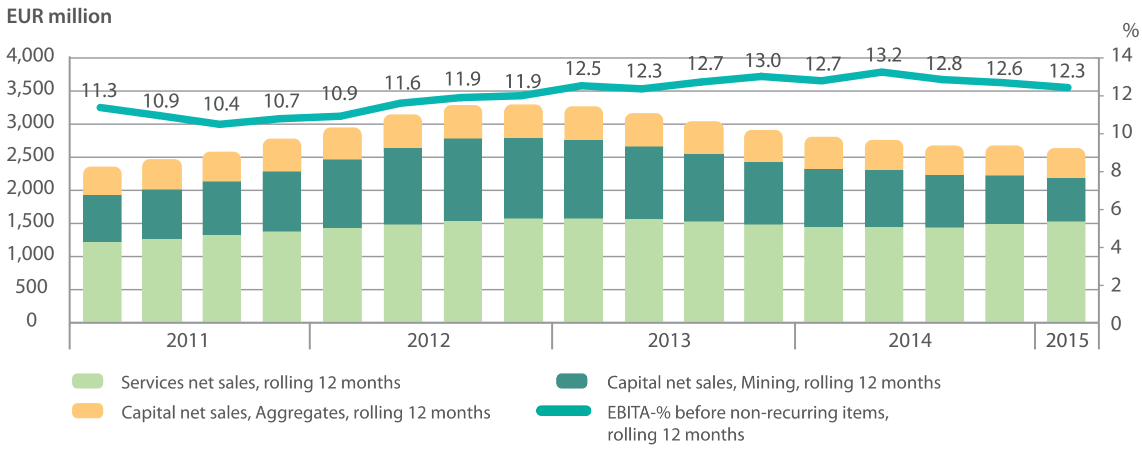
Total orders received from mining customers declined 2 percent, and orders received from aggregates customers declined 14 percent compared to the first quarter of 2014.

Net sales totaled EUR 563 million in the first quarter, which is 7 percent less than in the comparison period. Net sales related to equipment and projects for mining customers were down 46 percent, while those for aggregates customers increased 4 percent. Services net sales increased 9 percent to EUR 351 million, accounting for 62 percent (53%) of the segment's total net sales.

The reporting segment's EBITA before non-recurring items was EUR 55 million, which is 9.9 percent of net sales (EUR 69 million and 11.3%). Operating profit was EUR 54 million and 9.6% of net sales – a small decrease from the previous year. The weaker profitability was due to significantly lower net sales in the mining equipment business, while gross margins in all businesses remained healthy.

The order backlog in Minerals at the end of March was EUR 1,120 million. We expect 79 percent of the order backlog to be delivered in 2015.

Minerals, rolling net sales and EBITA



Flow Control

- Figures include Process Automation Systems (PAS)
- Net sales increased thanks to a strong backlog
- Excluding PAS, profitability improved significantly

EUR million	Q1/2015	Q1/2014	Change %	2014
Orders received	241	279	-14	1,051
Orders received by the services business	136	159	-14	542
% of orders received	56	57		52
Order backlog at the end of the period	510	462	10	468
Net sales	225	210	7	982
Net sales of the services business	119	114	4	533
% of net sales	53	54		54
Earnings before interest, taxes and amortization (EBITA) and non-recurring items	21	23	-9	148
% of net sales	9.2	11.1		15.1
Operating profit	19	22	-13	139
% of net sales	8.6	10.6		14.1
Return on capital employed (ROCE), %	19.7	24.4		36.5
Personnel at the end of the period	4,495	4,636	-3	4,557

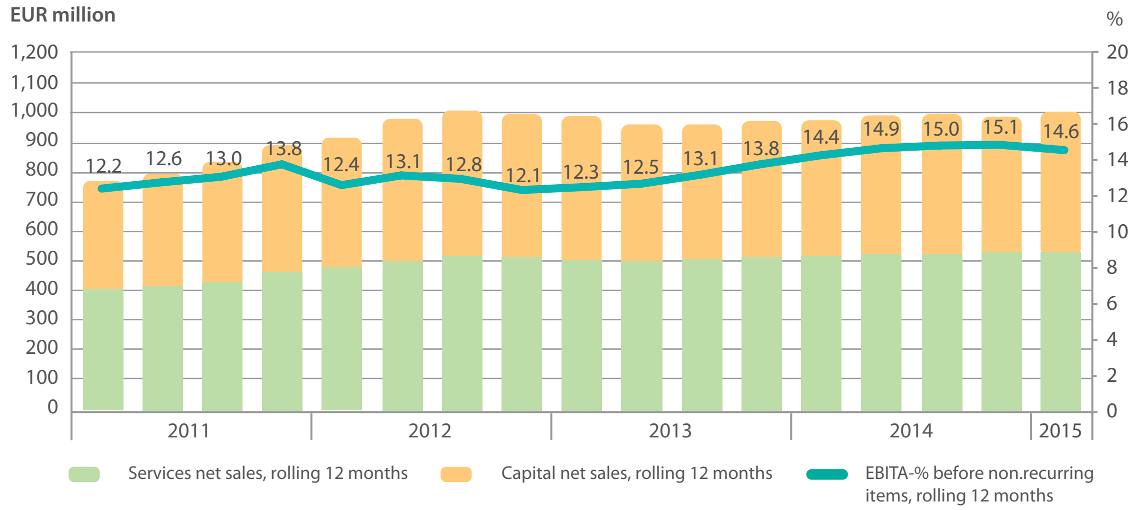
Demand for valves for oil & gas-related projects declined during the first quarter, while activity in the pulp & paper industry was healthy. The segment's order intake totaled EUR 241 million in January-March, which is 14 percent less than in the same period last year. The valve and pump businesses' net sales grew while PAS net sales declined. Services orders declined 14 percent and accounted for 56 percent of all orders received.

Net sales in the first quarter grew 7 percent on the comparison period and totaled EUR 225 million. Excluding PAS, net sales increased 14 percent. Net sales in the services business increased year-on-year and accounted for 53 percent of the segment's net sales.

EBITA before non-recurring items for January-March decreased 9 percent year-on-year to EUR 21 million, which is 9.2 percent of net sales (23 million and 11.1%). Profitability of the valve and pump businesses improved clearly, while that of PAS weakened.

Flow Control's order backlog at the end of March was EUR 510 million, which is 9 percent higher than at the end of 2014. Around 89 percent of the order backlog is expected to be delivered in 2015.

Flow Control, rolling net sales and EBITA



Personnel

Metso had 15,350 employees at the end of March 2015, 294 fewer than at the end of 2014. Personnel numbers decreased by 186 and 62, respectively, in Minerals and Flow Control.

Personnel in emerging markets accounted for 47 percent (46%).

Personnel by area

	March 31, 2015	% of personnel	March 31, 2014	% of personnel	Change %	Dec 31, 2014
Europe	**5,713**	**37**	6,129	38	-7	5,877
North America	**2,387**	**16**	2,712	17	-12	2,517
South and Central America	**3,091**	**20**	3,004	18	3	3,027
China	**1,397**	**9**	1,486	9	-6	1,424
Other Asia-Pacific	**1,706**	**11**	1,732	11	-2	1,707
Africa and Middle East	**1,056**	**7**	1,135	7	-7	1,092
Metso total	**15,350**	**100**	16,198	100	-5	15,644

	March 31, 2015	% of personnel	March 31, 2014	% of personnel	Change %	Dec 31, 2014
Emerging markets	**7,278**	**47**	7,513	46	-3	7,361
Developed markets	**8,072**	**53**	8,685	54	-7	8,283
Metso total	**15,350**	**100**	16,198	100	-5	15,644

Decisions of the Annual General Meeting

Metso's Annual General Meeting (AGM) was held on March 27, 2015. The AGM approved the Financial Statements for 2014 and discharged the members of the Board of Directors and the President and CEO from liability for the 2014 financial year. The dividend of EUR 1.05 per share was paid on April 9, 2015, in accordance with the AGM's decision. In addition, the Board of Directors was authorized to decide on an extra dividend of up to EUR 0.40 per share if the sale of Process Automation Systems business to Valmet is completed.

The number of Board members was confirmed as seven, and Mikael Lilius was elected as Chairman of the Board and Christer Gardell as Vice Chairman. Wilson Nélio Brumer, Ozey K. Horton Jr., Lars Josefsson, Nina Kopola and Eeva Sipilä were re-elected for a new term. The term of office of Board members will last until the end of the next AGM.

The following annual remuneration for the Board members was approved: EUR 110,000 for the Chairman, EUR 62,000 for the Vice Chairman, and EUR 50,000 for members, and additional remuneration of EUR 15,000 for the Chairman of the Audit Committee and EUR 5,000 for the Chairman of the HR and Remuneration Committee. The AGM also decided that the Board members will be obliged to use 40% of their fixed annual remuneration for purchasing Metso shares from the market at a price formed in public trading and that such purchases shall be carried out within two weeks following the publication of this interim review.

Authorized Public Accountant Ernst & Young Oy was elected to act as the company's Auditor until the end of the next Annual General Meeting. The remuneration to the Auditor was decided to be paid against the invoice approved by the Audit Committee.

The Annual General Meeting also approved the proposal of the Board of Directors to authorize the Board to decide on the repurchase of Metso shares. The details and minutes of the Annual General Meeting are available on Metso's website at www.metso.com.

Shares and share trading

As of March 31, 2015, Metso's share capital was EUR 140,982,843.80 and the number of shares was 150,348,256. This included 363,718 shares held by the Parent Company, which represented 0.2 percent of all shares and votes. In March 2015 95,270 of Metso Corporation's treasury shares were conveyed to 56 key individuals participating in the Performance Period 2012 of the company's Long-Term Incentive Plan 2012-2014 under the terms and conditions of the plan.

The average number of shares outstanding in January-March 2015, excluding those held by the Parent Company, was 149,904,088, and the average number of diluted shares was 149,927,306.

A total of 35,563,373 Metso shares were traded on NASDAQ OMX Helsinki in January-March 2015, equivalent to a turnover of EUR 967 million. The average trading price for the period was EUR 27.19. The highest quotation was EUR 29.55, and the lowest EUR 23.29. The share price on the last trading day of the period, March 31, 2015, was EUR 27.17, giving Metso a market capitalization, excluding shares held by the Parent Company, of EUR 4,075 million (EUR 3,557 million). Metso is not aware of any shareholders' agreements regarding the ownership of Metso shares and voting rights.

Metso's ADRs (American Depositary Receipts) are traded on the International OTCQX, the premier tier of the OTC (over-the-counter) market in the United States, under the ticker symbol 'MXCYY', with each ADR representing one Metso share. The closing price of the Metso ADR on March 31 was USD 29.78.

Flaggings

Metso received three flagging notifications during the first quarter of 2015.

February 6, 2015

Cevian Capital II Master Fund L.P. transferred its aggregate holding of 7,560,179 Metso shares to Cevian Capital Partners Ltd., which is a wholly owned subsidiary of Cevian Capital II Master Fund L.P. As of February 6, 2015, Cevian Capital Partners Ltd. held 20,813,714 shares, which corresponded to 13.84% of Metso shares and share of votes. The transfer had no impact on the total amount of shares held by Cevian.

March 12, 2015

BlackRock, Inc. announced that on March 10, 2015, its shareholding in Metso exceeded the 5 percent threshold. The holding amounted to 7,528,875 shares, which corresponded to 5 percent of the total amount of shares and votes.

March 12, 2015

BlackRock, Inc. announced that on March 11, 2015, its shareholding in Metso fell below the 5 percent threshold.

Divestments

In January 2015, Metso announced the divestment of its Process Automation Systems (PAS) business to Valmet Corporation for an enterprise value of EUR 340 million. The transaction was closed on April 1, 2015, and Metso expects to book a significant capital gain during the second quarter of 2015. PAS has about 1,600 employees and annual net sales of around EUR 300 million.

In December 2014, Metso announced the divestment of its Tampere foundry in Finland to the Finnish company TEVO Oy. The transaction was closed on April 13, 2015. In conjunction with the sale, the foundry's 130 employees transferred to TEVO.

Short-term business risks and market uncertainties

Uncertainties surrounding economic growth globally, together with fluctuating exchange rates, might affect our customer industries and weaken the demand for Metso's products and services. Short-term financing deficits might have indirect adverse effects on Metso's operations due to our customers' reduced investment appetite. Our backlog, projects under negotiation and other business operations might also be adversely affected by political turbulence seen, for example, in Eastern Europe and Russia. A significant slowdown in global growth might further reduce market size and lead to tougher price competition.

New, cost-effective players might alter the competitive situation in individual businesses, especially in emerging markets. A tougher pricing environment makes it harder to integrate increasing labor costs into our prices. The same is true for raw materials, except that our customers' investments can be driven by higher raw material prices. Low commodity prices reduce the investment appetite in our customer industries and projects might be postponed, delayed or discontinued.

Exchange rate fluctuations are likely to increase with economic uncertainty, although the wide geographical scope of our operations reduces the impact of any individual currency. Metso Group hedges currency exposure linked to firm delivery and purchase agreements.

Sufficient funding and financing is crucial at all times in order to ensure the continuity of our operations. Our current cash assets and funding are considered sufficient to secure liquidity and flexibility in the short and long run.

Short-term outlook

Market development

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

The demand for aggregates equipment is expected to be satisfactory, while the demand for related services is expected to be good.

The demand for Flow Control products related to customers' new investments is expected to be satisfactory. The demand for Flow Control services is expected to be good.

Financial performance

Our guidance for 2015 (originally published on February 5, 2015) remains unchanged. We estimate that our net sales, excluding the Process Automation Systems business, in 2015 will be between EUR 3,000 million and EUR 3,300 million and that our EBITA margin before non-recurring items to be around 13 percent.

The guidance for 2015 is based on the current market activity in our customer industries, our current backlog for 2015, and the current exchange rates.

Helsinki, April 23, 2015

Metso Corporation's Board of Directors

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

Such factors include, but are not limited to:

(1) general economic conditions, including fluctuations in exchange rates and interest levels which influence the operating environment and profitability of customers and thereby the orders received by the company and their margins,

(2) the competitive situation, especially significant technological solutions developed by competitors,

(3) the company's own operating conditions, such as the success of production, product development and project management and their continuous development and improvement,

(4) the success of pending and future acquisitions and restructuring.

This Interim Review has been prepared in accordance with IAS 34 'Interim Financial Reporting'. The same accounting policies have been applied in the Annual Financial Statements. This Interim Review is unaudited.

Consolidated statement of income

EUR million	1-3/2015	1-3/2014	1-12/2014
Net sales	**787**	817	3,658
Cost of goods sold	**-551**	-582	-2,579
Gross profit	**236**	235	1,079
Selling, general and administrative expenses	**-170**	-161	-683
Other operating income and expenses, net	**-1**	2	-46
Share in profits of associated companies	**0**	0	1
Operating profit	**65**	76	351
Financial income and expenses, net	**-10**	-13	-69
Profit before taxes	**55**	63	282
Income taxes	**-18**	-21	-93
Profit	**37**	42	189
Attributable to:			
Shareholders of the company	**37**	42	188
Non-controlling interests	**0**	0	1
Profit	**37**	42	189
Earnings per share			
Basic, EUR	**0.25**	0.28	1.25
Diluted, EUR	**0.25**	0.28	1.25

Consolidated statement of comprehensive income

EUR million	1-3/2015	1-3/2014	1-12/2014
Profit	**37**	42	189
Items that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges, net of tax	**1**	-1	-3
Available-for-sale equity investments, net of tax	**0**	0	0
Currency translation on subsidiary net investments	**54**	-4	33
Net investment hedge gains (+) / losses (-), net of tax	**-**	-	-
	55	-5	30
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains (+) / losses (-), net of tax	**-**	-	-19
Other comprehensive income (+) / expense (-)	**55**	-5	11
Total comprehensive income (+) / expense (-)	**92**	37	200
Attributable to:			
Shareholders of the company	**92**	37	199
Non-controlling interests	**0**	0	1
Total comprehensive income (+) / expense (-)	**92**	37	200

Consolidated balance sheet

ASSETS

EUR million	Mar 31, 2015	Mar 31, 2014	Dec 31, 2014
Non-current assets			
Intangible assets			
Goodwill	**467**	456	461
Other intangible assets	**111**	110	105
	578	566	566
Property, plant and equipment			
Land and water areas	**54**	49	52
Buildings and structures	**152**	130	144
Machinery and equipment	**181**	174	172
Assets under construction	**23**	22	30
	410	375	398
Financial and other assets			
Investments in associated companies	**10**	6	8
Available-for-sale equity investments	**1**	2	2
Loan and other interest bearing receivables	**11**	78	10
Derivative financial instruments	**13**	2	7
Deferred tax asset	**147**	117	127
Other non-current assets	**37**	36	40
	219	241	194
Total non-current assets	**1,207**	1,182	1,158
Current assets			
Inventories	**871**	941	842
Receivables			
Trade and other receivables	**803**	801	860
Cost and earnings of projects under construction in excess of advance billings	**226**	213	217
Loan and other interest bearing receivables	**0**	0	0
Financial instruments held for trading	**8**	20	13
Derivative financial instruments	**11**	7	9
Income tax receivables	**45**	34	25
Receivables total	**1,093**	1,075	1,124
Cash and cash equivalents	**376**	467	279
Total current assets	**2,340**	2,483	2,245
TOTAL ASSETS	**3,547**	3,665	3,403

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	Mar 31, 2015	Mar 31, 2014	Dec 31, 2014
Equity			
Share capital	**141**	141	141
Cumulative translation adjustments	**2**	-89	-52
Fair value and other reserves	**299**	304	302
Retained earnings	**708**	704	830
Equity attributable to shareholders	**1,150**	1,060	1,221
Non-controlling interests	**9**	7	8
Total equity	**1,159**	1,067	1,229
Liabilities			
Non-current liabilities			
Long-term debt	**794**	778	791
Post employment benefit obligations	**121**	94	121
Provisions	**27**	24	22
Derivative financial instruments	**9**	9	6
Deferred tax liability	**13**	16	13
Other long-term liabilities	**3**	4	3
Total non-current liabilities	**967**	925	956
Current liabilities			
Current portion of long-term debt	**0**	174	1
Short-term debt	**81**	71	71
Trade and other payables	**804**	801	630
Provisions	**95**	92	104
Advances received	**292**	321	277
Billings in excess of cost and earnings of projects under construction	**85**	165	88
Derivative financial instruments	**21**	8	22
Income tax liabilities	**43**	41	25
Total current liabilities	**1,421**	1,673	1,218
Total liabilities	**2,388**	2,598	2,174
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**3,547**	3,665	3,403

NET INTEREST BEARING LIABILITIES

EUR million	Mar 31, 2015	Mar 31, 2014	Dec 31, 2014
Long-term interest bearing debt	**794**	778	791
Short-term interest bearing debt	**81**	245	72
Cash and cash equivalents	**-376**	-467	-279
Other interest bearing assets	**-19**	-98	-23
Net interest bearing liabilities	**480**	458	561

Condensed consolidated cash flow statement

EUR million	1-3/2015	1-3/2014	1-12/2014
Cash flows from operating activities:			
Profit	**37**	42	189
Adjustments to reconcile profit to net cash provided by operating activities			
Depreciation and amortization	**19**	18	75
Financial income and expenses, net	**10**	13	69
Income taxes	**18**	21	93
Other	**4**	1	74
Change in net working capital	**36**	7	-75
Cash flows from operations	**124**	102	425
Financial income and expenses, net paid	**-3**	-6	-43
Income taxes paid	**-30**	-40	-126
Net cash provided by operating activities	**91**	56	256
Cash flows from investing activities:			
Capital expenditures on fixed assets	**-12**	-12	-74
Proceeds from sale of fixed assets	**6**	2	8
Business acquisitions, net of cash acquired	**-**	-	-19
Proceeds from sale of businesses, net of cash sold	**-**	-	-
Proceeds from sale of financial assets	**4**	-	7
Other	**-2**	-9	-13
Net cash provided by (+) / used in (-) investing activities	**-4**	-19	-91
Cash flows from financing activities:			
Dividends paid	**-**	-	-150
Net funding	**-**	-35	-215
Other	**-**	-	0
Net cash provided by (-) / used in (-) financing activities	**-**	-35	-365
Net increase (+) / decrease (-) in cash and cash equivalents	**87**	2	-200
Effect from changes in exchange rates	**10**	-2	12
Cash and cash equivalents at beginning of period	**279**	467	467
Cash and cash equivalents at end of period	**376**	467	279

FREE CASH FLOW

EUR million	1-3/2015	1-3/2014	1-12/2014
Net cash provided by operating activities	**91**	56	256
Capital expenditures on maintenance investments	**-10**	-10	-60
Proceeds from sale of fixed assets	**6**	2	8
Free cash flow	**87**	48	204

Consolidated statement of changes in shareholders' equity

EUR million	Share capital	Cumulative translation adjustments	Fair value and other reserves	Retained earnings	**Equity attributable to shareholders**	Non-controlling interests	**Total equity**
Balance at Jan 1, 2014	**141**	**-85**	**305**	**812**	**1,173**	**8**	**1,181**
Profit	-	-	-	42	42	0	42
Other comprehensive income (+) / expense (-)							
Cash flow hedges, net of tax	-	-	-1	-	-1	-	-1
Available-for-sale equity investments, net of tax	-	-	0	-	0	-	0
Currency translation on subsidiary net investments	-	-4	-	-	-4	-	-4
Net investment hedge gains (losses), net of tax	-	-	-	-	-	-	-
Total comprehensive income (+) / expense (-)	-	-4	-1	42	37	0	37
Dividends	-	-	-	-150	-150	-	-150
Share-based payments, net of tax	-	-	0	0	0	-	0
Other	-	-	0	0	0	-1	-1
Changes in non-controlling interests	-	-	-	-	-	-	-
Balance at Mar 31, 2014	**141**	**-89**	**304**	**704**	**1,060**	**7**	**1,067**
Balance at Jan 1, 2015	**141**	**-52**	**302**	**830**	**1,221**	**8**	**1,229**
Profit	-	-	-	37	37	0	37
Other comprehensive income (+) / expense (-)							
Cash flow hedges, net of tax	-	-	1	-	1	-	1
Available-for-sale equity investments, net of tax	-	-	0	-	0	-	0
Currency translation on subsidiary net investments	-	54	-	-	54	-	54
Net investment hedge gains (losses), net of tax	-	-	-	-	-	-	-
Defined benefit plan actuarial gains (+) / losses (-), net of tax	-	-	-	0	0	0	0
Total comprehensive income (+) / expense (-)	-	54	1	37	92	0	92
Dividends	-	-	-	-157	-157	0	-157
Share-based payments, net of tax	-	-	0	0	0	-	0
Other	-	-	-4	-2	-6	1	-5
Changes in non-controlling interests	-	-	-	-	-	-	-
Balance at Mar 31, 2015	**141**	**2**	**299**	**708**	**1,150**	**9**	**1,159**

Acquisitions and disposals of businesses

Metso made no business acquisitions or divestments during the first quarter of 2015.

In December 2014, Metso entered into an ageement to sell its Tampere foundry in Finland to a Finnish company TEVO Oy. The divestment was completed after the review period, on 13 April, 2015.

In January 2015, Metso announced that it had entered into an agreement to sell its Process Automation Systems (PAS) business to Finnish Valmet Corporation. The transaction was closed after the review period on April 1, 2015. The value of the deal is EUR 340 million and Metso expects to recognize a significant capital gain on the transaction.

The PAS business is part of Metso's Flow Control segment and is market leader in process automation solutions for the pulp, paper and power industries, with an extensive range of offering covering automation and quality control systems, analyzers and measurements and related services.

Fair value estimation

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

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

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

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

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

The table below present Metso's financial assets and liabilities that are measured at fair value. There has been no transfers between fair value levels during 2014 or 2015.

March 31, 2015

EUR million	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
• Derivatives	-	6	-
• Securities	8	-	-
Derivatives qualified for hedge accounting	-	18	-
Available for sale investments			
• Equity investments	0	-	-
• Debt investments	-	-	-
Total assets	**8**	**24**	**-**
Liabilities			
Financial liabilities at fair value through profit and loss			
• Derivatives	-	18	-
• Long term debt at fair value	-	421	-
Derivatives qualified for hedge accounting	-	11	-
Total liabilities	**-**	**450**	**-**

March 31, 2014

EUR million	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
• Derivatives	-	4	-
• Securities	20	-	-
Derivatives qualified for hedge accounting	-	5	-
Available for sale investments			
• Equity investments	0	-	-
• Debt investments	0	-	-
Total assets	**20**	**9**	**-**
Liabilities			
Financial liabilities at fair value through profit and loss			
• Derivatives	-	9	-
• Long term debt at fair value	-	408	-
Derivatives qualified for hedge accounting	-	7	-
Total liabilities	**-**	**424**	**-**

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

Assets pledged and contingent liabilities

EUR million	Mar 31, 2015	Mar 31, 2014	Dec 31, 2014
On own behalf			
Mortgages	**1**	1	1
On behalf of others			
Guarantees	**0**	1	1
Other commitments			
Repurchase commitments	**2**	3	1
Other contingencies	**2**	3	4
Lease commitments	**157**	148	159

Notional amounts of derivative financial instruments

EUR million	Mar 31, 2015	Mar 31, 2014	Dec 31, 2014
Forward exchange rate contracts	**1,074**	1,070	1,040
Interest rate swaps	**265**	285	285
Cross currency swaps	**244**	244	244
Option agreements			
Bought	**-**	-	-
Sold	**20**	20	20

The notional amount of electricity forwards was 101 GWh as of March 31, 2015 and 225 GWh as of March 31, 2014.

The notional amount of nickel forwards to hedge stainless steel prices was 360 tons as of March 31, 2015 and 282 tons as of March 31, 2014.

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

Key ratios

	1-3/2015	1-3/2014	1-12/2014
Earnings per share, EUR	**0.25**	0.28	1.25
Diluted earnings per share, EUR	**0.25**	0.28	1.25
Equity/share at end of period, EUR	**7.66**	7.07	8.15
Return on equity (ROE), %, (annualized)	**12.6**	14.9	15.7
Return on capital employed (ROCE) before taxes, %, (annualized)	**12.9**	14.3	16.4
Return on capital employed (ROCE) after taxes, %, (annualized)	**9.4**	10.4	12.1
Equity to assets ratio at end of period, %	**36.6**	33.6	40.5
Net gearing at end of period, %	**41.4**	42.8	45.6
Free cash flow, EUR million	**87**	48	204
Free cash flow/share, EUR	**0.58**	0.32	1.36
Cash conversion, %	**235**	114	108
Gross capital expenditure (excl. business acquisitions), EUR million	**12**	12	74
Business acquisitions, net of cash acquired, EUR million	**-**	-	19
Depreciation and amortization, EUR million	**19**	18	75
Number of outstanding shares at end of period (thousands)	**149,985**	149,889	149,889
Average number of shares (thousands)	**149,904**	149,869	149,884
Average number of diluted shares (thousands)	**149,927**	149,913	149,970

Exchange rates used

		1-3/2015	1-3/2014	1-12/2014	Mar 31, 2015	Mar 31, 2014	Dec 31, 2014
USD	(US dollar)	**1.1361**	1.3727	1.3256	**1.0759**	1.3788	1.2141
SEK	(Swedish krona)	**9.3534**	8.8777	9.1004	**9.2901**	8.9483	9.3930
GBP	(Pound sterling)	**0.7463**	0.8274	0.8055	**0.7273**	0.8282	0.7789
CAD	(Canadian dollar)	**1.4030**	1.5096	1.4639	**1.3738**	1.5225	1.4063
BRL	(Brazilian real)	**3.2465**	3.2200	3.1207	**3.4958**	3.1276	3.2207
CNY	(Chinese yuan)	**7.0798**	8.4013	8.1693	**6.6710**	8.5754	7.5358
AUD	(Australian dollar)	**1.4469**	1.5324	1.4777	**1.4154**	1.4941	1.4829

Formulas for calculation of indicators

EBITA before non-recurring items:

Operating profit + amortization + goodwill impairment + non-recurring items

Earnings per share, basic:

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

Earnings per share, diluted:

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

Equity / share

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

Return on equity (ROE), %:

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

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

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

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

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

Net gearing, %:

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

Equity to assets ratio, %:

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

Free cash flow:

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

= Free cash flow

Free cash flow / share:

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

Cash conversion, %:

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

Segment information

ORDERS RECEIVED

EUR million	1-3/2015	1-3/2014	4/2014-3/2015	1-12/2014
Minerals	**558**	597	2,322	2,361
Flow Control	**241**	279	1,013	1,051
Group Head Office and other	**-**	-	-	-
Intra Metso orders received	**0**	-1	-2	-3
Metso total	**799**	875	3,333	3,409

NET SALES

EUR million	1-3/2015	1-3/2014	4/2014-3/2015	1-12/2014
Minerals	**563**	608	2,631	2,676
Flow Control	**225**	210	997	982
Group Head Office and other	**-**	-	5	5
Intra Metso net sales	**-1**	-1	-5	-5
Metso total	**787**	817	3,628	3,658

EBITA BEFORE NON-RECURRING ITEMS

EUR million	1-3/2015	1-3/2014	4/2014-3/2015	1-12/2014
Minerals	**55.4**	68.6	324.6	337.8
Flow Control	**20.8**	23.3	145.7	148.2
Group Head Office and other	**-5.9**	-4.4	-27.3	-25.8
Metso total	**70.3**	87.5	443.0	460.2

EBITA BEFORE NON-RECURRING ITEMS, % OF NET SALES

%	1-3/2015	1-3/2014	4/2014-3/2015	1-12/2014
Minerals	**9.9**	11.3	12.3	12.6
Flow Control	**9.2**	11.1	14.6	15.1
Group Head Office and other	**n/a**	n/a	n/a	n/a
Metso total	**8.9**	10.7	12.2	12.6

NON-RECURRING ITEMS

EUR million	1-3/2015	1-3/2014	4/2014-3/2015	1-12/2014
Minerals	**-**	-5.3	-75.4	-80.7
Flow Control	**-**	-0.2	-5.9	-6.1
Group Head Office and other	**-**	-1.1	-2.5	-3.6
Metso total	**-**	-6.6	-83.8	-90.4

AMORTIZATION

EUR million	1-3/2015	1-3/2014	4/2014-3/2015	1-12/2014
Minerals	**-1.6**	-3.3	-11.5	-13.2
Flow Control	**-1.3**	-0.8	-3.9	-3.4
Group Head Office and other	**-2.0**	-0.5	-3.9	-2.4
Metso total	**-4.9**	-4.6	-19.3	-19.0

OPERATING PROFIT (LOSS)

EUR million	1-3/2015	1-3/2014	4/2014-3/2015	1-12/2014
Minerals	**53.8**	60.2	237.5	243.9
Flow Control	**19.4**	22.2	135.9	138.7
Group Head Office and other	**-7.9**	-6.1	-33.6	-31.8
Metso total	**65.3**	76.3	339.8	350.8

OPERATING PROFIT (LOSS), % OF NET SALES

%	1-3/2015	1-3/2014	4/2014-3/2015	1-12/2014
Minerals	**9.6**	9.9	9.0	9.1
Flow Control	**8.6**	10.6	13.6	14.1
Group Head Office and other	**n/a**	n/a	n/a	n/a
Metso total	**8.3**	9.3	9.4	9.6

Quarterly information

ORDERS RECEIVED

EUR million	1-3/2014	4-6/2014	7-9/2014	10-12/2014	1-3/2015
Minerals	597	662	558	544	**558**
Flow Control	279	286	230	256	**241**
Group Head Office and other	-	-	-	-	**-**
Intra Metso orders received	-1	-1	-2	1	**0**
Metso total	875	947	786	801	**799**

NET SALES

EUR million	1-3/2014	4-6/2014	7-9/2014	10-12/2014	1-3/2015
Minerals	608	706	619	743	**563**
Flow Control	210	255	247	270	**225**
Group Head Office and other	-	-	-	5	**-**
Intra Metso net sales	-1	1	-5	0	**-1**
Metso total	817	962	861	1 018	**787**

EBITA BEFORE NON-RECURRING ITEMS

EUR million	1-3/2014	4-6/2014	7-9/2014	10-12/2014	1-3/2015
Minerals	68.6	95.7	73.5	100.0	**55.4**
Flow Control	23.3	40.9	41.8	42.2	**20.8**
Group Head Office and other	-4.4	-5.4	-11.5	-4.5	**-5.9**
Metso total	87.5	131.2	103.8	137.7	**70.3**

EBITA BEFORE NON-RECURRING ITEMS, % OF NET SALES

%	1-3/2014	4-6/2014	7-9/2014	10-12/2014	1-3/2015
Minerals	11.3	13.6	11.9	13.5	**9.9**
Flow Control	11.1	16.0	16.9	15.6	**9.2**
Group Head Office and other	n/a	n/a	n/a	n/a	**n/a**
Metso total	10.7	13.6	12.1	13.5	**8.9**

NON-RECURRING ITEMS

EUR million	1-3/2014	4-6/2014	7-9/2014	10-12/2014	1-3/2015
Minerals	-5.3	-24.2	-21.8	-29.4	**-**
Flow Control	-0.2	-0.4	-5.0	-0.5	**-**
Group Head Office and other	-1.1	0.1	-0.3	-2.3	**-**
Metso total	-6.6	-24.5	-27.1	-32.2	**-**

AMORTIZATION

EUR million	1-3/2014	4-6/2014	7-9/2014	10-12/2014	1-3/2015
Minerals	-3.3	-3.4	-3.3	-3.2	**-1.6**
Flow Control	-0.8	-0.8	-0.8	-1.0	**-1.3**
Group Head Office and other	-0.5	-0.6	-0.6	-0.7	**-2.0**
Metso total	-4.6	-4.8	-4.7	-4.9	**-4.9**

OPERATING PROFIT (LOSS)

EUR million	1-3/2014	4-6/2014	7-9/2014	10-12/2014	1-3/2015
Minerals	60.2	68.1	48.2	67.4	**53.8**
Flow Control	22.2	39.6	36.2	40.7	**19.4**
Group Head Office and other	-6.1	-5.8	-12.4	-7.5	**-7.9**
Metso total	76.3	101.9	72.0	100.6	**65.3**

OPERATING PROFIT (LOSS), % OF NET SALES

%	1-3/2014	4-6/2014	7-9/2014	10-12/2014	1-3/2015
Minerals	9.9	9.6	7.8	9.1	**9.6**
Flow Control	10.6	15.5	14.6	15.1	**8.6**
Group Head Office and other	n/a	n/a	n/a	n/a	**n/a**
Metso total	9.3	10.6	8.4	9.9	**8.3**

CAPITAL EMPLOYED

EUR million	Mar 31, 2014	June 30, 2014	Sep 30, 2014	Dec 31, 2014	Mar 31, 2015
Minerals	1,248	1,260	1,337	1,337	**1,308**
Flow Control	383	406	396	376	**389**
Group Head Office and other	610	412	355	379	**494**
Metso total	2,241	2,078	2,088	2,092	**2,191**

Capital employed includes only external balance sheet items.

ORDER BACKLOG

EUR million	Mar 31, 2014	June 30, 2014	Sep 30, 2014	Dec 31, 2014	Mar 31, 2015
Minerals	1,483	1,442	1,381	1,108	**1,120**
Flow Control	462	496	500	468	**510**
Group Head Office and other	-	-	-	-	**-**
Intra Metso order backlog	-1	0	-9	-1	**1**
Metso total	1,944	1,938	1,872	1,575	**1,631**

PERSONNEL

	Mar 31, 2014	June 30, 2014	Sep 30, 2014	Dec 31, 2014	Mar 31,2015
Minerals	10,818	10,724	10,660	10,368	**10,182**
Flow Control	4,636	4,776	4,562	4,557	**4,495**
Group Head Office and other	744	748	717	719	**673**
Metso total	16,198	16,248	15,939	15,644	**15,350**

Non-recurring items and amortization of intangible assets

1-3/2015 EUR million	Minerals	Flow Control	Group Head office and other	Metso total
EBITA before non-recurring items	**55.4**	**20.8**	**-5.9**	**70.3**
% of net sales	**9.9**	**9.2**	**-**	**8.9**
Amortization of intangible assets	-1.6	-1.3	-2.0	**-4.9**
Operating profit (EBIT)	53.8	19.4	-7.9	**65.3**

1-3/2014 EUR million	Minerals	Flow Control	Group Head office and other	Metso total
EBITA before non-recurring items	**68.6**	**23.3**	**-4.4**	**87.5**
% of net sales	**11.3**	**11.1**	**-**	**10.7**
Capacity adjustment expenses	-5.1	-0.4	-	**-5.5**
Demerger costs	-	-	-1.1	**-1.1**
Amortization of intangible assets	-3.3	-0.8	-0.5	**-4.6**
Operating profit (EBIT)	60.2	22.2	-6.1	**76.3**

1-12/2014 EUR million	Minerals	Flow Control	Group Head office and other	Metso total
EBITA before non-recurring items	**337.8**	**148.2**	**-25.8**	**460.2**
% of net sales	**12.6**	**15.1**	**-**	**12.6**
Credit loss of Northland long-term receivables	-47.5	-	-	**-47.5**
Capacity adjustment expenses	-33.2	-6.1	-0.4	**-39.7**
Demerger costs	-	-	-3.2	**-3.2**
Amortization of intangible assets	-13.2	-3.4	-2.4	**-19.0**
Operating profit (EBIT)	243.9	138.7	-31.8	**350.8**
Credit loss of Northland bonds in other financial expenses			-18.7	

Metso's financial reporting and events in 2015

Metso's Capital Markets Day will be held on September 29, 2015. Metso's upcoming Interim Reviews for 2015 will be published as follows: January–June on July 23, and January–September on October 22.

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