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Financial Statements

and investor information

2014

Stable profitability in challenging markets

We managed to maintain our profitability healthy despite lower net sales, and our services business showed both growth and better margins. Our net sales were EUR 3,658 million, of which services business accounted for 55%, and our EBITA % was 12.6. Orders received totaled EUR 3,409 million, of which services orders accounted for 60%.

How to read these Financial Statements

The Financial Statements 2014 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/2014. 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 "Read more" 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.

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From the CEO

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

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

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

In light of the numbers, 2014 was mixed. Orders were up in the Services business and in Flow Control, but the clear decrease in orders for mining equipment reflects the mining sector's prevailing reluctance to invest in new production capacity. Consequently, our orders decreased by 8 percent from the previous year. The same factors affected our net sales, which decreased by 5 percent overall. Despite the lower net sales, we managed to keep our operating profit margin (EBITA before non-recurring items) at 12.6 percent (12.8 percent in 2013), i.e. almost on par with last year's margin. Maintaining profitability at this level was particularly due to our cost savings and the Services business's increased share of our total net sales.

Our balance sheet remained strong at year-end and our financial position stable. Last year we started a program aiming for more efficient turnover of capital employed; we saw the first results of the program in inventory management and in accounts receivable and payable. We will continue this work through the year with the aim to achieve the 30 percent target we have set for return on capital employed (ROCE) before taxes. The corresponding number at year-

"Maintaining profitability at this level was particularly due to our cost savings and the Services business's increased share of our total net sales."

end 2014 was 16.4 percent, which was weakened by non-recurring costs. Without non-recurring items, the ROCE was over 20 percent. Based on Metso's stable financial position and the confidence in the company's success in the future, the Board of Directors decided to propose an increase in the dividend from last year's EUR 1.00 to EUR 1.05. In addition, the Board proposes to the Annual General Meeting that it be authorized to decide on the payment of an extra dividend of up to EUR 0.40. The authorization could be used if the sale of our Process Automation Systems business to Valmet is completed. It is important to point out that the extra divided would not restrict Metso's future growth opportunities. Even after the possible extra dividend, our balance sheet permits us to explore acquisitions and other business opportunities.

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

In conclusion, I want to express a big thank you to our customers, our shareholders and our other stakeholders for your good collaboration and for the support you have shown to Metso.

Matti Kähkönen
President and CEO

Read more

- CEO's video greeting www.metso.com/2014

EBITA* %
12.6
*) before non-recurring items

Net sales
EUR 3,658 million

Financial Statements 2014

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.

Board of Directors' Report

Operating environment, orders received and order backlog

Global economic growth continued to be weak overall throughout the year. The US economy showed strongest growth, whereas the growth in China slowed down. Geopolitical tensions in Eastern Europe spread concern on the European market. Commodity prices weakened and remained volatile, which had a negative impact on investments in the mining industry in particular. High utilization rates at mines continued to support the mining services business. Activity in the aggregates market remained overall at the previous year's level with improvement in the North American market and weakening in some other key markets. The tumbling oil price during the second half of the year weakened the sentiment within the oil & gas industry, but had no material impact on our customers' activities. Investment activity in the pulp and paper industry increased compared to the previous year.

In 2014, our total order intake declined 8 percent and totaled EUR 3,409 million (2013: EUR 3,709 million). Services orders remained at the same level as in 2013 at EUR 2,052 million (EUR 2,038 million), and accounted for 60 percent of total orders (55%). Flow Control's orders increased 4 percent, whereas orders in Minerals declined 14 percent. Emerging markets accounted for 53 percent (56%) of all new orders.

The order backlog at the end of December 2014 totaled EUR 1,575 million (EUR 1,927 million). We expect to recognize around 87 percent of this backlog, i.e. EUR 1,372 million as net sales in 2015 and EUR 203 million in 2016. Services accounted for around 41 percent of the order backlog at the end of 2014.

Net sales and financial performance

Net sales in 2014 declined 5 percent and totaled EUR 3,658 million (EUR 3,858 million). Services sales increased 2 percent and accounted for 55 percent of total net sales (51%), i.e. EUR 2,007 million. Services sales in emerging markets accounted for 50 percent (49%) of total services sales and 28 percent of total sales in 2014.

EBITA before non-recurring items totaled EUR 460 million and 12.6 percent of net sales for the year as a whole (EUR 496 million and 12.8%). Profitability remained healthy despite lower net sales thanks to stable gross margins and savings in selling, general and administration expenses.

Total operating profit in 2014 amounted to EUR 351 million or 9.6 percent of net sales (EUR 423 million and 11.0%). Operating profit was negatively impacted by non-recurring items totaling EUR –90 million (EUR –54 million) in 2014. The majority of these were related to a credit loss of a long-term loan to our customer, Northland Resources, and capacity adjustment measures. Non-recurring items are detailed in the tables on the next page.

Net financing expenses in 2014 totaled EUR 69 million (EUR 54 million), including EUR 38 million in interest expenses, EUR 9 million in interest income, and EUR 40 million in other financial net expenses. Other financial expenses included a EUR 19 million credit loss of a financial instrument.

Profit before taxes was EUR 282 million (EUR 369 million), and the tax rate for 2014 was 33 percent (35%).

Metso's key figures

EUR million	2014	2013	Change %
Orders received	**3,409**	3,709	–8
Orders received by the services business	**2,052**	2,038	1
% of orders received	**60**	55	
Order backlog	**1,575**	1,927	–18
Net sales	**3,658**	3,858	–5
Net sales of the services business	**2,007**	1,976	2
% of net sales	**55**	51	
Earnings before interests, taxes and amortization (EBITA) and non-recurring items	**460**	496	–7
% of net sales	**12.6**	12.8	
Operating profit	**351**	423	–17
% of net sales	**9.6**	11.0	
Earnings per share, EUR	**1.25**	1.59	–21
Free cash flow	**204**	251	–19
Return on capital employed (ROCE) before taxes, %	**16.4**	18.6	
Equity-to-asset ratio, %	**40.5**	36.9	
Net gearing, %	**45.6**	41.6	

Non-recurring items and amortization of intangible assets

EUR million	Minerals	Flow Control	Group Head office and other	Metso total
2014				
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	–31.4	**350.8**

EUR million	Minerals	Flow Control	Group Head office and other	Metso total
2013				
EBITA before non-recurring items	**383.4**	**133.6**	**-21-4**	**495.6**
% of net sales	**13.0**	**13.8**	**-**	**12.8**
Loss on revaluation of Northland receivables reclassified as long-term interest bearing loan	-29.7	-	-	**-29.7**
Capacity adjustment expenses	-23.2	-3.8	-0.2	**-27.2**
Gain on business disposal	3.9	-	-	**3.9**
Intellectual property items	-0.6	-	-	**-0.6**
Amortization of intangible assets	-11.2	-3.8	-3.8	**-18.8**
Operating profit (EBIT)	322.4	126.0	-25.4	**423.0**

Cash flow and financing

Net cash generated by operating activities in 2014 totaled EUR 256 million (EUR 301 million). Net working capital increased to 709 million (EUR 651million). Free cash flow was EUR 204 million (EUR 251 million). The annual dividend totaled EUR 150 million or EUR 1.00 per share. Metso continues to maintain a strong liquidity. Total cash assets at the end of 2014 were EUR 292 million, of which EUR 13 million were invested in financial instruments with an initial maturity exceeding three months and the remaining EUR 279 million have been accounted for as cash and cash equivalents. In addition, Metso has a committed EUR 500 million revolving credit facility, which is currently undrawn.

Metso's balance sheet is strong. Net interest-bearing liabilities totaled EUR 561 million (EUR 490 million) and gearing was 45.6 percent. The equity-to-assets ratio was 40.5 percent.

Metso is credit rated by Standard & Poor's and Moody's Investor Service. No changes in the ratings were made in 2014. In October Moody's changed the outlook from "negative" to "stable". 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 (October 2014): long-term credit rating Baa2, outlook stable.

Capital expenditure

Gross capital expenditure in 2014 was EUR 74 million (EUR 95 million). Capital expenditure included a new globe valve technology center in South Korea and new service centers for mining industry needs in the US, Mexico and Peru. Maintenance investments accounted for 81 percent, i.e. EUR 60 million (57% and EUR 55 million). Capital expenditure in 2015 is expected to be lower compared to 2014.

Reporting segments

Minerals

- Services business remained strong
- Stable gross margins
- Mining equipment sales declined significantly

EUR million	2014	2013	Change %
Orders received	**2,361**	2,745	–14
Orders received by the services business	**1,511**	1,506	0
% of orders received	**64**	55	
Order backlog	**1,108**	1,535	–28
Net sales	**2,676**	2,955	–9
Net sales of the services business	**1,474**	1,464	1
% of net sales	**55**	50	
Earnings before interest, taxes and amortization (EBITA) and non-recurring items	**338**	383	–12
% of net sales	**12.6**	13.0	
Operating profit	**244**	322	–24
% of net sales	**9.1**	10.9	
Return on operative capital employed (ROCE), %	**19.4**	25.3	
Personnel at the end of the year	**10,368**	11,226	–8

The demand for mining services remained good, whereas that for equipment and projects was weak in 2014. Demand for aggregates equipment and related services remained satisfactory.

Annual orders received amounted to EUR 2,361 million, which is 14 percent less than in 2013. Emerging markets accounted for 40 percent (44%) of new orders. Services orders were EUR 1,511 million accounting for 64 percent (55%) of all orders received.

The Minerals order backlog at the end of December was EUR 1,108 million, which was 28 percent lower than at the end of 2013. We expect 86 percent of the order backlog to be delivered in 2015. Uncertainties related to the mining equipment and project backlog have increased somewhat compared to the end of 2013.

Orders received during 2014 included:
- delivery of a copper ore flotation plant in Kazakhstan
- life-cycle services orders to South America and Northern Europe
- a grinding media order for a gold mine in Egypt
- an 18-month services contract for Codelco's Chuquicamata facility in Chile, including changing the components in 33 ball mills
- a ball mill, a SAG mill, and mining services for a mine expansion project at Minera Chinalco in Peru
- mining equipment for the Angang Group in China.

Total net sales in 2014 was down 9 percent and amounted to EUR 2,676 million (EUR 2,955 million). Mining equipment and projects net sales was down 27 percent while aggregates equipment sales increased 2 percent. The services business net sales increased 1 percent compared to 2013 and accounted for 55 percent (50%) of the segment's total net sales.

The Minerals EBITA before non-recurring items in 2014 declined 12 percent and was EUR 338 million, i.e. 12.6 percent of net sales. Net sales of the equipment and project business had a negative impact on profitability but this was partially offset by the strong services business and cost control. Minerals achieved an operating profit (EBIT) of EUR 244 million, or 9.1 percent of net sales and a return on operative capital employed (ROCE) of 19.4 percent (25.3%).

Flow Control

- Good demand and order flow
- Full-year profitability improved
- High order backlog offers a good start for 2015

EUR million	2014	2013	Change %
Orders received	**1,051**	1,012	4
Orders received by the services business	**542**	533	2
% of orders received	**52**	53	
Order backlog	**468**	394	19
Net sales	**982**	969	1
Net sales of the services business	**533**	513	4
% of net sales	**54**	53	
Earnings before interest, taxes and amortization (EBITA) and non-recurring items	**148**	134	11
% of net sales	**15.1**	13.8	
Operating profit	**139**	126	10
% of net sales	**14.1**	13.0	
Return on operative capital employed (ROCE), %	**36.5**	34.7	
Personnel at the end of the year	**4,557**	4,685	–3

Annual order intake totaled EUR 1,051 million. Services orders increased 2 percent compared to 2013 and accounted for 52 percent (53%) of all orders received.

The backlog at the end of December 2014 was 468 million, which is 19 percent higher than at the end of 2013. 90 percent of the order backlog is expected to be delivered in 2015.

Orders received during 2014 included:
- largest ever valve order for the world's largest pulp mill to be built in Indonesia
- valve technology for a geothermal power plant for Zorlu Energy Companies Group in Turkey
- valve technology for Abu Dhabi Oil Refinery Company's (TAKREER) chemical refining complex
- a large valve order for the coal-to-hydrogen revamping project at Sinopec's Jiujiang refinery in Eastern China
- flow control technology for the PETRONAS Gas Berhad gas processing plant modernization project in Malaysia
- valves for rail tank cars transporting crude oil and an oil pipeline upgrade in the US
- critical valves for one of the largest Indian companies in the refining sector
- automation technology for a pulverized coal injection process and plant renewal
- modernization of automation systems for Fortum's Loviisa nuclear power plant in Finland
- modernization of automation and flow control technology for the sulfur plant at Neste Oil's Porvoo refinery in Finland.

Annual net sales were EUR 982 million (EUR 969 million) of which 54 percent (53%) came from the services business. EBITA before non-recurring items increased to EUR 148 million (EUR 134 million), which is 15.1 percent (13.8%) of net sales. Profitability was supported by healthy margins and cost control. Operating profit (EBIT) amounted to EUR 139 million (EUR 126 million), or 14.1 percent (13.0%) of net sales. The segment's return on operative capital employed (ROCE) was 36.5 percent (34.7%).

Acquisitions and divestments

In December, Metso acquired certain intellectual property rights related to Rexnord Industries's Falk Mill Products business. The acquisition allows Metso to provide replacement gears and pinions for its customers utilizing original equipment manufacturer (OEM) drawings and specifications for mills and kilns purchased through Metso and certain other end users. The value of the acquisition is not disclosed. The acquisition is treated as capital expenditure.

In December, Metso announced the divestment of its Tampere foundry in Finland to the Finnish company Tevo Oy. Completion of the divestment is expected to take place on March 1, 2015. The value of the transaction was not disclosed.

In December, Metso sold its remaining 41.3 percent holding in Valmet Automotive to Pontos Group and Finnish Industry Investment Ltd.

After the reporting period 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 is estimated to be closed by April 1, 2015, and is subject to approval by competition authorities. Metso expects to book a significant capital gain after the closing.

Research and technology development

Metso's research and technology development (RTD) network encompasses approximately 40 units around the world. RTD employed 336 (347) people in 2014 in engineering offices, RTD centers, and testing facilities. Metso actively develops and protects new technologies, processes, and service solutions, and the RTD network made 141 (170) invention disclosures during 2014, resulting in 33 (33) priority patent applications. As of the end of 2014, approximately 428 (400) Metso inventions were protected by patents. Research and development expenses in 2014 totaled approximately EUR 59 million, which is 1.6 percent of net sales (EUR 60 million and 1.5%). In addition, expenses related to intellectual property rights amounted to EUR 3 million in 2014 (EUR 4 million).

Minerals started a 5-year strategic research and development program with the target of creating the next-generation minerals concentrator. The program is jointly run with the Chilean government (CORFO), mining companies operating in Chile, academia headed by University of Queensland and its JKTech Chilean center of excellence. The "Next-Generation Concentrator" program will contribute to more sustainable minerals processing and provide a step change in the energy, capital efficiency and production signatures of process plants, placing Metso in the forefront in this field. Within the crushing and screening area, a large number of new products were successfully launched; these products cover different technologies designed to lower customers' costs and increase their capacities.

The services business focused on developing new wear solutions, spare parts, performance services, and a life-cycle services offering globally close to our customers. New process optimization services and tools are designed to help customers save in operational costs and improve the sustainability of their operations. We also launched several new process wear solutions for screening media, crusher wears and mill linings applications to enhance performance with a special focus on safety.

Our Flow Control business continued to focus on product development for the oil & gas industry. New developments included a zero-leak butterfly valve series for cryogenic applications, such as LNG, with a special focus on fast and easy maintenance, and an energy-efficient electric actuator having exceptional market acceptance with upstream oil & gas customers. In addition, the extreme low temperature options in our actuators and positioners are enabling us to expand into new markets. We further increased our scope of global product approvals and certifications for globe and rotary valves for demanding oil & gas industry applications.

Health, safety and environment

All our efforts in HSE aim to ensure a safe working environment for all Metso employees. Our mid-term target in occupational safety is to achieve an LTIF (lost-time incident frequency) of less than one. LTIF reflects the number of incidents resulting in an absence of at least one workday per million hours worked. Our long-term target is zero work-related incidents. The LTIF in 2014 was 3.9 (4.2) and we recorded 0 (1) work-related fatalities.

The focus in safety has been on strengthening our employees' personal commitment to safety programs and on strengthening personal responsibility in identifying hazards. The implementation of our minimum safety standards continued in all our locations. Additionally, a new focus area, road travel, was launched. Minimum safety standards give guidance on how to perform the most common work procedures in a safe manner and they create a baseline for safety.

In 2014, we concentrated on improving our HSE reporting by implementing a Group-wide HSE reporting system globally. The new Metso-wide reporting system will be globally implemented in 2014 and 2015 to improve the monitoring and management of our occupational safety, including accidents, near misses, first-aid situations and risk observations, and to develop our environmental performance.

We strive to reduce the environmental footprint of our own operations through a dedicated energy-efficiency program, while setting global, Group-wide targets for energy conservation and carbon dioxide emissions for our own production.

In 2014, Metso saved 0.9% of the energy of its own production, a total of 3,800 MWh (1,000 tons of CO_2). Since the beginning of the program, 11.6%, equaling 49.6 MWh of energy (13,400 tons of CO_2), has been saved through a wide range of actions around the world.

Metso constantly reviews and improves the environmental impacts of its production. In 2014, Metso was included in the CDP's Climate Disclosure Leadership Index and has a transparency score of 98/100. Metso was also included in the FTSE4Good index and the Ethibel Sustainability Index, among others.

Risks and business uncertainties

We see our customer industries continuing to develop favorably in the long run driven by megatrends such as the emerging markets, urbanization and demand for environmentally sustainable solutions.

We face various strategic, financial, operational, and hazard risks continuously. We take measures to limit the adverse effects of potential threats but also to exploit emerging opportunities. Materialized risks can have negative effects on our business, financial situation, operating result, shares, and other securities. Risk mitigation is done through thorough risk assessments where probability and impact are considered. A new focus area during 2014 was cyber security.

Financial uncertainty in the euro zone and other global markets, together with fluctuating exchange rates and increasing regulation of financial markets puts pressure on certain customers in the form of limited available financing. 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. Measures for limiting our exposure to such risks include ongoing credit assessment of customers and down-payment invoicing. A significant slowdown in global growth might further reduce market size and lead to a 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. Exchange rate fluctuations are likely to increase with economic uncertainty, although the wide 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.

Personnel by area

	Dec 31,2014	% of total personnel	Dec 31, 2013	% of total personnel	Change %
Europe	**5,877**	**38**	6,277	38	–6
North America	**2,517**	**16**	2,740	17	–8
South and Central America	**3,027**	**19**	3,020	18	0
China	**1,424**	**9**	1,493	9	–5
Other Asia-Pacific	**1,707**	**11**	1,738	11	–2
Africa and Middle East	**1,092**	**7**	1,157	7	–6
Metso total	**15,644**	**100**	16,425	100	–5

	Dec 31,2014	% of total personnel	Dec 31, 2013	% of total personnel	Change %
Emerging markets	**7,361**	**47**	7,592	46	–3
Developed markets	**8,283**	**53**	8,833	54	–6
Metso total	**15,644**	**100**	16,425	100	–5

Personnel

At the end of December 2014, Metso had 15,644 employees, which is 781 fewer than at the end of 2013 (16,425 employees). Personnel numbers decreased year-on-year by 8 and 3 percent respectively in Minerals and Flow Control. Personnel in emerging markets accounted for 47 percent (46%). Metso employed an average of 16,091 people in 2014.

New strategy and financial targets

Metso published its new strategy and financial targets on July 31, 2014. Under the new strategy Metso will continue its transformation into a more focused and higher-margin industrial company. Our portfolio of services, product businesses and system deliveries will offer the opportunity for positive profitability development and resilience to the cyclicality typical for our customer industries.

Metso's financial targets are:

- Net sales growth exceeding market growth
- EBITA margin (before non-recurring items) exceeding 15 percent within the next three years
- Return on operative capital employed (ROCE) before taxes of at least 30 percent

Decisions of the Annual General Meeting

Metso's Annual General Meeting (AGM) was held on March 26, 2014. The meeting approved the Financial Statements for 2013 and discharged the members of the Board of Directors and the President and CEO from liability for the 2013 financial year.

The Annual General Meeting also approved the proposals of the Board of Directors to authorize the Board to decide on the repurchase and issuance of Metso shares and is granting of special rights entitling to shares. The Nomination Board's Proposals concerning Board members and their remuneration were also approved. Authorized Public Accountant Ernst & Young was elected as the company's Auditor until the end of the next Annual General Meeting. In addition, the AGM decided to pay a dividend of EUR 1.00 per share for the 2013 financial year.

Board of Directors

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

The Board elected the members of its Audit Committee and the Remuneration and HR Committee as follows:

- Audit Committee consists of Eeva Sipilä (Chairman), Lars Josefsson and Nina Kopola.
- Remuneration and HR Committee consists of Mikael Lilius (Chairman), Christer Gardell and Ozey K. Horton Jr.

Metso Executive Team

The Metso Executive Team consists of Matti Kähkönen, President and CEO; Harri Nikunen, EVP & CFO, Deputy to the CEO; João Ney Colagrossi, President, Minerals Business Area; Juha Silvennoinen, President, Services Business Area (member from October 1 onwards); Perttu Louhiluoto, President, Flow Control Business Area; Merja Kamppari, SVP, Human Resources; and Simo Sääskilahti, SVP, Strategy and Business Development.

Corporate Governance Statement

We will publish a separate Corporate Governance Statement for 2014 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.

Shares and share capital

On December 31, 2014, Metso Corporation's share capital was EUR 140,982,843.80, and the total number of shares 150,348,256. At the end of 2014, Metso Corporation held a total of 458,988 of the company's own shares, which represent 0.31 percent of all Metso shares and votes. Metso's market capitalization at year-end, excluding shares held by the company, was EUR 3,726 million.

In 2014, 170,218,971 Metso shares were traded on the NASDAQ OMX Helsinki, equivalent to a turnover of EUR 4,497 million. Metso's share price on the NASDAQ OMX Helsinki increased 2 percent, from EUR 24.32 to EUR 24.86, in 2014. At the same time, the NASDAQ OMX Helsinki portfolio index, OMX Helsinki CAP, increased 6 percent. The highest quotation of Metso's share on the NASDAQ OMX Helsinki in 2014 was EUR 31.97, and the lowest EUR 21.74. The average trading price for the year was EUR 26.42.

Metso's ADS (American Depositary Shares) are traded in the United States on the International OTCQX market. The ADS price at year-end 2014 was USD 30.13. During 2014, the highest trading price for Metso's ADS in the United States was USD 42.50, and the lowest USD 29.27.

There were no flagging notifications in 2014.

Share-based incentive plans

Metso's share ownership plans are part of the remuneration and commitment program for management. All reward shares are acquired through public trading and do not have a diluting effect on share value. For further information, see our Corporate Governance Statement for 2014 and www.metso.com/investors.

Short-term outlook

Market development

We expect demand for mining equipment and projects to remain weak and demand for aggregates equipment to remain satisfactory. The demand for our mining and aggregates services is expected to remain good, thanks to high utilization rates. Demand for our products and services in the oil & gas industry is expected to remain good, but will face some uncertainty due to the volatile oil price.

Financial guidance, excluding the Process Automation Systems business

We estimate our net sales in 2015 to be between EUR 3,000 million and 3,300 million and 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. In addition, the divestment of our Process Automation Systems business is expected to be completed by April 1, 2015.

Board of Director's proposal for the use of profit

The Company's distributable funds on December 31, 2014, totaled EUR 588,695,696.41, of which net profit for 2014 was EUR 73,702,572.61.

The Board of Directors proposes that a dividend of EUR 1,05 per share be paid based on the balance sheet to be adopted for the financial year, which ended December 31, 2014 and that the remaining portion of the profit is retained and included in the Company's unrestricted equity.

The dividend shall be paid on April 9, 2015, to the shareholders that are registered in the Company's shareholders' register held by Euroclear Finland Ltd on the dividend record date of March 31, 2015. All shares are entitled to a dividend, with the exception of the own shares held by the Company on the dividend record date.

In addition, the Board of Directors proposes that the Board be authorized to decide, within its discretion, on the payment of a dividend in addition to the dividend of EUR 1,05 per share decided in the Annual General Meeting. The amount of such dividend would be up to EUR 0.40 per share and the authorization could be used if the sale of Metso Corporation's Process Automation Systems (PAS) business to Valmet Corporation completed. The authorization shall be effective until December 31, 2015. The dividend paid on the basis of the decision of the Board of Directors will be paid to the shareholders registered in the Company's shareholders' register held by Euroclear Finland Ltd on the record date decided by the Board of Directors. The Board shall decide the record date for dividend and the date of payment of the dividend that is usually the fifth banking day from the record date.

Annual General Meeting 2015

Metso Corporation's Annual General Meeting 2015 is planned to be held on Friday, March 27, 2015 at the Messukeskus Helsinki (Messuaukio 1, FI-00520 Helsinki). The Board will convene the meeting later by separate invitation.

Helsinki, February 5, 2015
Metso Corporation's Board of Directors

Consolidated Statements of Income

EUR million	Note	2013	2014
			Year ended December 31,
Net sales	33	3,858	**3,658**
Cost of goods sold	6, 7	–2,707	**–2,579**
Gross profit		1,151	**1,079**
Selling, general and administrative expenses	4, 6, 7	–703	**–683**
Other operating income and expenses, net	5	–26	**–46**
Share in profits and losses of associated companies	14	1	**1**
Operating profit	33	423	**351**
Financial income and expenses, net	8	–54	**–69**
Profit before tax		369	**282**
Income taxes	9	–131	**–93**
Profit from continuing operations		238	**189**
Profit from discontinued operations	11	57	**-**
Profit		295	**189**
Attributable to:			
Shareholders of the company		238	**188**
Non-controlling interests		0	**1**
Profit from continuing operations		238	**189**
Shareholders of the company		74	**-**
Non-controlling interests		–17	**-**
Profit from discontinued operations		57	**-**
Earnings per share from continuing operations			
Basic, EUR	12	1.59	**1.25**
Diluted, EUR	12	1.59	**1.25**
Earnings per share from discontinued operations			
Basic, EUR	12	0.49	**-**
Diluted, EUR	12	0.49	**-**

Consolidated Statements of Comprehensive Income

EUR million	Note	2013	2014
			Year ended December 31,
Profit		295	**189**
Items that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges, net of tax	22, 31	4	**–3**
Available-for-sale equity investments, net of tax	15, 22	0	**0**
Currency translation on subsidiary net investments	22	–106	**33**
Net investment hedge gains (+) / losses (–), net of tax	22	-	**-**
		–102	**30**
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains (+) / losses (–), net of tax	28	28	**–19**
Other comprehensive income (+) / expense (–)		–74	**11**
Total comprehensive income (+) / expense (–)		221	**200**
Attributable to:			
Shareholders of the company		238	**199**
Non-controlling interests		–17	**1**
Total comprehensive income (+) / expense (–)		221	**200**

Consolidated Balance Sheets

Assets

			As at December 31,
EUR million	Note	2013	**2014**
Non-current assets			
Intangible assets	13		
Goodwill		456	**461**
Other intangible assets		113	**105**
		569	**566**
Property, plant and equipment	13		
Land and water areas		50	**52**
Buildings and structures		131	**144**
Machinery and equipment		173	**172**
Assets under construction		22	**30**
		376	**398**
Financial and other assets			
Investments in associated companies	14	6	**8**
Available-for-sale equity investments	15, 20	2	**2**
Loan and other interest bearing receivables	19, 20	71	**10**
Derivative financial instruments	20, 31	-	**7**
Deferred tax asset	9	117	**127**
Other non-current assets	19, 20	32	**40**
		228	**194**
Total non-current assets		1,173	**1,158**
Current assets			
Inventories	16	921	**842**
Receivables			
Trade and other receivables	19, 20	866	**860**
Cost and earnings of projects under construction in excess of advance billings	17	212	**217**
Loan and other interest bearing receivables	19, 20	1	**0**
Financial instruments held for trading	19, 20	20	**13**
Derivative financial instruments	20, 31	11	**9**
Income tax receivables		7	**25**
		1,117	**1,124**
Cash and cash equivalents	21	467	**279**
Total current assets		2,505	**2,245**
Total assets		3,678	**3,403**

Shareholders' equity and liabilities

As at December 31,

EUR million	Note	2013	2014
Equity	22		
Share capital		141	**141**
Cumulative translation adjustments		–85	**–52**
Fair value and other reserves		305	**302**
Retained earnings		812	**830**
Equity attributable to shareholders		1,173	**1,221**
Non-controlling interests		8	**8**
Total equity		1,181	**1,229**
Liabilities			
Non-current liabilities			
Long-term debt	20, 24	771	**791**
Post-employment benefit obligations	28	96	**121**
Provisions	25	22	**22**
Derivative financial instruments	20, 31	9	**6**
Deferred tax liability	9	14	**13**
Other long-term liabilities	20	4	**3**
		916	**956**
Current liabilities			
Current portion of long-term debt	20, 24	179	**1**
Short-term debt	20, 26	99	**71**
Trade and other payables	20, 27	679	**630**
Provisions	25	97	**104**
Advances received		339	**277**
Billings in excess of cost and earnings of projects under construction	17	140	**88**
Derivative financial instruments	20, 31	17	**22**
Income tax liabilities		31	**25**
		1,581	**1,218**
Total liabilities		2,497	**2,174**
Total shareholders' equity and liabilities		3,678	**3,403**

Consolidated Statements of Cash Flows

EUR million	Note	2013	2014
		Year ended December 31,	
Cash flows from operating activities:			
Profit		238	**189**
Adjustments to reconcile profit to net cash provided by operating activities			
Depreciation and amortization	7	73	**75**
Gain (–) / loss (+) on sale of fixed assets	5	–1	**--3**
Gain (–) / loss (+) on sale of subsidiaries and associated companies	5	–4	**0**
Gain on sale of available-for-sale equity investments	5	0	**0**
Share of profits and losses of associated companies	14	–1	**–1**
Financial income and expenses, net	8	54	**69**
Income taxes	9	131	**93**
Other non-cash items		–78	**78**
Change in net working capital, net of effect from business acquisitions and disposals	18	52	**–75**
Interest paid		–36	**–46**
Interest received		7	**9**
Other financing items, net		–16	**-6**
Income taxes paid		–118	**–126**
Continuing operations total		301	**256**
Discontinued operations		15	**-**
Net cash provided by operating activities		316	**256**
Cash flows from investing activities:			
Capital expenditures on fixed assets	13	–95	**–74**
Proceeds from sale of fixed assets		5	**8**
Business acquisitions, net of cash acquired	10	–44	**–19**
Proceeds from sale of businesses, net of cash sold		–12	**-**
Investments in associated companies		–1	**–1**
Proceeds from sale of associated companies		9	**0**
Proceeds from available-for-sale equity investments		0	**0**
Investments in financial instruments held for trading		–32	**-**
Proceeds from sale of financial instruments held for trading		244	**7**
Increase in loan receivables		–20	**–13**
Decrease in loan receivables		1	**1**
Continuing operations total		55	**–91**
Discontinued operations		–137	**-**
Net cash provided by (+) / used in (–) investing activities		–82	**–91**
Cash flows from financing activities:			
Dividends paid		–277	**–150**
Net borrowings (+) / payments (–) on short-term debt		40	**–35**
Proceeds from issuance of long-term debt		0	**0**
Principal payments of long-term debt		–56	**–180**
Principal payments of finance leases		0	**0**
Net borrowings on financing with Valmet Group		315	**-**
Equity transactions with Valmet Group		–492	**-**
Other items		5	**0**
Continuing operations total		–465	**–365**
Discontinued operations		213	**-**
Net cash used in financing activities		–252	**–365**
Net increase / decrease in cash and cash equivalents		–18	**–200**
Effect of changes in exchange rates on cash and cash equivalents		–35	**12**
Cash and cash equivalents transferred in Valmet demerger		–211	**-**
Cash and cash equivalents at beginning of year	21	731	**467**
Cash and cash equivalents at end of year		467	**279**

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, 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 actuarial 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	0	–1
Changes in non-controlling interests	-	-	-	–1	–1	5	4
Balance at December 31, 2013	**141**	**–85**	**305**	**812**	**1,173**	**8**	**1,181**
Profit	-	-	-	188	188	1	189
Other comprehensive income (+) / expense (–)							
Cash flow hedges, net of tax	-	-	–3	-	–3	-	–3
Available-for-sale equity investments, net of tax	-	-	0	-	0	-	0
Currency translation on subsidiary net investments	-	33	-	-	33	-	33
Net investment hedge gains (+) / losses (–), net of tax	-	-	-	-	-	-	-
Defined benefit plan actuarial gains (+) / losses (–), net of tax	-	-	-	–19	–19	-	–19
Total comprehensive income (+) / expense (–)	-	33	–3	169	199	1	200
Dividends	-	-	-	–150	–150	0	–150
Share-based payments, net of tax	-	-	0	0	0	-	0
Other	-	-	0	–1	–1	–1	–2
Changes in non-controlling interests	-	-	-	0	0	-	0
Balance at December 31, 2014	**141**	**–52**	**302**	**830**	**1,221**	**8**	**1,229**

Notes to the Consolidated Financial Statements

1 Accounting principles

Metso Corporation (the "Parent Company") and its subsidiaries (together with the Parent Company, "Metso" or the "Group") form a leading process performance provider. Metso's cutting-edge services and solutions improve availability and reliability in minerals processing and flow control, providing sustainable process and profit improvements. The main customers operate in the mining, oil and gas and aggregates industries. As of October 1, 2014 the reportable segments have been Minerals and Flow Control replacing the earlier reportable segments Mining and Construction and Automation. The Minerals segment covers Metso's mining, aggregates and recycling business. Flow Control segment covers the valves, pumps and process automation business. In the old structure, the pump business was part of the Mining and Construction segment.

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 5, 2015 after which, in accordance with Finnish Company Law, the financial statements are either approved, amended or rejected in the Annual General Meeting.

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

As of January 1, 2014 Metso applied the new IFRS10 "Consolidated financial statements" standard, the new IFRS11 "Joint arrangements" standard, the new IFRS12 "Disclosure of Interest in Other Entities" standard. These standards have no material impact on Metso's consolidated financial statements.

Use of estimates

The preparation of financial statements, in conformity with IFRS, requires management to make estimates and assumptions and to exercise its judgement 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 judgement 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 by the cost-to-cost method of accounting. 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.

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 assets 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

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 managment

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.

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.

The liquidity position of the Group remained strong supported by the solid cash flow from operations, maturity structure of the funding and the available back up credit facilities. At the end of 2014 (end of 2013 respectively) cash and cash equivalents amounted to EUR 279 million (EUR 467 million), financial instruments held for trading EUR 13 million (EUR 20 million) and committed undrawn credit facilities to EUR 500 million (EUR 500 million). The five year revolving credit facility matures in June 2019, and has two extension options for one year. Additionally, the uncommitted Finnish Commercial Paper program totaling EUR 500 million can be utilized for funding.

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, 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	-		

Maturities as of December 31, 2014

EUR million	<1 year	1–5 years	>5 years
Long-term debt			
Repayments	1	717	100
Interests	22	70	11
Short-term debt			
Repayments	71	-	-
Interests	1	-	-
Trade payables	331	-	-
Other liabilities	73	-	-
Total	499	787	111
Financial guarantee contracts	-		

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

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

Capital structure management in Metso comprises both equity and interest bearing debt. As of December 31, 2014 the equity attributable to shareholders was EUR 1,221 million (EUR 1,173 million) and the amount of interest bearing debt was EUR 863 million (EUR 1,049 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, 2014:

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 ratios are included in financial indicators for years 2010–2014 on page 66 in these financial statements. The formulas for calculating the financial indicators are presented on page 67.

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, 2014 (2.5 years).

At the end of 2014 the balance sheet items exposed to interest rate risk were interest bearing assets of EUR 302 million (EUR 558 million) and interest bearing debt of EUR 863 million (EUR 1,049 million). Of the total interest bearing debt 88 percent (90%) 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 –/+ 1.4 million (EUR +/– 1.3 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	2013	**2014**
Effects in		
income statement	+/– 1.4	**+/– 0.7**
equity	+/– 1.1	**+/– 0.9**

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 EUR, USD, AUD, BRL, CLP and CNY.

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	2013	**2014**
Operational items	193	**173**
Financial items	345	**363**
Hedges	–478	**–515**
Total exposure	60	**21**

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 –/+ 0.9 million (EUR –/+ 1.5 million).

Transaction exposure is spread in about 35 currencies and as of December 31, 2014 the biggest open exposures were in USD (30%). A 10 percent appreciation of USD would have an effect, net of taxes, of EUR +1.5 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	2013 Total	**USD**	**SEK**	**2014 Others**	**Total**
Effects in					
• income statement	+/– 0.6	**–/+ 1.2**	**+/– 0.3**	**+/– 0.7**	**–/+ 0.1**
• equity	+/– 0.9	**–/+ 0.4**	**+/– 0.9**	**+/– 0.1**	**+/– 0.6**

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, CLP and USD, which altogether comprise approximately 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. The overall importance of the commodity price risks is small compared to other financial risks, and thus cannot be considered to be significant.

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, 2014 Metso had outstanding electricity forwards amounting to 112 GWh (238 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, 2014 Metso had outstanding nickel swaps amounting to 342 tons (264 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	2013	**2014**
Electricity – effect in equity	+/– 0.4	**+/– 0.3**
Electricity – effect in income statement	+/– 0.2	**0**
Nickel – effect in income statement	+/– 0.2	**+/– 0.3**

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. The operating units of Metso 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 or credit insurance 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. In 2014 Metso has made a credit loss related to a long-term loan to our customer, Northland Resources. Financing of Northland Resources was an exception, as normally Metso does not participate in financing of customers.

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 19.

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 2013 or in 2014.

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

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	-	-
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**	**-**

December 31, 2014

EUR million	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
Derivatives	-	5	-
Securities	13	-	-
Derivatives qualified for hedge accounting	-	13	-
Available for sale investments			
Equity investments	0	–	-
Total assets	**13**	**18**	**-**
Liabilities			
Financial liabilities at fair value through profit and loss			
Derivatives	-	22	-
Long term debt at fair value	-	418	-
Derivatives qualified for hedge accounting	-	9	-
Total liabilities	**-**	**449**	**-**

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 2014, approximately 16 percent of the net sales were recognized under the POC method, which is based estimated revenue, costs and profit 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 114 million as of December 31, 2014. 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. Metso recognized an impairment on fixed assets of EUR 6 million in 2013 and EUR 2 million in 2014.

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, 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 0.6 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 23 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, 2014 the amount of reserves for restructuring costs amounted to EUR 24 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	2013	2014
Marketing and selling expenses	–401	**–384**
Research and development expenses, net	–60	**–59**
Administrative expenses	–242	**–240**
Total	–703	**–683**

Research and development expenses, net, consist of following:

Year ended December 31,

EUR million	2013	2014
Research and development expenses, total	–63	**–60**
Capitalized development costs	-	-
Capital expenditure	0	**0**
Grants received	3	**2**
Depreciation and amortization	0	**–1**
Research and development expenses, net	–60	**–59**

5 Other operating income and expenses, net

Year ended December 31,

EUR million	2013	2014
Gain on sale of subsidiaries and businesses	4	**0**
Gain on sale of fixed assets	3	**4**
Gain on sale of available-for-sale equity investments	1	**0**
Royalty income	1	**1**
Rental income	1	**1**
Foreign exchange gains [1)]	39	**62**
Other income	7	**3**
Other operating income, total	56	**71**
Loss on sale of fixed assets	–1	**–2**
Impairment on fixed assets	–2	**–2**
Credit loss of Northland receivables	–30	**–34**
Foreign exchange losses [1)]	–41	**–72**
Other expenses	–8	**–7**
Other operating expenses, total	–82	**–117**
Other operating income and expenses, net	–26	**–46**

[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	2013	2014
Salaries and wages	–699	**–666**
Pension costs, defined contribution plans	–42	**–41**
Pension costs, defined benefit plans [1)]	–4	**–2**
Other post-employment benefits [1)]	–2	**1**
Share-based payments	–1	**–2**
Other indirect employee costs	–155	**–140**
Total	–903	**–850**

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

Number of personnel at end of year:

	2013	2014
Minerals	11,226	**10,368**
Flow Control	4,685	**4,557**
Group Head Office and others total	514	**719**
Metso total	16,425	**15,644**

Average number of personnel during the period:

	2013	2014
Minerals	11,131	**10,663**
Flow Control	4,843	**4,740**
Group Head Office and others total	713	**688**
Metso total	16,687	**16,091**

Board remuneration:

EUR thousand	2013	2014
Serving Board members December 31, 2014:		
Mikael Lilius	–61	**–128**
Christer Gardell	–65	**–76**
Wilson Nelio Brumer	-	**–91**
Ozey K. Horton, Jr.	–110	**–101**
Lars Josefsson	-	**–73**
Nina Kopola	–	**–71**
Eeva Sipilä	–69	**–77**
Juha Lehtonen[1)]	-	**–8**
Former Board members:		
Jukka Viinanen	–120	**–2**
Mikael von Frenckell	–77	**–1**
Erkki Pehu-Lehtonen	–68	**–1**
Pia Rudengren	–81	**–1**
Eija Lahti-Jäntti[1)]	–15	**–1**
Total	–666	**–631**

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

According to the decision of the Annual General Meeting held on March 26, 2014, 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 fixed 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 2014 Interim Review on April 24, 2014. 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
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**
2014					
President and CEO Matti Kähkönen	553,200	48,600	15,800	181,916	799,516
Executive Vice President Harri Nikunen	314,490	77,550	13,332	121,278	526,650
Other Executive Team members	1,334,286	238,309	21,492	193,450	1,787,537
Total	**2,201,976**	**364,459**	**50,624**	**496,644**	**3,113,703**

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, 2014 contributions made to the executive defined benefit plan amounted to EUR 291 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, 2014 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, 2014 these pension insurance premium payments totaled approximately EUR 0.2 million.

Board share ownership in Metso as at December 31, 2014:	
Mikael Lilius	26,978
Christer Gardell	3,250
Wilson Nelio Brumer	657
Ozey K. Horton, Jr.	2,413
Lars Josefsson	657
Nina Kopola	704
Eeva Sipilä	2,125
Total	**36,784**

Executive Team share ownership in Metso as at December 31, 2014:	
Matti Kähkönen	23,165
Harri Nikunen	9,887
Perttu Louhiluoto	1,347
João Ney Colagrossi	14,909
Juha Silvennoinen	0
Merja Kamppari	6,059
Simo Sääskilahti	0
Total	**55,367**

7 Depreciation and amortization

Year ended December 31,

EUR million	2013	2014
Intangible assets	–19	**–19**
Property, plant and equipment		
Buildings and structures	–11	**–11**
Machinery and equipment	–43	**–45**
Total	–73	**–75**

Depreciation and amortization by function are as follows:

Year ended December 31,

EUR million	2013	2014
Cost of goods sold	–47	**–45**
Selling, general and administrative expenses		
Marketing and selling	–5	**–10**
Research and development	0	**–1**
Administrative	–21	**–19**
Total	–73	**–75**

8 Financial income and expenses, net

Year ended December 31,

EUR million	2013	2014
Financial income		
Dividends received	0	**0**
Interest income on cash and cash equivalents	5	**5**
Income on financial investments	3	**4**
Other financial income	1	**1**
Financial income total	9	**10**
Financial expenses		
Interest expenses from financial liabilities at amortized cost	–48	**–38**
Interest expenses on financial leases	0	**0**
Other financial expenses 1)	–15	**–36**
Net loss from foreign exchange	0	**–5**
Financial expenses total	–63	**–79**
Financial income and expenses, net	–54	**–69**

1) Other financial expenses in 2014 included a EUR 19 million credit loss of a financial instrument.

9 Income taxes

The components of income taxes are as follows:

Year ended December 31,

EUR million	2013	2014
Current tax expense	–144	**–86**
Deferred taxes	13	**–7**
Income taxes, total	–131	**–93**

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	2013	2014
Income before taxes	369	**282**
Income tax expense at Finnish statutory tax rate (2013: 24.5%, 2014: 20.0%)	–91	**–56**
Decrease of Finnish statutory tax rate in 2013 (24.5% -> 20.0%)	0	**-**
Income tax for prior years	0	**11**
Difference between Finnish and foreign tax rates	–35	**–26**
Benefit of operating loss carryforward	0	**0**
Operating losses and credits with no current tax benefit	0	**0**
Foreign non-deductible withholding taxes	–2	**–9**
Non-deductible expenses	–3	**–4**
Tax exempt income	0	**0**
Change in deferred tax liability concerning undistributed dividends	0	**–5**
Other	0	**–4**
Income tax expense	–131	**–93**

Tax effects of components in other comprehensive income:

Year ended December 31,

	2013			**2014**		
EUR million	Before taxes	Tax	After taxes	**Before taxes**	**Tax**	**After taxes**
Cash flow hedges	3	–1	2	**–4**	**1**	**–3**
Available-for-sale equity investments	0	0	0	**0**	**0**	**0**
Defined benefit plan acturial gains (+) / losses (–)	25	–7	18	**–28**	**9**	**–19**
Currency translation on subsidiary net investments	–108	0	–108	**33**	**0**	**33**
Total comprehensive income (+) / expense (–)	–80	–8	–88	**1**	**10**	**11**
Current tax		–1			**1**	
Deferred tax		–7			**9**	
Total		–8			**10**	

Reconciliation of deferred tax balances:

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**

EUR million	Balance at beginning of year	Charged to income statement	Charged to shareholders' equity	Translation differences	Acquisitions and business disposals	Balance at end of year
2014						
Deferred tax assets						
Tax losses carried forward	22	1	0	1	-	24
Fixed assets	23	–18	-	1	-	6
Inventory	29	0	-	1	-	30
Provisions	21	–5	-	-	-	16
Accruals	7	11	-	-	-	18
Pension related items	19	–5	9	2	-	25
Other	16	–4	0	3	-	15
Total deferred tax assets	137	–20	9	8	-	134
Offset against deferred tax liabilities [1]	–20	13	-	-	-	–7
Net deferred tax assets	117	–7	9	8	-	127
Deferred tax liabilities						
Purchase price allocations	13	–4	-	-	-	9
Fixed assets	15	–12	-	-	-	3
Other	5	3	-	-	-	8
Total deferred tax liabilities	33	–13	-	-	-	20
Offset against deferred tax assets [1]	–20	13	-	-	-	–7
Net deferred tax liabilities	13	0	-	-	-	13
Deferred tax assets, net	**104**	**–7**	**9**	**8**	**-**	**114**

[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, 2013 and 2014, respectively, earnings of EUR 261 million and EUR 190 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

Metso made no business acquisitions during 2014, but paid a deferred consideration of EUR 19 million according to agreed timetable relating to an acquisition made in 2013.

In November 2013, 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 Minerals segment on November 11, 2013.

In September 2013, Metso acquired 75% 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 Minerals segment.

Disposals of businesses

Metso made no divestments during 2014.

In December 2014, Metso entered into an agreement to sell its Tampere foundry in Finland to a Finnish company Tevo Oy. Completion of the divestment is expected to take place on March 1, 2015.

In November 2013, 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 Minerals segment and the transaction had no material effect on Metso's results.

Disposals agreed after the period

In connection with the new strategy, Metso stated in July 2014 that it will study strategic alternatives for its Process Automation Systems (PAS) business. In January 2015, Metso announced that it had entered into an agreement to sell the PAS business to Finnish Valmet Corporation. The criteria of IFRS 5 for classification into a disposal group held for sale were not fulfilled at the end of the accounting period on December 31, 2014. Therefore, the assets and liabilities of the PAS business have not been reclassified in the consolidated balance sheets of Metso as at December 31, 2014.

The value of the deal is EUR 340 million. The transaction is estimated to be closed on April 1, 2015 and is subject to approval by competition authorities. As the intended legal structure of the PAS business is not complete and the transferring structure together with its assets and liabilities contain uncertainties, the capital gain on the scale can not be exactly estimated at the date of these financial statements. However, Metso estimates to recognize a significant capital gain after the closing of 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.

11 Discontinued operations

Metso reported discontinued operations only in the comparative financial year ended December 31, 2013.

Metso Corporation's Extraordinary General Meeting's 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 gain on valuation of assets subject to 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 its 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,			
	2013			2014
EUR million	Pulp, Paper and Power	Valmet Automotive	Total	Total
Net sales	2,600	204	**2,804**	-
Cost of goods sold	–2,159	–218	**–2,377**	-
Gross profit	441	–14	**427**	-
Selling, general and administrative expenses	–457	–36	**–493**	-
Other operating income and expenses, net	–31	4	**–27**	-
Share in profits and losses of associated companies	1	0	**1**	-
Operating profit	–46	–46	–92	-
Financial income and expenses, net	–7	–2	**–9**	-
Profit before tax	**–53**	**–48**	**–101**	-
Income taxes	4	2	**6**	-
Profit	**–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	124	–67	**57**	-
Attributable to:				
Equityholders of the parent	123	–49	74	-
Non-controlling interest	1	–18	–17	-
Profit from discontinued operations	124	–67	57	-

Cash flows from discontinued operations:

EUR million	Year ended December 31, 2013	2014
Net cash provided by operating activities	15	-
Net cash provided (used) by investing activities	–137	-
Net cash provided (used) by financing activities	213	-
Total	91	-
Effect of changes in exchange rates of cash & cash equivalents	–18	-
Net increase (decrease) in cash and cash equivalents	73	-
Cash and cash equivalents at beginning of year	163	-
Cash and cash equivalents at end of year	236	-

Assets and liabilities attributable to discontinued operations:

Assets and liabilities attributable to discontinued operations at the disposal date and they are not included in the balance sheet for the comparative period.

	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.

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,	2013	2014
Profit from continuing operations attributable to shareholders of the company, EUR million	238	**188**
Profit from discontinued operations attributable to shareholders of the company, EUR million	74	**-**
Total	312	**188**
Weighted average number of shares issued and outstanding (in thousands)	149,826	**149,884**
Earnings per share continuing operations, basic, EUR	1.59	**1.25**
Earnings per share discontinued operations, basic, EUR	0.49	**-**
Earnings per share, basic, EUR	2.08	**1.25**

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, 2014, Metso held 458,988 own shares intended for the share ownership plans.

Year ended December 31,	2013	2014
Profit from continuing operations attributable to shareholders of the company, EUR million	238	**188**
Profit from discontinued operations attributable to shareholders of the company, EUR million	74	**-**
Total	312	**188**
Weighted average number of shares issued and outstanding (in thousands)	149,826	**149,884**
Adjustment for potential shares distributed (in thousands)	116	**86**
Weighted average number of diluted shares issued and outstanding (in thousands)	149,942	**149,970**
Earnings per share continuing operations, diluted, EUR	1.59	**1.25**
Earnings per share discontinued operations, diluted, EUR	0.49	**-**
Earnings per share, diluted, EUR	2.08	**1.25**

13 Intangible assets and property, plant and equipment

Intangible assets

EUR million	Goodwill	Patents and licences	Capitalized software	Other intangible assets	Intangible assets total
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**
2014					
Acquisition cost at beginning of year	456	26	93	113	688
Translation differences	4	0	1	3	8
Business acquisitions	-	-	-	-	-
Disposals of businesses	-	-	-	-	-
Capital expenditure	-	3	1	4	8
Reclassifications	-	0	1	–2	–1
Other changes	1	0	–1	1	1
Acquisition cost at end of year	461	29	95	119	704
Accumulated amortization at beginning of year	-	-20	-51	-48	-119
Translation differences	-	0	-1	-1	-2
Disposals of businesses	-	-	-	-	-
Other changes	-	0	1	1	2
Impairment losses	-	0	0	0	0
Amortization charges for the year	-	-2	-9	-8	-19
Accumulated amortization at end of year	-	-22	-60	-56	-138
Net book value at end of year	**461**	**7**	**35**	**63**	**566**

Metso participated in the European Emissions Tradings Scheme (EU ETS) for the compliance period of 2008–2013. All Metso's emission rights 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
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**
2014					
Acquisition cost at beginning of year	50	272	626	22	970
Translation differences	2	8	16	3	29
Business acquisitions	-	-	-	-	-
Disposals of businesses	-	-	-	-	-
Capital expenditure	1	4	28	33	66
Reclassifications	0	13	13	–25	1
Other changes	–1	–2	–36	–3	–42
Acquisition cost at end of year	52	295	647	30	1,024
Accumulated depreciation at beginning of year	-	–141	–453	-	–594
Translation differences	-	–3	–9	-	–12
Business acquisitions	-	-	-	-	-
Disposals of businesses	-	-	-	-	-
Other changes	-	4	34	-	38
Impairment losses	-	0	–2	-	–2
Amortization charges for the year	-	–11	–45	-	–56
Accumulated depreciation at end of year	-	–151	–475	-	–626
Net book value at end of year	**52**	**144**	**172**	**30**	**398**

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, 2013 and 2014, respectively. They relate to Minerals 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, 2014 the amortization expense related to the intangible assets recognized through business acquisitions was EUR 7 million. The future amortization expense is expected to amount to EUR 5, EUR 5, EUR 5, EUR 4 and EUR 3 million for the years 2015, 2016, 2017, 2018 and 2019, 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
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**
2014			
Acquisition cost at end of year	0	1	1
Accumulated depreciation at end of year	0	–1	–1
Net book value at end of year	**0**	**0**	**0**

Goodwill and impairment tests

In the year ended December 31, 2014, the total amount of goodwill in Metso was EUR 461 million, equalling 37% of the equity. As at December 31, 2013, the goodwill amounted to EUR 456 million, equalling 39% 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. Metso made no business acquisitions during 2014.

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 July 2014 the Pumps business transferred from Minerals segment to Flow Control segment and the goodwill of the Pumps business was allocated to the latter.

The cash generating units in Metso are either reportable segments such as Minerals and Flow Control or separate business lines under the reportable segments. In 2014, on the date of testing Metso had two cash generating units with goodwill: Minerals and Flow Control.

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 method. 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 2013 and 2014. 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 2014 annual test, the average EBITDAs (earnings before interest, tax, depreciation and amortization) of the tested cash generating units for the projection period 2014–2018 were following: Minerals 16% and Flow Control 17% of net sales.

As a result of the annual impairment tests, no impairment loss was recognized in 2013 and 2014.

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%
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%
2014			
Minerals	14.2%	4%	21%
Flow Control	11.9%	5%	26%
Group total	11.9%–14.2%	5%	23%

*) 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 2014, 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
2013						
Continuing operations						
Mining and Construction	408	–2	17	-	423	93%
Automation	33	0	-	-	33	7%
Discontinued operations						
Pulp, Paper and Power	446	–5	2	–443	-	0%
Group total	887	–7	19	–443	456	100%
2014						
Minerals	423	–19	-	-	404	88%
Flow Control	33	24	-	-	57	12%
Group total	**456**	**5**	**-**	**-**	**461**	**100%**

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 goodwill of the Pumps business amounted 23 million EUR and was transferred from Mining and Construction segment to Flow Control segment. 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 and joint ventures

As at December 31,

EUR million	2013	2014
Investments in associated companies and joint ventures		
Acquisition cost at beginning of year	5	**4**
Translation differences	0	**0**
Increases	1	**1**
Effect of demerger	–1	**-**
Disposals and other decreases	–1	**0**
Acquisition cost at end of year	4	**5**
Equity adjustments in investments in associated companies and joint ventures		
Equity adjustments at beginning of year	12	**2**
Share of results	1	**1**
Translation differences	0	**0**
Dividend income	0	**0**
Effect of demerger	–3	**-**
Disposals and other changes	–8	**0**
Equity adjustments at end of year	2	**3**
Carrying value of investments in associated companies and joint ventures at end of year	6	**8**

As at December 31,

	2013		2014	
EUR million	Ownership	Carrying value	**Ownership**	**Carrying value**
Nanjing SAC Metso Control Systems Co. Ltd	33.0%	4	**33.0%**	**6**
Liugong Metso Construction Equipment (Shanghai) Co. Ltd	50.0%	1	**50.0%**	**2**
Valmet Automotive Oy	41.3%	0	**-**	**-**
Others		1		**-**
Total investments in associated companies and joint ventures		6		**8**

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	2013	2014
Assets	22	**30**
Liabilities	16	**22**
Net sales	18	**15**
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	2013	2014
Net sales	2	**12**
Purchases	2	**0**
Receivables	0	**2**
Payables	0	**0**

15 Available-for-sale equity investments

The available-for-sale equity investments as at December 31, 2014 comprise 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, 2013 and 2014 was EUR 2 million.

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

EUR million	2013	2014
Carrying value at beginning of year	6	**2**
Additions	0	**0**
Changes in fair values	0	**0**
Effect of discontinued operations	–3	**-**
Disposals and other changes	–1	**0**
Carrying value at end of year	2	**2**

16 Inventory

		Year ended December 31,
EUR million	2013	2014
Materials and supplies	168	**131**
Work in process	265	**206**
Finished products	488	**505**
Total inventory	921	**842**

The cost of inventories recognized as expense was EUR 2,662 million and EUR 2,535 million for the years ended December 31, 2013 and 2014, respectively.

Provision for inventory obsolescence has changed as follows:

EUR million	2013	2014
Balance at beginning of year	85	**63**
Impact of exchange rates	–5	**2**
Additions charged to expense	15	**13**
Increase from business acquisitions	0	**-**
Used reserve	–3	**–5**
Effect of discontinued operations	–18	**-**
Deductions / other additions	–11	**–8**
Balance at end of year	63	**65**

17 Percentage of completion

Net sales recognized under the percentage of completion method amounted to EUR 831 million, or 22 percent of net sales, in 2013 and EUR 566 million, or 16 percent of net sales, in 2014. The percentage was highest in the Minerals segment, where it accounted for 26 percent in 2013 and 19 percent in 2014.

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
2013			
Projects where cost and earnings exceed billings	1,216	1,004	212
Projects where billings exceed cost and earnings	632	772	140
2014			
Projects where cost and earnings exceed billings	**1,007**	**790**	**217**
Projects where billings exceed cost and earnings	**489**	**577**	**88**

18 Change in net working capital

Change in net working capital, net of effect from business acquisitions and disposals:

	Year ended December 31,	
EUR million	2013	**2014**
Increase (–) / decrease (+) in assets and increase (+) / decrease (–) in liabilities:		
Inventory	1	**105**
Trade and other receivables	13	**–3**
Percentage of completion: recognized assets and liabilities, net	–6	**–47**
Trade and other payables	44	**–130**
Total	52	**–75**

19 Interest bearing and non-interest bearing receivables

	As at December 31,					
	2013			2014		
EUR million	Non-current	Current	Total	Non-current	Current	Total
Interest bearing receivables						
Loan receivables	70	1	71	**10**	**0**	**10**
Financial instruments held for trading	-	20	20	**-**	**13**	**13**
Trade receivables	1	-	1	**-**	**-**	**-**
Total	71	21	92	**10**	**13**	**23**
Non-interest bearing receivables						
Loan receivables	0	0	0	**0**	**-**	**0**
Trade receivables	0	690	690	**1**	**643**	**644**
Prepaid expenses and accrued income	-	57	57	**-**	**54**	**54**
Other receivables	32	119	151	**39**	**163**	**202**
Total	32	866	898	**40**	**860**	**900**

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, 2013, other non-interest bearing receivables comprised EUR 28 million of Brazilian tax credits arising from circulation of goods and transfer of services (ICMS) recognized by local subsidiaries, EUR 8 million thereof was classified as long-term. As of December 31, 2014, these Brazilian tax credits amounted to EUR 25 million, of which EUR 4 million was long-term.

Provision for impairment has changed as follows:

EUR million	2013	2014
Balance at beginning of year	42	**29**
Impact of exchange rates	–2	**0**
Additions charged to expense	11	**18**
Increase from business acquisitions	1	**-**
Used reserve	–4	**–15**
Effect of discontinued operations	–13	**-**
Deductions / other additions	–6	**2**
Balance at end of year	29	**34**

Analysis of non-interest bearing trade receivables by age:

As at December 31,

EUR million	2013	2014
Trade receivables, not due at reporting date	438	**432**
Trade receivables 1–30 days overdue	137	**99**
Trade receivables 31–60 days overdue	49	**46**
Trade receivables 61–90 days overdue	26	**27**
Trade receivables 91–180 days overdue	18	**26**
Trade receivables more than 180 days overdue	22	**14**
Total	690	**644**

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
2013						
Non-current assets						
Available-for-sale equity investments	-	-	0	2	2	2
Loan receivables	-	0	70	-	70	70
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
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**

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
2014						
Non-current assets						
Available-for-sale equity investments	-	-	-	2	2	2
Loan receivables	-	-	10	-	10	10
Financial instruments held for trading	-	-	-	-	-	-
Trade receivables	-	-	1	-	1	1
Derivative financial instruments	-	7	-	-	7	7
Other receivables	-	-	23	-	23	23
Total	**-**	**7**	**34**	**2**	**43**	**43**
Current assets						
Loan receivables	-	-	0	-	0	0
Financial instruments held for trading	13	-	-	-	13	13
Trade receivables	-	-	644	-	644	644
Derivative financial instruments	5	4	-	-	9	9
Other receivables	-	-	216	-	216	216
Total	**18**	**4**	**860**	**-**	**882**	**882**

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	207	-	371	578	593
Loans from financial institutions	177	-	36	213	248
Pension loans	-	-	-	-	-
Finance lease obligations	-	-	0	0	0
Other long-term debt	-	-	0	0	0
Derivative financial instruments	-	6	-	6	6
Other liabilities	-	-	3	3	3
Total	**384**	**6**	**410**	**800**	**850**
Current liabilities					
Current portion of long-term debt	-	-	1	1	1
Short-term debt	-	-	71	71	71
Trade payables	-	-	330	330	330
Derivative financial instruments	17	5	-	22	22
Other liabilities	-	-	300	300	300
Total	**17**	**5**	**702**	**724**	**724**

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 value of other debt is calculated as net present value.

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

21 Cash and cash equivalents

As at December 31,

EUR million	2013	2014
Bank and cash	357	**215**
Commercial papers and other investments	110	**64**
Total cash and cash equivalents	467	**279**

22 Equity

Share capital and number of shares

Metso Corporation's registered share capital, which is fully paid, was EUR 140,982,843.80 as at December 31, 2013 and 2014.

	2013	2014
Number of outstanding shares, January 1	149,756,034	**149,864,619**
Redemption of own shares by the Parent Company	-	**-**
Shares granted from share ownership plans	108,585	**24,649**
Number of outstanding shares, December 31	149,864,619	**149,889,268**
Own shares held by the Parent Company	483,637	**458,988**
Total number of shares, December 31	150,348,256	**150,348,256**

As of December 31, 2014 the acquisition price of 458,988 own shares held by the Parent Company was EUR 9,336,175.74 and was recognized in the treasury stock.

Dividends

The Board of Directors proposes that a dividend of EUR 1.05 per share be paid based on the balance sheet to be adopted for the financial year which ended December 31, 2014 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 157 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, 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**
Cash flow hedges						
Fair value gains (+) / losses (–), net of taxes	-	–2	-	-	-	–2
Transferred to profit and loss, net of taxes						
Net sales	-	2	-	-	-	2
Cost of goods sold / Administrative expenses	-	–1	-	-	-	–1
Interest income / expenses	-	–2	-	-	-	–2
Available-for-sale equity investments						
Fair value gains (+) / losses (–), net of taxes	-	-	2	-	-	2
Transferred to profit and loss, net of taxes	-	-	–2	-	-	–2
Redemption of own shares	-	-	-	-	-	0
Share-based payments, net of taxes	0	-	0	-	-	0
Other	-	-	-	–1	1	0
Balance as of December 31, 2014	**–10**	**–4**	**6**	**19**	**291**	**302**

Foreign currency translation included in the shareholders' equity:

EUR million	2013	**2014**
Cumulative translation adjustment as of January 1	23	**–85**
Currency translation on subsidiary net investments	–106	**33**
Hedging of net investment denominated in foreign currency	–2	**-**
Cumulative translation adjustment as of December 31	–85	**–52**

23 Share-based payments

Share ownership plan for 2011–2013

In September 2010, 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 participant's 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 2011–2013. In March 2014 the reward was paid in Metso shares, and equal number of Valmet shares and partly in cash.

The equity-settled portion of the plan was recognized over the vesting period i.e. from the beginning of 2011 until the end of March 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.

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 decided 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, there were 58 participants at the end of 2014. The potential rewards to be paid from the plan to Metso participants correspond to a maximum total of 304,881 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 increased to take into account the effect of the demerger to Metso share value.

For the 2013 performance period, there were 57 participants at the end of 2014. The potential rewards to be paid from the plan to Metso participants correspond to a maximum total of 298,776 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 increased to take into account the effect of demerger to Metso share value. Targets were not met and no shares will be delivered

For the 2014 performance period, there were 60 participants at the end of year 2014. The potential rewards to be paid from the plan to Metso participants correspond to a maximum total of 345,060 shares and were based on the same criteria as the 2013 performance period. The equity-settled portion of the plan is recognized over the vesting period i.e. from the beginning of 2014 until the end of February 2017 based on the average share price on the grant date of EUR 29.08. According to the Board of Directors' decision, the maximum number of shares will be increased to take into account the effect of demerger to Metso share value.

In December 2014, the Board of Directors of Metso Corporation decided to on a new long-term share-based Performance Share Plan (PSP) for the Group's senior management. The plan consists of annually commencing performance share plans, each with a three-year earning period. The potential share reward payable under the PSP is based on the total shareholder return of Metso's share during 2015–2017. The PSP 2015 plan will cover about 100 Metso managers. The potential rewards to be paid from the plan will correspond to a maximum total of 400,000 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, 2014:

	Metso Executive Team	Shares	Other beneficiaries	Shares	Beneficiaries total	Shares total
Plan 2010–2012						
Granted	7	17,632	73	90,953	80	108,585
Plan 2011–2013						
Granted	6	8,966	33	15,683	39	24,649

Costs recognized for the share ownership plans:

EUR thousand	Plan 2010–2012	Plan 2011–2013	Plan 2012–2014	Plan 2014–2016	Total
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
2014					
Metso Executive Team		–67	–374	–137	–578
Other beneficiaries		79	–1,078	–350	–1,349
Total		**12**	**–1,452**	**–487**	**–1,927**

As of balance sheet date, a liability of EUR 2,239 thousand was recognized as an accrued expense for the cash-settled portion of Metso Share Ownership Plan 2012–2014 and EUR 244 thousand from Plan 2014–2016.

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	2013	**2014**	2013	**2014**
Bonds	740	**578**	759	**593**
Loans from financial institutions	205	**213**	243	**248**
Pension loans	5	**-**	5	**-**
Finance lease obligations	0	**1**	0	**1**
Other long-term debt	-	**0**	-	**0**
	950	**792**	1,007	**842**
Less current maturities	179	**1**	179	**1**
Total	771	**791**	828	**841**

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, 2014	Effective interest rate Dec. 31, 2014	Original loan amount	Outstanding carrying value at December 31, 2013	**2014**
Public bond 2009–2014			300	174	**-**
Public bond 2012–2019	2.75%	2.91%	400	397	**405**
Private placements maturing 2018–2022		1.8%–4.6%	170	169	**173**
Bonds total				740	**578**
Less current maturities				174	**0**
Bonds, long-term portion				566	**578**

Metso has a Euro Medium Term Note Program (EMTN) of EUR 1.5 billion, under which EUR 740 million and EUR 578 million at carrying value were outstanding at the end of 2013 and 2014, respectively. EUR 405 million of the outstanding amount were public bonds and EUR 173 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 0.9% 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 2014 and includes 10 banks. The facility was undrawn at the end of 2013 and 2014.

Contractual maturities of interest bearing debt as at December 31, 2014 are as follows:

EUR million	Bonds	Loans from financial institutions	Pension loans	Finance lease obligations	Total
Repayments	0	1	0	0	**1**
Interests	20	2	0	0	**22**
Total 2015	**20**	**3**	**0**	**0**	**23**
Repayments	0	36	0	1	**37**
Interests	19	1	0	0	**20**
Total 2016	**19**	**37**	**0**	**1**	**57**
Repayments	0	0	-	0	**0**
Interests	19	0	-	0	**19**
Total 2017	**19**	**0**	**-**	**0**	**19**
Repayments	72	212	-	0	**284**
Interests	18	0	-	0	**18**
Total 2018	**90**	**212**	**-**	**0**	**302**
Repayments	397	-	-	-	**397**
Interests	13	-	-	-	**13**
Total 2019	**410**	**-**	**-**	**-**	**410**
Repayments	100	-	-	-	**100**
Interests	11	-	-	-	**11**
Later	**111**	**-**	**-**	**-**	**111**

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

25 Provisions

	As at December 31, 2013					**2014**		
EUR million	Non-current	Effect of discontinued operations	Current	Effect of discontinued operations	Total	**Non-current**	**Current**	**Total**
Warranty and guarantee liabilities	24	–23	129	–70	60	**2**	**54**	**56**
Accrued restructuring expenses	8	–5	45	–29	19	**2**	**22**	**24**
Environmental and product liabilities	1	–	3	-	4	**0**	**2**	**2**
Other provisions	23	–6	28	–9	36	**18**	**26**	**44**
Total	56	–34	205	–108	119	**22**	**104**	**126**

The provisions, both non-current and current, have changed as follows during the financial year 2014:

EUR million	Accrued restructuring expenses	Environmental and product liabilities	Total
Balance at beginning of year	19	4	23
Impact of exchange rates	1	0	1
Addition charged to expense	24	0	24
Used reserve	–18	0	–18
Reversal of reserve / other changes	–2	–2	–4
Balance at end of year	**24**	**2**	**26**

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, 2014, environmental liabilities amounted to EUR 1 million.

Metso is occasionally involved in product liability claims. As at December 31, 2014, provisions for product liabilities amounted to EUR 1 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	2013	2014
Balance at beginning of year	177	**60**
Impact of exchange rates	–6	**3**
Increase for current year's deliveries	78	**21**
Increase for previous years' deliveries	17	**2**
Increase from business acquisitions	0	**-**
Used reserve	–58	**–17**
Reversal of reserve / other changes	–55	**–13**
Discontinued operations	–93	**-**
Balance at end of year	60	**56**

26 Short-term debt

EUR million	As at December 31, 2013	2014
Loans from financial institutions	75	**71**
Finnish commercial paper financing	15	**-**
Other debt	9	**-**
Total	99	**71**

The weighted average interest rate applicable to short-term borrowing at December 31, 2013 and 2014 was 4.6% and 5.9%, respectively. In 2015, interest amounting to EUR 1.2 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. Domestic commercial papers worth EUR 15 million were outstanding as of December 31, 2013 and none as of December 31, 2014.

27 Trade and other payables

EUR million	As at December 31, 2013	2014
Trade payables	345	**330**
Accrued interests	14	**7**
Accrued personnel costs	107	**103**
Accrued project costs	73	**61**
Other	140	**129**
Total	679	**630**

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 81% of Metso's Defined Benefit Obligation and 93% 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.

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 2015 are EUR 0.3 million in respect of Finnish plans and EUR 13 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	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**
Present value of funded obligations	6	**10**	255	**274**	-	**-**	261	**284**
Fair value of plan assets	–2	**–3**	–251	**–266**	-	**-**	–253	**–269**
	4	**7**	4	**8**	-	**-**	8	**15**
Present value of unfunded obligations	-	**-**	47	**51**	34	**38**	81	**89**
Unrecognized asset	-	**-**	0	**1**	-	**-**	0	**1**
Net liability recognized	4	**7**	51	**60**	34	**38**	89	**105**
Amounts in the balance sheet:								
Liabilities	4	**7**	56	**75**	34	**38**	94	**120**
Assets	-	**-**	5	**15**	-	**-**	5	**15**
Net liability recognized	4	**7**	51	**60**	34	**38**	89	**105**

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

	Pension benefits, Finnish		Foreign pension and other post-employment benefits	
EUR million	2013	**2014**	2013	**2014**
Net liability at beginning of year	6	**4**	239	**85**
Demerger	–1	**-**	–121	**-**
Other adjustment to present value	–1	**-**	1	**-**
Net expense recognized in the income statement	1	**0**	12	**–1**
Employer contributions	–1	**0**	–17	**–14**
Gain (+) / loss (–) recognized through OCI	0	**3**	–24	**24**
Translation differences	-	**-**	–5	**4**
Net liability at end of year	4	**7**	85	**98**

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	2013	**2014**	2013	**2014**	2013	**2014**
Employer's current service cost	1	**0**	7	**3**	1	**1**
Net interest on net surplus/ (deficit)	0	**0**	3	**1**	1	**2**
Settlements	-	**-**	1	**–1**	-	**-**
Recognition of past service cost/(credit)	-	**-**	–1	**–2**	-	**–4**
Administration costs paid by the scheme	-	**-**	0	**0**	-	**-**
Expense (+) / income (–) recognized in income statement	1	**0**	10	**1**	2	**–1**

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	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**
Return on plan assets, excluding amounts included in interest expense/(income)	0	**–1**	–10	**–19**	-	**-**	–10	**–20**
Actuarial (gain)/loss on liabilities due to change in financial assumptions	1	**2**	–3	**27**	–2	**4**	–4	**33**
Actuarial (gain)/loss on liabilities due to change in demographic assumptions	-	**-**	–1	**9**	-	**2**	–1	**11**
Actuarial (gain)/loss on liabilities due to experience	–1	**2**	–8	**1**	0	**–1**	–9	**2**
Gain (–) / loss (+) as result of asset ceiling	-	**-**	-	**1**	-	**-**	0	**1**
Total gain (–) / loss (+) recognized through OCI	0	**3**	–22	**19**	–2	**5**	–24	**27**

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	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**
Defined benefit obligation at beginning of year	12	**7**	532	**301**	47	**34**	591	**342**
Demerger	–4	**-**	–192	**-**	–10	**-**	–206	**-**
Other adjustment to present value	–1	**-**	-	**–27**	-	**-**	–1	**–27**
Employer's current service cost	1	**0**	7	**3**	1	**0**	9	**3**
Interest cost	0	**0**	14	**11**	1	**2**	15	**13**
Plan participant contributions	-	**-**	1	**0**	-	**-**	1	**0**
Past service cost (+) / credit (–)	-	**-**	–1	**–2**	-	**–4**	–1	**–6**
Actuarial gain (–) / loss (+) due to change in financial assumptions	1	**1**	–3	**27**	–2	**4**	–4	**32**
Actuarial (gain)/loss on liabilities due to change in demographic assumptions	-	**-**	–1	**10**	-	**2**	–1	**12**
Actuarial gain (–) / loss (+) due to experience	–1	**2**	–8	**1**	0	**–1**	–9	**2**
Settlements	0	**0**	–10	**–3**	-	**-**	–10	**–3**
Benefits paid from the arrangement	–1	**0**	–13	**–12**	-	**-**	–14	**–12**
Benefits paid direct by employer	-	**-**	–4	**–5**	–1	**–2**	–5	**–7**
Translation differences	-	**-**	–21	**21**	–2	**3**	–23	**24**
Defined benefit obligation at end of year	7	**10**	301	**325**	34	**38**	342	**373**

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	2013	**2014**	2013	**2014**	2013	**2014**
Fair value of assets at beginning of year	6	**2**	340	**251**	346	**253**
Demerger	–3	**-**	–81	**-**	–84	**-**
Other adjustments to the fair value of assets	0	**-**	-	**–27**	0	**–27**
Interest income on assets	0	**0**	11	**10**	11	**10**
Return on plan assets excluding interest income	0	**0**	10	**19**	10	**19**
Assets distributed on settlements	–1	**0**	–10	**–3**	–11	**–3**
Employer contributions	0	**1**	17	**15**	17	**16**
Plan participant contributions	-	**-**	1	**0**	1	**0**
Benefits paid from the arrangements	0	**0**	–13	**–12**	–13	**–12**
Benefits paid direct by employer	-	**-**	–6	**–7**	–6	**–7**
Administration expenses paid from the scheme	-	**-**	0	**0**	0	**0**
Translation differences	-	**-**	–18	**20**	–18	**20**
Fair value of assets at end of year	2	**3**	251	**266**	253	**269**

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

	2013	**2014**
Equity securities	49%	**36%**
Bonds	47%	**38%**
Insurance contracts	2%	**3%**
Other	2%	**23%**

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

	Finnish		Foreign	
	2013	**2014**	2013	**2014**
Benefit obligation: discount rate	3.60%	**2.50%**	4.90%	**3.45%**
Benefit obligation: rate of compensation increase	3.76%	**4.16%**	3.86%	**3.02%**
Benefit obligation: rate of pension increase	2.10%	**2.10%**	2.78%	**2.67%**
Expense in income statement: discount rate	3.60%	**2.50%**	4.90%	**3.45%**
Expense in income statement: rate of compensation increase	3.76%	**4.16%**	3.86%	**3.02%**
Expense in income statement: rate of pension increase	2.10%	**2.10%**	2.78%	**2.67%**

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	2013	**2014**	2013	**2014**
United Kingdom	21.1	**21.1**	22.4	**22.4**
United States	19.8	**21.7**	21.3	**23.4**
Canada	19.2	**21.4**	19.8	**22.6**

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

	2013				**2014**			
	Domestic	Foreign Pension	Foreign Other	Total	Domestic	Foreign Pension	Foreign Other	Total
Discount rate								
Increase of 0.25%	(0.3)	(8.2)	(0.9)	(9.4)	(0.2)	(10.1)	(1.1)	(11.4)
Decrease of 0.25%	0.3	8.9	1.0	10.1	0.3	10.7	1.1	12.1
Salary increase rate								
Increase of 0.25%	0.1	1.0	0.5	1.6	0.1	0.2	0.4	0.7
Decrease of 0.25%	(0.1)	(1.0)	(0.5)	(1.5)	(0.1)	(0.2)	(0.4)	(0.7)
Pension increase rate								
Increase of 0.25%	0.2	2.7	n/a	3.0	0.9	3.1	n/a	4.0
Decrease of 0.25%	(0.2)	(2.6)	n/a	(2.9)	(0.8)	(3.0)	n/a	(3.8)
Medical cost trend								
Increase of 0.25%	n/a	n/a	2.7	2.7	n/a	n/a	3.1	3.1
Decrease of 0.25%	n/a	n/a	(2.2)	(2.2)	n/a	n/a	(2.6)	(2.6)
Life expectancy								
Increase of one year	0.3	6.8	0.7	7.8	0.3	8.8	0.7	9.8
Decrease of one year	(0.3)	(6.9)	(0.8)	(7.9)	(0.3)	(8.9)	(0.7)	(9.9)

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

	2013				**2014**			
	Domestic	Foreign Pension	Foreign Other	Total	Domestic	Foreign Pension	Foreign Other	Total
At December 31	13.9	14.1	10.4	13.8	15.8	13.1	11.4	13.0

29 Mortgages and contingent liabilities

	As at December 31,	
EUR million	2013	2014
On own behalf		
Mortgages	1	**1**
On behalf of others		
Guarantees	2	**1**
Other commitments		
Repurchase commitments	3	**1**
Other contingencies	3	**4**
Total	9	**7**

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, 2014 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 of its subsidiaries arising in the ordinary course of business of many of its subsidiaries up to a maximum of EUR 487 million and EUR 487 million as of December 31, 2013 and 2014, respectively.

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	2013	**2014**	2013	**2014**
Not later than 1 year	41	**43**	0	**0**
Later than 1 year and not later than 2 years	26	**31**	0	**0**
Later than 2 years and not later than 3 years	19	**24**	0	**0**
Later than 3 years and not later than 4 years	14	**19**	0	**-**
Later than 4 years and not later than 5 years	11	**13**	-	**-**
Later than 5 years	33	**29**	-	**-**
Total minimum lease payments	144	**159**	0	**0**
Future financial expenses			0	**0**
Total net present value of finance leases			0	**0**

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

EUR million	2013	**2014**
Not later than 1 year	0	**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	**-**
Later than 4 years and not later than 5 years	-	**-**
Later than 5 years	-	**-**
Total net present value of finance leases	0	**0**

Total rental expenses amounted to EUR 54 million and EUR 48 million in the years ended December 31, 2013 and 2014, 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
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
2014				
Forward exchange contracts [1]	**1,040**	**9**	**22**	**–13**
Interest rate swaps	**285**	**9**	**3**	**6**
Cross currency swaps	**244**	**–2**	**-**	**–2**
Option agreements				
Bought	**-**	**-**	**-**	**-**
Sold	**20**	**0**	**2**	**–2**
Electricity forward contracts [2]	**112**	**0**	**1**	**–1**
Nickel swap contracts [3]	**342**	**-**	**0**	**0**
Total		**16**	**28**	**–12**

[1] Some 24 percent and 26 percent of the notional amount at the end of 2013 and 2014, 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:

	2013		**2014**	
EUR million	Assets	Liabilities	**Assets**	**Liabilities**
Interest rate swaps - cash flow hedges	-	0	**-**	**-**
Interest rate swaps - fair value hedges	0	2	**9**	**0**
Interest rate swaps - non-qualifying hedges	0	3	**0**	**3**
	0	5	**9**	**3**
Cross currency swaps - cash flow hedges	-	2	**–2**	**-**
Cross currency swaps - fair value hedges	0	0	**0**	**-**
	0	2	**–2**	**-**
Forward exchange contracts - cash flow hedges	4	2	**4**	**5**
Forward exchange contracts - non-qualifying hedges	7	13	**5**	**17**
	11	15	**9**	**22**
Electricity forward contracts - cash flow hedges	0	2	**0**	**1**
Nickel swaps - non-qualifying hedges	0	1	**0**	**0**
Options - non-qualifying hedges	-	1	**-**	**2**
Total derivatives	11	26	**16**	**28**

In the year ended December 31, 2014 there was ineffectiveness related to the cash flow hedges, which resulted in recognition of EUR 0.4 million loss (a loss of EUR 0.7 million in year 2013) in the income statement. As at December 31, 2014, the fixed interest rates of swaps varied from 1.3 percent to 3.9 percent.

As at December 31, 2014, the maturities of financial derivatives are the following (expressed as notional amounts):

EUR million	2015	2016	2017	2018	2019 and later
Forward exchange contracts	1,035	5	-	-	-
Interest rate swaps	20	40	-	25	200
Cross currency swaps	-	-	-	244	-
Option agreements	-	-	-	-	20
Electricity forward contracts [1)]	45	32	21	14	-
Nickel swap contracts [2)]	282	60	-	-	-

[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%
Metso Automation Oy	100.0%
Metso Endress+Hauser Oy	90.0%
Metso Flow Control Oy	100.0%
Metso Shared Services Oy	100.0%
Kaukotalo Oy	87.2%
Rauma Oy	100.0%
Sweden	
Metso Sweden AB	100.0%
Metso Process Automation Sweden AB	100.0%
Norway	
Metso Norway A/S	100.0%
Metso Automation A/S	100.0%
Austria	
Metso Austria GmbH	100.0%
Metso Automation GesmbH	100.0%
Belgium	
Metso Minerals Belux NV	100.0%
Metso Automation SA NV	100.0%
Czech Republic	
Metso Czech Republic 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%
Metso Process Automation Deutschland GmbH	100.0%
United Kingdom	
Metso UK 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 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 Anonim Sirketi	100.0%
Metso Otomasyon Anonim 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%
Metso Process Automation USA LLC	100.0%
Canada	
Metso Minerals Canada Inc.	100.0%
Metso Automation Canada Ltd	100.0%
Metso Process 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%
Mexico	
Metso (Mexico) SA de CV	100.0%
Metso SA de CV	100.0%
Australia	
Metso Australia Ltd	100.0%
Metso Automation (ANZ) Pty Ltd	100.0%
China	
Metso (China) Investment Co. Ltd	100.0%
Metso Minerals (Tianjin) Co. Ltd	100.0%
Metso Minerals (Tianjin) International Trade Co. Ltd	100.0%
Metso Minerals (Quzhou) Co Ltd	100.0%
Metso Hong Kong Ltd	100.0%
Shaoguan City Shaorui Heavy Industries Co Ltd	75.0%
Metso Automation (Shanghai) Co. Ltd	100.0%
Metso Industrial Control System (Shanghai) 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 Korea Ltd	100.0%
Metso Process Automation Korea Ltd	100.0%
Thailand	
Metso Automation Co. Ltd	100.0%
Metso Process Automation (Thailand) Co Ltd	100.0%
South Africa	
Metso Minerals Investment Holdings (SA) (Pty) Ltd	100.0%
Metso 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 Ukraine LLC	100.0%
Metso Chile SA	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 Zambia Ltd	100.0%
Metso Minerals (Zimbabwe) PVT Ltd	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, aggregates, oil and gas, pulp and paper industries.

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.

Metso reports its result in line with the new strategy and reporting structure announced on July 31, 2014. The new reporting structure consists of two segments: Minerals and Flow Control. The Minerals segment covers Metso's mining, aggregates, and recycling businesses. Flow Control segment covers the valves, pumps, and process automation businesses. In the old structure, the pump business was part of the Mining and Construction services organization.

Minerals segment supplies technology, processes, machinery and services for aggregates production, construction, mining, minerals processing and recycling. The segment is organized in two business areas: Minerals and Services.

Flow Control segment supplies process industry flow control solutions, automation and information management systems and applications and services. The segment is organized into Flow Control Business Area and Process Automation Systems business.

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, 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, 2013 and 2014 is presented in the following tables.

EUR million	Minerals	Flow Control	Group Head Office and other	Eliminations	**Metso total**
2013					
External net sales	2,947	911	-	-	**3,858**
Intra-Metso net sales	8	58	-	–66	**-**
Net sales	2,955	969	-	–66	**3,858**
EBITA before non-recurring items	383.4	133.6	–21.4	-	**495.6**
% of net sales	13.0	13.8	n/a	-	**12.8**
Operating profit (loss)	322.4	126.0	–25.4	-	**423.0**
% of net sales	10.9	13.0	n/a	-	**11.0**
Non-recurring items in cost of goods sold	–16.7	–1.0	-	-	**–17.8**
Non-recurring items in selling, general and administrative expenses	–7.2	–2.8	–0.2	-	**–10.1**
Non-recurring items in other operating income and expenses, net	–25.9	–	-	-	**–25.9**
Total non-recurring items	–49.8	–3.8	–0.2	-	**–53.8**
Amortization	–11	–4	–4	-	**–19**
Depreciation	–39	–14	–1	-	**–54**
Gross capital expenditure (including business acquisitions)	–115	–23	0	-	**–138**
Non-cash write-downs	–10	–2	0	-	**–12**
Intangible assets and property, plant and equipment	753	156	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	1,513	458	79	-	**2,050**
Interest bearing assets	-	-	558	-	**558**
Deferred tax assets	-	-	117	-	**117**
Total assets	2,267	619	792	-	**3,678**
Non-interest bearing liabilities	1,001	275	158	-	**1,434**
Interest bearing debt	-	-	1,049	-	**1,049**
Deferred tax liability	-	-	14	-	**14**
Total liabilities	1,001	275	1,221	-	**2,497**
Capital employed	1,266	344	620	-	**2,230**
Orders received	2,745	1,012	-	–48	**3,709**
Order backlog	1,535	394	-	–2	**1,927**

Capital employed includes only external balance sheet items.

The comparison period figures have been restated to represent the current reporting segments.

EUR million	Minerals	Flow Control	Group Head Office and other	Eliminations	Metso total
2014					
External net sales	2,674	979	5	-	**3,658**
Intra-Metso net sales	2	3	0	–5	**–**
Net sales	2,676	982	5	–5	**3,658**
EBITA before non-recurring items	337.8	148.2	–25.8	-	**460.2**
% of net sales	12.6	15.1	n/a	-	**12.6**
Operating profit (loss)	243.9	138.7	–31.8	-	**350.8**
% of net sales	9.1	14.1	n/a	-	**9.6**
Non-recurring items in cost of goods sold	–24.5	–0.2	-	-	**–24.7**
Non-recurring items in selling, general and administrative expenses	–21.3	–5.9	–3.6	-	**–30.8**
Non-recurring items in other operating income and expenses, net	–34.9	-	-	-	**–34.9**
Total non-recurring items	–80.7	–6.1	–3.6	-	**–90.4**
Amortization	–13	–3	–3	-	**–19**
Depreciation	–40	–15	–1	-	**–56**
Gross capital expenditure (including business acquisitions)	–47	–22	–5	-	**–74**
Non-cash write-downs	–15	–3	0	-	**–18**
Intangible assets and property, plant and equipment	775	170	19	-	**964**
Investments in associated companies	2	6	0	-	**8**
Available-for-sale equity investments	0	0	2	-	**2**
Inventories and other non-interest bearing assets	1,439	484	77	-	**2,000**
Interest bearing assets	-	-	302	-	**302**
Deferred tax assets	-	-	127	-	**127**
Total assets	2,216	660	527	-	**3,403**
Non-interest bearing liabilities	879	284	135	-	**1,298**
Interest bearing debt	-	-	863	-	**863**
Deferred tax liability	-	-	13	-	**13**
Total liabilities	879	284	1,011	-	**2,174**
Capital employed	1,337	376	379	-	**2,092**
Orders received	2,361	1,051	-	–3	**3,409**
Order backlog	1,108	468	-	–1	**1,575**

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 45 per cent 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**
2013	152	904	719	836	597	302	348	3,858
2014	**163**	**907**	**685**	**731**	**529**	**287**	**356**	**3,658**

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**
2013	295	67	56	134	41	66	659
2014	**286**	**80**	**58**	**156**	**41**	**50**	**671**

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**
2013	120	87	95	75	52	62	6	488	985
2014	**135**	**92**	**109**	**82**	**67**	**63**	**7**	**459**	**1,014**

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**
2013	12	11	17	16	10	27	2	95
2014	**10**	**9**	**17**	**19**	**12**	**5**	**2**	**74**

Analysis of net sales by category:

EUR million	2013	2014
	Year ended December 31,	
Sale of services	1,976	**2,007**
Sale of projects, equipment and goods	1,882	**1,651**
Total	3,858	**3,658**

Major customers

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

34 Audit fees

EUR million	2013	2014
	Year ended December 31,	
Audit	–2.5	**–1.8**
Tax consulting	–0.9	**–0.5**
Other services	–0.4	**–0.6**
Total	–3.8	**–2.9**

35 Lawsuits and claims

Several lawsuits, legal claims and disputes based on various grounds are pending against Metso in various countries related, among other things, to Metso's products, projects and other operations. Metso's management assesses, however, to the best of its present understanding that the outcome of these lawsuits, claims and legal disputes would not 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, 2014 there were 493 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.

36 New accounting standards

IFRS 15

IASB published in May 2014 new IFRS 15 standard 'Revenue from Contracts with Customers'. New standard replaces existing standards related to revenue recognition, IAS 18 ' Revenue ' and IAS 11' Construction Contracts'. New standard will be applied to all contracts with customers, which justify an entity to receive the considerations against the promised transfer of goods or services. Revenue will be recognized when the control of goods or services are transferred to the customer. Applying the new standard an entity needs to assess whether the revenue will be recognized over time or at a point in time. Also, the effect of the variable considerations and the value of money to the transaction price need to be assessed. Metso will apply the new standard from the beginning of the financial year 2017. Metso is assessing the impact of the standard to its financial statement.

IFRS 9

In July IASB published full version of the IFRS 9 standard 'Financial instruments', which replace the current IAS 39. IFRS 9 contains new requirements for the classification and measurement of financial assets and liabilities and the impairment model based on excepted credit losses. 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 standard is applicable to annual reporting periods beginning on or after January 1, 2018. The early adoption is allowed, if EU have accepted the standard. Metso has not desired when the new standard will be adopted. Metso is assessing the impact of the standard to its financial statement.

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 14, 2015, the Nomination board established by Metso's Annual General Meeting (AGM) published its proposals for Board members. The Nomination Board will propose to the next AGM due to be held on March 27, 2015 that the current members of the Board of Directors, 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.

On January 15, 2015, Metso announced that it had entered into an agreement to sell the Process Automation Systems (PAS) business to Valmet Oyj. The value of the deal is EUR 340 million. The transaction is estimated to be closed on April 1, 2015 and is subject to approval by competition authorities. Metso estimates to recognize a significant capital gain after the closing of the transaction.

The PAS business is part of Metso's Flow Control segment and its extensive range of offering covering automation and quality control systems, analyzers and measurements and related services. PAS business has about 1,600 employees around the world. In 2013, PAS generated net sales of around EUR 300 million.

Exchange Rates Used

		Average rates		Year-end rates	
		2013	**2014**	2013	**2014**
USD	(US dollar)	1.3300	**1.3256**	1.3791	**1.2141**
SEK	(Swedish krona)	8.6625	**9.1004**	8.8591	**9.3930**
GBP	(Pound sterling)	0.8475	**0.8055**	0.8337	**0.7789**
CAD	(Canadian dollar)	1.3722	**1.4639**	1.4671	**1.4063**
BRL	(Brazilian real)	2.8791	**3.1207**	3.2576	**3.2207**
CNY	(Chinese yuan)	8.1769	**8.1693**	8.3491	**7.5358**
AUD	(Australian dollar)	1.3842	**1.4777**	1.5423	**1.4829**

Financial Indicators 2010–2014

EUR million	2010	2011	2012	2013	**2014**
Net sales	5,552	6,646	4,282	3,858	**3,658**
Operating profit	445	572	458	423	**351**
% of net sales	8.0	8.6	10.7	11.0	**9.6**
Profit before taxes	370	507	400	369	**282**
% of net sales	6.7	7.6	9.3	9.6	**7.7**
Profit from continuing operations	258	358	256	238	**189**
% of net sales	4.6	5.4	6.0	6.2	**5.2**
Profit from continuing operations, attributable to shareholders of the company	257	356	256	238	**188**
Exports from Finland and international operations	5,269	6,281	4,125	3,710	**3,501**
% of net sales	94.9	94.5	96.3	96.2	**95.7**
Amortization	58	52	18	19	**19**
Depreciation	120	120	53	54	**56**
Depreciation and amortization	178	172	71	73	**75**
% of net sales	3.2	2.6	1.7	1.9	**2.1**
EBITA	503	623	476	442	**370**
% of net sales	9.1	9.4	11.1	11.5	**10.1**
EBITDA	623	744	529	496	**426**
% of net sales	11.2	11.2	12.4	12.9	**11.6**
Financial income and expenses, net	75	65	58	54	**69**
% of net sales	1.4	1.0	1.4	1.4	**1.9**
Interest expenses	69	75	55	48	**38**
% of net sales	1.2	1.1	1.3	1.2	**1.0**
Interest cover (EBITDA)	8.3x	11.4x	9.1x	9.2x	**6.2x**
Gross capital expenditure (excl. business acquisitions)	135	166	93	95	**74**
% of net sales	2.4	2.5	2.2	2.5	**2.0**
Business acquisitions, net of cash acquired	21	15	4	44	**19**
Net capital expenditure (excl. business acquisitions and disposals)	117	156	91	80	**66**
% of net sales	2.1	2.3	2.1	2.1	**1.8**
Net cash provided by operating activities	506	466	359	316	**256**
Free cash flow	435	375	257	251	**204**
Cash conversion, %	169	105	70	105	**108**
Research and development	111	124	61	63	**60**
% of net sales	2.0	1.9	1.4	1.6	**1.6**
Balance sheet total	6,232	6,618	3,923	3,678	**3,403**
Equity attributable to shareholders	2,049	2,115	1,326	1,173	**1,221**
Total equity	2,071	2,136	1,326	1,181	**1,229**
Interest bearing liabilities	1,373	1,027	1,094	1,049	**863**
Net interest bearing liabilities	310	260	377	490	**561**
Net working capital	247	281	452	651	**709**
% of net sales	4.5	4.2	10.6	16.9	**19.4**
Capital employed	3,444	3,164	2,420	2,230	**2,092**
Return on equity (ROE), %	13.6	17.8	19.8	19.0	**15.7**
Return on capital employed (ROCE) before taxes, %	13.5	18.4	21.2	18.6	**16.4**
Return on capital employed (ROCE) after taxes, %	10.2	13.8	14.7	12.9	**12.1**
Equity to assets ratio, %	38.1	39.8	39.1	36.9	**40.5**
Net gearing, %	15.0	12.2	28.4	41.6	**45.6**
Debt to capital, %	39.9	32.5	45.2	47.0	**41.2**
Orders received	5,944	7,961	4,215	3,709	**3,409**
Order backlog, December 31	4,023	5,310	2,324	1,927	**1,575**
Average number of personnel	27,585	29,590	16,457	16,687	**16,091**
Personnel, December 31	28,593	30,324	16,612	16,425	**15,644**

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, %:

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

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

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

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 (NWC):
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, %:

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

Debt to capital, %:

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

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, %:

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

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

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

Year ended December 31,

EUR million	2013	2014
Net sales	-	**15**
Other operating income	0	**0**
Personnel expenses	–15	**–13**
Depreciation and amortization	0	**–1**
Other operating expenses	–19	**–23**
Operating loss	–34	**–22**
Financial income and expenses, net	147	**50**
Profit before extraordinary items	113	**28**
Group contributions	91	**47**
Profit before appropriations and taxes	204	**75**
Income taxes for the period	0	**0**
Income taxes, previous years	-	**-**
Change in deferred taxes	–1	**–1**
Profit	203	**74**

Parent Company Balance Sheet, FAS

Assets

As at December 31,

EUR million	2013	2014
Non-current assets		
Intangible assets	0	**0**
Tangible assets	20	**19**
Investments		
Shares in Group companies	851	**666**
Other investments	410	**615**
Total non-current assets	1,281	**1,300**
Current assets		
Long-term receivables	1	**2**
Short-term receivables	524	**430**
Securities	35	**13**
Bank and cash	166	**103**
Total current assets	726	**548**
Total assets	2,007	**1,848**

Shareholders' equity and liabilities

As at December 31,

EUR million	2013	2014
Shareholders' equity		
Share capital	141	**141**
Invested non-restricted equity fund	365	**366**
Other reserves	0	**0**
Retained earnings	299	**223**
Total shareholders' equity	805	**730**
Liabilities		
Long-term liabilities	781	**781**
Current liabilities	421	**337**
Total liabilities	1,202	**1,118**
Total shareholders' equity and liabilities	2,007	**1,848**

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, 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**	**-**	**299**	**805**
Dividends	-	-	-	–150	–150
Other	-	1	-	-	1
Profit	-	-	-	74	74
Balance at December 31, 2014	**141**	**366**	**-**	**223**	**730**

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, 2014. 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 5, 2015
Ernst & Young Oy
Authorized Public Accounting Firm

Roger Rejström
Authorized Public Accountant

Quarterly Information

Consolidated Statements of Income

EUR million	1–3/13	4–6/13	7–9/13	10–12/13	2013	1–3/14	4–6/14	7–9/14	10–12/14	2014
Net sales	915	988	937	1,018	**3,858**	817	962	861	1,018	**3,658**
Cost of goods sold	–643	–691	–648	–725	**–2,707**	–582	–679	–599	–719	**–2,579**
Gross profit	272	297	289	293	**1,151**	235	283	262	299	**1,079**
Selling, general and administrative expenses	–176	–184	–161	–182	**–703**	–161	–172	–161	–189	**–683**
Other operating income and expenses, net	2	–21	–3	–4	**–26**	2	–9	–29	–10	**–46**
Share in profits and losses of associated companies	0	0	0	1	**1**	0	0	0	1	**1**
Operating profit	98	92	125	108	**423**	76	102	72	101	**351**
Financial income and expenses, net	–15	–16	–7	–16	**–54**	–13	–23	–16	–17	**–69**
Profit before taxes	83	76	118	92	**369**	63	79	56	84	**282**
Income taxes	–27	–24	–40	–40	**–131**	–21	–26	–18	–28	**–93**
Profit from continuing operations	56	52	78	52	**238**	42	53	38	56	**189**
Profit from discontinued operations	15	0	–26	68	**57**	-	-	-	-	**-**
Profit	71	52	52	120	**295**	42	53	38	56	**189**
Attributable to:										
Shareholders of the company	56	52	78	52	**238**	42	53	38	55	**188**
Non-controlling interests	0	0	0	0	**0**	0	0	0	1	**1**
Profit from continuing operations	56	52	78	52	**238**	42	53	38	56	**189**
Shareholders of the company	16	–1	–19	78	**74**	-	-	-	-	**-**
Non-controlling interests	–1	1	–7	–10	**–17**	-	-	-	-	**-**
Profit from discontinued operations	15	0	–26	68	**57**	-	-	-	-	**-**
Earnings per share from continuing operations										
Basic, EUR	0.37	0.35	0.52	0.35	**1.59**	0.28	0.35	0.26	0.36	**1.25**
Diluted, EUR	0.37	0.35	0.52	0.35	**1.59**	0.28	0.35	0.26	0.36	**1.25**
Earnings per share from discontinued operations										
Basic, EUR	0.11	–0.01	–0.13	0.52	**0.49**	-	-	-	-	**-**
Diluted, EUR	0.11	–0.01	–0.13	0.52	**0.49**	-	-	-	-	**-**
EBITA	102.8	97.0	128.6	113.5	**441.9**	80.9	106.7	76.7	105.5	**369.8**
% of net sales	11.2	9.8	13.7	11.1	**11.5**	9.9	11.1	8.9	10.4	**10.1**
Non-recurring items	-	–20.7	0.0	–33.2	**–53.9**	–6.6	–24.5	–27.1	–32.2	**–90.4**
EBITA before non-recurring items	102.8	117.7	128.6	146.5	**495.6**	87.5	131.2	103.8	137.7	**460.2**
% of net sales	11.2%	11.9%	13.7%	14.4%	**12.8%**	10.7%	13.6%	12.1%	13.5%	**12.6%**

Consolidated balance sheets

EUR million	Mar 31, 2013	June 30, 2013	Sep 30, 2013	**Dec 31, 2013**	Mar 31, 2014	June 30, 2014	Sep 30, 2014	**Dec 31, 2014**
Non-current assets								
Intangible assets	1,137	1,125	1,129	**569**	566	563	565	**566**
Property, plant and equipment	870	864	885	**376**	375	377	393	**398**
Financial and other assets	253	328	305	**228**	241	229	203	**194**
Total non-current assets	2,260	2,317	2,319	**1,173**	1,182	1,169	1,161	**1,158**
Current assets								
Inventories	1,572	1,529	1,503	**921**	941	913	925	**842**
Receivables	2,044	1,825	1,790	**1,117**	1,075	1,122	1,201	**1,124**
Cash and cash equivalents	812	581	658	**467**	467	271	255	**279**
Total current assets	4,428	3,935	3,951	**2,505**	2,483	2,306	2,381	**2,245**
Total assets	6,688	6,252	6,270	**3,678**	3,665	3,475	3,542	**3,403**
Equity								
Share capital	241	241	241	**141**	141	141	141	**141**
Other shareholders' equity	1,791	1,777	1,808	**1,032**	919	982	1,046	**1,080**
Non-controlling interests	19	18	18	**8**	7	7	8	**8**
Total equity	2,051	2,036	2,067	**1,181**	1,067	1,130	1,195	**1,229**
Liabilities								
Non-current liabilities	1,428	1,243	1,230	**916**	925	928	927	**956**
Current liabilities	3,209	2,973	2,973	**1,581**	1,673	1,417	1,420	**1,218**
Total liabilities	4,637	4,216	4,203	**2,497**	2,598	2,345	2,347	**2,174**
Total shareholders' equity and liabilities	6,688	6,252	6,270	**3,678**	3,665	3,475	3,542	**3,403**
Net interest bearing liabilities								
Long-term interest bearing debt	1,073	907	893	**771**	778	787	789	**791**
Short-term interest bearing debt	206	361	369	**278**	245	161	105	**72**
Cash and cash equivalents	–812	–581	–658	**–467**	–467	–271	–255	**–279**
Other interest bearing assets	–190	–132	–109	**–92**	–98	–74	–47	**–23**
Total	277	555	495	**490**	458	603	592	**561**
Equity to assets ratio, %	32.3	36.2	36.1	**36.9**	33.6	37.3	38.9	**40.5**
Net gearing, %	32.7	46.7	40.4	**41.6**	42.8	53.4	49.6	**45.6**

Net sales by reporting segment

EUR million	1–3/13	4–6/13	7–9/13	10–12/13	2013	1–3/14	4–6/14	7–9/14	10–12/14	2014
Minerals	719	770	712	754	**2,955**	608	706	619	743	**2,676**
Flow Control	209	238	243	279	**969**	210	255	247	270	**982**
Group Head Office and other	-	-	-	-	**-**	-	-	-	5	**5**
Intra Metso net sales	–13	–20	–18	–15	**–66**	–1	1	–5	0	**–5**
Metso total	915	988	937	1,018	**3,858**	817	962	861	1,018	**3,658**

EBITA before non-recurring items by reporting segment

EUR million	1–3/13	4–6/13	7–9/13	10–12/13	2013	1–3/14	4–6/14	7–9/14	10–12/14	2014
Minerals	90.2	91.1	95.6	106.5	**383.4**	68.6	95.7	73.5	100.0	**337.8**
Flow Control	17.2	33.9	39.4	43.1	**133.6**	23.3	40.9	41.8	42.2	**148.2**
Group Head Office and other	–4.6	–7.3	–6.4	–3.1	**–21.4**	–4.4	–5.4	–11.5	–4.5	**–25.8**
Metso total	102.8	117.7	128.6	146.5	**495.6**	87.5	131.2	103.8	137.7	**460.2**

EBITA before non-recurring items, % of net sales by reporting segment

%	1–3/13	4–6/13	7–9/13	10–12/13	2013	1–3/14	4–6/14	7–9/14	10–12/14	2014
Minerals	12.5	11.8	13.4	14.1	**13.0**	11.3	13.6	11.9	13.5	**12.6**
Flow Control	8.2	14.2	16.2	15.4	**13.8**	11.1	16.0	16.9	15.6	**15.1**
Group Head Office and other	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a	**n/a**
Metso total	11.2	11.9	13.7	14.4	**12.8**	10.7	13.6	12.1	13.5	**12.6**

Operating profit (loss) by reporting segment

EUR million	1–3/13	4–6/13	7–9/13	10–12/13	2013	1–3/14	4–6/14	7–9/14	10–12/14	2014
Minerals	87.5	67.8	93.1	74.0	**322.4**	60.2	68.1	48.2	67.4	**243.9**
Flow Control	16.1	32.8	38.6	38.5	**126.0**	22.2	39.6	36.2	40.7	**138.7**
Group Head Office and other	–5.5	–8.2	–7.3	–4.4	**–25.4**	–6.1	–5.8	–12.4	–7.5	**–31.8**
Metso total	98.1	92.4	124.4	108.1	**423.0**	76.3	101.9	72.0	100.6	**350.8**

Operating profit (loss), % of net sales by reporting segment

%	1–3/13	4–6/13	7–9/13	10–12/13	2013	1–3/14	4–6/14	7–9/14	10–12/14	2014
Minerals	12.2	8.8	13.1	9.8	**10.9**	9.9	9.6	7.8	9.1	**9.1**
Flow Control	7.7	13.8	15.9	13.8	**13.0**	10.6	15.5	14.7	15.1	**14.1**
Group Head Office and other	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a	**n/a**
Metso total	10.7	9.4	13.3	10.6	**11.0**	9.3	10.6	8.4	9.9	**9.6**

Orders received by reporting segment

EUR million	1–3/13	4–6/13	7–9/13	10-12/13	2013	1–3/14	4–6/14	7–9/14	10–12/14	2014
Minerals	753	716	609	667	**2,745**	597	662	558	544	**2,361**
Flow Control	287	266	226	233	**1,012**	279	286	230	256	**1,051**
Group Head Office and other	-	-	-	-	**-**	-	-	-	-	**-**
Intra Metso net sales	–9	–14	–10	–15	**–48**	–1	–1	–2	1	**–3**
Metso total	1,031	968	825	885	**3,709**	875	947	786	801	**3,409**

Order backlog by reporting segment

EUR million	Mar 31, 2013	June 30, 2013	Sep 30, 2013	Dec 31, 2013	Mar 31, 2014	June 30, 2014	Sep 30, 2014	Dec 31, 2014
Minerals	2,022	1,839	1,674	**1,535**	1,483	1,442	1,381	**1,108**
Flow Control	456	471	446	**394**	462	496	500	**468**
Group Head Office and other	-	-	-	**-**	-	-	-	**-**
Intra Metso order backlog	–3	–4	–3	**–2**	–1	-	–9	**–1**
Metso total	2,475	2,306	2,117	**1,927**	1,944	1,938	1,872	**1,575**

Personnel by reporting segment

	Mar 31, 2013	June 30, 2013	Sep 30, 2013	Dec 31, 2013	Mar 31, 2014	June 30, 2014	Sep 30, 2014	Dec 31, 2014
Minerals	10,785	10,709	11,160	**11,226**	10,818	10,724	10,660	**10,368**
Flow Control	5,025	5,247	5,184	**4,685**	4,636	4,776	4,562	**4,557**
Group Head Office and other	753	783	752	**514**	744	748	717	**719**
Metso total	16,563	16,739	17,096	**16,425**	16,198	16,248	15,939	**15,644**

Shares and shareholders

Shares and share capital

Metso Corporation's share capital, fully paid up and entered in the trade register on December 31, 2014, was EUR 140,982,843.80 and the total number of shares 150,348,256. Metso Corporation held on December 31, 2014, a total of 458,988 of the company's own shares, which represent 0.31 percent of all Metso shares and votes. 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.

Share trading

Metso Corporation's shares are quoted on the NASDAQ OMX Helsinki (OMXH), under the ticker symbol MEO1V, since July 1, 1999. In addition, Metso shares are traded on alternative marketplaces BOAT, BATS Chi-X and Turquoise.

Metso's ADS (American Depositary Shares) are traded in the United States on the International OTCQX market under the ticker symbol MXCYY. Each Metso ADS represents one Metso share.

The Bank of New York Mellon serves as the depository bank for Metso's ADS. 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.

Market capitalization

Metso's share price on the NASDAQ OMX Helsinki increased 2 percent, from EUR 24.32 to EUR 24.86, in 2014. The NASDAQ OMX Helsinki portfolio index, OMX Helsinki CAP, increased 6 percent during the same period. The highest quotation of Metso's share on the NASDAQ OMX Helsinki in 2014 was EUR 31.97, and the lowest EUR 21.74. The average trading price for the year was EUR 26.42. Metso's market capitalization at year-end, excluding shares held by the company, was EUR 3,726 million.

The ADS price on the OTCQX market at year-end 2014 was USD 30.13. The highest trading price for Metso's ADSs in the United States was USD 42.50, and the lowest USD 29.27.

Share turnover

A total of 170,218,971 Metso shares were traded on the NASDAQ OMX Helsinki during 2014, equivalent to a turnover of EUR 4,497 million. The average daily trading volume was 680,876 shares which was a 2 percent decrease from the previous year. During the year, the relative turnover was 114 percent (116%).

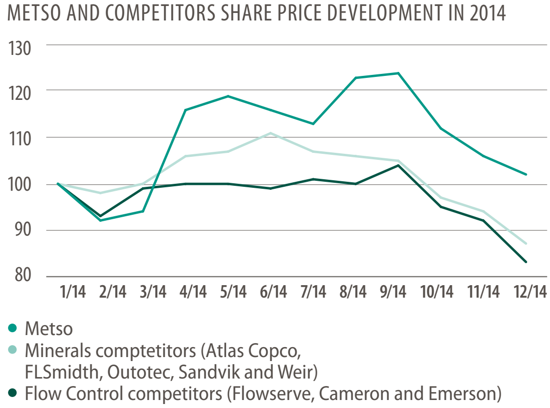
Shareholders

At the end of 2014, Metso had 53,331 shareholders in the book-entry system, the largest of which was Solidium Oy with 11.7 percent (11.1%) ownership. Nominee-registered shares and shares in direct foreign ownership accounted for 47.8 percent (47.6%) of the total stock. Finnish institutions, companies and organizations accounted for 38.2 percent (36.7%) and Finnish private persons for 14.0 percent (15.7%) of Metso's shares. Metso is not aware of any shareholders' agreements regarding the ownership of Metso shares and voting rights. There were no flagging notifications in 2014.

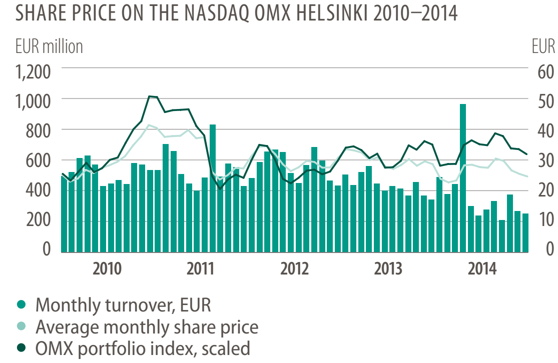
Share repurchases

On March 26, 2014, 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 acquired through public trading on the NASDAQ OMX Helsinki Ltd at the market price at the time of repurchase.

METSO AND COMPETITORS SHARE PRICE DEVELOPMENT IN 2014



METSO SHARE'S MONTHLY TURNOVER AND AVERAGE SHARE PRICE ON THE NASDAQ OMX HELSINKI 2010–2014



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, 2015, and it revokes the repurchase authorization given by the Annual General Meeting on March 28, 2013.

Share issuance and special rights

The Annual General Meeting also 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. 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.

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. 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, 2016, and it revokes the authorization given by the Annual General Meeting on March 29, 2012.

Incentive plans

Option Programs

Metso has no option programs.

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 the Notes to the Financial Statements (Note 23). Any shares to be potentially rewarded are acquired through public trading, and therefore the incentive plans will have no diluting effect on the share value.

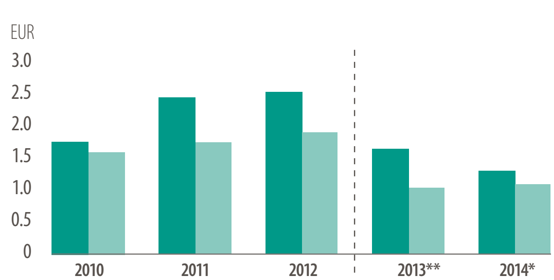
Share Ownership Plan 2011–2013

Metso Share Ownership Plan 2011–2013 included one three-year earning period, which began on January 1, 2011 and ended on December 31, 2013. The plan's performance criteria were Metso's Total Shareholder Return (TSR) and the annual earnings per share (EPS) during 2011–2013. At the time of payment in March 2014, a total of 24,649 of Metso's treasury shares were used to pay rewards to 39 participants. The total reward also included 24,649 Valmet shares. Any shares earned must be held for one year after the reward payment.

Long-term Incentive Plan 2012–2014

In December 2011, Metso's Board decided to establish a share-based incentive plan that had three performance periods, which were calendar years 2012, 2013 and 2014. The possible rewards from the LTI plans will be paid at the end of a two-year vesting periods, partly in company shares and partly in cash. According to the decision of the Board, the earned share rewards were recalculated in April 2014 to take into account the effect of the demerger of Valmet on Metso share value.

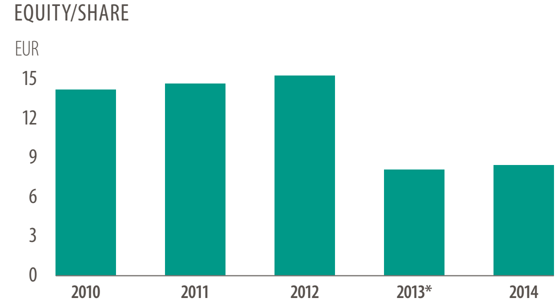
EARNINGS PER SHARE AND DIVIDEND PER SHARE



• Earnings per share
• Ordinary dividend per share
-- Demerger

* Board's proposal
** Profit from continuing operations

EQUITY/SHARE



* After the demerger

- Performance period 2012. The earning criteria for 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. At the end of 2014, there were 58 managers participating in the plan. The reward to be paid on the basis of the 2012 performance period corresponds to a maximum of 304,881 shares. The current Metso Executive Team's share of the 2012 earnings period can be a maximum of 81,777 shares.
- Performance period 2013. At the end of 2014, there were 57 managers participating in the plan. The potential reward was based on the same criteria as the 2012 performance period. However, the targets set for the performance period were not met and no shares will be delivered.
- Performance period 2014. At the end of 2014, there were 60 Metso managers participating in the plan and the potential reward was based on the same criteria as the 2012 and 2013 performance periods. The potential rewards to be paid on the basis of the 2014 performance period will correspond to a maximum total of 345,060 Metso shares. The current Metso Executive Team can receive a maximum reward of 95,603 shares.

Performance Share Plan 2015

In December 2014 the Board of Directors decided on a new long-term share-based Performance Share Plan for the Group's senior management. The Performance Share Plan consists of annually commencing performance share plans, each with a three-year earning period. The first plan (PSP 2015) will commence at the beginning of 2015 and potential share rewards will be delivered in the spring 2018 if the performance targets set by the Board are achieved. The PSP 2015 may include a maximum of 100 employees and will comprise a maximum of 400,000 reward shares (gross before the deduction of applicable payroll tax).

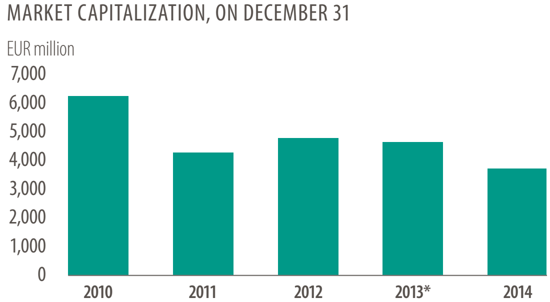
Holdings of Metso's Board of Directors and executive management

At the year-end, the members of Metso's Board of Directors, President and CEO Matti Kähkönen, Executive Vice President Harri Nikunen, and their interest parties held altogether 70,707 Metso shares, which correspond to 0.05 percent of the total amount of shares and votes in Metso.

Dividend policy

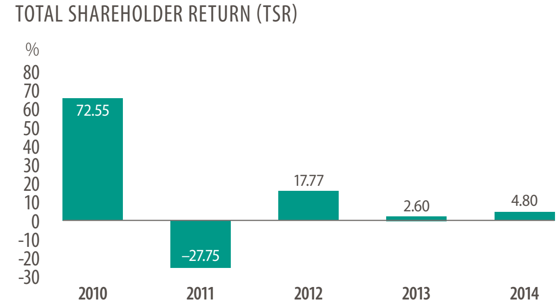
Metso's dividend policy is to distribute at least 50 percent of earnings per share in annual dividend or in other forms of repatriation of capital to its shareholders. The Board of Directors proposes to the Annual General Meeting, to be held on March 27, 2015, that the dividend of EUR 1.05 per share be paid for the financial year 2014. The proposed dividend of EUR 1.05 corresponds to 84 percent (63%) of the profit attributable to shareholders for the year, and the effective dividend yield is 4.2 percent (3.2%). In addition, the Board of Directors proposes that the Board be authorized to decide, within its discretion, on the payment of a dividend in addition to the dividend of EUR 1.05 per share decided in the Annual General Meeting. The amount of such dividend would be up to EUR 0.40 per share and the authorization could be used if the sale of Metso's Process Automation Systems (PAS) business to Valmet Corporation is completed. The authorization shall be effective until December 31, 2015.

MARKET CAPITALIZATION, ON DECEMBER 31



* Metso's market capitalization after listing of Valmet Corporation on January 2, 2014 was EUR 3,656 million

TOTAL SHAREHOLDER RETURN (TSR)



* Metso shareholders received Valmet share (EUR 6.65 a piece) in consideration of the demerger.

Share capital and share data 2010–2014

	2010	2011	2012	2013	**2014**
Share capital, December 31, EUR million	241	241	241	141	**141**
Number of shares, December 31:					
Number of outstanding shares	149,629,859	149,629,196	149,756,034	149,864,619	**149,889,268**
Own shares held by the Parent Company	718,397	719,060	592,222	483,637	**458,988**
Total number of shares	150,348,256	150,348,256	150,348,256	150,348,256	**150,348,256**
Average number of outstanding shares	149,682,703	149 629,690	149,715,383	149,826,119	**149,884,338**
Average number of diluted shares	149,836,864	149,832,989	149,870,074	149,941,820	**149,969,729**
Trading volume, NASDAQ OMX Helsinki Ltd	217,467,633	206,936,576	223,439,548	173,318,027	**170,218,971**
% of shares [1)]	145.3	138.3	149.2	115.6	**113.6**
Earnings/share, basic, EUR	1.71	2.38	1.71	1.59	**1.25**
Earnings/share, diluted, EUR	1.71	2.38	1.71	1.59	**1.25**
Free cash flow/share, EUR	2.91	2.50	1.72	1.68	**1.36**
Dividend/share [2)], EUR	1.55	1.70	1.85	1.00	**1.05**
Dividend [2)], EUR million	232	254	277	150	**157**
Dividend/earnings [2)], %	91	71	108	63	**84**
Effective dividend yield [2)], %	3.7	5.9	5.8	3.2	**4.2**
P/E ratio	24.44	12.04	18.74	19.51	**19.89**
Equity/share, EUR	13.69	14.13	14.74	7.83	**8.15**
Highest share price, EUR	43.23	43.27	37.27	34.93	**31.97**
Lowest share price, EUR	20.91	19.72	24.88	25.64	**21.74**
Average share price, EUR	28.81	31.79	30.02	30.12	**26.42**
Share price, December 31, EUR	41.80	28.65	32.04	31.02	**24.86**
Market capitalization, December 31 [3)], EUR million	6,255	4,287	4,798	4,649	**3,726**

1) Of the total amount of shares for public trading
2) 2014 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 67.

Links & Additional info

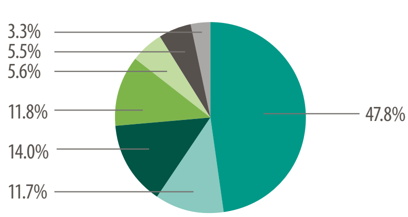
- More on Metso's share-based incentive plans at **www.metso.com/remuneration**
- Metso's biggest shareholders and their holdings **www.metso.com/shareholders**
- Information on Metso's insiders and their holdings **www.metso.com/insiders**

Metso´s biggest shareholders on December 31, 2014

		Shares and votes	% of share capital and voting rights
1	**Solidium Oy**	**17,521,287**	**11.7**
2	**Varma Mutual Pension Insurance Company**	**6,048,465**	**4.0**
3	**Ilmarinen Mutual Pension Insurance Company**	**5,002,126**	**3.3**
4	**Nordea Funds**	**2,309,627**	**1.5**
	Nordea Fennia	1,150,000	0.8
	Nordea Pro Finland	635,000	0.4
	Nordea Nordenfonden	236,931	0.2
	Nordea Finland Index fund	148,322	0.1
	Nordea Avanti	76,390	0.1
	Nordea Kasvu Private Banking	38,000	0.0
	Nordea Private Banking Focus Nordic	24,984	0.0
5	**The State Pension Fund**	**1,620,000**	**1.1**
6	**Keva**	**1,543,015**	**1.0**
7	**Mandatum Life Insurance**	**1,487,381**	**1.0**
8	**Elo Mutual Pension Insurance Company**	**1,365,000**	**1.0**
9	**Svenska litteratursällskapet i Finland r.f.**	**1,188,676**	**0.8**
10	**Odin Funds**	**1,113,569**	**0.7**
	Odin Norden	826,745	0.5
	Odin Finland	286,824	0.2
	10 largest owner groups in total	**39,199,146**	**26.1**
	Nominee-registered shares *)	69,301,573	46.1
	Other shareholders	41,379,629	27.5
	Own shares held by the Parent Company	458,988	0.3
	In the issuer account	8,920	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, 2014



- Nominee-registered and non-Finnish holders 47.8% (47.6%)
- Solidium Oy 11.7% (11.1%)
- Private investors 14.0% (15.7%)
- General government 11.8% (9.6%)
- Financial and insurance corporations 5.6% (6.3%)
- Non-profit institutions 5.5% (5.6%)
- Finnish institutions, companies and foundations 3.3% (4.0%)

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
2014	No changes in number of shares nor in share capital	150,348,256	-	140,982,843.80	-

Breakdown of share ownership on December 31, 2014

Number of shares	Shareholders	% of shareholders	Total number of shares and votes	% of share and votes
1–100	22,737	42.7	1,197,074	0.8
101–1,000	25,772	48.3	9,217,697	6.1
1,001–10,000	4,437	8.3	11,385,348	7.6
10,001–100,000	328	0.6	8,751,696	5.8
over 100,000	57	0.1	50,026,960	33.3
Total	53,331	100.0	80,578,775	53.6
Nominee-registered shares	12		69,301,573	46.1
Own shares held by the Parent Company	1		458,988	0.3
In the issuer account			8,920	0.0
Number of shares issued			**150,348,256**	**100.0**

Board of Directors

December 31, 2014

Mikael Lilius

Mikael Lilius

Chairman of the Board
Born: 1949, Finnish citizen
Education: B.Sc. (Econ)
Chairman of the Board since 2013. Member of the Board since 2013. Chairman of the Board's Remuneration and HR Committee. Independent of the company and independent of significant shareholders.
Main occupation: Miscellaneous positions of trust

Lars Josefsson

Lars Josefsson

Member of the Board
Born: 1953, Swedish citizen
Education: M.Sc (Eng Physics.)
Member of the board since 2013. Member of the Board's Audit Committee. Independent of the company and independent of significant shareholders.
Main occupation: Independent consultant

Christer Gardell

Christer Gardell

Vice Chairman of the Board
Born: 1960, Swedish citizen
Education: M.Sc. (Business administration and Econ.)
Vice Chairman of the Board since 2013. Member of the Board since 2006. Member of the Board's Remuneration and HR Committee. Independent of the company and not independent of significant shareholder.
Main occupation: CEO, Cevian Capital

Nina Kopola

Nina Kopola

Member of the Board
Born: 1960, Finnish citizen
Education: M.Sc. (Chemical Eng.), Technology Licentiate. Member of the board since 2013. Member of the Board's Audit Committee. Independent of the company and independent of significant shareholders.
Main occupation: President and CEO, Suominen Corporation

Wilson Nélio Brumer

Wilson Nélio Brumer

Member of the Board
Born: 1948, Brazilian citizen
Education: BA
Member of the board since 2013. Independent of the company and independent of significant shareholders.
Main occupation: Managing director at B & P Investimentos e Participações and President at Vicenza Mineracao e Participacoes S.A

Eeva Sipilä

Eeva Sipilä

Member of the Board
Born: 1973, Finnish citizen
Education: M.Sc. (Econ.), CEFA
Member of the board since 2012. Chairman of the Board's Audit Committee. Independent of the company and independent of significant shareholders.
Main occupation: Executive Vice President, CFO, Cargotec Corporation

Ozey K. Horton, Jr.

Ozey K. Horton, Jr.

Member of the Board
Born: 1951, U.S. citizen
Education: MBA, BSE
Member of the Board since 2011. Member of the Board's Remuneration and HR Committee. Independent of the company and independent of significant shareholders.
Main occupation: Board professional, independent advisor

Read more

These are summaries of the Board of Directors CV's. Read the full CV's online on
www.metso.com/management

Metso Executive Team

December 31, 2014

Matti Kähkönen

Matti Kähkönen

President and CEO

Born: 1956, Finnish citizen
Education: M.Sc. (Eng.)
Chairman of the Executive Team since 2011. Joined the company in 1980.
Key experience: President, Mining and Constructions Technology 2008–2011; President, Metso Minerals 2006–2008; President, Metso Automation 2001–2006.

Juha Silvennoinen

Juha Silvennoinen

President, Services

Born: 1961, Finnish citizen
Education: M.Sc. (Eng.)
Member of the Executive Team since 2014. Joined the company in 2014.
Key experience: Operational Advisor, Clyde Blowers Capital, Glasgow, UK 2012–2013; Group Senior Vice President ABB Discrete Automation and Motion Division, 2010–2011

Harri Nikunen

Harri Nikunen

CFO, Deputy to CEO

Born: 1955, Finnish citizen
Education: BA (Finance and business administration)
Member of the Executive Team since 2011. Joined the company in 1986.
Key experience: Various senior management positions, Metso 1986–2011

Merja Kamppari

Merja Kamppari

Senior Vice President, Human Resources

Born: 1958, Finnish citizen
Education: M.Sc. (Econ.)
Member of the Executive Team since 2011. Joined the company in 2009.
Key experience: Head of Operational Excellence, HR 2008–2009, Head of Global HR 2007–2008, Nokia Siemens Networks

João Ney Colagrossi

João Ney Colagrossi

President, Minerals

Born: 1955, Brazilian citizen
Education: M.Sc. (Eng.), M.Sc. (Econ.)
Member of the Executive Team since 2013. Joined the company in 1979.
Key experience: President, Metso Mining and Construction 2014; President, Services Business Line 2009–2013

Simo Sääskilahti

Simo Sääskilahti

Senior Vice President, Strategy and Business Development

Born: 1971, Finnish citizen
Education: M.Sc. (Econ.), M.Sc. (Eng.)
Member of the Executive Team since 2013. Joined the company in 2011.
Key experience: Vice President, Business Development, Metso Automation 2011–2013; Various senior management positions, Comptel Corporation 2001–2011

Perttu Louhiluoto

Perttu Louhiluoto

President, Flow Control

Born: 1964, Finnish citizen
Education: Master of Laws, M.Sc. (Econ.)
Member of the Executive Team since 2009, 2011– . Joined the company in 2008.
Key experience: President, Metso Automation, 2012–2014; President, Energy and Environment Technology 2011

Read more

These are summaries of the Metso Executive Team's CV's. Read the full CV's online on
www.metso.com

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 up-to-date and reliable information about the company

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. In our work, we aim for promptness, transparency and excellent service.

Working in close interaction with our stakeholders

Investor Relations is responsible for investor communications and for daily contact with representatives of capital markets and the financial press. All investor requests are processed centrally through Investor Relations. In addition to financial reports and actively updated Internet pages, Metso's investor communications involve investor meetings and seminars in which corporate executives actively participate. In addition, we arrange an annual Capital Markets Day event.

Investor services on the Internet

The investor information included on Metso's website contains an interactive share monitor for viewing and analyzing the performance of Metso's share. You can also find monthly updates on Metso's largest shareholders, the company's insider register, an archive of presentations and financial reports, as well as services, such as consensus estimates on Metso's financial performance provided by analysts, a historical price lookup, financial calendar and an investment calculator. A list of the banks and brokerage firms that analyze Metso as an investment, as well as the analysts and their contact information is also available online. Information about the social media channels through which you can follow Metso is also available.

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 the inquiries of analysts and investors by phone, email or at arranged investor meetings.

Tanja Mäkinen *Juha Rouhiainen* *Viktor Kockberg*

Investor relations contact information

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Vice President,
Investor Relations
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Tanja Mäkinen
(on maternity leave)
Investor Relations
Coordinator
Tel.: +358 20 484 3117

Viktor Kockberg
Investor Relations
Specialist
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E-mail:
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Investor Relations:
metso.ir@metso.com

Read more

- www.metso.com
- www.metso.com/2014
- www.metso.com/investors

Questions and answers about 2014

All the information in this section has been previously published in annual reports, interim reports financial statements, Capital Markets Day presentations and other investor presentations.

Q

Most important events in 2014?
Metso split into two companies on December 31, 2013: Metso and Valmet. As a result of the demerger, Metso has transformed from a diversified company to a company focused on the mining, aggregates, oil and gas industries. The combined share price of Metso and Valmet at year-end was 35.08 euros (year-end 2013: 31.02 euros), so the demerger can be considered a success.

In July 2014 Metso published its new strategy and financial targets, which were well received by the markets. The measures needed to achieve growth, a 15-percent EBITA margin before non-recurring items and a 30-percent return on capital employed (ROCE) were presented at Capital Markets Day in November 2014.

Q

Future outlook in the mining sector and the impact on Metso?
Even though new mining equipment investments have decreased significantly, Metso has succeeded in keeping its profitability at a good level. Sales of mining equipment currently account for one-fifth of Metso's net sales. While investments in new capacity are at a low level, investments in existing mines are still being made. Industry overcapacity has led to major mining companies maximizing their utilization rates. However, demand for minerals and metals doesn't seem to be significantly decreasing. In the long term, supply and demand will find a balance, after which investments in new equipment are expected to grow. With the correctly timed restructuring measures, Metso has successfully managed the mining downturn. The company is well-positioned – both compared to its peers and in terms of the future. We believe that our products will satisfy our customers' needs in light of prevailing megatrends. The significance of the declining grade of mineral deposits and the water- and energy-efficient solutions create demand for Metso's technology. At the same time, the high utilization rates of mines create growth opportunities for our services business.

Q

The impact of iron ore, copper and gold price formation on Metso?
Metal prices impact our customers' willingness to invest and their production activity. Iron, copper and gold are the biggest segments and account for about half of Metso's net sales related to minerals processing. Long term, the production volumes of these metals are expected to grow as consumption and equipment investments grow in emerging markets.

The impact of mining sector cycles is lessened by Metso's services business. When the more extensive investments are postponed, the importance of the older equipment's servicing and productivity grows. This cushions the direct impact of metal price fluctuations in the short term.

Q

Growth outlook in aggregates?
Aggregates account for an important part (22%) of Metso's sales. Investments in infrastructure are growing, even though a slight slowdown was seen, for example, in China. However, urbanization is continuing in several emerging economies, including in China, and the demand for aggregates equipment is obvious.

Q

Flow Control segment's outlook and growth prerequisites?
In line with the strategy published in 2014, Flow Control is comprised of the valve and pump businesses. Metso is a recognized supplier of smart valves, and we are pursuing growth also in pumps, which previously were sold only to mining customers.

Q

The impact of oil prices on Metso?
We sell valves to our oil industry customers, and oil prices affect our customers' investment activity and business. Our valves are used at refineries and in the transportation of petroleum products; in these sectors, changes in oil prices do not have as strong of an impact as in crude oil production. The price of oil has very little impact on Metso overall, because our sales to the oil industry are at the level of a couple hundred million euros annually. The lower oil price has not yet impacted us (as of early 2015), but we will see how the situation develops as the year goes on.

Q

Status of the cost-efficiency program?
The cost-efficiency program launched during the second half of 2013 has been completed. The impacts of the savings measures will be visible in full during 2015. Metso will not launch new programs in the future, but will continuously pursue comprehensive cost-efficiency throughout the organization.

Q

Future business acquisitions?
Metso is pursuing organic growth, but business acquisitions offer the most direct path to growth in certain sectors. We are actively exploring different alternatives.

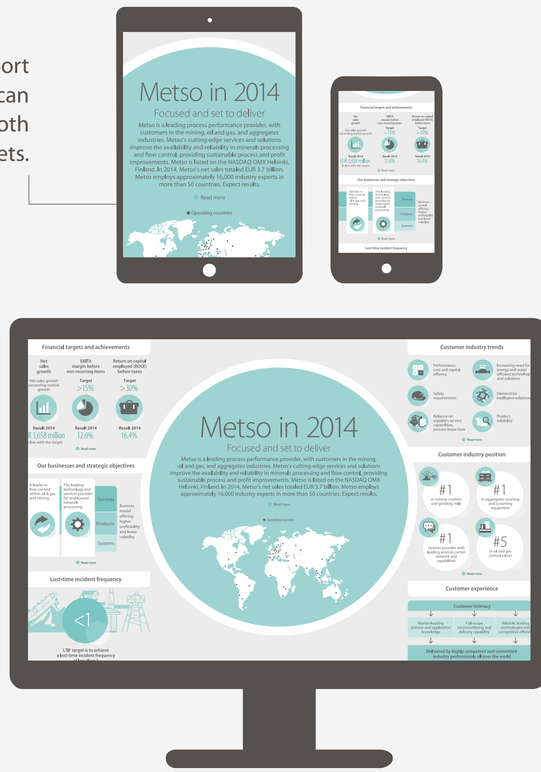
Q

Availability of financing?
Metso's financial position and availability of financing has been secured for years to come. Financing secures liquidity and enables also big moves on the markets. In 2014, Metso maintained its investment-grade rating (Moody's: Baa2 and Standard & Poor's: BBB).

Q

Global risks?
Metso is a global company and thus exposed to political disruption around the world. Events in East Europe and the ensuing financial sanctions on Russia and their effects have impacted Metso's operations in this region. However, Metso's fixed assets in Russia and Ukraine are minor and therefore the risk is limited. But financing difficulties stemming from the sanctions may impact our customers' investment opportunities and other operations.

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



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

Metso's Annual Report

– Focused and set to deliver

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

Explore more › **www.metso.com/2014**

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

Expect results.

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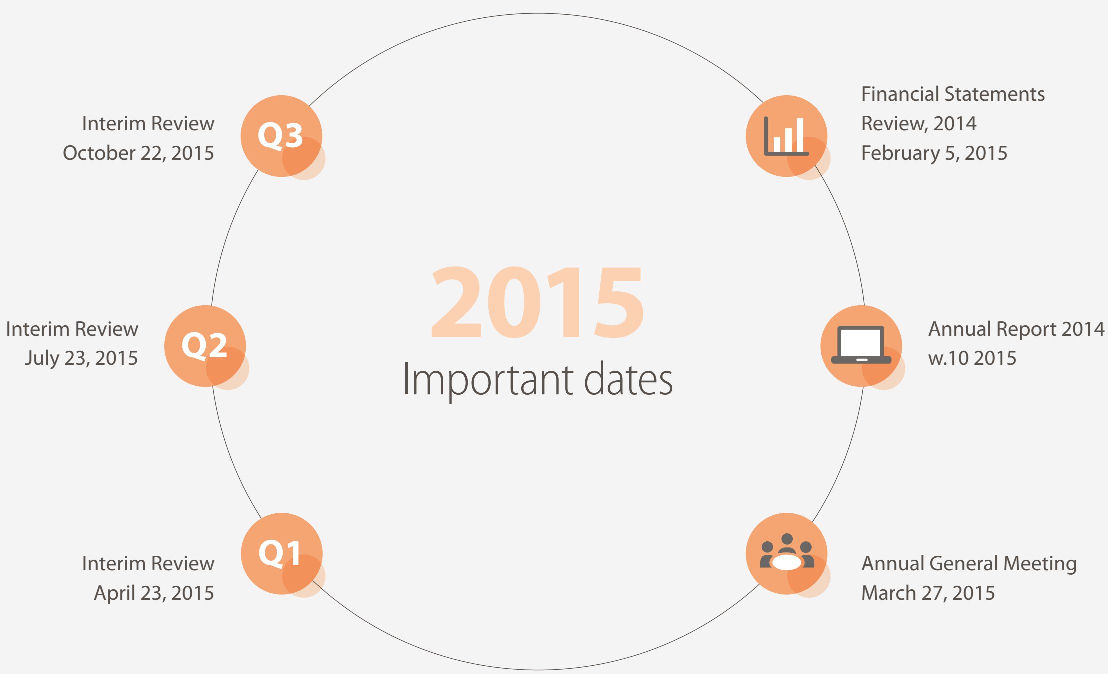

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