

Q2
2012

Interim Review

January 1 – June 30, 2012



Solid order intake, strong net sales growth, and good results development

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

Highlights of the second quarter of 2012

- New orders worth EUR 1,735 million were received in April–June (EUR 2,883 million). Excluding the exceptionally large orders booked during the comparison period, underlying orders received increased in the Mining and Construction segment and were somewhat down in the Pulp, Paper and Power segment. Automation segment orders received were in line with the comparison period. Orders received by the services business across all segments were EUR 812 million, i.e. 48 percent of all orders received (EUR 866 million and 31%).
- Net sales increased 21 percent on the comparison period to EUR 1,897 million (EUR 1,567 million). Our Services business net sales were up 15 percent and totaled EUR 795 million, accounting for 43 percent of total net sales (EUR 691 million and 46%).
- Earnings before interest, tax, and amortization (EBITA), before non-recurring items, increased 27 percent and were EUR 177.4 million, i.e. 9.4 percent of net sales (EUR 139.8 million and 8.9%).
- Earnings per share were EUR 0.70 (EUR 0.45).
- Free cash flow was EUR 46 million negative (EUR 49 million positive).

Our guidance for financial performance during 2012 remains unchanged

We estimate that our net sales for 2012 will grow compared to 2011 and that our profit (EBITA before non-recurring items) will improve.

The estimates for our financial performance in 2012 are based on Metso's current market outlook, strong order backlog for 2012 and current business scope, as well as on foreign exchange rates remaining similar to those in June 2012.

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

"We booked new orders valued at EUR 1,735 million during the second quarter, which is a good figure given that we were not awarded any exceptionally large orders of the type booked last year. This clearly reflects our strong competitiveness and customers' confidence in Metso. Net sales of both our capital and services businesses developed well, providing a good basis for a strong result for the quarter. Mining and Construction as well as Automation performed well showing also good incremental margins, while Pulp, Paper and Power was impacted by business mix factors and some weakness in the Paper business. Overall, we are satisfied with the first half and will continue to implement our strategy consistently to add value for our customers and stakeholders as we go forward."

Metso's key figures

EUR million	Q2/2012	Q2/2011	Change %	Q1-Q2/ 2012	Q1-Q2/ 2011	Change %	2011
Orders received	1,735	2,883	-40	3,655	4,730	-23	7,961
Orders received of services business	812	866	-6	1,693	1,714	-1	3,100
% of orders received *)	48	31		48	37		40
Order backlog at end of period				5,290	5,593	-5	5,310
Net sales	1,897	1,567	21	3,652	3,011	21	6,646
Net sales of services business	795	691	15	1,516	1,331	14	2,871
% of net sales *)	43	46		43	46		45
Earnings before interest, tax and amortization (EBITA) and non-recurring items	177.4	139.8	27	317.8	263.4	21	628.5
% of net sales	9.4	8.9		8.7	8.7		9.5
Operating profit	163.9	121.0	35	292.1	233.9	25	571.8
% of net sales	8.6	7.7		8.0	7.8		8.6
Earnings per share, EUR	0.70	0.45	56	1.26	0.94	34	2.38
Free cash flow	-46	49	n/a	70	117	-40	375
Return on capital employed (ROCE) before taxes, annualized, %				19.6	15.3		18.4
Equity to assets ratio at end of period, %				39.6	37.4		39.8
Gearing at end of period, %				22.6	23.9		12.2

*) Excluding Valmet Automotive

Metso's second quarter 2012 review

Operating environment and demand in April–June

There were no major changes in our operating environment or market activity during the second quarter, despite somewhat softer market sentiment. Demand in the US market has been stable since the early months of the year. Economic instability in Europe continued. Activity in emerging markets remained at a good level, despite the slowdown seen in India and China. Raw material prices were stable, although wage inflation in emerging markets continued. Good capacity utilization rates within our customer industries kept demand for our Services business at a good level.

Metal prices have been declining but remain high, which has kept tender activity for mining equipment and projects at a good level. Due to high utilization rates at mines and our large installed equipment base, demand for our mining services improved and was excellent.

In the Asia-Pacific region and Brazil, ongoing infrastructure projects maintained demand for construction equipment. Demand for equipment used in aggregates processing in the construction industry in Europe and North America remained at a relatively low level. Demand for our construction industry services remained satisfactory.

Demand for products and services supplied by our Process Automation Systems and Flow Control businesses to pulp and paper customers, as well as the energy, oil and gas industry, was good.

The pulp mill market remained satisfactory and demand for rebuilds and services was good as a result of stabilized pulp prices and good capacity utilization rates at our customers' sites.

Demand for paper and board lines remained weak. Although the financing situation in the Chinese market eased, this did not appear to impact activity or demand among our customers there, however. Stable capacity utilization rates in the paper and board industry kept demand for our services at a good level.

Demand for power plants utilizing renewable energy sources remained satisfactory. Demand for our power plant services business slowed down and was satisfactory.

Orders received in April–June

We received new orders in April–June worth EUR 1,735 million, i.e. 40 percent less than in the exceptionally strong comparison period (EUR 2,883 million). Using comparable exchange rates, orders were down 42 percent. Several exceptionally large project orders were received during the second quarter of 2011 in the Mining and Construction segment and the Pulp, Paper and Power segment. Order levels in the Automation segment were similar to those last year. Emerging markets accounted for 51 percent (60%) of orders. Services orders increased in Mining and Construction, Automation, and Fiber and Paper businesses but fell in Power business. At the Group level, services orders decreased 6 percent and accounted for 48 percent of total orders (31%). Using comparable exchange rates, services orders were down 10 percent. Emerging markets accounted for 41 percent (46%) of our services orders.

Orders received by the Mining and Construction segment in April–June totaled EUR 839 million (EUR 1,185 million), which was 29 percent less than in the comparison period. It should be noted that several exceptionally large project orders were

booked in the comparison period. Orders received from construction customers increased 15 percent compared to the second quarter of 2011. Services orders decreased 3 percent and totaled EUR 403 million (EUR 415 million), accounting for 48 percent of the segment's orders. Orders during the quarter included several smaller deliveries including a rotary railcar dumper to Hamersley Iron in Australia, an iron ore pelletizing plant to India and a mobile crushing and conveyor system to Altay Polimetally in Kazakhstan.

The value of orders received by the Automation segment was similar to second quarter of 2011 and totaled EUR 225 million (EUR 225 million). Orders received during April-June included several process automation systems for pulp and paper customers and energy, oil and gas customers. The segment's services orders increased 7 percent on the comparison period and accounted for 46 percent of segments orders.

Orders received by the Pulp, Paper and Power segment decreased 57 percent on the comparison period, when an order for the world's largest pulp mill from Suzano in Brazil was booked. Orders received totaled EUR 586 million (EUR 1,353 million) in April-June. Orders increased in the Paper business and declined strongly in the Fiber and Power businesses. Orders included a large board line in China, an upgrade of an existing causticizing plant in Sweden and a new white liquor plant, also in Sweden. Services orders decreased 15 percent on the comparison period and accounted for 49 percent of the segment's orders.

Financial performance in April-June

Our net sales in April-June totaled EUR 1,897 million, which is 21 percent more than during the second quarter of 2011 (EUR 1,567 million). Using comparable exchange rates, growth was 17 percent. Services business net sales increased 15 percent on the comparison period, and accounted for 43 percent of total net sales (46%), using comparable exchange rates, growth was 11 percent.

Our earnings before interest, tax and amortization and before non-recurring items (EBITA before non-recurring items), were EUR 177.4 million, i.e. 9.4 percent of net sales (EUR 139.8 million and 8.9%). This positive development was thanks to strong performance in Mining and Construction as well as Automation where higher volumes and improved margins enhanced profitability. An unfavorable business mix in Pulp, Paper and Power had a negative impact.

Group Head Office's result (EBITA before non-recurring items) included foreign exchange hedging and other risk management-related items, which had a positive impact of EUR 1.7 million (EUR 0.9 million negative).

Metso's operating profit (EBIT) was EUR 163.9 million, i.e. 8.6 percent of net sales (EUR 121.0 million and 7.7%). Our EBIT for April-June included non-recurring items with a negative impact of EUR 1.2 million (negative impact of EUR 6.4 million). These non-recurring items are detailed in the tables section.

Metso's January–June 2012 Interim Review

Orders received and order backlog

We received new orders in January–June worth EUR 3,655 million, i.e. 23 percent less than in the comparison period, when some exceptionally large orders were booked. Using comparable exchange rates, new orders were down 24 percent. Excluding the large orders booked in 2011, underlying orders increased in the Mining and Construction segment and were somewhat lower in the Pulp, Paper and Power segment. Orders received by the Automation segment were similar to the comparison period. Emerging markets accounted for 48 percent of orders (53%). Orders received by the Services business were similar to the comparison period, totaling EUR 1,693 million, i.e. 48 percent of all orders received (EUR 1,714 million and 37%). Using comparable exchange rates, Services orders

were down 4 percent. Emerging markets accounted for 41 percent (46%) of our services orders received.

Orders increased in Africa, the Middle East and Asia-Pacific; the top three countries were the US, Sweden, and China, which accounted for 31 percent of all orders received. All four BRIC countries (Brazil, Russia, India, and China) were among the top ten and accounted for 24 percent of orders received.

Our order backlog at the end of June was EUR 5,290 million, which was similar to the end of 2011 (EUR 5,310 million). Around half of our backlog, i.e. EUR 2.6 billion, is expected to be recognized as net sales in 2012, and around 37 percent of this relates to the Services business. Order backlog at the end of June included the Fibria pulp mill project in Brazil, which is valued at around EUR 340 million and has an uncertain delivery schedule.

Orders received by segment

EUR million	Q1-Q2/2012	Q1-Q2/2011	Change %	2011
Mining and Construction	1,758	2,026	-13	3,464
Services business	857	804	7	1,497
Equipment, product and project business	898	1,217	-26	1,958
Intra-Metso orders received	3	5		9
Automation	449	445	1	822
Services business	201	197	2	352
Equipment, product and project business	215	214	0	407
Intra-Metso orders received	33	34		63
Pulp, Paper and Power	1,263	2,019	-37	3,225
Services business	586	662	-11	1,145
Equipment, product and project business	673	1,351	-50	2,069
Intra-Metso orders received	4	6		11
Recycling	98	152	-36	253
Valmet Automotive	128	134	-4	281
Intra-Metso orders received	-41	-46		-84
Metso total	3,655	4,730	-23	7,961

Orders received by market area

EUR million	Q1-Q2/2012	Q1-Q2/2011	Change %	2011
Emerging markets	1,751	2,502	-30	4,084
Developed markets	1,904	2,228	-15	3,877
Metso total	3,655	4,730	-23	7,961

Net sales

Our net sales in January-June totaled EUR 3,652 million, which is 21 percent more than in the first half of 2011 (EUR 3,011 million). Growth was organic and was seen in all segments and all geographical areas, except Western Europe. Using comparable exchange rates, growth was 18 percent. Net sales in the services business increased 14 percent on the comparison period and accounted for 43 percent of total net sales (46%).

All segments contributed to services growth. Using comparable exchange rates, Services business growth was 11 percent.

Measured by net sales, the largest countries were the US, Brazil, and China, which accounted for 36 percent of total net sales. Emerging markets accounted for 43 percent (44%) of net sales in the services business.

Net sales by segment

EUR million	Q1-Q2/2012	Q1-Q2/2011	Change %	2011
Mining and Construction	1,594	1,224	30	2,760
Services business	762	646	18	1,378
Equipment, product and project business	827	571	45	1,371
Intra-Metso net sales	5	7		11
Automation	414	341	21	770
Services business	180	154	17	345
Equipment, product and project business	213	162	31	368
Intra-Metso net sales	21	25		57
Pulp, Paper and Power	1,454	1,266	15	2,703
Services business	521	485	7	1,048
Equipment, product and project business	929	777	20	1,644
Intra-Metso net sales	4	4		11
Recycling	94	83	13	212
Valmet Automotive	128	134	-4	281
Intra-Metso net sales	-32	-37		-80
Metso total	3,652	3,011	21	6,646

Net sales by market area

EUR million	Q1-Q2/2012	Q1-Q2/2011	Change %	2011
Emerging markets	1,790	1,450	23	3,247
Developed markets	1,862	1,561	19	3,399
Metso total	3,652	3,011	21	6,646

Financial results

Our earnings before interest, tax and amortization (EBITA), and before non-recurring items during the first half were EUR 317.8 million, i.e. 8.7 percent of net sales (EUR 263.4 million and 8.7%). EBITA before non-recurring items of the Mining and Construction segment increased significantly, while that of Pulp, Paper and Power declined. Automation's result increased slightly. Profitability (EBITA margin before non-recurring items) improved in Mining and Construction, but weakened in Pulp, Paper and Power and in Automation.

Metso's operating profit (EBIT) in the first half of 2012 was EUR 292.1 million, i.e. 8.0 percent of net sales (EUR 233.9 million and 7.8%). Non-recurring items had a negative impact of EUR 1.2 million (negative impact of EUR 4.6 million). Non-recurring items are detailed in the tables section. Group Head Office's result (EBITA before non-recurring items) included foreign exchange hedging and other risk-management-related

items, which had a negative impact of EUR 1.7 million (EUR 2.7 million negative).

Net financing expenses in January-June were EUR 18 million (EUR 27 million). Interest expenses accounted for EUR 29 million (EUR 36 million), interest income for EUR 14 million (EUR 12 million), foreign exchange gains for EUR 2 million (EUR 4 million), and other net financial expenses for EUR 5 million (EUR 7 million).

Profit before taxes was EUR 274 million (EUR 207 million) and we estimate that our tax rate for 2012 will be about 31 percent (31%).

The profit attributable to shareholders in January-June was EUR 189 million (EUR 141 million), corresponding to earnings per share (EPS) of EUR 1.26 (EUR 0.94).

The return on capital employed (ROCE) before taxes was 19.6 percent (15.3%) and the return on equity (ROE) was 18.7 percent (14.7%).

Cash flow and financing

Net cash generated by operating activities in January–June totaled EUR 116 million (EUR 158 million).

Higher business volumes and the progress of customer projects were reflected in an increase in working capital levels in Pulp, Paper and Power, as well as Mining and Construction. We did not receive large project orders and related advances similar to those booked during the first half of last year. Net working capital increased 143 million (EUR 70 million). Free cash flow in was EUR 70 million (EUR 117 million).

Net interest-bearing liabilities totaled EUR 470 million at the end of June (EUR 462 million).

Our liquidity position remains strong. Total cash assets at the end of June were EUR 559 million, of which EUR 80 million were invested in financial instruments with an initial maturity exceeding three months. The remaining EUR 479 million has been accounted for as cash and cash equivalents. Additionally, we have an undrawn syndicated EUR 500 million revolving credit facility available until 2015 and primarily intended for short-term funding purposes.

Our gearing at the end of June was 22.6 percent (23.9%) and our equity to assets ratio was 39.6 percent (37.4%). In April, following the Annual General Meeting, EUR 254 million was paid in dividends for 2011.

Capital expenditure

Our gross capital expenditure in January–June, excluding business acquisitions, totaled EUR 64 million (EUR 72 million). Maintenance investments accounted for 78 percent, i.e. EUR 50 million (64% and EUR 46 million) of this figure. We estimate that capital expenditure in 2012 will remain somewhat below 2011 levels (EUR 166 million).

We have finalized the expansion of our valve production facilities in Massachusetts in the US. As part of the ongoing planned expansions of our service network, we have invested in new service hubs in Chile, Peru, and Sweden to serve our mining and construction industry customers better. We have also invested in increasing our wear and rubber part production capacity in India, Finland, and the Czech Republic. The

second phase of construction of our largest single investment so far in India, Metso Park, has been completed in Rajasthan. A global enterprise resource planning (ERP) systems project in the Automation segment is ongoing. A new facility for our regional pulping and power operations was inaugurated in Araucária, Brazil. In April, we opened a new valve delivery and service center in Vadodara, India as part of our strategy of boosting our valve business globally and enhancing our service capabilities for petrochemical customers in India, as well as for energy, oil and gas customers.

Research and development expenses in January–June totaled EUR 62 million, i.e. 1.7 percent of Metso's net sales (EUR 62 million and 2.1%).

Acquisitions, divestments and associated companies

In March, we signed an agreement on the acquisition of the South Korean valve technology company, Valstone Control Inc. The acquisition extended our valve and service offering for customers in the oil and gas and power industries. Valstone's annual net sales are less than EUR 10 million and it was consolidated into Metso's figures during the second quarter.

Legal proceedings and claims

In February, we received an arbitration award in our favor amounting to EUR 10 million, together with around EUR 2 million in interest, relating to a major project delivery in Turkey. The arbitration tribunal rejected the majority of the claims made against Metso. The amount awarded will be booked in our financial statements when the payment has been received.

Personnel

At the end of June, we had 31,338 employees, 1,014 more than at the end of 2011 (30,324 employees). Personnel numbers increased in all segments. About 600 of the increase relates to trainees and summer workers. Personnel in emerging markets accounted for 34 percent (34%). Metso had an average of 30,780 employees during the first half of 2012.

Personnel by area

	June 30, 2012	% of total personnel	June 30, 2011	% of total personnel	Change %	Dec 31, 2011
Finland	9,500	30	9,413	31	1	9,222
Other Nordic countries	3,105	10	2,885	10	8	2,935
Rest of Europe	4,549	14	4,336	14	5	4,434
North America	3,943	13	3,655	12	8	3,845
South and Central America	3,275	10	3,269	11	0	3,164
Asia-Pacific	5,529	18	5,073	17	9	5,309
Africa and Middle East	1,437	5	1,441	5	0	1,415
Metso total	31,338	100	30,072	100	4	30,324

Reporting segments

Mining and Construction

EUR million	Q2/2012	Q2/2011	Change %	Q1-Q2/ 2012	Q1-Q2/ 2011	Change %	2011
Net sales	847	664	28	1,594	1,224	30	2,760
Net sales of services business	401	341	18	762	646	18	1,378
% of net sales	48	52		48	53		50
Earnings before interest, tax and amortization (EBITA) and non-recurring items	109.5	68.9	59	192.7	125.6	53	322.1
% of net sales	12.9	10.4		12.1	10.3		11.7
Operating profit	107.5	66.5	62	188.7	120.8	56	313.1
% of net sales	12.7	10.0		11.8	9.9		11.3
Return on operative capital employed (ROCE), annualized, %				30.8	22.0		27.4
Orders received	839	1,185	-29	1,758	2,026	-13	3,464
Orders received of services business	403	415	-3	857	804	7	1,497
% of orders received	48	35		49	40		43
Order backlog at end of period				2,178	2,070	5	2,027
Personnel at end of period				11,106	10,817	3	10,771

Net sales in Mining and Construction during the first half rose 30 percent on the comparison period and were EUR 1,594 million. Net sales from mining customers were up 41 percent and from construction customers up 8 percent. Net sales in the services business increased 18 percent, primarily from mining customers, and accounted for 48 percent of the segment's total net sales.

Mining and Construction's EBITA before non-recurring items in January-June rose 53 percent and was EUR 192.7 million, i.e. 12.1 percent of net sales. This favorable development was mainly due to volume growth during the entire period and margin improvement in the second quarter.

Operating profit (EBIT) for January-June was EUR 188.7 million, i.e. 11.8 percent of net sales.

Orders received by the segment during the first half declined 13 percent compared to the first half of 2011, due to two exceptionally large mining orders booked in the comparison period. Excluding these large project orders, the value of

underlying orders received increased and totaled EUR 1,758 million. Emerging markets accounted for 62 percent of orders received by the segment. Orders from both customer industries declined compared to the first half of 2011, and were down 16 percent for mining customers and 2 percent for construction customers. Major orders received during the first half of the year included a mining system for Poltava Ferroexpo in Ukraine, bulk materials handling equipment for Hamersley Iron in Australia, and grinding technology for the MMX mining company in Brazil. Services orders included a multi-year contract for Northland Resources' Kaunisvaara iron ore project in Sweden. Services orders increased 7 percent and accounted for 49 percent of the segment's orders. Growth in services orders came mainly from mining customers.

Order backlog rose 7 percent during the first half of the year and totaled EUR 2,178 million at the end of June (EUR 2,027 million at the end of 2011). Around 54 percent of the backlog is expected to be recognized as net sales in 2012.

Automation

EUR million	Q2/2012	Q2/2011	Change %	Q1-Q2/ 2012	Q1-Q2/ 2011	Change %	2011
Net sales	232	176	32	414	341	21	770
Net sales of services business	97	79	23	180	154	17	345
% of net sales	44	49		46	49		48
Earnings before interest, tax and amortization (EBITA) and non-recurring items	30.9	17.2	80	42.6	39.6	8	103.9
% of net sales	13.3	9.8		10.3	11.6		13.5
Operating profit	29.8	16.2	84	40.4	37.6	7	99.7
% of net sales	12.8	9.2		9.8	11.0		12.9
Return on operative capital employed (ROCE), annualized, %				28.2	31.9		39.0
Orders received	225	225	0	449	445	1	822
Orders received of services business	97	91	7	201	197	2	352
% of orders received	46	44		48	48		46
Order backlog at end of period				398	403	-1	364
Personnel at end of period				4,171	3,834	9	3,892

Net sales in the Automation segment in January-June rose 21 percent on the comparison period and were EUR 414 million. Net sales of the Flow Control business increased 31 percent, while those of the Process Automation Systems business decreased 13 percent on the comparison period. Net sales of the Services business increased 17 percent and accounted for 46 percent of the segment's net sales.

Automation's EBITA before non-recurring items in January-June grew 8 percent and was EUR 42.6 million, i.e. 10.3 percent of net sales. As anticipated, result recovered substantially from the first quarter of this year. The increase was mainly the result of higher-margin deliveries by the Flow Control business in the second quarter.

Operating profit (EBIT) for January-June grew 7 percent and was EUR 40.4 million, i.e. 9.8 percent of net sales.

Order levels during the first half were broadly similar to the comparison period and totaled EUR 449 million, with the Flow control business responsible for the increase. Orders received included an extensive automation package for the Kipas Kagit container board machine in Turkey, process automation for a board line in China, also delivered by Metso, and automation technology for two major infrastructure projects in South America. Services orders increased 2 percent and accounted for 48 percent of the segment's total orders.

Order backlog was strong at the end of June, and totaled EUR 398 million, which was 9 percent higher than at the end of 2011 (EUR 364 million at the end of 2011).

Pulp, Paper and Power

EUR million	Q2/2012	Q2/2011	Change %	Q1-Q2/ 2012	Q1-Q2/ 2011	Change %	2011
Net sales	733	631	16	1,454	1,266	15	2,703
Net sales of services business	271	249	9	521	485	7	1,048
% of net sales	37	40		36	38		39
Earnings before interest, tax and amortization (EBITA) and non-recurring items	45.2	61.5	-27	100.1	115.8	-14	218.8
% of net sales	6.2	9.7		6.9	9.1		8.1
Operating profit	37.9	53.4	-29	85.6	102.2	-16	189.2
% of net sales	5.2	8.5		5.9	8.1		7.0
Return on operative capital employed (ROCE), annualized, %				28.0	26.5		27.2
Orders received	586	1,353	-57	1,263	2,019	-37	3,225
Orders received of services business	286	335	-15	586	662	-11	1,145
% of orders received	49	25		47	33		36
Order backlog at end of period				2,663	3,046	-13	2,863
Personnel at end of period				13,030	12,664	3	12,528

Net sales in January-June rose 15 percent, to EUR 1,454 million. Sales were higher in all the segment's businesses, particularly in the Power and Fiber businesses. Net sales of the Services business increased 7 percent and accounted for 36 percent of the segment's net sales.

EBITA before non-recurring items was EUR 100.1 million, i.e. 6.9 percent of net sales. Both business mix and project performance were weaker in the capital business than last year. Capacity utilization rates were also lower in our Paper business during the second quarter. The services business maintained good volume and good gross margins, but EBITA was weaker, due to higher selling, general, and administrative costs.

Operating profit (EBIT) in the first half of the year was EUR 85.6 million, i.e. 5.9 percent of net sales. EBIT for the comparison period included a non-recurring item of EUR 2.6 million, which improved the result (non-recurring items are detailed in the tables section).

The value of orders received by Pulp, Paper and Power in January-June totaled EUR 1,263 million, down 37 percent on the first half of 2011 when we were awarded the world's largest pulp mill order. The volume of new orders decreased in the Fiber and Power businesses and stayed similar to the comparison period in the Paper business. Major orders received during the first half of 2012 included a board line in China, a recovered fuel-fired boiler for Mälarenergi in Sweden, a complete containerboard machine for Kipas Kagit in Turkey, and an evaporation plant and recovery boiler upgrade for Billerud in Sweden. Services orders decreased 11 percent on the comparison period and accounted for 47 percent of the segment's orders. The decrease in Services business orders was concentrated in the Power business.

Order backlog at the end of June decreased 7 percent from the end of 2011 and was EUR 2,663 million (EUR 2,863 million

at the end of 2011). Around EUR 340 million of order backlog relates to a pulp mill and power boiler project for Fibria in Brazil (of which approx. EUR 90 million is part of the Power business' deliveries), for which the delivery schedule is still open. Around 41 percent of the backlog is expected to be recognized as net sales in 2012.

Separate Business Entities

In accordance with Metso's new operating structure, which took effect on December 1, 2011, the Recycling business and Valmet Automotive are now managed as separate entities.

Recycling

Orders received by the Recycling business in January-June were down 36 percent and totaled EUR 98 million (EUR 152 million). Net sales increased 13 percent and were EUR 94 million (EUR 83 million). EBITA before non-recurring items was EUR 1.3 million, i.e. 1.4 percent of net sales (EUR 0.2 million and 0.2%). Order backlog at the end of June was EUR 121 million (EUR 115 million at the end of 2011). The number of personnel employed in the Recycling business totaled 666 at the end of the quarter (662 at the end of 2011), most of whom were located in Germany, the US and Denmark.

Valmet Automotive

Valmet Automotive's net sales decreased 4 percent in January-June and were EUR 128 million (EUR 134 million). EBITA before non-recurring items was EUR 0.9 million, i.e. 0.7 percent of net sales (EUR 5.5 million and 4.1%). Valmet Automotive employed 1,514 people at the end of June (1,705 at the end of 2011), about half of whom were employed in Finland and the rest mainly in Germany and Poland.

Events after the review period

Valmet Automotive to manufacture the new Mercedes Benz A-Class in Finland

In July, Valmet Automotive, Metso's about 60-percent-owned subsidiary, and Daimler AG announced that they will start to manufacture the new Mercedes-Benz A-Class at Valmet Automotive's plant in Uusikaupunki, Finland. Valmet Automotive will start the work for the project immediately and the parties are expected to finalize the contract during the fall 2012. More than 100,000 A-Class vehicles are planned to be manufactured by Valmet Automotive from 2013 to 2016.

Metso acquired full ownership of the MW Power joint venture

In May, Metso agreed to acquire Wärtsilä's 40 percent holding in the MW Power joint venture, in accordance with the contract between the two companies. The acquisition was finalized in early July after receiving approval from the EU competition authorities.

Risks and business uncertainties

Financial uncertainty in the euro zone and the US budget deficit have a potential negative impact on funding from capital markets. Coupled with fluctuations in exchange rates and tightening financial market regulations, this may have an adverse effect on the availability of financing from bank and capital markets, and may reduce market activity. Despite this, we project that the business environment in our customer industries will develop favorably in the long term as a result of global megatrends, such as the rise of emerging markets, urbanization, and the increasing importance of environmentally sustainable process solutions. We anticipate that the high proportion of our business derived from services and emerging markets will reduce the possible negative effects that market uncertainties may have.

Turbulence in terms of global economic growth, especially in emerging markets and particularly China, may have an adverse impact on new projects under negotiation or on projects in our order backlog. Some projects may be postponed, suspended, or canceled. As of the end of June, our order backlog included uncertain orders valued at around EUR 340 million related to a pulp mill project for Fibria in Brazil; the delivery schedule for this project is still open. In the case of long-term delivery projects, initial customer down-payments are typically 10–30 percent of the value of the project, and customers make progress payments as a project is implemented. This significantly reduces our risk and financing requirements related to these projects. We continually assess our customers' creditworthiness and their ability to meet their obligations. As a rule, we do not finance customer projects. If growth in the global economy slows significantly, the markets for our products may shrink, which may lead to tougher price competition.

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

Securing the continuity of our operations requires that we have sufficient funding available under all circumstances. We

estimate that our cash assets of EUR 559 million and available credit facilities are sufficient to secure our short-term liquidity and overall financial flexibility. The average maturity of our long-term debt is 3.2 years. There are no prepayment covenants in our debt facilities that would be triggered by changes in credit ratings. Some debt facilities include financial covenants related to capital structure. We fully meet the requirements of our covenants and other terms related to our financing agreements.

Net working capital and capital expenditure levels have a key impact on the adequacy of our financing. We have developed our practices and information systems related to the management of net working capital, and expect that these measures will help us manage changes in our net working capital more effectively. We believe that we are well placed to keep capital expenditure at the level of total amortization and depreciation.

As of the end of June 2012, we had EUR 889 million of goodwill on our balance sheet; most of this is related to business acquisitions made over the last 12 years. We conduct regular impairment tests annually and more frequently if needed, and have not detected any impairment. The principles used for impairment testing are presented in the Annual Report.

Changes in labor costs and the prices of raw materials and components can affect our profitability. High wage inflation continues. Our goal is to pass on cost increases to our sales prices, but there is a risk that tough competition will not allow us to do so in all product categories. On the other hand, some of our customers are raw material producers and their ability to operate and invest may be enhanced by strengthening raw material prices and hampered by declining raw material prices.

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

Short-term outlook

Market development

Demand was healthy in most of our customer industries during the early part of the year, with some variation between different customer industries and geographic areas. Although we saw increased uncertainty in the global economy during the spring and early summer, we anticipate that our operating environment in emerging markets will continue to be good in most of our customer industries, despite the slowdown seen in India and China. We anticipate that most of our customer industries will continue to utilize their capacity at a good or satisfactory level, thereby supporting our services business.

We expect underlying demand in the mining market to remain good. Due to expected high utilization rates at mines, our large installed equipment base, and our strengthened services presence, we expect demand for our mining services to remain excellent.

Demand for construction equipment is projected to somewhat slow down and be satisfactory in the Asia-Pacific region and Brazil. We anticipate that demand for equipment used in aggregates processing by the construction industry in Europe and North America will stay at current relatively low levels going forward. Demand for our construction industry services is expected to remain satisfactory.

Demand for our automation products and services is also expected to remain good, although activity in the pulp and paper industry is anticipated to slow somewhat.

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

Demand for papermaking lines is expected to be weak. Capacity utilization rates in the paper and board industry are expected to remain sufficient to keep demand for our services at a good level.

Demand for power plants that use renewable energy sources is expected to remain satisfactory, while that for power plant services is anticipated to be satisfactory.

Financial development

In line with our earlier statement and assuming that current demand in our customer industries does not clearly weaken, we estimate that our net sales for 2012 will grow compared to 2011 and that our profit (EBITA before non-recurring items) will improve.

The estimates for our financial performance in 2012 are based on Metso's current market outlook, strong order backlog for 2012 and business scope, as well as on foreign exchange rates remaining similar to those in June 2012.

Helsinki, July 26, 2012
Metso Corporation's Board of Directors

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

Such factors include, but are not limited to:

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

Consolidated statement of income

EUR million	4-6/2012	4-6/2011	1-6/2012	1-6/2011	1-12/2011
Net sales	1,897	1,567	3,652	3,011	6,646
Cost of goods sold	-1,421	-1,157	-2,753	-2,222	-4,978
Gross profit	476	410	899	789	1,668
Selling, general and administrative expenses	-308	-284	-593	-553	-1,107
Other operating income and expenses, net	-4	-5	-14	-2	11
Share in profits of associated companies	0	0	0	0	0
Operating profit	164	121	292	234	572
Financial income and expenses, net	-15	-21	-18	-27	-65
Profit before taxes	149	100	274	207	507
Income taxes	-46	-31	-85	-64	-149
Profit	103	69	189	143	358
Attributable to:					
Shareholders of the company	105	68	189	141	356
Non-controlling interests	-2	1	0	2	2
Profit	103	69	189	143	358
Earnings per share, EUR	0.70	0.45	1.26	0.94	2.38
Diluted earnings per share, EUR	0.70	0.45	1.26	0.94	2.38

Consolidated statement of comprehensive income

EUR million	4-6/2012	4-6/2011	1-6/2012	1-6/2011	1-12/2011
Profit	103	69	189	143	358
Cash flow hedges, net of tax	-7	-9	-1	-1	-22
Available-for-sale equity investments, net of tax	0	0	0	0	0
Currency translation on subsidiary net investments	27	-6	16	-55	-11
Net investment hedge gains (+) / losses (-), net of tax	-	1	-	10	10
Defined benefit plan actuarial gains (+) / losses (-), net of tax	-	-	-	-	-35
Other comprehensive income (+) / expense (-)	20	-14	15	-46	-58
Total comprehensive income (+) / expense (-)	123	55	204	97	300
Attributable to:					
Shareholders of the company	125	54	204	95	298
Non-controlling interests	-2	1	0	2	2
Total comprehensive income (+) / expense (-)	123	55	204	97	300

Consolidated balance sheet

ASSETS

EUR million	June 30, 2012	June 30, 2011	Dec 31, 2011
Non-current assets			
Intangible assets			
Goodwill	889	872	883
Other intangible assets	257	270	272
	1,146	1,142	1,155
Property, plant and equipment			
Land and water areas	69	63	67
Buildings and structures	287	276	294
Machinery and equipment	438	423	447
Assets under construction	61	65	46
	855	827	854
Financial and other assets			
Investments in associated companies	16	13	16
Available-for-sale equity investments	6	6	6
Loan and other interest bearing receivables	9	8	9
Available-for-sale financial investments	2	35	2
Derivative financial instruments	-	1	-
Deferred tax asset	176	159	167
Other non-current assets	39	35	45
	248	257	245
Total non-current assets	2,249	2,226	2,254
Current assets			
Inventories	1,913	1,528	1,677
Receivables			
Trade and other receivables	1,446	1,300	1,510
Cost and earnings of projects under construction in excess of advance billings	374	306	351
Loan and other interest bearing receivables	1	2	1
Available-for-sale financial assets	1	162	78
Financial instruments held for trading	77	124	87
Derivative financial instruments	30	39	54
Income tax receivables	29	21	16
Total receivables	1,958	1,954	2,097
Cash and cash equivalents	479	490	590
Total current assets	4,350	3,972	4,364
TOTAL ASSETS	6,599	6,198	6,618

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	June 30, 2012	June 30, 2011	Dec 31, 2011
Equity			
Share capital	241	241	241
Cumulative translation adjustments	61	1	45
Fair value and other reserves	709	725	706
Retained earnings	1,055	945	1,123
Equity attributable to shareholders	2,066	1,912	2,115
Non-controlling interests	22	23	21
Total equity	2,088	1,935	2,136
Liabilities			
Non-current liabilities			
Long-term debt	711	842	755
Post employment benefit obligations	223	190	238
Provisions	68	70	71
Derivative financial instruments	7	1	6
Deferred tax liability	37	45	40
Other long-term liabilities	7	5	7
Total non-current liabilities	1,053	1,153	1,117
Current liabilities			
Current portion of long-term debt	223	380	209
Short-term debt	105	61	63
Trade and other payables	1,503	1,334	1,520
Provisions	220	252	234
Advances received	668	638	659
Billings in excess of cost and earnings of projects under construction	652	386	597
Derivative financial instruments	31	28	38
Income tax liabilities	56	31	45
Total current liabilities	3,458	3,110	3,365
Total liabilities	4,511	4,263	4,482
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	6,599	6,198	6,618

NET INTEREST BEARING LIABILITIES

EUR million	June 30, 2012	June 30, 2011	Dec 31, 2011
Long-term interest bearing debt	711	842	755
Short-term interest bearing debt	328	441	272
Cash and cash equivalents	-479	-490	-590
Other interest bearing assets	-90	-331	-177
Total	470	462	260

Condensed consolidated cash flow statement

EUR million	4-6/2012	4-6/2011	1-6/2012	1-6/2011	1-12/2011
Cash flows from operating activities:					
Profit	103	69	189	143	358
Adjustments to reconcile profit to net cash provided by operating activities					
Depreciation and amortization	41	41	82	84	172
Interests and dividend income	11	16	15	24	48
Income taxes	46	31	85	64	149
Other	9	5	11	5	34
Change in net working capital	-142	-22	-143	-70	-123
Cash flows from operations	68	140	239	250	638
Interest paid and dividends received	-25	-27	-23	-30	-50
Income taxes paid	-63	-39	-100	-62	-122
Net cash provided by (+) / used in (-) operating activities	-20	74	116	158	466
Cash flows from investing activities:					
Capital expenditures on fixed assets	-34	-41	-64	-72	-164
Proceeds from sale of fixed assets	1	0	4	5	10
Business acquisitions, net of cash acquired	-4	-	-5	-10	-15
Investments in (-) / proceeds from (+) sale of financial assets	37	39	90	83	235
Other	0	0	0	1	1
Net cash provided by (+) / used in (-) investing activities	0	-2	25	7	67
Cash flows from financing activities:					
Dividends paid	-254	-232	-254	-232	-232
Net funding	25	-57	8	-74	-352
Other	0	-2	0	-2	-3
Net cash used in financing activities	-229	-291	-246	-308	-587
Net increase (+) / decrease (-) in cash and cash equivalents	-249	-219	-105	-143	-54
Effect from changes in exchange rates	-2	0	-6	-12	-1
Cash and cash equivalents at beginning of period	730	709	590	645	645
Cash and cash equivalents at end of period	479	490	479	490	590

FREE CASH FLOW

EUR million	4-6/2012	4-6/2011	1-6/2012	1-6/2011	1-12/2011
Net cash provided by operating activities	-20	74	116	158	466
Capital expenditures on maintenance investments	-27	-25	-50	-46	-101
Proceeds from sale of fixed assets	1	0	4	5	10
Free cash flow	-46	49	70	117	375

Consolidated statement of changes in shareholders' equity

EUR million	Share capital	Cumulative translation adjustments	Fair value and other reserves	Retained earnings	Equity attributable to shareholders	Non-controlling interests	Total equity
Balance at Jan 1, 2011	241	46	726	1,036	2,049	22	2,071
Profit	-	-	-	141	141	2	143
Other comprehensive income (+) / expense (-)							
Cash flow hedges, net of tax	-	-	-1	-	-1	-	-1
Available-for-sale equity investments, net of tax	-	-	0	-	0	-	0
Currency translation on subsidiary net investments	-	-55	-	-	-55	-	-55
Net investment hedge gains (losses), net of tax	-	10	-	-	10	-	10
Total comprehensive income (+) / expense (-)	-	-45	-1	141	95	2	97
Dividends	-	-	-	-232	-232	-	-232
Redemption of own shares	-	-	-	-	-	-	-
Share-based payments, net of tax	-	-	0	0	0	-	0
Other	-	-	-	0	0	-1	-1
Balance at June 30, 2011	241	1	725	945	1,912	23	1,935
Balance at Jan 1, 2012	241	45	706	1,123	2,115	21	2,136
Profit	-	-	-	189	189	0	189
Other comprehensive income (+) / expense (-)							
Cash flow hedges, net of tax	-	-	-1	-	-1	-	-1
Available-for-sale equity investments, net of tax	-	-	0	-	0	-	0
Currency translation on subsidiary net investments	-	16	-	-	16	-	16
Net investment hedge gains (losses), net of tax	-	-	-	-	-	-	-
Total comprehensive income (+) / expense (-)	-	16	-1	189	204	0	204
Dividends	-	-	-	-254	-254	-	-254
Redemption of own shares	-	-	0	-	0	-	0
Share-based payments, net of tax	-	-	2	0	2	-	2
Other	-	-	2	-3	-1	1	0
Balance at June 30, 2012	241	61	709	1,055	2,066	22	2,088

Assets pledged and contingent liabilities

EUR million	June 30, 2012	June 30, 2011	Dec 31, 2011
Mortgages on corporate debt	0	2	0
Other pledges and contingencies			
Mortgages	5	2	5
Other guarantees	4	5	8
Repurchase and other commitments	7	5	6
Lease commitments	219	234	216

Notional amounts of derivative financial instruments

EUR million	June 30, 2012	June 30, 2011	Dec 31, 2011
Forward exchange rate contracts	2,690	2,812	3,100
Interest rate swaps	85	100	75
Cross currency swaps	33	33	33
Option agreements			
Bought	-	1	1
Sold	20	10	10

The notional amount of electricity forwards was 657 GWh as of June 30, 2012 and 692 GWh as of June 30, 2011.

The notional amount of nickel forwards to hedge stainless steel prices was 540 tons as of June 30, 2012 and 540 tons as of June 30, 2011.

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

Key ratios

	1-6/2012	1-6/2011	1-12/2011
Earnings per share, EUR	1.26	0.94	2.38
Diluted earnings per share, EUR	1.26	0.94	2.38
Equity/share at end of period, EUR	13.80	12.78	14.13
Return on equity (ROE), % (annualized)	18.7	14.7	17.8
Return on capital employed (ROCE) before tax, % (annualized)	19.6	15.3	18.4
Return on capital employed (ROCE) after tax, % (annualized)	14.2	11.4	13.8
Equity to assets ratio at end of period, %	39.6	37.4	39.8
Gearing at end of period, %	22.6	23.9	12.2
Free cash flow, EUR million	70	117	375
Free cash flow/share, EUR	0.47	0.78	2.50
Cash conversion, %	37	82	105
Gross capital expenditure (excl. business acquisitions), EUR million	64	72	166
Business acquisitions, net of cash acquired, EUR million	5	10	15
Depreciation and amortization, EUR million	82	84	172
Number of outstanding shares at end of period (thousands)	149,756	149,630	149,629
Average number of shares (thousands)	149,674	149,630	149,630
Average number of diluted shares (thousands)	149,813	149,830	149,833

Exchange rates used

	1-6/2012	1-6/2011	1-12/2011	June 30, 2012	June 30, 2011	Dec 31, 2011
USD (US dollar)	1.3017	1.4113	1.3951	1.2590	1.4453	1.2939
SEK (Swedish krona)	8.8756	8.9273	9.0038	8.7728	9.1739	8.9120
GBP (Pound sterling)	0.8240	0.8749	0.8704	0.8068	0.9026	0.8353
CAD (Canadian dollar)	1.3080	1.3766	1.3768	1.2871	1.3951	1.3215
BRL (Brazilian real)	2.4270	2.2850	2.3287	2.5788	2.2601	2.4159
CNY (Chinese yuan)	8.2197	9.2220	9.0141	8.0011	9.3416	8.1588
AUD (Australian dollar)	1.2585	1.3541	1.3412	1.2339	1.3485	1.2723

Formulas for calculation of indicators

EBITA before non-recurring items:

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

Earnings/share, basic:

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

Earnings/share, diluted:

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

Equity/share:

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

Return on equity (ROE), %:

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

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

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

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

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

Gearing, %:

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

Equity to assets ratio, %:

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

Free cash flow:

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

Free cash flow / share:

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

Cash conversion, %:

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

Segment information

NET SALES

EUR million	4-6/2012	4-6/2011	1-6/2012	1-6/2011	7/2011-6/2012	1-12/2011
Mining and Construction	847	664	1,594	1,224	3,130	2,760
Automation	232	176	414	341	843	770
Pulp, Paper and Power	733	631	1,454	1,266	2,891	2,703
Recycling	53	50	94	83	223	212
Valmet Automotive	51	66	128	134	275	281
Group Head Office and other	-	-	-	-	-	-
Group Head Office and others total	104	116	222	217	498	493
Intra Metso net sales	-19	-20	-32	-37	-75	-80
Metso total	1,897	1,567	3,652	3,011	7,287	6,646

EBITA BEFORE NON-RECURRING ITEMS

EUR million	4-6/2012	4-6/2011	1-6/2012	1-6/2011	7/2011-6/2012	1-12/2011
Mining and Construction	109.5	68.9	192.7	125.6	389.2	322.1
Automation	30.9	17.2	42.6	39.6	106.9	103.9
Pulp, Paper and Power	45.2	61.5	100.1	115.8	203.1	218.8
Recycling	2.8	0.5	1.3	0.2	3.4	2.3
Valmet Automotive	-3.2	2.8	0.9	5.5	7.4	12.0
Group Head Office and other	-7.8	-11.1	-19.8	-23.3	-27.1	-30.6
Group Head Office and others total	-8.2	-7.8	-17.6	-17.6	-16.3	-16.3
Metso total	177.4	139.8	317.8	263.4	682.9	628.5

EBITA BEFORE NON-RECURRING ITEMS, % OF NET SALES

%	4-6/2012	4-6/2011	1-6/2012	1-6/2011	7/2011-6/2012	1-12/2011
Mining and Construction	12.9	10.4	12.1	10.3	12.4	11.7
Automation	13.3	9.8	10.3	11.6	12.7	13.5
Pulp, Paper and Power	6.2	9.7	6.9	9.1	7.0	8.1
Recycling	5.3	1.0	1.4	0.2	1.5	1.1
Valmet Automotive	-6.3	4.2	0.7	4.1	2.7	4.3
Group Head Office and other	n/a	n/a	n/a	n/a	n/a	n/a
Group Head Office and others total	n/a	n/a	n/a	n/a	n/a	n/a
Metso total	9.4	8.9	8.7	8.7	9.4	9.5

NON-RECURRING ITEMS

EUR million	4-6/2012	4-6/2011	1-6/2012	1-6/2011	7/2011-6/2012	1-12/2011
Mining and Construction	-	-0.3	-	-0.7	-0.1	-0.8
Automation	-	-	-	-	-	-
Pulp, Paper and Power	-	-	-	2.6	-	2.6
Recycling	-	-	-	-	-	-
Valmet Automotive	-	-6.1	-	-6.1	-	-6.1
Group Head Office and other	-1.2	-	-1.2	-0.4	-1.6	-0.8
Group Head Office and others total	-1.2	-6.1	-1.2	-6.5	-1.6	-6.9
Metso total	-1.2	-6.4	-1.2	-4.6	-1.7	-5.1

AMORTIZATION

EUR million	4-6/2012	4-6/2011	1-6/2012	1-6/2011	7/2011-6/2012	1-12/2011
Mining and Construction	-2.0	-2.1	-4.0	-4.1	-8.1	-8.2
Automation	-1.1	-1.0	-2.2	-2.0	-4.4	-4.2
Pulp, Paper and Power	-7.3	-8.1	-14.5	-16.2	-30.5	-32.2
Recycling	-0.6	-0.5	-1.2	-1.1	-2.5	-2.4
Valmet Automotive	-0.8	-0.4	-1.5	-0.7	-3.3	-2.5
Group Head Office and other	-0.5	-0.3	-1.1	-0.8	-2.4	-2.1
Group Head Office and others total	-1.9	-1.2	-3.8	-2.6	-8.2	-7.0
Metso total	-12.3	-12.4	-24.5	-24.9	-51.2	-51.6

OPERATING PROFIT (LOSS)

EUR million	4-6/2012	4-6/2011	1-6/2012	1-6/2011	7/2011-6/2012	1-12/2011
Mining and Construction	107.5	66.5	188.7	120.8	381.0	313.1
Automation	29.8	16.2	40.4	37.6	102.5	99.7
Pulp, Paper and Power	37.9	53.4	85.6	102.2	172.6	189.2
Recycling	2.2	0.0	0.1	-0.9	0.9	-0.1
Valmet Automotive	-4.0	-3.7	-0.6	-1.3	4.1	3.4
Group Head Office and other	-9.5	-11.4	-22.1	-24.5	-31.1	-33.5
Group Head Office and others total	-11.3	-15.1	-22.6	-26.7	-26.1	-30.2
Metso total	163.9	121.0	292.1	233.9	630.0	571.8

OPERATING PROFIT (LOSS), % OF NET SALES

%	4-6/2012	4-6/2011	1-6/2012	1-6/2011	7/2011-6/2012	1-12/2011
Mining and Construction	12.7	10.0	11.8	9.9	12.2	11.3
Automation	12.8	9.2	9.8	11.0	12.2	12.9
Pulp, Paper and Power	5.2	8.5	5.9	8.1	6.0	7.0
Recycling	4.2	0.0	0.1	-1.1	0.4	0.0
Valmet Automotive	-7.8	-5.6	-0.5	-1.0	1.5	1.2
Group Head Office and other	n/a	n/a	n/a	n/a	n/a	n/a
Group Head Office and others total	n/a	n/a	n/a	n/a	n/a	n/a
Metso total	8.6	7.7	8.0	7.8	8.6	8.6

ORDERS RECEIVED

EUR million	4-6/2012	4-6/2011	1-6/2012	1-6/2011	7/2011-6/2012	1-12/2011
Mining and Construction	839	1,185	1,758	2,026	3,196	3,464
Automation	225	225	449	445	826	822
Pulp, Paper and Power	586	1,353	1,263	2,019	2,469	3,225
Recycling	52	77	98	152	199	253
Valmet Automotive	51	66	128	134	275	281
Group Head Office and other	-	-	-	-	-	-
Group Head Office and others total	103	143	226	286	474	534
Intra Metso orders received	-18	-23	-41	-46	-79	-84
Metso total	1,735	2,883	3,655	4,730	6,886	7,961

Quarterly information

NET SALES

EUR million	4-6/2011	7-9/2011	10-12/2011	1-3/2012	4-6/2012
Mining and Construction	664	678	858	747	847
Automation	176	185	244	182	232
Pulp, Paper and Power	631	593	844	721	733
Recycling	50	59	70	41	53
Valmet Automotive	66	71	76	77	51
Group Head Office and other	-	-	-	-	-
Group Head Office and others total	116	130	146	118	104
Intra Metso net sales	-20	-25	-18	-13	-19
Metso total	1,567	1,561	2,074	1,755	1,897

EBITA BEFORE NON-RECURRING ITEMS

EUR million	4-6/2011	7-9/2011	10-12/2011	1-3/2012	4-6/2012
Mining and Construction	68.9	74.9	121.6	83.2	109.5
Automation	17.2	27.9	36.4	11.7	30.9
Pulp, Paper and Power	61.5	54.6	48.4	54.9	45.2
Recycling	0.5	3.6	-1.5	-1.5	2.8
Valmet Automotive	2.8	1.5	5.0	4.1	-3.2
Group Head Office and other	-11.1	0.5	-7.8	-12.0	-7.8
Group Head Office and others total	-7.8	5.6	-4.3	-9.4	-8.2
Metso total	139.8	163.0	202.1	140.4	177.4

EBITA BEFORE NON-RECURRING ITEMS, % OF NET SALES

%	4-6/2011	7-9/2011	10-12/2011	1-3/2012	4-6/2012
Mining and Construction	10.4	11.0	14.2	11.1	12.9
Automation	9.8	15.1	14.9	6.4	13.3
Pulp, Paper and Power	9.7	9.2	5.7	7.6	6.2
Recycling	1.0	6.1	-2.1	-3.7	5.3
Valmet Automotive	4.2	2.1	6.6	5.3	-6.3
Group Head Office and other	n/a	n/a	n/a	n/a	n/a
Group Head Office and others total	n/a	n/a	n/a	n/a	n/a
Metso total	8.9	10.4	9.7	8.0	9.4

NON-RECURRING ITEMS

EUR million	4-6/2011	7-9/2011	10-12/2011	1-3/2012	4-6/2012
Mining and Construction	-0.3	-0.1	0.0	-	-
Automation	-	-	-	-	-
Pulp, Paper and Power	-	-	-	-	-
Recycling	-	-	-	-	-
Valmet Automotive	-6.1	-	-	-	-
Group Head Office and other	-	-	-0.4	-	-1.2
Group Head Office and others total	-6.1	-	-0.4	-	-1.2
Metso total	-6.4	-0.1	-0.4	-	-1.2

AMORTIZATION

EUR million	4-6/2011	7-9/2011	10-12/2011	1-3/2012	4-6/2012
Mining and Construction	-2.1	-2.1	-2.0	-2.0	-2.0
Automation	-1.0	-1.3	-0.9	-1.1	-1.1
Pulp, Paper and Power	-8.1	-8.1	-7.9	-7.2	-7.3
Recycling	-0.5	-0.6	-0.7	-0.6	-0.6
Valmet Automotive	-0.4	-0.6	-1.2	-0.7	-0.8
Group Head Office and other	-0.3	-0.8	-0.5	-0.6	-0.5
Group Head Office and others total	-1.2	-2.0	-2.4	-1.9	-1.9
Metso total	-12.4	-13.5	-13.2	-12.2	-12.3

OPERATING PROFIT (LOSS)

EUR million	4-6/2011	7-9/2011	10-12/2011	1-3/2012	4-6/2012
Mining and Construction	66.5	72.7	119.6	81.2	107.5
Automation	16.2	26.6	35.5	10.6	29.8
Pulp, Paper and Power	53.4	46.5	40.5	47.7	37.9
Recycling	0.0	3.0	-2.2	-2.1	2.2
Valmet Automotive	-3.7	0.9	3.8	3.4	-4.0
Group Head Office and other	-11.4	-0.3	-8.7	-12.6	-9.5
Group Head Office and others total	-15.1	3.6	-7.1	-11.3	-11.3
Metso total	121.0	149.4	188.5	128.2	163.9

OPERATING PROFIT (LOSS), % OF NET SALES

%	4-6/2011	7-9/2011	10-12/2011	1-3/2012	4-6/2012
Mining and Construction	10.0	10.7	13.9	10.9	12.7
Automation	9.2	14.4	14.5	5.8	12.8
Pulp, Paper and Power	8.5	7.8	4.8	6.6	5.2
Recycling	0.0	5.1	-3.1	-5.1	4.2
Valmet Automotive	-5.6	1.3	5.0	4.4	-7.8
Group Head Office and other	n/a	n/a	n/a	n/a	n/a
Group Head Office and others total	n/a	n/a	n/a	n/a	n/a
Metso total	7.7	9.6	9.1	7.3	8.6

CAPITAL EMPLOYED

EUR million	June 30, 2011	Sep 30, 2011	Dec 31, 2011	Mar 31, 2012	June 30, 2012
Mining and Construction	1,146	1,165	1,268	1,270	1,351
Automation	252	285	292	301	325
Pulp, Paper and Power	789	624	596	572	653
Recycling	90	87	89	90	81
Valmet Automotive	43	48	53	67	47
Group Head Office and other	898	1,073	866	669	671
Group Head Office and others total	1,031	1,208	1,008	826	799
Metso total	3,218	3,282	3,164	2,969	3,128

Capital employed includes only external balance sheet items.

ORDERS RECEIVED

EUR million	4-6/2011	7-9/2011	10-12/2011	1-3/2012	4-6/2012
Mining and Construction	1,185	840	598	919	839
Automation	225	180	197	224	225
Pulp, Paper and Power	1,353	794	412	677	586
Recycling	77	48	53	46	52
Valmet Automotive	66	71	76	77	51
Group Head Office and other	-	-	-	-	-
Group Head Office and others total	143	119	129	123	103
Intra Metso orders received	-23	-15	-23	-23	-18
Metso total	2,883	1,918	1,313	1,920	1,735

ORDER BACKLOG

EUR million	June 30, 2011	Sep 30, 2011	Dec 31, 2011	Mar 31, 2012	June 30, 2012
Mining and Construction	2,070	2,218	2,027	2,156	2,178
Automation	403	400	364	399	398
Pulp, Paper and Power	3,046	3,229	2,863	2,801	2,663
Recycling	138	131	115	120	121
Valmet Automotive	-	-	-	-	-
Group Head Office and other	-	-	-	-	-
Group Head Office and others total	138	131	115	120	121
Intra Metso order backlog	-64	-52	-59	-69	-70
Metso total	5,593	5,926	5,310	5,407	5,290

PERSONNEL

	June 30, 2011	Sep 30, 2011	Dec 31, 2011	Mar 31, 2012	June 30, 2012
Mining and Construction	10,817	10,962	10,771	10,929	11,106
Automation	3,834	3,787	3,892	3,995	4,171
Pulp, Paper and Power	12,664	12,467	12,528	12,596	13,030
Recycling	648	644	662	656	666
Valmet Automotive	1,421	1,556	1,705	1,708	1,514
Group Head Office and other	688	677	766	795	851
Group Head Office and others total	2,757	2,877	3,133	3,159	3,031
Metso total	30,072	30,093	30,324	30,679	31,338

Non-recurring items and amortization of intangible assets

4-6/2012 EUR million	Mining and Construction	Automation	Pulp, Paper and Power	Metso total
EBITA before non-recurring items	109.5	30.9	45.2	177.4
% of net sales	12.9	13.3	6.2	9.4
Costs related to business acquisition projects	-	-	-	-1.2
Amortization of intangible assets ^{*)}	-2.0	-1.1	-7.3	-12.3
Operating profit (EBIT)	107.5	29.8	37.9	163.9

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

4-6/2011 EUR million	Mining and Construction	Automation	Pulp, Paper and Power	Metso total
EBITA before non-recurring items	68.9	17.2	61.5	139.8
% of net sales	10.4	9.8	9.7	8.9
Intellectual property items	-0.3	-	-	-0.3
Costs related to bankruptcy of THINK Global A/S	-	-	-	-6.1
Amortization of intangible assets ^{*)}	-2.1	-1.0	-8.1	-12.4
Operating profit (EBIT)	66.5	16.2	53.4	121.0

^{*)} Includes EUR 5.9 million amortization of intangible assets acquired through business acquisitions.

1-6/2012 EUR million	Mining and Construction	Automation	Pulp, Paper and Power	Metso total
EBITA before non-recurring items	192.7	42.6	100.1	317.8
% of net sales	12.1	10.3	6.9	8.7
Costs related to business acquisition projects	-	-	-	-1.2
Amortization of intangible assets ^{*)}	-4.0	-2.2	-14.5	-24.5
Operating profit (EBIT)	188.7	40.4	85.6	292.1

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

1-6/2011 EUR million	Mining and Construction	Automation	Pulp, Paper and Power	Metso total
EBITA before non-recurring items	125.6	39.6	115.8	263.4
% of net sales	10.3	11.6	9.1	8.7
Intellectual property items	-0.7	-	-	-0.7
Gain on sale of production plant in Sweden	-	-	2.6	2.6
Costs related to business acquisition projects	-	-	-	-0.4
Costs related to bankruptcy of THINK Global A/S	-	-	-	-6.1
Amortization of intangible assets ^{*)}	-4.1	-2.0	-16.2	-24.9
Operating profit (EBIT)	120.8	37.6	102.2	233.9

^{*)} Includes EUR 11.9 million amortization of intangible assets acquired through business acquisitions.

1-12/2011 EUR million	Mining and Construction	Automation	Pulp, Paper and Power	Metso total
EBITA before non-recurring items	322.1	103.9	218.8	628.5
% of net sales	11.7	13.5	8.1	9.5
Intellectual property items	-0.8	-	-	-0.8
Gain on sale of production plant in Sweden	-	-	2.6	2.6
Costs related to business acquisition projects	-	-	-	-0.8
Costs related to bankruptcy of THINK Global A/S	-	-	-	-6.1
Amortization of intangible assets ^{*)}	-8.2	-4.2	-32.2	-51.6
Operating profit (EBIT)	313.1	99.7	189.2	571.8

^{*)} Includes EUR 23.8 million amortization of intangible assets acquired through business acquisitions.

Notes to the Interim Review

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

New accounting standards **IAS 19, amendment**

In June 2011, IASB published an amendment to IAS 19 'Employee Benefits'. This requires recognition of changes in net defined benefit liability (asset), including immediate recognition of defined benefit cost, eliminating the option to defer the recognition of gains and losses, known as the 'corridor method'. Disaggregation of the defined benefit cost is split into three components: service, net interest and remeasurement components, with the latter recognized under other comprehensive income. Net interest is calculated using the high-quality bond yield rate. The amendment requires enhanced disclosures about defined benefit plans.

Apart from immediate recognition of past service cost, the amendment will not impact the amount of the defined benefit liability (asset) in our financial statements because we do not use the corridor method. The calculation of net interest will impact the benefit cost reported in the income statement if the annual return calculated on assets has been higher than the discount rate applied to the benefit liability. Had the amendment been applicable in 2011, the impact on our financial statements would have been the following: profit before tax would have decreased by EUR 3 million and the pre-tax amount reported under other comprehensive income would have increased by EUR 4 million. The recognition of past service cost would have decreased net liability by EUR 1 million.

The amendment was endorsed by the European Union in June 2012, and we will apply it to annual reporting period beginning on January 1, 2013.

IFRS 9

In November 2009, IASB published IFRS 9 'Financial instruments: Recognition and measurement'. The new standard represents the first phase in the replacement of IAS 39 and simplifies the classification of financial assets and requires them to be measured either at amortized cost or fair value.

In October 2010, IASB published the second part of IFRS 9, 'Financial Liabilities – Classification and Measurement'. Under this the accounting and presentation of financial liabilities will remain unchanged except for those financial liabilities for which the fair value option is applied. The next steps will involve impairment of financial assets and the development of hedge accounting. The entire standard, once completed, is now expected to become effective for financial periods beginning on or after January 1, 2015.

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

IFRS 10

In May 2011, IASB published IFRS 10 'Consolidated Financial Statements'. This defines the principle of control used as the basis for consolidation in identifying whether an investor controls an investee and therefore must consolidate it. The standard replaces IAS27 and covers the principles for the presentation and preparation of consolidated financial statements. The standard is applicable to annual reporting periods beginning on or after January 1, 2013.

The standard is not expected to have a material impact on our financial statements.

IFRS 11

In May 2011, IASB published IFRS 11 'Joint Arrangements' relating to how a party to a joint arrangement should account for its involvement in such an arrangement. An entity has to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and account for those rights and obligations in accordance. A joint arrangement can either be a joint operation or a joint venture. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The standard will be applicable to annual reporting periods beginning on or after January 1, 2013.

The standard is not expected to have a material impact on our financial statements.

IFRS 12

In May 2011, IASB published IFRS 12 'Disclosure of Interests in Other Entities', which requires the disclosure of information that enables users of financial statements to evaluate the nature of and risks associated with the preparer's interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The standard will be applicable to annual reporting periods beginning on or after January 1, 2013.

We are assessing the impact that the standard will have on our financial statement disclosures.

IFRS 13

In May 2011, IASB published IFRS 13 'Fair Value Measurement', which defines fair value, sets out a single-standard framework for measuring fair value, and defines disclosure requirements for fair value measurements. It will increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorizes the inputs used in valuation techniques into three levels, giving the highest priority to quoted prices in active markets for

identical assets or liabilities and the lowest priority to unobservable inputs. The standard will be applicable to annual reporting periods beginning on or after January 1, 2013.

We are assessing the impact that the standard will have on our financial statement disclosures.

Provided these standards are endorsed by the European Union, we will apply them when they become effective.

Decisions of the Annual General Meeting

The Annual General Meeting (AGM) on March 29, 2012 approved the Financial Statements for 2011 and discharged the members of the Board of Directors and the President and CEO from liability. The AGM approved the proposals of the Board of Directors to authorize the Board of Directors to resolve on a repurchase of Metso's own shares and on a share issue. In addition, the company's Articles of Association were amended according to the Board's proposal.

The Annual General Meeting decided that a dividend of EUR 1.70 per share will be paid for the financial year ending on December 31, 2011. The dividend was paid on April 12, 2012.

The AGM elected Jukka Viinanen as Chairman of the Board and Mikael von Frenckell as Vice Chairman of the Board. Eeva Sipilä was elected as a new member of the Board. Christer Gardell, Ozey K. Horton, Jr, Erkki Pehu-Lehtonen and Pia Rudengren were re-elected for a new term. The Annual General Meeting decided the following annual remuneration for Board members: EUR 100,000 for the Chairman, EUR 60,000 for the Vice Chairman and for the Chairman of the Audit Committee, and EUR 48,000 for the members. It was decided that a meeting fee of EUR 700 will be paid for those members whose place of residence is in the Nordic countries, EUR 1,400 for those members whose place of residence is elsewhere in Europe and EUR 2,800 for those members whose place of residence is outside Europe for each meeting they attend, including committee meetings. Based on the decision of the AGM, Board members have used 40 percent of their annual remuneration to buy Metso shares. Board members acquired the shares from the market within two weeks after the publication of the first quarter Interim Review on April 26, 2012. A total of 5,545 shares were acquired at the beginning of May.

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

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

Members of Board committees and personnel representative

Metso's Board of Directors elected the members of its Audit Committee and Remuneration and HR Committee at its assembly meeting on March 29, 2012.

The Audit Committee consists of Pia Rudengren (Chairman), Erkki Pehu-Lehtonen and Eeva Sipilä. The Remuneration and HR Committee consists of Jukka Viinanen (Chairman), Mikael von Frenckell and Christer Gardell. Metso's personnel groups in Finland elected Eija Lahti-Jäntti as the personnel representative. She will participate in the meetings of Metso's Board of Directors as an invited expert, and her term of office is the same as that of Board members.

Shares and share capital

As of the end of June, Metso's share capital was EUR 240,982,843.80 and the number of shares was 150,348,256. The number of shares included 592,222 shares held by the Parent Company, which represented 0.39 percent of all the shares and votes. The average number of shares outstanding in January–June, excluding shares held by the Parent Company, was 149,674,285 and the average number of diluted shares was 149,812,567.

Metso's market capitalization, excluding shares held by the Parent Company, was EUR 4,060 million on June 30, 2012 (EUR 5,861 million).

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

Share-based incentive plans

Metso's share ownership plans are part of the remuneration and commitment program for Metso's management. For further information, see www.metso.com/investors. As reward shares for these plans are acquired in public trading, the plans do not have a diluting effect to the share value.

Share Ownership Plan for 2009–2011 (SOP 2009–2011)

In October 2008, the Board approved a share ownership plan for 2009–2011. The plan had one three-year earnings period and required participants' personal investment in Metso shares at the beginning of the program. The plan's performance targets (TSR and EPS) were achieved at 69 percent of the maximum. In April 2012, Metso distributed the rewards to 82 participants amounting to 127,356 shares, of which 19,459 shares were allocated to the Executive Team. This number of shares represents the reward after taxes, and the total reward including the cash portion corresponds to approximately 264,836 shares. The shares were conveyed through a directed share issue without consideration. Shares earned on the basis of the plan cannot be transferred within one year from the reward payment.

Share Ownership Plan for 2010–2012 (SOP 2010–2012)

In October 2009, the Board approved a similar share ownership plan for 2010–2012. This plan has one three-year earnings period and required participants' personal investment in Metso shares at the beginning of the program. Any possible reward from the plan requires continued employment with Metso and reaching the financial targets set for the plan. The plan has about 80 participants and the rewards that can be paid correspond to a maximum of about 320,000 Metso shares. Members of the Executive Team may receive a maximum of 51,325 shares as share rewards.

Share Ownership Plan for 2011–2013 (SOP 2011–2013)

In September 2010, the Board approved a similar share ownership plan for 2011–2013. The plan includes one three-year earnings period and requires participants' personal investment in Metso shares at the beginning of the program. Any possible reward from the plan requires continued employment with Metso and reaching the financial targets set for the plan. The plan has 69 participants and the rewards that can be paid correspond to a maximum of about 238,000 Metso shares. Members of the Executive Team may receive a maximum of 77,400 shares as share rewards.

Long-term Incentive Plan for 2012–2014

In December 2011, the Board decided on a new share-based incentive plan for the Group's top management. The plan includes three performance periods, which are the calendar years 2012, 2013 and 2014. The Board shall decide on the performance criteria, targets and participants at the beginning of each performance period. For the 2012 performance period, the plan is targeted at about 100 people in Metso's management, and the potential reward of the plan is based on the

net sales growth of the services business, return on capital employed (ROCE, %) before taxes, and earnings per share (EPS). The potential rewards to be paid on the basis of the 2012 performance period will correspond to a maximum total of about 450,000 Metso shares. Members of the Executive Team may receive a maximum of 95,123 shares as share rewards.

Trading of Metso shares

A total of 113,341,437 Metso shares were traded on NASDAQ OMX Helsinki in January–June, equivalent to a turnover of EUR 3,533 million. The price of the Metso share on June 30, 2012 was EUR 27.11 and the average trading price for the period under review was EUR 31.17. The highest quotation during the period was EUR 37.27 and the lowest EUR 24.88.

Metso's ADSs (American Depositary Shares) are traded in the US on the OTC market. On June 30, 2012, the closing price of the Metso ADS was USD 34.30. Each ADS represents one share.

Disclosures of changes in holdings

During the first half of 2012, we did not receive any disclosures of changes in holdings in which ownership would have reached, exceeded, or decreased below the 5 percent limit or the other notification thresholds as set out in the Securities Markets Act.

Credit ratings

In April, Standard & Poor's Ratings Services confirmed Metso's BBB long-term and A-2 short-term corporate credit ratings and changed their outlook from stable to positive.

In December 2011, Moody's Investors Service confirmed Metso's Baa2 long-term credit rating and changed their outlook from stable to positive.

Metso's Financial Reporting in 2012

January–September 2012 Interim Review will be published on October 25th.



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