metso

Q4

Financial Statements Review 2017

January 1 – December 31

Metso’s Financial Statements Review January 1 – December 31, 2017

Fourth-quarter 2017 in brief (compared to the fourth-quarter 2016)

- Market activity continued at a healthy level
- Orders received increased 2 percent, or 5 percent in constant currencies, and totaled EUR 684 million (EUR 672 million). Services orders decreased 2 percent, or increased 2 percent in constant currencies, to EUR 435 million (EUR 442 million)
- Sales increased 5 percent, or 8 percent in constant currencies, to EUR 710 million (EUR 676 million). Services sales increased 4 percent, or 7 percent in constant currencies, and totaled EUR 458 million (EUR 442 million)
- Adjusted EBITA was EUR 64 million, or 9.1 percent of sales (EUR 64 million, or 9.4%)
- Operating profit (EBIT) totaled EUR 60 million (EUR 44 million)
- Earnings per share totaled EUR 0.08 (EUR 0.17) and was affected by one-time tax-related items totaling EUR 29 million
- Free cash flow was EUR 57 million (EUR 97 million)

Full-year 2017 in brief (compared to 2016)

- Market activity improved compared to the previous year in all businesses
- Orders received increased 9 percent and totaled EUR 2,982 million (EUR 2,724 million). Services orders increased 9 percent to EUR 1,897 million (EUR 1,741 million)
- Sales increased 5 percent to EUR 2,706 million (EUR 2,586 million). Services sales increased 4 percent and totaled EUR 1,767 million (EUR 1,703 million)
- Adjusted EBITA was EUR 244 million, or 9.0 percent of sales (EUR 274 million, or 10.6%)
- Operating profit (EBIT) totaled EUR 218 million (EUR 227 million)
- Earnings per share totaled EUR 0.68 (EUR 0.87) and was affected by one-time tax-related items totaling EUR 29 million
- Free cash flow was EUR 158 million (EUR 339 million)
- The Board of Directors proposes a dividend of EUR 1.05 per share (EUR 1.05)

Market outlook

Our market conditions are expected to develop as follows:

Remain stable for Minerals equipment and services

Remain stable for Flow Control equipment and services

The outlook represents our expected sequential market development with a rolling six-month view

President and CEO Nico Delvaux:

Despite our Flow Control segment and Minerals equipment delivering good performance, the fourth quarter proved to be difficult for us. The decline in the orders of the Minerals segment resulted mainly from mining equipment and services and was largely due to timing and tighter controls on terms and conditions. Performance of the Minerals segment fell short of expectations due to low deliveries of services and was further affected by the continued margin pressure in consumables. Constraints in both internal and external supply chain, following the significant ramp-up of activity during the year had an impact on Minerals profitability. While some of these challenges were specific to the quarter, heavy focus on improving our delivery capability and operational efficiency will remain a priority.

Nevertheless, 2017 included many positives that will continue to support Metso going forward. The market environment in our main industries improved throughout the year. We implemented a new operating model and initiated solid plans to strengthen our customer focus and promote innovation across the businesses to serve our customers in a better way. We are confident that these are the right steps in driving profitable growth going forward.

Key figures

EUR million	**Q4/2017**	Q4/2016	Change %	**2017**	2016	Change %
Orders received	**684**	672	2	**2,982**	2,724	9
Orders received by the services business	**435**	442	-2	**1,897**	1,741	9
% of orders received	**64**	66		**64**	64	
Order backlog at the end of the year				**1,439**	1,320	9
Sales	**710**	676	5	**2,706**	2,586	5
Sales of the services business	**458**	442	4	**1,767**	1,703	4
% of sales	**65**	65		**65**	66	
Earnings before interest, tax and amortization (EBITA), adjusted	**64**	64	1	**244**	274	-11
% of sales	**9.1**	9.4		**9.0**	10.6	
Operating profit (EBIT)	**60**	44	34	**218**	227	-4
% of sales	**8.4**	6.6		**8.1**	8.8	
Earnings per share, EUR	**0.08**	0.17	-53	**0.68**	0.87	-22
Free cash flow	**57**	97	-41	**158**	339	-53
Return on capital employed (ROCE) before taxes, %				**10.3**	10.4	
Equity-to-assets ratio at the end of the year, %				**44.5**	48.0	
Net gearing at the end of the year, %				**1.8**	-1.8	
Personnel at the end of the year				**12,037**	11,542	4

Operating environment

The operating environment in our customer industries improved in 2017 compared to 2016. Demand was strongest in the aggregates business. Mining customers increased their productivity-related investments. This resulted in higher demand for services, while the mining equipment market saw improving demand, especially for replacements and smaller capital expenditure. Activity in Flow Control's main markets was strong in day-to-day and services, while projects improved somewhat compared to the low level of the second half of the previous year.

Orders received and order backlog

Fourth-quarter orders received were 2 percent higher, or 5 percent higher in constant currencies, compared to the fourth quarter in 2016 and totaled EUR 684 million (EUR 672 million). Orders declined 2 percent in Minerals and increased 15 percent in Flow Control. The Group's services orders were EUR 435 million, which is 2 percent lower than in the comparison period. Services orders decreased 2 percent in Minerals and increased 2 percent in Flow Control. Equipment orders decreased 1 percent in Minerals and increased 46 percent in Flow Control.

Orders received in 2017 increased 9 percent compared to 2016 and were EUR 2,982 million (EUR 2,724 million). Minerals' orders increased 9 percent to EUR 2,308 million, driven by aggregates equipment and mining services. In Flow Control, orders for both valves and pumps increased and resulted in the segment's total orders growing 11 percent to EUR 675 million.

Order backlog at the end of December totaled EUR 1,439 million, which is 9 percent higher than a year ago (EUR 1,320 million at the end of 2016). 85 percent of the backlog is expected to be delivered in 2018.

Sales development

Fourth-quarter sales increased 5 percent, or 8 percent in constant currencies, to EUR 710 million (EUR 676 million). Minerals' sales grew 3 percent and totaled EUR 540 million. Growth was seen in both the equipment and services businesses. Flow Control's sales were 10 percent higher than in the comparison period and totaled EUR 170 million.

Sales in 2017 increased 5 percent compared to 2016 and were EUR 2,706 million (EUR 2,586 million). Minerals sales grew 6 percent to EUR 2,070 million. Growth came from both mining and aggregates. Flow Control's sales increased one percent to EUR 636 million.

Currency impact on orders received *(compared to the same period in 2016)*

	Q4/2017 Change %	Q4/2017 Change % using constant rates	Q1-Q4/2017 Change %	Q1-Q4/2017 Change % using constant rates
Minerals	-2	2	9	10
Services business	-2	1	9	9
Flow Control	15	19	11	12
Services business	2	5	8	8
Metso total	**2**	**5**	**9**	**10**
Services business	**-2**	**2**	**9**	**9**

Currency impact on sales *(compared to the same period in 2016)*

	Q4/2017 Change %	Q4/2017 Change % using constant rates	Q1-Q4/2017 Change %	Q1-Q4/2017 Change % using constant rates
Minerals	3	6	6	6
Services business	3	6	3	3
Flow Control	10	14	1	2
Services business	8	12	6	6
Metso total	**5**	**8**	**5**	**5**
Services business	**4**	**7**	**4**	**4**

Financial performance

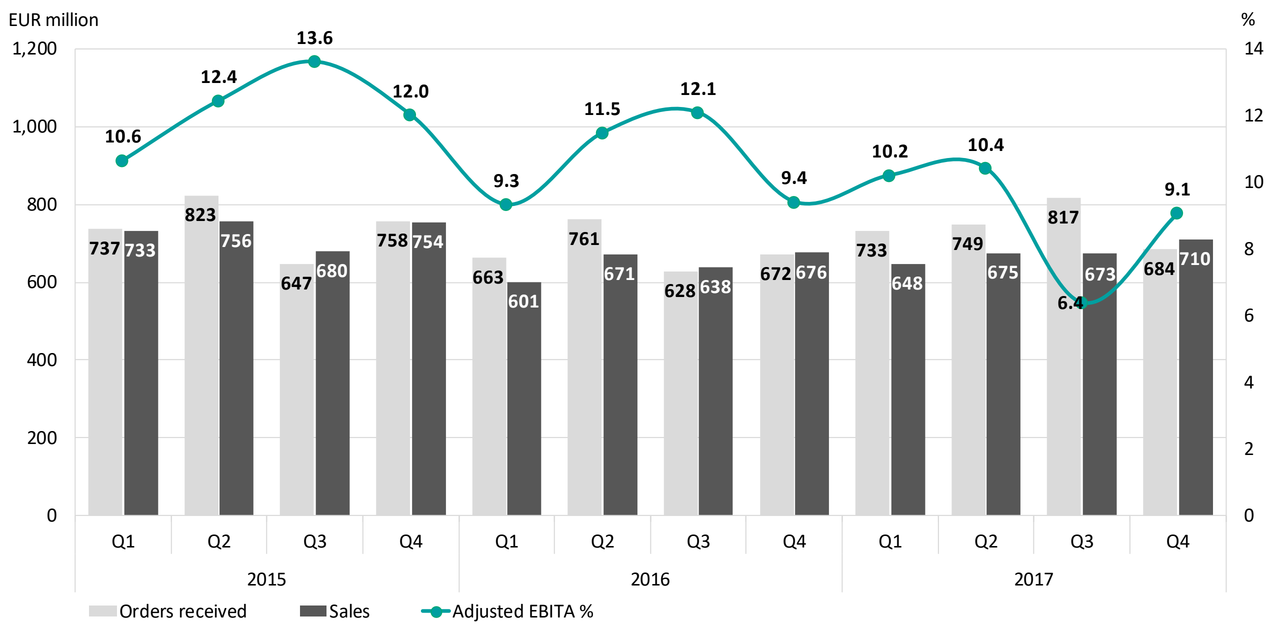
Adjusted EBITA totaled EUR 64 million, or 9.1 percent of sales in the fourth quarter (EUR 64 million or 9.4%). Minerals' adjusted EBITA totaled EUR 48 million, or 8.9 percent of sales (EUR 47 million, or 9.1%). Flow Control's adjusted EBITA totaled EUR 27 million, or 15.6 percent of sales (EUR 26 million, or 16.6 %). Fourth-quarter operating profit (EBIT) was EUR 60 million, or 8.4 percent of sales (EUR 44 million, or 6.6%).

Full-year 2017 adjusted EBITA totaled EUR 244 million, or 9.0 percent of sales (EUR 274 million, or 10.6%). Operating profit for 2017 totaled EUR 218 million, or 8.1 percent of sales (EUR 227 million, or 8.8%). Despite the higher sales, profitability was negatively affected by the third-quarter booking of EUR 33 million in charges related to estimated cost overruns, related expenses and write-downs for the closing of mining projects in the backlog. Additional negative impact resulted from the sales mix in the Minerals segment as well as margin pressure in the segment's services business due to increased raw material prices.

Profit before taxes was EUR 184 million (EUR 188 million) and earnings per share were EUR 0.68 (EUR 0.87). EPS was affected by one-time tax-related items totaling EUR 29 million. These included a non-cash reduction in the value of deferred tax asset in the US of approximately EUR 8 million, because of the US tax reform, and a EUR 21 million provision relating to a reassessment decision from the Finnish tax authority concerning tax years 2011-2016 of Metso Minerals Oy in Finland, which the company considers unfounded and will appeal against. The majority of these items affected Metso's effective tax rate, which was exceptionally high at 44.6 percent.

Net financial expenses in 2017 were EUR 35 million (EUR 39 million). Net cash generated by operating activities totaled EUR 185 million (EUR 346 million) and free cash flow was EUR 158 million (EUR 339 million). Changes in net working capital had a EUR 23 million negative impact on cash flow (EUR 92 million positive). Cash flow for the comparison period includes EUR 19 million from the divestment of the previous head office property.

Sales, orders received and adjusted EBITA margin



Financial position

Metso’s liquidity position remains strong. Total cash assets at the end of December 2017 were EUR 826 million (EUR 807 million), of which EUR 154 million (EUR 109 million) was invested in financial instruments with an initial maturity exceeding three months, and the remaining EUR 673 million (EUR 698 million) is accounted for as cash and cash equivalents. The Group also has an undrawn, committed EUR 500 million revolving credit facility.

In May 2017, Metso issued a new 7-year bond of EUR 300 million under its EUR 1.5 billion Euro Medium Term Note (EMTN) Program. The interest coupon of the bond was 1.125 percent, issue price 99.586 percent and effective interest rate 2.33 percent. With the transaction Metso exchanged EUR 205 million of its outstanding EUR 400 million bonds maturing in 2019 to new bonds and extended its debt maturity profile.

The Group’s balance sheet is solid. Net interest-bearing liabilities were EUR 24 million at the end of December (EUR 26 million negative) and net gearing was 1.8 percent (-1.8%). The equity-to-assets ratio was 44.5 percent (48.0%). Our credit rating remains unchanged: in March 2017 Standard & Poor’s Ratings Services confirmed our long-term corporate credit rating of BBB and short-term credit rating of A-2, with a stable outlook.

Capital expenditure, investments and acquisitions

Gross capital expenditure in 2017, excluding business acquisitions, was EUR 38 million (EUR 31 million). Maintenance accounted for 83 percent, i.e. EUR 32 million (89% and EUR 28 million). Capital expenditure excluding acquisitions is expected to increase in 2018 compared to 2017. Metso made two larger investment decisions in 2017.

Announcement Date	Details
June 27	Increasing manufacturing capacity for large crusher wear part castings with a melting furnace in Isithebe, South Africa. Investment of EUR 3.5 million.
June 21	New production line for Lokotrack mobile crushing plants in Tampere, Finland. Investment of approximately EUR 1 million. New production line was fully operational after the reporting period on January 29, 2018.

On November 1, 2017, Metso acquired the Australian wear lining solutions provider WEARX. In 2017, WEARX generated sales of EUR 4.7 million to Metso. The company's sales in the fiscal year 2017 that ended on June 30, 2017 were AUD 35 million equaling EUR 23 million and it has 142 employees.

Reporting Segments

Minerals

- Market activity improved during 2017
- Sales increased 6% in 2017 and 3% in the fourth quarter
- Performance of the aggregates and recycling businesses improved, while mining was weaker year-on-year

EUR million	Q4/2017	Q4/2016	Change %	2017	2016	Change %
Orders received	**527**	536	-2	**2,308**	2,115	9
Orders received by the services business	**338**	346	-2	**1,474**	1,348	9
% of orders received	**64**	65		**64**	64	
Order backlog at the end of the year				**1,173**	1,078	9
Sales	**540**	522	3	**2,070**	1,956	6
Sales of the services business	**351**	342	3	**1,368**	1,325	3
% of sales	**65**	66		**66**	68	
Earnings before interest, tax and amortization (EBITA), adjusted	**48**	47	2	**168**	190	-12
% of sales	**8.9**	9.1		**8.1**	9.7	
Operating profit (EBIT)	**46**	33	43	**153**	148	4
% of sales	**8.6**	6.2		**7.4**	7.6	
Return on operative capital employed (ROCE), %				**14.7**	13.4	
Personnel at the end of the year				**8,890**	8,370	6

Quarterly performance

Minerals orders in the fourth quarter declined 2 percent year-on-year and totaled EUR 527 million (EUR 536 million), of which services accounted for EUR 338 million (EUR 346 million). The decline resulted mainly from mining equipment and services, and was largely due to timing and tighter controls on terms and conditions. Orders from aggregates customers remained at a healthy level, showing the strongest growth in India, Europe and North America. Orders from recycling customers also increased year-on-year.

Quarterly sales growth of 3 percent was driven by the aggregates and recycling businesses, as mining sales were flat, resulting in total sales of EUR 540 million (EUR 522 million).

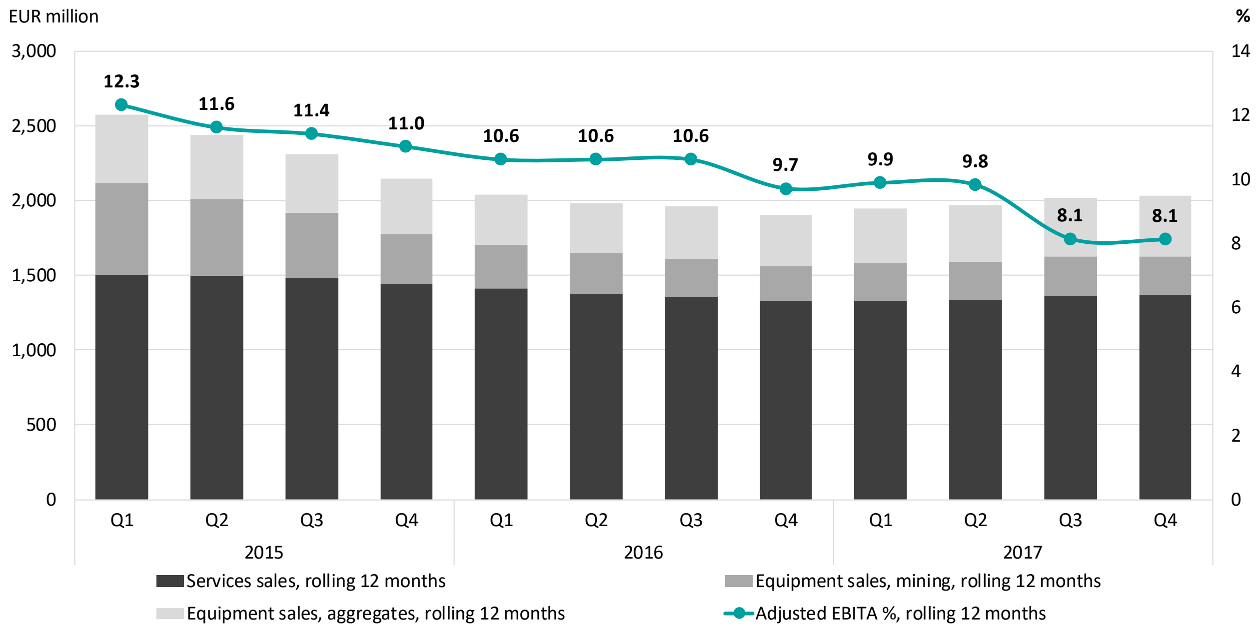
Minerals adjusted EBITA in the fourth quarter totaled EUR 48 million, or 8.9 percent of sales (EUR 47 million, or 9.1%). The weaker than expected profitability was due to a higher than estimated share of equipment sales compared to services sales and a weak margin in the services business. Services performance was affected by the continued margin pressure in consumables as well as constraints both in the internal and external supply chain following the significant ramp-up of activity during the year. Operating profit was EUR 46 million, or 8.6 percent of sales (EUR 33 million, or 6.2%).

Full-year performance

Orders in 2017 totaled EUR 2,308 million, which is 9 percent higher than in the comparison period. Double-digit order growth was seen in mining services, aggregates equipment and recycling. Full-year sales increased 6 percent to EUR 2,070 million, largely thanks to very strong growth in aggregates equipment and strong growth in mining, in both equipment and services. Full-year adjusted EBITA was EUR 168 million or 8.1 percent (EUR 190 million or 9.7%). This includes EUR 33 million in charges related to estimated cost overruns, related expenses and write-downs for the closing of mining projects in the backlog. Operating profit was EUR 153 million, or 7.4 percent of sales (EUR 148 million, or 7.6%).

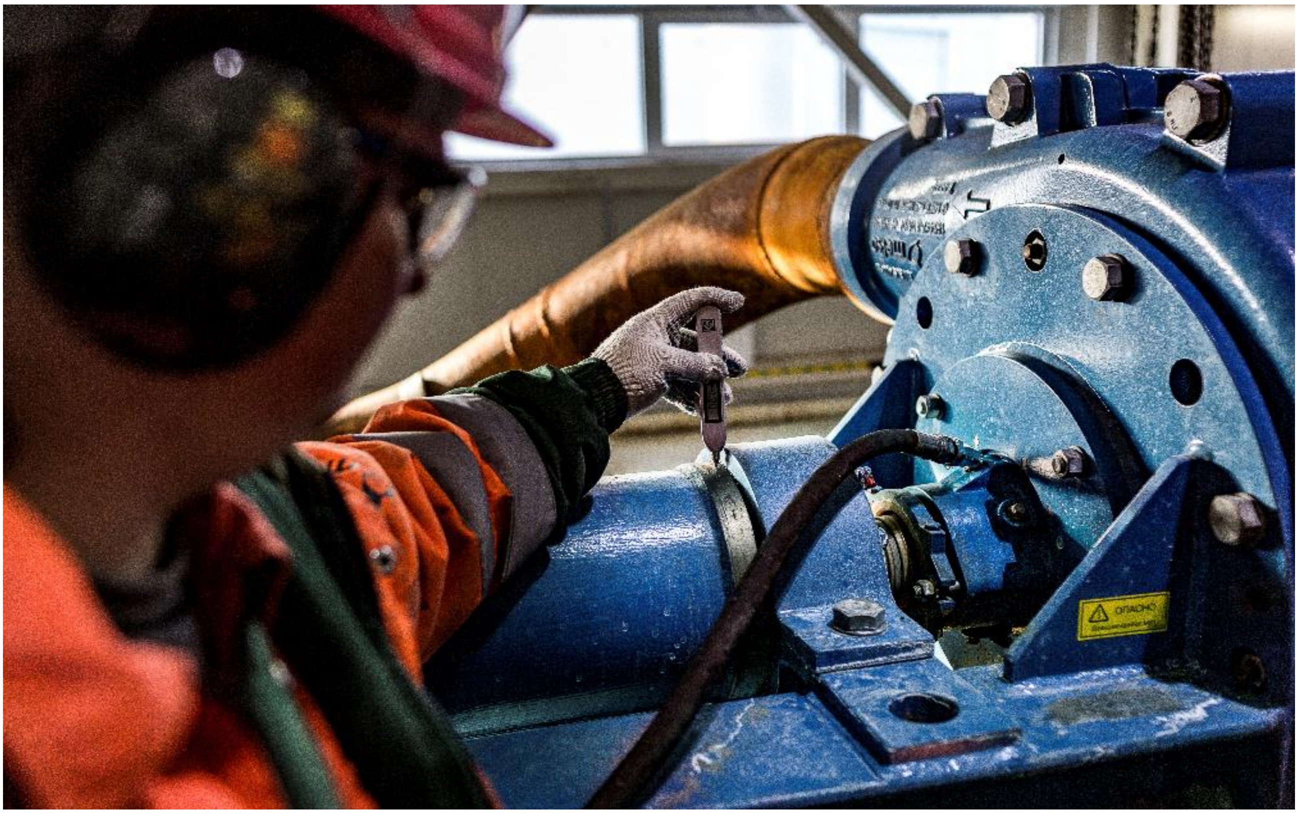
Minerals booked a significant order in September for delivery of two complete grinding lines to Russia. In the aggregates business, Metso signed several crushing and screening distribution agreements in various market areas to support future growth.

Minerals, sales and adjusted EBITA margin, rolling 12 months



Flow Control

- Market activity was healthy throughout 2017
- Day-to-day and services sales grew 6% in 2017 and 8% in the fourth quarter
- Profitability was good



EUR million	Q4/2017	Q4/2016	Change %	2017	2016	Change %
Orders received	**157**	136	15	**675**	609	11
Orders received by the services business	**97**	96	1	**423**	393	8
% of orders received	**62**	71		**63**	65	
Order backlog at the end of the year				**267**	242	10
Sales	**170**	155	10	**636**	631	1
Sales of the services business	**108**	100	8	**399**	378	6
% of sales	**64**	65		**63**	60	
Earnings before interest, tax and amortization (EBITA), adjusted	**27**	26	4	**93**	95	-2
% of sales	**15.6**	16.6		**14.6**	15.1	
Operating profit (EBIT)	**26**	25	6	**91**	90	0
% of sales	**15.3**	15.9		**14.3**	14.3	
Return on operative capital employed (ROCE), %				**29.7**	28.5	
Personnel at the end of the year				**2,660**	2,663	0

Quarterly performance

Flow Control's fourth-quarter orders increased 15 percent to EUR 157 million (EUR 136 million). The growth was largely driven by an increase in valve project orders compared to the very weak level in the comparison period. Sales in the fourth quarter totaled EUR 170 million (EUR 155 million). There was double-digit growth in Pumps business, while sales of valves increased moderately. Adjusted EBITA was healthy at EUR 27 million, or 15.6 percent of sales (EUR 26 million, or 16.6%). Operating profit totaled EUR 26 million, or 15.3 percent of sales (EUR 25 million, or 15.9%).

Full-year performance

Orders in 2017 totaled EUR 675 million, which is 11 percent higher than in the comparison period. Orders for both valves and pumps showed double-digit growth. Sales increased one percent to EUR 636 million. Full-year 2017 adjusted EBITA was at a good level of EUR 93 million, or 14.6 percent (EUR 95 million, or 15.1%). Operating profit totaled EUR 91 million, or 14.3 percent of sales (EUR 90 million, or 14.3%).

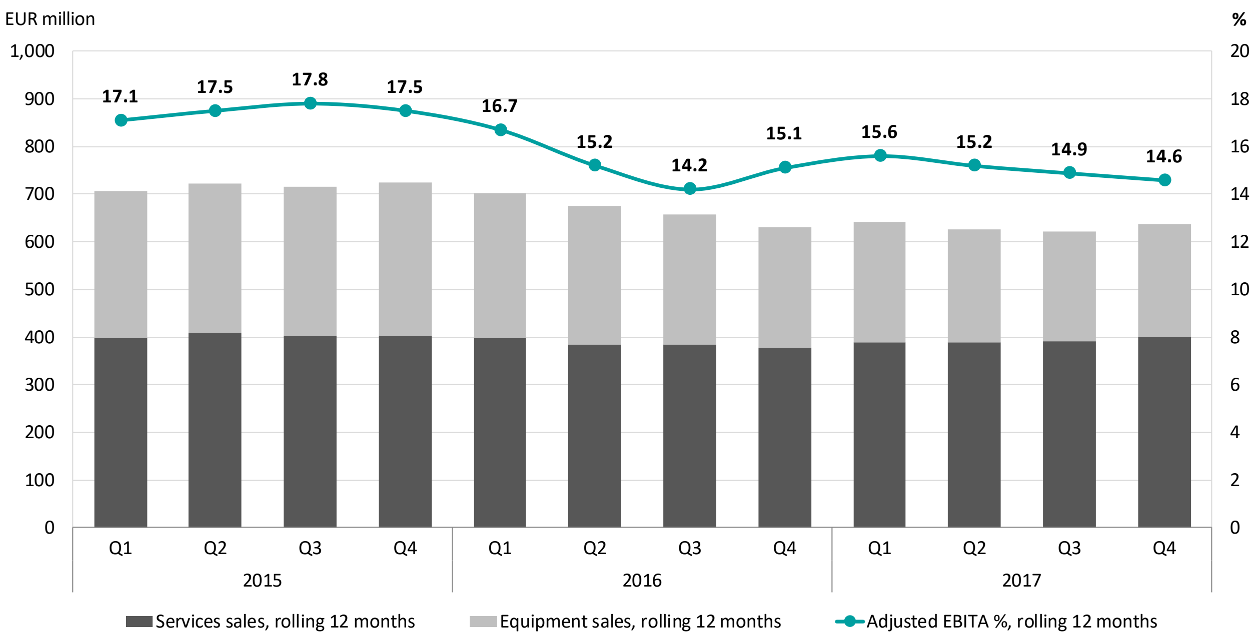
In line with its strategy, Flow Control signed several valve and process control equipment distribution agreements during 2017 to strengthen its presence in market areas, such as Brazil, India, North America, China, Korea and Europe.

Change in the definition of Flow Control's services business

The definition of Flow Control's services business was changed as of January 1, 2018, to align with the new organization. Based on the new definition:

- Flow Control's services sales in 2017 would have been EUR 227 million, or 36 percent of total sales
- Flow Control's services orders in 2017 would have been EUR 243 million, or 36 percent of total orders

Flow Control, sales and adjusted EBITA margin, rolling 12 months



Research and technology development

Research and development expenses in 2017 totaled EUR 27 million, or 1.0 percent of sales (EUR 34 million, or 1.3%). Metso's research and technology development (RTD) network encompasses approximately 20 units around the world.

R&D expenses, EUR million	**2017**	2016
R&D expenses	**27**	34
as % of sales	**1.0**	1.3
Expenses related to intellectual property rights	**2**	3

Inventions and patents	**2017**	2016
Invention disclosures	**69**	91
Priority patent applications	**18**	15
Inventions protected by patents, as of December 31	**300**	283

Metso's products and services design is focused on helping customers operate safely with higher productivity and profitability while reducing their resource intensity. Product safety principles consider all aspects relevant to:

1. Safe installation and operation
2. Servicing and maintaining products in all conditions
3. Training customers on the safe use of our equipment

Sustainability targets set for each new R&D project reinforce Metso's product sustainability. 84% of R&D projects have set environmental efficiency and product safety innovation targets that are monitored.

Implementation of Metso's digital strategy proceeded as planned in 2017: in mining by helping customers in their comminution processes with effective use of Internet-of-Things (IoT) and analytics; in aggregates by revamping Metso's online capabilities and enhancing the digital customer journey for the entire equipment lifecycle; and in flow control with digital tools for the project business. As part of the Life Cycle Services offering for the aggregates industry, a new digital solution was introduced that helps further optimize mobile crushing and screening equipment operations and maintenance.

In Minerals, several products were launched during 2017 to increase uptime and improve operational efficiency and safety for our customers.

Several new rock crushing technologies were introduced to the aggregates industry. The Metso MX™ crusher provides customers with better profitability by cutting operational costs by 10% and enabling 10% higher uptime compared to traditional cone crushers. The Metso Lokotrack® Urban™ mobile crushing plant simplifies crushing operations, incorporates significant noise protection and cuts dust emissions, minimizing the impact on people living and working around construction sites. With the noise-protected Lokotrack Urban LT106, the required protection distance drops by as much as 60 percent making it easier to obtain environmental permits when crushing in densely populated areas.

In screening, Metso introduced a new attachment system for its Trellex™ screening media; the system offers increased productivity, makes media change-outs safer and faster, and maximizes uptime. In grinding, the scalability of Metso's HRC™ high-pressure grinding technology was successfully proven in pilot testing in Chile. HRC™ technology enables savings in operational expenses of 10 to 20 percent, depending on the ore type.

In Recycling, the new Metso N-Series Mobile Shear/Baler/Logger (NMS) and N-Series Box Shear (NBS) were developed with active and mobile scrap processing companies in mind. The Metso N-Series range further ensures high uptime with Metso's worldwide service network.

In Flow Control, the Metso Neles NDX intelligent valve controller range was expanded with a double-acting Ex d-certified device that continues delivering the same performance, reliability and improved user experience as the first model, but for wider range of industries.

Health, safety and environment (HSE)

Employee safety, risk observations, safety discussions and safety training hours are continuously measured at Metso. We strive for continuous improvement and our occupational safety target is to achieve an LTIF (lost time incident frequency) of less than one. In 2017, the LTIF was 2.6 (2.5) which indicates that new safety actions must still be introduced going forward. To drive LTIF improvement, we started a global Safety Excellence training for Metso managers. In 2017, the set target for employees' HSE training was clearly exceeded

In total, 58 internal sustainability supplier audits and 20 HSE audits were conducted in 2017. Sustainability reporting assurance audits are also conducted by an external partner. In 2017, sites in Sorocaba, Brazil, Shrewsbury, US, and Shanghai, China, were audited on their HR and HSE reporting processes.

Metso has defined sustainability criteria and evaluation processes for its suppliers. Suppliers' environmental and safety practices, human and labor rights, compliance with laws and regulations, and anti-bribery are evaluated in the supplier self-assessments. Sustainability supplier audits are conducted in higher risk countries, and suppliers are required to implement corrective actions within a given timeframe. Corrective actions are followed up.

Personnel

Metso had 12,037 employees at the end of December 2017, which is 495 more than at the end of December 2016. Personnel increased by 520, including 142 new employees from WEARX acquisition, to 8,890 in Minerals, and was unchanged at 2,660 in Flow Control. Personnel in Group Head Office and other support functions totaled 487 (509).

Personnel by area

	Dec 31, 2017	**% of personnel**	Dec 31, 2016	% of personnel	Change %
Europe	**4,113**	**34**	4,097	35	0
North America	**1,563**	**13**	1,609	14	-3
South and Central America	**2,725**	**23**	2,420	21	13
Asia-Pacific	**2,795**	**23**	2,530	22	10
Africa and Middle East	**841**	**7**	886	8	-5
Metso total	**12,037**	**100**	11,542	100	4

Other events during the year

Annual General Meeting

The Annual General Meeting 2017 was held in Helsinki on March 23, 2017. A total of 1,457 shareholders representing 60 percent of the company's votes participated either in person or by proxy. The AGM approved the Financial Statements for 2016 and discharged the members of the Board of Directors and the President and CEO from liability for the 2016 financial year. The Nomination Board's proposals concerning Board members and their remuneration were also approved. The Authorized Public Accountant firm Ernst & Young, and Mikko Järventausta were elected as the company's Auditor and principal responsible auditor until the end of the next Annual General Meeting. The dividend of EUR 1.05 per share was paid on April 4, 2017, in accordance with the AGM's decision.

The AGM approved the proposal of the Board of Directors to authorize the Board to decide on the repurchase of Metso shares as well as to decide on donations to universities. The Board decided on authorizations to three universities, Tampere University of Technology, Aalto University and the University of Oulu, totaling EUR 1 million on June 8, 2017.

Board of Directors

Metso's Board of Directors in 2017 consisted of Mikael Lilius (Chair), Christer Gardell (Vice Chair), Peter Carlsson, Ozey K. Horton Jr., Lars Josefsson,Nina Kopola and Arja Talma. The Board's Audit Committee consisted of Arja Talma (Chair), Lars Josefsson and Nina Kopola. The Remuneration and HR Committee consisted of Mikael Lilius (Chair), Christer Gardell and Ozey K. Horton Jr.

Shareholders' Nomination Board proposal ahead of the 2018 Annual General Meeting regarding Board composition and remuneration

On January 22, 2018, it was announced that Shareholders' Nomination Board will propose to the next Annual General Meeting that the Board of Directors should have eight (8) members and that Mikael Lilius, Christer Gardell, Peter Carlsson, Ozey K. Horton, Jr., Lars Josefsson, Nina Kopola and Arja Talma should be re-elected. Mr. Antti Mäkinen, Managing Director of Solidium Oy, will be proposed as a new Board member. Mikael Lilius will be proposed to continue as Chair and Christer Gardell as Vice Chair of the Board.

The Nomination Board will propose that the fixed annual remuneration of the Board members should be:

- Chair EUR 120,000
- Vice Chair EUR 66,000
- Members EUR 53,000

The Nomination Board will further propose that an additional remuneration should be paid to the Board members that are elected as members of the Audit Committee and Remuneration and HR Committee:

- Chair of the Audit Committee EUR 20,000
- Members of the Audit Committee EUR 10,000
- Chair of the Remuneration and HR Committee EUR 10,000
- Member of the Remuneration and HR Committee EUR 5,000

The Nomination Board will propose the following meeting fees:

- Board members that reside in the Nordic countries EUR 800
- Members that reside in other European countries EUR 1,600
- Members residing outside Europe EUR 3,200

The Nomination Board was established on September 7, 2017, and it comprises:

- Niko Pakalén, Partner, Cevian Capital AB (Chair)
- Eija Ailasmaa, Vice Chair of the Board, Solidium Oy
- Risto Murto, President and CEO, Varma Mutual Pension Insurance Company
- Mikko Mursula, Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company

Mikael Lilius, Chair of Metso's Board of Directors, serves as an expert member.

President and CEO

Matti Kähkönen was President and CEO for the period of January 1-July 31, 2017. Nico Delvaux assumed his position as President and CEO on August 1, 2017, but resigned on December 18 and will leave his duties on February 2, 2018. After the reporting period, on January 22, 2018, CFO Eeva Sipilä was appointed Metso's interim President and CEO as of February 3, 2018.

New operating model and Executive Team

Metso's new operating model and organization were announced on September 25. Effective from January 1, 2018, it is designed to accelerate strategy implementation by strengthening the services and product businesses in the minerals and flow control markets with more focus and agility. Metso's new business areas and their heads are:

- Victor Tapia, President, Mining Equipment
- Markku Simula, President, Aggregates Equipment
- Mikko Keto, President, Minerals Services
- Sami Takaluoma, President, Minerals Consumables
- Uffe Hansen, Senior Vice President, Recycling
- John Quinlivan, President, Valves, and Pumps

The heads of the business areas report to the President and CEO and they are all members of Metso's Executive Team. Other executive team members are Eeva Sipilä, Chief Financial Officer (interim President and CEO as of February 3); Merja Kamppari, SVP, Human Resources, and Jani Puroranta, Chief Digital Officer.

The Group's reporting segments, Minerals and Flow Control, remained unchanged.

Shares and share trading

As of December 31, 2017, Metso's share capital was EUR 140,982,843.80 and the number of shares was 150,348,256. This included 351,128 treasury shares held by the Parent Company, which represented 0.2 percent of all shares and votes. There were no changes in the number of shares and share capital in 2017. A total of 126,888,336 Metso shares were traded on Nasdaq Helsinki in 2017, equivalent to a turnover of EUR 3,749 million. Metso's market capitalization, excluding shares held by the Parent Company was EUR 4,270 million (EUR 4,065 million at the end of 2016).

Metso share performance on Nasdaq Helsinki in 2017

EUR

Closing price	28.47
Highest share price	33.73
Lowest share price	26.46
Volume weighted average trading price	29.55

In addition to Nasdaq Helsinki, Metso's ADRs (American Depositary Receipts) are traded on the International OTCQX market in the United States under the ticker symbol 'MXCYY', with four ADRs representing one Metso share. The closing price of the Metso ADR on December 31, 2017, was USD 8.40.

Flagging notifications

In 2017, Metso received the following flagging notifications of changes in direct shareholding, shareholding through financial instruments or their total amount. Metso is not aware of any shareholders' agreements regarding the ownership of Metso shares and voting rights. Metso has 150,348,256 issued shares.

Date	Shareholder	Threshold	Direct, %	Indirect, %	Total, %	Total shares
November 15	Blackrock, Inc.	below 5%	4.96	0.89	5.85	8,801,526
September 19	Blackrock, Inc.	above 5%	5.04	0.76	5.80	8,727,846
September 6	Blackrock, Inc.	below 5%	4.80	0.92	5.72	8,607,839
May 15	Blackrock, Inc.	above 5%	5.02	0.67	5.70	8,579,587
April 18	Blackrock, Inc.	below 5%	4.76	0.82	5.59	8,406,466
March 24	Blackrock, Inc.	above 5%	5.07	0.22	5.30	7,972,471
March 9	Blackrock, Inc.	below 5%	4.35	1.53	5.89	8,856,163
February 28	Blackrock, Inc.	above 5%	5.06	0.78	5.84	8,793,183
February 8	Blackrock, Inc.	below 5%	4.94	0.84	5.79	8,705,734
February 7	Blackrock, Inc.	above 5%	5.02	0.74	5.76	8,666,338
February 6	Blackrock, Inc.	below 5%	4.97	0.75	5.72	8,611,261
February 3	Blackrock, Inc.	at 5%	5.00	0.79	5.79	8,718,113
February 1	Blackrock, Inc.	below 5%	4.98	0.72	5.71	8,856,003
January 11	Blackrock, Inc.	above 5%	5.10	0.51	5.62	8,451,908

Short-term business risks and market uncertainties

Uncertainties in economic growth and political developments globally might affect our customer industries, reduce the investment appetite and cut spending among our customers, and thereby weaken the demand for Metso's products and services as well as affect business operations. There are also other market- or customer-related risks that may cause on-going projects to be postponed, delayed or discontinued.

Continued growth and inflation in our markets might pose challenges to our supply chain and price management and could have an impact on our margins.

Exchange rate fluctuations and changes in commodity prices might affect our order intake, sales and financial performance, although the wide scope of our operations limits the exposure to single currencies or commodities. Metso hedges currency exposure linked to firm delivery and purchase agreements.

Uncertain market conditions might adversely affect our customers' payment behavior and increase the risk of lawsuits, claims and disputes taken against Metso in various countries related to, among other things, Metso's products, projects and other operations.

An emerging risk area continues to be information security and cyber threats, which can potentially disturb or disrupt Metso's businesses and operations.

Market outlook

Demand for our products and services is expected to develop as follows:

Remain stable for Minerals equipment and services

Remain stable for Flow Control equipment and services

The outlook represents our expected sequential market development with a rolling six-month view

Board of Directors’ proposal on the use of profit

The Company’s distributable funds on December 31, 2017, totaled EUR 966,698,362.94, of which the net profit for 2017 was EUR 197,919,255.40.

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, 2017, and that the remaining portion of the profit is retained and included in the Company’s unrestricted equity.

Corporate Governance Statement

Metso will publish a separate Corporate Governance Statement for 2017 that complies with the recommendations of the Finnish Corporate Governance Code for listed companies and covers other central areas of corporate governance. The statement will be published on our website, separately from the Board of Directors’ Report during the week of February 26 at the latest.

Non-financial information

Metso will publish non-financial information that complies with the Finnish Accounting Act as part of the Board of Directors’ Report during week of February 26 at the latest.

Annual General Meeting 2018

Metso Corporation’s Annual General Meeting 2018 will be held on Thursday, March 22, 2018. The Board will convene the meeting by separate invitation.

Helsinki, February 1, 2018
Metso Corporation’s Board of Directors

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

Such factors include, but are not limited to:
(1) general economic conditions, including fluctuations in exchange rates and interest levels which influence the operating environment and profitability of customers and thereby the orders received by the company and their margins,
(2) the competitive situation, especially significant technological solutions developed by competitors,
(3) the company’s own operating conditions, such as the success of production, product development and project management and their continuous development and improvement,
(4) the success of pending and future acquisitions and restructuring.

This Financial Statements Review has been prepared in accordance with IAS 34 'Interim Financial Reporting'. The same accounting policies have been applied in the Annual Financial Statements. The figures in this Financial Statements Review are based on the audited Financial Statements 2017.

All figures presented have been rounded and consequently the sum of individual figures might differ from the presented total figure.

CONSOLIDATED STATEMENT OF INCOME

EUR million	**10-12/2017**	10-12/2016	**1-12/2017**	1-12/2016
Sales	**710**	676	**2,706**	2,586
Cost of goods sold	**-521**	-492	**-1,975**	-1,849
Gross profit	**189**	184	**731**	737
Selling, general and administrative expenses	**-129**	-135	**-510**	-516
Other operating income and expenses, net	**0**	-5	**-2**	6
Share in profits of associated companies	**0**	0	**0**	0
Operating profit	**60**	44	**218**	227
Financial income	**8**	1	**12**	8
Financial expenses	**-16**	-9	**-47**	-47
Financial expenses, net	**-8**	-8	**-35**	-39
Profit before taxes	**52**	36	**184**	188
Income taxes	**-40**	-11	**-82**	-58
Profit for the period	**12**	25	**102**	130
Attributable to:				
Shareholders of the company	**12**	25	**102**	130
Non-controlling interests	**0**	0	**0**	0
Profit for the period	**12**	25	**102**	130
Earnings per share				
Basic, EUR	**0.08**	0.17	**0.68**	0.87
Diluted, EUR	**0.08**	0.17	**0.68**	0.87

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	**10-12/2017**	10-12/2016	**1-12/2017**	1-12/2016
Profit for the period	**12**	25	**102**	130
Items that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedges, net of tax	**-1**	-2	**3**	-2
Available-for-sale equity investments, net of tax	**0**	0	**0**	0
Currency translation on subsidiary net investments	**-3**	20	**-39**	23
	-4	18	**-36**	21
Items that will not be reclassified to profit or loss:				
Defined benefit plan actuarial gains (+) / losses (-), net of tax	**1**	3	**1**	3
Other comprehensive income (+) / expense (-)	**-3**	21	**-35**	24
Total comprehensive income (+) / expense (-)	**9**	46	**67**	154
Attributable to:				
Shareholders of the company	**9**	46	**67**	154
Non-controlling interests	**0**	0	**0**	0
Total comprehensive income (+) / expense (-)	**9**	46	**67**	154

CONSOLIDATED BALANCE SHEET

ASSETS

EUR million	Dec 31, 17	Dec 31, 16
Non-current assets		
Intangible assets		
Goodwill	**466**	452
Other intangible assets	**79**	86
	545	538
Tangible assets		
Land and water areas	**43**	45
Buildings and structures	**98**	113
Machinery and equipment	**136**	149
Assets under construction	**10**	8
	287	315
Financial and other assets		
Investments in associated companies	**1**	1
Available-for-sale equity investments	**3**	1
Loan and other interest bearing receivables	**3**	3
Derivative financial instruments	**2**	8
Deferred tax asset	**93**	112
Other non-current assets	**29**	32
	130	157
Total non-current assets	**961**	1,010
Current assets		
Inventories	**750**	709
Receivables		
Trade and other receivables	**631**	605
Cost and earnings of projects under construction in excess of advance billings	**66**	66
Loan and other interest bearing receivables	**0**	10
Financial instruments held for trading	**154**	109
Derivative financial instruments	**13**	9
Income tax receivables	**38**	20
Receivables total	**903**	819
Cash and cash equivalents	**673**	698
Total current assets	**2,326**	2,226
TOTAL ASSETS	**3,287**	3,236

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	Dec 31, 17	Dec 31, 16
Equity		
Share capital	**141**	141
Cumulative translation adjustments	**-87**	-48
Fair value and other reserves	**302**	299
Retained earnings	**988**	1,039
Equity attributable to shareholders	**1,344**	1,431
Non-controlling interests	**7**	8
Total equity	**1,351**	1,439
Liabilities		
Non-current liabilities		
Long-term debt	**554**	767
Post employment benefit obligations	**68**	88
Provisions	**37**	40
Derivative financial instruments	**0**	5
Deferred tax liability	**18**	11
Other long-term liabilities	**2**	2
Total non-current liabilities	**680**	913
Current liabilities		
Current portion of long-term debt	**279**	0
Short-term debt	**21**	27
Trade and other payables	**547**	470
Provisions	**74**	81
Advances received	**198**	186
Billings in excess of cost and earnings of projects under construction	**58**	54
Derivative financial instruments	**10**	21
Income tax liabilities	**70**	45
Total current liabilities	**1,257**	884
Total liabilities	**1,937**	1,797
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**3,287**	3,236

NET INTEREST BEARING LIABILITIES

EUR million	Dec 31, 17	Dec 31, 16
Long-term interest bearing debt	**833**	767
Short-term interest bearing debt	**21**	27
Cash and cash equivalents	**-673**	-698
Other interest bearing assets	**-157**	-122
Net interest bearing liabilities	**24**	-26

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Cash flows from operating activities:				
Profit	**12**	25	**102**	130
Adjustments to reconcile profit to net cash provided by operating activities				
Depreciation and amortization	**16**	15	**59**	61
Financial income and expenses, net	**8**	8	**35**	39
Income taxes	**40**	11	**82**	58
Other	**-10**	13	**16**	12
Change in net working capital	**22**	55	**-23**	92
Cash flows from operations	**87**	127	**270**	392
Financial income and expenses, net paid	**-7**	-11	**-21**	-25
Income taxes paid	**-15**	-8	**-64**	-21
Net cash provided by operating activities	**65**	108	**185**	346
Cash flows from investing activities:				
Capital expenditures on intangible and tangible assets	**-12**	-10	**-38**	-31
Proceeds from sale of intangible and tangible assets	**2**	-1	**5**	21
Business acquisitions, net of cash acquired	**-30**	-	**-30**	-
Other	-	-1	**-2**	-
Net cash provided by (+) / used in (-) investing activities	**-41**	-12	**-66**	-10
Cash flows from financing activities:				
Dividends paid	-	-	**-157**	-157
Proceeds from (+) / Investments in (-) financial assets	**2**	-8	**-35**	-42
Net funding	**4**	-15	**59**	-40
Other items	**-**	-	**-1**	-
Net cash provided by (-) / used in (-) financing activities	**6**	-23	**-134**	-239
Net increase (+) / decrease (-) in cash and cash equivalents	**30**	73	**-15**	98
Effect from changes in exchange rates	**-1**	5	**-12**	10
Cash and cash equivalents at beginning of period	**643**	620	**698**	590
Cash and cash equivalents at end of period	**673**	698	**673**	698

FREE CASH FLOW

EUR million	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Net cash provided by operating activities	**65**	108	**185**	346
Capital expenditures on maintenance investments	**-10**	-10	**-32**	-28
Proceeds from sale of intangible and tangible assets	**2**	-1	**5**	21
Free cash flow	**57**	97	**158**	339

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, 2016	**141**	**-71**	**302**	**1,064**	**1,436**	**8**	**1,444**
Profit for the period	-	-	-	130	130	0	130
Other comprehensive income (+) / expense (-)							
Cash flow hedges, net of tax	-	-	-2	-	-2	-	-2
Available-for-sale equity investments, net of tax	-	-	0	-	0	-	0
Currency translation on subsidiary net investments	-	23	-	-	23	-	23
Defined benefit plan actuarial gains (+) / losses (-), net of tax	-	-	-	3	3	-	3
Total comprehensive income (+) / expense (-)	-	23	-2	133	154	0	154
Dividends	-	-	-	-157	-157	0	-157
Share-based payments, net of tax	-	-	1	-	1	-	1
Other	-	-	-2	-1	-3	0	-3
Changes in non-controlling interests	-	-	-	0	0	0	0
Balance at Dec 31, 2016	**141**	**-48**	**299**	**1,039**	**1,431**	**8**	**1,439**
Balance at Jan 1, 2017	**141**	**-48**	**299**	**1,039**	**1,431**	**8**	**1,439**
Profit for the period	-	-	-	102	102	0	102
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	-	-39	-	-	-39	0	-39
Defined benefit plan actuarial gains (+) / losses (-), net of tax	-	-	-	1	1	-	1
Total comprehensive income (+) / expense (-)	-	-39	3	103	67	0	67
Dividends	-	-	-	-157	-157	0	-157
Donations to universities	-	-	-	-1	-1	-	-1
Share-based payments, net of tax	-	-	0	0	0	-	0
Other	-	-	0	4	4	-1	3
Changes in non-controlling interests	-	-	-	0	0	0	0
Balance at Dec 31, 2017	**141**	**-87**	**302**	**988**	**1,344**	**7**	**1,351**

ACQUISITIONS

Acquisitions 2017
On November 1, 2017, Metso acquired 100% of the share capital of Australian WearX Holding Pty Ltd, which is producing wear lining solutions. The acquisition strengthens Metso's position in the wear lining business and extends its offering in the Australian markets.

The assets and liabilities recognized as a result of the acquisition are as follows:

	EUR million
Intangible assets	11
Tangible assets	2
Inventory	1
Trade receivables	5
Other receivables	0
Cash	1
Trade payables	-2
Other liabilities	-4
Deferred tax liability	-3
Net identifiable assets acquired	12
Add: goodwill	19
Net assets acquired	**31**
Purchase consideration	**31**

The goodwill is attributable to synergies relatated mainly to the extended offering in the wear lining business in total group, sourcing and personnel know-how. Goodwill is not deductible for tax purposes.

The acquired business contributed sales of EUR 4.7 million to the Metso Group for the period from November 1, 2017, to December 31, 2017, and the number of personnel was 142. The company's sales in the twelve months fiscal year 2017 that ended June 30, amounted to EUR 23 million.

FAIR VALUE ESTIMATION

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

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

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

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

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

The table below present Metso's financial assets and liabilities that are measured at fair value. There has been no transfers between fair value levels during 2016 or 2017.

December 31, 2017

EUR million	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
• Derivatives	-	8	-
• Securities	2	152	-
Derivatives qualified for hedge accounting	-	7	-
Available for sale investments			
• Equity investments	-	-	-
• Debt investments	-	-	-
Total assets	**2**	**167**	**-**
Liabilities			
Financial liabilities at fair value through profit and loss			
• Derivatives	-	4	-
• Long term debt at fair value	-	399	-
Derivatives qualified for hedge accounting	-	6	-
Total liabilities	**-**	**409**	**-**

December 31, 2016

EUR million	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
• Derivatives	-	4	-
• Securities	7	103	-
Derivatives qualified for hedge accounting	-	13	-
Available for sale investments			
• Equity investments	0	-	-
• Debt investments	-	-	-
Total assets	**7**	**120**	**-**
Liabilities			
Financial liabilities at fair value through profit and loss			
• Derivatives	-	20	-
• Long term debt at fair value	-	414	-
Derivatives qualified for hedge accounting	-	6	-
Total liabilities	**-**	**440**	**-**

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

ASSETS PLEDGED AND CONTINGENT LIABILITIES

EUR million	Dec 31, 17	Dec 31, 16
Metso Group		
On behalf of others		
Guarantees [1)]	**274**	273
Other commitments		
Repurchase commitments	**3**	2
Other contingencies	**3**	3
Lease commitments	**126**	140

[1)] External guarantees given by parent and group companies

NOTIONAL AMOUNTS OF DERIVATIVE FINANCIAL INSTRUMENTS

EUR million	Dec 31, 17	Dec 31, 16
Forward exchange rate contracts	**1,347**	998
Interest rate swaps	**432**	245
Cross currency swaps	**244**	244
Option agreements		
Bought	**-**	-
Sold	**-**	-

The notional amount of electricity forwards was 14 GWh as of December 31, 2017, and 35 GWh as of December 31, 2016.

The notional amount of nickel forwards to hedge stainless steel prices was 270 tons as of December 31, 2017, and 288 tons as of December 31, 2016.

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

KEY RATIOS

	1-12/2017	1-12/2016
Earnings per share, EUR	**0.68**	0.87
Diluted earnings per share, EUR	**0.68**	0.87
Equity/share at end of the year, EUR	**8.96**	9.54
Return on equity (ROE), %	**7.3**	9.0
Return on capital employed (ROCE) before taxes, %	**10.3**	10.4
Return on capital employed (ROCE) after taxes, %	**6.6**	7.8
Equity to assets ratio at end of the year, %	**44.5**	48.0
Net gearing at end of the year, %	**1.8**	-1.8
Free cash flow, EUR million	**158**	339
Free cash flow/share, EUR	**1.05**	2.26
Cash conversion, %	**155**	261
Gross capital expenditure (excl. business acquisitions), EUR million	**38**	31
Business acquisitions, net of cash acquired, EUR million	**30**	-
Depreciation and amortization, EUR million	**59**	61
Number of outstanding shares at end of the year (thousands)	**149,997**	149,985
Average number of shares (thousands)	**149,995**	149,985
Average number of diluted shares (thousands)	**150,151**	150,113

FORMULAS FOR CALCULATION OF INDICATORS

Earnings before interest, tax and amortization (EBITA), adjusted:
Operating profit + adjustment items + amortization

Earnings per share, basic:

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

Earnings per share, diluted:

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

Equity/share:

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

Return on equity (ROE), %:

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

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

$$\frac{\text{Profit before tax + interest and other financial expenses}}{\text{Capital employed (average for year)}} \times 100$$

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

$$\frac{\text{Profit for the period + interest and other financial expenses}}{\text{Capital employed (average for year)}} \times 100$$

Net gearing, %:

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

Equity to assets ratio, %:

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

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

Free cash flow / share:

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

Cash conversion, %:

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

Net interest bearing liabilities:
Long term debt + current portion of long term debt + short term debt - loan and other interest bearing receivables (non-current and current) - financial instruments held for trading - cash and cash equivalents

Capital employed:

Net working capital + intangible and tangible assets + non-current investments + interest bearing receivables + financial instruments held for trading + cash and cash equivalents + tax receivables, net + interest receivables, net

Operative capital employed:

Intangible and tangible assets + investments in associated companies and joint ventures + available-for-sale equity investments + inventories + non-interest bearing operative assets and receivables (external) - non-interest bearing operating liabilities (external)

Return on operative capital employed (ROCE) for reporting segments, %:

$$\frac{\text{Operating profit}}{\text{Operative capital employed (month-end average)}} \times 100$$

EXCHANGE RATES USED

		1-12/2017	1-12/2016	**Dec 31, 17**	Dec 31, 16
USD	(US dollar)	**1.1307**	1.1021	**1.1993**	1.0541
SEK	(Swedish krona)	**9.6392**	9.4496	**9.8438**	9.5525
GBP	(Pound sterling)	**0.8742**	0.8159	**0.8872**	0.8562
CAD	(Canadian dollar)	**1.4684**	1.4630	**1.5039**	1.4188
BRL	(Brazilian real)	**3.6271**	3.8571	**3.9729**	3.4305
CNY	(Chinese yuan)	**7.6299**	7.3199	**7.8044**	7.3202
AUD	(Australian dollar)	**1.4780**	1.4856	**1.5346**	1.4596

SEGMENT INFORMATION

ORDERS RECEIVED

EUR million	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Minerals	**527**	536	**2,308**	2,115
Flow Control	**157**	136	**675**	609
Group Head Office and other	**-**	-	**-**	-
Intra Metso orders received	**0**	0	**0**	0
Metso total	**684**	672	**2,982**	2,724

SALES

EUR million	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Minerals	**540**	522	**2,070**	1,956
Flow Control	**170**	155	**636**	631
Group Head Office and other	**-**	-	**-**	-
Intra Metso sales	**0**	-1	**0**	-1
Metso total	**710**	676	**2,706**	2,586

ADJUSTED EBITA

EUR million	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Minerals	**48.2**	47.4	**167.9**	190.3
Flow Control	**26.6**	25.7	**93.1**	95.0
Group Head Office and other	**-10.5**	-9.3	**-17.2**	-11.3
Metso total	**64.3**	63.8	**243.7**	274.0

ADJUSTED EBITA, % OF SALES

%	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Minerals	**8.9**	9.1	**8.1**	9.7
Flow Control	**15.6**	16.6	**14.6**	15.1
Group Head Office and other	**n/a**	n/a	**n/a**	n/a
Metso total	**9.1**	9.4	**9.0**	10.6

ADJUSTMENT ITEMS

EUR million	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Minerals	**0.1**	-13.4	**-8.1**	-36.3
Flow Control	**-**	-0.4	**-**	-2.0
Group Head Office and other	-	-1.3	**0.0**	8.6
Metso total	**0.1**	-15.1	**-8.1**	-29.7

AMORTIZATION

EUR million	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Minerals	**-2.0**	-1.4	**-6.4**	-6.0
Flow Control	**-0.6**	-0.7	**-2.4**	-2.6
Group Head Office and other	**-2.0**	-2.1	**-8.5**	-8.7
Metso total	**-4.6**	-4.2	**-17.1**	-17.3

OPERATING PROFIT (LOSS)

EUR million	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Minerals	**46.4**	32.5	**153.4**	148.0
Flow Control	**26.0**	24.6	**90.8**	90.4
Group Head Office and other	**-12.6**	-12.7	**-25.7**	-11.4
Metso total	**59.8**	44.5	**218.4**	227.1

OPERATING PROFIT (LOSS), % OF SALES

%	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Minerals	**8.6**	6.2	**7.4**	7.6
Flow Control	**15.3**	15.9	**14.3**	14.3
Group Head Office and other	**n/a**	n/a	**n/a**	n/a
Metso total	**8.4**	6.6	**8.1**	8.8

QUARTERLY INFORMATION

ORDERS RECEIVED

EUR million	10-12/2016	1-3/2017	4-6/2017	7-9/2017	10-12/2017
Minerals	536	560	575	646	**527**
Flow Control	136	173	174	171	**157**
Group Head Office and other	-	-	-	-	**-**
Intra Metso orders received	0	0	0	0	**0**
Metso total	672	733	749	817	**684**

SALES

EUR million	10-12/2016	1-3/2017	4-6/2017	7-9/2017	10-12/2017
Minerals	522	489	523	518	**540**
Flow Control	155	159	152	155	**170**
Group Head Office and other	-	-	-	-	**-**
Intra Metso sales	-1	0	0	0	**0**
Metso total	676	648	675	673	**710**

ADJUSTED EBITA

EUR million	10-12/2016	1-3/2017	4-6/2017	7-9/2017	10-12/2017
Minerals	47.4	43.4	54.9	21.3	**48.2**
Flow Control	25.7	24.8	16.4	25.3	**26.6**
Group Head Office and other	-9.3	-1.8	-1.3	-3.6	**-10.5**
Metso total	63.8	66.4	70.0	43.0	**64.3**

ADJUSTED EBITA, % OF SALES

%	10-12/2016	1-3/2017	4-6/2017	7-9/2017	10-12/2017
Minerals	9.1	8.9	10.5	4.1	**8.9**
Flow Control	16.6	15.6	10.8	16.3	**15.6**
Group Head Office and other	n/a	n/a	n/a	n/a	**n/a**
Metso total	9.4	10.2	10.4	6.4	**9.1**

ADJUSTMENT ITEMS

EUR million	10-12/2016	1-3/2017	4-6/2017	7-9/2017	10-12/2017
Minerals	-13.4	-2.7	-6.0	0.5	**0.1**
Flow Control	-0.4	-	-	-	**-**
Group Head Office and other	-1.3	-	-	-	**-**
Metso total	-15.1	-2.7	-6.0	0.5	**0.1**

AMORTIZATION

EUR million	10-12/2016	1-3/2017	4-6/2017	7-9/2017	10-12/2017
Minerals	-1.4	-1.5	-1.4	-1.5	**-2.0**
Flow Control	-0.7	-0.6	-0.6	-0.6	**-0.6**
Group Head Office and other	-2.1	-2.2	-2.2	-2.1	**-2.0**
Metso total	-4.2	-4.3	-4.2	-4.1	**-4.6**

OPERATING PROFIT (LOSS)

EUR million	10-12/2016	1-3/2017	4-6/2017	7-9/2017	10-12/2017
Minerals	32.5	39.3	47.4	20.3	**46.4**
Flow Control	24.6	24.2	15.8	24.8	**26.0**
Group Head Office and other	-12.7	-4.0	-3.4	-5.7	**-12.6**
Metso total	44.5	59.4	59.8	39.4	**59.8**

OPERATING PROFIT (LOSS), % OF SALES

%	10-12/2016	1-3/2017	4-6/2017	7-9/2017	10-12/2017
Minerals	6.2	8.0	9.1	3.9	**8.6**
Flow Control	15.9	15.2	10.4	16.0	**15.3**
Group Head Office and other	n/a	n/a	n/a	n/a	**n/a**
Metso total	6.6	9.2	8.9	5.9	**8.4**

CAPITAL EMPLOYED

EUR million	Dec 31, 2016	Mar 31, 2017	June 30, 2017	Sep 30, 2017	Dec 31, 2017
Minerals *	1,046	1,037	1,032	1,018	**1,051**
Flow Control *	314	325	311	295	**290**
Group Head Office and other	873	894	838	881	**863**
Metso total	2,233	2,256	2,181	2,194	**2,204**

* Operative capital employed includes only external balance sheet items.

ORDER BACKLOG

EUR million	Dec 31, 2016	Mar 31, 2017	June 30, 2017	Sep 30, 2017	Dec 31, 2017
Minerals	1,078	1,138	1,140	1,212	**1,173**
Flow Control	242	258	271	279	**267**
Group Head Office and other	-	-	-	-	**-**
Intra Metso order backlog	0	0	0	0	**0**
Metso total	1,320	1,396	1,411	1,491	**1,439**

PERSONNEL	Dec 31, 2016	Mar 31, 2017	June 30, 2017	Sep 30, 2017	Dec 31, 2017
Minerals	8,370	8,353	8,567	8,607	**8,890**
Flow Control	2,663	2,632	2,685	2,584	**2,660**
Group Head Office and other	509	468	536	507	**487**
Metso total	11,542	11,453	11,788	11,698	**12,037**

ADJUSTMENTS AND AMORTIZATION OF INTANGIBLE ASSETS

10-12/2017

EUR million	Minerals	Flow Control	Group Head office and other	Metso total
Adjusted EBITA	**48.2**	**26.6**	**-10.5**	**64.3**
% of sales	**8.9**	**15.6**	**-**	**9.1**
Amortization of intangible assets	-2.0	-0.6	-2.0	**-4.6**
Operating profit (EBIT)	46.2	26.0	-12.5	**59.8**

1-12/2017

EUR million	Minerals	Flow Control	Group Head office and other	Metso total
Adjusted EBITA	**167.9**	**93.1**	**-17.3**	**243.7**
% of sales	**8.1**	**14.6**	**-**	**9.0**
Capacity adjustment expenses	-8.1	-	-	**-8.1**
Amortization of intangible assets	-6.3	-2.4	-8.5	**-17.2**
Operating profit (EBIT)	153.4	90.8	-25.7	**218.4**

10-12/2016

EUR million	Minerals	Flow Control	Group Head office and other	Metso total
Adjusted EBITA	**47.4**	**25.7**	**-9.3**	**63.8**
% of sales	**9.1**	**16.5**	**-**	**9.4**
Capacity adjustment expenses	-13.3	-0.4	-	**-13.7**
Other costs	-0.1	-	-1.2	**-1.3**
Amortization of intangible assets	-1.4	-0.7	-2.1	**-4.2**
Operating profit (EBIT)	32.5	24.6	-12.6	**44.5**

1-12/2016

EUR million	Minerals	Flow Control	Group Head office and other	Metso total
Adjusted EBITA	**190.3**	**95.0**	**-11.3**	**274.0**
% of sales	**9.7**	**15.1**	**-**	**10.6**
Capacity adjustment expenses	-33.1	-2.0	0.0	**-35.1**
Gain on sale of fixed assets	-	-	10.4	**10.4**
Other costs	-3.2	-	-1.8	**-5.0**
Amortization of intangible assets	-6.0	-2.6	-8.7	**-17.3**
Operating profit (EBIT)	148.0	90.4	-11.4	**227.1**

New standards to be applied:

IFRS 15

IFRS 15 standard will be effective as of January 1, 2018 and it will replace IAS 18 covering revenue recognition of goods and services and IAS 11 covering revenue recognition of construction contracts. Under IFRS 15 the principle is that revenue is recognized when the control of goods or services is transferred to a customer. Metso has assessed the impact of applying the new standard through the main revenue streams as follows:

Reporting segment	Revenue stream	Revenue recognition IFRS 15	Revenue recognition IAS 18, IAS 11
Minerals	Engineered system deliveries	Over time	Percentage of completion (POC)
Minerals	Standardized equipment deliveries	At a point in time	At the delivery or commissioning
Minerals	Long-term service agreements with wear/spare parts	Over time	Percentage of completion (POC)
Minerals/ Flow Control	Short term service agreements with wear/spare parts	At a point in time	When service rendered When wear/spare parts delivered
Flow Control	Valves and pumps deliveries	At a point in time	At the delivery

Under IFRS 15 the timing of revenue recognition or presentation of the balance sheet items will not have any significant impact on Metso's financial statements. Under the new standard, Metso's reported sales will be reduced by the amounts of late delivery penalties, which have currently been expensed. Metso estimates that the impact of the reclassification of late delivery penalties will be minor, representing about 0.1–0.3 per cent of its annual sales. The reducing or postponing impact on sales caused by volume discounts, extended warranties or right to return adjustments are estimated to be insignificant. Metso will adopt the IFRS15 full retrospectively.

Metso's financial information in 2018

Annual Report in the week starting February 26 at the latest

Interim Review for January – March 2018 on April 25

Half-Year Financial Review for 2018 on July 26

Interim Review for January – September 2018 on October 26

Annual General Meeting is planned to be held on March 22, 2018.

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