Financial Statements and investor information

2017

metso

How to read Metso's reports for 2017

Metso has published four reports that together form the Annual Report for 2017. This Financial Statements has been published and printed in English and Finnish. The "Read more" section contains additional sources and information.

To read all of the four reports, the Annual Review, the Financial Statements, the Corporate Governance Statement and the Sustainability Supplement, please visit our website www.metso.com/2017. On the website, you can read our Annual Review and Corporate Governance Statement for 2017 as a PDF file in either English or Finnish. Sustainability information is presented on the website in English, as a PDF file. The Sustainability Supplement has been externally assured.

Read more

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From the CEO

After several years of a challenging market environment we saw improving demand in all our customer industries. Despite this, our results were affected by challenges in mining projects and shortcomings in our ability to respond to a significant ramp-up of activity in the Minerals services business. Corrective actions are in place and Metso is in a good position – both financially and in terms of organizational capability – to capitalize on the favorable market environment.

Last year was two-fold for Metso. There was a clear upward trend in all our customer industries and especially the mining cycle saw a positive turnaround. Our orders increased by 9%, driven by both the Minerals and Flow Control segments. Our sales grew 5% to EUR 2.7 billion, but this growth was not reflected on the bottom line, as our operating profit (EBIT) totaled EUR 218 million, compared to EUR 227 million in 2016. The most significant negative impacts on our results were attributable to charges related to the challenges we faced in mining projects and to ramping up our activity levels towards the end of the year in the services business of the Minerals segment. Earnings per share were further affected by one-off tax-related items totaling EUR 29 million, and EPS therefore came in at only EUR 0.68, compared to EUR 0.87 in 2016. Our balance sheet and financial position, on the other hand, continue to be healthy with net gearing at 1.8%.

Executing our strategy

Going forward, our market environment is expected to remain good, providing us with attractive opportunities for profitable growth. To be better equipped to execute on our growth plans, we implemented a strategy review and an organizational change during the second half of 2017. The outcome of those was that the fundamental elements of Metso's strategy are unchanged; we continue to target a leading position in the chosen Minerals and Flow Control industries. However, the way we are executing our strategy is being transformed. Compared to the previous structure with three business areas, Metso now has seven dedicated business areas: Mining Equipment, Aggregates Equipment, Minerals Services, Minerals Consumables, Valves, Pumps, and Recycling. Each of the seven business areas has clear priorities and action plans to drive growth and improve financial performance in their distinctive businesses. The new operating model further strengthens the accountability of our businesses and speeds up decision making to enable both the implementation of our growth plans and an agile response to changes in the markets and in our customers' needs.

We will also continue to increase the use of digital technologies and data to create value for our customers through better productivity. Metso's digital program is targeting to find real solutions that will help our customers succeed. The digital initiatives go together with our increased efforts in R&D, and we will invest more in innovation. We are convinced that Metso has a role in tackling the opportunities and challenges of a circular economy, urbanization and climate change. Through the products and services that we innovate and offer to our customers, we can have a noticeable impact on overall efficiency and the sustainability of our customer industries.

Strong focus in improving performance

Our priorities for 2018 are crystal clear. We want to grow faster than the market organically and complement that with acquisitions. All our business areas face growing demand in their markets and they have solid plans to capitalize on those opportunities. Even more importantly, we need to improve our delivery capability and operational efficiency to show better profitability alongside sales growth. Actions needed for improved profitability have been implemented as of late 2017, and I am confident that results will be seen during 2018.

I want to thank all my colleagues at Metso, our customers, partners, and shareholders for their support and commitment in 2017.

Eeva Sipilä
Interim President and CEO, CFO

Board of Directors' Report, Financial Statements 2017 and investor information

Financial Statements 2017 comprise the audited Consolidated Financial Statements of Metso and Parent company Financial Statements as well as the Board of Directors´ Report. Corporate Governance statement has been published separately and is available on our website www.metso.com.

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Board of Directors' Report

Financial year 2017

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

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 and financial performance

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.

In 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 (EPS) 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 figures in brackets refer to the corresponding year 2016.

Metso's key figures

EUR million	2017	2016	Change %
Orders received	**2,982**	2,724	9
Orders received by the services business	**1,897**	1,741	9
% of orders received	**64**	64	
Order backlog	**1,439**	1,320	9
Sales	**2,706**	2,586	5
Sales of the services business	**1,767**	1,703	4
% of sales	**65**	66	
Earnings before interest, tax and amortization (EBITA), adjusted	**244**	274	-11
% of sales	**9.0**	10.6	
Operating profit	**218**	227	-4
% of sales	**8.1**	8.8	
Earnings per share (EPS), EUR	**0.68**	0.87	
Free cash flow	**158**	339	-53
Return on capital employed (ROCE) before taxes, %	**10.3**	10.4	
Equity-to-assets ratio, %	**44.5**	48.0	
Net gearing, %	**1.8**	-1.8	
Personnel at the end of the year	**12,037**	11,542	4

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 included EUR 19 million from the divestment of the previous head office property.

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. Metso also exchanged EUR 205 million of its outstanding EUR 400 million bonds maturing in 2019 to new bonds and extended its debt maturity profile with the transaction.

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 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 business 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 business 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 5 million to Metso. The company's sales in the fiscal year 2017 that ended on June 30 were AUD 35 million equaling EUR 23 million and it has 142 employees.

Reporting Segments

Minerals

EUR million	2017	2016	Change %
Orders received	**2,308**	2,115	9
Orders received by the services business	**1,474**	1,348	9
% of orders received	**64**	64	
Order backlog	**1,173**	1,078	9
Sales	**2,070**	1,956	6
Sales of the services business	**1,368**	1,325	3
% of sales	**66**	68	
Adjusted EBITA	**168**	190	-12
% of sales	**8.1**	9.7	
Operating profit	**153**	148	4
% of sales	**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

Minerals' 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. 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. 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.

Flow Control

EUR million	2017	2016	Change %
Orders received	**675**	609	11
Orders received by the services business	**423**	393	8
% of orders received	**63**	65	
Order backlog	**267**	242	10
Sales	**636**	631	1
Sales of the services business	**399**	378	6
% of sales	**63**	60	
Adjusted EBITA	**93**	95	-2
% of sales	**14.6**	15.1	
Operating profit	**91**	90	0
% of sales	**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

Flow Control's 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 1 percent to EUR 636 million. 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.

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

Research and technology development

Research and development expenses (R&D) 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
% of sales	1.0	1.3
Expenses related to intellectual property rights	-2	-3

Inventions and patents

Pieces	2017	2016
Invention disclosures	69	91
Priority patent applications	18	15
Inventions protected by patents, at the end of year	300	283

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.

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

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' health, safety and environment (HSE) training was clearly exceeded.

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

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 one 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.

After the reporting period, 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 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. This and other proposals by the Nomination Board will be included in the Annual General Meeting invitation.

President and CEO

Matti Kähkönen was the 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

Metso's new operating model and organization were announced on September 25, 2017. 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 are: Mining Equipment, Aggregates Equipment, Minerals Services, Minerals Consumables, Recycling, Valves, and Pumps. 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 or in share capital in 2017. A total of 126,888,336 Metso shares were traded on Nasdaq OMX 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 OMX Helsinki

EUR	2017
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 OMX 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

Under the provisions of the Finnish Securities Markets Act, shareholders of listed companies have an obligation to notify both the Finnish Financial Supervision Authority and the company of changes when their holdings reach, exceed or fall below a certain threshold. Metso is not aware of any shareholders' agreements regarding Metso shares or voting rights. All flagging notifications have been released as a stock exchange release and the list of flaggings is also available at www.metso.com/flaggings.

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

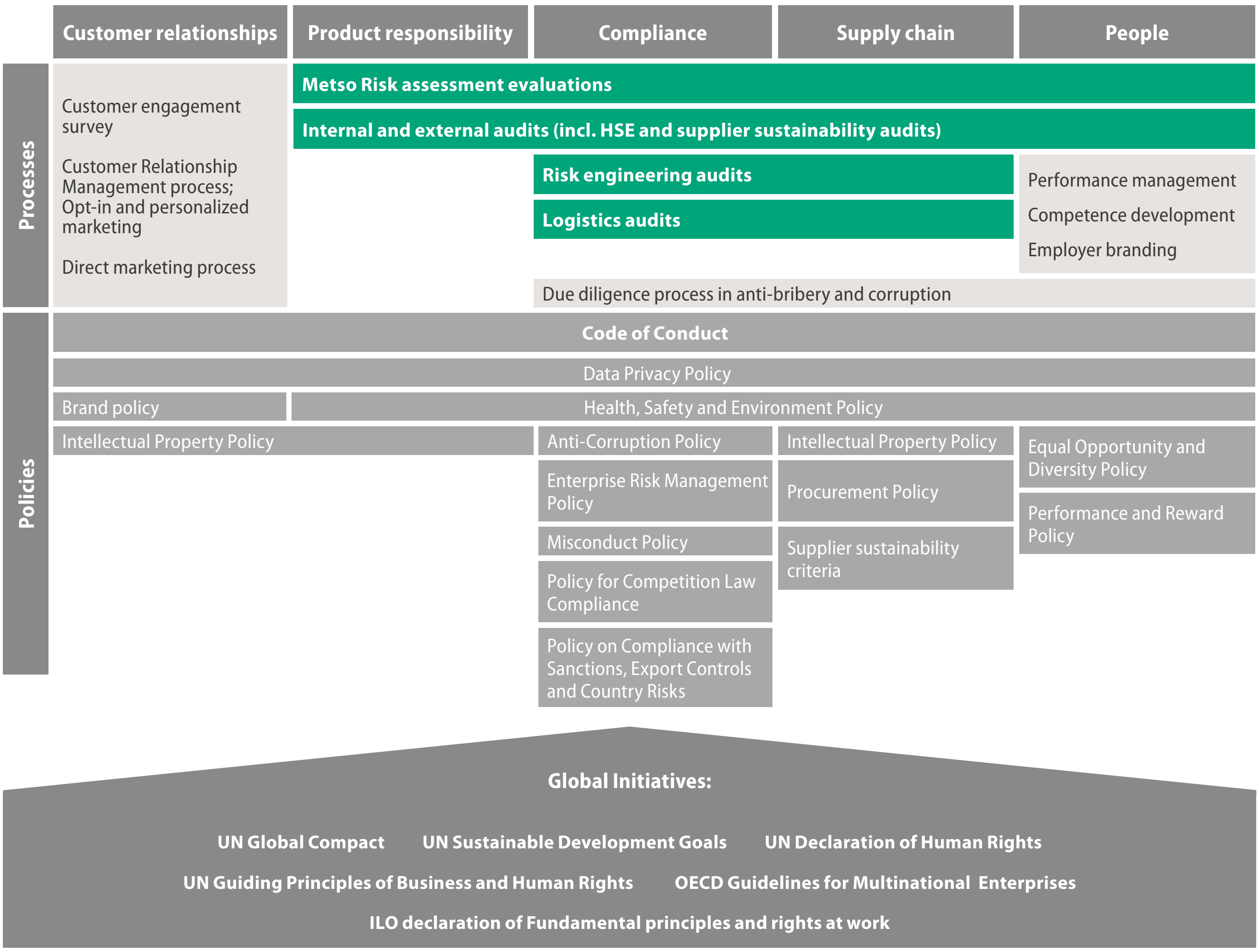
The outlook represents our expected sequential market development with a rolling six-month view.

Non-financial information

Value creation in Metso is assessed in both financial and non-financial terms. Metso's business model description and value creation model are presented in the Annual Review, on pages 4 and 12–15. The Board has evaluated the following non-financial matters: environmental, social and employee, human rights as well as anti-corruption and bribery, as required by the Finnish accounting Act set by EU Directive 2014/95/EU (rules on disclosure of non-financial and diversity information by large companies). The evaluation criteria took into consideration value chain impacts, risk management measures, applicable performance indicators and future opportunities. The most important non-financial areas for the value creation for shareholders and other stakeholders were concluded as follows:

1. Customer relationships
2. Product responsibility
3. Compliance
4. Supply chain
5. People

Commitment to follow certain global initiatives forms the basis for Metso's operations in these areas. Each of the areas is also managed through following policies, processes, guidelines and instructions:



Implementation of these policies is ensured through regular training. The Board oversees that enterprise risk management is appropriately governed. Internal control practices are aligned with Metso’s risk management process approved by the Board. An audit frame is in place to support risk management by ensuring compliance and continuous business development. Following audits were conducted in 2017:

- Metso Risk assessment evaluations, six in total
- Internal audits in 20 countries, with addition of three Group function and global process audits, 11 specific case investigations
- Risk engineering audits, 10 in total
- Logistics audits, six in total
- Health, safety and environment audits, 20 in total
- Sustainability supplier audits, 58 in total

The Board also oversees the effectiveness and impact of Metso’s sustainability governance. The Metso Executive Team (MET) regularly follows and ensures the implementation of the sustainability agenda and makes decisions on the corporate-level targets.

Key performance indicators for non-financial areas

Increased stakeholder dialogue, identifying sales opportunities, and more effective and customer-centric operational processes support innovation, safety and a minimized environmental footprint, as well as build reputation and brand. In addition, value is created by improved internal processes, procurement efficiencies and decreased risk of misconduct.

Key performance indicators (KPIs) for Metso's non-financial areas are:

KPIs	Customer relationships	Product responsibility	Compliance	Supply chain	People
	% of personnel trained on renewed Code of Conduct				
		Number of internal and external audits (incl. supplier audits)			
	% of R&D projects that have defined sustainability targets				Lost-time incident frequency
					Employee engagement survey

Customer relationships

The value in customer relationships is in increasing awareness of Metso and our offering and in the likelihood of a customer to repurchase and to recommend Metso to others.

Based on customer dialogue, Metso’s customers value safety, resource efficiency, productivity and supply chain responsibility. A comprehensive understanding of customers enables solving their challenges through tailored solutions and provides them with the best performance and improved processes.

Metso is engaged in various projects that:

1. Extend the life cycle of equipment and prolong maintenance cycles
2. Maintain and improve product safety and a safe working environment
3. Mitigate the environmental load through reduced emissions, waste and energy intensity

In recent years, a single Customer Relationship Management system has been implemented across the businesses to more effectively collate and manage customer data. By having access to more information, customer relationship management is more effective and better service delivered.

Metso has been developing a customer engagement survey that measures loyalty and satisfaction in Metso's key operational areas. This enables identification of the operational areas where a better customer experience can be delivered. By the end of 2017 the engagement survey covered all businesses except Recycling, which will be added in 2018.

The future focus in customer relationships is on continuing to invest in marketing automation, which can help keep customers better informed about what Metso is doing, and in developing even more effective customer satisfaction measurement tools.

Product responsibility

Metso’s products and services design is focused on helping customers operate safely with higher productivity and profitability while reducing their resource intensity. The safety of Metso’s products is one of the key drivers in research and development work. The 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

Metso’s services portfolio, which ranges from wear and spare parts to life cycle services, is an important part of the offering. Service hubs and distribution centers close to the customer ensure efficient and timely service. Well maintained equipment typically has a smaller environmental footprint also.

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

The future focus in product responsibility is on increasing the competitiveness of the offering and building more around digitalization. In addition, developing better methods for understanding and calculating the environmental impacts of Metso’s products is important.

Compliance

Metso’s Code of Conduct is a key corporate standard and Metso’s commitment to integrity including preventing corruption. This means respecting all applicable laws and regulations and aiming to share regulatory best practices as well as acting as a good corporate citizen throughout the global operations. At Metso, human rights are respected and supported: and all people are entitled to be treated with respect, and discrimination, harassment, or illegal threats are not tolerated. Any form of compulsory, forced or child labor is not accepted or used and applicable national laws and regulations regarding working hours and employee compensation are respected. Metso's Anti-Corruption Policy supports zero-tolerance for bribery and corruption, including facilitation payments. Metso demands in its third-party agreements that suppliers, business partners and other stakeholders also follow similar standards.

All Metso people have a responsibility for compliance. A range of internal controls are in place, and Metso people are strongly encouraged to report any suspected wrongdoing or misconduct to their supervisors, to other management or, if necessary, directly to Internal Audit, e.g. using the Whistleblower channel. All reports are treated as confidential and anonymous, and Metso commits to no negative repercussions for the reporting person.

Metso's Code of Conduct was renewed in 2017 and 99.8% of the employees passed the mandatory training in the required time frame. The Code of Conduct training is also a compulsory part of the new employee onboarding process. To support the new Code of Conduct and to enforce better awareness of and compliance with Metso policies and guidelines, a development project that created a policy framework for the internal guidance was completed in 2017. During the year Metso also initiated a Data Privacy project to ensure compliance with the EU's General Data Protection Regulation (GDPR) (Regulation (EU) 2016/679).

Focus on updating the policy framework and implementing it efficiently throughout the organization will continue in 2018. In this respect, implementation with taking e-learning into better use is a priority. Several training programs in anti-bribery, corruption and trade sanctions are planned for 2018.

Supply chain

Due to the cyclical nature of Metso's customer industries, a business model of outsourcing the product manufacturing plays an important role. 80 percent of the cost of goods sold derive from our suppliers and close relationships with them are critical. Processes are in place to continuously develop a shared understanding with the suppliers in the areas of innovation, cost efficiencies and quality to manage the risks related to outsourcing. Defined ways of working and regularly conducted risk assessments related to e.g. environmental load in the supply chain support the overall supply chain management.

Metso's Code of Conduct and supplier sustainability criteria set the standards for Metso's suppliers. Human rights and other sustainability topics are covered by third-party supplier audits, supplier self-assessments and Metso's internal sustainability supplier audits. Key supplier requirements are also incorporated into contract obligations, and a contract breach can lead to consequences that include the termination of a supplier relationship. Metso has also conducted annual scope three carbon-dioxide emissions calculations since 2013 to better understand the environmental impacts of the supply chain.

Metso has defined sustainability criteria and evaluation processes for its suppliers in identifying critical suppliers and assessing them regularly. 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.

The systematic assessment and development work around the responsible supply chain will continue in the future with a special focus on the supplier cooperation to develop shared sustainability practices.

People

The performance and engagement of people is a key contributor to Metso's success and value creation. Engagement is supported by responsible employment and the safety and wellbeing of Metso people. In addition, respecting human rights in our operations allows operating and improving the operational risk management through improved working conditions. Metso's policy framework and the global initiatives create the foundation in respecting the rights of the people that are employed in Metso value chain and in the communities around Metso's businesses.

At Metso, continuous development and learning in everyone's daily work is emphasized. This is ensured by regular performance and development discussions, which are carried out using a global process and tool. Additionally, Metso aims for fair remuneration systems, which take into consideration the individual, team, business area and the Group's performance, as well as the varying market practices globally.

In engaging and retaining employees, excelling in leadership makes the difference. Metso's approach is based on defined Leadership Principles and our values. This means both investing in the development of managers through global leadership development programs as well as a leadership development portfolio. During 2017, Metso invested in its sales teams by running several sales excellence workshops, and these will continue in 2018. Employee engagement is measured via a bi-annual survey, PeoplePulse. The results of the survey are shared and discussed in all teams. Team-specific action plans and their implementation is a shared responsibility across the whole organization. For example, the 2016 survey results have initiated several improvement projects and their progress was followed during 2017. The next survey will take place in 2018.

Employee safety, risk observations, safety discussions and safety training hours are continuously measured. The lost-time incident frequency (LTIF) in 2017 was 2.6 (2.5 in 2016). Annually, 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. In 2017, a human rights assessment, originating in 2015, continued with various practices to understand all the salient human rights topics in the value chain.

People focus in 2018 is on implementation of the new organization model, effective as of January 1; this model aims to drive profitable growth and accountability through a leaner organization and ways of working.

In addition, as required by the Finnish Accounting Act set by EU Directive 2014/95/EU (rules on disclosure of non-financial and diversity information by large companies), information related to non-financial matters is also available at:

- Annual Review 2017: Metso's business model description
- Annual Review 2017: Metso's value creation model
- www.metso.com/risks: Risk management at Metso
- Financial Statements for 2017: Metso Risk map
- Sustainability Supplement 2017: Management of human rights risks at Metso

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.

Shares and Shareholders

Basic share information

Listed on:	Nasdaq Helsinki
Trading code:	METSO
ISIN code:	FI0009007835
Industry:	Industrials
Number of shares on December 31, 2017:	150,348,256
Share capital on December 31, 2017:	EUR 140,982,834.80
Market value on December 31, 2017:	EUR 4,270 million
Listing date:	July 1, 1999

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

Metso shares are also traded on alternative marketplaces like BOAT, BATS Chi-X and Turquoise. In addition, Metso's ADS (American Depositary Shares) are traded in the United States on the International OTCQX market under the ticker symbol MXCYY. Four Metso ADS's represents one ordinary share. The Bank of New York Mellon serves as the depository bank for Metso's ADS.

Metso's share and shareholders in 2017

On December 31, 2017, Metso's share capital was EUR 140,982,843.80 and the total number of shares was 150,348,256. There were no changes in the number of shares and share capital in 2017. More information on the past share capital changes is available at www.metso.com/shares.

At the end of 2017, Metso had approximately 45,000 shareholders in the book-entry system. The largest shareholder was Solidium with 22,374,869 shares and 14.9 percent of the share capital. A total of 126,888,336 Metso shares were traded on the Nasdaq Helsinki during 2017, equivalent to a turnover of EUR 3,749 million.

At the year-end, the members of Metso's Board of Directors and President and CEO Nico Delvaux held a total of 64,170 Metso shares, corresponding to 0.04 percent of the total number of shares and votes. More information about management holdings is available on pages 82–85.

Share capital and share data 2013–2017

	2017	2016	2015	2014	2013
Share capital at end of the year, EUR million	**141**	141	141	141	141
Number of shares, at the end of the year:					
Number of outstanding shares	**149,997,128**	149,984,538	149,984,538	149,889,268	149,864,619
Own shares held by the Parent Company	**351,128**	363,718	363,718	458,988	483,637
Total number of shares	**150,348,256**	150,348,256	150,348,256	150,348,256	150,348,256
Average number of outstanding shares	**149,995,127**	149,984,538	149,964,701	149,884,338	149,826,119
Average number of diluted shares	**150,151,338**	150,113,107	149,989,417	149,969,729	149,941,820
Earnings/share, basic, EUR	**0.68**	0.87	2.95	1.25	1.59
Earnings/share, diluted, EUR	**0.68**	0.87	2.95	1.25	1.59
Free cash flow/share, EUR	**1.05**	2.26	2.27	1.36	1.68
Dividend/share[1)], EUR	**1.05**	1.05	1.05	1.45	1.00
Dividend[1)], EUR million	**157**	157	157	217	150
Dividend/earnings[1)], %	**154**	121	36	116	63
Effective dividend yield[1)], %	**3.7**	3.9	5.1	5.8	3.2
P/E ratio	**41.87**	31.15	7.02	19.89	19.51
Equity/share, EUR	**8.96**	9.54	9.58	8.15	7.83

1) Board proposal to AGM

Formulas for calculation of share-related indicators are on page 13.

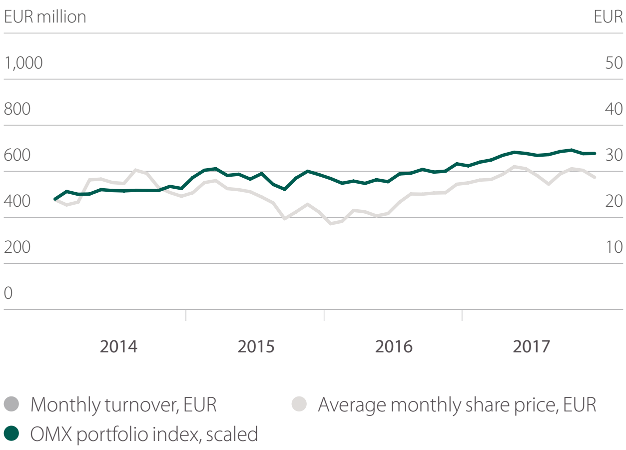
Share performance and trading on Nasdaq Helsinki in 2017

Share price development	2017
Closing price, December 31, EUR	28.47
Market capitalization, December 31[1], EUR million	4,270
Trading volume, Nasdaq Helsinki, pieces	126,888,336
% of shares[2]	84
Trading volume, Nasdaq Helsinki, EUR million	3,749
Average daily trading volume, pieces	505,531
compared to 2016, %	-0.11
Relative turnover, %	85
relative turnover 2016, %	96
Share performance during the year, %	5.1
Highest share price, EUR	33.73
Lowest share price, EUR	26.46
Average share price, EUR	29.55

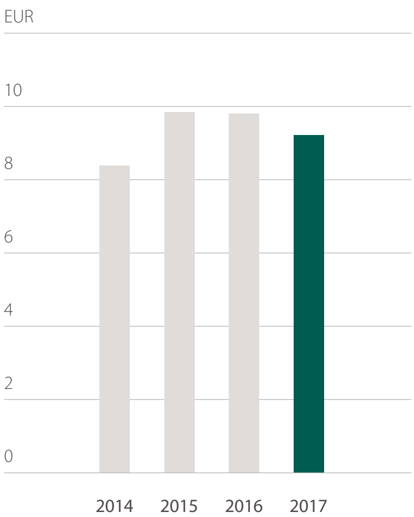
1) Excluding own shares held by the Parent Company
2) Of the total amount of shares for public trading

Metso ADR share performance	2017
Closing price, December 31, USD	8.40
Highest share price, USD	9.36
Lowest share price, USD	6.89

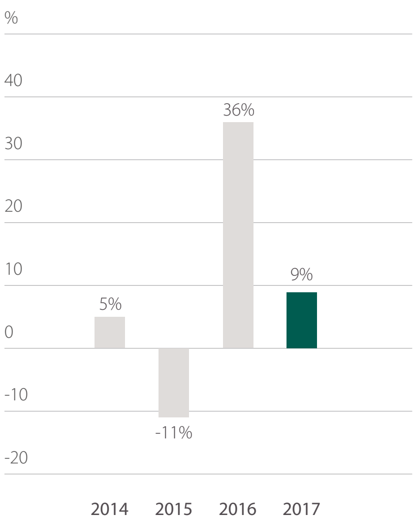
Metso share's monthly turnover and average share price on the Nasdaq Helsinki in 2014–2017



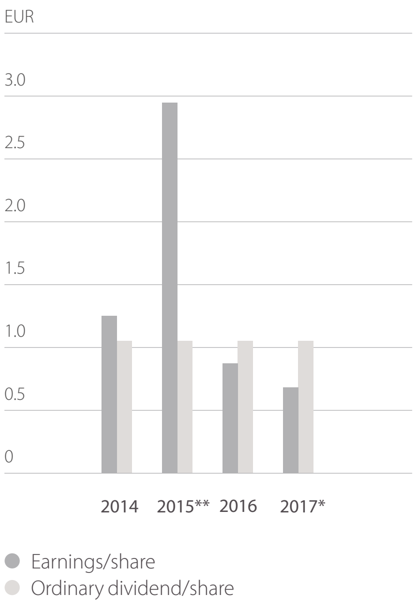
Equity/share



Total shareholder return (TSR)



Earnings/share and dividend/share



* Board's proposal for the AGM
** An additional dividend of EUR 0.40 per share was paid in August 2015.

Metso´s biggest shareholders on December 31, 2017[1)]

		Shares and votes	% of share capital and voting rights
1	**Solidium Oy**	**22,374,869**	**14.9**
2	**Varma Mutual Pension Insurance Company**	**3,698,465**	**2.5**
3	**Ilmarinen Mutual Pension Insurance Company**	**3,167,892**	**2.1**
4	**Elo Pension Company**	**2,000,000**	**1.3**
5	**Keva**	**1,600,810**	**1.1**
6	**The State Pension Fund**	**1,539,000**	**1.0**
7	**Nordea Funds**	**1,409,163**	**0.9**
8	**Odin Funds**	**1,395,138**	**0.9**
	Odin Norden	1,072,257	0.7
	Odin Finland	322,881	0.2
9	**Mandatum Life Insurance Company Limited**	**1,164,330**	**0.8**
10	**Svenska litteratursällskapet i Finland r.f.**	**1,080,176**	**0.7**
11	**OP Funds**	**941,531**	**0.6**
12	**Danske Invest funds**	**754,134**	**0.5**
13	**Sigrid Jusélius Foundation**	**692,465**	**0.5**
14	**Sijoitusrahasto Aktia Capital**	**550,000**	**0.4**
15	**The Finnish Cultural Foundation**	**504,952**	**0.3**
16	**Schweizerische Nationalbank**	**499,693**	**0.3**
17	**Etera Mutual Pension Insurance Company**	**483,000**	**0.3**
18	**Oy Etra Invest Ab**	**400,000**	**0.3**
19	**The Social Insurance Institution of Finland, KELA**	**396,316**	**0.3**
20	**SEB Finlandia Investment Fund**	**384,892**	**0.3**
	20 largest owner groups in total	**45,036,826**	**30.0**
	Nominee-registered holders	75,368,547	50.1
	Other shareholders	29,583,675	19.7
	Own shares held by the Parent Company	351,128	0.2
	In the issuer account	8,080	0.0
	Total	**150,348,256**	**100.0**

1) Shareholders have an obligation to notify the company of changes in their holdings, when the holdings have reached, exceeded or fallen below 5 percent of Metso's voting rights, share capital or options entitling to these. According to Euroclear shareholders' listing on September 1, 2017 Cevian Capital's holding totaled 20,813,714 shares or 13.84 percent of shares and votes. According to their flagging notification on November 15, 2017, Blackrock Inc's holding totaled 8,801,526 shares or 5.85 percent of share and votes on November 14, 2017.

Breakdown of share ownership on December 31, 2017

Number of shares	Shareholders	% of shareholders	Total number of shares and votes	% of share capital and voting rights
1–100	20,348	44.9	1,028,154	0.7
101–1,000	21,044	46.4	7,491,650	5.0
1,001–10,000	3,603	7.9	9,225,401	6.2
10,001–100,000	279	0.6	7,478,544	5.0
over 100,000	51	0.1	49,396,752	32.9
Total	45,325	100.0	74,620,501	49.7
Nominee-registered shares	11		75,368,547	50.1
Own shares held by the Parent Company	1		351,128	0.2
In the issuer account			8,080	0.0
Number of shares issued			**150,348,256**	**100.0**

Breakdown of shareholder category on December 31, 2017

	2017	2016
Nominee-registered and non-Finnish holders	**52%**	55%
Solidium	**15%**	15%
Private investors	**12%**	12%
General government	**9%**	8%
Financial and insurance corporations	**5%**	3%
Non-profit institutions	**4%**	5%
Finnish institutions, companies and foundations	**3%**	2%
Total	**100%**	100%

Flaggings

Under the provisions of the Finnish Securities Markets Act, shareholders of listed companies have an obligation to notify both the Finnish Financial Supervision Authority and the company of changes when their holdings reach, exceed or fall below a certain threshold. Metso is not aware of any shareholders' agreements regarding Metso shares or voting rights. All flagging notifications have been released as a stock exchange release and the list of flaggings is also available at www.metso.com/flaggings.

Formulas for share-related key figures

Earnings per share, basic:	Profit attributable to shareholders / Average number of outstanding shares during period
Earnings per share, diluted:	Profit attributable to shareholders / Average number of diluted shares during period
Dividend/share:	Dividend distribution / Number of outstanding shares at end of period
Dividend/earnings, %:	Dividend per share /Earnings per share x 100
Total shareholder return TSR, %:	(Change in share price + dividend paid during period) / Share price at end of previous period x 100
Equity/share:	Equity attributable to shareholders of the company / Number of outstanding shares at end of period
Free cash flow/share:	Free cash flow / Average number of outstanding shares during period
Effective dividend yield, %:	Dividend per share / Share price on December 31 x 100
P/E ratio:	Share price on December 31 / Earnings per share
Average share price:	Total value of shares traded in euro / Number of shares traded during period
Market capitalization:	Number of outstanding shares x share price at end of period

Board authorizations

The Annual General Meeting has granted the following authorizations to the Board that are effective at the signing of the Financial Statements. The Board has not exercised these authorizations in 2017, other than conveying 12,590 own shares to management as a reward under the long-term incentive plan.

During 2017, Metso's Board exercised a donation authorization approved by the AGM on March 23, 2017. Metso's Board decided on June 8, 2017 authorizations to three universities, Tampere University of Technology, Aalto University and the University of Oulu totaling EUR one million.

Valid board authorizations and their details are available at www.metso.com/board.

Incentive plans

Metso's share ownership plans are part of the management remuneration program. For further information, see www.metso.com/remuneration and the Notes to the Financial Statements (Note 7, on pages 29–30). Any shares to be potentially rewarded are acquired through public trading, and therefore the incentive plans have no diluting effect on the share value.

Authorization	Maximum amount	Validity	Purpose of use
Repurchase and conveyance of the company's own shares	10 million shares (6.7% of shares)	Until June 30, 2018	1. Development of the company's capital structure 2. Financing or carrying out acquisitions, investments or other business transactions 3. Management's incentive plans
Issuance of shares and issuance of special rights entitling to shares[1)]	15 million shares (10% of shares)	Until June 30, 2018	Same as above. A directed share issue may be executed without consideration only if there is an especially weighty financial reason to do so, taking the interests of all shareholders into account.

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

Key Figures

EUR million	2017	2016	2015	2014	2013
Sales	**2,706**	2,586	2,977	3,658	3,858
Operating profit	**218**	227	555	351	423
% of sales	**8.1**	8.8	18.7	9.6	11.0
Profit before taxes	**184**	188	516	282	369
% of sales	**6.8**	7.3	17.3	7.7	9.6
Profit for the year	**102**	130	442	189	238
% of sales	**3.8**	5.0	14.8	5.2	6.2
Profit attributable to shareholders of the company	**102**	130	442	188	238
Exports from Finland and international operations	**2,628**	2,501	2,881	3,501	3,710
% of sales	**97.1**	96.7	96.8	95.7	96.2
Amortization	**17**	17	18	19	19
Depreciation	**42**	44	51	56	54
Depreciation and amortization, total	**59**	61	69	75	73
% of sales	**2.2**	2.4	2.3	2.1	1.9
EBITA	**236**	244	573	370	442
% of sales	**8.7**	9.4	19.3	10.1	11.5
EBITDA	**277**	288	624	426	496
% of sales	**10.2**	11.1	21.0	11.6	12.9
Financial expenses, net	**35**	39	39	69	54
% of sales	**1.3**	1.5	1.3	1.9	1.4
Interest expenses	**23**	29	28	38	48
% of sales	**0.8**	1.1	0.9	1.0	1.2
Interest cover (EBITDA)	**7.9x**	7.4x	16.0x	6.2x	9.2x
Gross capital expenditure (excl. business acquisitions)	**38**	31	46	74	95
% of sales	**1.4**	1.2	1.5	2.0	2.5
Business acquisitions, net of cash acquired	**30**	-	-	19	44
Net capital expenditure (excl. business acquisitions and disposals)	**35**	19	31	66	80
% of sales	**1.3**	0.7	1.0	1.8	2.1
Net cash provided by operating activities	**185**	346	360	256	316
Free cash flow	**158**	339	341	204	251
Cash conversion, %[1)]	**155**	261	180	108	105
Research and development	**27**	34	41	60	63
% of sales	**1.0**	1.3	1.4	1.6	1.6
Balance sheet total	**3,287**	3,236	3,209	3,403	3,678
Equity attributable to shareholders	**1,344**	1,431	1,436	1,221	1,173
Total equity	**1,351**	1,439	1,444	1,229	1,181
Interest bearing liabilities	**853**	794	822	863	1,049
Net interest bearing liabilities	**24**	-26	153	561	490
Net working capital (NWC)	**502**	487	598	709	651
% of sales	**18.6**	18.8	20.1	19.4	16.9
Capital employed	**2,204**	2,233	2,267	2,092	2,230
Return on equity (ROE), %	**7.3**	9.0	33.1	15.7	19.0
Return on capital employed (ROCE) before taxes, %	**10.3**	10.4	25.7	16.4	18.6
Return on capital employed (ROCE) after taxes, %	**6.6**	7.8	22.4	12.1	12.9
Equity to assets ratio, %	**44.5**	48.0	48.3	40.5	36.9
Net gearing, %	**1.8**	-1.8	10.6	45.6	41.6
Debt to capital, %	**38.7**	35.6	36.3	41.2	47.0
Orders received	**2,982**	2,724	3,027	3,409	3,709
Order backlog at the end of year	**1,439**	1,320	1,268	1,575	1,927
Average number of personnel	**11,703**	12,059	13,754	16,091	16,687
Personnel at the end of year	**12,037**	11,542	12,619	15,644	16,425

1) In 2015, cash conversion is calculated on profit excluding the gain on the sale of Process Automation (PAS) business disposal.

Year 2013 is presented for continuing operations unless otherwise indicated.

Formulas for Key Figures

Earnings before financial expenses net, taxes and amortization (EBITA):
Operating profit + amortization

Earnings before financial expenses net, taxes, depreciation and amortization (EBITDA):
Operating profit + depreciation and amortization

Return on equity (ROE), %:

$$\frac{\text{Profit for the year}}{\text{Total equity, average for period}} \times 100$$

Net working capital (NWC):
Inventory + trade receivables + percentage of completion: recognized assets, net + other non-interest bearing receivables - trade payables - advances received - other non-interest bearing liabilities

Capital employed:
Net working capital (NWC) + 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

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

$$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed, average for period}} \times 100$$

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

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

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

Net gearing, %:

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

Equity-to-assets ratio, %:

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

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

Cash conversion, %:

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

Debt to capital, %:

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

Interest cover (EBITDA):

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

Board of Directors' Proposal on the Use of Profit

On December 31, 2017 the distributable equity of Metso Corporation was:

Fair value reserve	EUR	-219,308.00
Invested non-restricted equity fund	EUR	367,775,887.99
Retained earnings	**EUR**	**401,222,527.55**
Net profit for the year	EUR	197,919,255.40
Distributable equity, total	**EUR**	**966,698,362.94**

The Board of Directors proposes to the Annual General Meeting 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.

Dividend payment	EUR	157,496,984.40
Distributable equity after dividend payment	**EUR**	**809,201,378.54**

Consolidated Financial Statements

Consolidated Statement of Income

EUR million	Note	2017	2016
		Year ended December 31,	
Sales	1, 2, 3	**2,706**	2,586
Cost of goods sold	6, 19	**-1,975**	-1,849
Gross profit		**731**	737
Selling, general and administrative expenses	4, 6, 19	**-510**	-516
Other operating income and expenses, net	5	**-2**	6
Share in profits and losses of associated companies	30	**0**	0
Operating profit		**218**	227
Financial income	8	**12**	8
Financial expenses	8	**-47**	-47
Financial expenses, net		**-35**	-39
Profit before taxes		**184**	188
Income taxes	9	**-82**	-58
Profit for the year		**102**	130
Attributable to:			
Shareholders of the company		**102**	130
Non-controlling interests		**0**	0
Profit for the year		**102**	130
Earnings per share			
Basic, EUR	10	**0.68**	0.87
Diluted, EUR	10	**0.68**	0.87

Consolidated Statement of Comprehensive Income

EUR million	Note	2017	2016
		Year ended December 31,	
Profit for the year		**102**	130
Items that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges, net of tax	24, 28	**3**	-2
Available-for-sale equity investments, net of tax	22, 24	**0**	0
Currency translation on subsidiary net investments	24	**-39**	23
		-36	21
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains (+) / losses (-), net of tax	16	**1**	3
Other comprehensive income (+) / expense (-)		**-35**	24
Total comprehensive income (+) / expense (-)		**67**	154
Attributable to:			
Shareholders of the company		**67**	154
Non-controlling interests		**0**	0
Total comprehensive income (+) / expense (-)		**67**	154

Consolidated Balance Sheet

Assets

EUR million	Note	2017	2016
		As at December 31,	
Non-current assets			
Intangible assets	17		
Goodwill		**466**	452
Other intangible assets		**79**	86
		545	538
Tangible assets	18		
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	30	**1**	1
Available-for-sale equity investments	22	**3**	1
Loan and other interest bearing receivables	22	**3**	3
Derivative financial instruments	22, 28	**2**	8
Deferred tax asset	9	**93**	112
Other non-current assets	12, 22	**29**	32
		130	157
Total non-current assets		**961**	1,010
Current assets			
Inventories	13	**750**	709
Receivables			
Trade and other receivables	12, 22	**631**	605
Cost and earnings of projects under construction in excess of advance billings	3	**66**	66
Loan and other interest bearing receivables	22	**0**	10
Financial instruments held for trading	22, 23	**154**	109
Derivative financial instruments	22, 28	**13**	9
Income tax receivables		**38**	20
		903	819
Cash and cash equivalents	23	**673**	698
Total current assets		**2,326**	2,226
Total assets		**3,287**	3,236

Shareholders' equity and liabilities

		As at December 31,	
EUR million	Note	2017	2016
Equity	24		
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	22, 25	**554**	767
Post employment benefit obligations	16	**68**	88
Provisions	15	**37**	40
Derivative financial instruments	22, 28	**0**	5
Deferred tax liability	9	**18**	11
Other long-term liabilities	14, 22	**2**	2
Total non-current liabilities		**680**	913
Current liabilities			
Current portion of long-term debt	22, 25	**279**	0
Short-term debt	22, 25	**21**	27
Trade and other payables	14, 22	**547**	470
Provisions	15	**74**	81
Advances received		**198**	186
Billings in excess of cost and earnings of projects under construction	3	**58**	54
Derivative financial instruments	22, 28	**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

Consolidated Statement of Cash Flows

		Year ended December 31,	
EUR million	Note	**2017**	2016
Cash flows from operating activities:			
Profit for the year		**102**	130
Adjustments to reconcile profit to net cash provided by operating activities			
Depreciation and amortization	19	**59**	61
Gain (-) / loss (+) on sale of fixed assets	5	**-1**	-10
Gain on sale of available-for-sale equity investments	5	**-**	0
Share of profits and losses of associated companies	30	**0**	0
Financial income and expenses, net	8	**35**	39
Income taxes	9	**82**	58
Other non-cash items		**16**	22
Change in net working capital, net of effect from business acquisitions and disposals	11	**-23**	92
Interest paid		**-24**	-29
Interest received		**5**	7
Other financing items, net		**-2**	-3
Income taxes paid		**-64**	-21
Net cash provided by operating activities		**185**	346
Cash flows from investing activities:			
Capital expenditures on fixed assets	17, 18	**-38**	-31
Proceeds from sale of fixed assets		**5**	21
Business acquisitions, net of cash acquired	31	**-30**	-
Investments in available-for-sale equity investments	22	**-2**	-
Proceeds from sale of available-for-sale equity investments	22	**-**	0
Net cash provided by (+) / used in (-) investing activities		**-66**	-10
Cash flows from financing activities:			
Dividends paid		**-157**	-157
Investments in financial instruments held for trading	26	**-411**	-201
Proceeds from sale of financial instruments held for trading	26	**367**	159
Increase in loan receivables	26	**0**	1
Decrease in loan receivables	26	**9**	0
Net borrowings (+) and payments (-) on short-term debt	26	**-5**	-4
Proceeds from issuance of long-term debt	26	**298**	0
Principal payments of long-term debt	26	**-234**	-36
Principal payments of finance leases	26	**0**	0
Other items		**-1**	-
Net cash used in financing activities		**-134**	-239
Net increase / decrease in cash and cash equivalents		**-15**	98
Effect of changes in exchange rates on cash and cash equivalents		**-12**	10
Cash and cash equivalents at beginning of year	23	**698**	590
Cash and cash equivalents at end of year		**673**	698

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 December 31, 2015	**141**	**-71**	**302**	**1,064**	**1,436**	**8**	**1,444**
Profit for the year	-	-	-	130	130	0	130
Other comprehensive income (+) / expense (-)							
Cash flow hedges[1]	-	-	-2	-	-2	-	-2
Available-for-sale equity investments[1]	-	-	0	-	0	-	0
Currency translation on subsidiary net investments	-	23	-	-	23	-	23
Defined benefit plan actuarial gains (+) / losses (-)[1]	-	-	-	3	3	-	3
Total comprehensive income (+) / expense (-)	-	23	-2	133	154	0	154
Dividends	-	-	-	-157	-157	0	-157
Share-based payments[1]	-	-	1	-	1	-	1
Other	-	-	-2	-1	-3	0	-3
Changes in non-controlling interests	-	-	-	0	0	0	0
Balance at December 31, 2016	**141**	**-48**	**299**	**1,039**	**1,431**	**8**	**1,439**
Profit for the year	-	-	-	102	102	0	102
Other comprehensive income (+) / expense (-)							
Cash flow hedges[1]	-	-	3	-	3	-	3
Available-for-sale equity investments[1]	-	-	0	-	0	-	0
Currency translation on subsidiary net investments	-	-39	-	-	-39	-	-39
Defined benefit plan actuarial gains (+) / losses (-)[1]	-	-	-	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[1]	-	-	0	0	0	-	0
Other	-	-	-	4	4	-1	3
Changes in non-controlling interests	-	-	-	0	0	0	0
Balance at December 31, 2017	**141**	**-87**	**302**	**988**	**1,344**	**7**	**1,351**

1) Net of tax

Notes to the Consolidated Financial Statements

Basic information

Metso Corporation (the "Parent Company") and its subsidiaries (together with the Parent Company, "Metso" or the "Group") form a world leading industrial group as an equipment and service provider for the mining and aggregates industries and in the flow control business. Its main customers operate in the mining, aggregates and oil and gas industries. The Group has two reporting segments, Minerals and Flow Control, more information in note 1.

Metso Corporation is a publicly listed company and its shares are listed on the Nasdaq OMX Helsinki Ltd under the trading symbol METSO. Metso Corporation is domiciled in Finland and the address of the Group Head Office is Töölönlahdenkatu 2, 00100 Helsinki, Finland. These consolidated financial statements were authorized for issue by the Board of Directors on February 1, 2018 after which, in accordance with Finnish Company Law, the financial statements are either approved, amended or rejected in the Annual General Meeting.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC Interpretations as adopted by European Union. The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and liabilities classified as at fair value through profit or loss, available-for-sale investments, financial instruments held for trading and derivative instruments, which are recognized at fair value.

The financial statements are presented in euros, which is the Parent Company's functional currency and Metso's presentation currency. The figures presented have been rounded to the nearest million and consequently the sum of individual figures might differ from the presented total figure.

Metso's more detailed accounting policies are disclosed in the relevant note to the financial statements.

Critical accounting estimates and judgments by management

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

Note 3	Sales by category
Note 7	Share-based payments
Note 9	Income taxes
Note 12	Trade and other receivables
Note 13	Inventory
Note 15	Provisions
Note 16	Post employment obligations
Note 17	Goodwill and other intangible assets
Note 18	Tangible assets
Note 25	Borrowings
Note 31	Acquisitions and business disposals

How to read Metso Group's Financial statement?

Metso structured the content of its Financial Statements in order to disclose the financial information in a more user-friendly way. Disclosed Metso Group's Financial Statements represent Metso Corporation's statutory financial statements. Notes to consolidated financial statements have been combined to the sections representing group performance, capital structure and financing as well as the principles of preparation. The accounting policy applied and critical estimates and assessments required by the management are included in the relevant note under headings "Accounting policy" or "Estimates and assessments by management".

ACCOUNTING POLICY

ESTIMATES AND ASSESSMENTS BY MANAGEMENT

A Group performance

Performance

1 Reporting segments

ACCOUNTING POLICY

Metso's reporting segments are based on the type of business operations. Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors, which has been identified as Metso's chief operating decision-maker being responsible for allocating resources and assessing the performance of the operating segments, selecting key employees, as well as deciding on strategy, major development projects, business acquisitions, investments, organization and financing. The accounting policy applied to segment reporting are the same as those used in preparing the consolidated financial statements.

Metso is measuring the performance of segments with operating profit/loss (EBIT). In addition, Metso uses alternative performance measures to reflect the underlying business performance and to improve comparability between financial periods: earnings before interest, tax and amortization (EBITA), adjusted and Return on operative capital employed for reporting segments (segment ROCE). Adjustment items comprise capacity adjustment costs, outcome of material intellectual property rights disputes, gains and losses on business disposals and other infrequent events. Their nature and net effect on cost of goods sold, selling, general and administrative expenses as well as other operating income and expenses are presented in the segment information. Alternative performance measures should, however, not be considered as a substitute for measures of performance in accordance with the IFRS.

Corporate structure

Metso Group is a global supplier of sustainable technology and services for mining, aggregates, oil and gas, pulp, paper and other process industries.

Metso reports its results consistently with its the strategy and reporting structure, which consists of two segments: Minerals and Flow Control. The Minerals segment covers mining, aggregates and recycling businesses. The Flow Control segment covers valves and pumps businesses.

The Minerals segment supplies technology, process solutions, machinery and services for aggregates production, mining, minerals processing and recycling. In 2017 and 2016 the segment was organized in two business areas: Minerals Capital and Minerals Services. From the beginning of 2018 segment is organized in five business areas: Mining Equipment, Aggregates Equipment, Minerals Services, Minerals Consumables and Recycling.

The Flow Control segment supplies process industry flow control solutions and services. Flow Control customers operate in oil and gas, pulp and paper and other process industries. The segment is organized in two business areas: Valves and Pumps. The Flow Control segment will continue in same structure in 2018.

The Group Head Office and other is comprised of the Parent Company with centralized group functions such as treasury and tax as well as shared service centers and holding companies.

Financial income and expenses and income taxes are not allocated to segments but included in the income statement of Group Head Office and other. The treasury activities of Metso are centralized into the Group Treasury to benefit from cost efficiency obtained from pooling arrangements, financial risk management, bargaining power, cash management, and other measures. Metso has a centralized Group tax management function. The objective of Group tax management is to ensure compliance and optimized and predictable overall tax cost for Metso.

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

Segment liabilities comprise non-interest bearing operating liabilities and exclude income tax liabilities, deferred tax liabilities and interest bearing liabilities, which are included in the liabilities of Group Head Office and other.

Non-cash write-downs include write-offs made to the value of receivables and inventories and impairment and other write-offs recognized to reduce the value of intangible or tangible assets and other assets.

Gross capital expenditure comprises investments in intangible and tangible assets, associated companies and joint ventures and additions through business acquisitions.

Intra-group transactions are at arm's length basis.

Information about Metso's reportable segments as of and for the years ended December 31, 2017 and 2016 is presented in the following tables.

EUR million	Minerals	Flow Control	Group Head Office and other	Eliminations	**Metso total**
2017					
External sales	2,070	636	0	-	**2,706**
Intra-group sales	0	0	-	0	**-**
Sales	2,070	636	0	0	**2,706**
EBITA	159.7	93.1	-17.2	0	**235.6**
% of sales	7.7	14.6	n/a	-	**8.7**
Adjusted EBITA	167.9	93.1	-17.2	-	**243.7**
% of sales	8.1	14.6	n/a	-	**9.0**
Operating profit/loss	153.4	90.8	-25.8	-	**218.4**
% of sales	7.4	14.3	n/a	-	**8.1**
Adjustment items in cost of goods sold	-6.4	0	-	-	**-6.4**
Adjustment items in selling, general and administrative expenses	-1.7	0	-	-	**-1.7**
Total adjustment items	-8.1	-	-	-	**-8.1**
Amortization	-6	-2	-9	-	**-17**
Depreciation	-30	-11	0	-	**-42**
Gross capital expenditure (including business acquisitions)	59	8	1	-	**68**
Non-cash write-downs[1]	-11	-5	0	-	**-17**
Intangible and tangible assets	696	118	17	-	**832**
Investments in associated companies	1	-	-	-	**1**
Available-for-sale equity investments	0	0	3	-	**3**
Inventories and other non-interest bearing assets	1,153	312	25	-	**1,491**
Interest bearing receivables	-	-	3	-	**3**
Tax receivables and deferred tax assets	-	-	131	-	**131**
Liquid funds	-	-	826	-	**826**
Total assets	1,850	431	1,006	-	**3,287**
Non-interest bearing liabilities	800	140	55	-	**995**
Tax payables and deferred tax liability	-	-	88	-	**88**
Interest bearing debt	-	-	853	-	**853**
Total liabilities	800	140	996	-	**1,937**
Operative capital employed / Capital employed	1,050	290	863	-	**2,204**
Segment ROCE % / ROCE %	14.7	29.7	n/a	-	**10.3**
Orders received	2,308	675	-	0	**2,982**
Order backlog	1,173	267	-	0	**1,439**

1) Write-downs of intangible and tangible assets, inventories and trade receivables.

Adjustment items and amortization of intangible assets

2017

EUR million	Minerals	Flow Control	Group Head office and other	Metso total
Adjusted EBITA	**167.9**	**93.1**	**-17.2**	243.7
% of sales	**8.1**	**14.6**	**-**	9.0
Capacity adjustment expenses	-8.1	0	-	-8.1
Amortization of intangible assets	-6.3	-2.4	-8.5	-17.2
Operating profit	153.4	90.8	-25.7	218.4

Formulas for key figures:

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 (segment ROCE), %:

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

EUR million	Minerals	Flow Control	Group Head Office and other	Eliminations	**Metso total**
2016					
External sales	1,956	630	-	-	2,586
Intra-group sales	0	1	0	-1	-
Sales	1,956	631	-	-1	2,586
EBITA	154.0	93.0	-2.7	0	244.3
% of sales	7.9	14.7	n/a	-	9.4
Adjusted EBITA	190.3	95.0	-11.3	-	274.0
% of sales	9.7	15.1	n/a	-	10.6
Operating profit/loss	148.0	90.4	-11.4	-	227.1
% of sales	7.6	14.3	n/a	-	8.8
Adjustment items in cost of goods sold	-23.3	-1.4	-	-	-24.7
Adjustment items in selling, general and administrative expenses	-7.6	-0.6	-1.8	-	-10.0
Adjustment items in other operating income and expenses, net	-5.4	-	10.4	-	5.0
Total adjustment items	-36.3	-2.0	8.6	-	-29.7
Amortization	-6	-3	-8	-	-17
Depreciation	-31	-12	-1	-	-44
Gross capital expenditure (including business acquisitions)	19	7	5	-	31
Non-cash write-downs[1)]	-15	-6	0	-	-21
Intangible and tangible assets	696	132	25	-	853
Investments in associated companies	1	-	-	-	1
Available-for-sale equity investments	0	0	1	-	1
Inventories and other non-interest bearing assets	1,082	312	35	-	1,429
Interest bearing receivables	-	-	13	-	13
Tax receivables and deferred tax assets	-	-	132	-	132
Liquid funds	-	-	807	-	807
Total assets	1,779	444	1,013	-	3,236
Non-interest bearing liabilities	733	130	84	-	947
Tax payables and deferred tax liability	-	-	56	-	56
Interest bearing debt	-	-	794	-	794
Total liabilities	733	130	934	-	1,797
Operative capital employed / Capital employed	1,046	314	873	-	2,233
Segment ROCE % / ROCE %	13.4	28.5	n/a	-	10.4
Orders received	2,115	609	-	0	2,724
Order backlog	1,078	242	-	0	1,320

1) Write-downs of intangible and tangible assets, inventories and trade receivables.

Adjustment items and amortization of intangible assets

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	-	-35.1
Gain on divestment of the head office property	-	-	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	148.0	90.4	-11.4	227.1

2 Geographical information

ACCOUNTING POLICY

Metso presents the geographical segments' sales by location of customers. Non-current assets and gross capital expenditure are presented by location of assets.

Metso's businesses are present in over 50 countries providing strong diversification. The main market areas are Europe and North America accounting for approximately 46 percent of sales. Metso has production units on all inhabited continents.

Sales to unaffiliated customers by destination:

Year ended December 31,

EUR million	2017	2016
Finland	**85**	87
Other European countries	**600**	555
North America	**554**	569
South and Central America	**536**	521
Asia-Pacific	**672**	608
Africa and Middle East	**259**	246
Metso total	**2,706**	2,586

Metso's exports from Finland by destination, including intra-group sales:

Year ended December 31,

EUR million	2017	2016
European countries	**233**	203
North America	**80**	71
South and Central America	**25**	24
Asia-Pacific	**150**	131
Africa and Middle East	**45**	34
Metso total	**533**	463

Non-current assets by location:

As at December 31,

EUR million	2017	2016
Finland	**68**	81
Other European countries	**86**	85
North America	**85**	103
South and Central America	**58**	65
Asia-Pacific	**110**	119
Africa and Middle East	**8**	7
Non-allocated	**448**	428
Metso total	**863**	888

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

Gross capital expenditure by location:

As at December 31,

EUR million	2017	2016
Finland	**5**	9
Other European countries	**9**	5
North America	**4**	3
South and Central America	**8**	6
Asia-Pacific	**8**	7
Africa and Middle East	**3**	1
Metso total	**38**	31

Gross capital expenditure comprises investments in intangible and tangible assets, associated companies and joint ventures.

3 Sales by category

ACCOUNTING POLICY

Metso's sales consist of sales of engineered systems, projects, equipment and related services in the Minerals segment and sales of products, process solutions and related services work in the Flow Control segment.

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

Metso applies the percentage-of-completion method, "POC method", for recognizing long-term delivery contracts of engineered systems and construction projects. Sales recognized under the POC method is based on estimated revenue, costs and profit. The stage of completion is determined by the cost-to-cost method of accounting. In the cost-to-cost method, sales and profits are recorded after considering the ratio of accumulated costs to estimated total costs to complete each contract. Subcontractor materials, labor and equipment, are included in sales and costs of goods sold when Metso is responsible for the ultimate acceptability of the project. A projected potential loss on a firm commitment is recognized in the income statement, when it becomes known. The estimated revenue, costs and profit, together with the planned delivery schedule of the projects are subject to regular revisions as the contract progresses to completion. Revisions in profit estimates are charged through profit and loss account in the period in which the change becomes known.

Sales from short-term service contracts are recognized once the service has been rendered. Sales from long-term service contracts are recognized using the percentage-of-completion method.

ESTIMATES AND ASSESSMENTS BY MANAGEMENT

Sales recognized under the percentage of completion method require management to be able to estimate total sales, costs, margin and cash flow to complete the project. To assess the stage of completion and margin to be recognized as well as the total costs estimated to complete the project requires judgments by management throughout the project delivery. The most critical judgments, needed in case of a loss-making project, are the estimates on the time needed to close the project and the total outcome. Changes in general market conditions and their possible impact to contracts need to be predicted as well. If the total outcome of the project can be predicted reliably, Metso applies the POC method only.

Hedging of foreign currency denominated firm commitments

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

Major customers

In 2017 and 2016 Metso did not have a single customer to which sales would have exceeded 10 percent of the consolidated sales.

Sales by category:

Year ended December 31,

EUR million	2017	2016
Sales of services	**1,767**	1,703
Sales of projects, equipment and goods	**940**	883
Sales total	**2,706**	2,586

Sales by recognition method:

Year ended December 31,

	EUR million 2017	EUR million 2016	% of sales 2017	% of sales 2016
Percentage of completion (POC) recognition[1)]	**215**	189	**8**	7
Recognition at the delivery	**2,491**	2,397	**92**	93
Sales total	**2,706**	2,586	**100**	100

1) The percentage of completion (POC) was highest in the Minerals segment, where it accounted for 10 percent in 2017 and 2016.

Balance sheet items of uncompleted projects at December 31 is as follows:

EUR million	2017	2016
Projects where cost and earnings exceed billings		
Cost and earnings of uncompleted projects	**383**	598
Billings of projects	**317**	532
Net	**66**	66
Projects where billings exceed cost and earnings		
Cost and earnings of uncompleted projects	**305**	343
Billings of projects	**363**	397
Net	**58**	54

4 Selling, general and administrative expenses

EUR million	2017	2016
	Year ended December 31,	
Marketing and selling expenses	**-287**	-284
Research and development expenses, net	**-27**	-34
Administrative expenses	**-196**	-198
Metso total	**-510**	-516

ACCOUNTING POLICY

Research and development expenses comprise salaries, administration costs, depreciation and amortization of tangible and intangible assets and are mainly recognized as incurred. When material development costs meet certain capitalization criteria under IAS 38, they are capitalized and amortized over the expected useful life of the underlying technology.

Research and development expenses, consist of following:

EUR million	2017	2016
	Year ended December 31,	
Research and development expenses, total	**-27**	-34
Capital expenditure	**0**	1
Grants received	**0**	0
Depreciation and amortization	**-1**	-1
Research and development expenses, net	**-27**	-34

5 Other operating income and expenses

ACCOUNTING POLICY

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

EUR million	2017	2016
	Year ended December 31,	
Gain on sale of fixed assets	**1**	12
Rental income	**1**	1
Foreign exchange gains[1]	**48**	42
Other income	**7**	9
Other operating income, total	**57**	64
Loss on sale of fixed assets	**0**	-2
Impairment on fixed assets	**-3**	-1
Foreign exchange losses[1]	**-48**	-43
Other expenses	**-8**	-12
Other operating expenses, total	**-59**	-58
Other operating income and expenses, net	**-2**	6

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

6 Personnel expenses and the number of personnel

Personnel expenses

EUR million	2017	2016
	Year ended December 31,	
Salaries and wages	**-515**	-511
Pension costs, defined contribution plans	**-37**	-31
Pension costs, defined benefit plans[1]	**-5**	-5
Other post-employment benefits[1]	**0**	-1
Share-based payments[2]	**-2**	-2
Other indirect employee costs	**-91**	-105
Metso total	**-650**	-655

1) For more information on pension costs, see note 16.
2) For more information on share-based payments, see note 7.

Number of personnel at end of year:

	2017	2016
Minerals	**8,890**	8,370
Flow Control	**2,660**	2,663
Group Head Office and others total	**487**	509
Metso total	**12,037**	11,542

Average number of personnel during the period:

	2017	2016
Minerals	**8,557**	8,762
Flow Control	**2,645**	2,779
Group Head Office and others total	**501**	518
Metso total	**11,703**	12,059

Board remuneration:

EUR thousand	2017	2016
Serving Board members at December 31, 2017:		
Mikael Lilius	**-126**	-126
Christer Gardell	**-73**	-73
Peter Carlsson	**-75**	-72
Ozey K. Horton, Jr.	**-95**	-95
Lars Josefsson	**-61**	-61
Nina Kopola	**-61**	-61
Arja Talma	**-76**	-72
Raimo Brand[1]	**-5**	-
Former Board members:		
Wilson Nelio Brumer	**-8**	-81
Eeva Sipilä	**-**	-3
Markku Aapakari[1]	**-2**	-8
Total	**-582**	-652

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

According to the decision of the 2017 Annual General Meeting, the annual fees paid to the Board members are: Chair of the Board EUR 110,000, Vice Chair of the Board EUR 62,000 and other Board members EUR 50,000. An additional annual remuneration is paid to the member of the Board elected in the position of Chair of the Audit Committee EUR 15,000 and Chair of HR and Remuneration Committee EUR 5,000.

In addition, an attendance fee of EUR 700 per meeting attended, including committee meetings, is paid to members whose residence is in the Nordic countries, EUR 1,400 to members whose residence is elsewhere in Europe and EUR 2,800 for those residing outside Europe. Compensation for travel expenses and daily allowances are paid in accordance with Metso's travel policy.

Based on the decision of the 2017 Annual General Meeting, 40 percent of the Board's annual fees were used to buy Metso shares from the market. The shares were acquired within the two weeks following the publication of the first-quarter 2017 Interim Review.

Remuneration paid to Chief Executive Officer and other Executive Team members:

EUR	Annual salary	Performance bonus paid	Fringe benefits	Share-based payment	Total
2017					
President and CEO Nico Delvaux[1)]	299,408	-	9,128	-	308,536
President and CEO Matti Kähkönen[2)]	406,765	135,000	12,544	66,824	621,133
Other Executive Team members	2,307,889	161,517	19,205	138,207	2,626,818
Total	**3,014,062**	**296,517**	**40,877**	**205,031**	**3,556,487**
2016					
President and CEO Matti Kähkönen	610,136	111,840	21,885	-	743,861
Other Executive Team members	2,150,756	186,647	29,938	-	2,367,341
Total	**2,760,892**	**298,487**	**51,823**	**-**	**3,111,202**

1) President and CEO from August 1, 2017 onwards
2) President and CEO between January 1–July 31, 2017

The remuneration paid to President and CEO Nico Delvaux is presented in the table above. The fringe benefits comprised a telephone as well as housing and medical benefit. Mr. Delvaux participates in the remuneration programs according to the respective terms and conditions decided by the Board. For more information on share-based payments, see note 7.

According to his executive contract, Nico Delvaux is eligible to retire at the age of 63 and belongs to a supplementary defined contribution pension plan with 20 percent contribution of annual salary. The notice period for both parties is six months. Only, if the agreement is terminated by the company prior to the second anniversary of the employment the severance pay is full monthly salary multiplied by eighteen and after this, the severance pay is twelve months. For years ended December 31, 2017 there were no contributions toward supplementary pension plan for Mr. Delvaux. For the years ended December 31, 2017 and December 31, 2016 contributions made to the executive defined benefit plan, which former President and CEO Matti Kähkönen belonged to, amounted to EUR 974 thousand and EUR 445 thousand.

Metso has subscribed supplementary pension plans for senior management for retirement, the beneficiaries include the Metso Executive Team. For the years ended December 31, 2017 and December 31, 2016 these pension premium payments totaled EUR 245 thousand and EUR 262 thousand.

Board share ownership in Metso:

December 31, 2017	
Mikael Lilius	32,444
Christer Gardell	6,196
Peter Carlsson	1,579
Ozey K. Horton, Jr.	4,789
Lars Josefsson	3,033
Nina Kopola	3,080
Arja Talma	2,053
Total	**53,174**

Executive Team share ownership in Metso:

December 31, 2017	
Nico Delvaux	**10,650**
Eeva Sipilä	**7,661**
Victor Tapia	**-**
John Quinlivan	**3,103**
Merja Kamppari	**8,207**
Urs Pennanen	**200**
Jani Puroranta	**-**
Total	**29,821**

7 Share-based payments

ACCOUNTING POLICY

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

The equity-settled share awards are valued based on the market price of Metso shares as of the grant date, and recognized as an employee benefit expense over the vesting period with a corresponding entry in other reserves of equity. The historical development of Metso shares and the expected dividends have been taken into account when calculating the fair value. The liability resulting from the cash-settled transactions is measured based on the market price of Metso shares as of the balance sheet date and accrued as an employee benefit expense with corresponding entry in the current liabilities until the settlement date.

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

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

ESTIMATES AND ASSESSMENTS BY MANAGEMENT

At each balance sheet date, management revises its estimates for the number of shares that are expected to vest. As part of this evaluation, Metso takes into account the changes in the forecasted performance of the Group and its reporting segments, the expected turnover of the personnel benefiting from the incentive plan and other pertinent information impacting the number of shares to vest.

Long-term incentive plan for 2012–2014

In December 2011, Metso's Board of Directors decided to establish a share-based incentive plan that had three performance periods: calendar years 2012, 2013 and 2014.

All performance periods and related two-year vesting periods have been completed. A total of 95,270 treasury shares were used to pay rewards to 56 participants in March 2015, no shares were delivered in 2016, as the targets set for the performance period 2013 were not met. In 2017 a total of 12,590 treasure shares were used to pay rewards to 49 participants from 2014 plan.

Long-term incentive plan for 2015 and thereafter

In December 2014, Metso's Board decided on a long-term share-based incentive plan for the Metso management and key employees, with a Performance Share Plan (PSP) as the main structure. In addition, the Board decided to establish a Restricted Share Plan (RSP) as a complementary share-based incentive structure for specific situations.

The commencement of each new PSP and RSP plan, and earning criteria for each new PSP plan will be subject to separate decisions by the Board. The PSP consists of annually commencing performance share plan, each with a three-year earning period, and the complementary RSP consists of annually commencing restricted share plans, each with a three-year vesting period.

Performance Share Plan 2015–2017

The earning criteria for the PSP 2015–2017 and the potential reward are based on the total shareholder return (TSR) of Metso's share during 2015–2017. At the end of 2017, there were 79 participants in the plan and the potential reward corresponds to a maximum of 286,210 Metso shares, out of which the Metso Executive Team can receive a maximum reward of 16,600 shares. The potential reward will be paid in 2018.

Performance Share Plan 2016–2018

The earning criteria for the PSP 2016–2018 and the potential reward are based on the total shareholder return (TSR) of Metso's share during 2016–2018. At the end of 2017, there were 86 participants in the plan and the potential reward corresponds to a maximum of 376,000 Metso shares, out of which the Metso Executive Team can receive a maximum reward of 51,800 shares. The potential reward will be paid in 2019.

Performance Share Plan 2017–2019

In December 2016, the Board decided to continue the long-term incentive plans. The potential share reward payable under the PSP 2017–2019 are based on the total shareholder return of Metso's share during 2017–2019. At the end of 2017, there were 95 participants in the plan and the potential reward corresponds to a maximum of 395,800 Metso shares, out of which the Metso Executive Team can receive a maximum reward of 110,000 shares. The potential reward will be paid in 2020.

Restricted Share Plan 2017–2019

At the end of 2017, there were 5 participants in the RSP plan and the potential reward corresponds to a 15,900 Metso shares, out of which the Metso Executive Team can receive a maximum reward of 12,500 shares. The potential reward will be paid in 2020.

The possible rewards will be paid partly in company shares and partly in cash. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward to the participants. If a participant's employment or service ends for reasons relating to the participant before the reward payment, no reward will be paid.

Beneficiaries of and granted shares under the share ownership plan as at December 31, 2017:

	Metso Executive Team	Shares	Other beneficiaries	Shares	Beneficiaries total	Shares total
Plan 2014–2016						
Granted 2017	7	3,875	42	8,715	49	12,590

Costs recognized for the share ownership plans:

EUR thousand	Plan 2014–2016	Plan PSP 2015–2017	Plan PSP 2016–2018	Plan PSP 2017–2019	Total
2017					
Metso Executive Team	-32	-26	-189	-240	-487
Other beneficiaries	-86	-151	-779	-575	-1,591
Total	**-118**	**-177**	**-968**	**-815**	**-2,078**
2016					
Metso Executive Team	-65	-107	-345	-	-517
Other beneficiaries	-175	-486	-736	-	-1,397
Total	**-240**	**-593**	**-1,081**	**-**	**-1,914**

As of the balance sheet date, a liability of EUR 443 thousand was recognized as an accrued expense for the cash-settled portion of plan PSP 2017–2019, EUR 1,717 thousand from plan PSP 2016–2018 and EUR 434 thousand from plan PSP 2015–2017.

8 Financial income and expenses

EUR million	2017	2016
	Year ended December 31,	
Financial income		
Dividends received	**0**	0
Interest income on cash and cash equivalents	**4**	7
Income on financial investments	**0**	0
Other financial income[1)]	**8**	1
Financial income total	**12**	8
Financial expenses		
Interest expenses from financial liabilities at amortized cost	**-23**	-29
Interest expenses on financial leases	**0**	0
Other financial expenses	**-23**	-16
Net loss from foreign exchange	**-1**	-2
Financial expenses total	**-47**	-47
Financial income and expenses, net	**-35**	-39

1) In 2017 other financial income includes gain of EUR 7 million on loan modification.

9 Income taxes

ACCOUNTING POLICY

Income taxes in the consolidated income statement includes taxes of subsidiaries based on taxable income for the current period, tax adjustments for previous periods and the changes in deferred taxes. The other comprehensive income statement (OCI) includes taxes on items presented in OCI. Deferred taxes are determined for temporary differences arising between the tax base of assets and liabilities and their financial statement carrying amounts, measured using substantially enacted tax rates.

ESTIMATES AND ASSESSMENTS BY MANAGEMENT

Metso is subject to income tax in its operating countries. Metso's management is required to make certain assumptions and estimates in preparing the annual tax calculations for which the ultimate tax consequences is uncertain. Annually Metso has tax audits ongoing in several subsidiaries and Metso recognizes tax liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these issues is different from the estimated amounts, the difference will impact the income tax in the period in which such determination is made.

The components of income taxes are as follows:

EUR million	2017	2016
	Year ended December 31,	
Income taxes for the period	**-62**	-64
Income taxes for prior years	**-13**	0
Change in deferred tax asset / liability	**-7**	6
Income taxes	**-82**	-58

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

EUR million	2017	2016
	Year ended December 31,	
Income before taxes	**184**	188
Income tax at Finnish statutory tax rate of 20.0%	**-37**	-38
Effect of different tax rates in foreign subsidiaries	**-16**	-15
Non-deductible expenses	**-7**	-2
Tax exempt income or tax incentives	**2**	0
Foreign non-creditable withholding taxes	**-2**	-4
Effect of enacted change in tax rates[1)]	**-8**	0
Reassessment of deferred taxes for prior years	**-1**	0
Income tax for prior years[2)]	**-13**	0
Other	**1**	-2
Income taxes	**-82**	-58

1) Revaluation impact on deferred tax assets and liabilities caused by US tax reform.
2) Includes EUR 15 million tax charge due to reassessment decision by Finnish tax authorities for years 2011–2016.

Tax effects of components in other comprehensive income:

	Year ended December 31,					
	2017			2016		
EUR million	**Before taxes**	**Tax**	**After taxes**	Before taxes	Tax	After taxes
Cash flow hedges	**4**	**-1**	**3**	-3	1	-2
Defined benefit plan actuarial gains (+) / losses (-)	**8**	**-7**	**1**	4	-1	3
Currency translation on subsidiary net investments	**-39**	**-**	**-39**	23	-	23
Total comprehensive income (+) / expense (-)	**-27**	**-8**	**-35**	24	0	24
Current tax		**-1**			1	
Deferred tax		**-7**			-1	
Total		**-8**			0	

ACCOUNTING POLICY

The deferred tax asset or liability is determined for temporary differences arising between the tax bases of assets and liabilities and their financial statement carrying amounts using the substantially enacted tax rates expected to apply in future years. Typical temporary differences arise from provisions, depreciation and amortization expense, inter-company inventory margins, defined benefit plans and tax loss carry forwards. Deferred tax liabilities are recognized in the balance sheet in full, and the deferred tax assets are only recognized if it is probable there will be taxable income in the future against which deferred tax can be used. Deferred tax assets are set off against deferred tax liabilities if they relate to taxes levied by the same taxation authority.

ESTIMATES AND ASSESSMENTS BY MANAGEMENT

In determining the deferred tax assets and liabilities, Metso is required to make certain assumptions and estimates on in particular future operating performance and the taxable income of subsidiaries, recoverability of tax loss carry-forwards and potential changes of tax laws in jurisdictions where Metso operates. A deferred tax liability based on foreign subsidiaries undistributed earnings has been provided only where Metso management has elected to distribute such earnings in the coming years and the distribution is subject to taxation. Because the tax consequences are difficult to predict, the deferred tax asset and liabilities may need to be adjusted in coming financial years, which will have an impact in the period in which such determination is made.

Reconciliation of deferred tax balances:

EUR million	Balance at beginning of year	Charged to income statement	Charged to shareholders' equity	Acquisitions and disposals	Translation differences	**Balance at end of year**
2017						
Deferred tax assets						
Tax losses carried forward	10	1	0	-	0	11
Fixed assets	11	-1	-	-	0	10
Inventory	35	-9	-	-	-3	24
Provisions	22	1	-	-	-2	21
Accruals	15	-6	-	-	-1	7
Pension related items	14	0	-7	-	-	7
Other	24	2	-1	0	-2	22
Total deferred tax assets[1)]	131	-12	-8	0	-8	103
Offset against deferred tax liabilities	-19	0	-	-	-	-10
Net deferred tax assets	**112**	**-12**	**-8**	**0**	**-8**	**93**
Deferred tax liabilities						
Purchase price allocations	8	-1	-	3	-	10
Fixed assets	8	-2	-	-	-1	5
Other	15	-2	-	-	-	13
Total deferred tax liabilities[1)]	30	-5	-	-	-1	28
Offset against deferred tax assets	-19	0	-	-	-	-10
Net deferred tax liabilities	11	-5	-	-	-1	**18**
Deferred tax assets, net	**101**	**-7**	**-8**	**3**	**-7**	**77**

1) Metso has reclassified the presentation of deferred tax assets and liabilities on a gross basis and the opening balance line items have been adjusted accordingly.

EUR million	Balance at beginning of year	Charged to income statement	Charged to shareholders' equity	Translation differences	Balance at end of year
2016					
Deferred tax assets					
Tax losses carried forward	11	-1	0	0	10
Fixed assets	8	1	-	0	9
Inventory	32	-10	-	2	24
Provisions	18	5	-	0	23
Accruals	10	5	-	1	16
Pension related items	23	4	-1	0	26
Other	14	-6	0	0	8
Total deferred tax assets	116	-2	-1	3	116
Offset against deferred tax liabilities	-8	4	-	-	-4
Net deferred tax assets	108	2	-1	3	112
Deferred tax liabilities					
Purchase price allocations	11	0	-	0	11
Fixed assets	4	-2	-	0	2
Other	8	-6	-	0	2
Total deferred tax liabilities	23	-8	-	0	15
Offset against deferred tax assets	-8	4	-	-	-4
Net deferred tax liabilities	15	-4	-	0	11
Deferred tax assets, net	**93**	**6**	**-1**	**3**	**101**

For the years ended December 31, 2016 and 2015, respectively, earnings of EUR 133 million and EUR 151 million would have been subject to recognition of a deferred tax liability, had Metso management decided on distribution in coming years.

10 Earnings per share

Earnings per share are calculated as follows:

Basic

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the company by the weighted average number of shares issued and outstanding for the year, excluding own shares held by the Parent company.

Year ended December 31,	**2017**	2016
Profit attributable to shareholders of the company, EUR million	**102**	130
Weighted average number of shares issued and outstanding (in thousands)	**149,995**	149,985
Earnings per share, basic, EUR	**0.68**	0.87

Diluted

The shares to be potentially issued in the future are treated as outstanding shares when calculating the "Diluted earnings per share" if they have a dilutive effect. The own shares held by Metso are reissued within the terms of the share ownership plan to the key personnel if the targets defined in the plan are met. Diluted earnings per share are calculated by increasing the weighted average number of outstanding shares with the number of those shares, which would be distributed to the beneficiaries based on the results achieved, if the conditional earnings period ended at the end of the financial period in question. As at December 31, 2017, Metso held 351,128 own shares intended for the share ownership plans.

Year ended December 31,	**2017**	2016
Profit attributable to shareholders of the company, EUR million	**102**	130
Weighted average number of shares issued and outstanding (in thousands)	**149,995**	149,985
Adjustment for potential shares distributed (in thousands)	**156**	128
Weighted average number of diluted shares issued and outstanding (in thousands)	**150,151**	150,113
Earnings per share, diluted, EUR	**0.68**	0.87

Operational assets and liabilities

11 Net working capital and capital employed

Net working capital

EUR million	Balance sheet value as at December 31, 2017	2016	Cash flow effect year ended December 31, 2017	2016
Inventory	**750**	709	**-93**	24
Trade receivables	**497**	464	**-62**	25
Other non-interest bearing receivables	**177**	189	**-11**	16
Percentage of completion: recognized assets and liabilities, net	**8**	12	**3**	26
Trade payables	**-342**	-275	**79**	20
Advances received	**-198**	-186	**22**	10
Other non-interest bearing liabilities	**-392**	-426	**39**	-29
Net working capital	**502**	487	**-23**	92

Capital employed

EUR million	Balance sheet value as at December 31, 2017	2016
Net working capital	**502**	487
Intangible assets	**545**	538
Tangible assets	**287**	315
Non-current investments	**4**	2
Interest bearing receivables	**3**	13
Financial instruments held for trading	**154**	109
Cash and cash equivalents	**673**	698
Tax receivables, net	**43**	76
Interest payables, net	**-6**	-5
Capital employed	**2,204**	2,233
Total capital employed, average	**2,218**	2,250
Profit before taxes + interest and other financial expenses	**229**	233
Profit after taxes + interest and other financial expenses	**147**	175
Return on capital employed (ROCE) before taxes, %	**10.3**	10.4
Return on capital employed (ROCE) after taxes, %	**6.6**	7.8

The longer time series is presented in Key figures section.

12 Trade and other receivables

ACCOUNTING POLICY

Trade receivables and other non-interest bearing receivables are recognized in the balance sheet at fair value, which can be subsequently written down due to impairment. The impairment is expensed under selling, general and administrative expenses. Bad debts are written off when official announcement of receivership, liquidation or bankruptcy is received confirming that the receivable will not be honored.

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

ESTIMATES AND ASSESSMENTS BY MANAGEMENT

Metso's policy is to calculate an impairment loss based on the best estimate of the amounts that are potentially uncollectable at the balance sheet date. The estimates are based on a systematic review and evaluation performed as part of the credit-risk evaluation process. As part of this evaluation, Metso takes into account the history of collections, the size of receivable balances, changes in payment terms and current economic events and conditions. Metso's management actively monitors the amount of receivables past due and days of sales outstanding globally and initiates action as necessary.

	As at December 31,					
EUR million	**Non-current**	**2017 Current**	**Total**	Non-current	2016 Current	Total
Non-interest bearing receivables						
Loan receivables	**0**	**-**	**0**	0	-	0
Trade receivables	**-**	**497**	**497**	-	464	464
Prepaid expenses and accrued income	**-**	**53**	**53**	-	48	48
Other receivables	**28**	**81**	**109**	32	93	125
Metso total	**29**	**631**	**660**	32	605	637

Other non-interest bearing receivables included EUR 17 million in 2017 (EUR 22 million in 2016) of Brazilian tax credits arising from delivery of goods and transfer of services (ICMS) recognized by local subsidiaries. Of that amount EUR 2 million was classified as long-term in 2017 (EUR 1 million in 2016).

Provision for impairment of trade receivables has changed as follows:

	Year ended December 31,	
EUR million	**2017**	2016
Balance at beginning of year	**44**	46
Impact of exchange rates	**-2**	-1
Additions charged to expense	**12**	13
Increase from business acquisitions	**0**	-
Used reserve	**0**	-3
Deductions / other additions	**-5**	-11
Balance at end of year	**49**	44

Analysis of non-interest bearing trade receivables by age:

	Year ended December 31,	
EUR million	**2017**	2016
Trade receivables, not due at reporting date	**339**	323
Trade receivables 1–30 days past due	**81**	71
Trade receivables 31–60 days past due	**38**	23
Trade receivables 61–90 days past due	**16**	16
Trade receivables 91–180 days past due	**14**	18
Trade receivables more than 180 days past due	**9**	13
Metso total	**497**	464

13 Inventory

ACCOUNTING POLICY

Inventories are valued at the lower of historical cost calculated or net realizable value. Costs are measured on a weighted average cost basis and include purchase costs as well as transportation and processing costs. The costs of finished goods include direct materials, wages and salaries plus employer social contributions, subcontracting and other direct costs, as well as a portion of production and project administration overheads. Net realizable value is the estimated amount that can be realized from the sale of the asset in the normal course of business less costs to sell.

Inventories are shown net of a provision for obsolete and slow-moving inventories. Metso's policy is to maintain a provision for slow-moving and obsolete inventory based on the best estimate of such amounts at the balance sheet date. An obsolescence provision is charged to income statement in the period in which the obsolescence is determined. Estimates are based on a systematic, on-going review and evaluation of inventory balance.

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

ESTIMATES AND ASSESSMENTS BY MANAGEMENT

Inventory valuation requires management to make estimates and judgements particularly relating to obsolescence and expected selling prices in different market conditions. It also entails management's assessment of the general market trends in global markets.

Inventory

As at December 31,

EUR million	2017	2016
Materials and supplies	**121**	107
Work in process	**164**	142
Finished products	**465**	460
Inventory	**750**	709

The cost of inventories recognized as expense amounted to EUR 1,940 million in 2017 and EUR 1,813 million in 2016.

Provision for inventory obsolescence has changed as follows:

EUR million	2017	2016
Balance at beginning of year	**71**	64
Impact of exchange rates	**-5**	2
Additions charged to expense	**12**	13
Used reserve	**-1**	-4
Deductions / other additions	**-10**	-4
Balance at end of year	**66**	71

14 Trade and other payables

ACCOUNTING POLICY

The fair values and carrying amounts of trade and other payables are considered to be the same due to the short-term maturities. The maturities of the current non-interest bearing liabilities rarely exceed six months. The maturities of trade payables are largely determined by the trade practices and individual agreements between Metso and its supplier.

Accrued personnel costs, including holiday pay, are settled in accordance with local laws and regulations.

As at December 31,

	2017			2016		
EUR million	Non-current	Current	Total	Non-current	Current	Total
Non-interest bearing payables						
Trade payables	**-**	**342**	**342**	-	275	275
Accrued interests	**-**	**7**	**7**	-	6	6
Accrued personnel costs	**-**	**85**	**85**	-	77	77
Accrued project costs	**-**	**30**	**30**	-	35	35
VAT payables	**-**	**41**	**41**	-	29	29
Other payables	**2**	**43**	**46**	2	48	50
Metso total	**2**	**547**	**550**	2	470	472

15 Provisions

ACCOUNTING POLICY

Provisions are recognized when the Group has a legal or constructive obligation as a result of a past event, and it is probable that financial benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Warranty and guarantee provisions

Metso issues various types of contractual product warranties under which it generally guarantees the performance levels agreed in the sales contract, the performance of products delivered during an agreed warranty period and services rendered for a certain period or term. The provision for estimated warranty costs is based on historical realized warranty costs for deliveries of standard products and services in the past. The typical warranty period is 12 months from the accepted delivery. The adequacy of provisions is assessed periodically on a case by case basis.

Restructuring and capacity adjustment costs

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

Environmental remediation costs

Metso recognizes provisions associated with environmental remediation obligations when there is a present obligation as a result of past events, an outflow of resources is considered probable and the obligation can be estimated reliably. Such provisions are adjusted as further information develops or circumstances change. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed virtually certain.

Provision for loss making projects

A provision for loss making projects is booked when the costs needed to settle the performance obligations of the contract exceed the consideration to be received. Such a provision for the unrecognized portion of the loss is recognized immediately when these conditions have been met and is revised according to the progress of the project.

ESTIMATES AND ASSESSMENTS BY MANAGEMENT

Provisions booked require management to estimate the future costs needed to settle the obligations and to estimate the possible outcomes of claims or lawsuits. The outcome depends on future development and events, so the final costs needed and timing to settle the obligation may differ from the initial provision estimated.

For larger and long-term delivery projects and sales involving new technology, additional warranty provisions can be established on a case by case basis to take into account the potentially increased risk.

As at December 31,

	2017			2016		
EUR million	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Warranty and guarantee provision	**0**	**48**	**48**	0	39	39
Restructuring provision	**1**	**11**	**12**	1	28	29
Environmental remedial provision	**0**	**1**	**1**	0	1	1
Other provisions[1)]	**36**	**14**	**50**	39	13	52
Provisions total	**37**	**74**	**111**	40	81	121

1) Includes provisions related to lawsuits, personnel liabilities and loss making projects.

The provisions, including both non-current and current, have changed as follows during the financial year 2017:

EUR million	Warranty and guarantee provision	Restructuring provision	Environmental remediation provision	**Total**
Balance at beginning of year	39	29	1	**69**
Impact of exchange rates	-2	-2	0	**-4**
Addition charged to expense	37	1	0	**38**
Used reserve	-24	-15	0	**-39**
Reversal of reserve / other changes	-2	-1	0	**-3**
Balance at end of year 2017	**48**	**12**	**1**	**61**

16 Post employment obligations

ACCOUNTING POLICY

Metso has several different pension schemes in accordance with local regulations and practices in countries where it operates. In certain countries, the pension schemes are defined benefit plans with retirement, disability, death, and other post-retirement benefits, such as health services, and termination income benefits. The retirement benefits are usually based on the number of service years and the salary levels of the final service years. Metso has both defined contribution and defined benefit schemes. The schemes are generally funded through payments to insurance companies or to trustee-administered funds. Other arrangements are unfunded with benefits being paid directly by Metso as they fall due. All arrangements are subject to local tax and legal restrictions in their respective jurisdictions.

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

The contributions to defined contribution plans and multi-employer and insured plans are recognized in the income statement concurrently with the payment obligations.

ESTIMATES AND ASSESSMENTS BY MANAGEMENT

The present value of the pension obligations is based on annual actuarial calculations, which use several assumptions such as the discount rate and expected return on assets, salary and pension increases and other actuarial factors. As a result, the liability recorded on Metso's balance sheet and cash contributions to funded arrangements are sensitive to changes. Where the actuarial experience differs from those assumptions gains and losses result, which are recognized in OCI. Sensitivity analyses on the present value of the defined benefit obligation have been presented in the tables. Assets of Metso's funded arrangements are managed by external fund managers. The allocation of assets is reviewed regularly by those responsible for managing Metso's arrangements based on local legislation, professional advice and consultation with Metso, based on acceptable risk tolerances.

Metso's pension and other post-employment plans

The pension arrangements in the US, Canada and the UK together represent 74 percent of Metso's defined benefit obligation and 82 percent of its pension assets. These arrangements provide income in retirement which is substantially based on salary and service at or near retirement. In the US and Canada annual valuations are carried out to determine whether cash funding contributions are required in accordance with local legislation. In the UK, Metso's defined benefit pension arrangement is closed to the future accrual. Plan assets are held by a separate pension fund and are administered by a board of trustees. Cash contributions are determined on a triennial basis in accordance with local funding legislation, with the level of cash payments being agreed between the trustees and Metso. Defined benefit pension arrangements in Sweden are offered in accordance with collective labor agreements and are unfunded.

Assets of Metso's funded arrangements are managed by external fund managers. The allocation of assets is reviewed regularly by those responsible for managing Metso's arrangements based on local legislation, professional advice and consultation with Metso, based on acceptable risk tolerances.

The expected contributions to plans in 2018 are EUR 8 million. Metso paid contributions of EUR 10 million to defined benefit plans in 2017.

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

	Pension benefits		Other post employment benefits		Total	
EUR million	**2017**	2016	**2017**	2016	**2017**	2016
Present value of funded obligations	**260**	291	**-**	-	**260**	291
Fair value of plan assets	**-280**	-300	**-**	-	**-280**	-300
	-20	-9	**-**	-	**-20**	-9
Present value of unfunded obligations	**45**	47	**27**	32	**71**	79
Unrecognized asset	**1**	0	**-**	-	**1**	0
Net liability recognized	**25**	38	**27**	32	**52**	70
Amounts in the balance sheet:						
Liabilities	**41**	56	**27**	32	**68**	88
Assets	**16**	18	**-**	-	**16**	18
Net liability recognized	**25**	38	**27**	32	**52**	70

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

EUR million	Pension and other post employment benefits 2017	2016
Net liability at beginning of year	**70**	77
Net expense recognized in the income statement	**5**	7
Employer contributions	**-10**	-15
Gain (+) / loss (-) recognized through OCI	**-9**	-4
Translation differences	**-4**	5
Net liability at end of year	**52**	70

The amounts recognized in the income statement were as follows:

	Pension benefits		Other post employment benefits		Total	
EUR million	**2017**	2016	**2017**	2016	**2017**	2016
Employer's current service cost	**5**	4	**0**	0	**5**	4
Net interest on net surplus (+) / deficit (-)	**0**	1	**1**	1	**1**	2
Settlements	**0**	0	**-**	-	**-**	0
Recognition of past service cost (+) / credit (-)	**0**	0	**-1**	-	**-1**	0
Administration costs paid by the scheme	**0**	0	**-**	-	**0**	0
Expense (+) / income (-) recognized in the income statement	**5**	5	**0**	1	**5**	6

The amounts recognized through OCI were as follows:

	Pension benefits		Other post employment benefits		Total	
EUR million	**2017**	2016	**2017**	2016	**2017**	2016
Return on plan assets, excluding amounts included in interest expense (+) / income (-)	**-10**	-25	**-**	-	**-10**	-25
Actuarial gain (-) / loss (+) on liabilities due to change in financial assumptions	**7**	23	**1**	1	**8**	24
Actuarial gain (-) / loss (+) on liabilities due to change in demographic assumptions	**-2**	2	**-0**	-	**-2**	2
Actuarial gain (-) / loss (+) on liabilities due to experience	**-3**	-4	**-2**	0	**-5**	-4
Gain (-) / loss (+) as result of asset ceiling	**-**	-1	**-**	-	**-**	-1
Total gain (-) / loss (+) recognized through OCI	**-8**	-5	**-1**	1	**-9**	-4

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

	Pension benefits		Other post employment benefits		Total	
EUR million	**2017**	2016	**2017**	2016	**2017**	2016
Defined benefit obligation at beginning of year	**338**	330	**32**	31	**370**	361
Other adjustment to present value	**-**	-	**-**	-	**0**	0
Employer's current service cost	**4**	4	**0**	0	**4**	4
Interest cost	**9**	11	**1**	1	**10**	12
Plan participant contributions	**-**	0	**-**	-	**-**	0
Past service cost (+) / credit (-)	**-**	-	**-**	0	**-**	0
Actuarial gain (-) / loss (+) due to change in financial assumptions	**7**	23	**1**		**8**	23
Actuarial (gain)/loss on liabilities due to change in demographic assumptions	**-2**	2	**-**	-	**-2**	2
Actuarial gain (-) / loss (+) due to experience	**-3**	-5	**-2**	0	**-5**	-5
Settlements	**-6**	-3	**-**	-	**-6**	-3
Benefits paid from the arrangement	**-17**	-16	**-**	-	**-17**	-16
Benefits paid direct by employer	**-4**	-3	**-2**	-1	**-6**	-4
Translation differences	**-21**	-5	**-3**	1	**-24**	-4
Defined benefit obligation at end of year	**305**	338	**27**	32	**332**	370

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

	Pension and other post employment benefits total	
EUR million	**2017**	2016
Fair value of assets at beginning of year	**300**	284
Interest income on assets	**9**	10
Return on plan assets excluding interest income	**9**	25
Assets distributed on settlements	**-6**	-4
Employer contributions	**10**	15
Plan participant contributions	**0**	0
Benefits paid from the arrangements	**-17**	-16
Benefits paid direct by employer	**-6**	-5
Administration expenses paid from the scheme	**0**	0
Translation differences	**-19**	-9
Fair value of assets at end of year	**280**	300

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

	Quoted		Unquoted		Total	
	2017	2016	**2017**	2016	**2017**	2016
Equity securities	**23%**	28%	**0%**	0%	**23%**	28%
Bonds	**28%**	24%	**2%**	2%	**30%**	26%
Property	**1%**	1%	**0%**	0%	**1%**	1%
Cash	**1%**	1%	**0%**	0%	**1%**	1%
Insurance contracts	**1%**	1%	**13%**	15%	**14%**	16%
Other	**3%**	3%	**28%**	25%	**31%**	28%
Total	**57%**	58%	**43%**	42%	**100%**	100%

As at 31, December 2017 there were no plan assets invested in affiliated or property occupied by affiliated companies.

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

	2017	2016
Benefit obligation:		
Discount rate	**2.87%**	3.32%
Rate of salary increase	**3.05%**	3.09%
Rate of pension increase	**2.66%**	2.86%
Expense in income statement:		
Discount rate	**3.32%**	3.68%
Rate of salary increase	**3.09%**	3.00%
Rate of pension increase	**2.86%**	2.81%

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

Country	Life expectancy at age of 65 for a male member currently aged 65 2017	2016	Life expectancy at age of 65 for a male member currently aged 45 2017	2016
United Kingdom	**22.1**	22.2	**23.5**	23.9
United States	**20.7**	20.9	**22.6**	22.5
Canada	**21.7**	21.4	**22.8**	22.0

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

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

	2017			2016		
	Pension	**Other**	**Total**	Pension	Other	Total
Discount rate						
Increase of 0.25%	**-8.6**	**-0.6**	**-9.2**	-9.7	-0.8	-10.5
Decrease of 0.25%	**9.0**	**0.7**	**9.7**	10.3	0.8	11.1
Salary increase rate						
Increase of 0.25%	**0.2**	**0.1**	**0.3**	0.3	0.1	0.4
Decrease of 0.25%	**-0.1**	**-0.1**	**-0.2**	-0.3	-0.1	-0.4
Pension increase rate						
Increase of 0.25%	**3.2**	**-**	**3.2**	3.7	-	3.7
Decrease of 0.25%	**-3.1**	**-**	**-3.1**	-3.4	-	-3.4
Medical cost trend						
Increase of 0.25%	**-**	**1.0**	**1.0**	-	1.7	1.7
Decrease of 0.25%	**-**	**-1.0**	**-1.0**	-	-1.4	-1.4
Life expectancy						
Increase of one year	**13.9**	**0.7**	**14.6**	14.5	0.7	15.2
Decrease of one year	**-13.7**	**-0.7**	**-14.4**	-14.2	-0.7	-14.9

Weighted average duration of Defined Benefit Obligation expressed in years

	2017			2016		
	Pension	**Other**	**Total**	Pension	Other	Total
At the end of year	**12.0**	**10.1**	**11.8**	12.4	10.0	12.2

B Intangible and tangible assets

17 Goodwill and other intangible assets

ACCOUNTING POLICY

Goodwill and other intangible assets with an indefinite useful life

Recognized goodwill represents the excess of acquisition costs over the fair value of net identified assets acquired and liabilities assumed and the fair values of previously owned interests and non-controlling interests. Goodwill is allocated to cash-generating units (CGUs), which are either reportable segments such as Minerals and Flow Control or separate business areas under the reportable segments. When Metso reorganizes its reporting structure, goodwill is reallocated to the cash generating units affected based on their relative fair values at the time of the reorganization. The carrying value of goodwill is tested with the CGU's value in use or CGU's fair value less costs of disposal, when appropriate.

Other intangible assets with an indefinite useful life, such as brand values, are not amortized. Currently such assets are tested for impairment annually as part of the appropriate CGU tested for impairment. Previous losses on impairment are only reversed to the extent that the new carrying amount of the assets does not exceed the carrying amount the asset would have had, if the asset had not been impaired.

Other intangible assets

Other intangible assets with a definite useful life, mainly trademarks, patents, licenses, IT software or acquired order backlog are measured at costs less accumulated amortizations and impairment losses.

Amortization of intangible assets

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

Patents and licenses	5–10 years
Computer software	3–5 years
Technology	3–15 years
Customer relationships	3–12 years
Other intangibles	<1–15 years

The carrying value of intangible assets subject to amortization is reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. A previously recognized impairment loss may be reversed if there is a significant improvement of the circumstances having initially caused the impairment,

Goodwill and other intangible assets

EUR million	Goodwill	Patents and licenses	Capitalized software	Other intangible assets	Intangible assets total
2017					
Acquisition cost at beginning of year	452	24	93	119	**688**
Translation differences	-5	-1	-2	-5	**-13**
Business acquisitions	19	4	-	7	**30**
Capital expenditure	-	1	0	2	**3**
Reclassifications	-	1	2	-3	**0**
Other changes	-	-1	0	-1	**-2**
Acquisition cost at end of year	466	28	93	119	**706**
Accumulated amortization at beginning of year	-	-19	-70	-61	**-150**
Translation differences	-	1	2	2	**5**
Other changes	-	1	-	-	**1**
Impairment losses	-	0	0	0	**0**
Amortization charges for the year	-	-2	-8	-7	**-17**
Accumulated amortization at end of year	-	-19	-76	-66	**-161**
Net book value at end of year	**466**	**9**	**17**	**53**	**545**
2016					
Acquisition cost at beginning of year	452	28	91	119	**690**
Translation differences	0	0	1	1	**2**
Capital expenditure	-	1	0	3	**4**
Reclassifications	-	0	2	-2	**0**
Other changes	-	-5	-1	-2	**-8**
Acquisition cost at end of year	452	24	93	119	**688**
Accumulated amortization at beginning of year	-	-22	-62	-56	**-140**
Translation differences	-	0	-1	-1	**-2**
Other changes	-	5	1	3	**9**
Impairment losses	-	0	0	0	**0**
Amortization charges for the year	-	-2	-8	-7	**-17**
Accumulated amortization at end of year	-	-19	-70	-61	**-150**
Net book value at end of year	**452**	**5**	**23**	**58**	**538**

but not to a higher value than the carrying amount, which would have been recorded had there been no impairment in prior years.

Research and development expenses comprise salaries, administration costs, depreciation and amortization of tangible and intangible assets and they are mainly recognized as incurred. When material development costs meet certain capitalization criteria under IAS 38, they are capitalized and amortized during the expected useful life of the underlying technology.

Impairment testing

ACCOUNTING POLICY

Goodwill and other intangible assets with an indefinite useful life are tested for impairment annually. The testing of goodwill and other intangible assets with an indefinite useful life is performed at the cash generating unit level. When the carrying value of goodwill exceeds the recoverable value, an impairment is recognized in the income statement under depreciations and amortizations. Impairment losses on goodwill are not reversed. Currently Metso's management has defined two separate CGUs, Minerals and Flow Control, to which goodwill has been allocated.

The recoverable amounts of CGU's are based on value in use calculations, where the estimated future cash flows of CGUs are discounted to their present value. The cash flows are derived from the current year's last quarter estimate, the following year's budget and the approved strategy for the next four years, beyond which cash flows are calculated using the terminal value method. The terminal growth rate used is based on management's judgment regarding the average long-term growth. Cash flows include only normal maintenance investments and exclude any potential investments that enhance the CGUs performance and acquisitions.

ESTIMATES AND ASSESSMENTS BY MANAGEMENT

Value in use calculations are inherently judgmental and highly susceptible to change from period to period because they require management to make assumptions about future supply and demand related to its individual business units, future sales prices, profit margins and achievable efficiency savings over time. The value of benefits and savings expected from the efficiency improvement programs are inherently subjective. Metso management estimates sales growth rate and EBITDA development for the testing period as well as the discount factor used. The present value of the cash generating units is discounted using the CGU's weighted average cost of capital (WACC) calculated by Metso. WACC calculations include judgments on regarding. among other things. relevant beta factors, peer companies and capital structure to use. A CGU WACC, before tax of 10.8% was used for Minerals segment and 11.0% for the Flow Control segment.

Metso performs impairment testing annually, or whenever there is an indication of impairment. Typical triggering events are material and permanent deterioration in the global economy or political environment, observed significant under-performance relative to projected future performance and significant changes in Metso's strategic orientations.

Expected useful lives and remaining amortization periods for other intangible assets are reviewed annually by management. Acquisitions, disposals and restructuring actions typically generate a need for the reassessment of the recoverable amounts and remaining useful lives of the assets. When other intangible assets are measured at fair value less costs of disposal, the selling price, incremental costs and selling costs need to be estimated by management.

Upon initial acquisition Metso uses readily available market values to determine the fair values of acquired net assets to be allocated. However, when this is not possible, the valuation is based on past performance of such an asset and expected future cash generating capacity, which requires management to make estimates and assumptions of the future performance and use of these assets. Any change in Metso's future business priorities may affect the recoverable amounts.

Goodwill allocation to cash generating units

EUR million	Minerals	Flow Control	Goodwill total
2017			
Balance at beginning of year	407	45	452
Translation differences and other changes	-4	-1	-5
Acquisitions/disposals	19	-	19
Balance at end of year	**422**	**44**	**466**
As percent of total goodwill	91%	9%	100%
2016			
Balance at beginning of year	407	45	452
Translation differences and other changes	0	0	0
Acquisitions/disposals	-	-	-
Balance at end of year	**407**	**45**	**452**
As percent of total goodwill	90%	10%	100%

In 2017 an increase of EUR 19 million in goodwill was caused by the acquisition of WearX Holding Pty Ltd (note 31). In 2016 there were no acquisitions or business transfers between the segments. The value of other intangible assets with indefinite useful life amounted to EUR 16 million in 2017 (EUR 16 million in 2016), which comprises of the brand values in Minerals segment.

Annual impairment test in 2017

As at December 31, 2017, goodwill amounted to EUR 466 million equaling 34.7% of the equity. In 2017, Metso's reporting structure and the allocation of goodwill remained the same as in 2016. The cash generating units tested in 2017 were the reporting segments Minerals and Flow Control and the cost of centralized group services is allocated to CGUs based on their proportional share on the sales volume.

Given that the recoverable amounts of each CGU significantly exceeded the carrying value tested, no indication of impairment was found in 2017. The value in use calculations derived from estimates, budgets and four years' strategy figures at the end of year were subsequently reviewed by Metso's management and approved by the Board of Directors.

Key assumptions used

The key assumptions used in assessing the recoverable amount are the profitability and growth rate for the estimate period, long term average growth in the terminal period and discount rate. The values used in 2017 were as follows:

	Minerals	Flow Control
Sales growth in four years estimate period	9.9%	7.3%
EBITDA % range in four years estimate period	12.0%–14.4%	14.2%–17.4%
Growth rate in the terminal period	1.7%	1.7%
WACC after tax	8.0%	7.9%
WACC before tax	10.8%	11.0%

Values assigned to key assumptions reflect past experience and the management's expectations on the future sales and production volumes, which are based on the current structure and production capacity of each cash generating unit. The cyclicality and current market situation of each cash generating unit have been considered separately. In addition, data on growth, demand and price development provided by various research institutions have been utilized. The growth rate of 1,7% for the terminal period, is based on the long-term expectations on the growth in the Metso's market environments, considering the current low interest rate environment and overall financial market situation.

WACC (Weighted average cost of capital) before tax, is used as a discount factor in the calculations. It takes into account the expected return on both debt and equity and has been derived from the WACC on comparable peer industry betas, capital structure and tax rates. CGU WACCs are evaluated annually for testing and CGU specific risk is incorporated through individual beta factors from the market data of the segment's peer companies.

Sensitivity analysis

The sensitivity to impairment of each cash generating unit was tested by:
a) reducing the terminal growth rate from 1.7% to 1.2%
b) reducing the terminal growth rate from 1.7% to 1.2% and increasing WACC of 2.0% points

The reductions into present values of CGUs in the sensitivity analysis were as follows:

	Terminal growth from 1.7% to 1.2%	Terminal growth from 1.7% to 1.2% and WACC increase by 2% points
Minerals	-6%	-28%
Flow Control	-6%	-29%
Metso total	**-6%**	**-30%**

The sensitivity tests also include several cash projections on break even levels of EBITA %, WACC and sales growth based on reasonable change in the future performance of the CGU. However, the impact on the present value obtained is limited as long as there is no permanent weakening expected for the business, which would affect the terminal value. Based on these sensitivity analysis, the management believes that no reasonably possible change of the key assumptions used would cause the carrying value of any cash generating unit to exceed its recoverable amount. In 2017, the sensitivity tests did not indicate risks of impairment.

18 Tangible assets

ACCOUNTING POLICY

Tangible assets are stated at historical cost, less accumulated depreciation and impairment loss, if any. The tangible assets of acquired subsidiaries are measured at their fair value at the acquisition date.

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

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

Land and water areas are not depreciated.

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

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

Metso reviews tangible assets to be held and used by the company for impairment whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Gains and losses on the disposal of tangible asset and possible impairments are recognized in other operating income and expenses. Previously recognized impairment loss may be reversed if there is a significant improvement to the circumstances having initially caused the impairment, however not to a higher value than the carrying amount, which would have been recorded had there been no impairment in prior years.

Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in long-term debt and the interest element is charged to income statement over the lease period. Tangible assets acquired under finance leases are depreciated over the useful life of the asset or over the lease period, if shorter.

Capitalized interests

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

Government grants

Government grants relating to additions to tangible assets are deducted from the acquisition cost of the asset and they reduce the depreciation charge of the related asset. Other government grants are deferred and recognized as profit concurrently with the costs they compensate.

ESTIMATES AND ASSESSMENTS BY MANAGEMENT

Acquisitions, disposals and restructuring actions typically generate a need for the reassessment of the recoverable values and remaining useful lives of the assets. When tangible assets are valued at fair value less costs of disposal, selling price, incremental costs and selling costs need to be estimated by management.

Tangible assets

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Assets under construction	**Tangible assets total**
2017					
Acquisition cost at beginning of year	45	245	572	8	870
Translation differences	-2	-14	-34	-1	-51
Business acquisitions	-	0	2	0	2
Capital expenditure	0	2	22	11	35
Reclassifications	0	0	8	-8	0
Other changes	0	-4	-12	0	-16
Acquisition cost at end of year	43	229	558	10	840
Accumulated depreciation at beginning of year	-	-132	-423	-	-555
Translation differences	-	7	25	-	32
Business acquisitions	-	0	0	-	0
Other changes	-	4	10	-	14
Impairment losses	0	-1	-1	-	-2
Amortization charges for the year	-	-9	-33	-	-42
Accumulated depreciation at end of year	-	-131	-422	-	-553
Net book value at end of year	**43**	**98**	**136**	**10**	**287**
2016					
Acquisition cost at beginning of year	49	254	564	10	**877**
Translation differences	0	5	20	1	**26**
Capital expenditure	0	1	16	9	**26**
Reclassifications	0	2	10	-12	**0**
Other changes	-4	-17	-38	0	**-59**
Acquisition cost at end of year	45	245	572	8	**870**
Accumulated depreciation at beginning of year	-	-131	-403	-	**-534**
Translation differences	-	-3	-17	-	**-20**
Other changes	-	13	36	-	**49**
Impairment losses	0	-1	-5	-	**-6**
Amortization charges for the year	-	-10	-34	-	**-44**
Accumulated depreciation at end of year	-	-132	-423	-	**-555**
Net book value at end of year	**45**	**113**	**149**	**8**	**315**

Financial leases recognized are included in tangible assets and the carrying values at the year-end 2017 and 2016 is less than EUR 1 million.

19 Depreciation and amortization

EUR million	2017	2016
	Year ended December 31,	
Intangible assets from acquisitions	**-5**	-5
Other intangible assets	**-12**	-12
Tangible assets		
Buildings and structures	**-9**	-10
Machinery and equipment	**-33**	-34
Total	**-59**	-61

Depreciation and amortization by function are as follows:

EUR million	2017	2016
	Year ended December 31,	
Cost of goods sold	**-35**	-36
Selling, general and administrative expenses		
Marketing and selling	**-3**	-4
Research and development	**-1**	0
Administrative	**-20**	-21
Total	**-59**	-61

20 Lease commitments

ACCOUNTING POLICY – AS LESSEE

Leases of tangible assets, under which Metso does not have a significant portion of the risks and rewards of ownership, are classified as operating leases. Payments under operating leases are recognized in the income statement as incurred over the lease term and the commitment of noncancelable future payments is shown as an off-balance sheet liability. Leases classified as finance leases are reported in the tangible assets (see note 18).

Metso has operating leases for offices, manufacturing and warehouse facility, company cars and IT equipment and software. Certain contracts contain renewal options for various periods of time.

Future minimum payments under operating leases are as follows:

EUR million	2017	2016
Less than 1 year	**36**	38
More than 1 year and less than 2 years	**29**	29
More than 2 years and less than 3 years	**19**	23
More than 3 years and less than 4 years	**14**	15
More than 4 years and less than 5 years	**10**	10
More than 5 years	**17**	25
Total minimum lease payments	**126**	140

Total rental expenses amounted to EUR 43 million and EUR 41 million in years 2017 and 2016, respectively.

C Capital structure and financial instruments

21 Financial risk managements

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

Sensitivity analysis

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

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

Liquidity and refinancing risk and capital structure management

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

The liquidity position of the Group remained strong supported by the solid cash flow from operations, maturity structure of the funding and the available back up credit facilities. At the end of 2017 (end of 2016 respectively) cash and cash equivalents amounted to EUR 673 million (EUR 698 million), financial instruments held for trading EUR 104 million (EUR 109 million), committed undrawn credit facilities to EUR 500 million (EUR 500 million) and committed undrawn European Investment Bank loan facility to EUR 40 million. The syndicated revolving credit facility matures in June 2021. Additionally, the uncommitted Finnish Commercial Paper program totaling EUR 500 million can be utilized for funding.

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

Maturities as of December 31, 2017

EUR million	<1 year	1–5 years	>5 years
Long-term debt			
Repayments	**283**	**274**	**300**
Interests	**14**	**30**	**7**
Short-term debt			
Repayments	**21**	**-**	**-**
Interests	**0**	**-**	**-**
Trade payables	**342**	**-**	**-**
Other liabilities	**10**	**-**	**-**
Metso total	**670**	**304**	**307**
Financial guarantee contracts	-		

Maturities as of December 31, 2016

EUR million	<1 year	1–5 years	>5 years
Long-term debt			
Repayments	0	676	100
Interests	18	38	5
Short-term debt			
Repayments	27	-	-
Interests	1	-	-
Trade payables	274	-	-
Other liabilities	10	-	-
Metso total	330	714	105
Financial guarantee contracts	-		

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

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

Capital structure management in Metso comprises both equity and interest bearing debt. As of December 31, 2017, the equity attributable to shareholders was EUR 1,353 million (EUR 1,430 million) and the amount of interest bearing debt was EUR 853 million (EUR 795 million). The objectives are to safeguard the ongoing business operations and to optimize the cost of capital. Metso has a target to maintain a solid investment grade credit rating.

Metso's credit rating as at December 31, 2017:
Standard & Poor's BBB / A-2

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

Capital structure ratios and the formulas for years 2013–2017 are included in chapter Key figures in these Financial Statements.

Interest rate risk

Interest rate risk arises when changes in market interest rates and interest margins influence finance costs, returns on financial investments and valuation of interest bearing balance sheet items. Interest rate risks are managed by balancing the ratio between fixed and floating interest rates and administrating duration of debt and investment portfolios. Additionally, Metso may use derivative instruments such as forward rate agreements, swaps, options and futures contracts to mitigate the risks arising from interest bearing assets and liabilities. The interest rate risk is managed and controlled by the Group Treasury and measured using sensitivity analysis and duration of long term debt. The Macaulay Duration of long term debt was 2.3 years on December 31, 2017 (1.9 years).

At the end of 2017 the balance sheet items exposed to interest rate risk were interest bearing assets of EUR 829 million (EUR 820 million) and interest bearing debt of EUR 853 million (EUR 795 million). Of the total interest bearing debt 70 percent (68%) was denominated in EUR but 98 percent (97%) had exposure only to the risk of interest rate of EUR.

The basis for the interest rate risk sensitivity analysis is an aggregate group level interest rate exposure, composed of interest bearing assets, interest bearing debt and financial derivatives, such as interest rate swaps and options, which are used to hedge the underlying exposures. For all interest bearing current debt and assets to be fixed during next 12 months a one percentage point move upwards or downwards in interest rates with all other variables held constant would have an effect on Metso's net interest expenses, net of taxes, of EUR +/- 1.4 million (EUR +/- 1.9 million).

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

Effects in		
Income statement	**+/- 0.1**	+/- 1.7
Equity	**+/- 0.1**	+/- 0.4

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

Foreign exchange risk

Metso operates globally and is exposed to foreign exchange risk in several currencies, although the geographical diversity of operations decreases the significance of any individual currency. About 80 percent of Metso's sales originate from outside the euro zone; the main currencies being Euro, US dollar, Australian dollar, Chilean peso, Chinese yuan, Brazilian real and Swedish krona.

Transaction exposure

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

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

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

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

EUR million	**2017**	2016
Operational items	**254**	206
Financial items	**535**	442
Hedges	**-745**	-630
Total exposure	**44**	18

This aggregate group level currency exposure is the basis for the sensitivity analysis of foreign exchange risk. This exposure, net of respective hedges, is composed of all assets and liabilities denominated in foreign currencies, projected cash flows for unrecognized firm commitments, both short- and long-term sales and purchase contracts and anticipated operational cash flows to the extent their realization has been deemed highly probable and therefore hedged. This analysis excludes net foreign currency investments in subsidiaries together with instruments hedging these investments.

Assuming euro to appreciate or depreciate ten percent against all other currencies, the impact on cash flows, net of taxes, derived from the year-end net exposure as defined above, would be EUR -/+ 2.8 million (EUR -/+ 2.5 million), which is mainly related to US dollar. Transaction exposure is spread over about 35 currencies and as of December 31, 2017 the biggest open exposures were in US dollar (43%) and China offshore renminbi (13%).

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

Effects in					
Income statement	**-/+ 2.4**	**+/- 1.3**	**+/- 0.5**	**+/- 1.5**	+/- 1.8
Equity	**-/+ 1.4**	**+/- 3.1**	**+/- 0.3**	**+/- 4.2**	-/+ 5.7

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

Translation risk

Foreign exchange translation exposure arises when the equity of a subsidiary is denominated in currency other than the functional currency of the Parent Company. The major translation exposures are in Chinese yuan, Brazilian real, Chilean peso and Swedish krona, which altogether comprise approximately 60 percent of the total equity exposure. Metso is currently not hedging any equity exposure.

Commodity risk

Commodity risk arises from variations in prices of raw materials and of supplies. Metso units identify their commodity price hedging needs and hedges are executed through the Group Treasury using approved counterparties and instruments. Hedging is done on a rolling basis with a declining hedging level over time.

Electricity exposure in the Nordic units has been hedged with electricity forwards, which are designated as hedges of highly probable future electricity purchases. Execution of electricity hedging has been outsourced to an external broker. As of December 31, 2017, Metso had outstanding electricity forwards amounting to 14 GWh (35 GWh).

To reduce its exposure to the volatility caused by the surcharge for certain metal alloys (Alloy Adjustment Factor) comprised in the price of stainless steel charged by its suppliers, Metso has entered into average-price swap agreements for nickel. The Alloy Adjustment Factor is based on monthly average prices of its components of which nickel is the most significant. As of December 31, 2017, Metso had outstanding nickel swaps amounting to 270 tons (288 tons).

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

A 10 percent change upwards or downwards in commodity prices would have effects, net of taxes, in the range of +/-0.0–0.2 to the income statement and equity in years 2017 and 2016.

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

Other commodity risks are not managed using financial derivative instruments.

Credit and counterparty risk

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

The maximum credit risk equals the carrying value of trade and loan receivables. The credit quality is evaluated both on the basis of aging of the trade receivables and also on the basis of customer specific analysis. The aging structure of trade receivables is presented in note 12.

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

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

Fair value estimation

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

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

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 in the income statement or qualified for hedge accounting
- Debt securities classified as financial instruments at fair value in the income statement
- Fixed rate debt under fair value hedge accounting

Level 3 A financial instrument is categorized into Level 3 if the calculation of the fair value cannot be based on observable market data. Metso had no such instruments in 2017 or in 2016.

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

December 31, 2017

EUR million	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss accounts			
Derivatives	-	8	-
Securities	2	152	-
Derivatives qualified for hedge accounting	-	7	-
Available for sale investments			
Equity investments	-	-	-
Total assets	2	167	-
Liabilities			
Financial liabilities at fair value through profit and loss accounts			
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 accounts			
Derivatives	-	4	-
Securities	7	102	-
Derivatives qualified for hedge accounting	-	13	-
Available for sale investments			
Equity investments	-	-	-
Total assets	7	119	-
Liabilities			
Financial liabilities at fair value through profit and loss accounts			
Derivatives	-	20	-
Long term debt at fair value	-	414	-
Derivatives qualified for hedge accounting	-	6	-
Total liabilities	-	440	-

22 Financial assets and liabilities by category

ACCOUNTING POLICY

Metso classifies its financial instruments into the following categories: financial assets and liabilities at fair value through profit or loss, loans and receivables, available-for-sale financial assets and financial liabilities measured at amortized cost. The classification is determined at the acquisition depending on the intended purpose. Financial assets and liabilities are classified as non-current items, when the remaining maturity exceed 12 months and as current items, when the remaining maturity is less than 12 months.

Financial assets and liabilities at fair value through profit or loss

This category includes financial instruments held for trading, which comprise investments in financial instruments and time deposits with various maturities exceeding three months. In addition, derivatives that do not meet hedge accounting criteria are classified in this category. The instruments are measured at fair value quarterly with any change in fair value recognized through profit and loss accounts. Purchases and sales of available-for-sale financial assets are recognized on the transaction date at fair value including transaction costs and any gain or loss at disposal and impairment are recognized in the income statement.

Long-term fixed rate debt hedged with derivatives that qualified for hedge accounting (fair value hedge) are included in this category. Gains and losses at disposal are recognized in the income statement.

Loans and receivables

Loans and receivables include interest bearing loans and other receivables as well as non-interest bearing receivables. Loans and receivables are initially recognized at fair value including transaction costs and subsequently recognized at amortized cost using the effective interest method. They are subject to regular and systematic review as to collectability. If all or part of a loan receivable is deemed to be unrecoverable, an impairment loss is recognized for the shortfall between the carrying value and the present value of the expected cash flows. Interest income on loan and other interest bearing receivables is included in financial income and expenses. Transactions involving loans and receivables are recognized or derecognized on the trade date.

Available-for-sale financial assets

Available-for-sale equity investments include shares in listed and unlisted companies. Available-for-sale shares in listed companies are carried at fair value, based on quoted market prices at close of business on the balance sheet date. Unrealized gains and losses arising from changes in fair value are recognized through OCI in the fair value reserve of equity. Any gains and losses at disposal and impairment are recognized in the income statement and the accumulated change in fair value previously recorded in the fair value reserve of equity is reversed through OCI. Unlisted shares, for which fair values cannot be measured reliably, are recognized at cost less impairment, if any.

Available-for-sale financial investments in debt instruments, which have been contracted as part of the cash management of Metso, comprise investments in financial instruments, such as bonds, commercial paper and time deposits. The instruments are measured at fair value quarterly with any change in fair value recognized through OCI in the fair value reserve of equity. Any gains and losses at disposal and impairment recognized in the income statement and the accumulated change in fair value previously recorded in the fair value reserve of equity is reversed through OCI. Investments with maturities of less than three months are included in Cash and cash equivalents.

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

Liabilities measured at amortized cost

Long-term debt is typically classified in this category. It is initially recognized at fair value, net of transaction costs incurred, and subsequently measured at amortized cost using the effective interest method. Debts covered by a fair value hedge is recognized at fair value through the profit and loss accounts.

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

EUR million	Assets at fair value through profit and loss accounts	Derivatives qualified for hedge accounting	Loans and receivables	Available-for-sale financial assets	Carrying value	Fair value
2017						
Non-current assets						
Available-for-sale equity investments	-	-	-	3	3	3
Loan receivables	-	-	3	-	3	3
Derivative financial instruments	1	1	-	-	2	2
Other receivables	-	-	12	-	12	12
Metso total	**1**	**1**	**15**	**3**	**20**	**20**
Current assets						
Loan receivables	-	-	0	-	0	0
Financial instruments held for trading	154	-	-	-	154	154
Trade receivables	-	-	497	-	497	497
Derivative financial instruments	7	6	-	-	13	13
Other receivables	-	-	134	-	134	134
Cash and cash equivalents	-	-	673	-	673	673
Metso total	**161**	**6**	**1,304**	**-**	**1,471**	**1,471**

EUR million	Liabilities at fair value through profit and loss accounts	Derivatives qualified for hedge accounting	Financial liabilities measured at amortized cost	Carrying value	Fair value
2017					
Non-current liabilities					
Bonds	181	-	373	554	574
Finance lease obligations	-	-	-	0	0
Other long-term debt	-	-	-	0	0
Derivative financial instruments	0	0	-	0	0
Other liabilities	-	-	2	2	2
Metso total	**181**	**-**	**375**	**556**	**576**
Current liabilities					
Current portion of long-term debt	209	-	69	279	284
Short-term debt	-	-	21	21	21
Trade payables	-	-	342	342	342
Derivative financial instruments	4	6	-	10	10
Other liabilities	-	-	206	206	206
Metso total	**213**	**6**	**638**	**857**	**863**

EUR million	Assets at fair value through profit and loss	Derivatives qualified for hedge accounting	Loans and receivables	Available-for-sale financial assets	Carrying value	Fair value
2016						
Non-current assets						
Available-for-sale equity investments	-	-	-	1	1	1
Loan receivables	-	-	3	-	3	3
Derivative financial instruments	-	8	-	-	8	8
Other receivables	-	-	15	-	15	15
Metso total	**-**	**8**	**18**	**1**	**27**	**27**
Current assets						
Loan receivables	-	-	10	-	10	10
Financial instruments held for trading	109	-	-	-	109	109
Trade receivables	-	-	464	-	464	464
Derivative financial instruments	4	5	-	-	9	9
Other receivables	-	-	141	-	141	141
Cash and cash equivalents	-	-	698	-	698	698
Metso total	**113**	**5**	**1,313**	**-**	**1,431**	**1,431**

EUR million	Liabilities at fair value through profit and loss accounts	Derivatives qualified for hedge ac-counting	Financial liabilities measured at amortized cost	Carrying value	Fair value
2016					
Non-current liabilities					
Bonds	202	-	367	569	578
Loans from financial institutions	198	-	-	198	212
Finance lease obligations	-	-	-	0	0
Other long-term debt	-	-	-	0	0
Derivative financial instruments	4	1	-	5	5
Other liabilities	-	-	2	2	2
Metso total	**404**	**1**	**369**	**774**	**797**
Current liabilities					
Current portion of long-term debt	-	-	0	0	0
Short-term debt	-	-	27	27	27
Trade payables	-	-	274	274	274
Derivative financial instruments	16	5	-	21	21
Other liabilities	-	-	196	196	196
Metso total	**16**	**5**	**497**	**518**	**518**

Carrying value of other financial assets and liabilities than those presented in the fair value level table in note 21 approximates their fair value. Fair value of other debt is calculated as net present value.

For more information on derivative financial instruments, see note 28.

23 Liquid funds

ACCOUNTING POLICY

Cash and cash equivalents consist of cash in banks, deposits and liquid commercial papers with maturities of three months or less.

Financial instruments held for trading consist of highly liquid investments, which are part of Metso's cash management. These deposit and debt investments have maturity of more than three months but less than twelve months. They are measured at fair value quarterly with any changes in fair value recognized through other comprehensive income (OCI) in the fair value reserve of equity. Any gains and losses at disposal and impairment are recognized in the income statement.

	As at December 31,	
EUR million	2017	2016
Financial instruments held for trading	**154**	109
Bank and cash	**361**	403
Commercial papers and other deposits	**311**	295
Cash and cash equivalents	**673**	698
Liquid funds total	**826**	807

At the year-end portfolio, commercial papers and deposits had an average interest rate of 0.70% (0.57%), while financial instruments held for trading had an average interest rate of 0.03% (0.18%).

24 Equity

ACCOUNTING POLICY

Issue of new shares and own shares

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

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

Translation differences

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

Dividend proposal

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

Share capital and number of shares

Metso Corporation's registered share capital, which is fully paid, was EUR 140,982,843.80 as at December 31, 2017 and 2016.

	2017	2016
Number of outstanding shares at beginning of year	**149,984,538**	149,984,538
Shares granted from share ownership plans	**12,590**	-
Number of outstanding shares at end of year	**149,997,128**	149,984,538
Own shares held by the Parent Company	**351,128**	363,718
Total number of shares at end of year	**150,348,256**	150,348,256

As at December 31, 2017 the acquisition price of 351,128 own shares held by the Parent Company was EUR 8,086,132.65 and was recognized in treasury stock.

Dividend proposal

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 the remaining portion of the profit be retained and carried forward in the Company's unrestricted equity. These financial statements do not reflect this dividend payable of EUR 157 million.

Fair value and other reserves

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

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

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

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

Changes in fair value and other reserves

EUR million	Treasury stock	Hedge reserve	Fair value reserve	Legal reserve	Other reserves	**Total**
Balance as of December 31, 2015	-9	-2	4	16	293	**302**
Cash flow hedges						
Fair value gains (+) / losses (-)[1]	-	4	-	-	-	**4**
Transferred to the income statement[1]						
Sales	-	-1	-	-	-	**-1**
Cost of goods sold / Administrative expenses	-	-1	-	-	-	**-1**
Interest income / expenses	-	-4	-	-	-	**-4**
Available-for-sale equity investments and share-based rewards						
Fair value gains (+) / losses (-)[1]	-	-	0	-	-	**0**
Transferred to the income statement[1]	-	-	0	-	-	**0**
Share-based payments[1]	-	-	1	-	-	**1**
Other	-	-	-	-2	-	**-2**
Balance as of December 31, 2016	**-9**	**-4**	**5**	**14**	**293**	**299**
Cash flow hedges						
Fair value gains (+)/losses (-)[1]	-	6	-	-	-	6
Transferred to the income statement[1]						
Sales	-	-1	-	-	-	-1
Cost of goods sold / Administrative expenses	-	0	-	-	-	0
Interest income / expenses	-	-3	-	-	-	-3
Available-for-sale equity investments and share-based rewards						
Fair value gains (+) / losses (-)[1]	-	-	0	-	-	0
Transferred to the income statement[1]	-	-	0	-	-	0
Share-based payments[1]	-	-	1	-	-	1
Balance as of December 31, 2017	**-9**	**-2**	**6**	**14**	**293**	**302**

1) Net of taxes

Cumulative translation adjustments included in the shareholders' equity

EUR million	**2017**	2016
Cumulative translation adjustment at beginning of year	**-48**	-71
Change in currency translation on subsidiary net investments	**-39**	23
Cumulative translation adjustment at end of year	**-87**	-48

25 Borrowings

ACCOUNTING POLICY

Long-term debt is initially recognized at fair value, net of transaction costs incurred and subsequently measured at amortized cost using the effective interest method. Borrowings covered by a fair value hedge are recognized at fair value through the profit or loss. A portion of long-term debt is classified as short-term debt, when the settlement of the liability is due within 12 months from the balance sheet date. Borrowings are derecognized only if the contractual obligation is discharged, cancelled or expired.

Transaction costs arising from modification to debt instruments are included in the carrying value of the debt and amortized using the effective interest method over the remaining period of the modified liability provided that the new conditions obtained through the modification do not substantially differ from those of the original debt. The assessment of whether the conditions are substantially different is based on a comparison of the discounted present value of the cash flows under the new terms and the present value of the remaining cash flows of the original financial liability. Modification gain or loss, will be recognized in the income statement at the time of non-substantial modification.

	As at December 31,			
	Carrying values		Fair values[1]	
EUR million	**2017**	2016	**2017**	2016
Bonds	**554**	569	**574**	578
Loans from financial institutions	**-**	198	**-**	212
Finance lease obligations	**0**	0	**0**	0
Other long-term debt	**0**	0	**0**	0
Total long-term interest bearing debt	**554**	767	**574**	790
Current portion of bonds	**69**	-	**73**	-
Current portion of loans from financial institutions	**209**	0	**211**	-
Loans from financial institutions	**21**	27	**21**	27
Total short-term interest bearing debt	**299**	27	**305**	27

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

Bonds:

EUR million	Nominal interest rate at the end of 2017	Effective interest rate at the end of 2017	Outstanding original loan amount	Outstanding carrying value at the end of **2017**	2016
Public bond 2012–2019	**2.75%**	**2.91%**	**174**	**175**	398
Public bond 2017–2024	**1.125%**	**2.33%**	**300**	**279**	-
Private placements maturing 2018–2022		**0.86–4.70%**	**170**	**169**	171
Bonds total			**644**	**623**	569

Metso has a Euro Medium Term Note Program (EMTN) of EUR 1.5 billion, under which EUR 623 million at carrying value were outstanding at the end of 2017 (EUR 569 million in 2016). EUR 454 million (EUR 398 million) of the outstanding amount were public bonds and EUR 169 million (EUR 171 million) private placements.

During the first quarter of 2017 Metso purchased EUR 15 million and in May 2017 EUR 205 million of initially EUR 400 million bonds maturing in 2019 and in May 2017 issued a new bond of EUR 300 million maturing in 2024. Transaction in May qualified as a non-substantial modification and the gain of EUR 7 million was recognized in the income statement. At the end of year, the carrying value of the bond is EUR 279 million, with the effective interest rate of 2.33%.

Long term loans from financial institutions consists of a USD denominated bank loan with fixed interest. The loan has been effectively hedged with a cross currency interest rate swap so the loan has exposure only to the risk of interest rate of EUR. The average interest rates in 2017 amounted to 0.96% (0.99% in 2016). The loan matures in April 2018.

Short term loans from financial institutions consists of bank loans withdrawn by Metso subsidiaries to fund local operations. The loans are mainly Indian rupee denominated. The weighted average interest rate applicable to the short-term borrowing at December 31, 2017 was 3.9% (6.3% in 2016). In 2018, interest amounting to EUR 0.4 million is expected to be paid concurrently with respective principals on the short-term debt presented above.

Metso has a syndicated revolving credit facility of EUR 500 million with 10 banks, maturing in 2021. In addition, Metso has a EUR 40 million committed loan facility for research, development and innovation costs with a disbursement period until June 2019, and a tenor up to ten years from European Investment Bank. Metso also has a Finnish commercial paper program amounting to EUR 500 million. All three additional funding facilities were undrawn at the end of 2017 and 2016.

Contractual maturities of interest bearing debt as at December 31, 2017 are as follows

EUR million	2018	2019	2020	2021	2022	Later	**Metso total**
Bonds	**86**	**183**	**7**	**7**	**107**	**307**	**697**
Repayments	72	174	-	-	100	300	646
Interests	14	9	7	7	7	7	51
Loans from financial institutions	**233**	**0**	**0**	**0**	**0**	**0**	**233**
Repayments	232	0	0	0	0	0	232
Interests	1	-	-	-	-	-	1
Total	**319**	**183**	**7**	**7**	**107**	**307**	**930**
Repayments	304	174	0	0	100	300	878
Interests	15	9	7	7	7	7	52

The maturities of derivative financial instruments are presented in note 28.

26 Interest bearing net debt reconciliation

Net interest bearing liabilities

EUR million	**2017**	2016
Long-term interest bearing debt[1]	**833**	767
Short-term interest bearing debt	**21**	27
Loan and other interest bearing receivables	**-3**	-13
Financial instruments held for trading	**-154**	-109
Cash and cash equivalents	**-673**	-698
Net interest bearing liabilities	**24**	-26

1) Including current portion of long-term debt EUR 279 million in 2017 (in 2016 there were no current portions).

Changes in net interest bearing liabilities

EUR million	Balance at beginning of year	Cash flows	Acquisitions	Translation differences	Other non-cash movements	**Balance at end of year**
2017						
Long-term interest bearing debt	767	64	-	0	1	**833**
Finance lease debt	0	0	-	0	-	**0**
Short-term interest bearing debt	27	-5	0	-2	-	**21**
Loan and other interest bearing receivables	-13	9	-	0	-	**-3**
Financial instruments held for trading	-109	-44	-	-	-	**-154**
Cash and cash equivalents	-698	15	-1	12	-	**-673**
Net interest bearing liabilities	**-26**	**39**	**-1**	**10**	**1**	**24**
2016						
Long-term interest bearing debt	792	-36	-	3	8	**767**
Finance lease debt	0	0	-	0	-	**0**
Short-term interest bearing debt	30	-4	-	1	-	**27**
Loan and other interest bearing receivables	-12	-1	-	0	0	**-13**
Financial instruments held for trading	-67	-42	-	-	-	**-109**
Cash and cash equivalents	-590	-98	-	-10	-	**-698**
Net interest bearing liabilities	**153**	**-181**	**-**	**-6**	**8**	**-26**

27 Contingent liabilities and other commitments

ACCOUNTING POLICY

The repurchase commitments represent engagements whereby Metso agrees to purchase back equipment sold to customer. The conditions triggering the buy back obligation are specific to each sales contract.

As at December 31,

EUR million	**2017**	2016
Metso group		
On behalf of others		
Guarantees[1]	**274**	273
Other commitments		
Repurchase commitments	**3**	2
Other contingencies	**3**	3
Metso total	**6**	6

1) External guarantees given by parent and group companies.

Metso companies have guaranteed obligations arising in the ordinary course of business. These guarantees have typically been given to secure customer's advance payments or to secure commercial contractual obligations, or given counter guarantees to banks, which have given commercial guarantees to a group company.

28 Derivative instruments

ACCOUNTING POLICY

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

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

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

Cash flow hedge

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

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

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

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

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

Fair value hedge

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

Derivatives at fair value through profit and loss accounts

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

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

Fair value estimation of derivative instruments

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

Notional amounts and fair values of derivative financial instruments

EUR million	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net
2017				
Forward exchange contracts[1)]	**1,347**	**13**	**10**	**3**
Interest rate swaps	**432**	**2**	**0**	**2**
Cross currency swaps	**244**	**-**	**1**	**1**
Option agreements	**-**	**-**	**-**	**-**
Electricity forward contracts[2)]	**14**	**-**	**0**	**0**
Nickel swap contracts[3)]	**270**	**0**	**-**	**0**
Metso total		**15**	**10**	**5**
2016				
Forward exchange contracts[1)]	998	9	20	-11
Interest rate swaps	245	8	5	3
Cross currency swaps	244	0	1	-1
Option agreements	-	-	-	-
Electricity forward contracts[2)]	35	-	0	0
Nickel swap contracts[3)]	288	0	0	0
Metso total		17	26	-9

1) Some 41 percent and 30 percent of the notional amount at the end of 2017 and 2016, respectively, qualified for cash flow hedge accounting
2) Notional amount in GWh
3) Notional amount in tons

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

Derivative financial instruments recognized in balance sheet

	2017		2016	
EUR million	**Assets**	**Liabilities**	Assets	Liabilities
Interest rate swaps - cash flow hedges	**-**	**-**	-	-
Interest rate swaps - fair value hedges	**1**	**0**	8	-
Interest rate swaps - non-qualifying hedges	**1**	**0**	-	5
	2	**0**	8	5
Cross currency swaps - cash flow hedges	**-**	**0**	-	1
Cross currency swaps - fair value hedges	**0**	**1**	0	-
	0	**1**	0	1
Forward exchange contracts - cash flow hedges	**6**	**6**	5	5
Forward exchange contracts - non-qualifying hedges	**7**	**4**	4	15
	13	**10**	9	20
Electricity forward contracts - cash flow hedges	**-**	**0**	-	0
Nickel swaps - non-qualifying hedges	**0**	**-**	0	0
Options - non-qualifying hedges	**-**	**-**	-	-
Derivatives total	**15**	**10**	17	26

In the year ended December 31, 2017 there was ineffectiveness related to the cash flow hedges, which resulted in recognition of EUR 0.1 million loss (a loss of EUR 0.05 million in year 2016) in the income statement. As at December 31, 2017 the fixed interest rates of swaps varied from 1.0 percent to 3.9 percent.

Maturities of financial derivatives expressed as notional amounts at the year end

EUR million	2018	2019	2020	2021	Later
Forward exchange contracts	1,343	4	-	-	-
Interest rate swaps	-	200	-	20	125
Cross currency swaps	244	-	-	-	-
Option agreements	-	-	-	-	-
Electricity forward contracts[1)]	14	-	-	-	-
Nickel swap contracts[2)]	252	18	-	-	-

1) Notional amount in GWh
2) Notional amount in tons

D Consolidation

ACCOUNTING POLICY

Principles of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the Parent Company and each of those companies over which Metso exercises control. Control is achieved when Metso is exposed, or has rights, to variable returns from the investee and has the ability to affect those returns through its power over the investee. The companies acquired during the financial period have been consolidated from the date Metso acquired control. Subsidiaries sold or distributed to the owners have been included up to their date of disposal.

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

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

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

Non-controlling interest

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

Non-current assets or disposal group held-for-sale

Metso classifies a non-current asset or disposal group as held for sale if it's carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are valued at the lower of its carrying value and fair value less costs to sell, and assets subject to depreciation or amortization are no longer amortized. Assets related to non-current assets or a disposal group classified a held-for-sale are disclosed separately from other assets, but financial statements for prior periods are not reclassified.

Foreign currency translation

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

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

The statements of income of subsidiaries with a functional currency different from the presentation currency are translated into euros at the average month end exchange rates for the financial year, and the balance sheets are translated at the exchange rate in effect on the balance sheet date. This exchange rate difference is recorded through other comprehensive income/expense (OCI) within cumulative translation adjustments under equity.

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

Net investment hedge

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

29 Subsidiaries

Country and company name	Ownership, %
Algeria	
Metso Algeria EURL	100.0%
Argentina	
Metso Argentina SA	100.0%
Australia	
Metso Australia Ltd	100.0%
WearX Holdings Pty Ltd	100.0%
WearX Pty Ltd	100.0%
WearX Zambia Ltd	100.0%
WearX Employee Services Pty Ltd	100.0%
Wear Application & Management Services Pty Ltd	100.0%
Wamcast Pty Ltd	100.0%
Precision Rubber NSW Pty Ltd	100.0%
Austria	
Metso Austria GmbH	100.0%
Brazil	
Metso Brazil Indústria e Comércio Ltda	100.0%
Canada	
Metso Flow Control Canada Ltd	100.0%
Metso Minerals Canada Inc.	100.0%
Metso Shared Services Ltd	100.0%
Chile	
Metso Chile SpA	100.0%
China	
Metso (China) Investment Co. Ltd	100.0%
Metso Flow Control (Shanghai) Co. Ltd	100.0%
Metso Minerals (Quzhou) Co. Ltd	100.0%
Metso Minerals (Tianjin) Co. Ltd	100.0%
Metso Minerals (Tianjin) International Trade Co. Ltd	100.0%
Shaoguan City Shaorui Heavy Industries Co. Ltd	75.0%
Czech Republic	
Metso Czech Republic s.r.o.	100.0%
Denmark	
Metso Denmark A/S	100.0%
Finland	
Metso Flow Control Oy	100.0%
Metso Minerals Oy	100.0%
Metso Shared Services Oy	100.0%
Rauma Oy	100.0%
France	
Metso France SAS	100.0%
Germany	
Metso Germany GmbH	100.0%
Metso Mapag GmbH	100.0%
Ghana	
Metso Ghana Ltd	100.0%
India	
Metso India Private Ltd	100.0%
Indonesia	
PT Metso Minerals Indonesia	99.9%
Italy	
Metso Italy S.p.A	100.0%
Japan	
Metso Japan Co. Ltd	100.0%
Kazakhstan	
Metso (Kazakhstan) LLP	100.0%
Malaysia	
Metso Malaysia Sdn. Bhd.	100.0%

Country and company name	Ownership, %
Mexico	
Metso (Mexico) SA de CV	100.0%
Metso SA de CV	100.0%
Netherlands	
Metso Benelux B.V.	100.0%
Norway	
Metso Norway AS	100.0%
Panama	
Metso Panama SA	100.0%
Peru	
Metso Perú SA	100.0%
Poland	
Metso Poland Sp.z.o.o	100.0%
Portugal	
Metso Automation Portugal Lda	100.0%
Metso Minerals (Portugal) Lda	100.0%
Qatar	
Metso Automation Qatar LLC[1]	49.0%
Russia	
OOO Metso	100.0%
Saudi Arabia	
Metso Plant Saudi Arabia LLC	70.0%
Singapore	
Metso Asia Pacific Pte Ltd	100.0%
South Africa	
Metso Mining and Construction (South Africa) Pty Ltd	74.9%
Metso South Africa Pty Ltd	100.0%
South Korea	
Metso Korea Co. Ltd	100.0%
Spain	
Forjas del Guadalquivir, S.L.U	100.0%
Metso Espana SA	100.0%
Metso Spain Holding, S.L.U	100.0%
Santa Ana de Bolueta Grinding Media, S.A.U	100.0%
Sweden	
Metso Sweden AB	100.0%
Thailand	
Metso (Thailand) Co. Ltd	48.4%
Turkey	
Metso Minerals Anonim Sirketi	100.0%
United Arab Emirates	
Metso Flow Control LLC[1]	49.0%
Metso FZE (Dubai)	100.0%
United Kingdom	
Metso Captive Insurance Limited	100.0%
Metso UK Ltd	100.0%
United States	
Metso Flow Control USA Inc.	100.0%
Metso Minerals Industries Inc.	100.0%
Metso USA Inc.	100.0%
Neles-Jamesbury Inc.	100.0%
Vietnam	
Metso Vietnam Co. Ltd	100.0%
Zambia	
Metso Zambia Ltd	100.0%
Zimbabwe	
Metso Minerals Zimbabwe PVT Ltd	100.0%

1) has been 100% consolidated

30 Associated companies, joint ventures and related party transactions

ACCOUNTING POLICY

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

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

A joint arrangement is an arrangement of which two or more parties have joint control. Within Metso Group, all the joint arrangements are joint ventures. Investments in joint ventures in which Metso has the power to jointly govern the financial and operating activities of the investee company are accounted for using the equity method. Investments in joint ventures in which Metso has the control over the financial and operating activities of the investee company are fully consolidated and a non-controlling interest is recognized.

As at December 31,

EUR million	2017	2016
Investments in associated companies and joint ventures		
Acquisition cost at beginning of year	**2**	2
Acquisition cost at end of year	**2**	2
Equity adjustments in investments in associated companies and joint ventures		
Equity adjustments at beginning of year	**-1**	-1
Share of results	**0**	0
Translation differences	**0**	0
Equity adjustments at end of year	**-1**	-1
Carrying value of investments in associated companies and joint ventures at end of year	**1**	1

As at December 31,

	2017		2016	
EUR million	**Ownership**	**Carrying value**	Ownership	Carrying value
Liugong Metso Construction Equipment (Shanghai) Co. Ltd	**50.0%**	**1**	50.0%	1
Others		**0**		0
Total investments in associated companies and joint ventures		**1**		1

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

Year ended December 31,

EUR million	2017	2016
Assets	**2**	3
Liabilities	**2**	2
Sales	**2**	1
Profit	**0**	0

Related party transactions

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

Year ended December 31,

EUR million	2017	2016
Sales	**1**	2
Purchases	**0**	-1
Receivables	**3**	2
Payables	**-**	-

31 Acquisitions and business disposals

Acquisitions

On November 1, 2017 Metso acquired 100% of the share capital of Australian WearX Holding Pty Ltd, which is wear lining solutions provider. The acquisition strengthens Metso's position in mining services in Australian markets. The business was consolidated into the Minerals segment.

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

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

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

The acquired business contributed sales of EUR 5 million to the Metso Group for the period from November 1, 2017, to December 31, 2017. The company's sales in the twelve months fiscal year 2017 that ended June 30, amounted to EUR 23 million and the number of personnel was 142.

Initial calculation on goodwill generated is based on the acquired company's result adjusted by changes in accounting principles and effects from the fair value adjustments of acquired assets and related tax adjustments.

Consideration paid - cash outflow

EUR million	
Cash consideration	-31
Cash and cash equivalents acquired	1
Net cash outflow - investing activities	**-30**

Acquisition costs of EUR 0.4 million are expensed and included in other expenses in income statement and in operating cash flow in the statement of cash flows.

Acquisitions 2016

Metso made no business acquisitions in 2016.

Disposals

Metso made no business disposals in 2017 or in 2016.

32 New accounting standards

New and amended standards adopted 2017

IAS 7 - Amendment

Disclosure initiative - amendment to IAS 7 Statement of Cash Flows. The amendment requires entities to provide disclosures about changes in financial activities. Metso has adopted this amendment in the financial statements 2017, see note 26 Net debt reconciliation.

IAS 12 - Amendment

Recognition of deferred tax assets for unrealized losses - Amendment to IAS 12. The amendment clarifies the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

New and amended standards to be applied

IFRS 15

IFRS 15 standard will be effective as of January 1, 2018, and it replaces 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

Metso's Minerals segment provides standardized equipment deliveries and services to delivered equipment with wear or spare parts as well as customized large scale engineered system and/ or equipment deliveries. Metso's Flow control segment provides process industry flow control solutions with delivery of pumps and valves and services to delivered equipment.

With the customized large scale engineered system and/ or equipment deliveries, where customer receives simultaneously the benefits provided and Metso the right to payment for the performance completed, revenue will be recognized over time. Metso will continue to measure the progress using the cost-to-cost method, as currently when applying POC method. In these contracts Metso typically requires advance payments from the clients. These advance payments do not include a financing component, because the payment schedule of advances follows closely the timing of performance obligations to be satisfied.

As currently, when Metso provides standardized equipment, valves and pumps and wear or spare parts to customer, revenue will be recognized when control for the goods is transferred, e.g. in general, at the delivery of goods or after commissioning.

A long-term service agreement might be a separate one or combined with the equipment delivery customer agreement. Metso's service contracts will mainly be treated as separate performance obligations, and they will be recognized when the services are rendered over time. Short term service agreements will be recognized at the point in time or by invoicing criteria. Some minor adjustments to the timing of the long-term service contracts might occur caused by the diversity of the performance obligations in the contracts.

Under IFRS 15 the timing of revenue recognition or presentation of 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 percent of the 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 IFRS 15 full retrospective.

IFRS 9

IFRS 9 Financial instruments will be effective January 1, 2018 and it replaces the current IAS 39. The impacts of IFRS 9 adoption in Metso are related to three areas: new requirements for the classification and measurement of financial assets, the impairment model for financial assets based on expected loss method and to new guidance on hedge accounting which will align more closely with common risk management practices.

In IFRS 9 financial assets are classified according to their cash flow and the business model they are managed in. Metso has classified its financial assets as shown in the table below:

Financial assets	IFRS 9 classification	IAS 39 classification
Trade and other receivables	At amortized cost	Loans and receivables
Interest-bearing investments (Financial instruments held for trading)	At amortized cost or at fair value through profit and loss accounts	At fair value through profit and loss accounts
Commercial papers and deposits	At amortized cost	Loans and receivables
Derivatives, in hedge accounting, Available-for-sale investments	At fair value through other comprehensive income statement (OCI)	Derivative qualified for hedge accounting / At fair value through other comprehensive income statement OCI
Derivatives, outside hedge accounting, Shares in mutual funds	At fair value through profit and loss accounts	At fair value through profit and loss accounts

Applying IFRS 9 does not have any significant impact on the classification or valuation of financial assets. Commercial papers and deposits and interest-bearing investments are valued at amortized cost only when the business model is to hold the financial assets until the due date and collect the contractual cash flows through principal and interest payments. Other interest-bearing investments and shares in mutual funds are value at fair value through profit and loss accounts.

Long-term debts are valued at amortized cost using the effective interest method, except the debts, which fair value hedge accounting is applied, are being valued at fair value through profit and loss accounts. IFRS 9 does not have impact on classification of financial liabilities, but the transition to IFRS 9 causes an adjustment to the carrying value of a debt, for which the earlier modification loss has not been recognized in 2013. Impact to the retained earnings as at January 1, 2018 will amount to 0.5 EUR million and effective interest rate will reduce by 0.76% to 5.67% for a loan principal of EUR 211 million maturing in 2018.

IFRS 9 gives guidance to measure the impairment of financial assets. Metso will assess systematically the credit risk related to its financial assets valued at amortized cost, thus valuation of financial assets at fair value includes already the credit risk impact. For trade receivables Metso will use the simplified approach of measuring the expected losses based on the lifetime expected loss amounts. Under IFRS 9 credit loss allowance is recognized earlier than currently, however the impact is expected to be minor, because of the low level of actual credit losses in the past years. Credit risk of client receivables from revenue recognition using POC method are targeted to cover through the advance payments from the clients.

The new guidance for hedge accounting aligns hedge accounting more closely with risk management. Also, IFRS 9 relaxes the requirements for hedge effectiveness, only prospective effectiveness testing is needed.

Metso applies currently hedge accounting for forecasted cashflow transactions based on firm client long-term contracts. The existing hedge relationships mainly qualify also for IFRS 9, so no major impacts for financial statements are expected.

IFRS 16

IFRS 16 standard Leases will be effective January 1, 2019 and it will replace the current IAS 17. It covers all leases with certain exceptions. A lease is defined as a contract that conveys right to use an asset for a period of time in exchange for consideration. IFRS 16 requires lessees to account for all leases as finance leases under IAS 17, i.e. to recognize a liability to make lease payments and an asset representing the liability to use an asset during the lease term. Accordingly, the standard requires to recognize in the income statement separately any depreciation on the right-to-use asset as well as any interest expense on lease liability. Standard includes two recognitions exemptions, leases of low value asset and short-term leases. Lessor accounting is substantially unchanged from current under IAS 17. The new standard requires also additional disclosures. Based on Metso's assessment, the adoption of IFRS 16 will have some impact on reported EBITDA and operating profit, non-current assets and interest bearing liabilities and total balance sheet values as well as on related key figures. The change will affect also the presentation of cash flows from operating activities and from financing activities. As at December 31, 2017 Metso's operating lease commitments amounted to EUR 126 million.

IFRS 2 - Amendment

Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2. The amendment is narrow in scope and clarifies the classification and measurement of cash-settled share base payments. Metso will apply the amendment from the beginning of the financial year 2018.

IFRIC 22

IFRIC 22 Foreign Currency Transactions and Advance Consideration. This new interpretation gives guidance on the practice regarding the exchange change rate used when the transactions are denominated in foreign currency in circumstances in which consideration, both monetary and non-monetary, are received or paid in advance. Both monetary and non-monetary transactions are recorded using the exchange rate of the transaction date. Metso does not expect that adoption of this interpretation will have a major effect on its financial statements. Metso will apply the interpretation from the beginning of the financial year 2018.

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

IFRIC 23

IFRIC 23 Uncertainty over Income Tax Treatment. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty in the application of IAS 12. An entity must determine whether to consider each uncertain tax treatment separately of together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. Metso will assess the impact of new guidance and will apply the interpretation from the beginning of the financial year 2019.

33 Exchange rates used

		Average rates		Year-end rates	
		2017	2016	**2017**	2016
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

E Other notes

34 Audit fees

Year ended December 31,

EUR million	2017	2016
Audit services	**-1.9**	-1.8
Tax services	**-0.3**	-0.4
Other services	**-0.1**	-0.5
Metso total	**-2.3**	-2.7

35 Lawsuits and claims

Several lawsuits, legal claims and disputes based on various grounds are pending against Metso in various countries related, among other things, to Metso's products, projects, other operations and customer receivables. Metso's management assesses, however, to the best of its present understanding that the outcome of these lawsuits, claims and legal disputes would not have a material adverse effect on Metso in view of the grounds presented for them, provisions made, insurance coverage in force and the extent of Metso's total business activities.

Pending asbestos litigation

On December 31, 2017 there were 253 pending litigation cases filed in the United States in relation to asbestos injuries in which a Metso entity is one of the named defendants. Metso management's present belief is that the risk caused by the pending asbestos litigation cases in the United States is not material in the context of Metso's total business operations.

Parent Company Financial Statements, FAS

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

		Year ended December 31,	
EUR	Note	2017	2016
Sales		**14,396,347.07**	14,627,405.10
Other operating income	2	**638,914.03**	4,318,148.15
Personnel expenses	3	**-15,297,032.38**	-11,774,135.94
Depreciation and amortization	4	**-420,209.67**	-538,750.27
Other operating expenses		**-21,568,598.59**	-26,430,038.51
Operating profit / loss		**-22,250,579.54**	-19,797,371.47
Financial income and expenses, net	6	**192,543,770.82**	149,569,739.07
Profit before appropriations items and taxes		**170,293,191.28**	129,772,367.60
Appropriations	7	**29,885,000.00**	41,798,000.00
Profit before taxes		**200,178,191.28**	171,570,367.60
Income taxes	8		
Current tax expense		**-2,247,107.38**	-5,537,214.67
Change in deferred taxes		**-11,828.50**	-84,572.71
Profit for the year		**197,919,255.40**	165,948,580.22

Parent Company Balance Sheet

Assets

		As at December 31,	
EUR	Note	2017	2016
Non-current assets			
Intangible assets	9	**1,011,557.79**	1,293,534.52
Tangible assets	9	**760,489.23**	857,638.72
Investments			
Shares in Group companies	10	**629,680,377.77**	609,680,377.77
Other investments	10	**408,970,207.88**	442,358,117.97
Total non-current assets		**1,040,422,632.67**	1,054,189,668.98
Current assets			
Long-term receivables	12	**1,981,529.29**	9,098,898.11
Short-term receivables	12	**575,922,404.93**	459,711,350.11
Securities		**258,000,000.00**	235,000,000.00
Bank and cash		**309,138,270.72**	316,114,425.72
Total current assets		**1,145,042,204.94**	1,019,924,673.94
Total assets		**2,185,464,837.61**	2,074,114,342.92

Shareholders' equity and liabilities

		As at December 31,	
EUR	Note	2017	2016
Shareholders' equity	13		
Share capital		**140,982,843.80**	140,982,843.80
Fair value reserve		**-219,308.00**	-1,275,000.00
Invested non-restricted equity fund		**367,775,887.99**	367,651,071.91
Retained earnings		**401,222,527.55**	392,544,925.98
Profit for the year		**197,919,255.40**	165,948,580.22
Total shareholders' equity		**1,107,681,206.74**	1,065,852,421.91
Liabilities			
Long-term liabilities	14	**573,380,053.69**	786,882,641.52
Current liabilities	15	**504,403,577.18**	221,379,279.49
Total liabilities		**1,077,783,630.87**	1,008,261,921.01
Total shareholders' equity and liabilities		**2,185,464,837.61**	2,074,114,342.92

Parent Company Statement of Cash Flows

EUR thousand	Year ended December 31, 2017	2016
Cash flows from operating activities		
Profit for the year	**197,919**	165,949
Adjustments to operating profit		
Depreciation and amortization	**420**	539
Financial income and expenses, net	**-192,544**	-149,570
Gains (+) / losses (-) on sale, net	**-637**	-4,289
Group contributions	**-29,885**	-41,798
Income taxes	**2,259**	5,622
Other non-cash items	**99**	-13
Total adjustments to operating profit	**-220,288**	-189,509
Increase (-) / decrease (+) in short-term non-interest bearing trade receivables	**-791**	1,587
Increase (+) / decrease (-) in short-term non-interest bearing debt	**5,514**	-18,049
Change in working capital	**4,723**	-16,461
Interest and other financial expenses paid	**-40,361**	-20,076
Dividends received	**191,503**	151,910
Interest received	**1,606**	2,055
Income taxes paid	**-5,230**	-4,104
Net cash from operating activities	**129,872**	89,762
Cash flows from investing activities		
Investments in tangible and intangible assets	**-41**	-1,371
Proceeds from sale of tangible and intangible assets	**864**	629
Investments in subsidiary shares	**-20,000**	-
Long-term loans granted	**-202,208**	-32,329
Repayments of long-term loans	**190,360**	173,018
Short-term loans granted	**-26,281**	-33,228
Repayments of short-term loans	**0**	0
Purchase of other investments	**-68,918**	-166,034
Proceeds from sale of investments	**-**	17,550
Interest received from investments	**29,045**	36,050
Dividends received from investments	**0**	0
Net cash used in investing activities	**-97,179**	-5,716
Cash flows from financing activities		
Change in treasury shares	**351**	-
Withdrawals (+) and instalments (-) of short-term loans, net	**-**	20,860
Withdrawal of long-term loans	**298,008**	-
Repayments of long-term loans	**-234,077**	-6,701
Dividends paid	**-157,497**	-157,484
Change in Group pool accounts	**11,747**	23,684
Group contributions	**41,798**	36,374
Net cash from (+) / used in (-) financing activities	**-39,670**	-83,267
Net increase (+) / decrease (-) in bank and cash	**-6,977**	779
Bank and cash at beginning of year	**316,114**	315,335
Bank and cash at end of year	**309,138**	316,114

Notes to the Parent Company Financial Statements, FAS

1 Accounting principles

The parent company financial statements have been prepared in accordance with the Finnish Generally Accepted Accounting Principles for the period January 1 - December 31, 2017. The financial statements are presented in euros.

Foreign currency translations

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the date of the transaction. At the end of accounting period, monetary items are valued at the rate of exchange prevailing at the end of period.

Tangible and intangible assets

Tangible and intangible assets are valued at historical cost, less accumulated depreciation according to plan. Land and water areas are not depreciated.

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

Computer software	3–5 years
Other intangibles	10 years
Buildings and structures	20–25 years
Machinery and equipment	3–5 years
Other tangible assets	20 years

Financial Instruments

Metso's financial risk management is carried out by a central treasury department (Group Treasury) under the policies approved by the Board of Directors. Group Treasury functions in co-operation with the operating units to minimize financial risks both in the Parent Company and the Group.

Long-term debt is initially recognized at fair value, net of transaction costs incurred. In subsequent periods, they are valued at amortized cost using the effective interest rate method. Debts, which are hedged with a fair value hedge are recognized at fair value through the profit and loss accounts, unrealized adjustment is presented in hedge reserve. Transaction costs arising from issuance of bonds are recognized over the life of the bond using the effective yield method. The unrecognized portion as of the balance sheet date is presented as a decrease in liabilities. Derivatives outside hedge accounting are valued at fair value through profit and loss accounts under the Finnish Accounting Act 5:2a §.

Forward exchange contracts are measured at fair value. The change in fair value is recognized as income or expense in the profit and loss. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

Bank and cash as well as securities consist of cash in the bank accounts and investments of liquid funds in interest bearing instruments. Financial assets are measured at historical cost, less possible impairment loss.

Provisions

Provisions are unrealized costs, for which the company is committed and which will not provide any income in the future and which are likely to occur. Change in the provision are included in the income statement.

Income taxes

Income tax expense includes taxes calculated for the financial year, adjustments to prior year taxes and change in the deferred taxes. A deferred tax liability or asset has been determined for all temporary differences between the tax bases of assets and liabilities and their amounts in financial reporting, using the enacted tax rates effective for the future years. The deferred tax liabilities are recognized in the balance sheet in full, and the deferred tax assets are recognized when it is probable that there will be sufficient taxable profit against which the asset can be utilized.

2 Other operating income

	Year ended December 31,	
EUR thousand	**2017**	2016
Gain on disposal of subsidiary shares	**-227**	4 231
Gain on sale of fixed assets	**864**	59
Other	**2**	28
Total	**639**	4 318

3 Personnel expenses

	Year ended December 31,	
EUR thousand	**2017**	2016
Salaries and wages	**-12,247**	-9,345
Pension costs	**-2,586**	-1,959
Other indirect employee costs	**-464**	-470
Total	**-15,297**	-11,774

	Year ended December 31,	
EUR thousand	**2017**	2016
Fringe benefits	**518**	236

Remuneration paid to management:

	Year ended December 31,	
EUR thousand	**2017**	2016
Chief Executive Officer	**-930**	-744
Board members[1)]	**-575**	-644
Total	**-1,505**	-1,388

1) Board remuneration is presented in note 6 for Consolidated Financial Statements.

Number of personnel:

	Year ended December 31,	
	2017	2016
Personnel at end of year	**110**	101
Average number of personnel during the year	**110**	103

4 Depreciation and amortization

Depreciation and amortization expenses consist of the following:

	Year ended December 31,	
EUR thousand	2017	2016
Buildings and structures	**-30**	-30
Machinery and equipment	**-108**	-104
Other tangible assets	**0**	-169
Intangible assets	**-282**	-236
Total	**-420**	-539

5 Audit fees

	Year ended December 31,	
EUR thousand	2017	2016
Audit services	**-501**	-694
Tax services	**-106**	-122
Other services	**-217**	-90
Total	**-824**	-906

6 Financial income and expenses

	Year ended December 31,	
EUR thousand	2017	2016
Dividends received from		
Group companies	**191,502**	151,905
Others	**1**	6
Total	**191,503**	151,911
Interest income from investments from		
Group companies	**29,169**	35,695
Others	**342**	808
Total	**29,511**	36,503
Other interest and financial income from		
Others	**6,843**	158
Exchange rate differences	**192**	925
Interest and financial income, total	**228,049**	189,497
Interest expenses to		
Group companies	**-371**	-448
Others	**-37,370**	-37,288
Other financial expenses		
Fair value change in derivatives	**2,236**	-2,191
Interest and other financial expenses, total	**-35,505**	-39,927
Financial income and expenses, net	**192,544**	149,570

7 Appropriations

	Year ended December 31,	
EUR thousand	2017	2016
Group contributions received	**29,885**	41,798

8 Income taxes

	Year ended December 31,	
EUR thousand	2017	2016
Income taxes on operating activities	**-2,238**	-4,344
Income taxes for prior years	**-9**	-1,193
Change in deferred taxes	**-12**	-85
Total	**-2,259**	-5,622

9 Fixed assets

EUR thousand	Intangible assets	Land areas	Buildings and structures	Machinery and equipment	Other tangible assets	Tangible assets total	Total
2017							
Acquisition cost at beginning of year	4,174	156	747	786	318	2,007	6,181
Additions	0	-	-	60	-	60	60
Decreases	-	-	-	-5	-14	-19	-19
Acquisition cost at end of year	4,174	156	747	841	304	2,048	6,222
Accumulated depreciation at beginning of year	-2,880	-	-657	-294	-199	-1,150	-4,030
Accumulated depreciation of decreases	-	-	-	0	-	0	0
Depreciation for the year	-282	-	-30	-108	0	-138	-420
Accumulated depreciation at end of year	-3,162	0	-687	-402	-199	0	-4,450
Net carrying value at end of year	**1,012**	**156**	**60**	**439**	**105**	**0**	**1,772**

EUR thousand	Intangible assets	Land areas	Buildings and structures	Machinery and equipment	Other tangible assets	Tangible assets total	Total
2016							
Acquisition cost at beginning of year	5,088	160	747	1,083	381	2,371	7,459
Additions	903	-	-	468	-	468	1,371
Decreases	-1,817	-4	-	-765	-63	-832	-2,649
Acquisition cost at end of year	4,174	156	747	786	318	2,007	6,181
Accumulated depreciation at beginning of year	-4,217	-	-627	-887	-31	-1,545	-5,762
Accumulated depreciation of decreases	1,573	-	-	697	1	698	2,271
Depreciation for the year	-236	-	-30	-104	-169	-303	-539
Accumulated depreciation at end of year	-2,880	-	-657	-294	-199	-1,150	-4,030
Net carrying value at end of year	**1,294**	**156**	**90**	**492**	**119**	**857**	**2,151**

10 Investments

EUR thousand	Shares in Group companies	Other shares	Receivables from Group companies	Receivables from other companies	**Other investments total**
2017					
Acquisition cost at beginning of year	609,680	977	440,341	1,040	442,358
Additions	20,000	1,938	202,208	0	204,146
Decreases	0	0	-237,494	-40	-237,534
Acquisition cost at end of year	629,680	2,915	405,055	1,000	408,970
Net carrying value at end of year	**629,680**	**2,915**	**405,055**	**1,000**	**408,970**
2016					
Acquisition cost at beginning of year	622,815	1,161	580,815	9,696	591,672
Additions	-	-15	32,329	-	32,314
Decreases	-13,135	-169	-172,803	-8,656	-181,628
Acquisition cost at end of year	609,680	977	440,341	1,040	442,358
Net carrying value at end of year	**609,680**	**977**	**440,341**	**1,040**	**442,358**

11 Shareholdings

Subsidiaries

	Domicile	Ownership %
Metso Shared Services Oy	Finland, Helsinki	100.0
Metso Flow Control Canada Ltd	Canada, St. Laurent	100.0
Metso Shared Services Ltd	Canada, Lachine	100.0
Metso Captive Insurance Limited	Great Britain, Guernsey	100.0
Metso (China) Investment Co. Ltd	China, Shanghai	100.0
Metso Flow Control Oy	Finland, Helsinki	100.0
Metso Minerals Oy	Finland, Helsinki	100.0
Metso Minerals Canada Inc.	Canada, Belleville	100.0
Metso France SAS	France, Macon	100.0
Metso USA Inc.	USA, Duluth	100.0
Rauma Oy	Finland, Helsinki	100.0

12 Specification of receivables

Long-term receivables

EUR thousand	2017	2016
	As at December 31,	
Deferred tax asset	**126**	402
Derivatives	**1,680**	8,129
Long-term receivables from others	**176**	568
Long-term receivables total	**1,982**	9,099

Short-term receivables

EUR thousand	2017	2016
	As at December 31,	
Trade receivables from		
Group companies	**31,033**	30,517
Others	**830**	54
Total	**31,863**	30,571
Loan receivables from		
Group companies	**312,510**	238,087
Others	**40**	9,083
Total	**312,550**	247,170
Prepaid expenses and accrued income from		
Group companies	**37,589**	47,663
Others	**38,774**	24,099
Total	**76,363**	71,762
Other receivables		
Investments	**153,563**	109,583
VAT receivable	**1,487**	595
Other receivables	**96**	30
Total	**155,146**	110,208
Short-term receivables total	**575,922**	459,711

Specification of prepaid expenses and accrued income

EUR thousand	2017	2016
	As at December 31,	
Prepaid expenses and accrued income from Group companies		
Group contribution receivables	**29,885**	41,798
Accrued interest income	**3,331**	3,907
Other accrued items	**4,373**	1,958
Total	**37,589**	47,663
Prepaid expenses and accrued income from others		
Accrued interest income	**119**	514
Accrued derivatives	**12,831**	7,871
Other accrued items	**25,824**	15,714
Total	**38,774**	24,099

13 Shareholders' equity

EUR thousand	2017	2016
Share capital at beginning of year	**140,983**	140,983
Share capital at end of year	**140,983**	140,983
Fair value reserve at beginning of year	**-1,275**	-
Change	**1,056**	-1,275
Fair value reserve at end of year	**-219**	-1,275
Invested non-restricted equity fund at beginning of year	**367,651**	367,651
Change	**125**	-
Invested non-restricted equity fund at end of year	**367,776**	367,651
Retained earnings at beginning of year	**558,494**	550,030
Dividend distribution	**-157,497**	-157,485
Other change	**226**	-
Retained earnings at end of year	**401,223**	392,545
Profit for the year	**197,919**	165,949
Total shareholders' equity at end of year	**1,107,682**	1,065,852

Distributable funds at December 31

EUR	2017	2016
Fair value reserve	**-219,308.00**	-1,275,000.00
Invested non-restricted equity fund	**367,775,887.99**	367,651,071.91
Retained earnings	**401,222,527.55**	392,544,925.98
Profit for the year	**197,919,255.40**	165,948,580.22
Total distributable funds	**966,698,362.94**	924,869,578.11

At the end of the year, Metso Oyj held 351,128 treasury shares. The acquisition price of EUR 8,086,132.65 has been deducted from retained earnings.

14 Long-term liabilities

EUR thousand	2017	2016
	As at December 31,	
Bonds from[1]		
Others	573,106	569,069
Loans from financial institutions	-	212,798
Interest derivatives	274	5,016
Total	**573,380**	786,883

1) Specification of bonds and the fair values in Note 25 for Consolidated Financial Statements.

Debt maturing later than in five years' time

EUR thousand	2017	2016
	As at December 31,	
Bonds	300,000	100,000

15 Short-term liabilities

EUR thousand	2017	2016
	As at December 31,	
Short-term interest bearing debt		
Bonds	69,453	-
Loans from financial institutions	213,289	-
Group companies	49,756	53,747
Group pool accounts	117,197	111,359
Total	**449,695**	165,106
Trade payables to		
Group companies	28,830	23,499
Others	3,325	2,398
Total	**32,155**	25,897
Accrued expenses and deferred income to		
Group companies	1,964	179
Others	20,232	29,908
Total	**22,196**	30,087
Other short-term non-interest bearing debt to		
Others	357	289
Short-term liabilities total	**504,403**	221,379
Short-term liabilities to Group companies total	197,747	188,784

Specification of accrued expenses and deferred income

EUR thousand	2017	2016
	As at December 31,	
Accrued expenses and deferred income to Group companies		
Accrued interest expenses	91	130
Other accrued items	1,873	49
Total	**1,964**	179
Accrued expenses and deferred income to others		
Accrued interest expenses	5,950	5,843
Accrued derivatives	10,070	20,756
Accrued salaries, wages and social costs	3,557	2,436
Other accrued items	655	873
Total	**20,232**	29,908

16 Other contingencies

Guarantees

	As at December 31.	
EUR thousand	**2017**	2016
Guarantees on behalf of subsidiaries	**235,126**	264 818

Lease commitments

	As at December 31.	
EUR thousand	**2017**	2016
Payments in the following year	**1,153**	1,148
Payments later	**4,861**	5,876
Total	**6,014**	7,024

List of account books used in parent company

	Voucher class	
General journal and general ledger		in electronic format
Specifications of accounts receivable and payable		in electronic format
Bank vouchers	16, 42	in electronic format
Sales invoices	RV, 11	in electronic format
Purchase invoices	23, 25	in electronic format
Payroll accounting with vouchers	33	in electronic format
Journal entries	01, 02, 31, 46, 51, 52, 59, 64, 66, 79	in electronic format
Journal entries	34, 35	in electronic format
Notes vouchers		in electronic format

Signatures of the board of directors´ report and Financial statements

Helsinki, February 1, 2018

Mikael Lilius
Chairman of the Board

Christer Gardell
Vice Chairman of the Board

Peter Carlsson
Member of the Board

Ozey K. Horton, Jr.
Member of the Board

Lars Josefsson
Member of the Board

Nina Kopola
Member of the Board

Arja Talma
Member of the Board

Nico Delvaux
President and CEO

The auditor´s note

Our auditor's report has been issued today.

Helsinki, February 1, 2018

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

Auditor's Report

(Translation of the Finnish original)

To the Annual General Meeting of Metso Oyj

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Metso Oyj (business identity code 1538032-5) for the year ended 31 December, 2017. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 34 to the consolidated financial statements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Revenue recognition of long-term contracts

The accounting principles and disclosures about revenue recognition of long-term contracts are included in Note 3.

Metso's Minerals segment delivers complete installations to its customers, where the moment of signing a sales contract and the final acceptance of a delivery by the customer may take place in different financial periods. In accordance with its accounting principles, Metso applies the percentage-of-completion method ("POC method") for recognizing such fixed price long-term delivery projects. In year 2017 in total 215 million euro of Metso Minerals segment's sales were recognized using the POC method.

The recognition of revenue and the estimation of the outcome of projects require significant management's judgment, in particular with respect to estimating the stage of completion, cost to complete and the expected time to completion. Significant judgment is required to assess the expected loss when it is expected that the total project costs will exceed the project revenues. In addition, the areas with significant judgment are considered to be more prone to the risk that the assumptions may be deliberately misappropriated. Based on above revenue recognition of long-term contracts was a key audit matter. This matter was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).

Our audit procedures to address the risk of material misstatement in respect of the long-term contracts included:

- Assessing of the Group's accounting policies over revenue recognition of long-term fixed price contracts.
- Examination of the project documentation such as contracts, legal opinions and other written communication.
- Quarterly analytical procedures throughout the audit period.
- Review of financial KPI's, development and current status of projects by
  - comparing the contract to our prior experience with similar contracts,
  - reviewing the changes in estimated revenues, costs and reserves, and
  - discussions with the different levels of organization including project responsible, business management and group management.
- Analyzing key elements in management's estimates such as the estimated future costs to complete and the estimated time necessary to complete the project.
- Evaluating the appropriateness of the Group's disclosures in respect of revenue recognition.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of goodwill *The accounting principles and disclosures about goodwill are included in Note 17.* The annual impairment test was a key audit matter because the assessment process is judgmental, it is based on assumptions relating to market or economic conditions extending to the future, and because of the significance of the goodwill to the financial statements. As of balance sheet date December 31, 2017, the value of goodwill amounted to 466 million euro representing 14% of the total assets and 34% of the total equity. The valuation of goodwill is based on the management's estimate about the value-in-use calculations of the cash generating units. Based on management judgment the cash generating units of Metso are Minerals segment and Flow Control segment. There are a number of assumptions used to determine the value-in-use, including the revenue growth, the EBITDA and the discount rate applied on net cash-flows. Estimated values-in-use may vary significantly when the underlying assumptions are changed and the changes in above-mentioned individual assumptions may result in an impairment of goodwill.	Our audit procedures included involving valuation specialists to assist us in evaluating the assumptions and methodologies by comparing the management's assumptions to externally derived data and to our independently calculated industry averages. In particular those relating to • the forecasted revenue growth, • the EBITDA and • the weighted average cost of capital used to discount the net cash-flows. We tested the accuracy of the impairment calculations prepared by the management and compared the sum of discounted cash flows to Metso's market capitalization. In addition, we assessed the sufficiency of the disclosures as well as whether the disclosures about the sensitivity of the impairment assessment are appropriate.
Valuation of trade and other receivables *The accounting principles and disclosures about trade and other receivables are included in Note 12.* Valuation of trade and other receivables was a key audit matter because of the significance of overdue trade and other receivables to the financial statements as a whole. As of balance sheet date December 31, 2017, the carrying value of trade and other receivables amounted to 660 million euros, of which 77 million euros were trade receivables overdue for more than 30 days. Carrying value of trade and other receivables is a result of gross receivables, which is netted by a provision for bad debts based on management's judgment. The resulting net value is the carrying value in the balance sheet. Valuation of trade and other receivables at year end requires management to evaluate probability of the recoverability of receivables and to record a provision based on judgment for receivables for which payment is not probable.	On group level we evaluated the valuation methods applied on valuation of trade and other receivables as well as performed quarterly analyses of overdue and undue gross receivable balance development and corresponding movement in bad debt reserve. In addition, we analyzed management's assessment of the recoverability of the most significant aged and overdue receivables considering historical payment patterns, legal opinions as well as recent communications with the counterparties and dunning procedures. In subsidiaries our audit procedures in connection with the valuation of trade and other receivables included analysis of the aging of receivables as well as evaluation the recoverability of individual aged receivable balances by sending receivable balance confirmation requests and testing of subsequent cash receipts.
Income taxes *The accounting principles and disclosures about income taxes are included in Note 9.* Income taxes was a key audit matter amongst other things because of • Metso's business is international and in the normal course of business Metso makes judgments and estimates in connection with tax issues and tax exposures resulting in the recognition of deferred tax assets and liabilities as well as tax provisions. • As a result of a tax audit in Metso Minerals Oy, Metso has recognized a tax reassessment charge of 21 million euro in the consolidated financial statements resulting from the transactions with the foreign subsidiaries.	We performed audit procedures on the calculation and valuation of current tax and deferred tax. Procedures included assessment of correspondence with tax authorities and evaluation of tax exposures. In addition, we evaluated the appropriateness of the recognition principles and the sufficiency of the given disclosures. Our audit procedures on income taxes included involving tax specialists, who assisted us both on group level and in significant components in evaluating the assumptions and methodologies applied by the management.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 29 March 2012, and our appointment represents a total period of uninterrupted engagement of six years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions based on assignment of the Audit Committee

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

Helsinki, February 1, 2018

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

Risks and Risk Management

The goal of risk management is to support the achievement of Metso's strategic targets and business objectives, and to ensure the continuity of its operations, also in changing circumstances. We believe that the ability to take risks and manage them effectively is an essential element of business success and shareholder value creation.

We define risks as uncertainties that, if they materialize, can either positively or negatively impact the likelihood of us achieving our targets. So, a risk is either an opportunity or a threat to our targets – or a combination of opportunity and threat. We assess the significance of a risk as a combination of the probability and estimated impact of the occurrence. Our risk management approach emphasizes anticipation of risks and proactive action. We strive to execute this approach systematically, and in a structured and timely manner. Risk management is embedded in our daily operations. Our risk management is established on the requirements of the ISO 31000 standard.

Risk management focus areas in 2017

In order to support the implementation of the Group strategy, in 2017, special emphasis was put on the preparations for the new operating model and organization, effective from January 1, 2018.

Several quality improvement projects based on lean principles were in progress with good results: significant advances were made in improving the quality of processes and products.

The development of corporate security-related functions continued. As part of this work, our information security improvement project, launched in 2014, continued. During 2017, we prepared for the implementation of the General Data Protection Regulation (GDPR) processes that will apply within EU from May 2018.

The Safety Excellence training program was launched and implemented within top management to ensure the fulfilment of our safety commitments. Related training will continue also in 2018.

To specify and implement globally common logistics guidelines and practices for Metso, the Logistics Excellence project and logistics audits were started in 2016. The project continued in 2017, and will further continue in 2018.

Special attention was paid to meeting the requirements of the revised ISO 9001 quality management standard. The most significant new requirement is to embed risk management in the management of operations. We still have room for improvement in this area.

The overall coverage of our global insurance programs was inspected, and an insurance benchmarking exercise was carried out during the year.

To monitor the risk management performance of our units globally, we coordinate and conduct risk management evaluations. The purpose of the evaluation audits is to support our units in finding the best ways to manage risks, as well as to provide a forum for sharing best practices throughout the company in all of our risk categories: strategic, financial, operational and hazard risks.

Altogether, six risk management evaluations, ten property damage and business interruption risk engineering audits, six logistics audits, 20 HSE audits, and 58 supplier sustainability audits were carried out during the year. More than half of the units audited include service operations.

Most significant threats and opportunities

We define risks as uncertainties that can be both opportunities for and threats to our business operations and strategy implementation. In our annual risk assessment, we systematically assess the significance and development of various risks.

In the risk assessment for the 2018–2021 strategic period, the most significant factors creating threats and opportunities for Metso were concluded to be the following:

1. Maintaining our competitive position and market share
2. The ability to maintain high-level management competence and capability

The biggest changes in risk positions from the previous year have taken place in our ability to ensure sufficient business management capabilities and in the occurrence of customer credit risks.

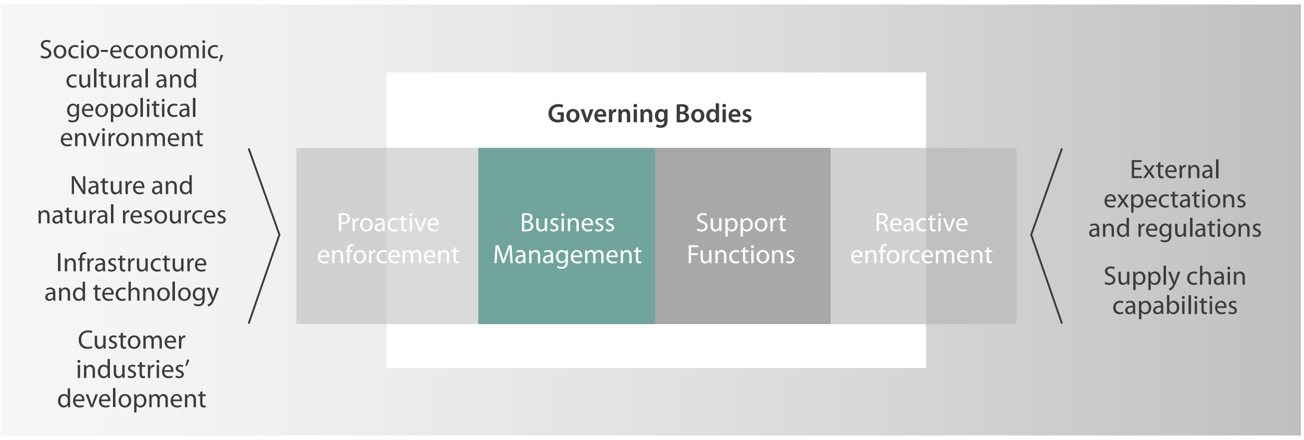
Goals for 2018

We use risk management to support the achievement of our strategic and business targets, and to ensure the continuity of our operations, also in changing circumstances. Particular attention is given to the most relevant findings of our annual risk assessment. We continue to focus on proactive measures, securing our operations, limiting adverse impacts and utilizing opportunities.

The focus areas of our risk management work in 2018 will include the following:

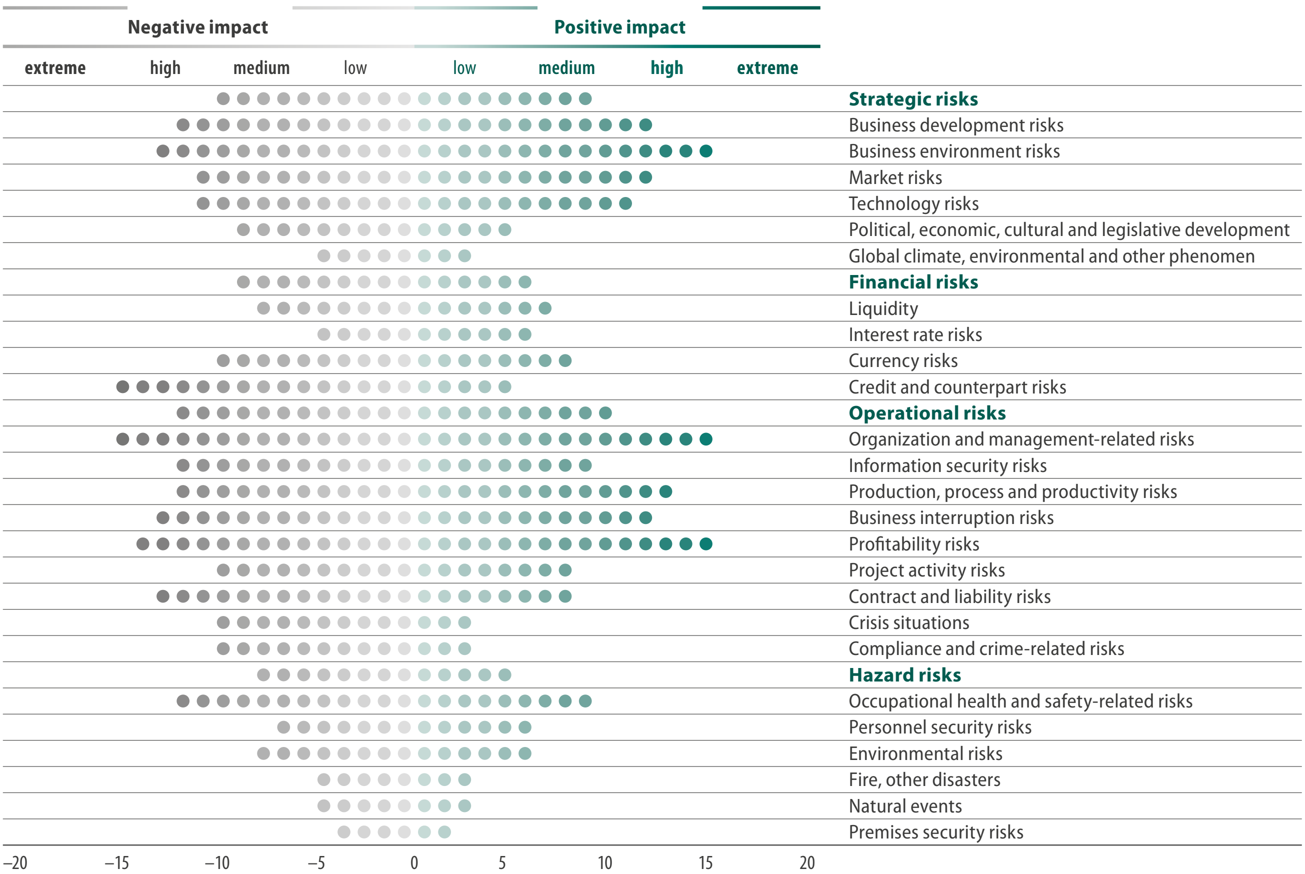
- Evaluation of the relevance of new versions of risk management standards (ISO 31000 and COSO ERM) to Metso's risk management.
- Continuing the implementation of lean principles
- Reaching compliance with GDPR
- Continuing to cascade safety training
- Continuing and ensuring logistics excellence
- Ensuring the quality of improvement areas highlighted by the insurance benchmarking exercise

Risk management platform



Risk management

Average impact risk number



Board of Directors

December 31, 2017

Mikael Lilius

Chair of the Board since 2013
Member of the Board since 2013

Nationality: Finnish
Born: 1949
Education
B.Sc. (Econ.)
Main occupation
Several positions of trust
Committee memberships
Chair of the Remuneration and HR Committee
Independence
Independent of the company
Independent of significant shareholders
Remuneration in 2017
126,200 EUR including 1,458 shares
Meeting attendance in 2017
14/14 Board meetings
6/6 Remuneration and HR Committee meetings
Total shareholding as of Dec 31, 2017
32,444 shares
Other positions of trust
Chairman of the Board: Wärtsilä Oyj Abp & Ahlström Capital Oy
Member of the Board: Evli Bank Oyj
Supervisory Board member: Ab Kelonia Oy

Christer Gardell

Vice Chair of the Board since 2013
Member of the Board since 2006

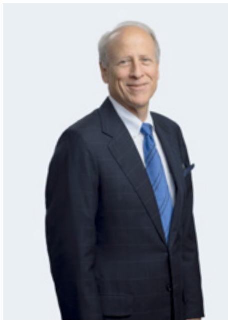
Nationality: Swedish
Born: 1960
Education
MBA
Main occupation
Managing Partner and co-founder, Cevian Capital
Committee memberships
Member of the Remuneration and HR Committee
Independence
Independent of the company
Not independent of significant shareholders
Remuneration in 2017
73,200 EUR including 786 shares
Meeting attendance in 2017
14/14 Board meetings
6/6 Remuneration and HR Committee meetings
Total shareholding as of Dec 31, 2017
6,196 shares
Other positions of trust
Member of the Board: Vesuvius Plc

Peter Carlsson

Member of the Board since 2016

Nationality: Swedish
Born: 1970
Education
M.Sc. (Economics, Production & Quality Control)
Main occupation
Angel investor, advisor and entrepreneur
Committee memberships
None
Independence
Independent of the company
Independent of significant shareholders
Remuneration in 2017
75,200 EUR including 634 shares
Meeting attendance in 2017
12/14 Board meetings

Total shareholding as of Dec 31, 2017
1,579 shares
Other positions of trust
Member of the Board: Gränges, Cleantech Invest, Ketra Lightning, US, Orbital Systems AB



Ozey K. Horton, Jr.

Member of the Board since 2011

Nationality: U.S. citizen
Born: 1951
Education
MBA, BSE
Main occupation
Board professional, independent advisor
Committee memberships
Member of the Remuneration and HR Committee
Independence
Independent of the company
Independent of significant shareholders
Remuneration in 2017
94,800 EUR including 634 shares
Meeting attendance in 2017
14/14 Board meetings
6/6 Remuneration and HR Committee meetings
Total shareholding as of Dec 31, 2017
4,789 shares
Other positions of trust
Member of the Board: Louisiana-Pacific Corporation (U.S.), The Dabbagh Group Holding Co. Ltd, Worthington Industries (U.S.), Spoleto Festival (U.S.), Gaillard Performance Hall Campaign Cabinet (U.S.) and Medical University of South Carolina (MUSC) Hollings Cancer Center

Lars Josefsson
Member of the Board since 2013

Nationality: Swedish
Born: 1953
Education
M.Sc. (Eng. Physics)
Main occupation
Independent consultant
Committee memberships
Member of the Audit Committee
Independence
Independent of the company
Independent of significant shareholders
Remuneration in 2017
61,200 EUR including 634 shares
Meeting attendance in 2017
14/14 Board meetings
6/6 Audit Committee meetings
Total shareholding as of Dec 31, 2017
3,033 shares
Other positions of trust
Chairman of the Board: Ouman Oy, Driconeq AB and Timezynk AB
Vice Chairman of the Board: Vestas Wind Systems
Member of the Board: Holmen AB

Arja Talma
Member of the Board since 2016

Nationality: Finnish
Born: 1962
Education
M.Sc. (Finance), eMBA
Main occupation
Board professional
Committee memberships
Chair of the Audit Committee
Independence
Independent of the company
Independent of significant shareholders
Remuneration in 2017
76,200 EUR including 824 shares
Meeting attendance in 2017
14/14 Board meetings
6/6 Audit Committee meetings
Total shareholding as of Dec 31, 2017
2,053 shares
Other positions of trust
Chairman of the Board: Serena Properties AB
Member of the Board: Aktia Bank Plc, Posti Group Oyj and Mehiläinen Oy

Nina Kopola
Member of the Board since 2013

Nationality: Finnish
Born: 1960
Education
M.Sc. (Chemical Eng.), Technology Licentiate
Main occupation
President and CEO, Suominen Corporation
Committee memberships
Member of the Audit Committee
Independence
Independent of the company
Independent of significant shareholders
Remuneration in 2017
61,200 EUR including 634 shares
Meeting attendance in 2017
14/14 Board meetings
6/6 Audit Committee meetings
Total shareholding as of Dec 31, 2017
3,080 shares
Other positions of trust
Member of the Board: Finnish Textile and Fashion
Supervisory Board member: Ilmarinen Mutual Pension Insurance Company

Executive Team

February 3, 2018

Eeva Sipilä
Interim President and CEO, CFO
Joined the company in 2016
Member of the Executive Team since 2016

Nationality: Finnish
Born: 1973
Education
M.Sc. (Econ.), CEFA
Total shareholding as of Dec 31, 2017
7,661 shares
Key experience
CFO, Cargotec Corporation, 2008–2016
Senior Vice President, Investor Relations and Communications, Cargotec Corporation, 2005–2008
Vice President, Investor Relations, Metso Corporation, 2002–2005
Equity Analyst, Mandatum, Sampo-Leonia and Leonia Bank, 1999–2002
Key positions of trust
Member of the Board and Audit Committee, Outokumpu Corporation, 2017–

Victor Tapia
President, Mining Equipment
Joined the company in 2017
Member of the Executive Team since 2017

Nationality: Peruvian
Born: 1966
Education
Bachelor in Geology, Engineering Geologist
Total shareholding as of Dec 31, 2017
No shares
Key experience
President, Surface and Exploration Drilling, Atlas Copco AB, 2013–2016
President, Geotechnical and Exploration, Atlas Copco AB, 2011–2013
General Manager, Atlas Copco Mining and Construction in Mexico, 2007–2011
Business Development Manager, Atlas Copco Mining and Construction in Argentina, 2005–2007

Mikko Keto
President, Minerals Services
Joined the company in 2010
Member of the Executive Team since 2018

Nationality: Finnish
Born: 1967
Education
M.Sc. in Economics
Total shareholding as of Dec 31, 2017
No shares
Key experience
Senior Vice President, Spare Parts business line, Metso, 2016–2017
Several management positions in different services functions, Metso, 2010–2015
Head of Sales, Maintenance business unit, KONE Corporation, 2008–2009
Various international management and sales positions, Nokia Networks, 1994–2007

Markku Simula
President, Aggregates Equipment
Joined the company in 1991
Member of the Executive Team since 2018

Nationality: Finnish
Born: 1966
Education
M.Sc. in Engineering
Total shareholding as of Dec 31, 2017
3,941 shares
Key experience
Senior Vice President, Aggregates business line, Metso, 2016–2017
Senior Vice President, Oil and Gas business line, Metso, 2014–2015
President, Flow Control business unit, Metso, 2008–2014
Various international management positions, Metso Automation, Neles Automation, Neles Controls and Neles-Jamesbury, 1991–2008

Sami Takaluoma
President, Minerals Consumables
Joined the company in 1997
Member of the Executive Team since 2018

Nationality: Finnish
Born: 1973
Education
M.Sc. in Engineering
Total shareholding as of Dec 31, 2017
91 shares
Key experience
Vice President, Market area Nordics, Metso, 2014–2017
General Manager, Market Area UK & Ireland, Metso, 2010–2014
Various management positions, Wears Business line, Metso, 2003–2010

Uffe Hansen
President, Recycling
Joined the company in 2016
Member of the Executive Team since 2018

Nationality: Danish
Born: 1969
Education
Master Sc. B.A.
Total shareholding as of Dec 31, 2017
No shares
Key experience
Senior Vice President, Recycling business line, Metso, 2016–2017
Chief Commercial Officer, Triax A/S, 2013–2016
Vice President, Global Sales and Service, Metso Recycling, 2011–2013
Various management positions, Stibo Group, 1996–2011

John Quinlivan
President, Valves, and Pumps
Joined the company in 1989
Member of the Executive Team since 2015

Nationality: U.S. citizen
Born: 1961
Education
B.S. Mechanical Engineering
Total shareholding as of Dec 31, 2017
3,103 shares
Key experience
Senior Vice President, Global Operations, Metso Flow Control and Metso Automation, 2012–2015
President, Metso Automation and Field Systems North America, 2004–2012

Merja Kamppari
Senior Vice President, Human Resources
Joined the company in 2009
Member of the Executive Team since 2011

Nationality: Finnish
Born: 1958
Education
M.Sc. (Econ.)
Total shareholding as of Dec 31, 2017
8,207 shares
Key experience
Head of Operational Excellence, HR and Head of Global HR, Nokia Siemens Networks, 2007–2009
Vice President, Human Resources, Nokia Networks, 2005–2007
Several international managerial HR positions, Nokia Networks, 1998–2005

Jani Puroranta
Chief Digital Officer
Joined the company in 2016
Member of the Executive Team since 2016

Nationality: Finnish
Born: 1974
Education
M.Sc. Economics, MBA (INSEAD)
Total shareholding as of Dec 31, 2017
No shares
Key experience
Director for Analytics and Product Strategy, Bilot, 2014–2016
Managing Director and CEO, Alekstra, 2011–2013
CEO and other managerial positions in Wulff Oy, 2008–2011

Investor information

Investor Relations function and policies

The main task of Investor Relations is to support the correct valuation of Metso's share by providing up-to-date information on matters concerning our operations, operating environment, strategy, objectives, financial performance and market outlook. Our goal is to provide correct, adequate and current information regularly and impartially to all market participants. We aim for promptness, transparency, agility and excellent service.

Investor Relations is responsible for all investor communications, including contacts with capital market representatives. All investor meeting requests are processed centrally at Investor Relations. In addition to financial reports and actively updated web-pages, our investor communications include investor meetings and seminars in which corporate executives actively participate. We also arrange Capital Markets Day events. In addition, we regularly gather and analyze market information and investor feedback for use by top management and the Board of Directors.

During the 21-day period prior to publication of the annual, half-year or interim financial results, we are not in contact with capital market representatives or financial media. At other times, we are happy to answer inquiries of analysts and investors by phone, email or at arranged investor meetings. Contact details are available on page 87.

Our disclosure policy has been approved by the Board of Directors. It describes the main principles and practices of our stock exchange communications as well as other important disclosure practices we follow. The purpose of the policy is to promote reliable and consistent disclosure of information and to describe the decision-making procedures relevant to disclosing market-relevant information. More information and our Disclosure Policy are available at www.metso.com/disclosure-policy.

Our releases are divided into three categories: stock exchange releases, corporate press releases and trade press releases. The category of a release is based on MAR requirements, on the materiality and relevance of the information as well as on internal guidelines.

Stock exchange releases are used for releasing inside information according to MAR. Corporate press releases are used for communicating about business events that do not include inside information but are estimated to be newsworthy or of general interest to stakeholders. Trade press releases are used for discussing our products and technology and other topics that are of interest to our customer industries and the trade media.

Our financial reviews and our releases, as well as their email subscription, are available in Finnish and English on our website at www.metso.com/news. We disclose information about our financial performance according to a schedule announced in advance. Financial information and key figures are disclosed on the Metso Group and segment level: Minerals and Flow Control.

Market estimates and analyst reports

We actively monitor market expectations and will review, if requested so by an analyst, their earnings model for factual accuracy or information that is in the public domain. We do not comment on or take any responsibility for estimates or forecasts published by capital market representatives nor do we comment on the company's valuation or share price development, give preference to one particular analyst, or distribute analyst reports to the investment community.

We maintain a list of the analysts following Metso on a regular basis on our website at www.metso.com/analysts.

Market outlook

In conjunction with the Q3/2017 Interim Review we changed the way we comment on our market outlook. Going forward, our commentary focuses on the expected sequential market development with a rolling six-month view on the reporting segment level.

Our current market outlook is as follows (outlook updated February 2, 2018):

- Remain stable for Minerals equipment and services
- Remain stable for Flow Control equipment and services

Guidance on our financial communications

The principle of equality in our investor communications means giving all market participants simultaneous and timely access to the information they need to be able to determine the value of the Metso share in an informed manner. We follow the rules and recommendations of:

- Finnish Corporate Governance Code 2015
- Finnish Companies Act
- Accounting Act
- Finnish Securities Markets Act
- Market Abuse Regulation ((EU) N:o 596/2014 ("MAR"))
- Rules, regulations and guidelines of Nasdaq Helsinki Ltd and the Finnish Financial Supervisory Authority

Publication dates of financial reviews and reports in 2018

Financial statements for 2017	February 2, 2018
Annual Report 2017	February 23, 2018
Interim review for January–March 2018	April 25, 2018
Half year financial review 2018	July 26, 2018
Interim review for January–September 2018	October 26, 2018

Shareholder's change of address

Shareholders are kindly asked to notify of changes in their address to the bank, brokerage firm or other account operator with which they have a book-entry securities account.

Metso's activities in the capital markets during 2017

In 2017, the Investor Relations team hosted 150 investor meetings and held 25 pre-scheduled conference calls. We participated in 15 roadshows in New York, Boston, London, Paris, Frankfurt, Copenhagen, Edinburgh, Oslo and Stockholm. We also attended investor seminars in San Francisco, London, Stockholm and Helsinki. Metso's Investor Relations and executives also met with investors at the world's largest aggregates seminar, CONExpo 2017, in Las Vegas. Our Capital Markets Day was held in Finland on June 1, with some 60 investors, analysts and bankers taking part. During the year the Investor Relations team and senior management met or talked with close to 300 equity investors and analysts in total. We also met with over 300 private investors at events held in Finland.

During 2017, we continued the development of our investor webpages and, consequently, were ranked second in the Large cap category of the annual Best Investor Pages on the Web competition arranged by the Finnish Foundation for Share Promotion, the Finnish Society of Financial Analysts and the Finnish weekly journal Talouselämä. Metso's Investors pages were praised especially for the comprehensive and clear 'Metso as an investment' section.

IR CONTACTS

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Annual General Meeting 2018

Metso's Annual General Meeting 2018 will be held at 3:00 pm on Thursday, March 22, 2018, at Messukeskus Conference Centre in Helsinki, Finland.

Notice of the meeting including all meeting proposals has been published as a stock exchange release on February 2, 2018 and is also available at www.metso.com/agm.

Important dates related to AGM 2018

Record date of AGM	March 12, 2018
Registration period ends	March 19, 2018 at 10:00 EET
Dividend ex-date	March 23, 2018
Record date of dividend payment	March 26, 2018
Date of dividend payment	April 4, 2018
Minutes of the meeting available	April 5, 2018 at the latest

Registration and proxies

Registration is available at www.metso.com/agm or by telephone on +358 10 808 300. Shareholders are required to provide their name, personal or company identification number, address and telephone number with their registration.

Originals of possible proxy documents must be delivered before registration period ends to the address Metso Corporation/ AGM, P.O. Box 1220, FI-00101 Helsinki, Finland.

Nominee registered shares

Holders of nominee registered shares have the right to participate in the AGM by virtue of the shares, which would entitle them to be registered in Metso's shareholder register on the record date of the AGM. In addition, participation requires that these shareholders are temporarily registered in Metso's shareholder register before the registration period ends. More detailed instructions are available in the meeting notice.

Nomination Board

The Nomination Board prepares proposals to the Annual General Meeting regarding the composition of the Board and the Board's remuneration. The Nomination Board ahead of the Annual General Meeting 2018 consists of:

- 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, Chairman of Metso's Board of Directors, serves as the Nomination Board's expert member.

Nomination Board proposal for the 2018 AGM

After the reporting period, on January 24, 2018 Nomination Board gave their proposal for the Board composition and remuneration.

The Nomination Board proposes that the Board of Directors will consist of eight (8) members:

- Mikael Lilius (Chair)
- Christer Gardell (Vice Chair)
- Peter Carlsson
- Ozey K. Horton, Jr.
- Lars Josefsson
- Nina Kopola
- Arja Talma
- Antti Mäkinen

Mr. Antti Mäkinen will be proposed as a new Board member. Antti Mäkinen (Master of Laws, born 1961, Finnish citizen) is Managing Director of Solidium Oy.

All candidates have given their consent to be elected and have been assessed as being independent of the company and its significant shareholders, except for Christer Gardell and Antti Mäkinen, who have been assessed to be independent of the company but not independent of a significant shareholder.

Nomination Board proposes that remuneration of the Board members will be as follows:

- Chair – EUR 120,000
- Vice Chair – EUR 66,000
- Other members – EUR 53,000

Additional remuneration:

- 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
- Members of the Remuneration and HR Committee – EUR 5,000

Meeting fees (excl. committee meetings) are paid based on residence:

- Nordic countries – EUR 800
- Other European countries – EUR 1,600
- Outside Europe – EUR 3,200

As a condition for the remuneration, 40% of the fixed annual remuneration is to be used for purchasing Metso's shares.

The Nomination Board notes that a personnel representative will participate as an external expert in the Board meetings also during the next Board term within the limitations imposed by Finnish law and with no voting rights or legal liability for the Board's decisions. The new Board of Directors will invite the personnel representative as its external expert in its assembly meeting.

Resolutions of the AGM

Resolutions of the AGM will be published as a stock exchange release without delay after the meeting has finished.

More information about the Annual General Meeting and the meeting proposals are available on our website at www.metso.com/agm.

Annual Review

Financial Statements

Sustainability Supplement

SUSTAINABILITY

Metso's Annual Report 2017

Our Annual Report 2017 consists of four reports: a printed Annual Review and a printed Financial Statements, which are available in Finnish and English, Corporate Governance Statement which is available as a PDF in Finnish and in English as well as an externally assured Sustainability Supplement available as a PDF in English. All reports can be viewed as PDF files on our website www.metso.com/2017. The reports for the year 2017 present Metso's strategy, our businesses, our customer industries, and sustainability issues.

Welcome to explore more at > www.metso.com/2017

Financial calendar 2018

Financial Statements Review 2017	Annual Report 2017	Annual General Meeting	Interim Review	Half-Year Review	Interim Review
February 2, 2018	February 23, 2018	March 22, 2018	April 25, 2018	July 26, 2018	October 26, 2018

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About this report
Concept, design and production:
Miltton Oy
Paper: Multioffset 250/120g/m²
Printing: Hämeen Kirjapaino Oy