metso

H1

2017 Half-Year Review

January 1 – June 30

Metso's Half-Year Financial Review January 1 – June 30, 2017

Second-quarter 2017 in brief (compared to the second quarter of 2016)

- Market activity remained healthy overall and improved in mining equipment.
- Sales have not yet reflected the order growth, which in addition to mix had the most significant impact on profitability.
- Orders received decreased 2 percent and totaled EUR 749 million (EUR 761 million), but were 12 percent higher when adjusting for a large mining equipment order in the comparison period. Services orders increased 8 percent to EUR 480 million (EUR 444 million)
- Sales increased 1 percent to EUR 675 million (EUR 671 million). Services sales increased 1 percent and totaled EUR 445 million (EUR 439 million)
- Adjusted EBITA decreased to EUR 70.0 million, or 10.4 percent of sales (EUR 77.3 million, or 11.5%)
- Earnings per share totaled EUR 0.24 (EUR 0.28)

Half-Year 2017 in brief (compared to the half-year of 2016)

- Orders received increased 4 percent and totaled EUR 1,482 million (EUR 1,424 million). Services orders increased 11 percent to EUR 976 million (EUR 877 million)
- Sales increased 4 percent to EUR 1,323 million (EUR 1,272 million). Services sales increased 2 percent and totaled EUR 868 million (EUR 848 million)
- Adjusted EBITA increased to EUR 136.5 million, or 10.3 percent of sales (EUR 133.0 million, or 10.5%)
- Earnings per share totaled EUR 0.47 (EUR 0.46)
- Free cash flow was EUR 43 million (EUR 136 million) and was negatively affected mainly by an increase in net working capital

Outlook for 2017 (changes in brackets)

Metso's overall trading conditions are expected to be better than in 2016. Demand for our products and services in 2017 is expected to develop as follows:

- Improve to satisfactory for mining equipment (previously: weak) and remain good for mining services
- Remain good for aggregates equipment and services
- Remain good for flow control products related to customers' new investments and services

At the end of June 2017, our backlog for 2017 totaled approximately EUR 1 billion. In the current market conditions, we continue to expect some postponements to planned delivery timetables. Capital expenditure excluding acquisitions is expected to increase compared to 2016, but to remain below depreciation and amortization.

President and CEO Matti Kähkönen:

Market sentiment has turned slightly better in our customer industries during the first half of the year and we saw good activity during the second quarter. Orders grew in both segments, when adjusting for a large mining equipment order from the comparison period. Our aggregates business has continued to improve, thanks to favorable market development in several regions. In mining, we have seen a positive change in the equipment business, and services orders have continued to grow year-on-year across our offering. Activity in Flow Control has been in line with expectations, and the second quarter saw orders remaining at a healthy level in valves and increasing in pumps.

Metso's sales and thus profitability were slightly disappointing but we think this is largely related to timing. The improved order book is expected to provide a good starting point for the second half of the year. Minerals suffered from low sales in mining equipment as well as high raw material costs and weak sales mix in the services business. Flow Control's margin was affected by low volumes and related under-absorption as well as sales mix.

Beyond the financial performance, we made good progress in our strategic initiatives across our businesses. We took our digital strategy forward by forming a strong partnership to deliver a global industrial Internet of Things (IoT) platform to better serve our mining and aggregates customers. We also decided on investments to increase production of both wear part castings for mining crushers and Lokotrack mobile crushing plants. In Flow Control, we expanded our distribution network in the UK, Benelux, and Spain.

Finally, I have the pleasure to welcome Nico Delvaux to Metso as the new President and CEO as of August 1. I am confident that Metso will further develop under his leadership.

Key figures

EUR million	Q2/2017	Q2/2016	Change %	Q1-Q2/ 2017	Q1-Q2/ 2016	Change %	2016
Orders received	**749**	761	-2	**1,482**	1,424	4	2,724
Orders received by the services business	**480**	444	8	**976**	877	11	1,741
% of orders received	**64**	58		**66**	62		64
Order backlog at the end of the period				**1,411**	1,399	1	1,320
Sales	**675**	671	1	**1,323**	1,272	4	2,586
Sales of the services business	**445**	439	1	**868**	848	2	1,703
% of sales	**66**	65		**66**	67		66
Earnings before interest, tax and amortization (EBITA), adjusted	**70.0**	77.3	-9	**136.5**	133.0	3	274.0
% of sales	**10.4**	11.5		**10.3**	10.5		10.6
Operating profit	**59.8**	69.3	-14	**119.2**	119.7	0	227.1
% of sales	**8.9**	10.3		**9.0**	9.4		8.8
Earnings per share, EUR	**0.24**	0.28	-14	**0.47**	0.46	2	0.87
Free cash flow	**4**	74	-95	**43**	136	-68	339
Return on capital employed (ROCE) before tax, annualized, %				**11.1**	11.0		10.4
Equity-to-asset ratio at the end of the period, %				**45.9**	47.4		48.0
Net gearing at the end of the period, %				**7.5**	12.8		-1.8
Personnel at the end of the period				**11,788**	12,099	-3	11,542

Operating environment

Healthy activity in our customer industries continued in the second quarter of 2017. Aggregates equipment market continued to be strong and orders grew in several regions. Mining customers' high production output and increased attention to productivity have had a positive effect on the demand for our services business across the board. The activity in the mining equipment markets started to pick up, although no large orders were booked in the quarter. Flow Control saw good activity in its main industries, and project orders from oil & gas customers improved from the first quarter. Flow Control services orders remained on the healthy level seen in the first quarter.

Orders and sales

Metso's orders declined 2 percent in the second quarter but were 12 percent higher when a large mining equipment order in the comparison period is adjusted for. The Group's orders totaled EUR 749 million in the quarter (EUR 761 million). Orders were 4 percent higher in Flow Control and 3 percent lower in Minerals. The Group's services orders were EUR 480 million, which is 8 percent higher than in the comparison quarter. Services orders grew 10 percent in Minerals and 3 percent in Flow Control.

Second-quarter sales were EUR 675 million (EUR 671 million). Minerals' sales grew 4 percent and totaled EUR 523 million. Sales were higher in both the equipment and services businesses. Flow Control sales were affected by lower project orders in the previous quarters and were 9 percent lower than in the comparison period.

Orders in January-June 2017 totaled EUR 1,482 million, which is 4 percent higher than in the corresponding period of 2016. Orders grew 4 percent in Minerals and totaled EUR 1,135 million, while Flow Control's orders were 3 percent higher and totaled EUR 347 million. The order backlog on June 30 totaled EUR 1.4 billion, of which we expect around EUR 1.0 billion to be delivered during 2017.

Metso's sales in the first half of the year totaled EUR 1,323 million, which is 4 percent higher than in the comparison period. Minerals' sales increased 6 percent followed by stronger mining services and aggregates equipment orders. Flow Control's sales were 1 percent lower than in January-June 2016.

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

	Q2/2017 Change %	Q2/2017 Change % using constant rates	Q1-Q2/2017 Change %	Q1-Q2/2017 Change % using constant rates
Minerals	-3	-4	4	2
Services business	10	8	13	9
Flow Control	4	4	3	1
Services business	4	3	8	6
Metso total	**-2**	**-3**	**4**	**1**
Services business	**8**	**7**	**11**	**8**

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

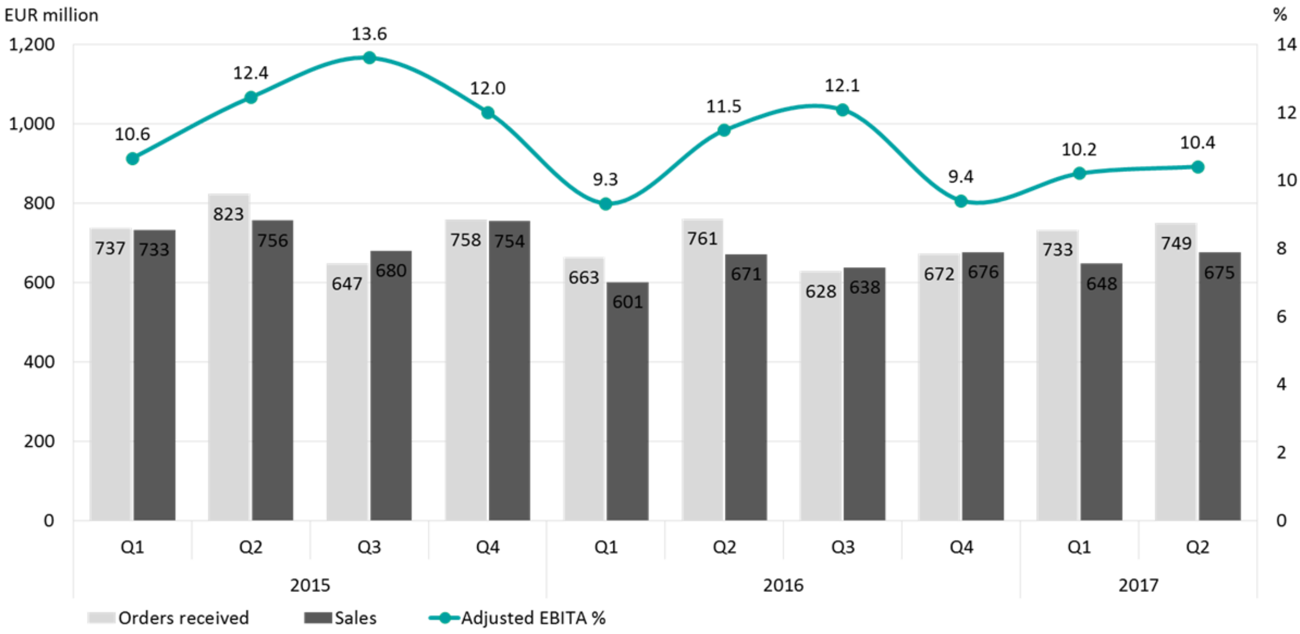
	Q2/2017 Change %	Q2/2017 Change % using constant rates	Q1-Q2/2017 Change %	Q1-Q2/2017 Change % using constant rates
Minerals	4	3	6	3
Services business	2	1	1	-2
Flow Control	-9	-9	-1	-3
Services business	-1	-2	6	3
Metso total	**1**	**0**	**4**	**2**
Services business	**1**	**0**	**2**	**-1**

Financial performance

Adjusted EBITA (earnings before interest, tax and amortization) totaled EUR 70.0 million, or 10.4 percent of sales in the second quarter. Adjustment items totaled EUR 6.0 million in the second quarter. Minerals' adjusted EBITA totaled EUR 54.9 million, or 10.5 percent (EUR 54.3 million, or 10.8%). Clearly improved profitability in the aggregates business was offset by weaker performance in mining, where services margins were affected by weaker sales mix and higher raw material costs. Flow Control's adjusted EBITA was EUR 16.4 million, or 10.8 percent of sales (EUR 22.1 million, or 13.2%). Profitability was affected by low volumes and related under-absorption as well as sales mix. Operating profit totaled EUR 59.8 million, or 8.9 percent of sales in the second quarter.

The Group's adjusted EBITA in January-June 2017 was EUR 136.5 million, or 10.3 percent of sales (EUR 133.0 million, or 10.5 percent). Adjustment items were EUR 8.7 million in January-June 2017. Efficiency improvement measures initiated last year have been concluded and resulted in smaller adjustment items related to restructuring than earlier estimated. Operating profit in January-June 2017 was EUR 119.2 million, or 9.0 percent of sales. Earnings per share in January-June 2017 totaled EUR 0.47. Return on capital employed (ROCE) was 11.1 percent (10.4% at the end of 2016).

Net financial expenses in January-June 2017 were EUR 16 million (EUR 21 million). Interest expenses accounted for EUR 12 million (EUR 16 million), interest income for EUR 3 million (EUR 4 million), foreign exchange losses for EUR 1 million (EUR 3 million) and other financial expenses for EUR 6 million (EUR 6 million). Net cash generated by operating activities totaled EUR 54 million (EUR 147 million) and free cash flow was EUR 43 million (EUR 136 million). Changes in net working capital had a EUR 56 million negative impact on cash flow.



Financial position

Metso's liquidity position remains strong. Total cash assets at the end of June 2017 were EUR 748 million (EUR 807 million at the end of 2016), of which EUR 119 million (EUR 109 million) was invested in financial instruments with an initial maturity exceeding three months, and the remaining EUR 629 million (EUR 698 million) is accounted for as cash and cash equivalents. A dividend of EUR 157 million was paid on April 4, 2017. The Group has a committed EUR 500 million revolving credit facility, which is undrawn.

The Group's balance sheet is solid. Net interest-bearing liabilities were EUR 99 million at the end of June (EUR 26 million negative at the end of 2016) and gearing was 7.5 percent (-1.8% at the end of 2016). The equity-to-asset ratio was 45.9 percent (48.0% at the end of 2016). Standard & Poor's Ratings Services confirmed our credit rating in March 2017: long-term corporate credit rating BBB and short-term A-2, outlook stable.

On May 30, 2017, Metso announced the intention to exchange its outstanding EUR 400 million bonds maturing in 2019 to new bonds maturing in 2024. The new euro-denominated bond was issued under the EUR 1.5 billion Euro Medium Term Note (EMTN) Program on May 31, 2017. The amount of the new 7-year bond is EUR 300 million, the interest coupon is 1.125 percent and issue price was 99.586 percent. The effective interest rate of the bond is 1.96 per cent. Metso purchased back EUR 205 million of its 2019 bonds. The transaction extended the company's debt maturity profile.

Capital expenditure and RTD

Gross capital expenditure in January-June 2017, excluding business acquisitions, was EUR 15 million (EUR 15 million). Maintenance accounted for 88 percent, i.e. EUR 13 million (91% and EUR 13 million). In 2017, capital expenditure excluding acquisitions is expected to increase compared to 2016, but to remain below depreciation and amortization. During the second quarter, Metso announced investments in crusher wear parts manufacturing in Isithebe, South Africa, as well as in assembly capacity in its aggregates business in Tampere, Finland. Research and development expenses in January-June totaled EUR 13 million, i.e. 1.0 percent of sales (EUR 17 million and 1.4 percent of sales).

Reporting Segments

Minerals

- A good quarter for the aggregates business
- Mining equipment sales remained low and profitability weak

EUR million	Q2/2017	Q2/2016	Change %	Q1-Q2/ 2017	Q1-Q2/ 2016	Change %	2016
Orders received	**575**	593	-3	**1,135**	1,087	4	2,115
Orders received by the services business	**370**	337	10	**756**	672	13	1,348
% of orders received	**64**	57		**67**	62		64
Order backlog at the end of the period				**1,140**	1,113	2	1,078
Sales	**523**	504	4	**1,012**	957	6	1,956
Sales of the services business	**347**	340	2	**673**	663	2	1,325
% of sales	**66**	67		**67**	69		68
Earnings before interest, tax and amortization (EBITA), adjusted	**54.9**	54.3	1	**98.3**	91.2	8	190.3
% of sales	**10.5**	10.8		**9.7**	9.5		9.7
Operating profit	**47.4**	49.9	-5	**86.7**	84.6	2	148.0
% of sales	**9.1**	9.9		**8.6**	8.8		7.6
Return on operative capital employed (ROCE), annualized, %				**16.3**	14.7		13.4
Personnel at the end of the period				**8,567**	8,701	-2	8,370

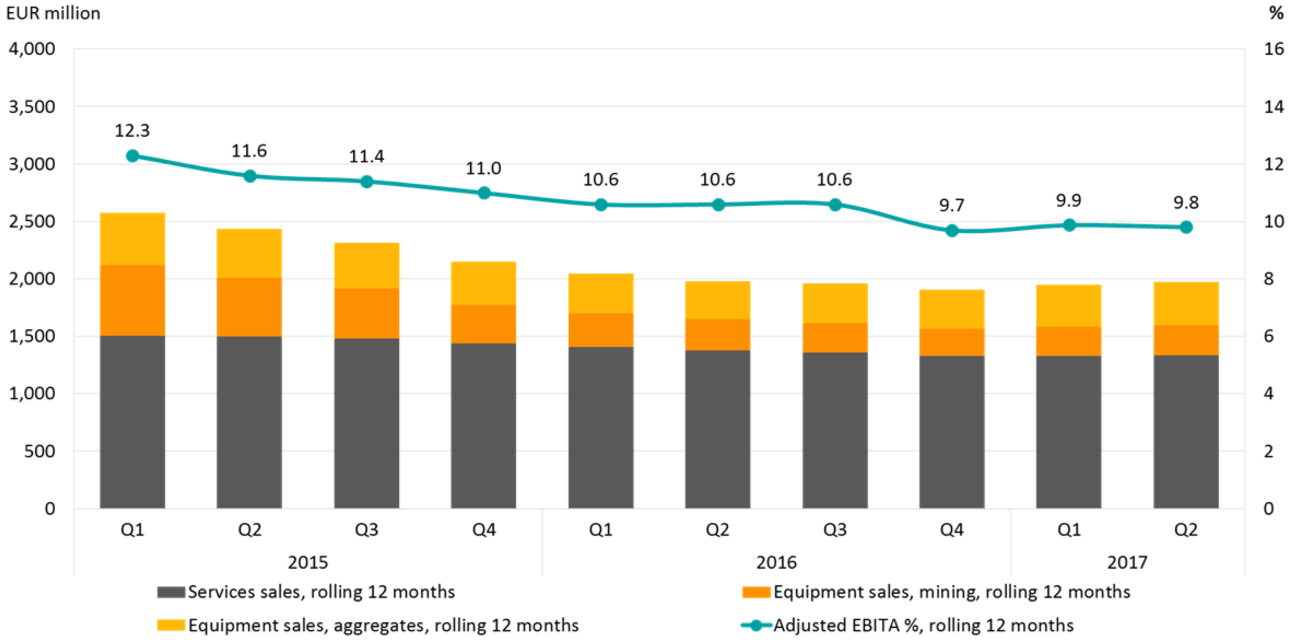
Minerals orders in the second quarter were 3 percent lower than in the comparison period and totaled EUR 575 million. However, orders grew 16 percent when a large mining equipment order in the comparison period is adjusted for. Mining equipment orders were EUR 69 million, and some pick-up in market activity was seen during the quarter. Mining services orders grew 12 percent and growth was visible across the board, thanks to high production output and customer focus on productivity. Good activity continued in aggregates, with equipment orders growing 36 percent and services orders remaining flat.

Sales in the second quarter grew 4 percent and totaled EUR 523 million. Aggregates equipment sales grew 18 percent while mining equipment sales were on the same level as in the comparison quarter. Mining services sales showed 3 percent growth, while aggregates services sales were roughly flat.

Adjusted EBITA in the second quarter totaled EUR 54.9 million, or 10.5 percent of sales (EUR 54.3 million, or 10.8%). Improved profitability of the aggregates equipment business was offset by the continued weak margin in mining equipment. Higher raw material prices and sales mix had a negative impact on the services business. Implemented price increases have not yet mitigated the margin pressure.

Orders in January-June 2017 totaled EUR 1,135 million, a 4 percent increase from the comparison period. Orders in both mining and aggregates were on a healthy level. January-June sales grew 6 percent from the comparison period, mainly due to growth in the equipment business. Adjusted EBITA for January-June 2017 was EUR 98.3 million, or 9.7 percent.

Minerals, sales and adjusted EBITA margin, rolling 12 months



Flow Control

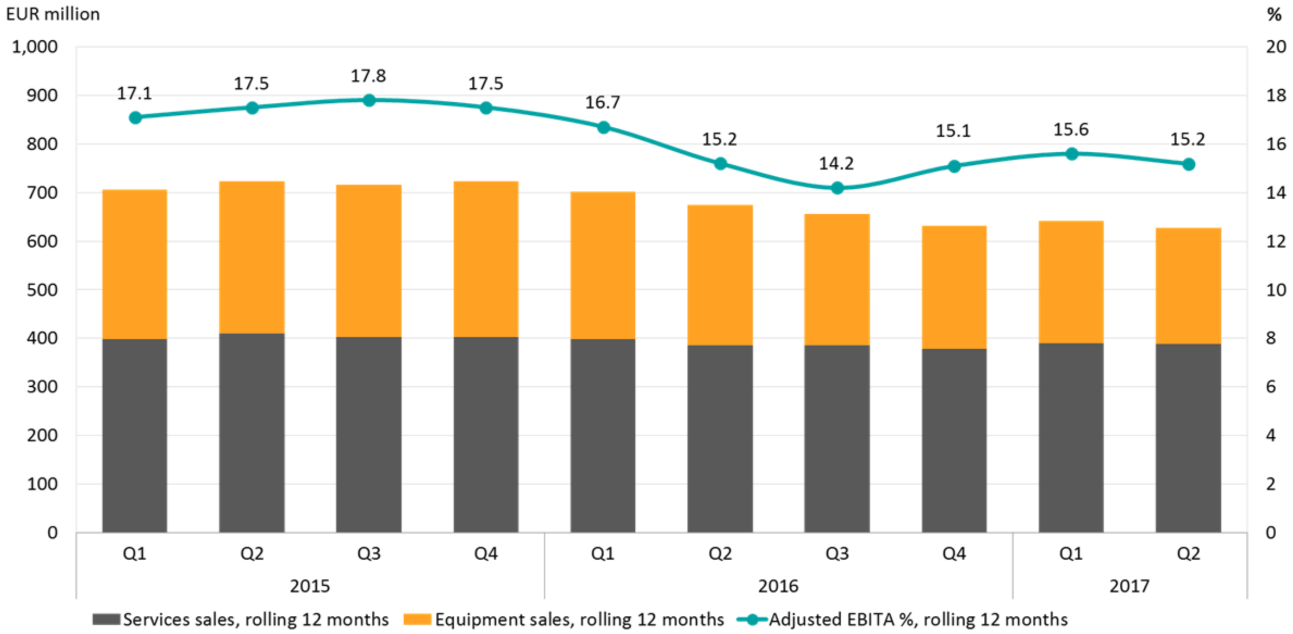
- Both equipment and services orders grew from the comparison period
- Weak profitability in the second quarter, first half was flat year-on-year

EUR million	Q2/2017	Q2/2016	Change %	Q1-Q2/ 2017	Q1-Q2/ 2016	Change %	2016
Orders received	**174**	168	4	**347**	337	3	609
Orders received by the services business	**110**	107	3	**220**	205	7	393
% of orders received	**63**	64		**63**	61		65
Order backlog at the end of the period				**271**	286	-5	242
Sales	**152**	167	-9	**311**	315	-1	631
Sales of the services business	**98**	99	-1	**195**	185	5	378
% of sales	**64**	59		**63**	59		60
Earnings before interest, taxes and amortization (EBITA), adjusted	**16.4**	22.1	-26	**41.2**	41.1	0	95.0
% of sales	**10.8**	13.2		**13.2**	13.0		15.1
Operating profit	**15.8**	21.4	-26	**40.0**	39.8	1	90.4
% of sales	**10.4**	12.8		**12.9**	12.6		14.3
Return on operative capital employed (ROCE), annualized, %				**25.1**	24.9		28.5
Personnel at the end of the period				**2,685**	2,878	-7	2,663

Flow Control's second-quarter orders were EUR 174 million (EUR 168 million), increasing year-on-year in both the equipment and services business. Valve orders were at a good level, while pump orders grew significantly from the comparison period. Second-quarter sales totaled EUR 152 million, which is 9 percent lower than in the comparison period. The decline resulted from the lower project order intake in the second half of 2016, while services sales remained stable compared to the last year's corresponding quarter. Adjusted EBITA in the second quarter was EUR 16.4 million, or 10.8 percent of sales (EUR 22.1 million, or 13.2%). Profitability was affected by low volumes and related under-absorption as well as sales mix.

January-June orders totaled EUR 347 million (EUR 337 million). Equipment orders were 11 percent lower, while services orders increased 7 percent. Valve orders decreased mainly in Asia-Pacific and China, while orders in Europe and the US grew from the comparison period. The valve services business showed stable growth in several market areas. January-June 2017 sales were EUR 311 million, which is roughly on the same level as in January-June 2016. Sales from new projects declined, while services sales increased. January-June 2017 adjusted EBITA was EUR 41.2 million, which is on the same level as in the comparison period.

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



Personnel

Metso had 11,788 employees at the end of June 2017, 246 more than at the end of December 2016. Personnel increased by 197 to 8,567 in Minerals, and by 22 to 2,685 in Flow Control. Personnel in Group Head Office and other functions totaled 536 (509 at the end of December 2016). The employing of seasonal workforce increased the total number of employees.

Personnel by area

	Jun 30, 2017	**% of personnel**	Jun 30, 2016	% of personnel	Change %	Dec 31, 2016
Europe	**4,206**	**36**	4,334	36	-3	4,097
North America	**1,566**	**13**	1,780	15	-12	1,609
South and Central America	**2,630**	**22**	2,455	20	7	2,420
China	**1,002**	**9**	1,116	9	-10	1,032
Other Asia-Pacific	**1,507**	**13**	1,488	12	1	1,498
Africa and Middle East	**877**	**7**	926	8	-5	886
Metso total	**11,788**	**100**	12,099	100	-3	11,542

Decisions of the Annual General Meeting

Metso's Annual General Meeting (AGM) was held on March 23, 2017. 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 dividend of EUR 1.05 per share was paid on April 4, 2017, in accordance with the AGM's decision. The Annual General Meeting approved the Nomination Board's propos-als concerning Board members, and their remuneration was also approved by the meeting. Authorized Public Accountant firm Ernst & Young was elected as the company's Auditor until the end of the next Annual General Meeting. Ernst & Young Oy has designated Mikko Järventausta, APA, as responsible auditor.

Visit metso.com/agm to read more about the decisions of the Annual General Meeting.

New President and CEO and changes in Executive Team

On May 3, 2017, the Board of Directors appointed Nico Delvaux as President and CEO of Metso. He joined Metso on July 1 and will assume his duties as President and CEO on August 1. Mr. Delvaux was previously Senior Executive Vice President for Atlas Copco AB and Business Area President for Compressor Technique. The nomination was a part of Metso's succession planning. Current President and CEO, Matti Kähkönen, will act as Senior Advisor to the Board until his retirement.

Victor Tapia assumed his position as President of Minerals Capital business area and member of the Executive Team on June 1, 2017. His appointment was announced on December 14, 2016, and he joined Metso in February 2017. The former head of Minerals Capital, João Colagrossi, moved to the Minerals Services business area to develop the screening business.

After the reporting period, on July 14, 2017, it was announced that Perttu Louhiluoto, President of Minerals Services business area, has decided to pursue other career opportunities outside the company and will leave Metso by the end of 2017, at the latest. He has been employed by Metso since 2008 and has held several management positions in various businesses.

Visit metso.com/management to read more about Nico Delvaux and Victor Tapia.

Other events during the quarter

On June 28, 2017, it was announced that Metso has signed a distribution agreement for its valve products with Process Control Equipment, PCE, to cover UK, Benelux and Spain. PCE will add Metso's Neles and Jamesbury product families to its current portfolio. The expansion of distribution will bring more local support, local inventories and faster deliveries in these countries.

On June 27, 2017, Metso announced that it will increase its manufacturing capacity for large crusher wear part castings by investing in a second melting furnace in Isithebe foundry, South Africa. The investment was made to meet the growing demand for large crusher wear parts in the mining industry. The investment of EUR 3.5 million will ensure the availability of Metso's heavy crusher wear parts globally.

On June 21, 2017, Metso announced that it will increase capacity in its Tampere factory by more than 30 percent by investing in a new production line for Lokotrack mobile crushing plants. The investment of approximately EUR 1 million will shorten delivery times of equipment and improve occupational safety.

On June 8, 2017, Metso announced it will donate EUR 1 million euros to three Finnish universities. The donation is a part of the program for centenary of Finland's independence. Through the donation, Metso wishes to support Finnish scientific research and its application in practice. The donations are based on the decision of Metso's Annual General Meeting on March 23, 2017.

On May 31, 2017, Metso announced that it has selected Rockwell Automation as its partner for delivering a global industrial Internet of Things (IoT) platform. The platform will help connect, monitor and perform analytics for Metso's new and existing equipment as well as services. The solution will result in improved efficiency and profitability for our mining and aggregates customers.

Shares and share trading

As of June 30, 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. A total of 12,590 treasury shares were conveyed as rewards for participants in the Long-term Incentive Plan 2012-2014 in February 2017.

A total of 64,576,983 Metso shares were traded on NASDAQ OMX Helsinki in January-June 2017, equivalent to a turnover of EUR 1,911 million. The volume-weighted average trading price for the period was EUR 29.60. The highest quotation was EUR 33.73 and the lowest EUR 29.46. The closing price on June 30, 2017, was EUR 30.36, giving Metso a market capitalization, excluding shares held by the Parent Company, of EUR 4,554 million (EUR 4,065 million at the end of 2016).

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 June 30, 2017, was USD 8.71.

Flagging notifications

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

Date	Shareholder	Threshold	Direct, %	Indirect, %	Total, %	Total shares
May 15, 2017	Blackrock, Inc.	above 5%	5.02	0.67	5.70	8,579,587
April 18, 2017	Blackrock, Inc.	below 5%	4.76	0.82	5.59	8,406,466
March 24, 2017	Blackrock, Inc.	above 5%	5.07	0.22	5.30	7,972,471
March 9, 2017	Blackrock, Inc.	below 5%	4.35	1.53	5.89	8,856,163
February 28, 2017	Blackrock, Inc.	above 5%	5.06	0.78	5.84	8,793,183
February 8, 2017	Blackrock, Inc.	below 5%	4.94	0.84	5.79	8,705,734
February 7, 2017	Blackrock, Inc.	above 5%	5.02	0.74	5.76	8,666,338
February 6, 2017	Blackrock, Inc.	below 5%	4.97	0.75	5.72	8,611,261
February 3, 2017	Blackrock, Inc.	at 5%	5.00	0.79	5.79	8,718,113
February 1, 2017	Blackrock, Inc.	below 5%	4.98	0.72	5.71	8,856,003
January 11, 2017	Blackrock, Inc.	above 5%	5.10	0.51	5.62	8,451,908

Short-term business risks and market uncertainties

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

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. Higher raw material prices and labor costs might also be hard to promptly integrate into the prices of Metso's equipment, products and services.

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

Outlook for 2017 (changes in brackets)

Metso's overall trading conditions are expected to be better than in 2016. Demand for our products and services in 2017 is expected to develop as follows:

- Improve to satisfactory for mining equipment (previously: weak) and remain good for mining services
- Remain good for aggregates equipment and services
- Remain good for flow control products related to customers' new investments and services

At the end of June 2017, our backlog for 2017 totaled approximately EUR 1 billion. In the current market conditions, we continue to expect some postponements to planned delivery timetables. Capital expenditure excluding acquisitions is expected to increase compared to 2016, but to remain below depreciation and amortization.

Helsinki, July 20, 2017
Metso Corporation's Board of Directors

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

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

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

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

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

CONSOLIDATED STATEMENT OF INCOME

EUR million	**4-6/2017**	4-6/2016	**1-6/2017**	1-6/2016	1-12/2016
Sales	**675**	671	**1,323**	1,272	2,586
Cost of goods sold	**-488**	-475	**-952**	-900	-1,849
Gross profit	**187**	196	**371**	372	737
Selling, general and administrative expenses	**-127**	-130	**-253**	-256	-516
Other operating income and expenses, net	**0**	4	**1**	4	6
Share in profits of associated companies	**0**	0	**0**	0	0
Operating profit	**60**	70	**119**	120	227
Financial income	**2**	2	**4**	5	8
Financial expenses	**-9**	-11	**-20**	-26	-47
Financial expenses, net	**-7**	-9	**-16**	-21	-39
Profit before taxes	**53**	61	**103**	99	188
Income taxes	**-17**	-19	**-32**	-30	-58
Profit for the period	**36**	42	**70**	69	130
Attributable to:					
Shareholders of the company	**36**	42	**70**	69	130
Non-controlling interests	**0**	0	**0**	0	0
Profit for the period	**36**	42	**70**	69	130
Earnings per share					
Basic, EUR	**0.24**	0.28	**0.47**	0.46	0.87
Diluted, EUR	**0.24**	0.28	**0.47**	0.46	0.87

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	**4-6/2017**	4-6/2016	**1-6/2017**	1-6/2016	1-12/2016
Profit for the period	**36**	42	**70**	69	130
Items that may be reclassified to profit or loss in subsequent periods:					
Cash flow hedges, net of tax	**2**	0	**3**	1	-2
Available-for-sale equity investments, net of tax	**0**	0	**0**	0	0
Currency translation on subsidiary net investments	**-32**	13	**-26**	8	23
	-30	13	**-23**	9	21
Items that will not be reclassified to profit or loss:					
Defined benefit plan actuarial gains (+) / losses (-), net of tax	**-**	-	**-**	-	3
Other comprehensive income (+) / expense (-)	**-30**	13	**-23**	9	24
Total comprehensive income (+) / expense (-)	**6**	55	**47**	78	154
Attributable to:					
Shareholders of the company	**6**	55	**47**	78	154
Non-controlling interests	**0**	0	**0**	0	0
Total comprehensive income (+) / expense (-)	**6**	55	**47**	78	154

CONSOLIDATED BALANCE SHEET

ASSETS

EUR million	June 30, 17	June 30, 16	Dec 31, 16
Non-current assets			
Intangible assets			
Goodwill	**449**	451	452
Other intangible assets	**76**	90	86
	525	541	538
Tangible assets			
Land and water areas	**43**	48	45
Buildings and structures	**103**	119	113
Machinery and equipment	**138**	157	149
Assets under construction	**8**	7	8
	293	331	315
Financial and other assets			
Investments in associated companies	**1**	1	1
Available-for-sale equity investments	**1**	1	1
Loan and other interest bearing receivables	**3**	3	3
Derivative financial instruments	**2**	13	8
Deferred tax asset	**103**	103	112
Other non-current assets	**31**	37	32
	140	158	157
Total non-current assets	**958**	1,030	1,010
Current assets			
Inventories	**721**	727	709
Receivables			
Trade and other receivables	**600**	624	605
Cost and earnings of projects under construction in excess of advance billings	**65**	73	66
Loan and other interest bearing receivables	**1**	10	10
Financial instruments held for trading	**119**	104	109
Derivative financial instruments	**16**	4	9
Income tax receivables	**29**	18	20
Receivables total	**829**	833	819
Cash and cash equivalents	**629**	511	698
Total current assets	**2,179**	2,071	2,226
TOTAL ASSETS	**3,138**	3,101	3,236

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	June 30, 17	June 30, 16	Dec 31, 16
Equity			
Share capital	**141**	141	141
Cumulative translation adjustments	**-74**	-63	-48
Fair value and other reserves	**302**	302	299
Retained earnings	**954**	976	1,039
Equity attributable to shareholders	**1,323**	1,356	1,431
Non-controlling interests	**7**	8	8
Total equity	**1,330**	1,364	1,439
Liabilities			
Non-current liabilities			
Long-term debt	**590**	769	767
Post employment benefit obligations	**85**	98	88
Provisions	**39**	30	40
Derivative financial instruments	**0**	7	5
Deferred tax liability	**6**	9	11
Other long-term liabilities	**2**	4	2
Total non-current liabilities	**722**	917	913
Current liabilities			
Current portion of long-term debt	**243**	0	0
Short-term debt	**18**	32	27
Trade and other payables	**475**	453	470
Provisions	**66**	64	81
Advances received	**192**	186	186
Billings in excess of cost and earnings of projects under construction	**47**	40	54
Derivative financial instruments	**4**	14	21
Income tax liabilities	**40**	31	45
Total current liabilities	**1,085**	820	884
Total liabilities	**1,807**	1,737	1,797
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**3,138**	3,101	3,236

NET INTEREST BEARING LIABILITIES

EUR million	June 30, 17	June 30, 16	Dec 31, 16
Long-term interest bearing debt	**590**	769	767
Short-term interest bearing debt	**261**	32	27
Cash and cash equivalents	**-629**	-511	-698
Other interest bearing assets	**-123**	-117	-122
Net interest bearing liabilities	**99**	173	-26

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	4-6/2017	4-6/2016	1-6/2017	1-6/2016	1-12/2016
Cash flows from operating activities:					
Profit	**36**	42	**70**	69	130
Adjustments to reconcile profit to net cash provided by operating activities					
Depreciation and amortization	**14**	15	**29**	31	61
Financial income and expenses, net	**7**	9	**16**	21	39
Income taxes	**17**	18	**32**	30	58
Other	**7**	4	**12**	7	12
Change in net working capital	**-35**	15	**-56**	4	92
Cash flows from operations	**46**	103	**104**	162	392
Financial income and expenses, net paid	**-9**	-8	**-13**	-12	-25
Income taxes paid	**-25**	-15	**-37**	-3	-21
Net cash provided by operating activities	**12**	80	**54**	147	346
Cash flows from investing activities:					
Capital expenditures on fixed assets	**-9**	-9	**-15**	-15	-31
Proceeds from sale of fixed assets	**-**	2	**2**	2	21
Other	**-**	0	**-**	0	-
Net cash provided by (+) / used in (-) investing activities	**-8**	-7	**-13**	-13	-10
Cash flows from financing activities:					
Dividends paid	**-157**	-157	**-157**	-157	-157
Proceeds from (+) / Investments in (-) financial assets	**-8**	-12	**0**	-37	-42
Net funding	**76**	-26	**56**	-25	-40
Other items	**-1**	-	**-1**	-	-
Net cash provided by (-) / used in (-) financing activities	**-90**	-195	**-102**	-219	-239
Net increase (+) / decrease (-) in cash and cash equivalents	**-87**	-122	**-61**	-85	98
Effect from changes in exchange rates	**-9**	7	**-7**	6	10
Cash and cash equivalents at beginning of period	**725**	626	**698**	590	590
Cash and cash equivalents at end of period	**629**	511	**629**	511	698

FREE CASH FLOW

EUR million	4-6/2017	4-6/2016	1-6/2017	1-6/2016	1-12/2016
Net cash provided by operating activities	**12**	80	**54**	147	346
Capital expenditures on maintenance investments	**-8**	-8	**-13**	-13	-28
Proceeds from sale of fixed assets	**-**	2	**2**	2	21
Free cash flow	**4**	74	**43**	136	339

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR million	Share capital	Cumulative translation adjustments	Fair value and other reserves	Retained earnings	**Equity attributable to shareholders**	Non-controlling interests	**Total equity**
Balance at Jan 1, 2016	**141**	**-71**	**302**	**1,064**	**1,436**	**8**	**1,444**
Profit for the period	-	-	-	69	69	0	69
Other comprehensive income (+) / expense (-)							
Cash flow hedges, net of tax	-	-	1	-	1	-	1
Available-for-sale equity investments, net of tax	-	-	0	-	0	-	0
Currency translation on subsidiary net investments	-	8	-	-	8	-	8
Total comprehensive income (+) / expense (-)	-	8	1	69	78	0	78
Dividends	-	-	-	-157	-157	0	-157
Share-based payments, net of tax	-	-	0	-	0	-	0
Other	-	-	-1	0	-1	0	-1
Changes in non-controlling interests	-	-	-	-	-	0	-
Balance at June 30, 2016	**141**	**-63**	**302**	**976**	**1,356**	**8**	**1,364**
Balance at Jan 1, 2017	**141**	**-48**	**299**	**1,039**	**1,431**	**8**	**1,439**
Profit for the period	-	-	-	70	70	0	70
Other comprehensive income (+) / expense (-)							
Cash flow hedges, net of tax	-	-	3	-	3	-	3
Available-for-sale equity investments, net of tax	-	-	0	-	0	-	0
Currency translation on subsidiary net investments	-	-26	-	-	-26	-	-26
Total comprehensive income (+) / expense (-)	-	-26	3	70	47	0	47
Dividends	-	-	-	-157	-157	0	-157
Donations to universities	-	-	-	-1	-1	-	-1
Share-based payments, net of tax	-	-	0	0	0	-	0
Other	-	-	0	3	3	0	3
Changes in non-controlling interests	-	-	-	0	0	0	0
Balance at June 30, 2017	**141**	**-74**	**302**	**954**	**1,323**	**7**	**1,330**

FAIR VALUE ESTIMATION

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

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

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

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

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

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

June 30, 2017

EUR million	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
• Derivatives	-	13	-
• Securities	2	117	-
Derivatives qualified for hedge accounting	-	8	-
Available for sale investments			
• Equity investments	-	-	-
• Debt investments	-	-	-
Total assets	**2**	**138**	**-**
Liabilities			
Financial liabilities at fair value through profit and loss			
• Derivatives	-	4	-
• Long term debt at fair value	-	399	-
Derivatives qualified for hedge accounting	-	4	-
Total liabilities	**-**	**407**	**-**

June 30, 2016

EUR million	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
• Derivatives	-	2	-
• Securities	21	83	-
Derivatives qualified for hedge accounting	-	14	-
Available for sale investments			
• Equity investments	0	-	-
• Debt investments	-	-	-
Total assets	**21**	**99**	**-**
Liabilities			
Financial liabilities at fair value through profit and loss			
• Derivatives	-	16	-
• Long term debt at fair value	-	418	-
Derivatives qualified for hedge accounting	-	5	-
Total liabilities	**-**	**439**	**-**

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

ASSETS PLEDGED AND CONTINGENT LIABILITIES

EUR million	June 30, 17	June 30, 16	Dec 31, 16
On own behalf			
Mortgages	-	-	-
On behalf of others			
Guarantees	1	-	1
Other commitments			
Repurchase commitments	2	2	2
Other contingencies	3	3	3
Lease commitments	134	136	140

NOTIONAL AMOUNTS OF DERIVATIVE FINANCIAL INSTRUMENTS

EUR million	June 30, 17	June 30, 16	Dec 31, 16
Forward exchange rate contracts	961	904	998
Interest rate swaps	345	245	245
Cross currency swaps	244	244	244
Option agreements			
Bought	-	-	-
Sold	-	-	-

The notional amount of electricity forwards was 25 GWh as of June 30, 2017 and 50 GWh as of June 30, 2016.

The notional amount of nickel forwards to hedge stainless steel prices was 264 tons as of June 30, 2017 and 288 tons as of June 30, 2016.

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

BONDS

In June 2017, Metso purchased EUR 205 million of initially outstanding EUR 400 million bonds maturing in 2019 and issued new bonds of EUR 300 million maturing in 2024. The outstanding carrying values and related information of the bonds as at June 30, 2017 are presented in this table

EUR million	Nominal interest rate June 30, 2017	Effective interest rate June 30, 2017	Outstanding original loan amount	Outstanding carrying value at June 30, 2017	Outstanding carrying value at Dec 31, 2016
Public bond 2012-2019	2.750 %	2.91%	174	175	398
Public bond 2017-2024	1.125 %	1.96%	300	284	-
Private placements maturing 2018-2022		0,90% - 4,63%	170	169	171
Bonds total				628	569

Metso has a Euro Medium Term Note Program (EMTN) of EUR 1.5 billion, under which EUR 628 million (569 EUR million) at carrying value were outstanding at the end of June 2017 (at the end of 2016). EUR 459 million (EUR 398 million) of the outstanding amount were public bonds and EUR 169 million (EUR 171 million) private placements.

KEY RATIOS

	1-6/2017	1-6/2016	1-12/2016
Earnings per share, EUR	**0.47**	0.46	0.87
Diluted earnings per share, EUR	**0.47**	0.46	0.87
Equity/share at end of period, EUR	**8.82**	9.04	9.54
Return on equity (ROE), %, (annualized)	**10.2**	9.8	9.0
Return on capital employed (ROCE) before taxes, %, (annualized)	**11.1**	11.0	10.4
Return on capital employed (ROCE) after taxes, %, (annualized)	**8.1**	8.3	7.8
Equity to assets ratio at end of period, %	**45.9**	47.4	48.0
Net gearing at end of period, %	**7.5**	12.8	-1.8
Free cash flow, EUR million	**43**	136	339
Free cash flow/share, EUR	**0.29**	0.91	2.26
Cash conversion, %	**61**	197	261
Gross capital expenditure (excl. business acquisitions), EUR million	**15**	15	31
Business acquisitions, net of cash acquired, EUR million	**-**	-	-
Depreciation and amortization, EUR million	**29**	31	61
Number of outstanding shares at end of period (thousands)	**149,997**	149,985	149,985
Average number of shares (thousands)	**149,993**	149,985	149,985
Average number of diluted shares (thousands)	**150,190**	150,040	150,113

FORMULAS FOR CALCULATION OF INDICATORS

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

Earnings per share, basic:

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

Earnings per share, diluted:

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

Equity/share:

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

Return on equity (ROE), %:

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

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

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

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

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

Net gearing, %:

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

Equity to assets ratio, %:

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

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

Free cash flow / share:

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

Cash conversion, %:

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

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

Capital employed:

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

Operative capital employed:

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

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

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

EXCHANGE RATES USED

		1-6/2017	1-6/2016	1-12/2016	**June 30, 17**	June 30, 16	Dec 31, 16
USD	(US dollar)	**1.0878**	1.1106	1.1021	**1.1412**	1.1102	1.0541
SEK	(Swedish krona)	**9.5900**	9.2813	9.4496	**9.6398**	9.4242	9.5525
GBP	(Pound sterling)	**0.8605**	0.7777	0.8159	**0.8793**	0.8265	0.8562
CAD	(Canadian dollar)	**1.4471**	1.4741	1.4630	**1.4785**	1.4384	1.4188
BRL	(Brazilian real)	**3.4750**	4.1066	3.8571	**3.7600**	3.5898	3.4305
CNY	(Chinese yuan)	**7.4685**	7.2621	7.3199	**7.7385**	7.3755	7.3202
AUD	(Australian dollar)	**1.4445**	1.5085	1.4856	**1.4851**	1.4929	1.4596

SEGMENT INFORMATION

ORDERS RECEIVED

EUR million	4-6/2017	4-6/2016	1-6/2017	1-6/2016	7/2016-6/2017	1-12/2016
Minerals	**575**	593	**1,135**	1,087	2,163	2,115
Flow Control	**174**	167	**347**	337	619	609
Group Head Office and other	**-**	-	**-**	-	-	-
Intra Metso orders received	**0**	0	**0**	0	0	0
Metso total	**749**	761	**1,482**	1,424	2,782	2,724

SALES

EUR million	4-6/2017	4-6/2016	1-6/2017	1-6/2016	7/2016-6/2017	1-12/2016
Minerals	**523**	504	**1,012**	957	2,011	1,956
Flow Control	**152**	167	**311**	315	627	631
Group Head Office and other	**-**	-	**-**	-	-	-
Intra Metso net sales	**0**	0	**0**	0	-1	-1
Metso total	**675**	671	**1,323**	1,272	2,637	2,586

ADJUSTED EBITA

EUR million	4-6/2017	4-6/2016	1-6/2017	1-6/2016	7/2016-6/2017	1-12/2016
Minerals	**54.9**	54.3	**98.3**	91.2	197.4	190.3
Flow Control	**16.4**	22.1	**41.2**	41.1	95.1	95.0
Group Head Office and other	**-1.3**	0.9	**-3.1**	0.7	-15.1	-11.3
Metso total	**70.0**	77.3	**136.5**	133.0	277.4	274.0

ADJUSTED EBITA, % OF SALES

%	4-6/2017	4-6/2016	1-6/2017	1-6/2016	7/2016-6/2017	1-12/2016
Minerals	**10.5**	10.8	**9.7**	9.5	9.8	9.7
Flow Control	**10.8**	13.2	**13.2**	13.0	15.2	15.1
Group Head Office and other	**n/a**	n/a	**n/a**	n/a	n/a	n/a
Metso total	**10.4**	11.5	**10.3**	10.5	10.5	10.6

ADJUSTMENT ITEMS

EUR million	4-6/2017	4-6/2016	1-6/2017	1-6/2016	7/2016-6/2017	1-12/2016
Minerals	**-6.0**	-2.9	**-8.7**	-3.6	-41.4	-36.3
Flow Control	**-**	-	**-**	-	-2.0	-2.0
Group Head Office and other	-	-0.8	**0.0**	-1.0	9.6	8.6
Metso total	**-6.0**	-3.7	**-8.7**	-4.6	-33.8	-29.7

AMORTIZATION

EUR million	4-6/2017	4-6/2016	1-6/2017	1-6/2016	7/2016-6/2017	1-12/2016
Minerals	**-1.4**	-1.5	**-2.9**	-3.1	-5.8	-6.0
Flow Control	**-0.6**	-0.7	**-1.2**	-1.3	-2.5	-2.6
Group Head Office and other	**-2.2**	-2.2	**-4.4**	-4.4	-8.7	-8.7
Metso total	**-4.2**	-4.4	**-8.5**	-8.8	-17.0	-17.3

OPERATING PROFIT (LOSS)

EUR million	4-6/2017	4-6/2016	1-6/2017	1-6/2016	7/2016-6/2017	1-12/2016
Minerals	**47.4**	49.9	**86.7**	84.6	150.1	148.0
Flow Control	**15.8**	21.4	**40.0**	39.8	90.6	90.4
Group Head Office and other	**-3.4**	-2.0	**-7.4**	-4.7	-14.1	-11.4
Metso total	**59.8**	69.3	**119.2**	119.7	226.6	227.1

OPERATING PROFIT (LOSS), % OF SALES

%	4-6/2017	4-6/2016	1-6/2017	1-6/2016	7/2016-6/2017	1-12/2016
Minerals	**9.1**	9.9	**8.6**	8.8	7.5	7.6
Flow Control	**10.4**	12.8	**12.9**	12.6	14.4	14.3
Group Head Office and other	**n/a**	n/a	**n/a**	n/a	n/a	n/a
Metso total	**8.9**	10.3	**9.0**	9.4	8.6	8.8

QUARTERLY INFORMATION

ORDERS RECEIVED

EUR million	4-6/2016	7-9/2016	10-12/2016	1-3/2017	**4-6/2017**
Minerals	593	492	536	560	**575**
Flow Control	167	136	136	173	**174**
Group Head Office and other	-	-	-	-	**-**
Intra Metso orders received	0	0	0	0	**0**
Metso total	761	628	672	733	**749**

SALES

EUR million	4-6/2016	7-9/2016	10-12/2016	1-3/2017	**4-6/2017**
Minerals	504	477	522	489	**523**
Flow Control	167	161	155	159	**152**
Group Head Office and other	-	-	-	-	**-**
Intra Metso net sales	0	0	-1	0	**0**
Metso total	671	638	676	648	**675**

ADJUSTED EBITA

EUR million	4-6/2016	7-9/2016	10-12/2016	1-3/2017	**4-6/2017**
Minerals	54.3	51.7	47.4	43.4	**54.9**
Flow Control	22.1	28.2	25.7	24.8	**16.4**
Group Head Office and other	0.9	-2.7	-9.3	-1.8	**-1.3**
Metso total	77.3	77.2	63.8	66.4	**70.0**

ADJUSTED EBITA, % OF SALES

%	4-6/2016	7-9/2016	10-12/2016	1-3/2017	**4-6/2017**
Minerals	10.8	10.8	9.1	8.9	**10.5**
Flow Control	13.2	17.5	16.6	15.6	**10.8**
Group Head Office and other	n/a	n/a	n/a	n/a	**n/a**
Metso total	11.5	12.1	9.4	10.2	**10.4**

ADJUSTMENT ITEMS

EUR million	4-6/2016	7-9/2016	10-12/2016	1-3/2017	**4-6/2017**
Minerals	-2.9	-19.3	-13.4	-2.7	**-6.0**
Flow Control	-	-1.6	-0.4	-	**-**
Group Head Office and other	-0.8	10.9	-1.3	-	**-**
Metso total	-3.7	-10.0	-15.1	-2.7	**-6.0**

AMORTIZATION

EUR million	4-6/2016	7-9/2016	10-12/2016	1-3/2017	4-6/2017
Minerals	-1.5	-1.5	-1.4	-1.5	**-1.4**
Flow Control	-0.7	-0.6	-0.7	-0.6	**-0.6**
Group Head Office and other	-2.2	-2.2	-2.1	-2.2	**-2.2**
Metso total	-4.4	-4.3	-4.2	-4.3	**-4.2**

OPERATING PROFIT (LOSS)

EUR million	4-6/2016	7-9/2016	10-12/2016	1-3/2017	4-6/2017
Minerals	49.9	30.9	32.5	39.3	**47.4**
Flow Control	21.4	26.0	24.6	24.2	**15.8**
Group Head Office and other	-2.0	6.0	-12.7	-4.0	**-3.4**
Metso total	69.3	62.9	44.5	59.4	**59.8**

OPERATING PROFIT (LOSS), % OF SALES

%	4-6/2016	7-9/2016	10-12/2016	1-3/2017	4-6/2017
Minerals	9.9	6.5	6.2	8.0	**9.1**
Flow Control	12.8	16.1	15.9	15.2	**10.4**
Group Head Office and other	n/a	n/a	n/a	n/a	**n/a**
Metso total	10.3	9.9	6.6	9.2	**8.9**

CAPITAL EMPLOYED

EUR million	June 30, 2016	Sep 30, 2016	Dec 31, 2016	Mar 31, 2017	June 30, 2017
Minerals *	1,141	1,075	1,046	1,037	**1,032**
Flow Control *	322	322	314	325	**311**
Group Head Office and other	701	800	873	894	**838**
Metso total	2,164	2,197	2,233	2,256	**2,181**

* Operative capital employed includes only external balance sheet items.

ORDER BACKLOG

EUR million	June 30, 2016	Sep 30, 2016	Dec 31, 2016	Mar 31, 2017	June 30, 2017
Minerals	1,113	1,046	1,078	1,138	**1,140**
Flow Control	286	259	242	258	**271**
Group Head Office and other	-	-	-	-	**-**
Intra Metso order backlog	0	0	0	0	**0**
Metso total	1,399	1,305	1,320	1,396	**1,411**

PERSONNEL	June 30, 2016	Sep 30, 2016	Dec 31, 2016	Mar 31, 2017	June 30, 2017
Minerals	8,701	8,447	8,370	8,353	**8,567**
Flow Control	2,878	2,735	2,663	2,632	**2,685**
Group Head Office and other	520	465	509	468	**536**
Metso total	12,099	11,647	11,542	11,453	**11,788**

ADJUSTMENTS AND AMORTIZATION OF INTANGIBLE ASSETS

4-6/2017

EUR million	Minerals	Flow Control	Group Head office and other	Metso total
Adjusted EBITA	**54.9**	**16.4**	**-1.3**	**70.0**
% of sales	**10.5**	**10.8**	**-**	**10.4**
Capacity adjustment expenses	-6.0	-	-	**-6.0**
Amortization of intangible assets	-1.4	-0.6	-2.2	**-4.2**
Operating profit (EBIT)	47.4	15.8	-3.4	**59.8**

1-6/2017

EUR million	Minerals	Flow Control	Group Head office and other	Metso total
Adjusted EBITA	**98.3**	**41.2**	**-3.1**	**136.5**
% of sales	**9.7**	**13.2**	**-**	**10.3**
Capacity adjustment expenses	-8.7	0.0	-	**-8.7**
Amortization of intangible assets	-2.9	-1.2	-4.4	**-8.5**
Operating profit (EBIT)	86.7	40.0	-7.4	119.2

4-6/2016

EUR million	Minerals	Flow Control	Group Head office and other	Metso total
Adjusted EBITA	**54.3**	**22.1**	**0.9**	**77.3**
% of sales	**10.8**	**13.2**	**-**	**11.5**
Capacity adjustment expenses	-2.9	-	-0.2	**-3.1**
Other costs	-	-	-0.6	**-0.6**
Amortization of intangible assets	-1.5	-0.7	-2.2	**-4.4**
Operating profit (EBIT)	49.9	21.4	-2.0	**69.3**

1-6/2016

EUR million	Minerals	Flow Control	Group Head office and other	Metso total
Adjusted EBITA	**91.2**	**41.1**	**0.7**	**133.0**
% of sales	**9.5**	**13.0**	**-**	**10.5**
Capacity adjustment expenses	-3.6	-	-0.4	**-4.0**
Other costs	-	-	-0.6	**-0.6**
Amortization of intangible assets	-3.1	-1.3	-4.4	**-8.8**
Operating profit (EBIT)	84.6	39.8	-4.7	**119.7**

1-12/2016

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

New standards to be applied: IFRS 15- Revenue from contracts with customers

Metso has continued to assess the impact of the adoption of the IFRS 15 standard. Preparation work to reach readiness to apply the new standard fully retrospectively from the beginning of the financial year 2018 is ongoing. Metso does not expect a significant impact on the timing of revenue recognition nor on the presentation of the balance sheet. The assessment by revenue stream is as follows:

Reporting segment	Revenue stream	Revenue recognition IFRS15	Revenue recognition IAS18, IAS11
MIN	Standardized equipment deliveries	at a point in time	at the delivery or commissioning
FLO	Valves and pumps deliveries	at a point in time	at the delivery
MIN	Engineered system and equipment deliveries	over time	percentage of completion (POC)
MIN	Long term service agreements with wear/spare parts	over time	percentage of completion (POC)
MIN/FLO	Short term service agreements with wear/spare parts	at a point in time	when service rendered when wear/spare parts delivered

Metso 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 equipment deliveries. Metso Flow Control segment provides process industry flow control solutions with delivery of standardized pumps and valves and services to delivered equipment.

As currently, when Metso provides standardized equipment, valves and pumps, as well as 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.

With the customized large scale engineered system and equipment deliveries, where the assets produced do not have an alternative use to other clients and Metso has the right to payment for the performance completed, revenue will be recognized over time.

A long-term service agreement might be a separate one or combined with the equipment delivery customer agreement. Metso's service promises will mainly be treated as separate performance obligations, where customer simultaneously receives the benefits provided and thus will be recognized over time when the service are rendered. Short term service agreements will be recognized at the point in time or by invoicing criteria.

Applying over time, Metso will continue to measure the progress using the cost-to cost method, as currently when applying POC method.

As a result of the adoption of the new standard, Metso’s reported sales will be reduced by the amount of late delivery penalties, which will be deducted from sales, instead of being currently expensed. Metso is assessing further its customer contract portfolio and reporting process and will give additional qualitative and quantitative impact estimates in the third quarter 2017 Interim Review and in Financial Statements for 2017.

Metso's Financial Reports' publication dates in 2017

Interim Review for January – September 2017 on October 20

Metso Corporation, Group Head Office, Töölönlahdenkatu 2, PO Box 1220, FIN-00101 Helsinki, Finland
Tel. +358 20 484 100   Fax +358 20 484 101   www.metso.com