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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.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td>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).</td><td>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.</td></tr>
<tr><td>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</td><td>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.</td></tr>
</table>

Key Audit Matter	How our audit addressed the Key Audit Matter
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.	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
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Mikko Järventausta
Authorized Public Accountant