Q2
2016

Interim Review
January 1 – June 30, 2016

Forward looking statements

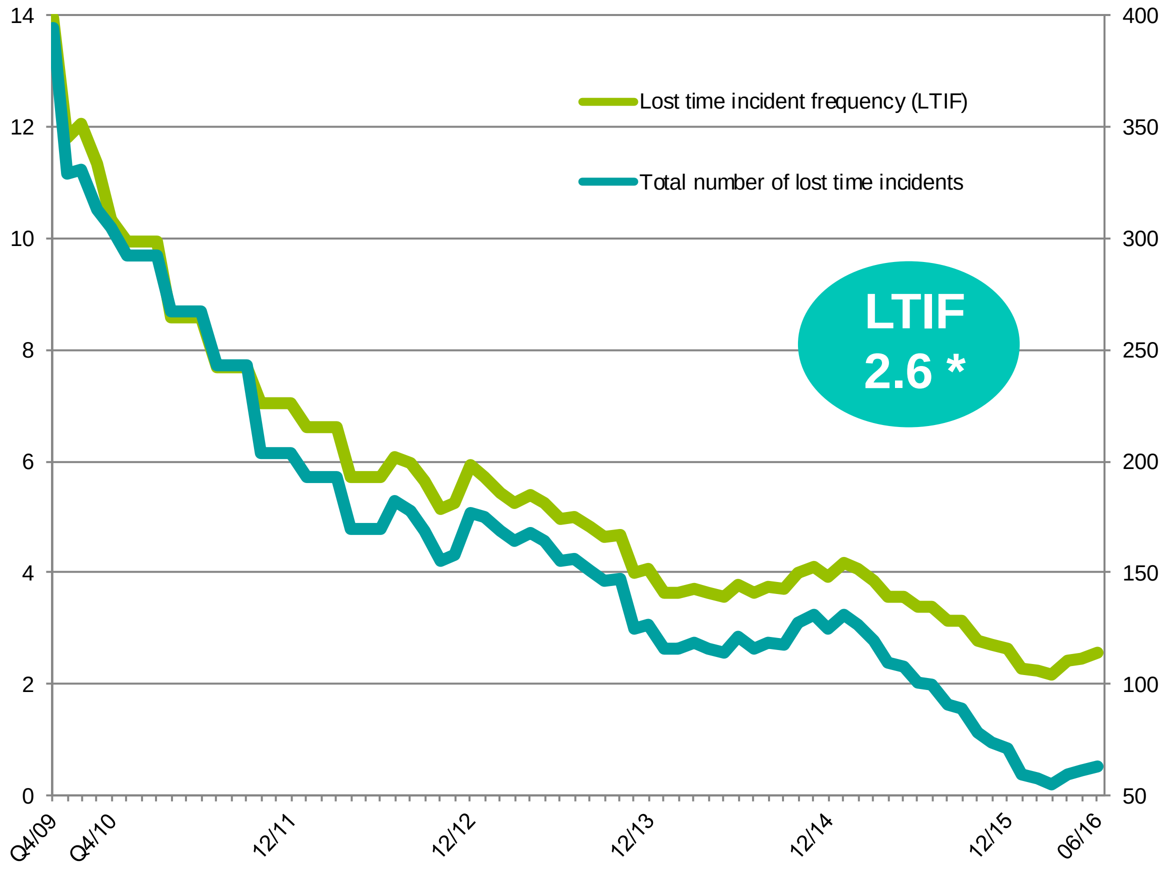
It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for customer industry profitability and investment willingness, expectations for company 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 which 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.

Safety is an important driver for success

Continuous focus on safety leads to results



- Safe working environment for all employees
- Improved safety performance supports productivity
- Demand from customers: license to operate
- Actions leading to improvement:
  - Active and visible management support
  - Safety being part of every decision
  - Safety included in incentive plans
  - Continuous development of safety culture
  - High focus on safe working methods
  - Continuous learning

* LTIF June 2016

The second quarter 2016 in brief

- Challenging market environment continued
- Mining equipment market seems to have stabilized
- Minerals services activity on the level seen in the previous quarters; services profitability healthy
- Flow Control continues to be impacted by softness in the North-American oil & gas transportation business; demand in other markets more stable
- Internal work enhancing cost efficiency and developing operating models has continued

Orders received:
EUR 761 million, -8%

Net sales:
EUR 671 million, -11%

Adjusted EBITA margin:
11.5% (12.4%)

Free cash flow:
EUR 74 million (78 million)

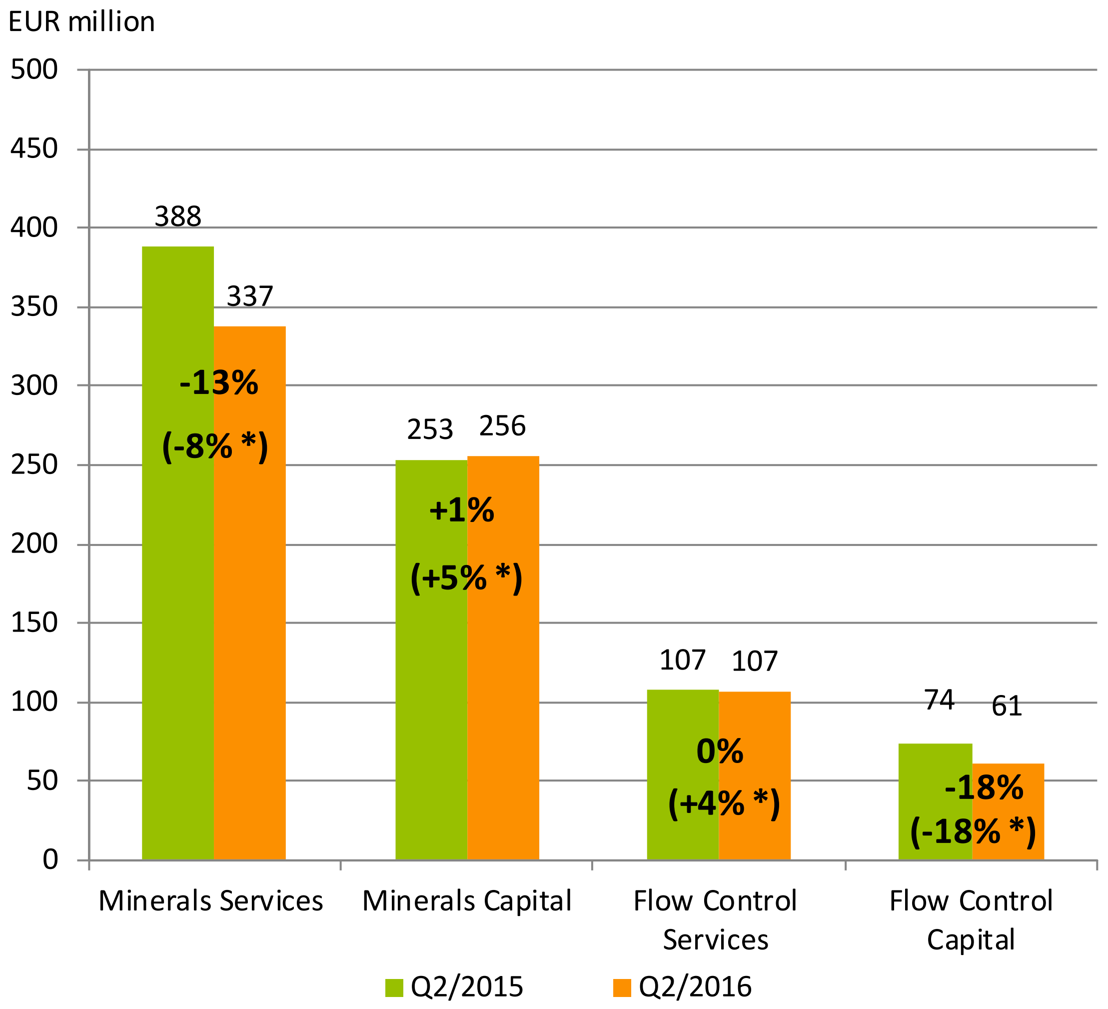
Net gearing:
12.8% (16.6%)

Figures in brackets refer to the corresponding period in 2015, unless otherwise stated.

Markets in Q2/16

- **Mining (orders -8%):**
  - Equipment orders increased 6% due to one large order from South America
  - Services orders declined 15% mainly due to low demand for engineered services (24% decline from the comparison period)
- **Aggregates (orders -8%):**
  - Activity remained largely unchanged
  - Regional differences prevail: Emerging markets weak (except India) while demand in Europe and North America is better
- **Flow Control (orders -7%):**
  - North American oil & gas related transportation market remained weak
  - Orders from other oil & gas markets increased, especially China and Asia-Pacific
  - Services orders flat
  - Pump orders declined

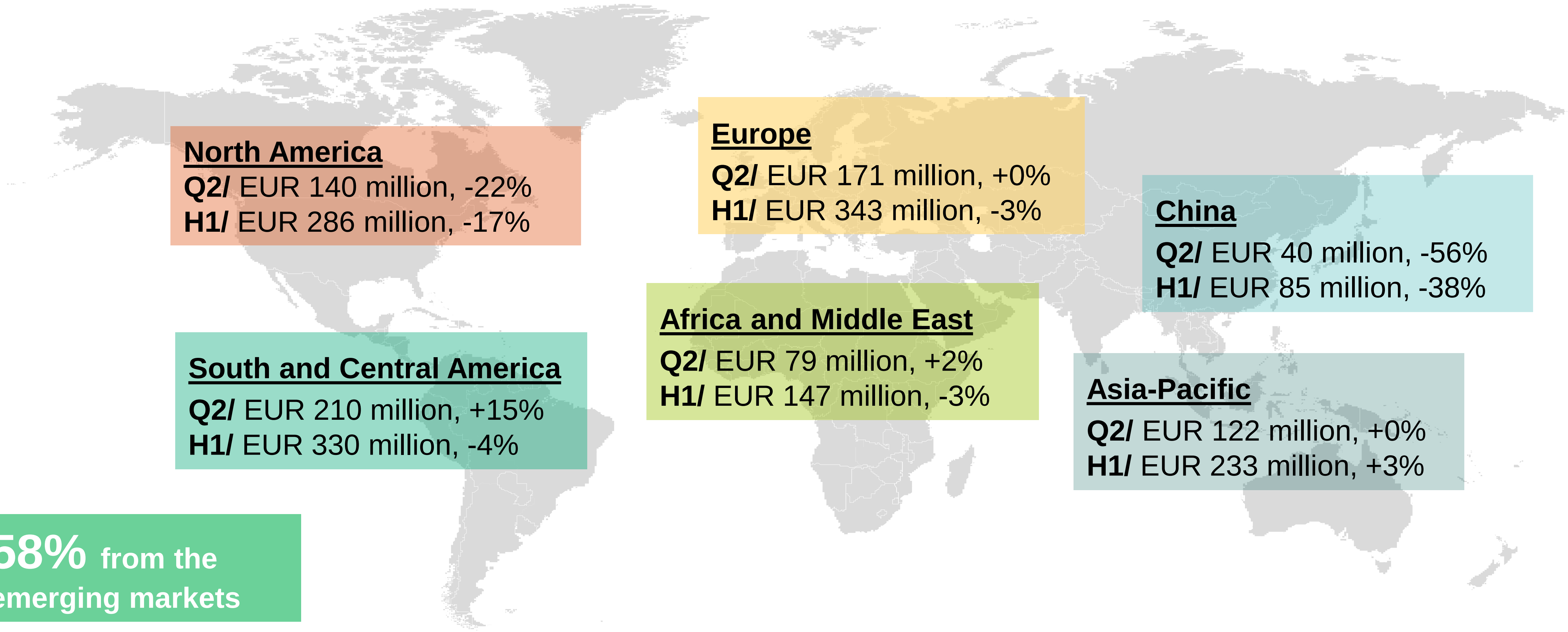
Orders received totaled EUR 761 million, -8%



* With fixed currencies

Orders received by market area

Year-on-year comparison



North America
Q2/ EUR 140 million, -22%
H1/ EUR 286 million, -17%

Europe
Q2/ EUR 171 million, +0%
H1/ EUR 343 million, -3%

China
Q2/ EUR 40 million, -56%
H1/ EUR 85 million, -38%

South and Central America
Q2/ EUR 210 million, +15%
H1/ EUR 330 million, -4%

Africa and Middle East
Q2/ EUR 79 million, +2%
H1/ EUR 147 million, -3%

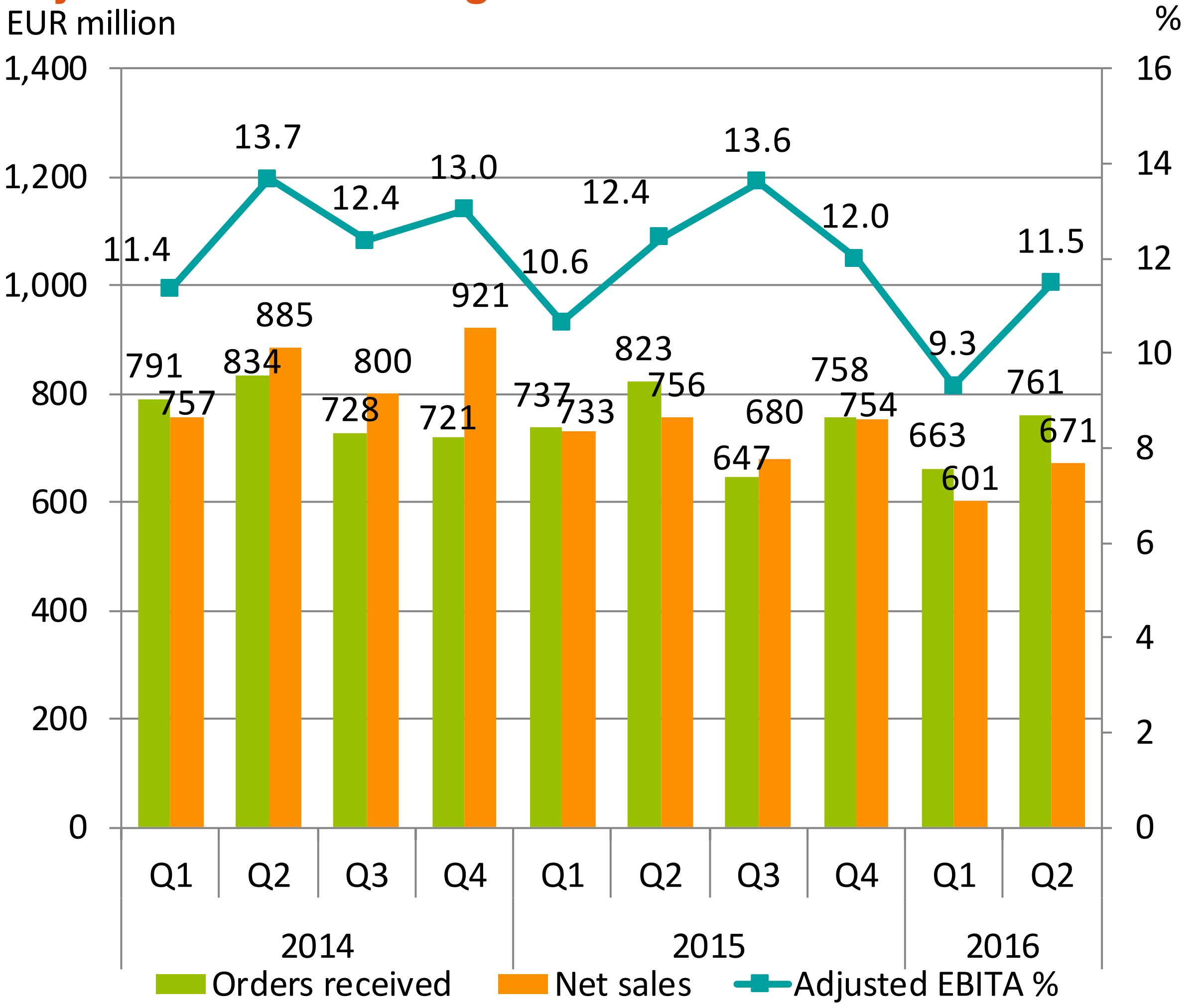
Asia-Pacific
Q2/ EUR 122 million, +0%
H1/ EUR 233 million, +3%

58% from the emerging markets

Financial highlights

- Book-to-bill was good at 1.13
- Healthy profitability in current market situation
- Profitability of the services business remained at a good level as expected
- Lower net sales driven by the market situation
- Cost control measures have delivered results and actions will continue
- Strong cash flow and balance sheet

Quarterly orders received, net sales and adjusted EBITA margin



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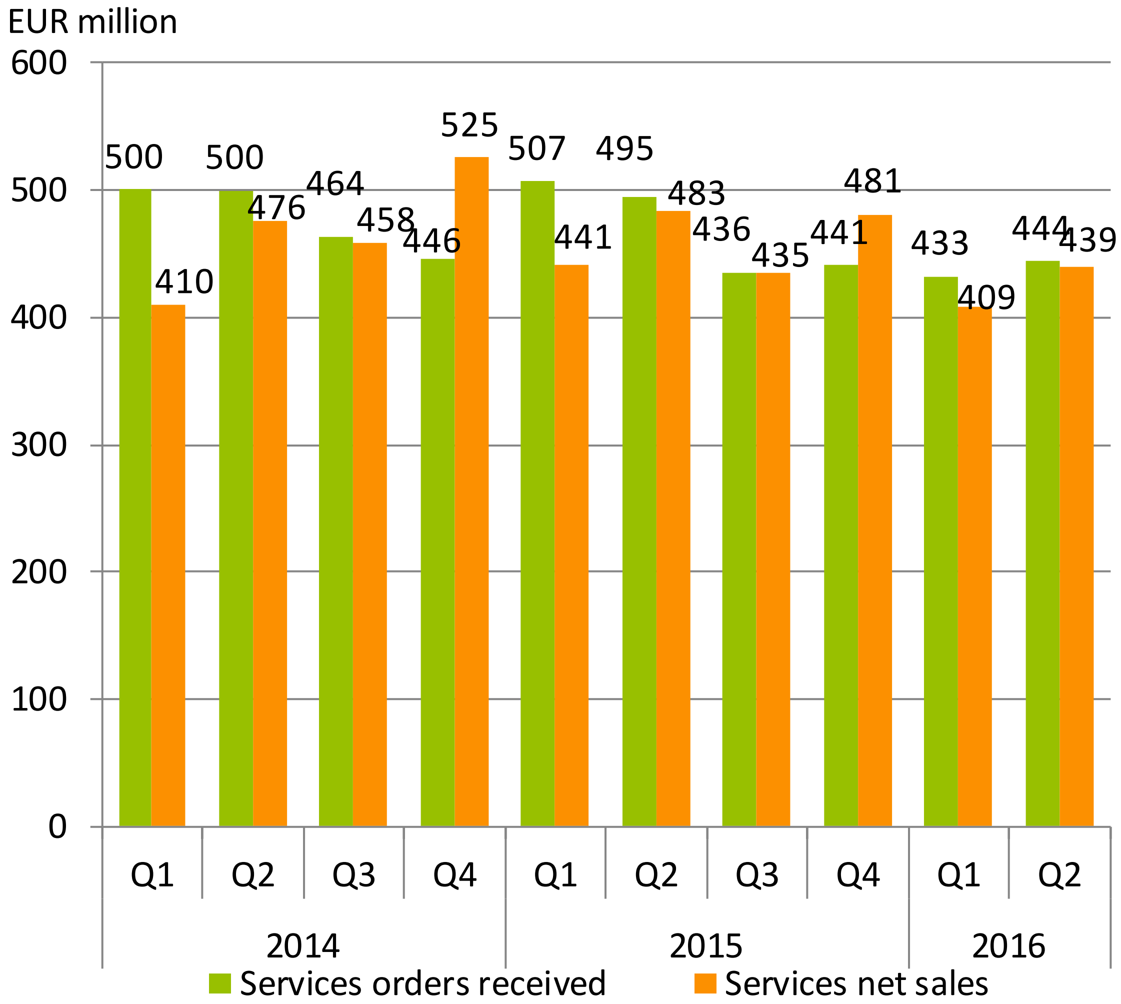
Services development

- Our offering and competitiveness remain strong; internal actions support keeping margins healthy
- **Mining**
  - Customers' cost cutting has continued; activity has stabilized, however, during the last 12 months
  - Volume of rebuilds and wear parts businesses most impacted
  - Spare parts volume more resilient
- **Aggregates**
  - Activity unchanged
- **Flow Control**
  - Activity flat

Services orders and net sales



Financial performance

Harri Nikunen
CFO

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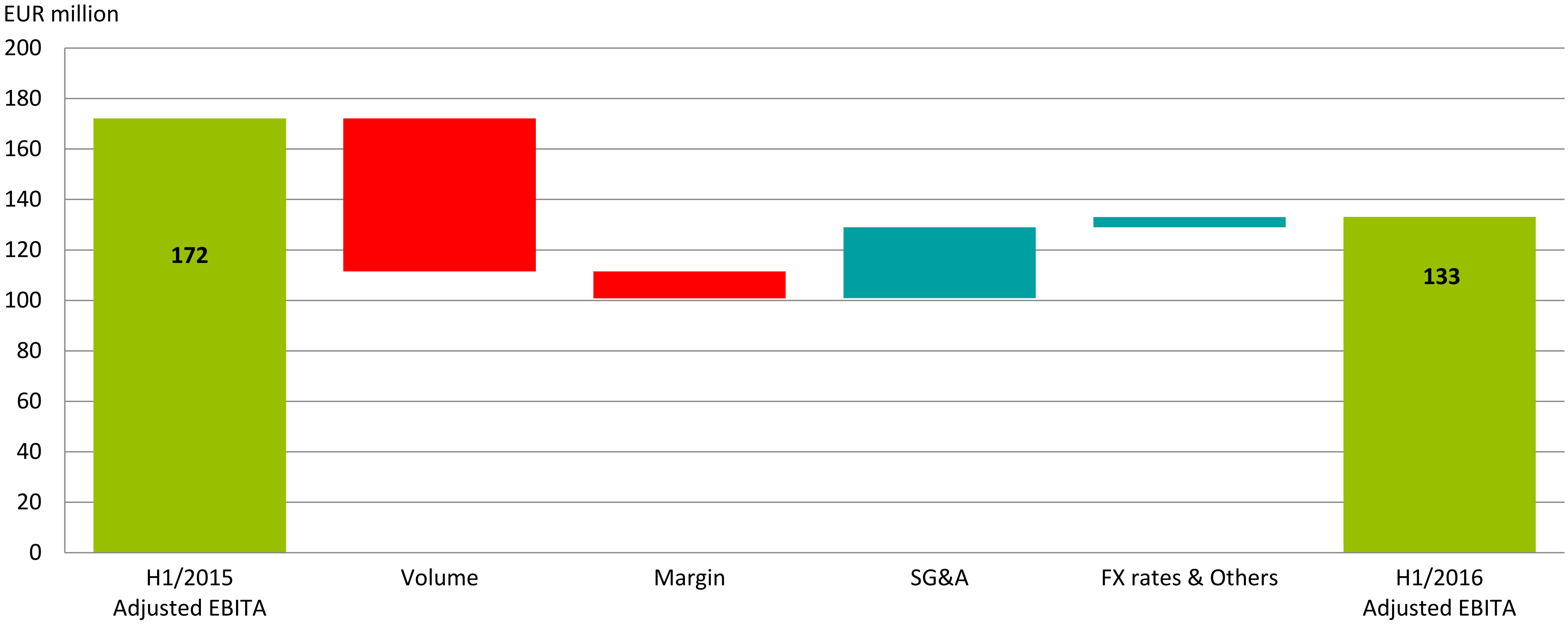
Group key figures

EUR million	Q2/2016	Q2/2015	Change %	H1/2016	H1/2015	Change %	2015
Orders received	**761**	823	-8	1,424	1,560	-9	2,965
without currency impact			-3			-5	
Service orders received	**444**	495	-10	877	1,002	-12	1,879
without currency impact			-6			-7	
Net sales	**671**	756	-11	1,272	1,489	-15	2,923
without currency impact			-7			-11	
Services net sales	**439**	483	-9	848	924	-8	1,840
without currency impact			-4			-3	
Adjusted EBITA	**77**	94	-18	133	172	-23	356
% of net sales	**11.5**	12.4		10.5	11.6		12.2
	Q2/2016	**Q2/2015**	**Change %**	**H1/2016**	**H1/2015**	**Change %**	**2015**
EBIT	**70**	347*	-80	120	412*	-71	555*
Earnings per share, EUR	**0.28**	2.06*	-86	0.46	2.31*	-80	2.95*
Return on capital employed (ROCE) before taxes, %				11.0	26.2*		25.7*
Free cash flow	**74**	78	-5	136	165	-18	341

* Including a capital gain on disposal of PAS

Cost savings compensate for volume decline

Illustrative



Note: Volume, margin and SG&A changes calculated with constant currencies. Currency impact is included in ’FX rates & Others’.

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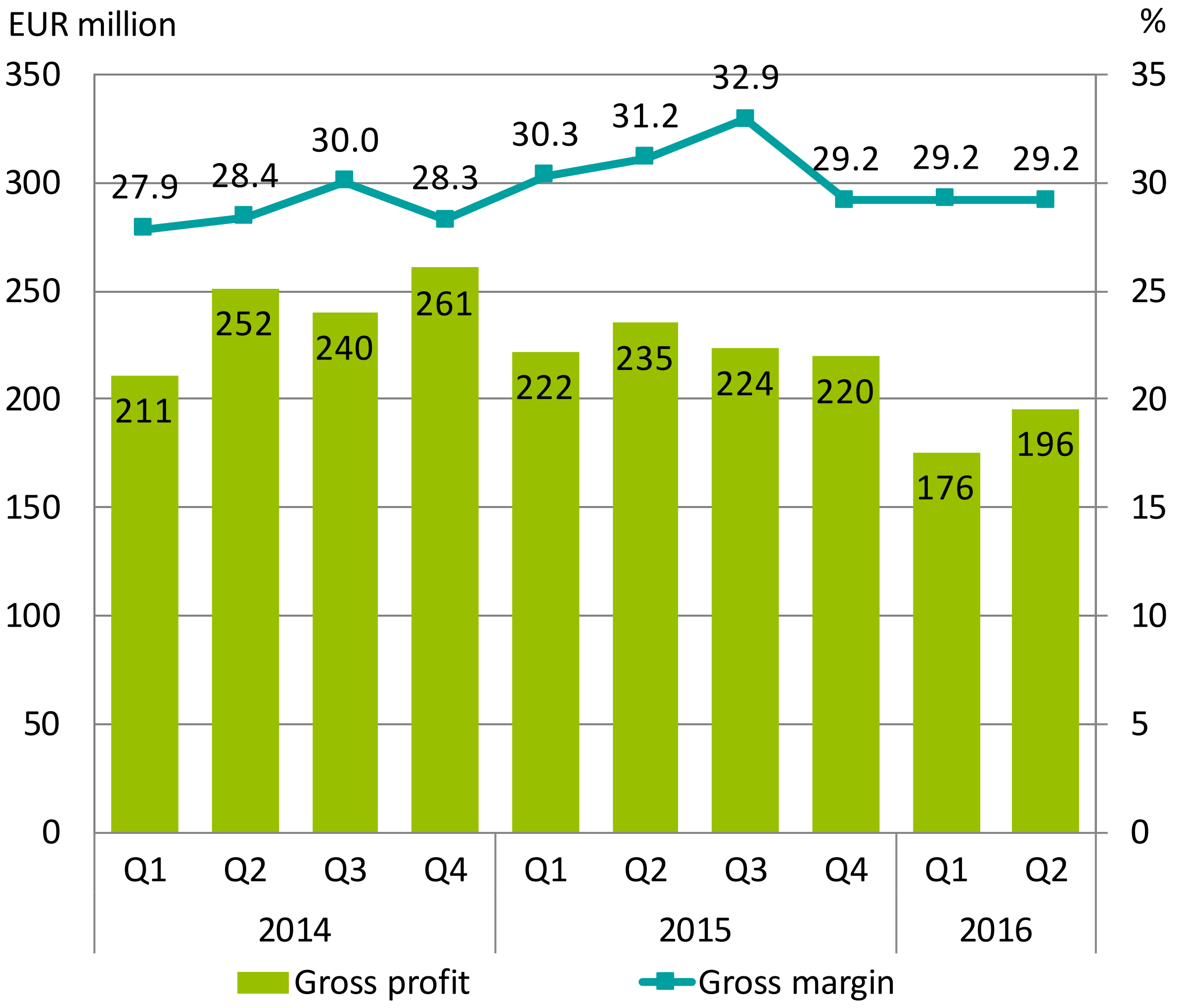
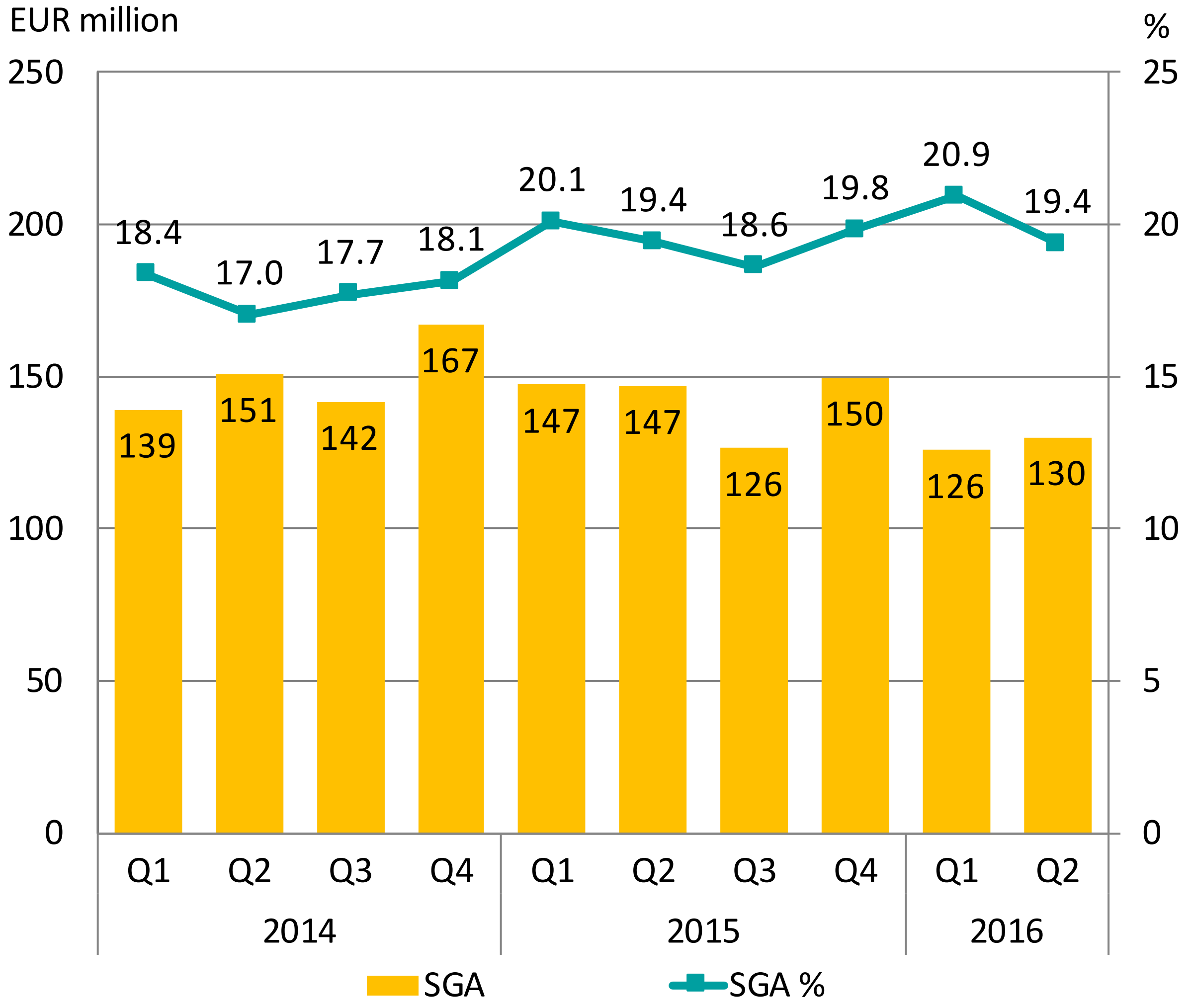
Gross margins are holding up



- Healthy product margins in all businesses indicate successful cost and pricing management
- Gross margins in the capital businesses negatively affected by low net sales
- All businesses continued implementing existing cost efficiency actions and developing new ones
- COGS headcount is down by 1,400 since the end of 2014 (-15%) and is expected to decline further
- Cost actions include significant structural elements and procurement savings target is similar as last year (EUR 50 million)

Actions to reduce SG&A costs continue

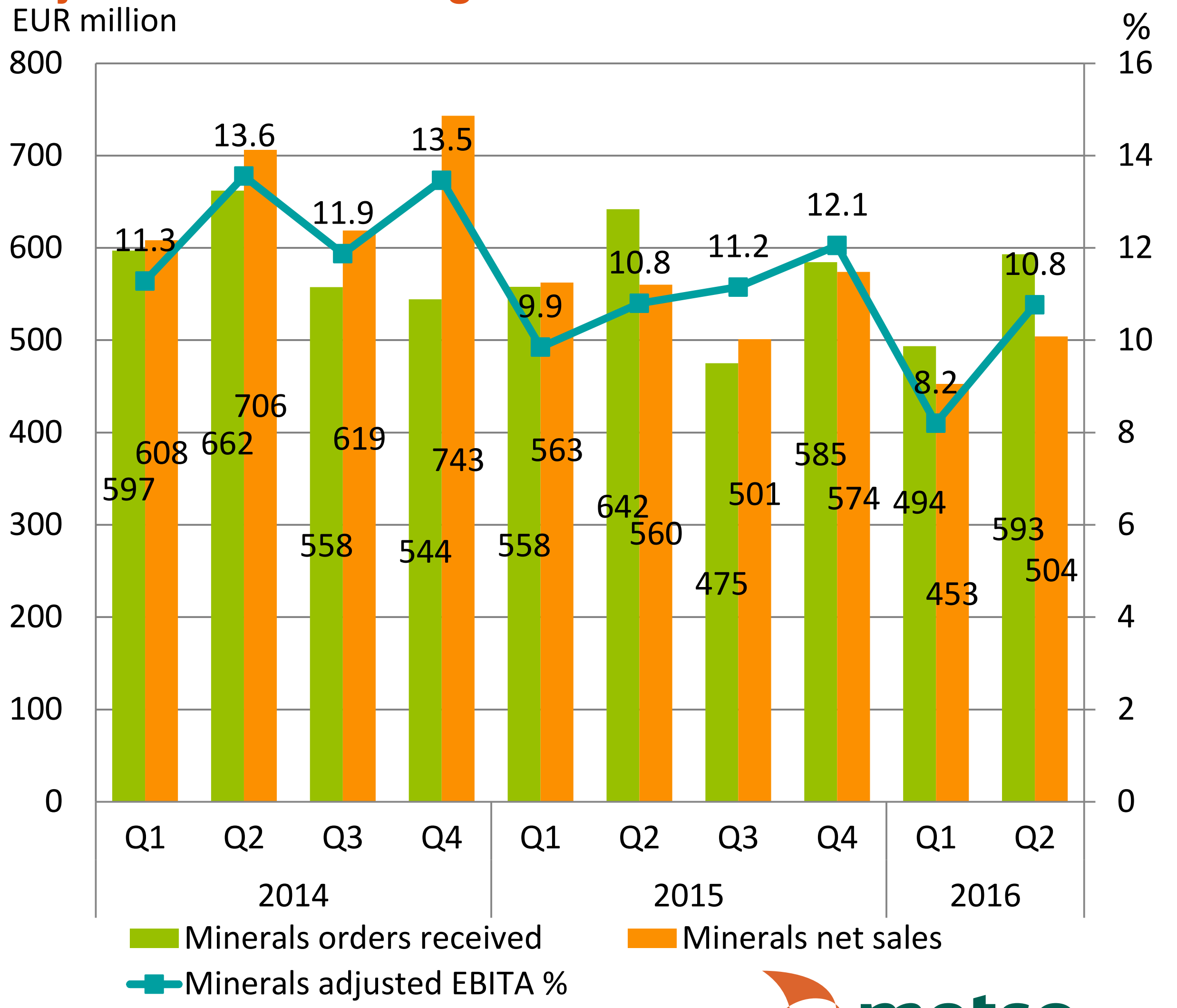


- SG&A headcount reduced by around 600 (-13%) since the end of 2014 and is expected to decline further
  - Personnel cost accounts for about 55% of total SG&A
- Discretionary spend was significantly reduced, further savings in different spend categories will be implemented
- No significant credit losses

Minerals quarterly performance

- One large mining equipment order booked in the quarter; underlying activity unchanged
- Good adjusted EBITA development, thanks to sales mix and cost control
- SG&A down 15% year-on-year
- Equipment business is at break-even with current volumes
- Strong cashflow generation
- Cost-efficiency actions continue

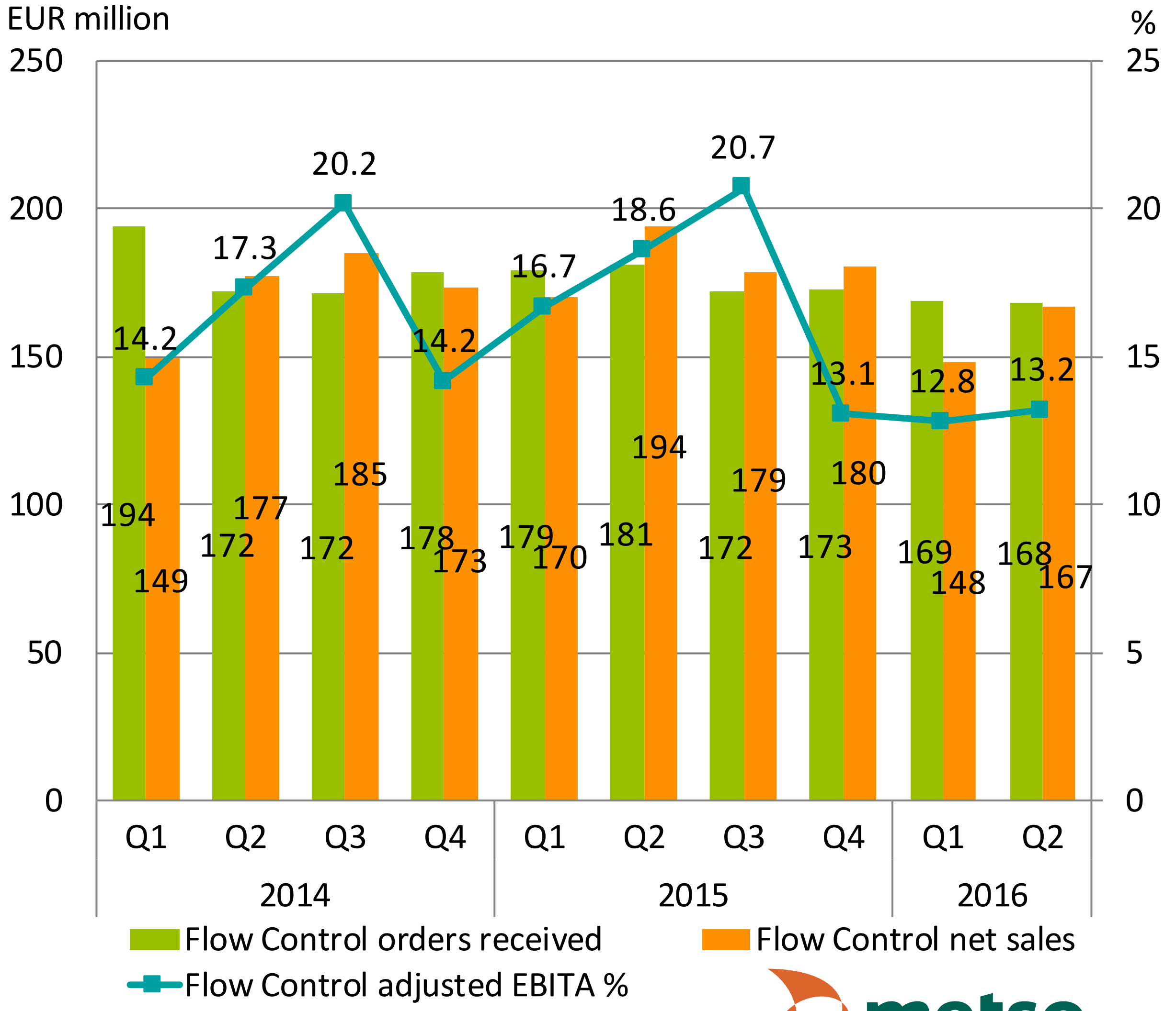
Quarterly orders received, net sales and adjusted EBITA margin



Flow Control second quarter performance

- Net sales decline driven by North American oil & gas market
- Decline of profitability is largely volume driven, as gross margins are holding up
- Strong cashflow
- Cost-efficiency actions continue

Quarterly orders received, net sales and adjusted EBITA margin



Solid balance sheet and financial position

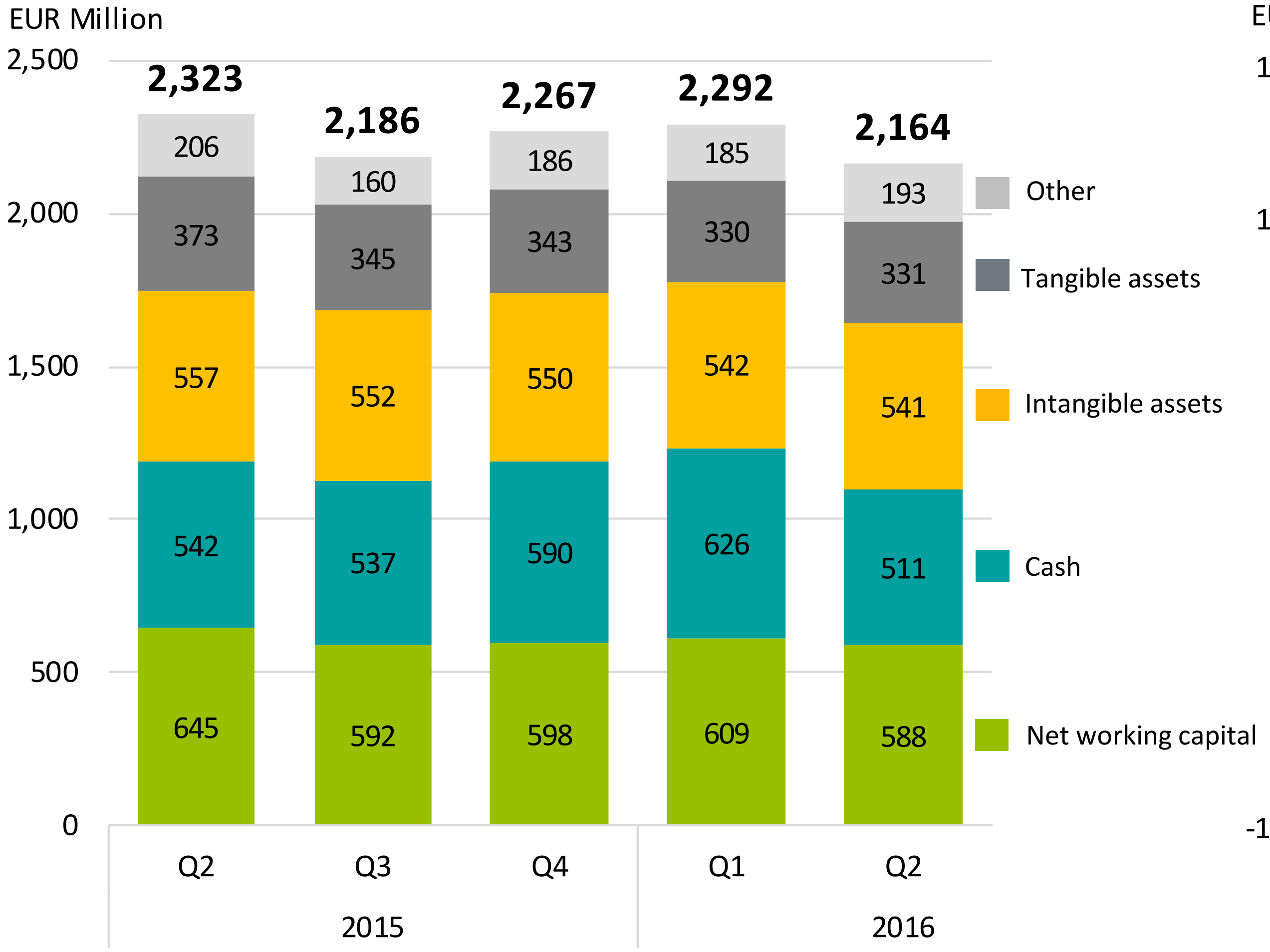
EUR million	June 30, 2016	December 31, 2015
Return on equity (ROE), %*	9.8	33.1
Return on capital employed (ROCE) before taxes, %*	11.0	16.1**
Gearing at the end of the period, %	12.8	10.6
Cash conversion, %	197	180
Debt to capital, %	37.0	36.3
Net debt / EBITDA*	0.6	0.2
Interest cover (EBITDA)	7.2	15.8
Credit rating (Standard & Poor’s)	BBB, stable outlook	BBB, stable outlook
Cash assets, EUR million	511	590
Revolving credit facility, undrawn, EUR million	500	500

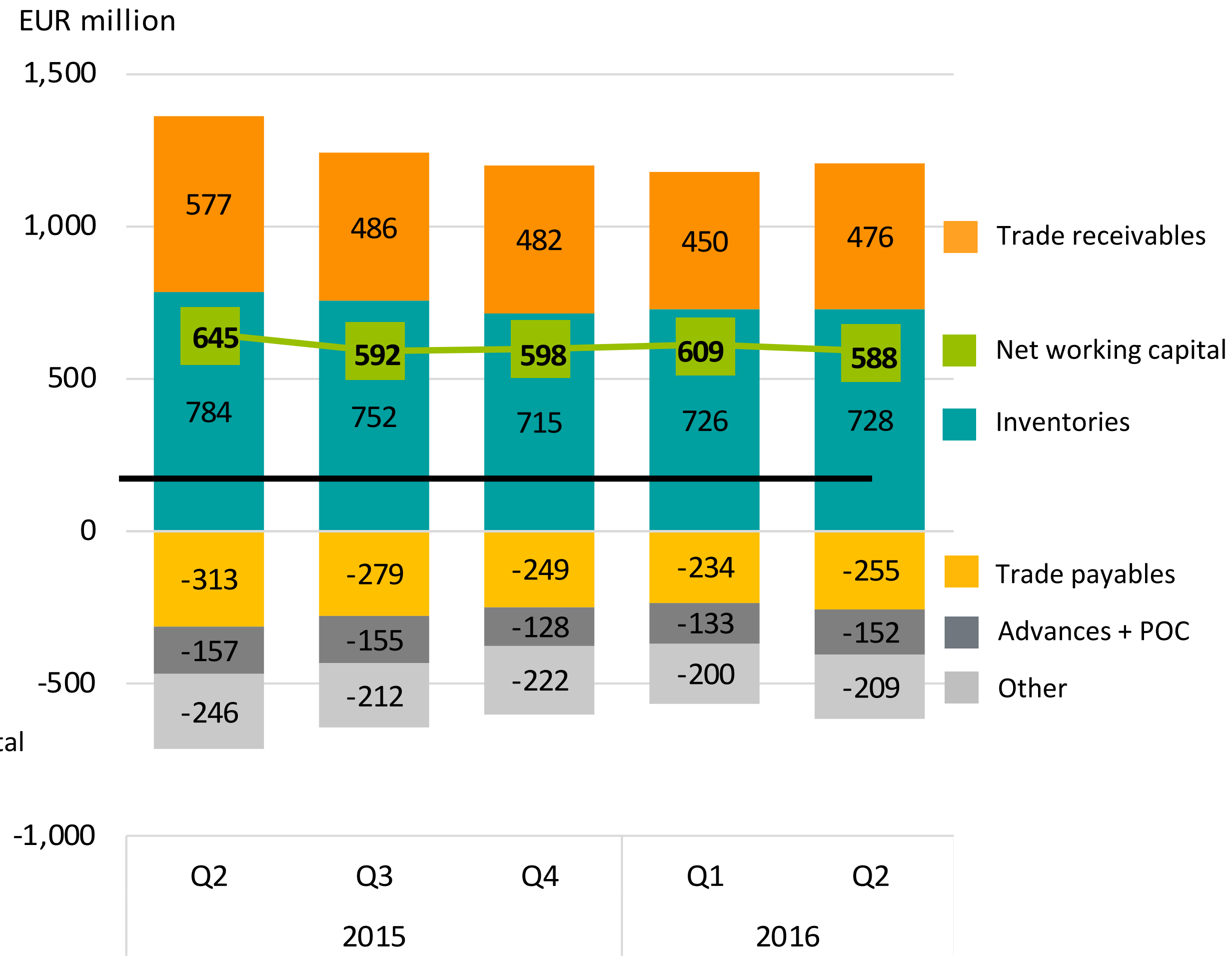
* Annualized
** Excluding PAS effect

Good cash generation continued

EUR million	H1/2016	H1/2015	2015	Comments
EBITDA	**151**	**447**	**624**	
Adjustments	7	-255	-232	2015 includes PAS disposal
Change in net working capital	4	52	64	
Financial items and taxes, paid	-15	-69	-96	
NET CASH FROM OPERATIONS	**147**	**175**	**360**	
Capex on fixed assets	-15	-23	-46	
Proceeds from sale of fixed assets	2	6	17	
Acquisitions and divestments	-	318	305	2015 includes PAS disposal
Proceeds from (+)/Investments in (-) other assets	-37	-15	-56	
Other	0	-10	-5	
NET CASH FROM INVESTING ACTIVITIES	**-50**	**276**	**215**	
Cash flow from operations and investing activities	**97**	**451**	**575**	

Capital employed and net working capital





Outlook and backlog

Matti Kähkönen
President and CEO

Short-term market outlook largely unchanged

Mining

50% of net sales of which 71% services*

Outlook:

- Weakness to continue in the equipment and systems business
- Order pipeline consists of small and midsize orders
- Demand for services satisfactory; activity in engineered services is soft and miners' cost actions continue

Aggregates

23% of net sales of which 45% services*

Outlook:

- Satisfactory for both equipment and services
- US, India, and Europe show positive development
- Brazil and China continue to be weak

Flow Control

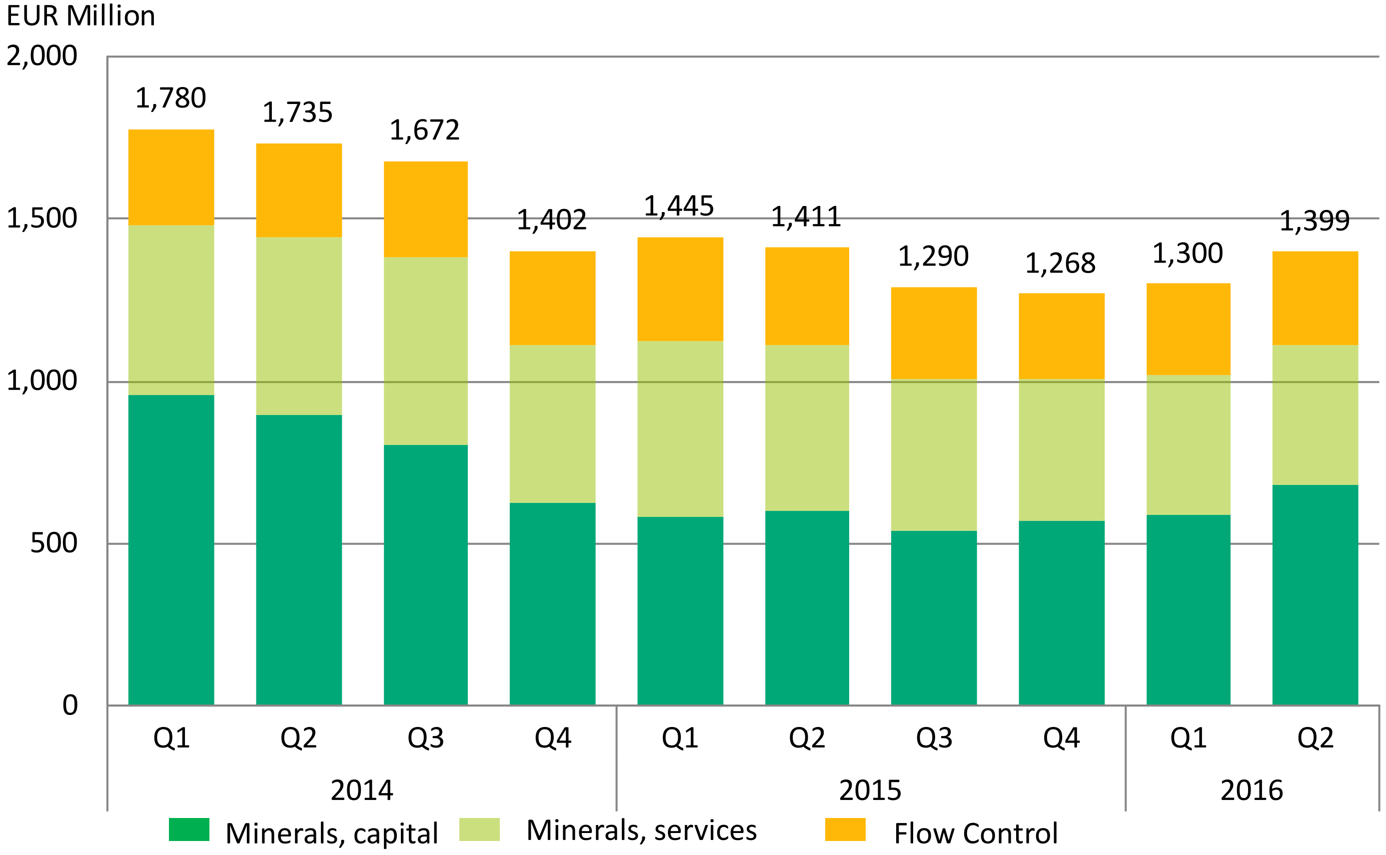
24% of net sales of which 58% services*

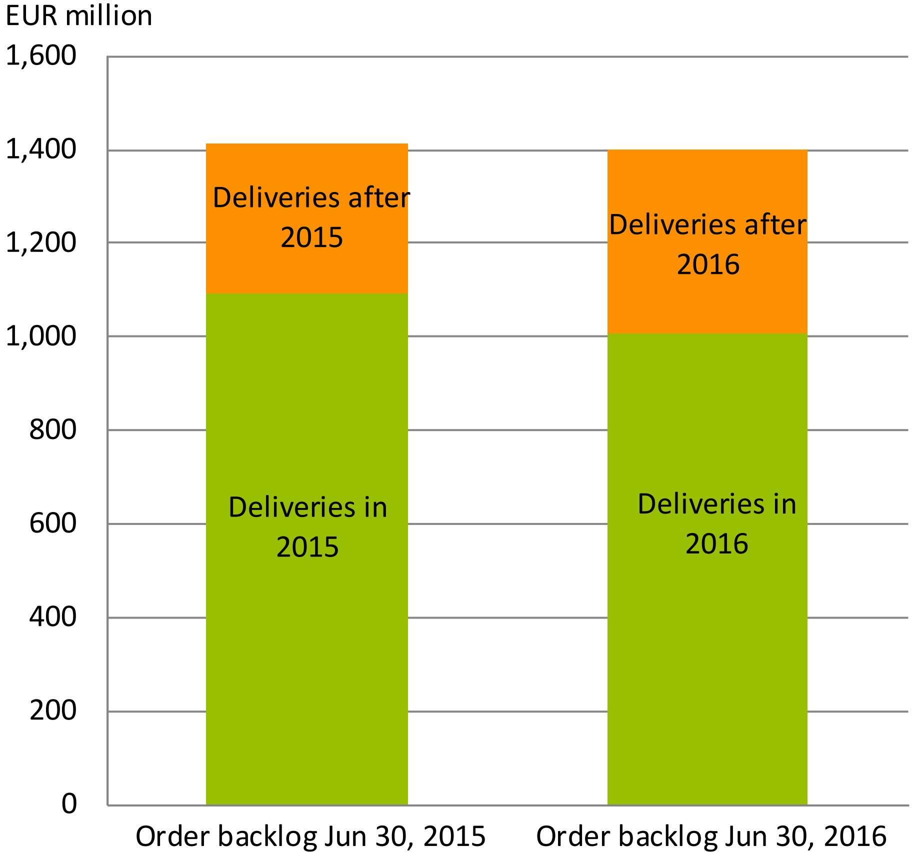
Outlook:

- Oil & gas capex-related demand is satisfactory; demand from other process industries remains stable
- Good demand for replacements and services
- North America continues to be weak

*Based on rolling 12 months net sales

Order backlog





- Backlog 10% higher compared to the end of 2015
- Market uncertainties causing some delays in deliveries

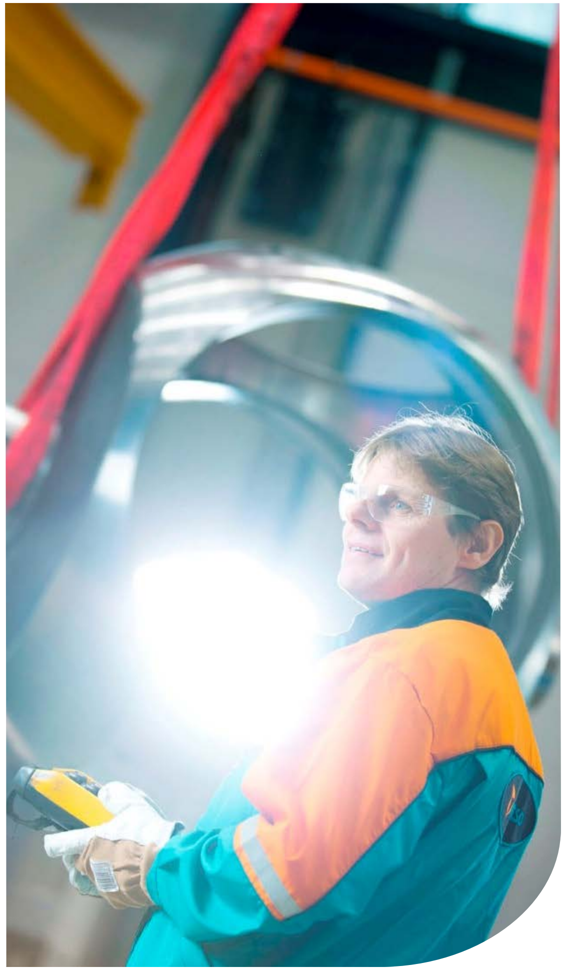
Outlook for 2016

Metso's overall trading conditions will be somewhat weaker in 2016 compared to 2015. Demand for our products and services is expected to develop as follows:

- remain weak for mining equipment and satisfactory for mining services
- remain satisfactory for aggregates equipment and services
- remain satisfactory for Flow Control products related to customers' new investments and good for Flow Control services

From our backlog at the end of June, we expect to invoice about EUR 1.0 billion during 2016. Internal efficiency actions will continue to improve competitiveness and mitigate price pressure that can be seen in the markets that are facing weak or satisfactory demand.

Restructuring costs are expected to be higher (previously: on the same level) than in 2015. Capital expenditure without acquisitions is expected to be lower and net financial costs are expected to be on the same level than in 2015.



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Expect results

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