Q1
Interim Review

January 1 – March 31, 2017
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

Demand from customers: License to operate

The importance of HSE work for Metso

- Encourages employee commitment and motivation
- Smoothens processes
- Improves productivity and quality
- Lowers quality costs
- Answers to customers’ high expectations
- Improves stakeholder recognition as a sustainable partner
Q1/2017 in brief

- Market activity improved
- Orders exceeded sales
- Profitability improving
- Outlook statements upgraded
Q1/2017 Financial highlights

Orders increased 11%; positive book-to-bill development

EUR million

<table>
<thead>
<tr>
<th></th>
<th>Q1/16</th>
<th>Q2/16</th>
<th>Q3/16</th>
<th>Q4/16</th>
<th>Q1/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders received</td>
<td>663</td>
<td>761</td>
<td>628</td>
<td>672</td>
<td>733</td>
</tr>
<tr>
<td>Book to bill</td>
<td>1.10</td>
<td>1.13</td>
<td>0.98</td>
<td>0.99</td>
<td>1.13</td>
</tr>
</tbody>
</table>

Services orders grew 15%; biggest increase in Flow Control

EUR million

<table>
<thead>
<tr>
<th></th>
<th>Q1/16</th>
<th>Q2/16</th>
<th>Q3/16</th>
<th>Q4/16</th>
<th>Q1/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services sales</td>
<td>433</td>
<td>444</td>
<td>423</td>
<td>441</td>
<td>496</td>
</tr>
<tr>
<td>Services orders received</td>
<td>1.06</td>
<td>1.01</td>
<td>1.02</td>
<td>1.00</td>
<td>1.17</td>
</tr>
<tr>
<td>Services book to bill</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Sales growth turned to positive

EUR million

<table>
<thead>
<tr>
<th></th>
<th>Q1/16</th>
<th>Q2/16</th>
<th>Q3/16</th>
<th>Q4/16</th>
<th>Q1/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>601</td>
<td>671</td>
<td>638</td>
<td>676</td>
<td>648</td>
</tr>
<tr>
<td>Sales growth y-on-y</td>
<td>-18%</td>
<td>-11%</td>
<td>-6%</td>
<td>-10%</td>
<td>+8%</td>
</tr>
</tbody>
</table>

Profitability improvement was satisfactory

EUR million

<table>
<thead>
<tr>
<th></th>
<th>Q1/16</th>
<th>Q2/16</th>
<th>Q3/16</th>
<th>Q4/16</th>
<th>Q1/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBITA</td>
<td>56</td>
<td>77</td>
<td>77</td>
<td>64</td>
<td>66</td>
</tr>
<tr>
<td>Adjusted EBITA %</td>
<td>9.3</td>
<td>11.5</td>
<td>12.1</td>
<td>9.4</td>
<td>10.2</td>
</tr>
</tbody>
</table>
## Short-term market outlook for 2017

### Mining
- **45% of sales**
- **80% services** *

<table>
<thead>
<tr>
<th>Equipment</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>weak</td>
<td>good</td>
</tr>
</tbody>
</table>

Services activity has improved across the board
Some optimism in the equipment business

### Aggregates
- **25% of sales**
- **45% services** *

<table>
<thead>
<tr>
<th>Equipment</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>good</td>
<td>good</td>
</tr>
</tbody>
</table>

The Nordics, US and India continue positive

### Flow Control
- **25% of sales**
- **60% services** *

<table>
<thead>
<tr>
<th>Equipment</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>good</td>
<td>good</td>
</tr>
</tbody>
</table>

Quotation activity in oil & gas has improved

* Based on 12 months rolling sales
Outlook for 2017

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

- Remain weak for mining equipment while improving to good for mining services (previously: weak for mining equipment and satisfactory for mining services)
- Remain good for aggregates equipment and services
- Improve to good for Flow Control products related to customers’ new investments and services (previously: both satisfactory)

At the end of March 2017, our backlog for 2017 totaled approximately EUR 1.2 billion. In the current market conditions, we continue to expect some postponements to planned delivery timetables. Negative adjustment items from restructuring programs initiated in 2016 are expected to be EUR 10-15 million. Capital expenditure excluding acquisitions is expected to increase compared to 2016 but remain below depreciation and amortization.
Current topics in the quarter

Metso Digital Program proceeded to strengthen our digital capabilities

New products launched at the Conexpo
Industry-changing Metso MX crusher
Metso Metrics Services, a new digital solution to help optimize mobile crushing and screening equipment
Lokotrack Urban Series for crushing in urban environments

Investment in screening media manufacturing in Australia, India and Sweden

Sales channel expansion continued in Flow Control
Financial performance
Eeva Sipilä
CFO
Positive book-to-bill development

Orders increased 11%, growth in both Minerals and Flow Control
- Activity level in customer industries healthy even without no major project orders in the quarter

Services orders grew 15%; strong growth especially in valves and mining services
- Delivery mix expected to improve in the coming quarters

Sales grew 8%, strongest growth in mining and aggregates equipment

Minerals: Orders increased in all businesses

Flow Control: Pumps, day-to-day valves and valve services orders increased
Minerals: healthy growth with mix affecting result

Orders increased in both new equipment and services

Sales grew in both mining and aggregates equipment

- Flat services sales were not yet reflecting the higher order intake level

Profitability was satisfactory

- Negative impact from sales mix (less services)
- Raw material costs affected mainly grinding wears

Sales growth came mainly from new equipment

Sales growth y-on-y:
- Minerals Services sales
- Minerals Equipment sales

Adjusted EBITA diluted by mix and raw material costs

Adjusted EBITA:
- Q1/16: 37
- Q2/16: 10.8
- Q3/16: 10.8
- Q4/16: 47
- Q1/17: 43

Minerals Services:
- Q1/16: 453 (-20%)
- Q2/16: 504 (-10%)
- Q3/16: 477 (-5%)
- Q4/16: 522 (-9%)
- Q1/17: 489 (+8%)

Minerals Equipment:
- Q1/16: 54
- Q2/16: 52
- Q3/16: 47
- Q4/16: 43
Flow Control: strong operational performance

Order growth in pumps, day-to-day valves and valve services
- Higher quotation activity in oil and gas projects was not yet visible in orders

Services sales up 7%, while equipment sales flat

Good operational performance and sales mix supported profitability
- Margin positively impacted by higher share of services and day-to-day sales

Sales growth came mainly from services

Operational performance and mix supported profitability
Gross margins stable despite mix

Operational performance improved
  - Gross margin was affected by mix

SG&A headcount was 114 lower in Q1/17

Y-o-Y adjusted EBITA comparison affected by increased raw material costs, mainly rubber
  - Other elements contributed positively
Balance sheet continues to be strong

Cash flow from operations healthy at EUR 58 million
- Operations improved

Net working capital increased slightly

Net debt of EUR -63 million before dividend payment in April

Cash flow from operations, rolling 12 months
Order backlog increased

Our backlog for 2017 deliveries totaled approximately EUR 1.2 billion
The total backlog is 7% higher than a year ago

Order backlog

![Order backlog chart]

Delivery timetable

![Delivery timetable chart]
Invitation

Metso Capital Markets Day
Thursday, June 1, 2017 at Hilton Helsinki Airport

Program outline
12:00 noon  Registration and lunch
1:00 p.m. - 3:00 p.m.  Business updates
3:00 p.m. - 5:30 p.m.  Breakout sessions
5:30 p.m.  Informal get-together

Program will include updates on the strategy and future prospects. Breakout sessions will highlight Metso’s Digital Program and other topical themes across our businesses.

Appendix
## Key figures

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q1/2017</th>
<th>Q1/2016</th>
<th>Change %</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders received</td>
<td>733</td>
<td>663</td>
<td>11</td>
<td>2,724</td>
</tr>
<tr>
<td>without currency effect</td>
<td></td>
<td></td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Orders received, services business</td>
<td>496</td>
<td>433</td>
<td>15</td>
<td>1,741</td>
</tr>
<tr>
<td>without currency effect</td>
<td></td>
<td></td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>648</td>
<td>601</td>
<td>8</td>
<td>2,586</td>
</tr>
<tr>
<td>without currency effect</td>
<td></td>
<td></td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Sales, services business</td>
<td>423</td>
<td>409</td>
<td>3</td>
<td>1,703</td>
</tr>
<tr>
<td>without currency effect</td>
<td></td>
<td></td>
<td>-1</td>
<td></td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>66.4</td>
<td>55.7</td>
<td>19</td>
<td>274.0</td>
</tr>
<tr>
<td>% of net sales</td>
<td>10.2</td>
<td>9.3</td>
<td>10.6</td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>59.4</td>
<td>50.4</td>
<td>18</td>
<td>227.1</td>
</tr>
<tr>
<td>Earnings per share, EPS, EUR</td>
<td>0.23</td>
<td>0.18</td>
<td>28</td>
<td>0.87</td>
</tr>
<tr>
<td>Return on capital employed (ROCE), before tax, annualized, %</td>
<td>11.1</td>
<td>9.4</td>
<td>10.4</td>
<td></td>
</tr>
<tr>
<td>Free cash flow</td>
<td>39</td>
<td>62</td>
<td>-37</td>
<td>339</td>
</tr>
</tbody>
</table>
## Strong cash flow and solid financial position

### Operating profit

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<tr>
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</tr>
</tbody>
</table>

### Return and ratios

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2017</th>
<th>Dec 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on equity (ROE), %</td>
<td>9.9</td>
<td>9.0</td>
</tr>
<tr>
<td>Return on capital employed (ROCE) before taxes, annualized, %</td>
<td>11.1</td>
<td>10.4</td>
</tr>
<tr>
<td>Gearing at the end of the period, %</td>
<td>-4.7</td>
<td>-1.8</td>
</tr>
<tr>
<td>Cash conversion, %</td>
<td>115</td>
<td>261</td>
</tr>
<tr>
<td>Equity to assets ratio at the end of the period, %</td>
<td>43.7</td>
<td>48.0</td>
</tr>
</tbody>
</table>
## Markets in Q1/2017

### Mining

Orders were EUR 334 million and **+14%**
- Services orders +15%
- Orders increased across the services offering
- Recovery less visible in the equipment business

### Aggregates

Orders were EUR 197 million and **+11%**
- Good activity continued in many markets
- Equipment orders +11%, services +8%

### Flow Control

Orders were EUR 173 million and **+2%**
- Strong quarter in valves, day-to-day and North America
- Pumps driven by strong aftermarket in North America
- New equipment orders at low level

#### EMEA
- 33% of sales
  - Minerals sales +12%
  - Flow Control sales +8%

#### North America
- 22% of sales
  - Minerals sales -7%
  - Flow Control sales +7%

#### Asia-Pacific
- 24% of sales
  - Minerals sales +14%
  - Flow Control sales +3%

#### South and Central America
- 21% of sales
  - Minerals sales +9%
  - Flow Control sales +19%