H1
Half-Year Financial Review 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 a key driver throughout our value chain

People
Encourages employee commitment and motivation

Productivity
Improves productivity and lowers quality costs

Partnership
Improves stakeholder recognition as a sustainable partner

Demand from customers: License to operate

Lost time incident frequency (LTIF)

Risk observation frequency

LTIF 2.5 *

* Rolling 12 months as of June 30, 2017
Quarterly highlights

Matti Kähkönen
President and CEO
Healthy market activity continued with improvement in mining equipment

Sales are not yet reflecting the growth in orders

Profitability was affected mainly by low sales and mix

Good progress in strategic initiatives
Q2/2017 financial highlights

**Good order intake without large orders**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Orders received</th>
<th>Book-to-bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/16</td>
<td>663</td>
<td>1.10</td>
</tr>
<tr>
<td>Q2/16</td>
<td>761</td>
<td>1.13</td>
</tr>
<tr>
<td>Q3/16</td>
<td>628</td>
<td>0.98</td>
</tr>
<tr>
<td>Q4/16</td>
<td>672</td>
<td>0.99</td>
</tr>
<tr>
<td>Q1/17</td>
<td>733</td>
<td>1.13</td>
</tr>
<tr>
<td>Q2/17</td>
<td>749</td>
<td>1.11</td>
</tr>
</tbody>
</table>

Incl. large mining order of MEUR 90

No large mining orders

**Services orders grew 8%; positive book-to-bill continued**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Services sales</th>
<th>Services orders received</th>
<th>Services book-to-bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/16</td>
<td>433</td>
<td>1.06</td>
<td></td>
</tr>
<tr>
<td>Q2/16</td>
<td>444</td>
<td>1.01</td>
<td></td>
</tr>
<tr>
<td>Q3/16</td>
<td>423</td>
<td>1.02</td>
<td></td>
</tr>
<tr>
<td>Q4/16</td>
<td>441</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Q1/17</td>
<td>496</td>
<td>1.17</td>
<td></td>
</tr>
<tr>
<td>Q2/17</td>
<td>480</td>
<td>1.08</td>
<td></td>
</tr>
</tbody>
</table>

**Sales are not yet reflecting the order growth**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Sales</th>
<th>Sales growth y-on-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/16</td>
<td>601</td>
<td>-18%</td>
</tr>
<tr>
<td>Q2/16</td>
<td>671</td>
<td>-11%</td>
</tr>
<tr>
<td>Q3/16</td>
<td>638</td>
<td>-6%</td>
</tr>
<tr>
<td>Q4/16</td>
<td>676</td>
<td>-10%</td>
</tr>
<tr>
<td>Q1/17</td>
<td>648</td>
<td>+8%</td>
</tr>
<tr>
<td>Q2/17</td>
<td>675</td>
<td>+1%</td>
</tr>
</tbody>
</table>

**Profitability slightly disappointing**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Adjusted EBITA</th>
<th>Adjusted EBITA %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/16</td>
<td>56</td>
<td>-11%</td>
</tr>
<tr>
<td>Q2/16</td>
<td>77</td>
<td>-18%</td>
</tr>
<tr>
<td>Q3/16</td>
<td>77</td>
<td>-10%</td>
</tr>
<tr>
<td>Q4/16</td>
<td>64</td>
<td>-6%</td>
</tr>
<tr>
<td>Q1/17</td>
<td>66</td>
<td>+8%</td>
</tr>
<tr>
<td>Q2/17</td>
<td>70</td>
<td>+1%</td>
</tr>
</tbody>
</table>
## Short-term market outlook for 2017

<table>
<thead>
<tr>
<th>Sector</th>
<th>Equipment</th>
<th>Services</th>
<th>Equipment</th>
<th>Services</th>
<th>Equipment</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>satisfactory</td>
<td>good</td>
<td>good</td>
<td>good</td>
<td></td>
<td>good</td>
</tr>
<tr>
<td>Aggregates</td>
<td>good</td>
<td>good</td>
<td>good</td>
<td>good</td>
<td>good</td>
<td>good</td>
</tr>
<tr>
<td>Flow Control</td>
<td>good</td>
<td>good</td>
<td>good</td>
<td>good</td>
<td>good</td>
<td>good</td>
</tr>
</tbody>
</table>

- **Mining**: 45% of sales, 80% services *
- **Aggregates**: 25% of sales, 45% services *
- **Flow Control**: 25% of sales, 60% services *

* Based on 12 months rolling sales

Previously: weak
Current topics in the second quarter

Good progress in growth initiatives
- Investments in assembly capacity of Lokotrails in Finland, and in the manufacturing of crusher wear parts in South Africa totaling EUR 4.5 million
- Continued expansion of distribution network in Flow Control and Aggregates

Digital strategy proceeding according to plan
- Platform was chosen to create new industry-leading IoT solutions for mining and aggregates customers

New President and CEO and changes in management team
- Nico Delvaux will start as the new President and CEO on August 1
- Victor Tapia started as President of Minerals Capital on June 1
Financial performance
Eeva Sipilä
CFO
Orders were healthy in both segments

Orders increased 12%, adjusting for the big order in the comparison period

Mining supported by customers’ focus on productivity

Aggregates equipment orders increased

Pump orders up in Flow Control

Minerals: Productivity focus of customers supports growth in replacement and services orders

Flow Control: Healthy order intake in valves while pumps improved significantly
Minerals: Aggregates’ improvement offset by mining

Sales driven by double-digit growth in aggregates equipment; other businesses flat

Mining services margins affected by higher raw material prices and sales mix
Flow Control: H1 performance flat with positive book-to-bill

Sales reflecting H2/16 order intake
Low sales and related under-absorption as well as sales mix impacted profitability
Differing trending in Q2 margins

Gross margin in the second quarter reflected:

- the mix in both segments,
- raw material pressure in Minerals and
- under-absorption in Flow Control.

SG&A costs were stable and as % of sales trending downwards
Balance sheet continues to be strong

Free cash flow affected mainly by EUR 56 million increase of net working capital

Paid income taxes totaled EUR 37 million

Dividend of EUR 157 million paid in April

Maturity structure of debt was extended

- New EUR 300 million bond issued
- EUR 205 million of the 2019 outstanding EUR 400 million bond purchased back
Order backlog increased

Our backlog at end of June for 2017 deliveries totaled approximately EUR 1 billion

Deliveries for the remainder of the year higher compared to the end of June 2016

- We continue to expect some postponements to planned delivery timetables
Expect results

www.metso.com
Appendix
## Key figures

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders received</td>
<td>749</td>
<td>761</td>
<td>-2</td>
<td>1,482</td>
<td>1,424</td>
<td>4</td>
<td>2,724</td>
</tr>
<tr>
<td>without currency effect</td>
<td></td>
<td></td>
<td>-3</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Orders received, services business</td>
<td>480</td>
<td>444</td>
<td>8</td>
<td>976</td>
<td>877</td>
<td>11</td>
<td>1,741</td>
</tr>
<tr>
<td>without currency effect</td>
<td></td>
<td></td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>Sales</td>
<td>675</td>
<td>671</td>
<td>1</td>
<td>1,323</td>
<td>1,272</td>
<td>4</td>
<td>2,586</td>
</tr>
<tr>
<td>without currency effect</td>
<td></td>
<td></td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Sales, services business</td>
<td>445</td>
<td>439</td>
<td>1</td>
<td>868</td>
<td>848</td>
<td>2</td>
<td>1,703</td>
</tr>
<tr>
<td>without currency effect</td>
<td></td>
<td></td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td>-1</td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>70.0</td>
<td>77.3</td>
<td>-9</td>
<td>136.5</td>
<td>133.0</td>
<td>3</td>
<td>274.0</td>
</tr>
<tr>
<td>% of sales</td>
<td>10.4</td>
<td>11.5</td>
<td>10.3</td>
<td>10.5</td>
<td>10.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>59.8</td>
<td>69.3</td>
<td>-14</td>
<td>119.2</td>
<td>119.7</td>
<td>0</td>
<td>227.1</td>
</tr>
<tr>
<td>Earnings per share, EPS, EUR</td>
<td>0.24</td>
<td>0.28</td>
<td>-14</td>
<td>0.47</td>
<td>0.46</td>
<td>2</td>
<td>0.87</td>
</tr>
<tr>
<td>Return on capital employed (ROCE), before tax, annualized, %</td>
<td></td>
<td></td>
<td></td>
<td>11.1</td>
<td>11.0</td>
<td>10.4</td>
<td></td>
</tr>
<tr>
<td>Free cash flow</td>
<td>4</td>
<td>74</td>
<td>-95</td>
<td>43</td>
<td>136</td>
<td>-68</td>
<td>339</td>
</tr>
</tbody>
</table>
## Cash flow and financial position

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2017</th>
<th>Dec 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on equity (ROE), annualized, %</td>
<td>10.2</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>7.5</td>
<td>-1.8</td>
</tr>
<tr>
<td>Cash conversion, %</td>
<td>61</td>
<td>261</td>
</tr>
<tr>
<td>Equity to assets ratio at the end of the period, %</td>
<td>45.9</td>
<td>48.0</td>
</tr>
<tr>
<td>Debt to capital, %</td>
<td>39.0</td>
<td>35.6</td>
</tr>
<tr>
<td>Net debt / EBITDA</td>
<td>0.3</td>
<td>-0.1</td>
</tr>
<tr>
<td>Interest cover (EBITDA)</td>
<td>9.0</td>
<td>7.4</td>
</tr>
<tr>
<td>Cash assets</td>
<td>629</td>
<td>698</td>
</tr>
</tbody>
</table>
Geographical figures in Q2/2017

**EMEA**
35% of sales

- Minerals sales: +6%
- Flow Control sales: -2%

**North America**
23% of sales

- Minerals sales: flat
- Flow Control sales: -1%

**Asia-Pacific**
24% of sales

- Minerals sales: +16%
- Flow Control sales: -3%

**South and Central America**
18% of sales

- Minerals sales: flat
- Flow Control sales: flat

**Mining**

- Orders were EUR 342 million and -15%
  - Services orders: +12% with increase across the services offering
  - Recovery more visible in the equipment business

**Aggregates**

- Orders were EUR 194 million and +19%
  - Good activity continued in several regions
  - Equipment orders: +36%, services flat

**Flow Control**

- Orders were EUR 174 million and +4%
  - Orders from oil & gas as well as pulp & paper customers slightly higher
  - Pumps grew significantly

**North America**
- 23% of sales
- Minerals sales: flat
- Flow Control sales: -9%

**EMEA**
- 35% of sales
- Minerals sales: flat
- Flow Control sales: -2%

**Asia-Pacific**
- 24% of sales
- Minerals sales: +16%
- Flow Control sales: -3%

**South and Central America**
- 18% of sales
- Minerals sales: flat
- Flow Control sales: flat

**Minerals sales**
- +6%
- +16%
- +1%
- +12%
- +12%
- +36%
- +19%
- +16%
- Flat
- Flat
- Flat
- Flat
- Flat
- Flat

**Flow Control sales**
- -2%
- +2%
- -3%
- +12%
- Flat
- Flat
- Flat
- Flat
- Flat
- Flat