

January 1 – March 31, 2017

Q1

Interim Review

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.

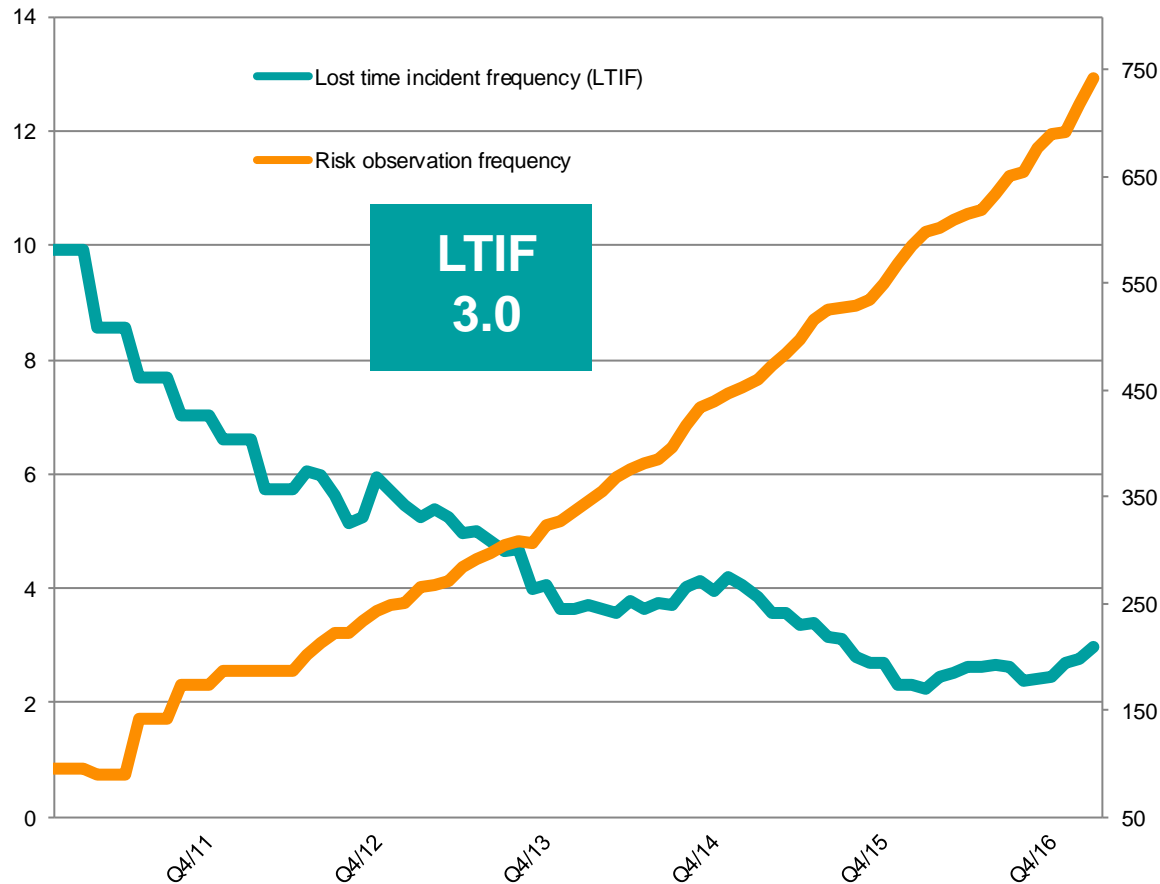
A large industrial gear is the central focus in the foreground, showing its teeth and a central hub with several bolt holes. In the background, a worker wearing a cap and safety glasses is visible, slightly out of focus. The scene is set in an industrial environment.

Quarterly highlights

Matti Kähkönen
President and CEO

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

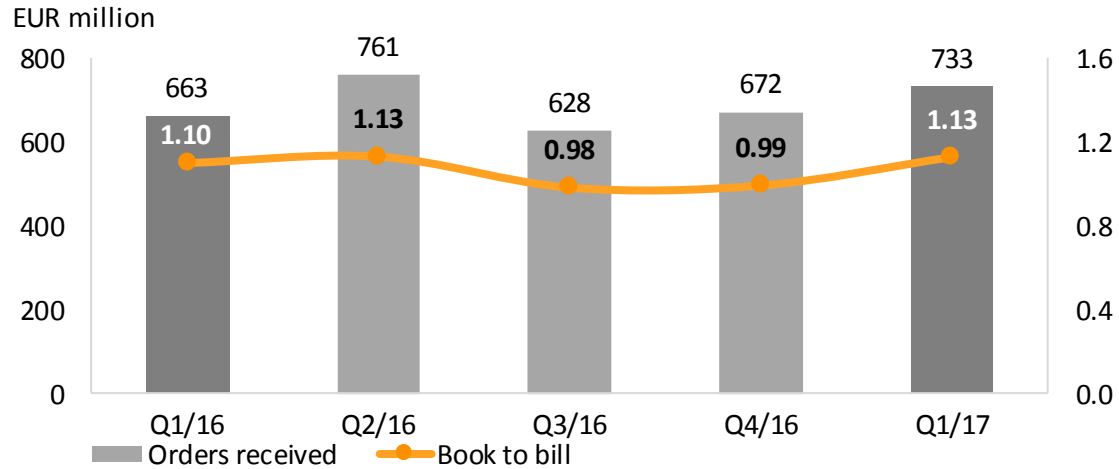
Profitability improving

Outlook statements upgraded

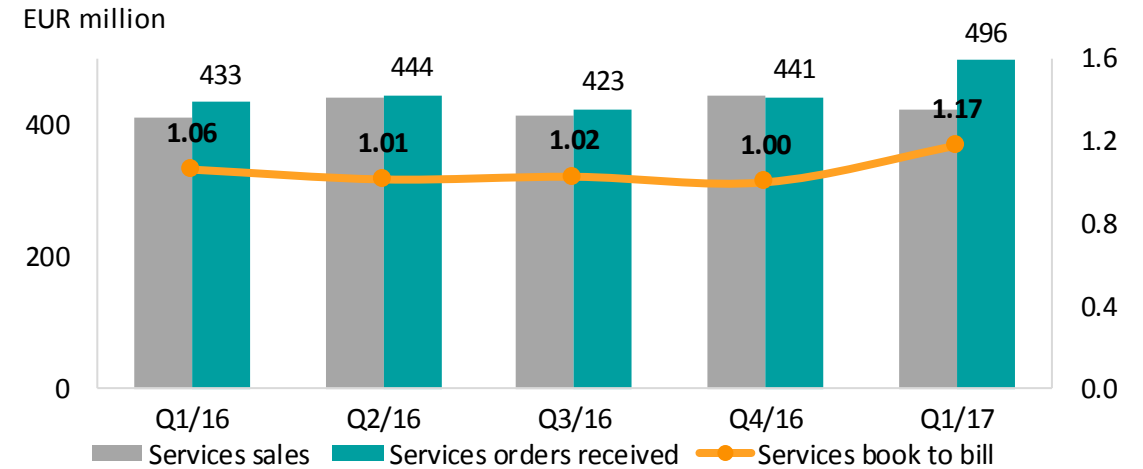


Q1/2017 Financial highlights

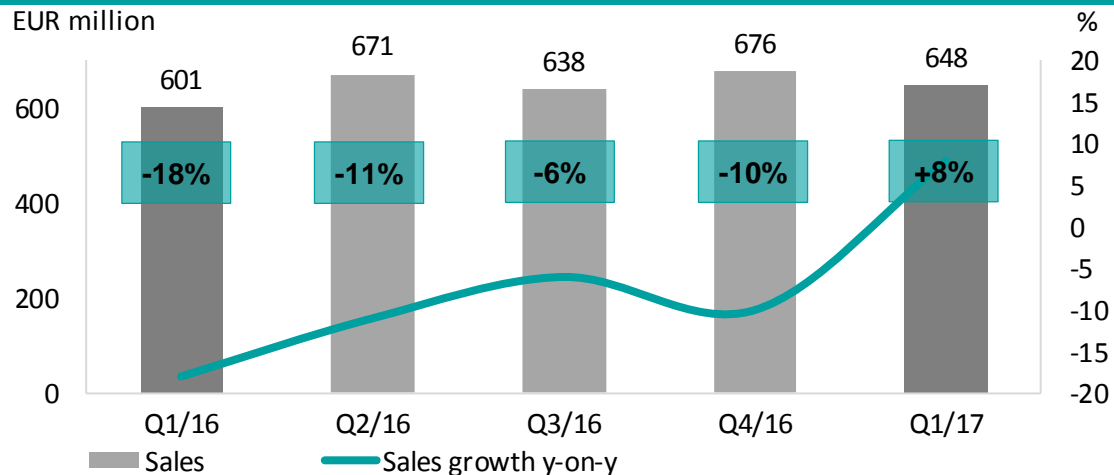
Orders increased 11%; positive book-to-bill development



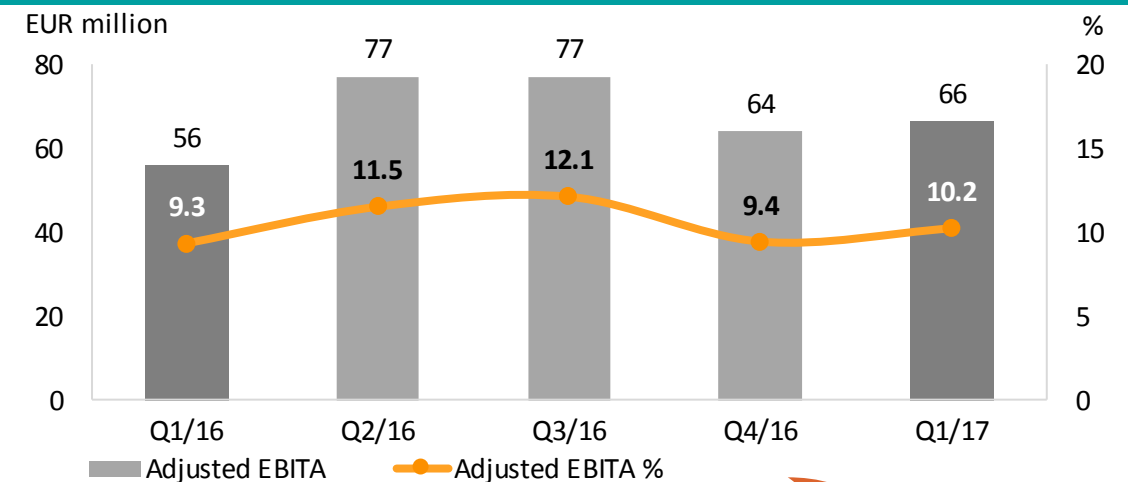
Services orders grew 15%; biggest increase in Flow Control



Sales growth turned to positive



Profitability improvement was satisfactory



Short-term market outlook for 2017

Mining



45% of sales

80% services *

Equipment

weak

Services

good

Previously:
satisfactory

Services activity has improved across the board

Some optimism in the equipment business

Aggregates



25% of sales

45% services *

Equipment

good

Services

good

The Nordics, US and India continue positive

Flow Control



25% of sales

60% services *

Equipment

good

Previously:
satisfactory

Quotation activity in oil & gas has improved

Services

good

Previously:
satisfactory

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

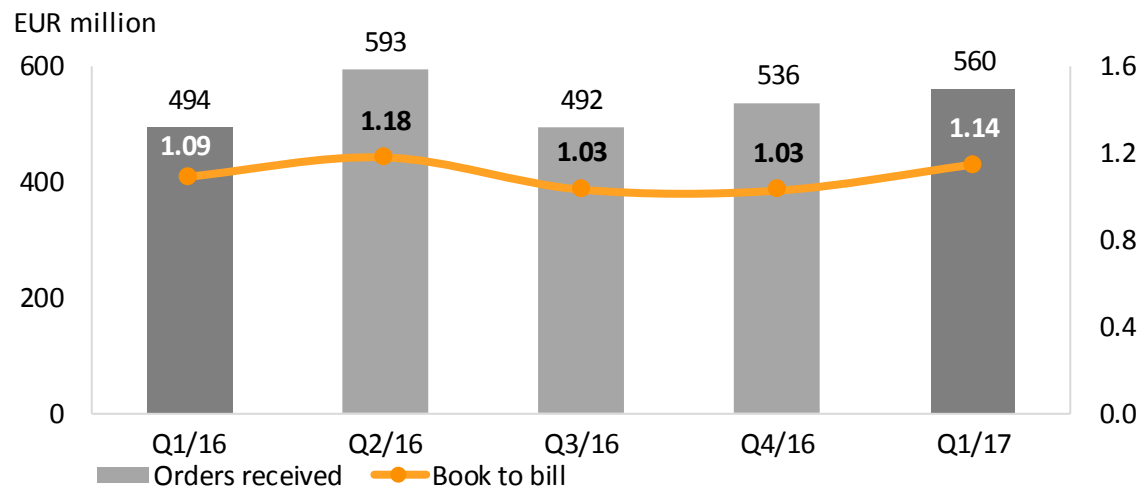
- Activity level in customer industries healthy even without no major project orders in the quarter

Services orders grew 15%; strong growth especially in valves and mining services

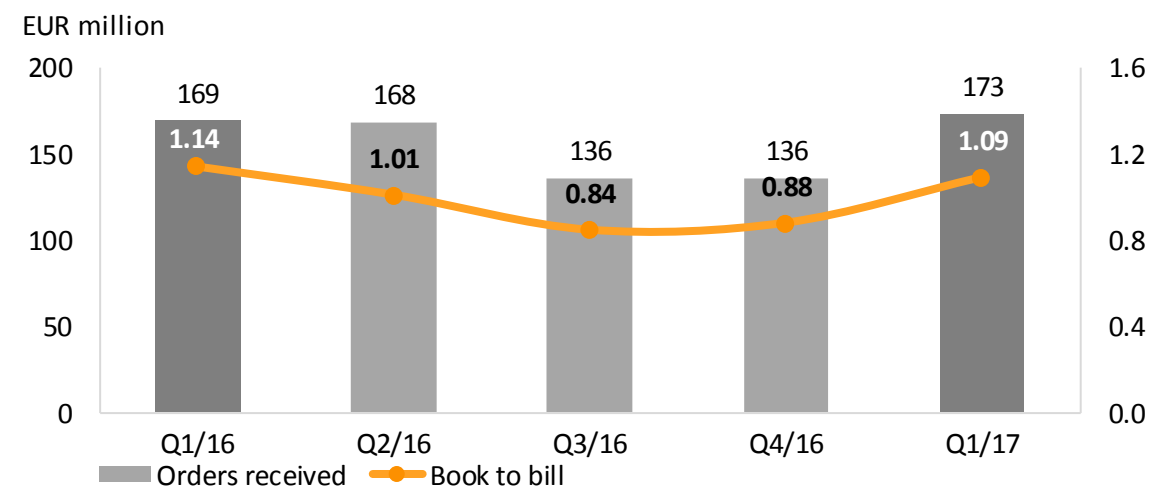
- Delivery mix expected to improve in the coming quarters

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

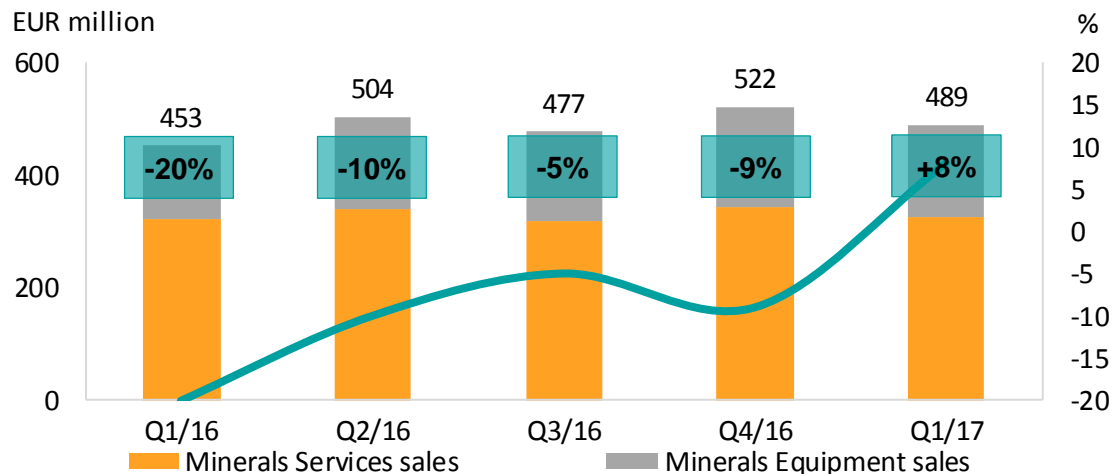
Sales grew in both mining and aggregates equipment

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

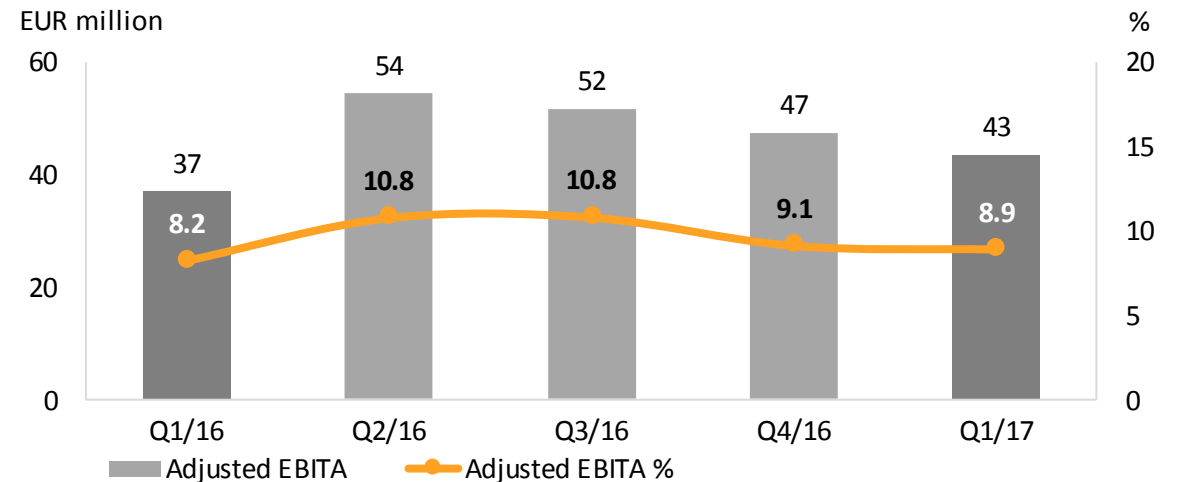
Profitability was satisfactory

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

Sales growth came mainly from new equipment



Adjusted EBITA diluted by mix and raw material costs



Flow Control: strong operational performance

Order growth in pumps, day-to-day valves and valve services

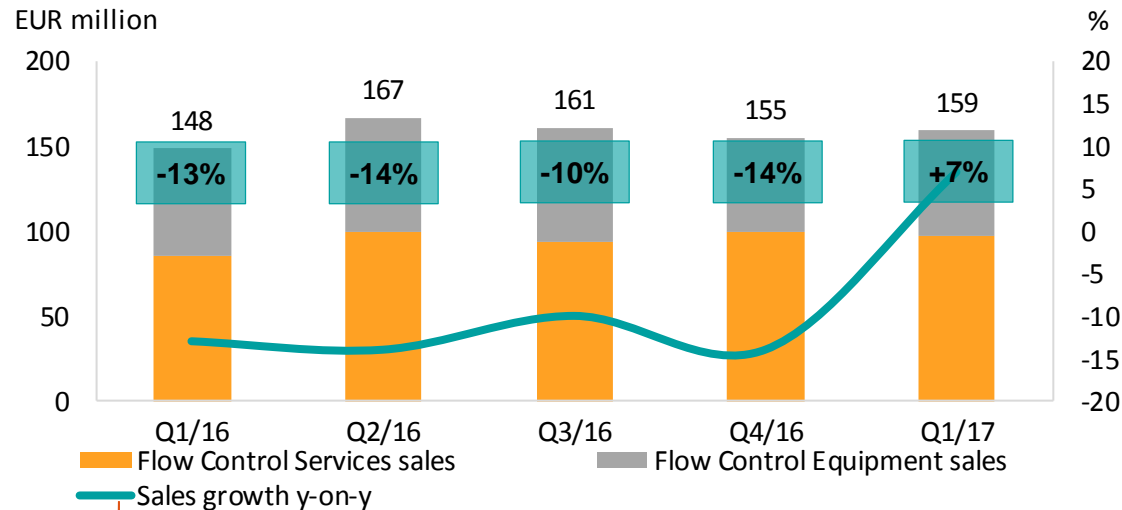
- Higher quotation activity in oil and gas projects was not yet visible in orders

Services sales up 7%, while equipment sales flat

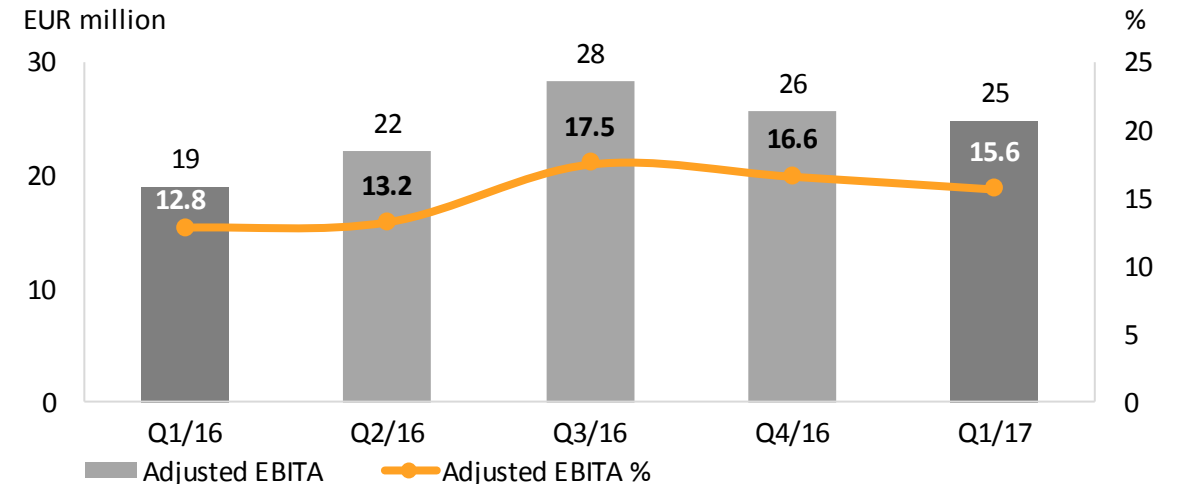
Good operational performance and sales mix supported profitability

- 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

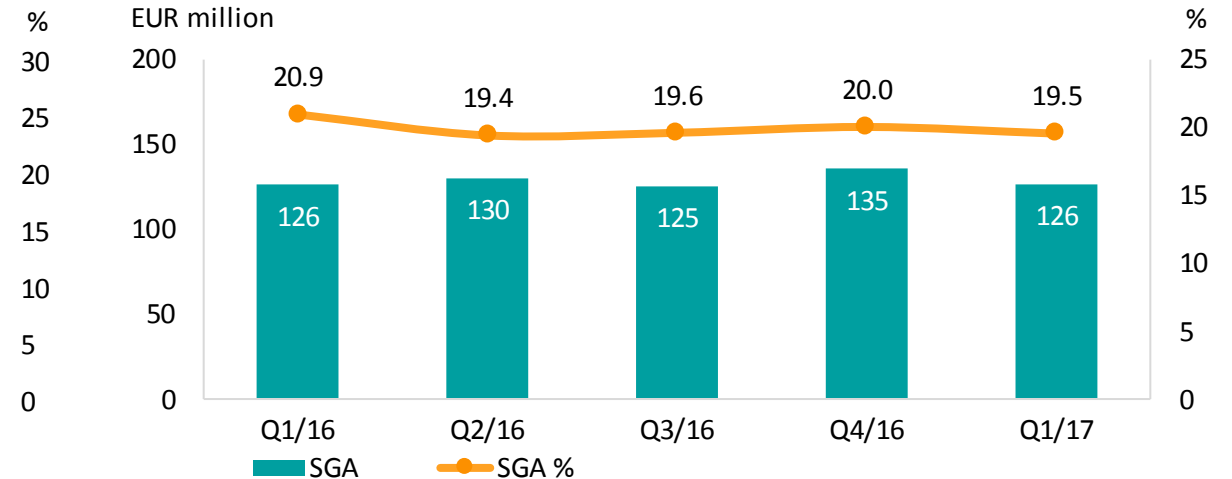
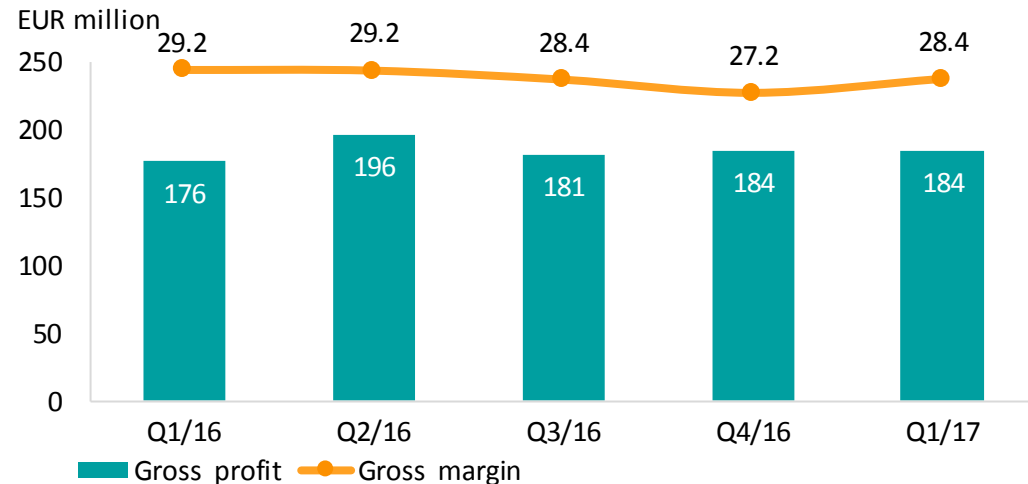
Operational performance improved

- 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



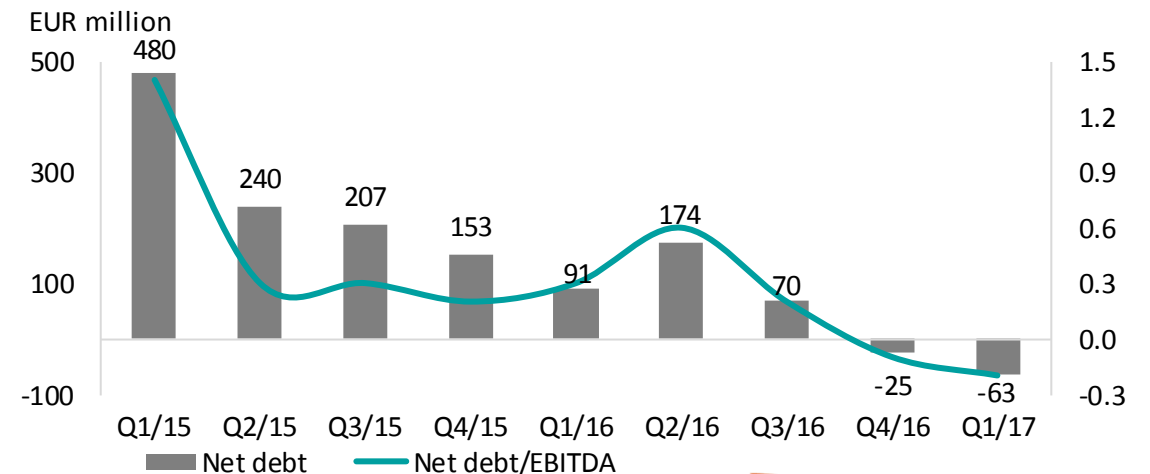
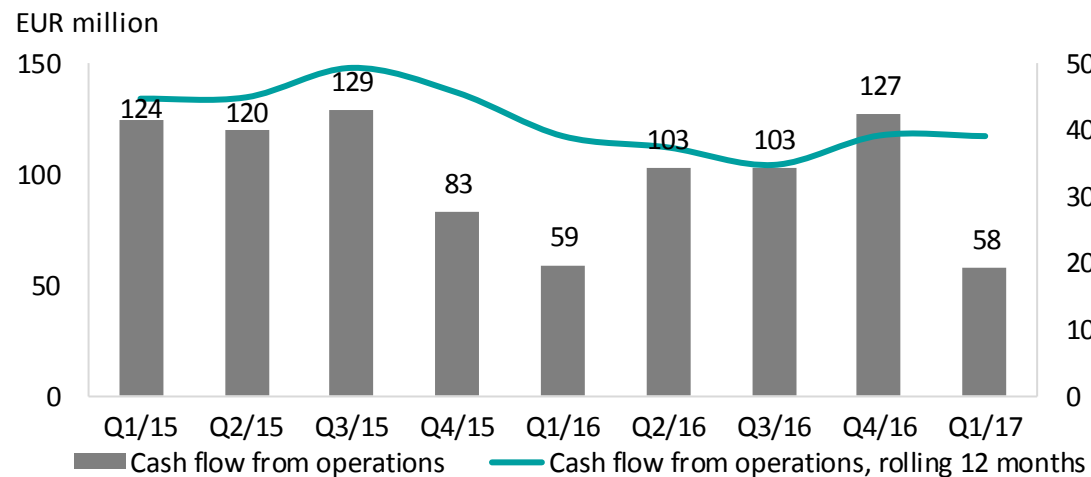
Balance sheet continues to be strong

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

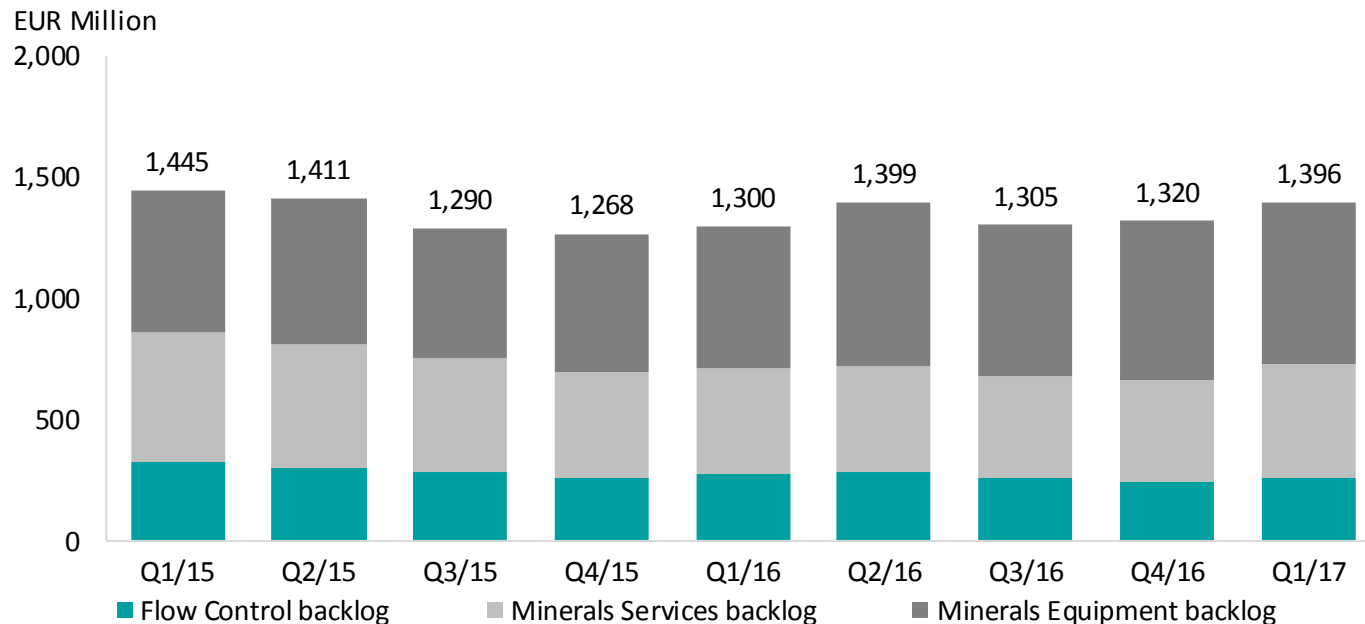


Order backlog increased

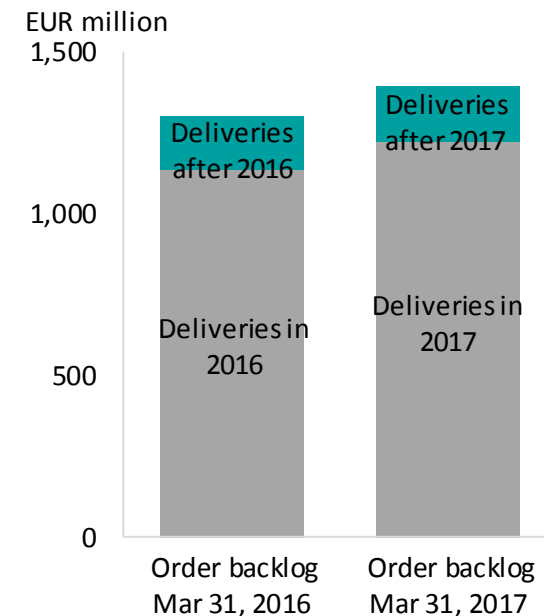
Our backlog for 2017 deliveries totaled approximately EUR 1.2 billion

The total backlog is 7% higher than a year ago

Order backlog



Delivery timetable



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

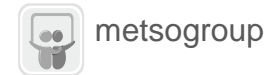
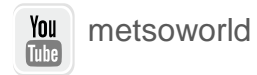
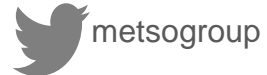
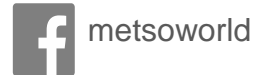
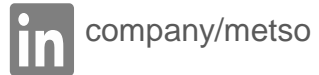
Program will include updates on the strategy and future prospects. Breakout sessions will highlight Metso's Digital Program and other topical themes across our businesses.

More information: <http://www.metso.com/company/Investors/investors-events/capital-markets-day-2017/>



metso
Expect results

www.metso.com



A close-up photograph of industrial machinery, featuring large, polished metal pipes and flanges with numerous bolts. The scene is brightly lit, creating a clean and professional atmosphere. The word "Appendix" is centered over the image in a green, sans-serif font.

Appendix

Key figures

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

Strong cash flow and solid financial position

EUR million	Q1/2017	Q1/2016	Change %	2016
Operating profit	59.4	50.4	18	227.1
Earnings per share, EUR	0.23	0.18	28	0.87
Free cash flow	39	62	-37	339

	March 31, 2017	Dec 31, 2016
Return on equity (ROE), %	9.9	9.0
Return on capital employed (ROCE) before taxes, annualized, %	11.1	10.4
Gearing at the end of the period, %	-4.7	-1.8
Cash conversion, %	115	261
Equity to assets ratio at the end of the period, %	43.7	48.0

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%

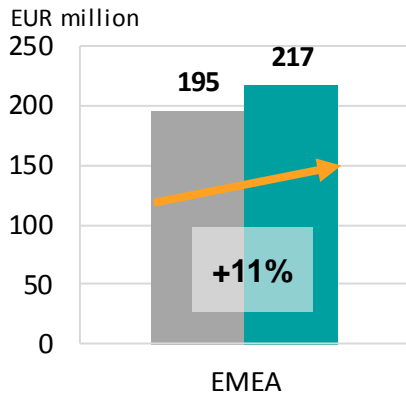
- + Strong quarter in valves, day-to-day and North America
- + Pumps driven by strong aftermarket in North America
- New equipment orders at low level

EMEA

33% of sales

Minerals sales +12%

Flow Control sales +8%

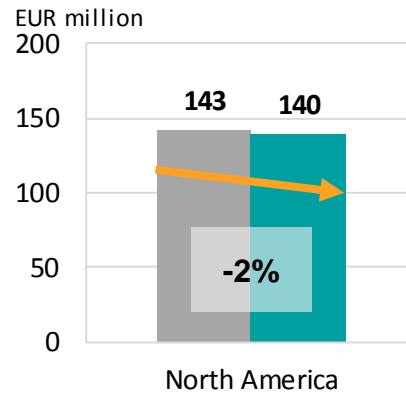


North America

22% of sales

Minerals sales -7%

Flow Control sales +7%

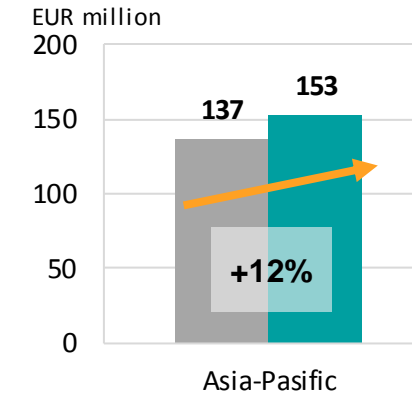


Asia-Pacific

24% of sales

Minerals sales +14%

Flow Control sales +3%



South and Central America

21% of sales

Minerals sales +9%

Flow Control sales +19%

