Financial Statements 2016

January 1 – December 31

Financial Statements Review 2016

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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.

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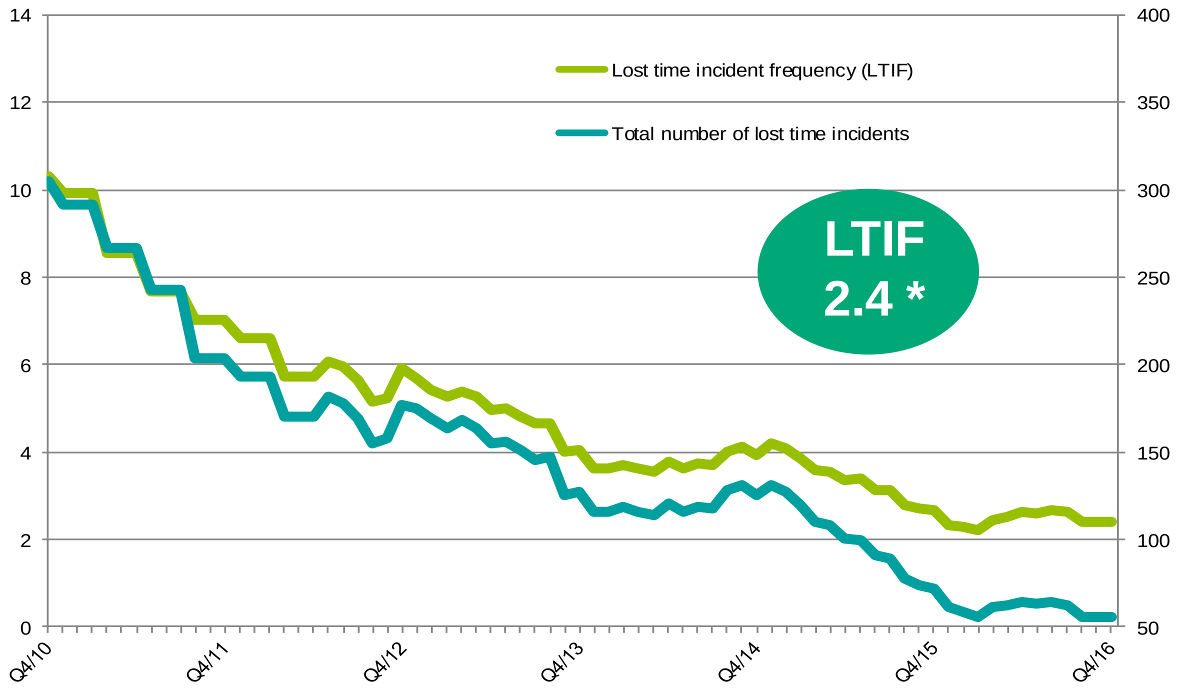
Safety is an important driver for success

Improved safety performance supports productivity



Safety is included in employees' target setting

Demand from customers: license to operate

<u>2016 achievements</u>

- Safety conversations by managers rolled out corporate wide
- Stronger focus on corrective actions on risk observations, audit findings, and accidents
- Improved work methods for critical tasks

<u>2017 focus areas</u>

- Extending safety leadership training
- Increasing effectiveness of corrective actions through improved root cause analysis
- Monthly inspection program for newly identified hazards

* LTIF December 2016

2016 in brief

- Challenging mining and oil & gas markets
- Internally good progress in organic growth and development actions
- Restructuring continued to adapt to the market situation

- Orders exceeded sales
- Profitability declined due to lower sales

- Strong cash flow generation
- Balance sheet strengthened
- Board proposes a dividend of EUR 1.05 (1.05)

Fourth quarter 2016

Orders received:
EUR 672 million, -11%

Sales:
EUR 676 million, -10%

Adjusted EBITA margin:
9.4% (12.0%)

Full year 2016

Orders received:
EUR 2,724 million, -8%

Sales:
EUR 2,586 million, -12%

Adjusted EBITA margin:
10.6% (12.2%)

Net gearing:
-1.8% (10.6%)

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

Strategic achievements in 2016

- Distribution channels were developed and market was expanded
- New products were launched **(MHC™ Hydrocyclones, UltraFine™ Screens, Life Cycle Services (LCS) package for the aggregates industry, N Series recycling equipment product range, Metso Metrics, NelesValvGuard, MD Series mill discharge pump)**
- Successor planning and competence mapping progressed
- New Minerals business model was implemented
- Standardization and process harmonization was executed
- Procurement efficiency was improved and planned actions were achieved
- Digitalization: As part of our offering and in our business models

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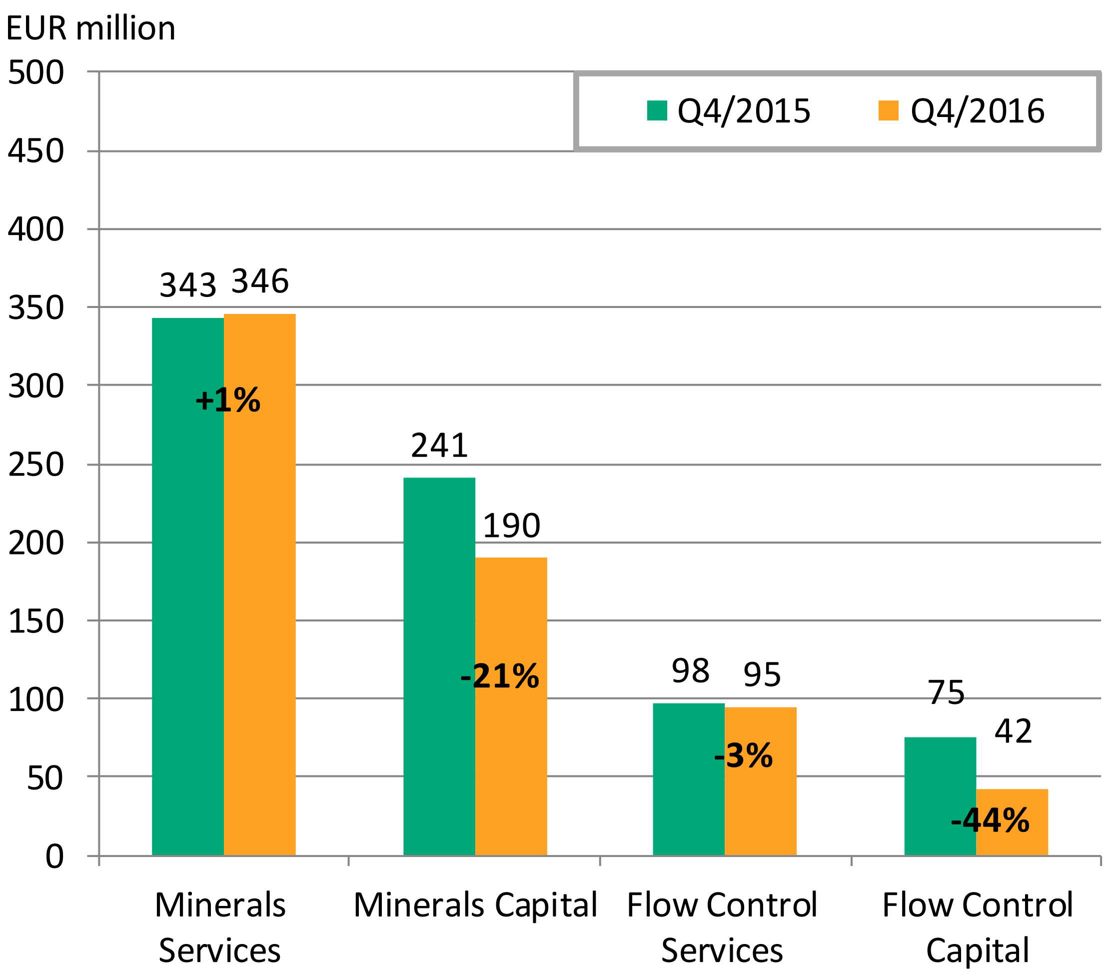
Markets in Q4/16

- **Mining (orders -11%):**
  - Services +1%, thanks to wears and spares
  - No large equipment orders
  - Underlying demand for smaller equipment orders picked up slightly
- **Aggregates (orders +20%):**
  - Overall demand clearly improved
  - Equipment +37%
  - Services flat
- **Flow Control (orders -21%):**
  - Sequentially flat orders
  - Valve orders declined in oil & gas y-o-y
  - Pump orders flat y-o-y

Orders received totaled EUR 672 million, -11%



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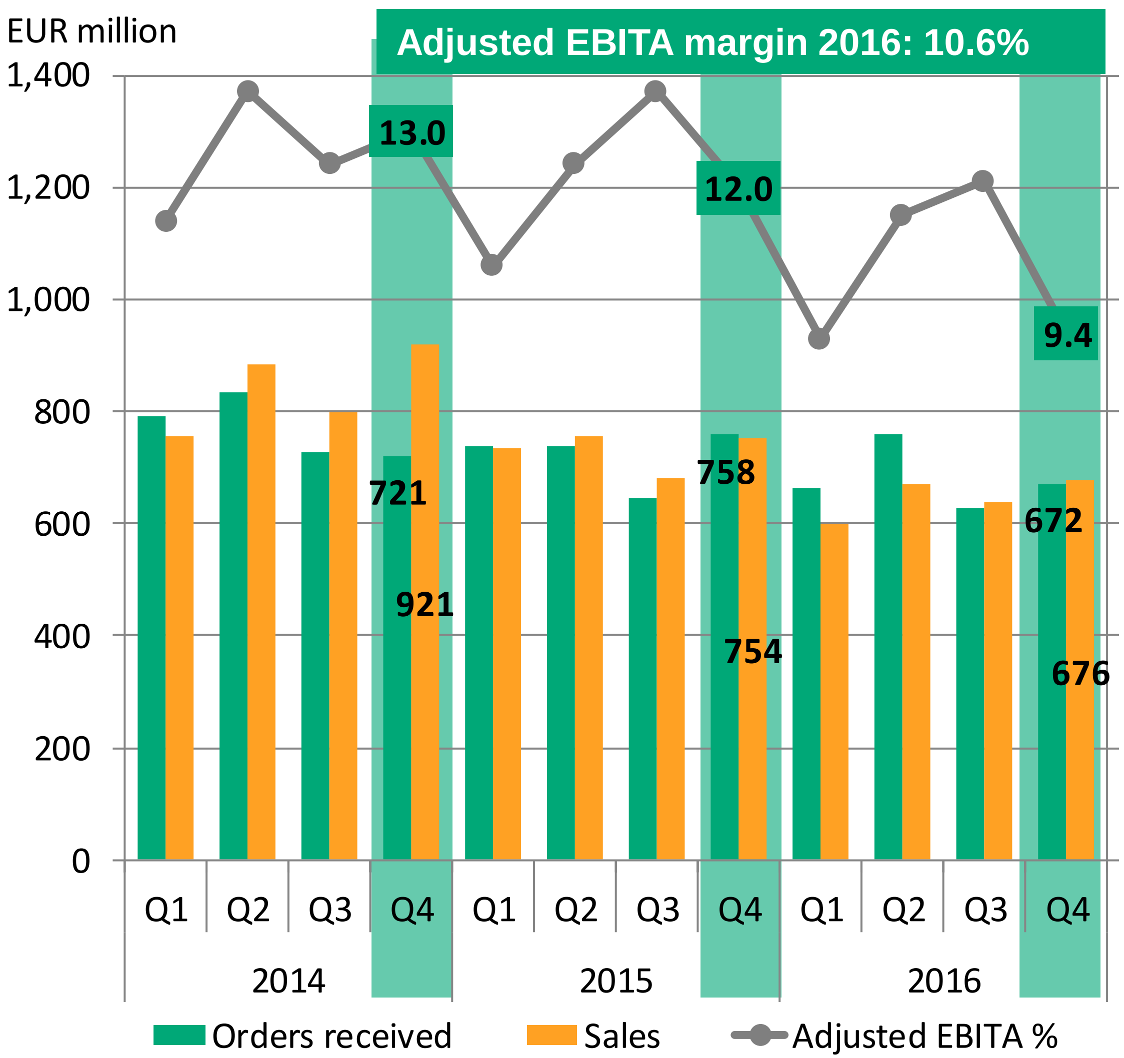
Financial highlights in Q4/16

- Sales development
  - Minerals declined 9% due to mining
  - Flow Control declined 14% due to oil & gas
- Healthy services margins
- The lower adjusted EBITA resulted from
  - lower volumes,
  - project cost overruns and warranty costs in Minerals and
  - non-operative items in the Group head office
- Operating profit was negatively impacted by restructuring costs



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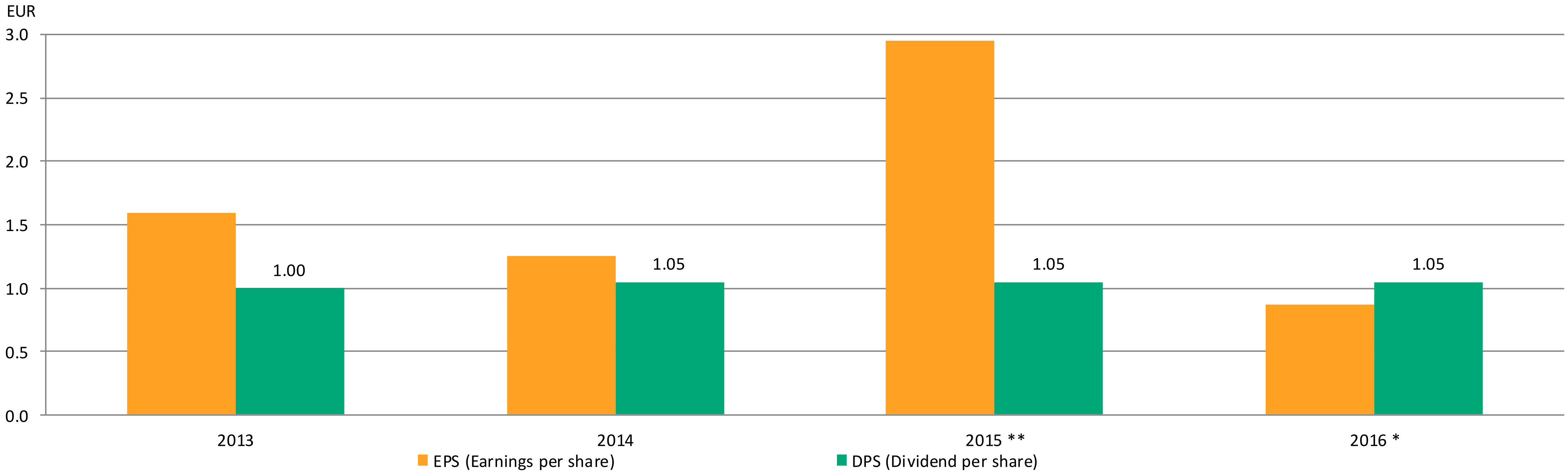
Board’s dividend proposal EUR 1.05



- The proposed dividend totals EUR 157 million
- 121% of earnings per share for 2017

* Board’s proposal for the AGM
** EUR 0.40 additional dividend was paid in August 2015

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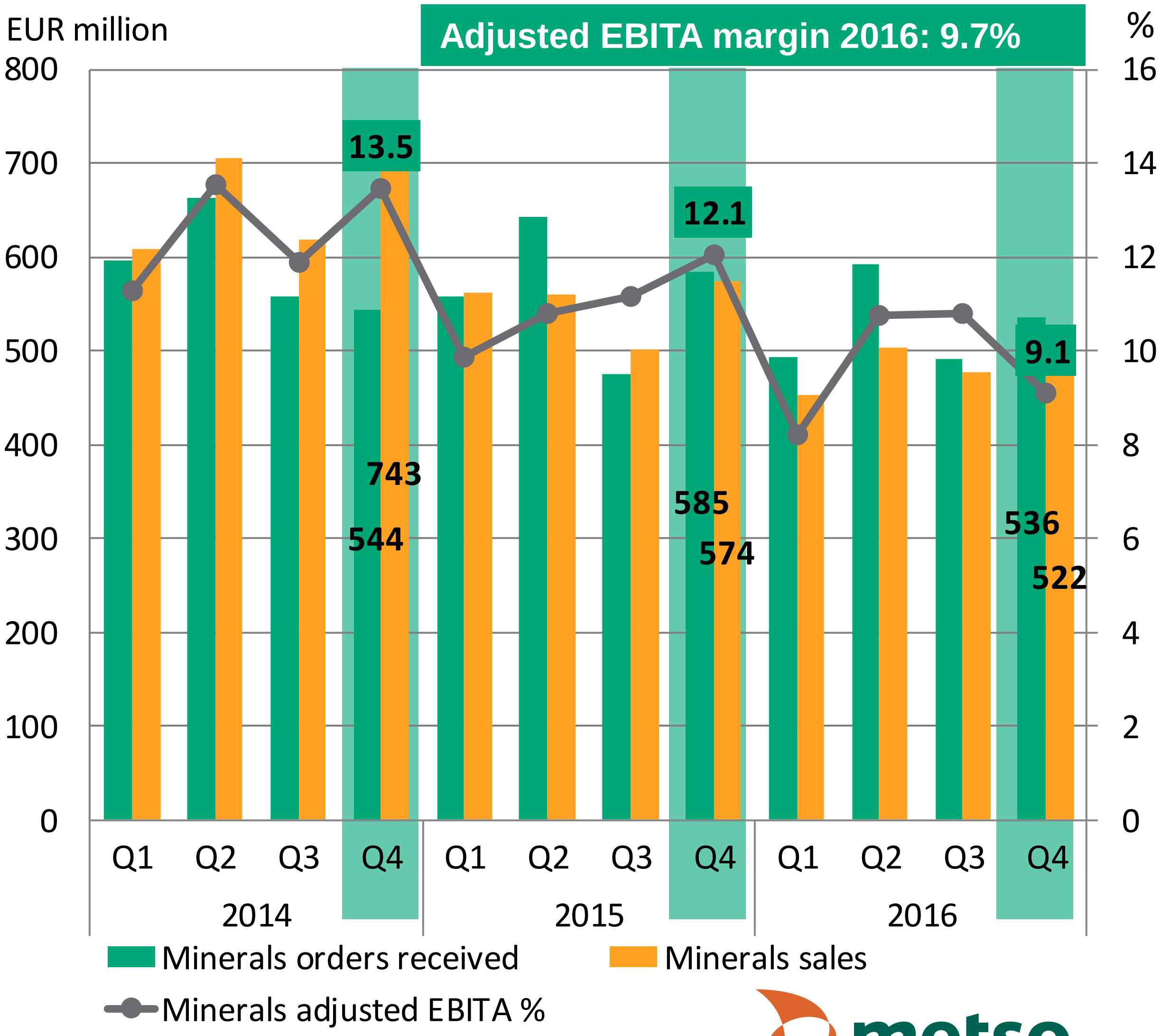
Financial performance

Eeva Sipilä
CFO

Minerals quarterly performance

- Aggregates and recycling sales stabilized
- Mining sales declined still
- Profitability weakened due to
  - lower volumes and
  - project cost overruns and warranty costs of EUR 6 million.
- Operating profit negatively impacted by EUR 13 million restructuring costs



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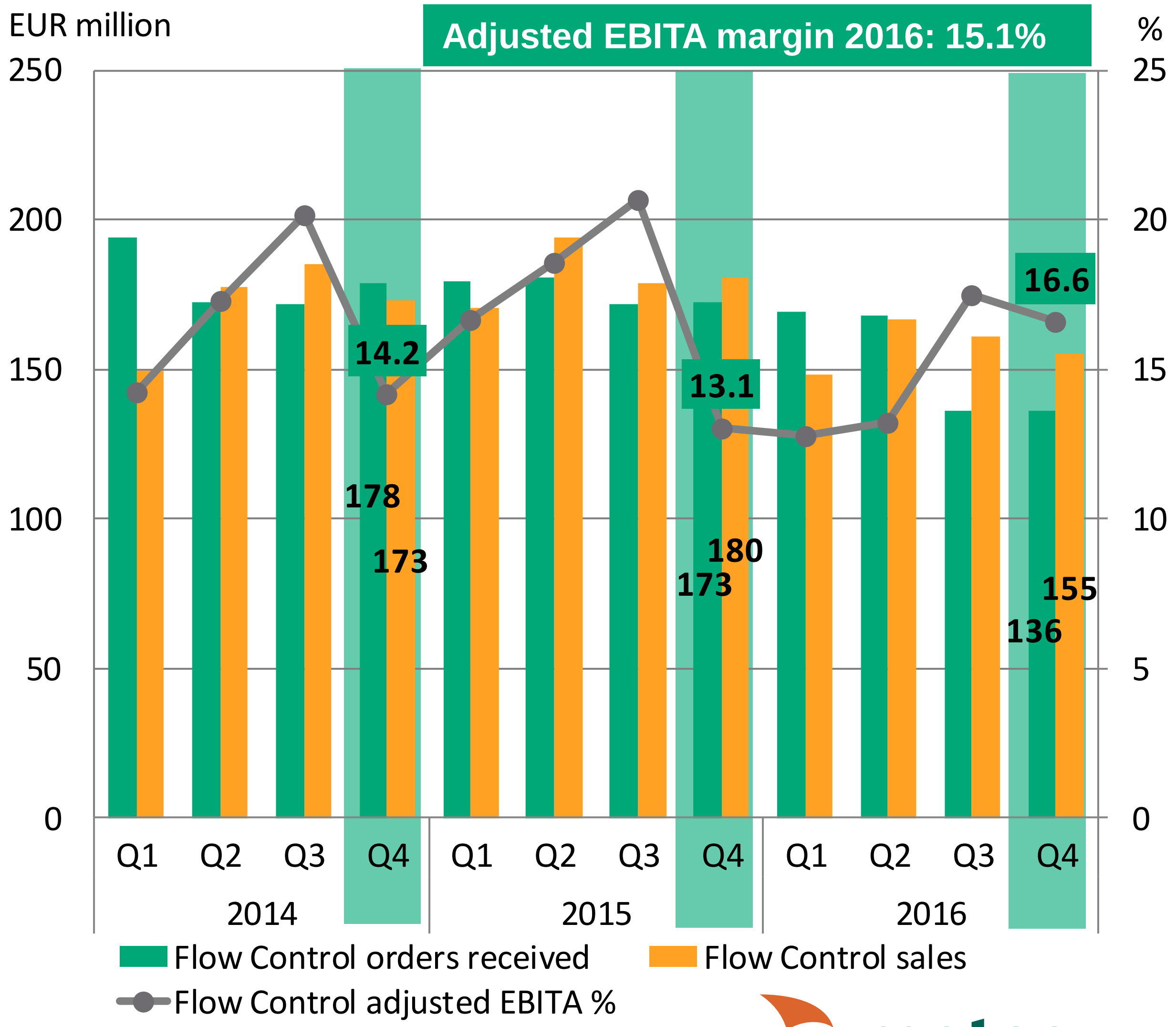
Flow Control quarterly performance

- Sales declined due to lower deliveries to oil & gas and pulp & paper customers
- Adjusted EBITA and adjusted EBITA margin increased
- No notable restructuring costs booked for the quarter



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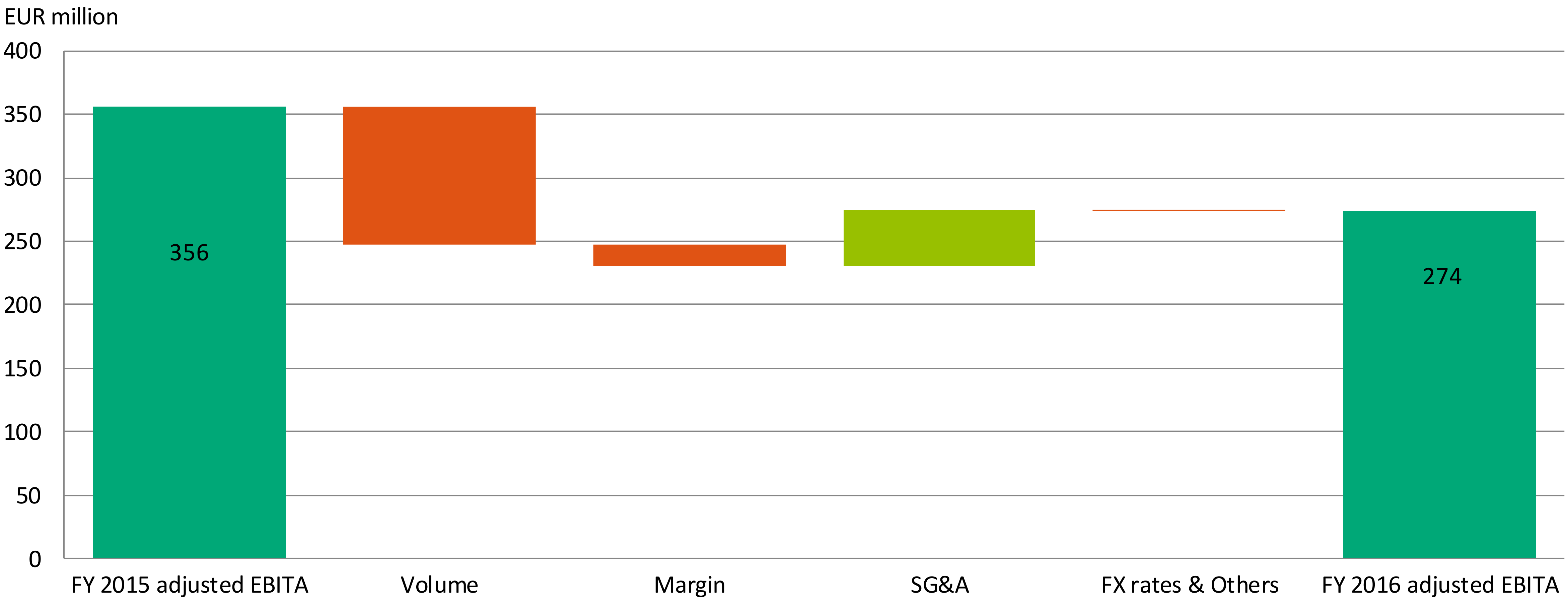
Volume decline biggest driver in profitability



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

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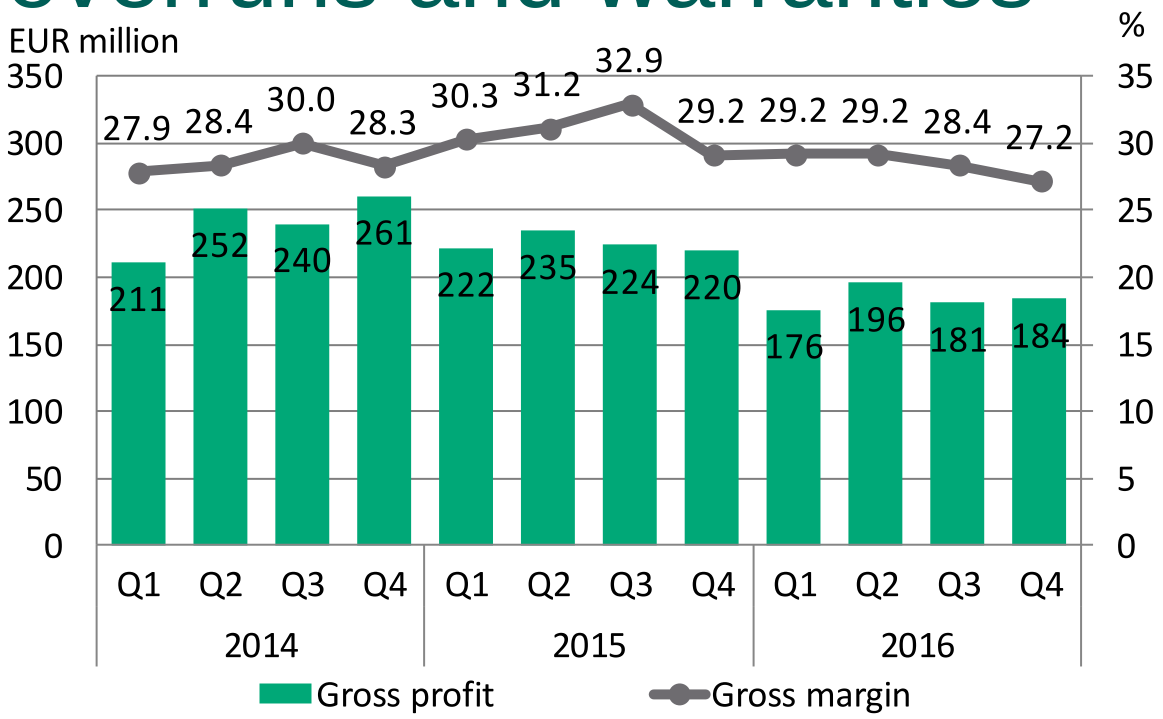
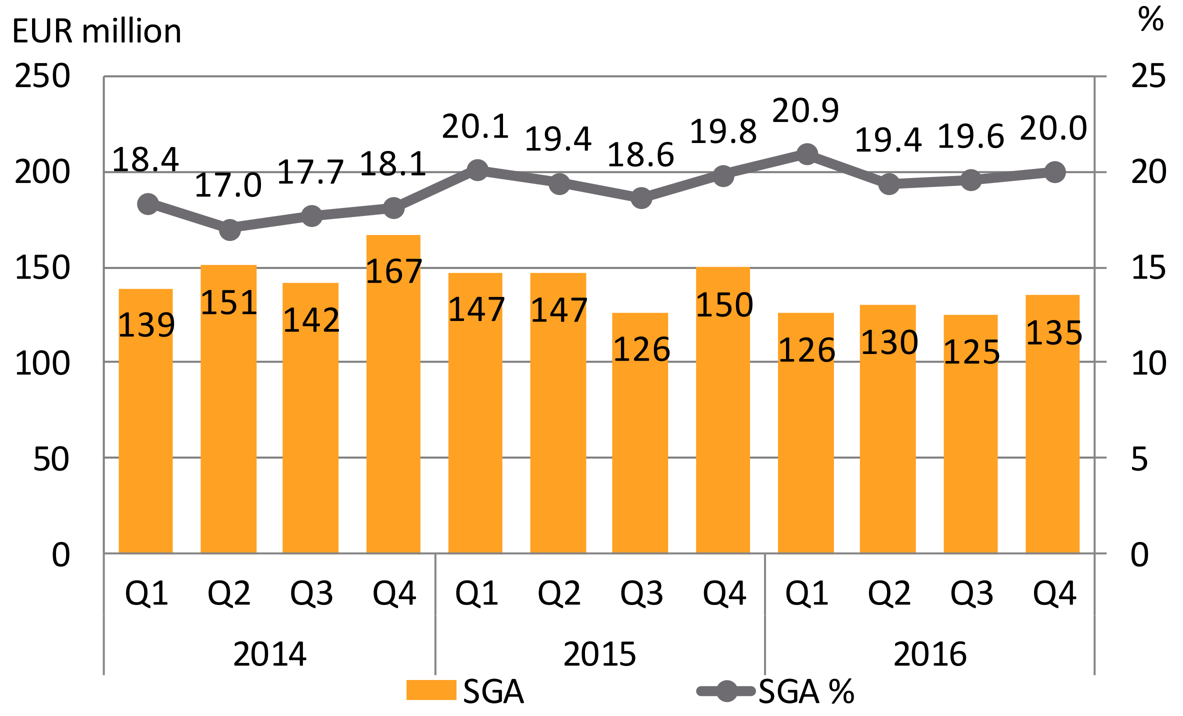
Q4 gross margin affected by adjustments and Minerals' overruns and warranties





- Achieved procurement savings the key positive contributor but
  - high restructuring spend and cost overruns and warranty costs in Minerals had negative impact in the gross margin
- COGS headcount reduced by 700 persons in 2016

- Efficiency measures reduced SG&A headcount by 380 persons in 2016
- No significant credit losses

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Healthy cash flow and solid financial position

EUR million	**Q4/2016**	Q4/2015	Change %	**2016**	2015	Change %
Operating profit	**44**	67	-34	**227**	555*	-59
Earnings per share, EUR	**0.17**	0.35	-53	**0.87**	2.95*	-71
Free cash flow	**97**	59	64	**339**	341	-1

	Dec 31, 2016	Dec 31, 2015
Return on equity (ROE), %	9.0	33.1*
Return on capital employed (ROCE) before taxes, %	10.4	25.7*
Gearing at the end of the period, %	-1.8	10.6
Cash conversion, %	261	180
Equity to assets ratio at the end of the period, %	48.0	48.3

* Including capital gain from divestment of PAS

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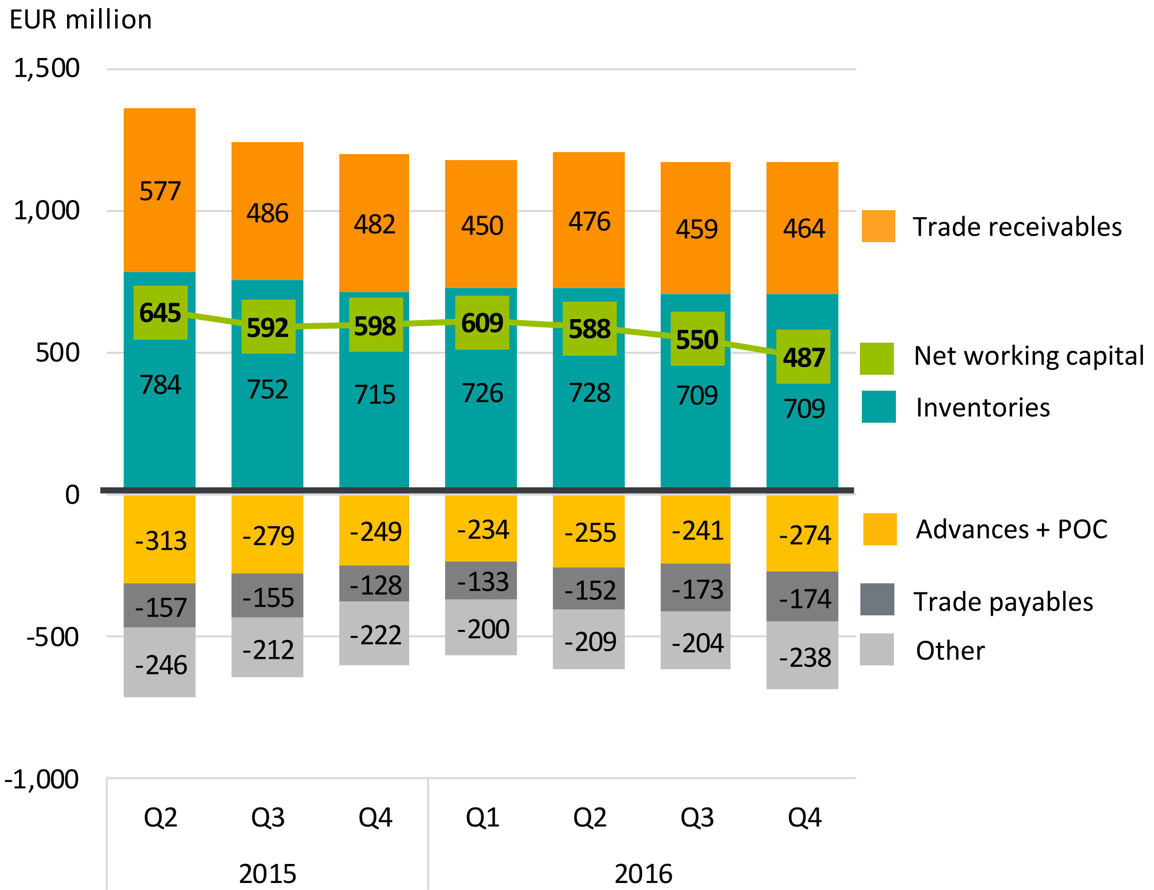
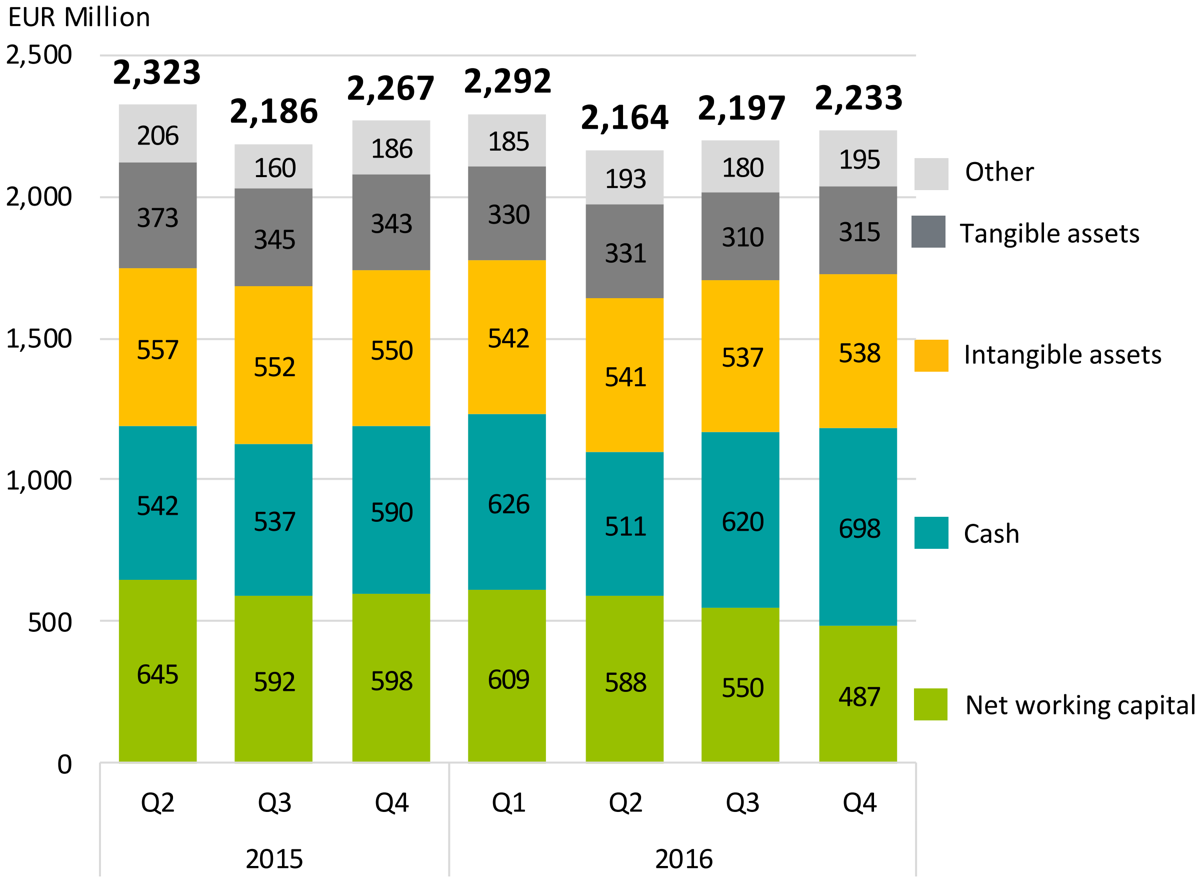
Net working capital and capital employed





- Net working capital declined

- Tangible assets 10% lower y-o-y

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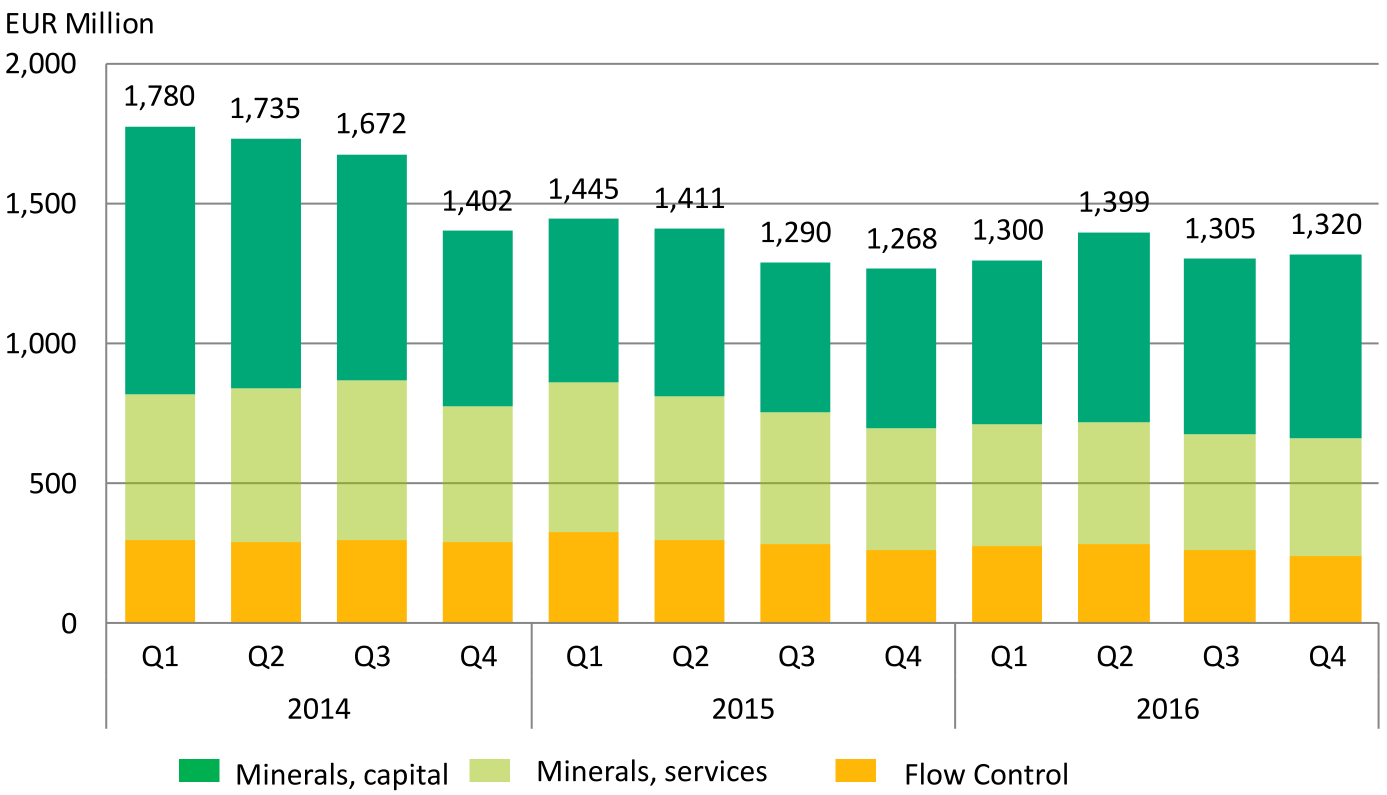
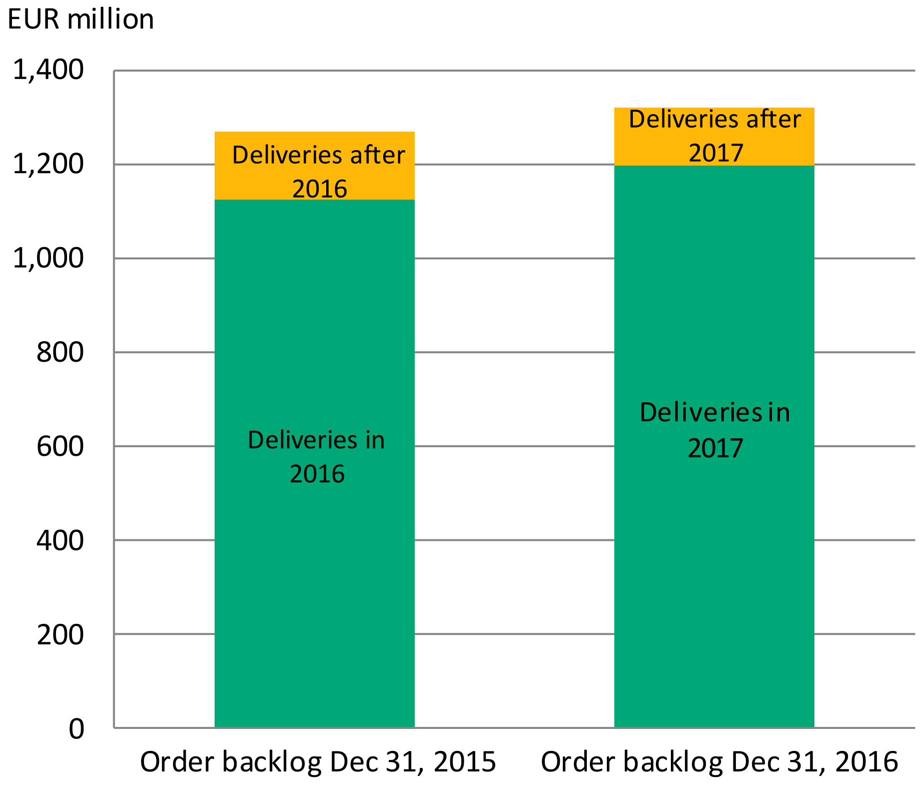
Outlook and backlog

Matti Kähkönen
President and CEO

Order backlog





- Our backlog for 2017 totaled approximately EUR 1.2 billion
- Market uncertainties causing some delays in deliveries

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Short-term market outlook for 2017

Mining

45% of net sales of which 80% services*

Equipment	Services
weak	satisfactory

- Activity in engineered services is soft and miners' cost actions continue
- Order pipeline consists of small and midsize orders

Aggregates

25% of net sales of which 45% services*

Equipment	Services
good	good
Previously: satisfactory	Previously: satisfactory

- The Nordics, US and India remain positive

Flow Control

25% of net sales of which 60% services*

Equipment	Services
satisfactory	satisfactory

- Some positive signs seen in the oil & gas market in the beginning of 2017

*Based on sales in 2016

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Outlook for 2017

Metso's overall trading conditions are expected to be slightly better compared to 2016. Demand for our products and services is expected to develop as follows:

- Remain weak for mining equipment and satisfactory for mining services,
- Improve to good for aggregates equipment and services (previously: satisfactory both for equipment and services)
- Remain satisfactory for Flow Control products related to customers' new investments and satisfactory for Flow Control services, with some positive signs seen in the oil & gas markets in the beginning of the year.

At the end of December 2016, 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.

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Save the date

Metso Capital Markets Day

Thursday, June 1, 2017 at Hilton Helsinki Airport

Programme to include

Presentations from CEO and CFO

Business updates by business heads

Breakout sessions with topical teams including extensive Q&A

We will start with lunch and finish by 18:00 to allow fly in and out during the day

Mark the date in your calendars. Formal invitation will follow.

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Expect results

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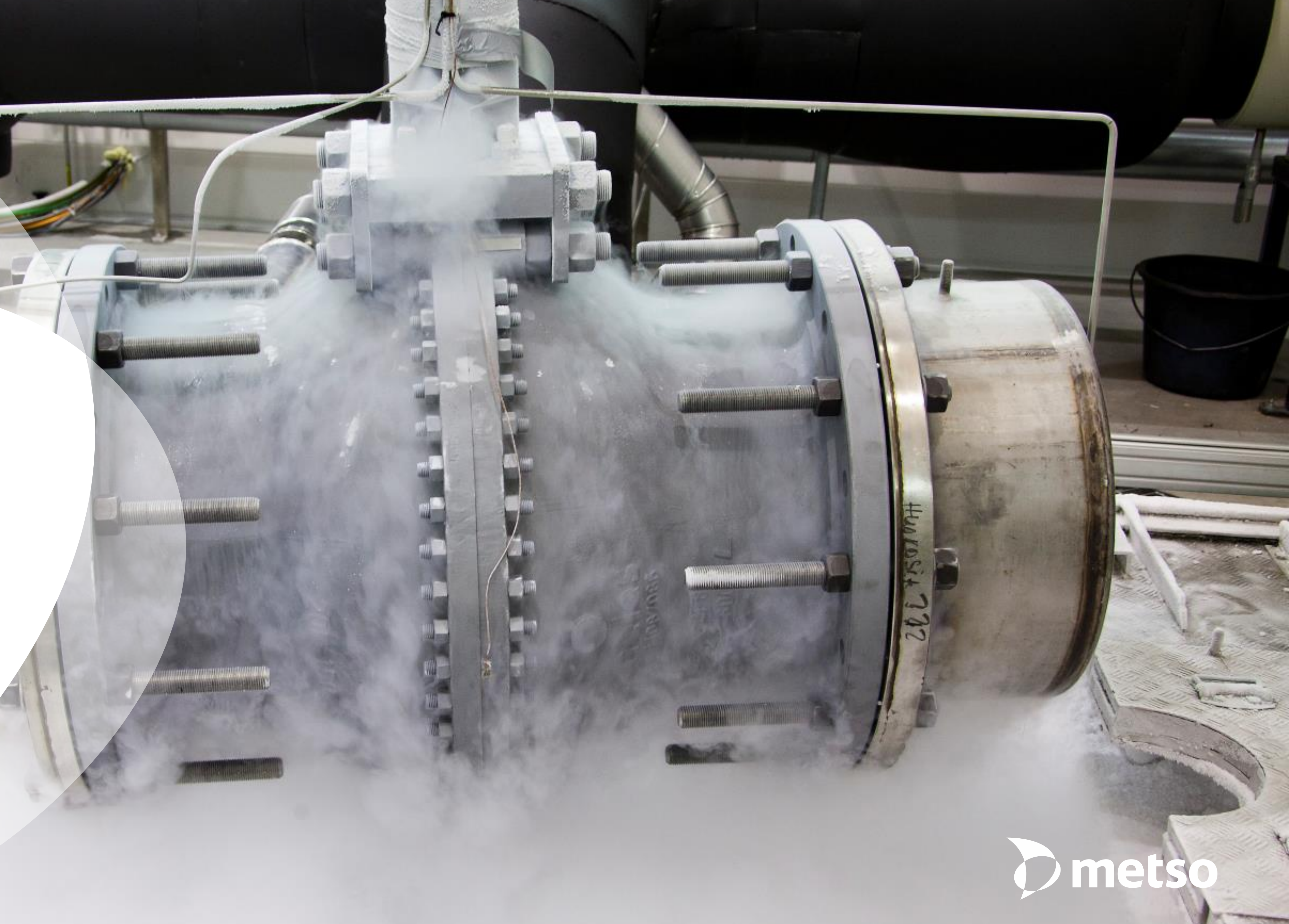
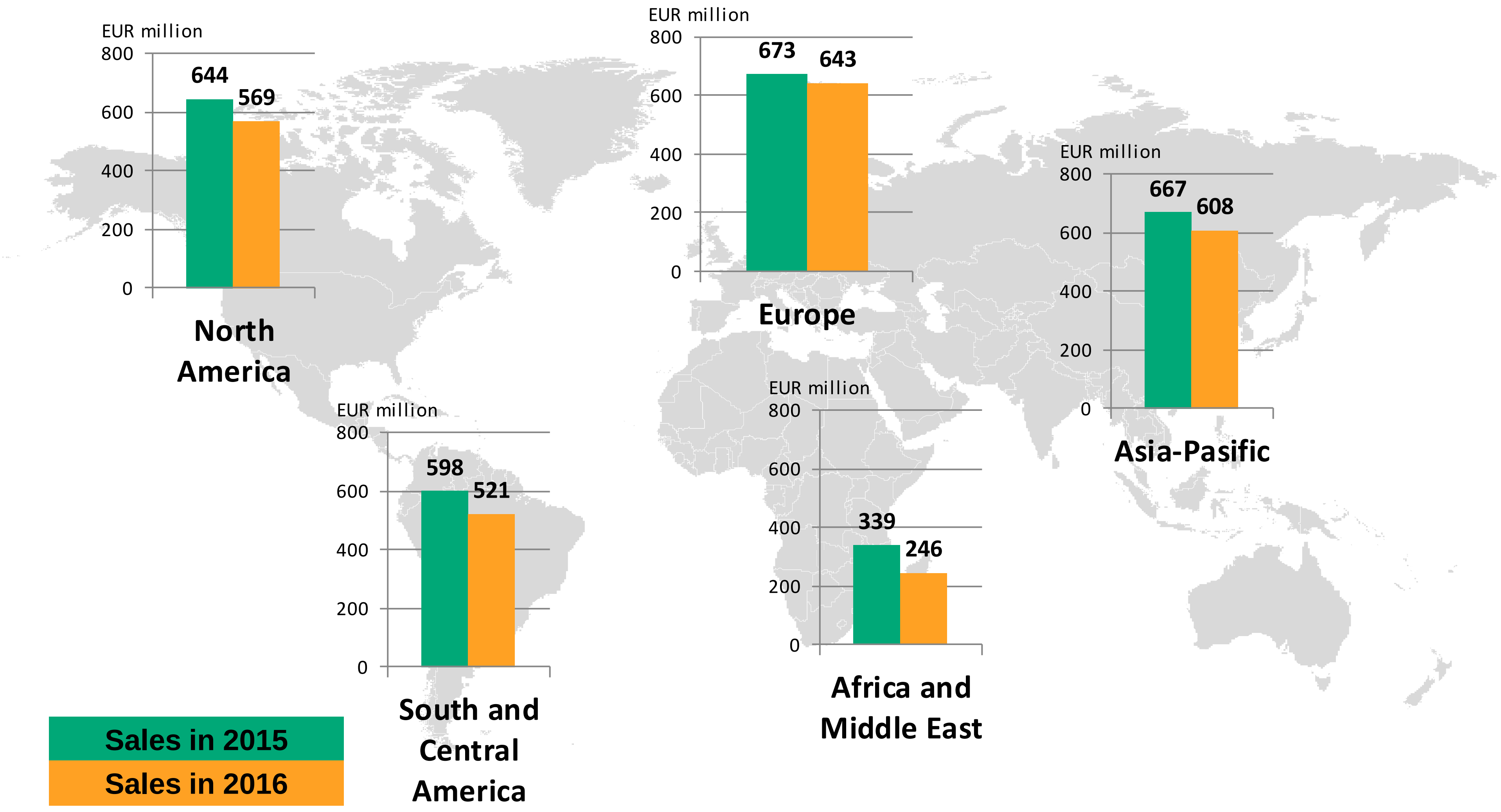
Appendix



Sales by market area



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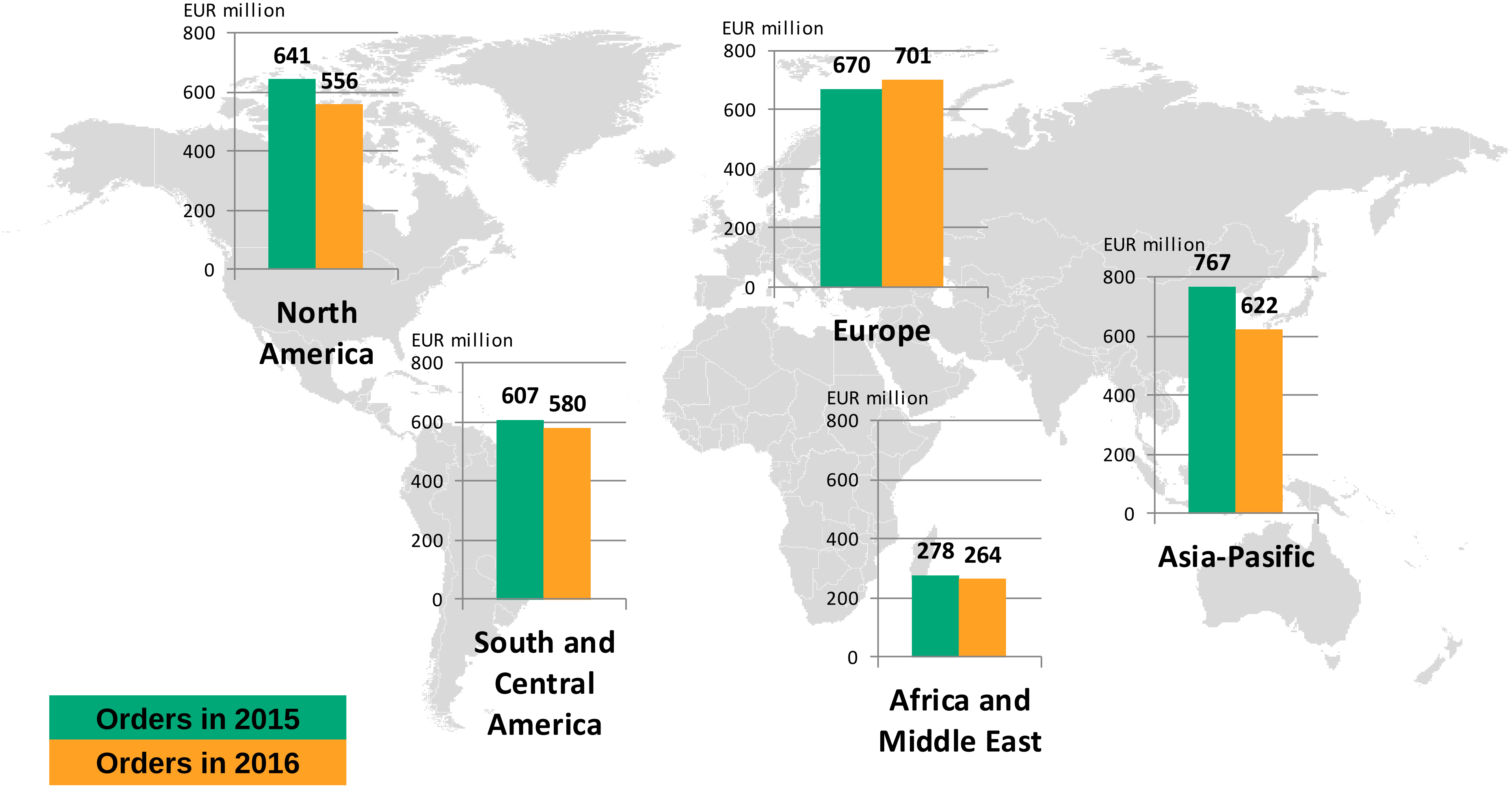
Orders by market area



Key figures

EUR million	Q4/2016	Q4/2015	Change %	2016	2015	Change %
Orders received	**672**	758	-11	2,724	2,965	-8
Without currency effect			-12			-6
Orders received, services business	**442**	441	0	1,741	1,879	-7
Without currency effect			-1			-5
Sales	**676**	754	-10	2,586	2,923	-12
Without currency effect			-11			-10
Sales, services business	**442**	481	-8	1,703	1,840	-7
Without currency effect			-9			-5
Adjusted EBITA	**64**	91	-30	274	356	-23
% of net sales	**9.4**	12.0		10.6	12.2	
Operating profit, EBIT	**44**	67	-34	227	555*	-59
Earnings per share, EPS, EUR	**0.17**	0.35	-53	0.87	2.95*	-71
Return on capital employed (ROCE), before taxes, %				10.4	25.7*	
Free cash flow	**97**	59	64	339	341	-1

* Including capital gain on disposal of PAS-business

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