Metso:Outotec

Q3

Interim Report

January – September 2022

Metso Outotec's Interim Report January 1 – September 30, 2022

Segment information for 2021 has been restated to reflect the segment structure changes that were announced in January 2022.

Figures in brackets refer to the corresponding period in 2021, unless otherwise stated.

Third-quarter 2022 in brief

- Strong market activity continued
- Orders received totaled EUR 1,401 million (EUR 1,649 million, including an exceptionally large order of EUR 360 million)
- Sales grew 37% to EUR 1,402 million (EUR 1,023 million)
- Adjusted EBITA increased to EUR 207 million, or 14.8% of sales (EUR 139 million, or 13.6%)
- Operating profit increased to EUR 192 million, or 13.7% of sales (EUR 107 million, or 10.5%)
- Cash flow from operations was EUR 21 million (EUR 172 million), affected by an increase in net working capital

January–September 2022 in brief

- Orders received increased 8% to EUR 4,435 million (EUR 4,111 million)
- Sales grew 31% to EUR 3,861 million (EUR 2,958 million)
- Adjusted EBITA increased to EUR 519 million, or 13.4% of sales (EUR 384 million, or 13.0%)
- Operating profit was EUR 319 million, or 8.3% of sales (EUR 295 million, or 10.0%), including a EUR 150 million non-recurring charge related to the wind-down of the business in Russia booked in the second quarter
- Earnings per share were EUR 0.24 (EUR 0.24)
- Cash flow from operations was EUR 110 million (EUR 444 million)

President and CEO Pekka Vauramo:

"Our performance was strong across the portfolio and all three segments improved their results."

We delivered an overall strong third quarter, with orders at a healthy level, solid sales growth and the highest ever adjusted EBITA margins for the Group as well as for all three segments. Customer activity was in line with our expectations during the quarter, which was reflected in particular in strong services order growth. The total order intake was lower year-on-year, due to an exceptionally large smelter order booked in the third quarter last year. Adjusting for the one large order and the wind-down of the business in Russia, orders increased 27% year-on-year.

The Group's sales grew 37%, as we continued to deliver our backlog efficiently despite challenges that remain in the global supply chain. In addition to higher equipment deliveries, we continued to see strong services sales volumes, thanks to the services order growth during the previous quarters. Driven by volume growth and our successful price and cost management, the Group's adjusted EBITA increased 49% to EUR 207 million in the third quarter. This corresponds to an adjusted EBITA margin of 14.8%, which is thus far the highest we have reported and very close to our 15% margin target. Our performance was strong across the portfolio and all three segments improved their results, despite a slightly negative impact from the continued strengthening of the US dollar.

We also continue to deliver well in terms of our sustainability agenda; particularly positive was the 45% growth in the Planet Positive sales compared to full-year 2021. The highlight of our Planet Positive orders was a multi-year Life Cycle Services contract for Boliden's Kevitsa mine in Finland. In addition to the supply and optimization services of the Megaliner™ liners for four mills, the agreement also includes a novel Planet Positive mill lining recycling service for used liners. This is an attractive solution supporting the customer's operative and sustainability targets and further increasing their liner wear-life. In addition to supporting our customers' sustainability efforts with Planet Positive products, we are tracking ahead of our target in supplier sustainability engagement and concluded several actions during the quarter to reduce CO_2 emissions in our own footprint.

Looking ahead, we expect customer activity to remain strong in our main markets, except for the aggregates market in Europe, which is expected to be affected by the anticipated economic downturn in the region. While there are challenges in the global economy, which may have an impact on our business environment, we will continue to focus on implementing our strategy and internal actions designed to further improve our performance and resilience in changing conditions.

Market outlook

According to its disclosure policy, Metso Outotec's market outlook describes the expected sequential development of market activity during the following six-month period using three categories: improve, remain at the current level, or decline.

Metso Outotec expects the overall market activity to remain at the current level, with the mining market remaining strong and the aggregates market declining due to the expected softening of the European market.

Group review

Key figures

EUR million	Q3/2022	Q3/2021	Change %	Q1–Q3/2022	Q1–Q3/2021	Change %	2021
Orders received	1,401	1,649	-15	4,435	4,111	8	5,421
Orders received by services business	730	590	24	2,193	1,757	25	2,393
% of orders received	52	36	–	49	43	–	44
Order backlog				3,757	3,496	7	3,536
Sales	1,402	1,023	37	3,861	2,958	31	4,236
Sales by services business	698	519	34	1,865	1,540	21	2,126
% of sales	50	51	–	48	52	–	50
Adjusted EBITA	207	139	49	519	384	35	547
% of sales	14.8	13.6	–	13.4	13.0	–	12.9
Operating profit*	192	107	80	319	295	8	425
% of sales	13.7	10.5	–	8.3	10.0	–	10.0
Earnings per share, continuing operations, EUR	0.16	0.09	78	0.24	0.24	–	0.35
Cash flow from operations	21	172	-88	110	444	-75	608
Gearing, %				30.1	26.5	–	20.9
Personnel at end of period				16,277	15,558	5	15,630

*In Q2/2022, a EUR 150 million non-recurring charge related to Russia was booked in Group Head Office and other.

The Group's financial performance

Market activity continued to be healthy in Metso Outotec's customer industries during the third quarter. The Group's orders received amounted to EUR 1,401 million compared to EUR 1,649 million in the same quarter last year, which included an exceptionally large order totaling EUR 360 million booked in the Minerals and Metals segments. The comparable order intake, adjusted for the one large order and the wind-down of the business in Russia, increased 27% year-on-year.

The Group's sales increased 37% to EUR 1,402 million (EUR 1,023 million). Growth was double-digit in all segments. Equipment sales grew 40%, driven by increased deliveries from the backlog. Services sales grew 34%, thanks to both pricing and volume.

Adjusted EBITA increased to EUR 207 million and the adjusted EBITA margin was 14.8% (EUR 139 million and 13.6%). The result and profitability increased in all segments, supported by higher deliveries, realized synergies, and successful price and cost management. The continued strengthening of the US dollar had a small negative impact.

The Group's operating profit (EBIT) totaled EUR 192 million and the EBIT margin 13.7% (EUR 107 million and 10.5%). Adjustments in the quarter totaled EUR 2 million (EUR -14 million). PPA amortization was EUR -13 million. Net financing expenses totaled EUR -16 million (EUR -8 million).

Profit before taxes was EUR 177 million (EUR 99 million). Earnings per share for continuing operations were EUR 0.16 (EUR 0.09).

Cash flow from operations was EUR 21 million (EUR 172 million), affected by EUR 282 million increase in net working capital.

January–September in brief

The Group's orders received grew 8% and totaled EUR 4,435 million (EUR 4,111 million). Sales increased 31% to EUR 3,861 million (EUR 2,958 million), with the strongest growth seen in the Minerals and Metals segments. The order backlog totaled EUR 3,757 million (EUR 3,496 million) at the end of September.

Adjusted EBITA increased to EUR 519 million (EUR 384 million) and the adjusted EBITA margin improved to 13.4% (13.0%). Negative adjustments of EUR 151 million (EUR 33 million negative) had an impact on the operating profit (EBIT), of which EUR 150 million was related to the wind-down of the business in Russia. Operating profit totaled EUR 319 million, or 8.3% of sales (EUR 295 million and 10.0%). Profit before taxes was EUR 272 million (EUR 269 million). The effective tax rate was 27% (26%). Earnings per share for continuing operations were EUR 0.24 (EUR 0.24).

Impacts of currencies and structural changes

	Orders received		Sales	
EUR million, %	Q3	Q1–Q3	Q3	Q1–Q3
2021	**1,649**	**4,111**	**1,023**	**2,958**
Organic growth in constant currencies, %	-22	2	27	24
Impact of changes in exchange rates, %	6	6	9	6
Structural changes, %	1	0	1	0
Total change, %	**-15**	**8**	**37**	**31**
2022	**1,401**	**4,435**	**1,402**	**3,861**

The Group’s financial position

The Group’s net interest-bearing liabilities were EUR 690 million at the end of September (Dec 31, 2021: EUR 470 million), gearing increased to 30.1% (Dec 31, 2021: 20.9%) and the debt-to-capital ratio to 31.3% (Dec 31, 2021: 26.7%). The equity-to-assets ratio was 37.6% (Dec 31, 2021: 43.2%).

The Group's liquidity position is strong. Liquid funds, consisting of cash and cash equivalents, amounted to EUR 467 million (Dec 31, 2021: EUR 473 million), and there were no deposits or securities with a maturity more than three months (Dec 31, 2021: EUR 0 million).

In addition, Metso Outotec has a committed syndicated revolving credit facility of EUR 600 million with a maturity in 2026. The facility includes sustainability performance targets. At the end of the period, the facility was undrawn. The company also has a EUR 600 million Finnish commercial paper program, of which EUR 251 million was utilized at the end of the period.

During the third quarter, Metso Outotec signed a EUR 100 million term loan agreement for two years with one of its relationship banks. The loan remained undrawn at the end of September.

Metso Outotec has a Euro Medium Term Note Program (EMTN) of EUR 2 billion, under which EUR 564 million at carrying value was outstanding at the end of September (Dec 31, 2021: EUR 687 million).

The average interest rate of total loans and derivatives was 1.37% on September 30, 2022. The duration of medium- and long-term interest-bearing debt was 2.3 years and the average maturity 3.8 years.

Metso Outotec has a ‘BBB-’ long-term issuer credit rating with positive outlook from S&P Global Ratings, and a ‘Baa2’ long-term issuer rating with stable outlook from Moody’s Investor Service.

Aggregates

- Strong market activity in North America
- Sales growth supported by backlog
- Adj. EBITA margin 15.7%

	Orders received		Sales	
EUR million, %	Q3	Q1–Q3	Q3	Q1–Q3
2021	**325**	**1,043**	**293**	**878**
Organic growth in constant currencies, %	-4	-1	12	13
Impact of changes in exchange rates, %	9	6	9	7
Structural changes, %	3	1	3	1
Total change, %	**8**	**7**	**24**	**21**
2022	**351**	**1,116**	**362**	**1,059**

Operating environment and orders received

Market activity remained strong in North America during the third quarter, while the European market was softer. Orders received increased 8% to EUR 351 million (EUR 325 million), driven largely by currencies and the Tesab acquisition. Both equipment orders and services orders grew 8% year-on-year.

Financial performance

Sales increased 24% year-on-year in the third quarter to EUR 362 million, supported by a strong order backlog. Adjusted EBITA increased to EUR 57 million (EUR 42 million), resulting in an adjusted EBITA margin of 15.7% (14.4%). Stronger profitability was driven by volume growth as well as successful price and cost management.

January-September in brief

Orders received increased 7% to EUR 1,116 million. Sales grew 21% and adjusted EBITA improved to EUR 151 million (EUR 126 million), corresponding to a margin of 14.2% (14.4%).

Key figures

EUR million	**Q3/2022**	Q3/2021	Change %	**Q1–Q3/2022**	Q1–Q3/2021	Change %	2021
Orders received	351	325	8	1,116	1,043	7	1,374
Orders received by services business	115	107	8	362	316	15	429
% of orders received	33	33	–	32	30	–	31
Order backlog				610	560	9	545
Sales	362	293	24	1,059	878	21	1,202
Sales by services business	121	108	12	361	292	24	396
% of sales	33	37	–	34	33	–	33
Adjusted EBITA	57	42	35	151	126	19	161
% of sales	15.7	14.4	–	14.2	14.4	–	13.4
Operating profit	53	37	43	142	111	28	148
% of sales	14.8	12.7	–	13.4	12.6	–	12.3

Segment review

Minerals

- Solid market activity
- High sales growth
- Adj. EBITA margin 16.3%

	Orders received		Sales	
EUR million, %	Q3	Q1–Q3	Q3	Q1–Q3
2021	**1,121**	**2,588**	**650**	**1,877**
Organic growth in constant currencies, %	-25	9	29	24
Impact of changes in exchange rates, %	6	6	9	6
Structural changes, %	0	0	0	0
Total change, %	**-19**	**15**	**38**	**30**
2022	**907**	**2,963**	**896**	**2,437**

Operating environment and orders received

Customer activity was healthy in the third quarter in both new equipment and the services business. Services orders increased 26% year-on-year; and the growth was driven by a healthy demand for spare parts and consumables as well as high activity related to productivity improvements and other on-site services. Equipment orders consisted of a healthy amount of small and mid-sized orders but fewer large orders compared to the comparison period. The segment's total orders amounted to EUR 907 million compared to EUR 1,121 million in Q3/2021, of which around EUR 220 million was related to one exceptionally large order.

Financial performance

Sales increased 38% and totaled EUR 896 million (EUR 650 million). Sales of new equipment grew 36% and services sales grew 39%. Adjusted EBITA totaled EUR 146 million (EUR 99 million) and the adjusted EBITA margin improved to 16.3% (15.3%). The stronger result and profitability was driven by increased deliveries, realized synergies, as well as successful mitigation of increased input costs.

January-September in brief

Orders received increased 15% to EUR 2,963 million (2,588 million). Sales increased 30% to EUR 2,437 million. Adjusted EBITA totaled EUR 357 million and the adjusted EBITA margin was 14.6% (EUR 262 million and 14.0%).

Key figures

EUR million	**Q3/2022**	Q3/2021	Change %	**Q1–Q3/2022**	Q1–Q3/2021	Change %	2021
Orders received	907	1,121	-19	2,963	2,588	15	3,437
Orders received by services business	595	470	26	1,768	1,402	26	1,914
% of orders received	66	42	–	60	54	–	56
Order backlog				2,580	2,293	12	2,330
Sales	896	650	38	2,437	1,877	30	2,724
Sales by services business	558	401	39	1,459	1,218	20	1,689
% of sales	62	62	–	60	65	–	62
Adjusted EBITA	146	99	47	357	262	36	371
% of sales	16.3	15.3	–	14.6	14.0	–	13.6
Operating profit	131	90	45	318	221	44	311
% of sales	14.6	13.9	–	13.0	11.8	–	11.4

Segment review

Metals

- **Healthy market activity**
- **Deliveries from backlog increased**
- **Profitability at a good level**

	Orders received		Sales	
EUR million, %	Q3	Q1–Q3	Q3	Q1–Q3
2021	**204**	**481**	**81**	**204**
Organic growth in constant currencies, %	-34	-30	70	74
Impact of changes in exchange rates, %	4	4	7	5
Structural changes, %	–	–	–	–
Total change, %	**-30**	**-26**	**78**	**78**
2022	**143**	**355**	**144**	**364**

Operating environment and orders received

Customer activity was healthy in all businesses, and orders received totaled EUR 143 million (EUR 204 million). The decline was due to a large order booked in the comparison period.

Financial performance

Sales increased 78% to EUR 144 million (EUR 81 million), driven by increased deliveries from the backlog. Higher volumes and an improved cost structure resulted in the increase in adjusted EBITA to EUR 17 million (EUR 2 million) and the improvement in the adjusted EBITA margin to 11.9% (3.1%).

January-September in brief

Orders received declined 26% to EUR 355 million (EUR 481 million). Sales increased 78% year-on-year, and adjusted EBITA was EUR 37 million (EUR 3 million), corresponding to a margin of 10.2% (1.4%)

Key figures

EUR million	**Q3/2022**	Q3/2021	Change %	**Q1–Q3/2022**	Q1–Q3/2021	Change %	2021
Orders received	143	204	-30	355	481	-26	610
Orders received by services business	20	13	50	64	39	63	50
% of orders received	14	6	–	18	8	–	8
Order backlog				567	642	-12	662
Sales	144	81	78	364	204	78	310
Sales by services business	19	9	107	45	30	51	41
% of sales	14	12	–	12	15	–	13
Adjusted EBITA	17	2	593	37	3	1,194	24
% of sales	11.9	3.1	–	10.2	1.4	–	7.7
Operating profit	17	1	1,623	35	-6	–	13
% of sales	11.6	1.2	–	9.5	-2.9	–	4.0

Sustainability

- Strong growth in Planet Positive sales
- Supplier sustainability engagement progressing ahead of target
- Several completed footprint actions

Sustainability KPI (%)	Target	Q3/2022*	FY 2021
Lost time injury frequency rate (LTIFR)	Zero harm	1.2	1.1
Total recordable injury frequency rate (TRIFR)	Zero harm	3.0	3.1
Planet Positive sales (EUR million)	Group sales growth +3%	857	592
Reduction of CO_2 emissions: own operations**	Net zero by 2030; -50% by 2024	N/A	-57%
Reduction of CO_2 emissions: logistics***	-20% by 2025	-18%	-18%
Spend with suppliers having set Science Based Targets	30% by 2025	16%	10%

*Planet Positive sales and logistics emissions are rolling 12 months as of the end of August 2022 incl. equipment and consumables. **Scope 1 and 2, baseline 2019. ***Baseline 2019.

Health and safety. The fatality prevention program continued according to plan.

Planet Positive sales and orders. Rolling 12-month Planet Positive sales as of the end of August 2022 were EUR 857 million. The increase of 45% compared to the full-year 2021 was due to a high Planet Positive content in the order backlog.

Planet Positive orders included a multi-year Life Cycle Services contract for Boliden's Kevitsa mine in Finland. In addition to the supply and optimization services of the Megaliner™ liners for four mills, the agreement also includes a novel Planet Positive mill lining recycling service for used liners. The contract is a performance-based cost-per-ton agreement. The common target is to ensure the availability of the grinding circuit and to maximize valuable production time, striving for a common sustainability goal that benefits both parties. In addition, a medium-sized order with a significant amount of Planet Positive technology was booked for a greenfield beneficiation plant project in Brazil, consisting of a compact aggregates plant and key process equipment.

Planet Positive products. Product launches included in the Planet Positive portfolio during the third quarter:

- Next generation OKTOP® CIL Reactor for gold cyanide leaching and recovery suitable for carbon-in-leach (CIL) and carbon-in-pulp (CIP) process applications,offering minimized activated carbon fines-related gold losses and an electric energy consumption reduction of up to 50%.

- NextGen Pelletizing™ concept for the next generation of pelletizing plants that strive to be carbon-neutral and autonomous, offering a reduction in CO_2 emissions by as much as a 90% and a 10% improvement in energy efficiency.

Footprint. Third-quarter CO_2 emissions from own operations were roughly at the same level as at the end of June, i.e. around 60% below 2019 levels. Several actions were completed during the third quarter to reduce CO_2 emissions in own operations, including solar power installations in two locations and switching to LED lighting. In addition, we completed a waste oil recycling project in China and installed a digital water meter recorder with a telemetry system in India. During the quarter we engaged close to 30 new suppliers with SBTi, and we are progressing ahead of our supplier SBTi target for 2022.

Capital expenditure and investments

Gross capital expenditure, excluding right-of-use assets, was EUR 74 million in January–September 2022 (EUR 64 million). This consisted of small investments in the company's foundries and manufacturing sites.

Research and development

Research and development (R&D) expenses and investments were EUR 45 million, or 1.2% of sales in January–September 2022 (EUR 52 million, or 1.8% of sales).

Personnel

Metso Outotec had 16,277 (15,558) employees at the end of September 2022.

Personnel by area on September 30, 2022

	Share, %
Europe	33
North and Central America	13
South America	28
Asia Pacific and Greater China	12
Africa, Middle East, and India	14
Total	100

Shares and share trading

Metso Outotec has a total of 828,972,440 shares and its share capital is EUR 107,186,442.52. After the company repurchased 3,036,000 of its own shares in August, treasury shares totaled 3,336,505 at the end of September.

Share performance on Nasdaq Helsinki

EUR	January 1-September 30, 2022
Closing price	6.86
Highest share price	10.59
Lowest share price	5.92
Volume-weighted average trading price	7.54

Annual General Meeting 2022

Metso Outotec Corporation's Annual General Meeting (AGM) was held on April 21, 2022, in Helsinki under exceptional Covid-19 meeting procedures without the presence of shareholders' or their proxy representatives. The AGM adopted the financial statements and discharged the members of the Board of Directors and the President & CEO from liability for the financial year 2021 and adopted the company's remuneration report for governing bodies through an advisory resolution.

Dividend for 2021

The AGM resolved to approve the Board of Directors' proposal to pay a dividend of EUR 0.24 per share in two installments for the financial year 2021. The first dividend installment of EUR 0.12 per share was paid on May 2, 2022, and the second installment of EUR 0.12 per share will be paid on November 7, 2022, with the record date on October 31, 2022.

Composition of the Board of Directors

The AGM decided to elect nine members to the Board of Directors. Kari Stadigh was re-elected as Chair, Klaus Cawén as Vice Chair, and Christer Gardell, Antti Mäkinen, Ian W. Pearce, Emanuela Speranza and Arja Talma as members of the Board. Brian Beamish and Terhi Koipijärvi were elected as new Board members. The Board's term of office will end at the closing of the Annual General Meeting 2023.

Remuneration of the Board of Directors

The AGM resolved that the members of the Board of Directors will be paid the following fixed annual remuneration:

- Chair: EUR 156,000
- Vice Chair: EUR 82,500
- Other members: EUR 67,000 each

The additional remuneration to be paid to the members of the Board of Directors that are elected as members of the Board's committees was decided as follows:

- EUR 23,800 to the Chair of the Audit and Risk Committee
- EUR 10,300 each to the other members of the Audit and Risk Committee
- EUR 12,400 to the Chair of the Remuneration and HR Committee
- EUR 5,150 each to the other members of the Remuneration and HR Committee

As a condition for the annual remuneration, the Board members are obliged, directly based on the AGM's decision, to use 20 or 40 percent of their fixed total annual remuneration for the purchase of Metso Outotec shares from the market at a price formed in public trading. The purchase was carried out on April 22, 2022.

<u>Meeting fees</u>

The AGM also resolved to approve the following meeting fees for each Board and committee meeting: EUR 900 for meetings requiring travel within the Nordic countries, EUR 1,800 for meetings requiring travel within a continent, EUR 3,000 for meetings requiring intercontinental travel, and EUR 900 for meetings with remote attendance.

Auditor

Authorized public accounting firm Ernst & Young Oy was re-elected as Auditor for a term ending at the closing of the Annual General Meeting 2023. Ernst & Young Oy appointed Mikko Järventausta, APA, as the principally responsible auditor. The remuneration to the Auditor was decided to be paid against the Auditor's reasonable invoice approved by the company.

Authorizations to repurchase the Company's own shares and to issue shares and special rights entitling to shares

The AGM approved the proposal to authorize the Board to decide on the repurchase of an aggregate maximum of 82,000,000 of Metso Outotec's own shares, which corresponds to approximately 9.9 percent of all shares. However, the company together with its subsidiaries cannot at any moment own more than 10 percent of all the shares of the company. The AGM also approved the proposal to decide on the issuance of shares and the issuance of special rights entitling to shares referred to in Chapter 10, Section 1 of the Finnish Limited Liability Companies Act as follows: The number of shares to be issued on the basis of this authorization shall not exceed an aggregate maximum of 82,000,000 shares, which corresponds to approximately 9.9 percent of all shares.

Other main events between January 1 and September 30, 2022

Development of the Metals business

On January 17, 2022, Metso Outotec announced that it will transfer its Hydrometallurgy business from the Metals segment to the Minerals segment and commence a strategic review in the remaining Metals business area. The target of the review is to evaluate the best environment for developing the Metals business and its strategic fit in Metso Outotec's business portfolio. Restated segment information for 2021 was published on April 6.

Conveyance of own shares based on the long-term incentive plans

On February 9, 2022, the Board of Directors decided to convey a total of 624,516 Metso Outotec's treasury shares without consideration to 60 key persons and executives in accordance with the terms and conditions of the Performance Share Plans 2019–2021 (PSP 2019–2021), Restricted Share Plan 2019–2021 (RSP 2019–2021) and Matching Share Plan directed to the President and CEO (MSP 2018–2021). The directed share issue was based on an authorization given by the Annual General Meeting held on April 23, 2021.

On June 30, 2022, a total of 17,669 of Metso Outotec's treasury shares were conveyed without consideration to the President and CEO in the third and final matching share tranche of the Matching Share Plan originally decided by the Board of Metso Corporation in 2018. The continuation of the plan in Metso Outotec was announced on July 1, 2020.

Annual Report for 2021

On March 16, 2022, Metso Outotec published its Annual Report for 2021. The report consists of five sections: Business Overview, Financial Review, Corporate Governance Statement, Remuneration Report and GRI Supplement.

Changes in Metso Outotec Executive Team

On March 29, 2022, the following changes were made in the Metso Outotec Executive Team with immediate effect. Piia Karhu was nominated President, Metals business area. Her previous role in the Executive Team was Senior Vice President, Business Development. The previous President of the Metals business area, Jari Ålgars, resigned from Metso Outotec.

Acquisition of Tesab Engineering Ltd

On April 11, 2022, Metso Outotec signed an agreement to acquire Tesab Engineering Ltd, a Northern Ireland-based company offering mobile crushing equipment for aggregates applications, including quarrying, recycling, asphalt and concrete. Tesab's turnover in 2021 was approx. EUR 30 million, and it has more than 60 employees primarily in Europe. The acquisition was completed in May.

Divestment of Metal Recycling business

On June 2, 2022, Metso Outotec completed the divestment of its metal recycling business line to Mimir, an investment company based in Stockholm, Sweden.

Repurchase of own shares

Between August 9 and August 22, 2022, Metso Outotec repurchased a total of 3,036,000 own shares for an average price of EUR 8.2538 per share. The shares were repurchased on the basis of the authorization given by the Annual General Meeting, and will be used as a part of the company's share-based incentive plans.

Composition of the Shareholders' Nomination Board

On August 17, 2022, the four largest shareholders of Metso Outotec nominated representatives to the Shareholders' Nomination Board, which includes the Chair of the Board of Directors as the fifth member.

The company's four largest registered shareholders on August 15, 2022, were Solidium (14.9% of shares and votes), Cevian Capital Partners (7.8% of shares and votes), Ilmarinen Mutual Pension Insurance Company (3.0% of shares and votes) and Varma Mutual Pension Insurance Company (2.7% of shares and votes).

As a result, Metso Outotec's Shareholders' Nomination Board consists of:

Annareetta Lumme-Timonen, Investment Director, Solidium

Niko Pakalén, Partner, Cevian Capital Partners Ltd

Mikko Mursula, Deputy CEO, Investments, Ilmarinen

Risto Murto, President & CEO, Varma

Kari Stadigh, Chair of Metso Outotec's Board of Directors

The Shareholders’ Nomination Board should provide its proposals relating to the composition of the Board and Board remuneration to the Metso Outotec Board of Directors by January 31, 2023, at the latest.

Acquisition of Global Physical Asset Management

On September 1, 2022, Metso Outotec closed the acquisition of Global Physical Asset Management, a technology provider based in North America. The acquisition strengthened Metso Outotec’s capabilities in digital field service inspections for grinding.

Capital Markets Day

On September 15, 2022, Metso Outotec's Capital Markets Day was held in Espoo, Finland.

Russia business update

Metso Outotec condemns Russia’s military offensive against Ukraine and is deeply saddened by the humanitarian crisis it has caused. Metso Outotec is not taking any new orders for deliveries to Russia and continued to wind-down its Russian business operations and non-sanctioned customer contracts through final deliveries or termination agreements during the third quarter, in line with its earlier disclosures.

In the second quarter, Metso Outotec booked a provision totaling EUR 150 million for wind-down and restructuring, which is expected to cover the remaining exposure in Russia. Wind-down-related final deliveries to non-sanctioned customers during the third quarter amounted to EUR 46 million and the provision at the end of September totaled EUR 145 million.

Metso Outotec will continue to monitor the situation closely, as further changes are expected in sanctions and export control restrictions, as well as in the availability of banking facilities and logistics.

Short-term business risks and market uncertainties

The current uncertainty in the global markets may affect Metso Outotec's market environment. Inflation has risen sharply and is increasing production costs. The tightening of monetary policy by central banks to tackle inflation has led to higher financing costs for investments. Whilst higher prices for minerals and metals typically have a positive impact on demand for Metso Outotec's products and services, volatility is challenging both for customers and suppliers. Rising cost inflation and financing costs as well as high foreign exchange rate volatility could have a negative impact on customers' capex decision-making. Even though the company's hedging currency exposure is linked to firm delivery and purchase agreements, exchange rate fluctuations may impact its financial position. There are also other market and customer-related risks that could cause on-going projects to be postponed, delayed, discontinued or terminated.

Global supply chains continue to be tight, challenged by inflation and the availability of materials, components and logistics; these challenges may be further exacerbated and affect the company’s ability to deliver on-time and/or on-budget. The financial position of suppliers may be at risk and could also lead to challenges with on-time deliveries. If suppliers are unable to deliver and the company is unable to find alternative sources in the time required, it may lead to contractual penalties and/or obligations.

Covid-19's impact on the market and Metso Outotec has softened, but there is still a risk of further variants spreading and causing similar business challenges to those seen in 2020 and 2021. China's continued zero-tolerance policy may create disruption to Metso Outotec’s supply chain, own operations or personnel. Metso Outotec remains vigilant and ready to take various measures to protect the health and safety of its people.

Uncertain market conditions could adversely affect our customers’ payment behavior and increase the risk of lawsuits, claims and disputes taken against Metso Outotec in various countries related to, among other things, Metso Outotec’s products, projects and other operations.

Whilst Metso Outotec has made a provision for the wind-down of its customer contracts and operations in Russia, the extent to which the wind-down can be finalized is still a risk, and the final cost of the wind-down could be affected by possible further escalation of the war in Ukraine, sanctions and export controls, as well as availability of banking services and logistics. The wind-down can lead to an increased risk of claims, disputes or lawsuits.

Information security and cyber threats could disturb or disrupt Metso Outotec’s businesses and operations.

Metso Outotec has identified a significant risk related to its ilmenite smelter project in Saudi Arabia, in line with earlier disclosures. Provisions have been made against this risk. The contractual position and other factual circumstances will ultimately determine the eventual liability and financial impact.

Disputes related to project execution and resulting in extra costs and/or penalties are a risk for Metso Outotec. In the contracts related to the delivery of major projects, the liquidated damages attributable to, for instance, delayed delivery or non-performance may be significant. Even though provisions are provided for, in accordance with accounting principles, there is no certainty that additional liabilities would not materialize.

In discontinued operations, the company has identified a risk related to the UK waste-to-energy projects from 2015, where, in addition to delayed delivery and non-performance claims, the customer is claiming fraudulent misrepresentation and deliberate breach in its claims and lawsuits. Even though Metso Outotec believes it can protect itself against these claims and lawsuits, there is no certainty that additional liabilities would not materialize.

Metso Outotec is involved in a few disputes that may lead to arbitration and court proceedings. Differing interpretations of international contracts and laws may cause uncertainties in estimating the outcome of these disputes. The enforceability of contracts in certain market areas may be challenging or difficult to foresee.

Market outlook

According to its disclosure policy, Metso Outotec's market outlook describes the expected sequential development of market activity during the following six-month period using three categories: improve, remain at the current level, or decline.

Metso Outotec expects the market activity to remain at the current level, with the mining market remaining strong and the aggregates market declining due to the expected softening of the European market.

Helsinki, October 28, 2022

Metso Outotec Corporation's Board of Directors

Metso Outotec Interim Report
January 1–September 30, 2022: Tables

Contents

Consolidated statement of income, IFRS

EUR million	**7–9/2022**	7–9/2021	**1–9/2022**	1–9/2021	1–12/2021
Sales	1,402	1,023	3,861	2,958	4,236
Cost of sales	-972	-740	-2,889	-2,120	-3,058
Gross profit	430	284	972	838	1,178
Selling and marketing expenses	-114	-82	-317	-252	-348
Administrative expenses	-80	-67	-233	-228	-321
Research and development expenses	-12	-17	-42	-49	-66
Other operating income and expenses, net	-31	-11	-60	-14	-18
Share of results of associated companies	0	0	-1	0	-1
Operating profit	192	107	319	295	425
Finance income	3	0	6	2	4
Foreign exchange gains/losses	-3	1	-14	1	-4
Finance expenses	-15	-9	-39	-29	-40
Finance income and expenses, net	-16	-8	-47	-26	-39
Profit before taxes	177	99	272	269	385
Income taxes	-47	-26	-74	-70	-92
Profit for the period from continuing operations	130	73	198	200	294
Profit from discontinued operations	1	3	-3	22	48
Profit for the period	131	76	195	222	342
Profit attributable to					
Shareholders of the Parent Company	132	76	197	221	342
Non-controlling interests	-1	0	-2	1	0
Earnings per share, EUR	0.16	0.09	0.24	0.27	0.41
Earnings per share, diluted, EUR	0.16	0.09	0.24	0.27	0.41
Earnings per share from continuing operations, EUR	0.16	0.09	0.24	0.24	0.35

More information under "Key figures, IFRS".

Consolidated statement of comprehensive income, IFRS

EUR million	7–9/2022	7–9/2021	1–9/2022	1–9/2021	1–12/2021
Profit for the period	131	76	195	222	342
Other comprehensive income					
Cash flow hedges, net of tax	1	-1	2	-12	-13
Currency translation on subsidiary net investment	16	0	72	32	46
Items that may be reclassified to profit or loss in subsequent periods	17	-1	74	20	33
Defined benefit plan actuarial gains and losses, net of tax	0	–	-1	-1	5
Items that will not be reclassified to profit or loss	0	–	-1	-1	5
Other comprehensive income	17	-1	73	19	38
Total comprehensive income	147	76	268	241	380
Attributable to					
Shareholders of the Parent Company	149	75	269	240	380
Non-controlling interests	-1	0	-2	1	0

Consolidated balance sheet – Assets, IFRS

EUR million	Sep 30, 2022	Sep 30, 2021	Dec 31, 2021
Non-current assets			
Intangible assets			
Goodwill	1,139	1,123	1,124
Other intangible assets	864	890	878
Total intangible assets	2,004	2,013	2,002
Property, plant and equipment			
Land and water areas	37	34	35
Buildings and structures	123	121	121
Machinery and equipment	192	173	174
Assets under construction	58	38	43
Total property, plant and equipment	410	366	373
Right-of-use assets	118	131	127
Other non-current assets			
Investments in associated companies	6	10	7
Non-current financial assets	2	4	4
Loan receivables	6	6	6
Derivative financial instruments	–	-1	2
Deferred tax assets	251	183	178
Other non-current receivables	37	46	38
Total other non-current assets	301	248	234
Total non-current assets	2,833	2,758	2,737
Current assets			
Inventories	1,887	1,236	1,269
Trade receivables	795	566	668
Customer contract assets	437	273	324
Loan receivables	2	3	3
Derivative financial instruments	79	34	46
Income tax receivables	31	45	36
Other current receivables	281	199	210
Liquid funds	467	550	473
Total current assets	3,980	2,906	3,028
Assets held for sale	13	141	65
TOTAL ASSETS	6,826	5,805	5,830

Consolidated balance sheet – Equity and liabilities, IFRS

EUR million	**Sep 30, 2022**	Sep 30, 2021	Dec 31, 2021
Equity			
Share capital	107	107	107
Share premium fund	20	20	20
Cumulative translation adjustments	-92	-177	-164
Fair value and other reserves	1,117	1,130	1,130
Retained earnings	1,130	1,037	1,156
Equity attributable to shareholders	2,283	2,117	2,250
Non-controlling interests	7	4	1
Total equity	2,290	2,122	2,251
Liabilities			
Non-current liabilities			
Borrowings	704	628	627
Lease liabilities	94	106	104
Post-employment benefit obligations	127	118	124
Provisions	50	69	45
Derivative financial instruments	27	1	6
Deferred tax liability	201	229	209
Other non-current liabilities	2	2	2
Total non-current liabilities	1,204	1,153	1,117
Current liabilities			
Borrowings	338	356	192
Lease liabilities	29	32	30
Trade payables	779	610	692
Provisions	334	117	178
Advances received	321	221	235
Customer contract liabilities	419	362	388
Derivative financial instruments	132	39	52
Income tax liabilities	143	81	76
Other current liabilities	836	588	585
Total current liabilities	3,331	2,407	2,428
Liabilities held for sale	1	123	35
TOTAL EQUITY AND LIABILITIES	6,826	5,805	5,830

Consolidated statement of changes in shareholders' equity, IFRS

EUR million	Share capital	Share premium fund	Cumulative translation adjustments	Fair value and other reserves	Retained earnings	Equity attributable to shareholders	Non-controlling interests	Total equity
Jan 1, 2022	107	20	-164	1,130	1,156	2,250	1	2,251
Profit for the period	–	–	–	–	197	197	-2	195
Other comprehensive income								
Cash flow hedges, net of tax	–	–	–	2	–	2	–	2
Currency translation on subsidiary net investments	–	–	72	–	–	72	–	72
Defined benefit plan actuarial gains (+) / losses (-), net of tax	–	–	–	–	-1	-1	–	-1
Total comprehensive income	–	–	72	2	195	269	-2	268
Dividends	–	–	–	–	-199	-199	–	-199
Redemption of own shares	–	–	–	-25	–	-25	–	-25
Share-based payments, net of tax	–	–	–	10	-3	7	–	7
Other items	–	–	–	0	-11	-11	–	-11
Changes in non-controlling interests	–	–	–	–	-9	-9	7	-1
Sep 30, 2022	107	20	-92	1,117	1,130	2,283	7	2,290

EUR million	Share capital	Share premium fund	Cumulative translation adjustments	Fair value and other reserves	Retained earnings	Equity attributable to shareholders	Non-controlling interests	Total equity
Jan 1, 2021	107	20	-210	1,136	983	2,037	3	2,040
Profit for the period	–	–	–	–	221	221	1	222
Other comprehensive income								
Cash flow hedges, net of tax	–	–	–	-12	–	-12	–	-12
Currency translation on subsidiary net investments	–	–	32	–	–	32	–	32
Defined benefit plan actuarial gains (+) / losses (-), net of tax	–	–	–	–	-1	-1	–	-1
Total comprehensive income	–	–	32	-12	220	240	1	241
Dividends	–	–	–	–	-166	-166	–	-166
Share-based payments, net of tax	–	–	–	7	–	7	–	7
Other items	–	–	–	–	0	0	0	0
Sep 30, 2021	107	20	-177	1,130	1,037	2,117	4	2,122

Condensed consolidated statement of cash flow, IFRS

EUR million	7–9/2022	7–9/2021	1–9/2022	1–9/2021	1–12/2021
Operating activities					
Profit for the period	131	76	195	222	342
Adjustments:					
Depreciation and amortization	39	41	116	124	167
Financial expenses, net	16	8	47	26	39
Income taxes	47	27	73	70	92
Other items	6	13	20	0	-2
Change in net working capital	-217	6	-341	2	-31
Net cash flow from operating activities before financial items and taxes	21	172	110	444	608
Financial income and expenses paid, net	-14	-4	-49	-24	-35
Income taxes paid	-22	-15	-83	-48	-64
Net cash flow from operating activities	-15	152	-22	371	508
Investing activities					
Capital expenditures on non-current assets	-31	-24	-74	-64	-91
Proceeds from sale of non-current assets	3	12	9	38	22
Business acquisitions, net of cash acquired	-6	–	-21	–	–
Proceeds from sale of businesses, net of cash sold	–	–	-9	–	74
Proceeds from sale of associated companies	–	–	–	–	1
Proceeds from sale of non-current financial assets	–	–	2	–	–
Net cash flow from investing activities	-34	-12	-93	-26	5
Financing activities					
Dividends paid	–	–	-100	-83	-166
Change in loan receivables, net	0	0	0	0	0
Proceeds from and repayments of non-current debt, net	0	-50	-50	-200	-350
Proceeds from and repayment of current debt, net	99	7	293	-23	-37
Repayment of lease liabilities	-8	-10	-26	-29	-38
Purchase of treasury shares	-25	–	-25	–	–
Net cash flow from financing activities	65	-53	92	-335	-591
Net change in liquid funds	**16**	**87**	**-23**	**10**	**-78**
Effect from changes in exchange rates	1	0	17	10	14
Cash classified as assets held for sale	–	-6	–	-7	0
Liquid funds at beginning of period	451	469	473	537	537
Liquid funds at end of period	467	550	467	550	473

Key figures, IFRS

EUR million	**Sep 30, 2022**	Sep 30, 2021	Dec 31, 2021
Profit for the period from continuing operations	198	200	294
Earnings per share from continuing operations, EUR	0.24	0.24	0.35
Profit for the period	195	222	342
Earnings per share, EUR	0.24	0.27	0.41
Equity/share at end of period, EUR	2.77	2.56	2.72
Total number of shares at end of period (thousands)	828,972	828,972	828,972
Own shares held by Parent Company (thousands)	3,337	925	925
Number of outstanding shares at end of period (thousands)	825,636	828,047	828,047
Average number of outstanding shares (thousands)	827,771	828,035	828,038

EUR million	**Sep 30, 2022**	Sep 30, 2021	Dec 31, 2021
Net debt	690	563	470
Gearing, %	30.1%	26.5%	20.9%
Equity-to-asset ratio, %	37.6%	40.6%	43.2%
Debt to capital, %	31.3%	31.7%	26.7%
Debt to equity, %	45.5%	46.4%	36.4%
Net working capital (NWC)	592	310	254
Net debt and gearing			
Borrowings	1,042	984	819
Lease liabilities	123	138	133
Gross debt	1,166	1,122	952
Loan receivables	8	9	9
Liquid funds	467	550	473
Net debt	690	563	470
Gearing	30.1%	26.5%	20.9%

Formulas for key figures

Earnings before financial expenses, net, taxes, and amortization, adjusted (adjusted EBITA)	=	Operating profit + adjustment items + amortization	
Earnings per share, basic	=	Profit attributable to shareholders / Average number of outstanding shares during the period	
Earnings per share, diluted	=	Profit attributable to shareholders / Average number of diluted shares during the period	
Equity/share	=	Equity attributable to shareholders / Number of outstanding shares at the end of the period	
Gearing, %	=	Net interest-bearing liabilities / Total equity	x 100
Equity-to-asset ratio, %	=	Total equity / Balance sheet total - advances received	x 100
Debt to capital, %	=	Interest-bearing liabilities – lease liabilities / Total equity + interest-bearing liabilities – lease liabilities	x 100
Debt to equity, %	=	Interest-bearing liabilities – lease liabilities / Total equity	x 100
Interest-bearing liabilities (Gross debt)	=	Interest-bearing liabilities, non-current and current + lease liabilities, non-current and current	
Net interest-bearing liabilities (Net debt)	=	Interest-bearing liabilities - non-current financial assets - loan and other interest-bearing receivables (current and non-current) - liquid funds	
Net working capital (NWC)	=	Inventories + trade receivables + other non-interest-bearing receivables + customer contract assets and liabilities, net - trade payables - advances received - other non-interest-bearing liabilities	

Alternative Performance Measures

Metso Outotec presents certain key figures (alternative performance measures) as additional information to the financial measures presented in the consolidated statements of comprehensive income and the consolidated balance sheet and cash flows prepared in accordance with IFRS. In Metso Outotec's view, alternative performance measures provide meaningful supplemental information on its operational results, financial position and cash flows and are widely used by analysts, investors and other parties.

To improve the comparability between periods, Metso Outotec presents adjusted EBITA, being earnings before interest, tax, and amortization adjusted by capacity adjustment costs, acquisition costs, gains, and losses on business disposals as well as Metso Outotec transaction and integration costs. Their nature and net effect on cost of goods sold, selling, general and administrative expenses, as well as other income and expenses are presented in the segment information. Net debt, gearing, equity-to-asset ratio, debt-to-capital ratio, and debt-to-equity ratio are presented as complementing measures because, in Metso Outotec's view, they are useful measures of Metso Outotec's ability to obtain financing and to service its debts. Net working capital provides additional information concerning the cash flow needs of Metso Outotec's operations.

Alternative performance measures should not be viewed in isolation or as a substitute to the IFRS financial measures. All companies do not calculate alternative performance measures in a uniform manner, and therefore Metso Outotec's alternative performance measures may not be comparable with similarly named measures presented by other companies.

Notes to the Interim Report

Contents

1. Basis of preparation

This Interim Report has been prepared in accordance with IAS 34 'Interim Financial Reporting', applying the accounting policies of Metso Outotec, which are consistent with the accounting policies of Metso Outotec Financial Statements 2021. New accounting standards have been adopted, as described in note 2. This Interim Report is unaudited.

All figures presented have been rounded; consequently, the sum of individual figures might differ from the presented total figures.

On October 28, 2020, Metso Outotec announced its decision to divest the Recycling business, and it has been classified as discontinued operations. The assets and liabilities held for sale have been transferred to separate lines in the consolidated balance sheet. The divestment of the Waste Recycling business was finalized on December 1, 2021, and the Metal Recycling business divestment was finalized on June 2, 2022.

Reporting segments

Metso Outotec's segment structure changed as of January 1, 2022. The Hydrometallurgy business in the Metals segment was transferred to the Minerals segment. In addition to changes in the Minerals and Metals segments, small changes were made in the Aggregates segment that relate to the McCloskey and P.J. Jonsson och Söner businesses; business that had previously been reported under the equipment business was reclassified and reported as services. Due to the segment structure change of January 1, 2022, Metso Outotec's comparison figures for 2021 have been restated according to the new segment structure. The restatement had no impact on the Group's total figures. More information on the segment restatement can be found in the stock exchange release published on April 6, 2022.

Metso Outotec Group is a global supplier of sustainable technologies, end-to-end solutions, and services for the minerals processing, aggregates, and metals refining industries. Metso Outotec has a broad offering in terms of equipment, solutions, and various types of aftermarket services. Reportable segments of Metso Outotec are based on end-customer groups, which are differentiated by both offering and business model: Aggregates, Minerals, and Metals.

The segments are reported in a manner consistent with the internal reporting provided to the Board of Directors, Metso Outotec's chief operating decision-maker with responsibility for allocating resources and assessing the performance of the segments, deciding on strategy, selecting key employees, as well as deciding on major development projects, business acquisitions, investments, organizational structure, and financing. The accounting principles applied to the segment reporting are the same as those used in preparing the consolidated financial statements.

Aggregates offers a wide range of equipment, aftermarket parts, and services for quarries, aggregates contractors, and construction companies. Minerals supplies a wide portfolio of process solutions, equipment, and aftermarket services, as well as plant delivery capability for mining operations. Metals provides sustainable solutions for processing virtually all types of ores and concentrates to refined metals. The Group Head Office and other is comprised of the Parent Company with centralized Group functions, such as treasury and tax, as well as global business service center and holding companies.

Segment performance is measured with operating profit/loss (EBIT). In addition, Metso Outotec uses alternative performance measures to reflect the underlying business performance and to improve comparability between financial periods: earnings before interest, tax and amortization (EBITA), and adjusted net working capital. Alternative performance measures, however, should not be considered as a substitute for measures of performance in accordance with the IFRS.

2. New accounting standards

Metso Outotec has applied the revised IFRS Standards that have been effective since January 1, 2022. These amendments have not had a material impact on the reported figures.

3. Disaggregation of sales

Metso Outotec's segment structure changed as of January 1, 2022. Metso Outotec's comparison figures for 2021 have been restated according to the new segment structure.

SALES BY SEGMENT

EUR million	7–9/2022	7–9/2021	1–9/2022	1–9/2021	1–12/2021
Aggregates	362	293	1,059	878	1,202
Minerals	896	650	2,437	1,877	2,724
Metals	144	81	364	204	310
Sales	1,402	1,023	3,861	2,958	4,236

SALES BY SEGMENT

EUR million	7–9/2022	7–9/2021	1–9/2022	1–9/2021	1–12/2021
Sales of services	698	519	1,865	1,540	2,126
Aggregates	121	108	361	292	396
Minerals	558	401	1,459	1,218	1,689
Metals	19	9	45	30	41
Sales of projects, equipment, and goods	704	504	1,996	1,418	2,111
Aggregates	241	184	698	585	806
Minerals	339	249	979	659	1,035
Metals	124	71	319	174	270
Sales	1,402	1,023	3,861	2,958	4,236

EXTERNAL SALES BY TIMING OF REVENUE RECOGNITION

EUR million	7–9/2022	7–9/2021	1–9/2022	1–9/2021	1–12/2021
At a point in time	1,132	812	2,888	2,306	3,215
Over time	270	212	973	652	1,021
Sales	1,402	1,023	3,861	2,958	4,236

EXTERNAL SALES BY DESTINATION

EUR million	7–9/2022	7–9/2021	1–9/2022	1–9/2021	1–12/2021
Europe	287	278	899	839	1,198
North and Central America	314	207	853	613	861
South America	255	166	657	476	677
APAC	326	223	865	623	878
Africa, Middle East, and India	219	150	586	407	622
Sales	1,402	1,023	3,861	2,958	4,236

4. Financial risk management

As a global company, Metso Outotec is exposed to a variety of business and financial risks. Financial risks are managed centrally by the Group Treasury under annually reviewed written policies approved by the Board of Directors. Treasury operations are monitored by the Treasury Management Team chaired by the CFO. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the operating units. Group Treasury functions as counterparty to the operating units, centrally manages external funding, and is responsible for the management of financial assets and appropriate hedging measures. The objective of financial risk management is to minimize potential adverse effects on Metso Outotec's financial performance.

High volatility in the currency markets during the second quarter was visible in a strong appreciation of the US dollar and the depreciation of several key mining countries' currencies. This resulted in significant changes in the fair value of currency hedges as well as operating currency losses having a negative impact on adjusted EBITA. The change in fair value hedges is attributed to the non-hedge accounted hedges, which are typically related to product sales and purchases. There is a timing and line mismatch with the hedge and the operative underlying transaction; later, when the customer invoicing is concluded and revenue is recognized, the appreciated USD impact will flow through. The hedges related to larger projects are hedge accounted, and their fair value is not recognized in the income statement.

Liquidity and refinancing risk, capital structure management

Liquidity or refinancing risk arises when a company is not able to arrange funding at terms and conditions corresponding to its creditworthiness. Sufficient cash, short-term investments, and committed and uncommitted credit facilities are maintained to protect short-term liquidity. Diversification of funding among different markets and an adequate number of financial institutions is used to safeguard the availability of liquidity at all times. Group Treasury monitors bank account structures, cash balances and forecasts of the operating units, and manages the utilization of the consolidated cash resources.

The liquidity position of Metso Outotec remained good. As of September 30, 2022, liquid funds, consisting of cash and cash equivalents, amounted to EUR 467 million (EUR 473 million on December 31, 2021), and there were no deposits or securities with a maturity more than three months (EUR 0 million on December 31, 2021).

In addition, Metso Outotec has a committed and undrawn EUR 600 million syndicated revolving credit facility with a maturity in 2026. The facility includes sustainability performance targets. At the end of the period, the facility was undrawn. The company also has a EUR 600 million Finnish commercial paper program, of which EUR 251 million was utilized at the end of the period.

During the third quarter, Metso Outotec signed a EUR 100 million term loan agreement for two years with one of its relationship banks. The loan remained undrawn at the end of September.

Capital structure management in Metso Outotec comprises both equity and interest-bearing debt. As of September 30, 2022, the equity attributable to shareholders was EUR 2,283 million (EUR 2,250 million on December 31, 2021), and the amount of interest-bearing debt, excluding lease liabilities, was EUR 1,042 million (EUR 819 million on December 31, 2021).

Metso Outotec has a target to maintain an investment-grade credit rating. Metso Outotec has ‘BBB-’ long-term issuer credit rating with positive outlook from S&P Global Ratings and ‘Baa2’ long-term issuer rating with stable outlook from Moody’s Investor Service.

There are no prepayment covenants in Metso Outotec's financial contracts that would be triggered by changes in credit rating. Covenants included in some financing agreements refer to a combination of certain credit-rating level and Metso Outotec’s capital structure. Metso Outotec is in compliance with all covenants and other terms of its debt instruments.

5. Fair value estimation

For those financial assets and liabilities that have been recognized at fair value in the balance sheet, the following measurement hierarchy and valuation methods have been applied:

Level 1 Unadjusted quoted prices in active markets at the balance sheet date. The market prices are readily and regularly available from an exchange, dealer, broker, market information service system, pricing service, or regulatory agency. The quoted market price used for financial assets is the current bid price. Level 1 financial instruments include fund investments classified as fair value through profit and loss.

Level 2 The fair value of financial instruments in Level 2 is determined using valuation techniques. These techniques utilize observable market data readily and regularly available from an exchange, dealer, broker, market information service system, pricing service or regulatory agency. Level 2 financial instruments include:

- Over-the-counter derivatives classified as financial assets/liabilities at fair value through profit and loss or qualified for hedge accounting
- Debt securities classified as financial instruments at fair value through profit and loss
- Fixed-rate debt under fair value hedge accounting

Level 3 A financial instrument is categorized into Level 3 if the calculation of the fair value cannot be based on observable market data. There were no such instruments on September 30, 2022, or on December 31, 2021.

The table below presents financial assets and liabilities that are measured at fair value. There have been no transfers between fair value levels during the presented period.

		Sep 30, 2022	
EUR million	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
Derivatives not under hedge accounting	–	57	–
Financial assets at fair value through other comprehensive income			
Derivatives under hedge accounting	–	25	–
Total	–	82	–
Liabilities			
Financial liabilities at fair value through profit and loss			
Derivatives not under hedge accounting	–	89	–
Financial liabilities at fair value through other comprehensive income			
Derivatives under hedge accounting	–	73	–
Total	–	162	–

		Dec 31, 2021	
EUR million	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
Derivatives not under hedge accounting	–	24	–
Financial assets at fair value through other comprehensive income			
Derivatives under hedge accounting	–	24	–
Total	–	48	–
Liabilities			
Financial liabilities at fair value through profit and loss			
Derivatives not under hedge accounting	–	29	–
Financial liabilities at fair value through other comprehensive income			
Derivatives under hedge accounting	–	29	–
Total	–	58	–

The carrying value of financial assets and liabilities other than those presented in this fair value level hierarchy table approximates their fair value. Fair values of other debt are calculated as net present values.

6. Notional amounts of derivative instruments

EUR million	**Sep 30, 2022**	Sep 30, 2021	Dec 31, 2021
Forward exchange rate contracts	3,183	2,245	2,456
Interest-rate swaps	275	275	275

7. Contingent liabilities and commitments

EUR million	**Sep 30, 2022**	Sep 30, 2021	Dec 31, 2021
Guarantees			
External guarantees given by Parent and Group companies	1,549	1,410	1,575
Other commitments			
Repurchase commitments	0	0	0
Other contingencies	1	1	1
Total	1,551	1,411	1,577

8. Acquisitions

Metso Outotec completed the acquisition of Tesab Engineering Ltd on May 3, 2022. Tesab is a Northern Ireland-based company specializing mostly in mobile crushing equipment for aggregates applications, including quarrying, recycling, asphalt and concrete. The acquired business was consolidated into the Aggregates segment. Tesab's turnover in 2021 was approx. EUR 30 million. The company employs about 60 people.

On September 1, 2022, Metso Outotec completed the acquisition of Global Physical Asset Management, a technology provider based in North America. The acquisition will further strengthen Metso Outotec's capabilities in digital field service inspections for grinding. The company has offices in Kelowna, British Columbia, Canada and in Wisconsin, USA. The acquired business was consolidated into the Minerals segment. In 2021 the sales of Global Physical Asset Management were approximately EUR 5 million. The company employs about 20 people.

Assets and liabilities recognized as a result of the acquisitions

EUR million	Fair value
Fixed assets	11
Inventory	7
Other assets	7
Liabilities	-11
Net identifiable assets acquired at fair value	**14**
Goodwill	8
Purchase consideration	**22**

Goodwill is mainly attributable to synergies. The goodwill is not deductible for tax purposes. The initial calculation of goodwill generated is based on the result of the acquired company, adjusted by changes in accounting principles and effects from the fair value adjustment of acquired assets and related tax adjustments.

Assets and liabilities recognized as a result of the acquisitions

EUR million	
Cash consideration paid	-22
Cash and cash equivalents acquired	0
Net cash flow for the year	-22
Cash considerations, total	**-22**

9. Business disposals

On June 2, 2022, Metso Outotec completed the divestment of its Metal Recycling business line to Mimir, a Swedish investment company. The sold Metal Recycling business includes the brands Lindemann and Texas Shredder. Its approximately 160 employees have been transferred to the new company.

The disposal of the Metal Recycling business did not have a material impact on Metso Outotec's financials. Metal Recycling related items have been reported under discontinued operations.

10. Segment information, IFRS

Metso Outotec’s segment structure changed as of January 1, 2022. Metso Outotec’s comparison figures for 2021 have been restated according to the new segment structure.

ORDERS RECEIVED

EUR million	**7–9/2022**	7–9/2021	**1–9/2022**	1–9/2021	1–12/2021
Aggregates	351	325	1,116	1,043	1,374
Minerals	907	1,121	2,963	2,588	3,437
Metals	143	204	355	481	610
Metso Outotec total	1,401	1,649	4,435	4,111	5,421

ORDERS RECEIVED BY SERVICES BUSINESS

EUR million	**7–9/2022**	7–9/2021	**1–9/2022**	1–9/2021	1–12/2021
Aggregates	115	107	362	316	429
% of orders received	32.8	32.9	32.5	30.3	31.3
Minerals	595	470	1,768	1,402	1,914
% of orders received	65.6	42.0	59.6	54.2	55.7
Metals	20	13	64	39	50
% of orders received	13.7	6.4	17.9	8.1	8.1
Metso Outotec total	730	590	2,193	1,757	2,393
% of orders received	52.1	35.8	49.5	42.7	44.1

SALES

EUR million	**7–9/2022**	7–9/2021	**1–9/2022**	1–9/2021	1–12/2021
Aggregates	362	293	1,059	878	1,202
Minerals	896	650	2,437	1,877	2,724
Metals	144	81	364	204	310
Metso Outotec total	1,402	1,023	3,861	2,958	4,236

SALES BY SERVICES BUSINESS

EUR million	**7–9/2022**	7–9/2021	**1–9/2022**	1–9/2021	1–12/2021
Aggregates	121	108	361	292	396
% of sales	33.4	37.0	34.1	33.3	32.9
Minerals	558	401	1,459	1,218	1,689
% of sales	62.2	61.7	59.8	64.9	62.0
Metals	19	9	45	30	41
% of sales	13.5	11.6	12.3	14.6	13.1
Metso Outotec total	698	519	1,865	1,540	2,126
% of sales	49.8	50.7	48.3	52.1	50.2

ADJUSTED EBITA AND OPERATING PROFIT

EUR million, %	7–9/2022	7–9/2021	1–9/2022	1–9/2021	1–12/2021
Aggregates					
Adjusted EBITA	57	42	151	126	161
% of sales	15.7	14.4	14.2	14.4	13.4
Amortization of intangible assets	-4	-4	-11	-11	-14
Adjustment items	0	-1	3	-5	1
Operating profit	53	37	142	111	148
% of sales	14.8	12.7	13.4	12.6	12.3
Minerals					
Adjusted EBITA	146	99	357	262	371
% of sales	16.3	15.3	14.6	14.0	13.6
Amortization of intangible assets	-11	-12	-33	-38	-49
Adjustment items	-5	3	-6	-4	-11
Operating profit	131	90	318	221	311
% of sales	14.6	13.9	13.0	11.8	11.4
Metals					
Adjusted EBITA	17	2	37	3	24
% of sales	11.7	3.1	10.2	1.4	7.7
Amortization of intangible assets	-1	-1	-3	-6	-7
Adjustment items	1	–	1	-3	-4
Operating profit	17	1	35	-6	13
% of sales	11.6	1.2	9.5	-2.9	4.2
Group Head Office and other					
Adjusted EBITA	-13	-5	-25	-7	-8
Amortization of intangible assets	-1	-1	-2	-2	-3
Adjustment items*	6	-15	-149	-21	-36
Operating profit	-8	-21	-176	-30	-47
Metso Outotec total					
Adjusted EBITA	207	139	519	384	547
% of sales	14.8	13.6	13.4	13.0	12.9
Amortization of intangible assets	-16	-18	-49	-56	-72
Adjustment items*	2	-14	-151	-33	-50
Operating profit	192	107	319	295	425
% of sales	13.7	10.5	8.3	10.0	10.0

*In Q2/2022, EUR 150 million charge related to Russian wind-down was booked in Group Head Office and other.

ADJUSTMENT ITEMS BY CATEGORY

EUR million, %	7–9/2022	7–9/2021	1–9/2022	1–9/2021	1–12/2021
Capacity adjustment costs	1	-18	-3	-34	-59
Acquisition costs	–	0	2	-2	6
Profit and loss on disposal	0	4	0	4	3
Wind-down of Russian business	–	–	-150	–	–
Adjustment items, total	2	-14	-151	-33	-50

Quarterly segment information, IFRS

ORDERS RECEIVED

EUR million	7–9/2022	4–6/2022	1–3/2022	10–12/2021	7–9/2021
Aggregates	351	363	402	331	325
Minerals	907	1,176	880	849	1,121
Metals	143	71	141	129	204
Metso Outotec total	1,401	1,610	1,424	1,310	1,649

SALES

EUR million	7–9/2022	4–6/2022	1–3/2022	10–12/2021	7–9/2021
Aggregates	362	368	329	324	293
Minerals	896	810	731	847	650
Metals	144	117	104	106	81
Metso Outotec total	1,402	1,295	1,164	1,278	1,024

Adjusted EBITA

EUR million	7–9/2022	4–6/2022	1–3/2022	10–12/2021	7–9/2021
Aggregates	57	48	45	34	42
Minerals	146	103	108	109	99
Metals	17	11	10	21	2
Group Head Office and other	-13	-6	-6	-1	-5
Metso Outotec total	207	155	157	164	139

Adjusted EBITA, % OF SALES

%	7–9/2022	4–6/2022	1–3/2022	10–12/2021	7–9/2021
Aggregates	15.7	13.1	13.8	10.6	14.4
Minerals	16.3	12.7	14.7	12.9	15.3
Metals	11.7	9.3	9.2	19.8	3.1
Group Head Office and other	n/a	n/a	n/a	n/a	n/a
Metso Outotec total	14.8	12.0	13.5	12.8	13.6

AMORTIZATION OF INTANGIBLE ASSETS

EUR million	7–9/2022	4–6/2022	1–3/2022	10–12/2021	7–9/2021
Aggregates	-4	-4	-4	-3	-4
Minerals	-11	-11	-11	-11	-12
Metals	-1	-1	-1	-1	-1
Group Head Office and other	-1	-1	-1	-1	-1
Metso Outotec total	-16	-16	-17	-16	-18

ADJUSTMENT ITEMS

EUR million	7–9/2022	4–6/2022	1–3/2022	10–12/2021	7–9/2021
Aggregates	0	0	2	6	-1
Minerals	-5	1	-2	-7	3
Metals	1	0	0	-1	0
Group Head Office and other*	6	-154	-1	-15	-15
Metso Outotec total	2	-152	-1	-17	-14

OPERATING PROFIT

EUR million	7–9/2022	4–6/2022	1–3/2022	10–12/2021	7–9/2021
Aggregates	53	45	44	37	37
Minerals	131	93	94	91	90
Metals	17	10	8	19	1
Group Head Office and other*	-8	-160	-8	-17	-21
Metso Outotec total	192	-13	139	130	107

*In Q2/2022, EUR 150 million charge related to Russian wind-down was booked in Group Head Office and other.

OPERATING PROFIT, % OF SALES

%	7–9/2022	4–6/2022	1–3/2022	10–12/2021	7–9/2021
Aggregates	14.8	12.1	13.5	11.5	12.7
Minerals	14.6	11.5	12.9	10.7	13.9
Metals	11.6	8.5	7.8	17.9	1.2
Group Head Office and other	n/a	n/a	n/a	n/a	n/a
Metso Outotec total	13.7	-1.0	12.0	10.2	10.5

ORDER BACKLOG

EUR million	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021
Aggregates	610	613	606	545	560
Minerals	2,580	2,518	2,514	2,330	2,293
Metals	567	624	703	662	642
Metso Outotec total	3,757	3,756	3,823	3,536	3,496

11. Exchange rates

Currency		7–9/2022	7–9/2021	1–12/2021	Sep 30, 2022	Sep 30, 2021	Dec 31, 2021
USD	(US dollar)	1.0637	1.1972	1.1851	0.9748	1.1579	1.1326
SEK	(Swedish krona)	10.5179	10.1436	10.1469	10.8993	10.1683	10.2503
GBP	(Pound sterling)	0.8485	0.8663	0.8615	0.8830	0.8605	0.8403
CAD	(Canadian dollar)	1.3682	1.4999	1.4868	1.3401	1.4750	1.4393
BRL	(Brazilian real)	5.4758	6.3660	6.3782	5.2584	6.2631	6.3101
CNY	(Chinese yuan)	7.0147	7.7422	7.6388	6.9368	7.4847	7.1947
AUD	(Australian dollar)	1.5082	1.5833	1.5792	1.5076	1.6095	1.5615

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 that 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.

Metso Outotec's financial information

Financial Statement Review for 2022 on February 17, 2023

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