Financial Statements Review

January – December 2023

Metso’s Financial Statements Review January 1 – December 31, 2023

Metso revised its segment reporting as of September 30, 2023, by transitioning from three segments to two: Aggregates and Minerals. The Smelting business, previously reported under the Metals segment, was moved to the Minerals segment, and the Metals & Chemical Processing and Ferrous & Heat Transfer businesses from the Metals segment were transferred to discontinued operations. All income statement, order intake and order backlog figures presented in this report pertain to continuing operations, and the financial information for the comparison periods has been restated accordingly.

Figures in brackets refer to the corresponding period in 2022, unless otherwise stated.

Fourth quarter 2023 in brief

- Customers' decision-making slower year-on-year; sequentially stable market activity
- Orders received declined 14% to EUR 1,232 million (EUR 1,437 million), services orders increased 4%
- Sales EUR 1,342 million (EUR 1,356 million), services sales increased 8%
- Adjusted EBITA increased 7% to EUR 225 million, or 16.8% of sales (EUR 210 million, or 15.5%)
- Operating profit increased to EUR 200 million, or 14.9% of sales (EUR 183 million, or 13.5%)
- Cash flow from operations was EUR 216 million (EUR 212 million)

2023 in brief

- Orders received declined 7% to EUR 5,252 million (EUR 5,623 million)
- Sales grew 8% to EUR 5,390 million (EUR 4,970 million)
- Adjusted EBITA increased 24% to EUR 887 million, or 16.5% of sales (EUR 715 million, or 14.4%)
- Operating profit increased to EUR 805 million, or 14.9% of sales (EUR 490 million, or 9.9%)
- Earnings per share were EUR 0.66 (EUR 0.36) and for continuing operations EUR 0.65 (EUR 0.39)
- Cash flow from operations was EUR 550 million (EUR 322 million)
- The Board of Directors will propose a dividend of EUR 0.36 for 2023 (EUR 0.30), to be paid in two equal installments

President and CEO Pekka Vauramo:

"We can be very satisfied with our performance, and I would like to express my gratitude to the whole Metso personnel for their strong contribution during 2023."

Our performance remained strong in the fourth quarter, despite sales declining slightly year-on-year within a mixed market environment. We improved our adjusted EBITA by 7% to EUR 225 million and adjusted EBITA margin to 16.8%, compared to 15.5% in the last quarter of 2022. This demonstrates our unwavering dedication to improving our profitability and to reaching our updated profitability goal of over 17% adjusted EBITA margin.

Demand in the mining market remained stable during the latter part of the year. Steady customer production levels contributed to the favorable increase in services orders within the Minerals segment. Whilst Minerals equipment orders for the quarter declined, as a result of a tough year-on-year comparison, we continue to see a healthy order proposal pipeline. As anticipated, the aggregates market continued to be weaker compared to the previous year. This was evident in the lower order intake in the fourth quarter, although there was a sequential increase due to seasonal demand.

Quarterly sales increased in Minerals, but the decline in Aggregates sales, in addition to a negative currency impact, resulted in the Group's sales being 1% lower year-on-year. The profitability of Minerals improved, and the profitability of Aggregates was at the comparison period's level, despite the decline in sales. Overall, our profitability development reflects improved gross margins through cost management, as well as other actions implemented to strengthen our resilience to market fluctuations.

For the full year, orders received decreased slightly, mainly due to the weaker Aggregates market. Sales increased by 8%, and adjusted EBITA increased by 24% to EUR 887 million, or 16.5% of revenue. Our cash flow from operations also improved towards the end of the year, reaching EUR 550 million compared to EUR 322 million in 2022. Overall, we can be very satisfied with our performance, and I would like to express my gratitude to the whole Metso personnel for their strong contribution during 2023.

We made significant strides in our strategic focus areas, with sales of our Planet Positive products growing by 18% year-on-year to EUR 1,447 million, accounting for 27% of our total sales. The demand for Planet Positive products remains robust, and new Planet Positive orders include battery minerals processing plants, such as a lithium hydroxide refinery, and a full-scope sustainable comminution flow sheet concept. During the year, we also introduced several new Planet Positive products, to e.g., battery minerals processes, recycling, and process optimization and availability.

Throughout 2023, we continued to refine our business portfolio: we announced a plan to divest two businesses that were previously part of our Metals segment. These businesses have been reported as discontinued businesses since the third quarter, and the divestment process is ongoing. Additionally, we pursued inorganic growth opportunities and made three small acquisitions last year. In 2024, we will continue to seek further opportunities to strengthen our market position and expand our sustainable and digital offerings. We also remain committed to annual productivity improvements and cost control.

We expect that the ongoing demand for infrastructure and minerals, driven by the global energy transformation, will sustain our end markets. However, customer decision-making may be influenced by economic and geopolitical developments. We are confident that our strong position will enable us to continue providing excellent service to our customers and creating value for all our stakeholders in 2024.

Market outlook

According to the company's disclosure policy, Metso’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 expects that the market activity in Minerals will remain at the current level, while the activity in Aggregates is expected to improve.

In its previously published outlook, Metso expected the overall market activity to remain at the current level in both Minerals and Aggregates.

Group review

Key figures

EUR million	Q4/2023	Q4/2022	Change %	2023	2022	Change %
Orders received	1,232	1,437	-14	5,252	5,623	-7
Orders received by services business	681	656	4	2,955	2,833	4
% of orders received	55	46	–	56	50	–
Order backlog				2,951	3,303	-11
Sales	1,342	1,356	-1	5,390	4,970	8
Sales by services business	758	703	8	2,891	2,558	13
% of sales	57	52	–	54	51	–
Adjusted EBITA	225	210	7	887	715	24
% of sales	16.8	15.5	–	16.5	14.4	–
Operating profit*	200	183	9	805	490	64
% of sales	14.9	13.5	–	14.9	9.9	–
Earnings per share, continuing operations, EUR*	0.16	0.15	7	0.65	0.39	67
Cash flow from operations	216	212	2	550	322	71
Gearing, %				33.8	29.1	–
Personnel at end of period				17,134	16,705	3

*Full-year 2022 includes a EUR 150 million non-recurring charge related to the wind-down of business in Russia.

The Group’s fourth-quarter financial performance

The mining industry’s market activity remained consistent with the previous quarter, as expected. However, equipment orders were lower year-on-year, primarily due to a smaller number of large orders. The subdued demand in the aggregates market started to improve towards the end of the quarter. As a result, both segments saw orders declining and the Group's orders received totaled EUR 1,232 million compared to EUR 1,437 million in the comparison period. Services orders increased 4%.

Sales were EUR 1,342 million (EUR 1,356 million), resulting from growth in the Minerals segment and a decline in Aggregates. The Group's services sales grew 8%, while equipment sales declined 11%.

Adjusted EBITA increased to EUR 225 million and the adjusted EBITA margin improved to 16.8% (EUR 210 million and 15.5%). Profitability improved in the Minerals segment and remained solid in the Aggregates segment. Adjusted EBITA of the Group items was EUR -1 million (EUR -11 million).

Operating profit (EBIT) was EUR 200 million and the EBIT margin 14.9% (EUR 183 million and 13.5%). Adjustments in the quarter were EUR -8 million (EUR -10 million). PPA amortization was EUR -13 million. Net financing expenses amounted to EUR -25 million (EUR -16 million).

Profit before taxes was EUR 175 million (EUR 167 million). Earnings per share for continuing operations were EUR 0.16 (EUR 0.15).

Cash flow from operations was EUR 216 million (EUR 212 million), driven by robust profitability.

2023 in brief

The Group’s orders received decreased by 7% to EUR 5,252 million (EUR 5,623 million), due to weaker market activity in Aggregates and a smaller number of large equipment orders in Minerals. Services orders grew 4%. While Aggregates sales declined, Minerals reported sales growth, resulting in the Group's sales increasing by 8% to EUR 5,390 million (EUR 4,970 million). The order backlog at the end of the year was EUR 2,951 million (EUR 3,303 million).

The Group's adjusted EBITA increased to EUR 887 million, up from EUR 715 million in the previous year. The adjusted EBITA margin also improved to 16.5% from 14.4%. These improved results were driven by volume growth and successful cost management. Operating profit was EUR 805 million, or 14.9% of sales (EUR 490 million and 9.9%), including negative adjustments of EUR 18 million (EUR 163 million negative, largely related to the wind-down of the business in Russia). Profit before taxes was EUR 724 million (EUR 426 million). The effective tax rate was 26% (25%). Earnings per share for continuing operations were EUR 0.65 (EUR 0.39).

Cash flow from operations improved to EUR 550 million (EUR 322 million), thanks to improved profitability while the amount of net working capital tied in the business increased, largely in the first half of 2023.

Impacts of currencies and structural changes

	Orders received		Sales	
EUR million, %	Q4	Q1–Q4	Q4	Q1–Q4
2022	**1,437**	**5,623**	**1,356**	**4,970**
Organic growth in constant currencies, %	-11	-4	3	12
Impact of changes in exchange rates, %	-4	-3	-5	-4
Structural changes, %	0	0	1	1
Total change, %	**-14**	**-7**	**-1**	**8**
2023	**1,232**	**5,252**	**1,342**	**5,390**

The Group’s financial position

At the end of December, the Group’s net interest-bearing liabilities were EUR 884 million (Dec 31, 2022: EUR 684 million). The increase is attributed to the issuance of the EUR 300 million bond in November in preparation for an upcoming bond maturity in June 2024. The Group's gearing was 33.8% (Dec 31, 2022: 29.1%) and debt-to-capital ratio 35.0% (Dec 31, 2022: 33.3%). The equity-to-assets ratio was 40.2% (Dec 31, 2022: 39.2%).

The Group's liquidity position remained strong. Liquid funds, consisting of cash and cash equivalents, amounted to EUR 638 million (Dec 31, 2022: EUR 601 million). There were no deposits or securities with a maturity of more than three months (Dec 31, 2022: EUR 0 million). The Group has a committed syndicated revolving credit facility of EUR 600 million with a maturity in 2026. The facility includes sustainability performance targets impacting the cost of borrowing. At the end of the quarter, the facility was undrawn. The company also has a EUR 600 million Finnish commercial paper program, which was not utilized at the end of December.

Metso has a Euro Medium Term Note Program (EMTN) of EUR 2 billion, under which EUR 1,081 million at carrying value was outstanding at the end of December (Dec 31, 2022: EUR 758 million).

During 2023, the company made the following funding transactions:

- One-year extension to the existing EUR 100 million term loan agreement with maturity in September 2025
- First Sustainability Linked Bond of EUR 300 million with a coupon of 4.375% and maturity in 2030
- Draw-down of EUR 50 million research, development, and innovation (RDI) loan with European Investment Bank and maturity in 2030

The average interest rate of total loans and derivatives was 4.3% on December 31, 2023. The duration of total interest-bearing debt was 1.8 years and the average maturity 3.9 years.

At the end of December, Metso had a ‘BBB’ long-term issuer credit rating with stable outlook from S&P Global Ratings and a ‘Baa2’ long-term issuer rating with stable outlook from Moody’s Investor Service.

Segment review

Aggregates

- **Upturn in market activity towards the end of the year**
- **Sales decreased in both equipment and services**
- **Strong profitability reflects resilience**

	Orders received		Sales	
EUR million, %	Q4	Q1–Q4	Q4	Q1–Q4
2022	**364**	**1,481**	**387**	**1,446**
Organic growth in constant currencies, %	-16	-12	-23	-5
Impact of changes in exchange rates, %	-3	-3	-3	-3
Structural changes, %	0	1	0	1
Total change, %	**-18**	**-14**	**-25**	**-7**
2023	**297**	**1,274**	**289**	**1,346**

Fourth quarter

- Market activity in North America and Europe remained subdued, consistent with the previous quarter. However, there was a gradual improvement towards the close of the year. Demand in other regions of the world showed a year-on-year improvement.
- The weak market activity had a negative impact on orders for new equipment, which declined 28%, while services orders increased 3% year-on-year.
- The sales decline of 25% year-on-year was due to lower order intake during the previous quarters. Equipment sales declined 31% and services sales declined 12%.
- Adjusted EBITA was EUR 47 million (EUR 63 million), and the adjusted EBITA margin 16.2% (16.2%). The resilience in margin was thanks to successful cost management as well as sales mix.

January–December in brief

- Orders received declined 14% to EUR 1,274 million, due to weaker market activity.
- Lower orders affected sales, which declined to EUR 1,346 million (EUR 1,446 million).
- Driven by a solid overall operational performance, adjusted EBITA improved to EUR 232 million (EUR 213 million), corresponding to a margin of 17.2% (14.8%).

Key figures

EUR million	**Q4/2023**	Q4/2022	Change %	**2023**	2022	Change %
Orders received	297	364	-18	1,274	1,481	-14
Orders received by services business	111	107	3	442	469	-6
% of orders received	37	29	–	35	32	–
Order backlog				453	561	-19
Sales	289	387	-25	1,346	1,446	-7
Sales by services business	102	115	-12	434	477	-9
% of sales	35	30	–	32	33	–
Adjusted EBITA	47	63	-25	232	213	9
% of sales	16.2	16.2	–	17.2	14.8	–
Operating profit	41	53	-24	214	195	9
% of sales	14.0	13.7	–	15.9	13.5	–

Segment review

Minerals

- **Services orders grew**
- **Equipment market similar to previous quarter**
- **Adj. EBITA margin improved to 17.0%**

	Orders received		Sales	
EUR million, %	Q4	Q1–Q4	Q4	Q1–Q4
2022	**1,073**	**4,143**	**968**	**3,523**
Organic growth in constant currencies, %	-9	-1	13	19
Impact of changes in exchange rates, %	-4	-3	-5	-4
Structural changes, %	0	0	1	0
Total change, %	**-13**	**-4**	**9**	**15**
2023	**935**	**3,978**	**1,052**	**4,044**

Fourth quarter

- Market activity in both the equipment and services businesses remained on a similar level to the previous quarter. The proposal pipeline for new equipment orders remained healthy, particularly related to investments in copper. However, uncertainties in the macroeconomy, increased funding costs, and political and permitting issues had an impact on customers' decision-making. The demand for services continued to be supported by customers' high production volumes and their continued focus on improving productivity.
- Equipment order intake declined 30%, due to a tough comparison period. Services orders grew 4% year-on-year, driven by a solid demand for spare parts and consumables and an increase in orders for rebuilds and on-site services.
- Efficient deliveries from the backlog supported sales growth of 9% to EUR 1,052 million (EUR 968 million). Services sales grew 12% and equipment sales increased 4%. The share of services was 62% (61%).
- Adjusted EBITA improved to EUR 179 million (EUR 158 million) and the adjusted EBITA margin to 17.0% (16.3%). The improved profitability was driven by increased deliveries and a higher gross margin.

January–December in brief

- Orders received saw a 4% decline year-on-year, due to lower equipment orders, while services orders grew 6%.
- Sales increased 15% to EUR 4,044 million, driven by a strong order backlog. Equipment and services sales grew 10% and 18%, respectively.
- Adjusted EBITA increased to EUR 707 million and the adjusted EBITA margin improved to 17.5% (EUR 538 million and 15.3%). Higher profitability was supported by increased deliveries and improved execution, better sales mix, and successful cost management.

Key figures

EUR million	**Q4/2023**	Q4/2022	Change %	**2023**	2022	Change %
Orders received	935	1,073	-13	3,978	4,143	-4
Orders received by services business	571	549	4	2,513	2,364	6
% of orders received	61	51	–	63	57	–
Order backlog				2,498	2,742	-9
Sales	1,052	968	9	4,044	3,523	15
Sales by services business	657	587	12	2,458	2,081	18
% of sales	62	61	–	61	59	–
Adjusted EBITA	179	158	13	707	538	31
% of sales	17.0	16.3	–	17.5	15.3	–
Operating profit	143	66	118	627	406	54
% of sales	13.6	6.8	–	15.5	11.5	–

Sustainability

- **Flat safety performance**
- **Strong growth in Planet Positive sales**
- **Emissions from own operations -73%; on track toward net zero goal**

Sustainability KPI (%)	Target	FY 2023	2022
Lost time injury frequency rate (LTIFR)	Zero harm	1.2	1.2
Total recordable injury frequency rate (TRIFR)	Zero harm	3.0	2.7
Employee Net Promoter Score (eNPS)	Top 10% of industry benchmark	top 10%	top 10%
Inclusion score	Top 10% of industry benchmark	top 5%	top 25%
Planet Positive sales (EUR million)*	To grow faster than overall Group sales	1,447	1,225
Reduction of CO_2 emissions: own operations (scope 1 and 2)**	Net zero by 2030	-73%	-63%***
Reduction of CO_2 emissions: logistics**	-20% by 2025	-7%	-8%***
Spend with direct suppliers having set Science Based Targets	30% by 2025	25.6%	22.3%****

* Discontinued operations are not included in 2023 Planet Positive sales and comparative figures for 2022 have been restated accordingly. ** Baseline 2019
*** Figure restated after data validation ****Figure restated to include direct suppliers only

Health and safety. Metso's safety performance did not improve in 2023. In order to address the lack of improvement and identify the problem areas, Metso investigated the root causes of injuries and near misses to identify problem areas in the second half. Hand injuries were identified as one of the most common incident types in 2023, and the LEGIT hand-safety program, which gained excellent results in 2021, was reintroduced. The implementation of the fatality prevention program continued with the monthly roll-out of Life-Saving Rules throughout 2023; by year-end, the training had been completed by 90% employees. In addition, locations were requested to evaluate their current safety systems to identify and address gaps against Metso's renewed safety directives. The 11 safety audits performed in 2023 resulted in around 350 corrective actions.

People and culture. Metso's engagement score (eNPS) has improved significantly over the past two years, and Metso now ranks in the top 10% compared to the industry benchmark. At the end of 2023, the eNPS score was 54, which is a 3-point improvement from the end of 2022. The positive trend also continued across the 2023 focus areas, including inclusion. Metso now ranks in the top 5% of the industry benchmark. A new long-term target was set for gender diversity: increase the share of women in middle and senior management positions to 30% by 2030. Metso has been actively building awareness for inclusive talent acquisition through a training program for leaders and also hosted a global Diversity and Inclusion month for the first time.

Planet Positive sales and orders. Planet Positive sales grew 18% and exceeded the overall sales growth. Several notable Planet Positive orders were received, including orders for battery minerals processing plants, such as a lithium hydroxide refinery, supporting the global energy transition and electrification, a full-scope sustainable comminution circuit flow sheet concept, repeat orders for filter modernizations and related services from several major mining companies, as well as orders for equipment ranging from crushing to flotation to several copper greenfield projects.

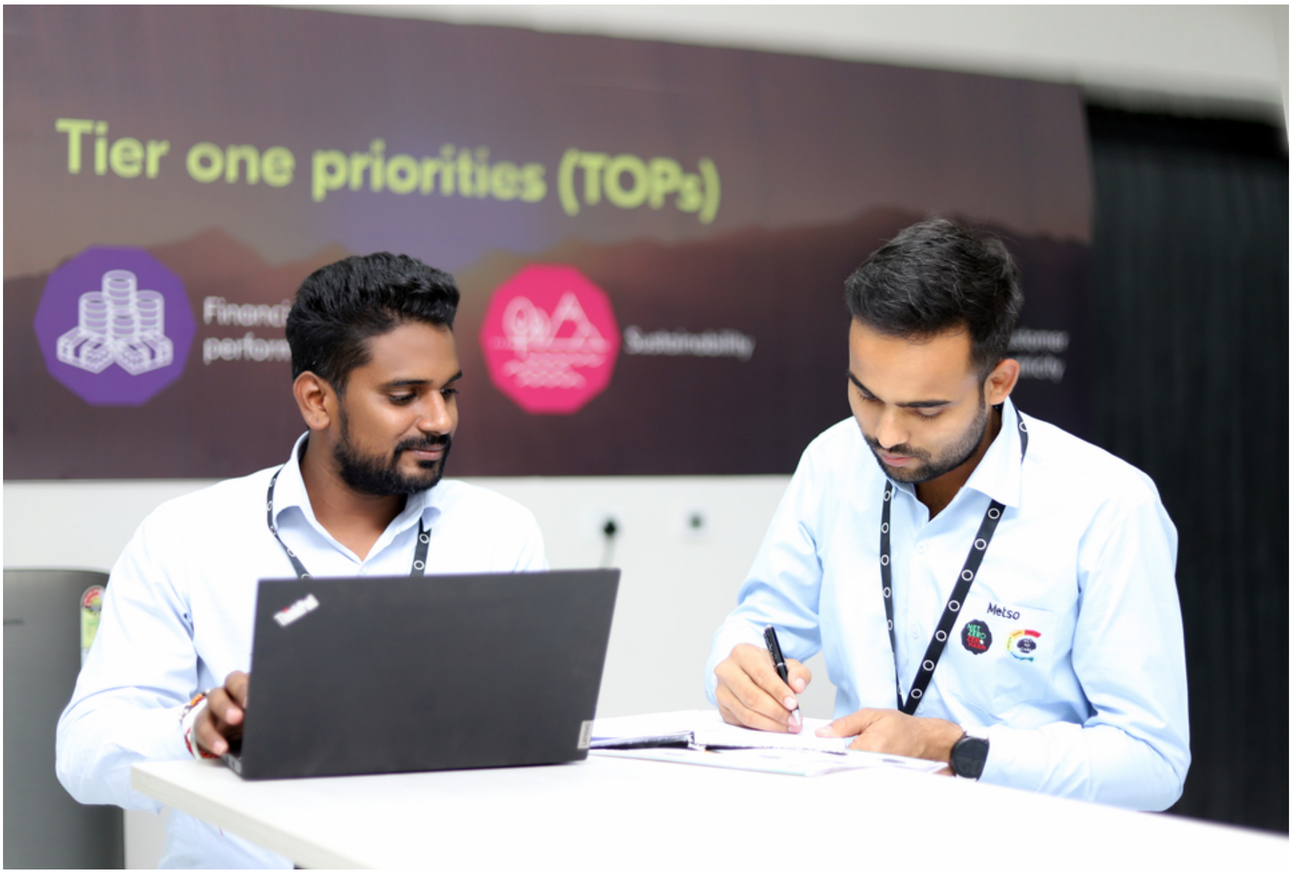
Planet Positive offering and innovations. Around ten new Planet Positive products, consisting of new technologies and adaptations of existing offerings to new customer segments, were launched in 2023:

- An advanced battery black mass recycling process covering concentration and hydrometallurgical processing as well as related services, bringing the battery minerals offering to 90% of the end-to-end production process.
- The VertiSense™ solution for solving specific process challenges, enabling optimization of mineral and hydrometallurgical plant process performance and ensuring optimal wear parts replacement and mill availability.
- A hydrogen-variant of the Ferroflame™ LowNOx burners, a first-of-its-kind burner to run on 100% hydrogen.
- Skega™ Life, a high-performing and sustainable mill lining rubber with an up to 25% longer wear life.
- The Reactorwell™ upgrade for maximizing thickener and clarifier performance while minimizing flocculant consumption and bringing significant operational cost efficiencies.
- The HRT-S, a pre-engineered high-rate thickening solution, that enables significantly shorter delivery times, savings in power consumption, reduced embedded carbon and decreased maintenance costs.

Footprint. A higher proportion of renewable electricity and increased energy efficiency of Metso's own processes and facilities drove the 73% reduction in own CO_2 emissions compared to baseline year 2019. Renewable energy generation from solar panels grew by approximately 30% year-on-year, and around 40 energy and/or CO_2 savings projects were completed. Metso's supplier engagement program continued with good results, and more than 160 new suppliers committed to science-based emissions targets in 2023.

Research, development and partnerships. 99.8% of R&D project spend was on projects with sustainability targets and 79% for the development of new Planet Positive technologies (targets: 100% every year and 80% by 2030). In 2023, Metso initiated several cooperation projects with customers to develop more sustainable technologies. These included full-scale hydrogen-ready anode furnaces in Germany, a strategic partnership with a Canadian mineral development company to develop a lithium hydroxide production facility essential for the North American electric vehicle value chain development, a beneficiation plant concept designed to supply battery-grade lithium hydroxide to the European EV and battery sector, as well as a feasibility study of a precursor cathode active material processing plant in Vietnam using selected Planet Positive technologies for nickel processing and battery metals. Metso also joined a project for large-volume pilot-scale processing of rare earth ore in Canada that will be a critical driver for the electrification value chain, specifically the manufacturing of permanent magnets for electric motors, wind turbines and other low-carbon technologies.

Sustainable financing. Metso launched a sustainable supply chain finance program in Turkey in partnership with European Bank for Reconstruction and Development (EBRD) and Citibank, under which suppliers can receive sustainability-linked incentives and advisory support, providing them with access to more affordable working capital financing when committing to CO_2 emission reductions. The program received an Adam Smith Award as Highly Commended Winner in the Best Sustainable Treasury Solution category. Metso issued a sustainability-linked bond in 2023 and now has a range of sustainability-linked financing instruments in place. Sustainability KPIs in Metso's first sustainability-linked bond are scope 1 and 2 emissions (original sustainability-linked bond baseline year 2022: 48,944 tCO_2), as well as spend with all suppliers that have committed to science-based emissions targets or have an equivalent verifiable emissions reduction target. In 2023, scope 1 and 2 emissions were 32,182 tCO2, a decrease of 34% from the original bond baseline and 28% from restated baseline. Spend with all suppliers having the aforementioned targets reached 26.2%.



Capital expenditure and investments

Gross capital expenditure, excluding right-of-use assets, was EUR 170 million in January–December 2023 (EUR 114 million). This consisted of various small investments at manufacturing sites as well as new service centers.

Research and development

Research and development (R&D) expenses and investments were EUR 73 million, or 1.4% of sales, in January–December 2023 (EUR 60 million, or 1.2% of sales). Battery minerals play a significant role in the current R&D and customer raw material test work.

Personnel

Metso had 17,134 (16,705) employees at the end of December 2023.

Personnel by area on December 31, 2023

	Share, %
Europe	33
North and Central America	13
South America	27
Asia Pacific and Greater China	13
Africa, Middle East and India	14
Total	100

Shares and share trading

Metso has a total of 828,972,440 shares and its share capital is EUR 107,186,442.52. On March 15, 2023, a total of 692,256 treasury shares were conveyed to participants of the company's long-term incentive plans. Treasury shares totaled 2,644,249 at the end of December.

Share performance on Nasdaq Helsinki

EUR	January 1–December 31, 2023
Closing price	9.17
Highest share price	11.61
Lowest share price	7.89
Volume-weighted average trading price	10.03

Annual General Meeting 2023

The Annual General Meeting (AGM) was held on May 3, 2023, in Helsinki. The AGM resolved to change the company's business name to “Metso” in accordance with the proposal of the Board of Directors. The AGM also decided to pay a dividend of EUR 0.30 per share in two EUR 0.15 installments for the financial year 2022. The payments were made on May 12 and November 6.

In addition, the AGM agreed on all other items on the agenda in line with the proposals made by the Board of Directors and the Shareholders' Nomination Board. More information on the AGM can be found on metso.com.

Other main events between January 1 and December 31, 2023

Litigation related to three waste-to-energy plants in the UK

On February 9, 2023, the company announced that it is in legal proceedings with MW High Tech Projects UK Limited in connection with three waste-to-energy plants in the United Kingdom.

Full and final settlement agreement on ilmenite furnace project

On March 8, 2023, a full and final settlement agreement was signed with Advanced Metal Industries Cluster Company Limited (AMIC), a subsidiary of Tasnee, in relation to the original engineering, procurement and construction (EPC) contract, signed in May 2012, on the ilmenite furnace project in Saudi Arabia.

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

On March 15, 2023, a total of 692,256 treasury shares were conveyed without consideration to 131 key persons and executives from the Performance Share Plan 2020–2022 and Deferred Share Plan 2020–2022. The Board of Directors had decided on the conveyance on February 17, and the directed share issue was based on an authorization given by the Annual General Meeting 2022.

Strategic review of the Metals businesses

On March 29, 2023, the strategic review of the Metals businesses was completed. As a conclusion, the company decided to initiate the divestment of the Metals & Chemical Processing and Ferrous & Heat Transfer businesses, while the Smelting business will remain part of its portfolio.

S&P Global Ratings credit rating upgrade

On April 24, 2023, S&P Global Ratings upgraded Metso Outotec's credit rating to BBB with stable outlook.

Acquisition of Häggblom

On June 27, 2023, Metso signed an agreement to acquire Ab A. Häggblom Oy, a privately owned Finnish engineering and manufacturing company. The acquisition was completed in August.

Acquisition of Brouwer Engineering

On July 24, 2023, Metso signed an agreement to acquire Brouwer Engineering, a privately owned Australian company specializing in automation, control systems and electrical solutions for bulk material handling solutions.

Acquisition of Tedd Engineering

On October 2, 2023, Metso announced that it had signed an agreement to acquire Tedd Engineering, a privately owned company specialized in automation, control systems and electrical solutions for mobile equipment and aftermarket, primarily focusing on the aggregates business. Tedd Engineering employed approximately 70 employees and is based in Chesterfield, UK. Its sales in the financial year that ended in June 2023 were approximately GBP 15 million. The acquisition was completed on November 1.

Update of segment reporting

On October 2, 2023, Metso announced an update of its segment reporting with the move of its two businesses currently under divestment (Metals & Chemical Processing and Ferrous & Heat Transfer), both of which have been reported under the Metals segment, into discontinued operations, and the transfer of the Smelting business to the Minerals segment. The changes became effective on September 30, 2023.

Update of the Group's financial targets

On October 27, 2023, the Board of Directors decided to update Metso’s financial targets. The Group’s profitability target was upgraded and calls for an adjusted EBITA margin exceeding 17% over the cycle (previously exceeding 15% over the cycle). Other financial targets remained unchanged.

Composition of the Shareholders' Nomination Board and its proposals

On November 7, 2023, the Shareholders' Nomination Board published its proposals to the Annual General Meeting, planned to be held on April 25, 2024. The Nomination Board proposes that the Board of Directors would have nine members and that all its current members Brian Beamish, Klaus Cawén, Terhi Koipijärvi, Niko Pakalén, Ian W. Pearce, Reima Rytsölä, Emanuela Speranza, Kari Stadigh, and Arja Talma would be re-elected. The Nomination Board also proposes that Kari Stadigh would be re-elected Chair of the Board and Klaus Cawén Vice Chair.

All the Board member candidates have given their consent to be elected and have been assessed to be independent of the company and its significant shareholders, except for Reima Rytsölä, who has been assessed to be independent of the company but not independent of its significant shareholder.

The Nomination Board proposes fixed annual remuneration to the Board members as follows (current remuneration in brackets):

- Chair EUR 171,000 (EUR 164,000)
- Vice Chair EUR 87,000 (EUR 85,000)
- Other members EUR 70,500 (EUR 69,000)

An additional remuneration is proposed to be paid to the Board members that are elected as members of the Audit & Risk Committee and the Remuneration and HR Committee as follows (current remuneration in brackets):

- Chair of the Audit & Risk Committee EUR 25,500 (EUR 24,500)
- Members of the Audit & Risk Committee EUR 10,700 (EUR 10,500)
- Chair of the Remuneration and HR Committee EUR 13,000 (EUR 12,650)
- Member of the Remuneration and HR Committee EUR 5,350 (EUR 5,250)

The Nomination Board proposes that, as a condition for the annual remuneration, the Board members should be obliged, directly based on the Annual General Meeting’s decision, to use 20% or 40% of their fixed total annual remuneration for purchasing Metso shares from the market at a price formed in public trading, and that the purchase would be carried out within two weeks from the publication of the interim report for January 1–March 31, 2024.

The Nomination Board proposes the following meeting fees to be paid for attending the meetings of the Board and its committees:

- 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
- EUR 900 for meetings with remote attendance

Metso’s Board of Directors will include all the above-mentioned proposals in the notice of the Annual General Meeting of 2024.

Metso’s Shareholders’ Nomination Board consists of Annareetta Lumme-Timonen (Investment Director, Solidium), Philip Ahlgren (Partner, Cevian Capital AB), Risto Murto (President & CEO, Varma), Mikko Mursula (Deputy CEO, Investments, Ilmarinen), and Kari Stadigh, (Chair of Metso’s Board of Directors). Kari Stadigh did not participate in the decision-making concerning the remuneration of the Board members.

Commencement of new plan periods in long-term incentive plans

On December 20, 2023, the Board approved the commencement of a new plan period 2024–2026 in the following share-based long-term incentive programs: the Performance Share Plan (also "PSP") and the Restricted Share Plan (also "RSP"). Metso originally announced the establishment of the PSP and the RSP structure on July 1, 2020.

Russia business update

Metso condemns Russia’s military offensive against Ukraine and is deeply saddened by the humanitarian crisis it has caused. Since the start of the war, Metso has not taken any new orders for deliveries to Russia and during 2023 completed a wind-down of orders taken before the start of the war. To cover the costs of the wind-down process, a non-recurring charge of EUR 150 million was booked in Q2/2022. At the end of 2023, EUR 45 million of the charge remained unused to cover any potential final expenses. Metso continues to fully comply with all applicable sanctions against Russia.

Short-term business risks and market uncertainties

The uncertainty in the global markets may affect Metso's market environment. While easing of the prevailing tight monetary policy by central banks is expected as inflation has moderated, macroeconomic risks continue to pose uncertainty on global economic growth causing challenges both for Metso's customers and suppliers. High financing costs risk having a negative impact on customers' capex decision-making. There are also other market and customer-related risks that could cause on-going projects to be postponed, delayed, discontinued or terminated.

Continued geopolitical uncertainties also impact the company's global supply chains and may affect the ability to deliver on time and/or on budget. The financial position of suppliers may be at risk, due to working capital requirements and increased funding costs, which 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.

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

Even though currency exposure of firm delivery and purchase agreements is hedged, exchange rate fluctuations may impact the company's financial position.

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

In discontinued operations, the company has 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. Metso has assessed that it can protect itself against these claims and lawsuits. Even though provisions have been made against these risks, the possibility of additional liabilities materializing cannot be excluded.

Disputes related to delivery execution and resulting in extra costs and/or penalties are a risk for Metso. In 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, the possibility of additional liabilities materializing cannot be excluded.

Metso is involved in some disputes that may lead to or are in litigation and arbitration. 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 the company's disclosure policy, Metso'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 expects that the market activity in Minerals will remain at the current level, while the activity in Aggregates is expected to improve.

In its previously published outlook, Metso expected the overall market activity to remain at the current level in both Minerals and Aggregates.

Board of Directors' proposal on the use of profit

Metso's distributable funds on December 31, 2023, amounted to EUR 1,142 million.

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.36 per share be paid based on the balance sheet to be adopted for the financial year ended December 31, 2023, and that the remaining part of the profit for the financial year be retained and carried forward in unrestricted equity.

The dividend is proposed to be paid in two installments, i.e. EUR 0.18 in May and EUR 0.18 in November.

Corporate Governance Statement and Remuneration Report

Metso will publish a separate Corporate Governance Statement and Remuneration Report for 2023, which comply with the recommendations of the Finnish Corporate Governance Code for listed companies and cover other central areas of corporate governance. The documents will be published on the company's website, separately from the Board of Directors' Report, during the week commencing March 18, 2024, at the latest.

Statement of non-financial information

Metso will publish its statement of non-financial information that complies with the Finnish Accounting Act, as part of the Board of Directors' Report, during the week commencing March 18, 2024, at the latest.

Annual General Meeting 2024

Metso Corporation's Annual General Meeting 2024 is planned to be held on April 25, 2024. The Board will convene the meeting by a separate invitation.

Helsinki, February 16, 2024

Metso Corporation's Board of Directors

Metso Financial Statements Review
January 1–December 31, 2023: Tables

Contents

Consolidated statement of income, IFRS

Year 2023 figures comprise continuing operations, and year 2022 has been restated accordingly.

EUR million	**10–12/2023**	10–12/2022	**1–12/2023**	1–12/2022
Sales	1,342	1,356	5,390	4,970
Cost of sales	-926	-950	-3,687	-3,642
Gross profit	415	406	1,703	1,328
Selling and marketing expenses	-113	-123	-438	-426
Administrative expenses	-96	-93	-372	-315
Research and development expenses	-18	-20	-66	-55
Other operating income and expenses, net	11	12	-25	-40
Share of results of associated companies	0	0	0	-1
Operating profit	200	183	805	490
Finance income	5	7	17	14
Foreign exchange gains/losses	-4	0	4	-14
Finance expenses	-26	-23	-101	-63
Finance income and expenses, net	-25	-16	-80	-63
Profit before taxes	175	167	724	426
Income taxes	-45	-38	-187	-108
Profit for the period from continuing operations	130	129	537	318
Profit from discontinued operations	6	-24	8	-18
Profit for the period	136	106	546	301
Profit attributable to				
Shareholders of the Parent company	137	104	543	301
Non-controlling interests	-2	1	2	0
Profit from continuing operations attributable to				
Shareholders of the Parent company	131	128	535	319
Non-controlling interests	-2	1	2	0
Profit from discontinued operations attributable to				
Parent company shareholders	6	-23	8	-18
Non-controlling interest	0	0	0	0
Earnings per share, EUR	0.17	0.13	0.66	0.36
Earnings per share, diluted, EUR	0.17	0.13	0.66	0.36
Earnings per share, continuing operations, EUR	0.16	0.15	0.65	0.39
Earnings per share, discontinued operations, EUR	0.01	-0.02	0.01	-0.03

More information under "Key figures, IFRS".

Metso has classified two of its businesses as discontinued operations starting from September 30, 2023. Consequently, the figures for 2023 related to the consolidated statement of income are presented separately from the continuing operations, and comparative figures for 2022 have been restated accordingly. More information is disclosed under Note 10. Discontinued operations.

Consolidated statement of comprehensive income, IFRS

Year 2023 figures comprise continuing operations, and year 2022 has been restated accordingly.

EUR million	10–12/2023	10–12/2022	1–12/2023	1–12/2022
Profit for the period	136	106	546	301
Other comprehensive income				
Cash flow hedges, net of tax	2	1	-2	3
Currency translation on subsidiary net investment	-19	-59	-27	13
Items that may be reclassified to profit or loss in subsequent periods	-17	-57	-29	17
Defined benefit plan actuarial gains and losses, net of tax	-3	3	-4	2
Items that will not be reclassified to profit or loss	-3	3	-4	2
Other comprehensive income	-20	-54	-33	18
Total comprehensive income	116	51	513	319
Total comprehensive income attributable to				
Parent company shareholders	117	50	510	319
Non-controlling interest	-2	1	2	0
Total comprehensive income attributable to, continuing operations				
Parent company shareholders	112	73	502	337
Non-controlling interest	-2	1	2	0
Total comprehensive income attributable to, discontinued operations				
Parent company shareholders	6	-23	8	-18
Non-controlling interest	0	0	0	0

Consolidated balance sheet – Assets, IFRS

EUR million	Dec 31, 2023	Dec 31, 2022
Non-current assets		
Goodwill and intangible assets		
Goodwill	1,097	1,128
Other intangible assets	790	844
Total goodwill and intangible assets	1,886	1,972
Property, plant and equipment		
Land and water areas	39	40
Buildings and structures	131	117
Machinery and equipment	211	193
Assets under construction	91	57
Total property, plant and equipment	472	407
Right-of-use assets	114	115
Other non-current assets		
Investments in associated companies	3	6
Non-current financial assets	2	2
Loan receivables	–	5
Derivative financial instruments	10	3
Deferred tax assets	234	225
Other non-current receivables	22	20
Total other non-current assets	271	262
Total non-current assets	2,744	2,756
Current assets		
Inventories	1,951	1,846
Trade receivables	855	799
Customer contract assets	308	354
Loan receivables	6	3
Derivative financial instruments	36	86
Income tax receivables	107	48
Other current receivables	273	263
Liquid funds	638	601
Total current assets	4,175	3,998
Assets held for sale	238	–
TOTAL ASSETS	7,156	6,754

Metso has classified two of its businesses as discontinued operations starting from September 30, 2023. The assets and liabilities held for sale have been transferred to separate lines in the consolidated balance sheet on December 31, 2023. The comparative figures for 2022 related to the consolidated balance sheet have not been restated. More information is disclosed under Note 10. Discontinued operations.

Consolidated balance sheet – Equity and liabilities, IFRS

EUR million	**Dec 31, 2023**	Dec 31, 2022
Equity		
Share capital	107	107
Share premium fund	20	20
Cumulative translation adjustments	-177	-150
Fair value and other reserves	1,131	1,122
Retained earnings	1,527	1,243
Equity attributable to shareholders	2,608	2,342
Non-controlling interests	10	7
Total equity	2,618	2,350
Liabilities		
Non-current liabilities		
Borrowings	1,167	998
Lease liabilities	86	87
Post-employment benefit obligations	90	96
Provisions	63	59
Derivative financial instruments	18	33
Deferred tax liability	182	193
Other non-current liabilities	7	2
Total non-current liabilities	1,614	1,470
Current liabilities		
Borrowings	243	176
Lease liabilities	32	31
Trade payables	675	787
Provisions	235	248
Advances received	325	281
Customer contract liabilities	322	474
Derivative financial instruments	28	47
Income tax liabilities	186	138
Other current liabilities	711	752
Total current liabilities	2,756	2,934
Liabilities held for sale	169	–
TOTAL EQUITY AND LIABILITIES	7,156	6,754

Metso has classified two of its businesses as discontinued operations starting from September 30, 2023. The assets and liabilities held for sale have been transferred to separate lines in the consolidated balance sheet on December 31, 2023. The comparative figures for 2022 related to the consolidated balance sheet have not been restated. More information is disclosed under Note 10. Discontinued operations.

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, 2023	107	20	-150	1,122	1,243	2,342	7	2,350
Profit for the period	–	–	–	–	543	543	2	546
Other comprehensive income								
Cash flow hedges, net of tax	–	–	–	-2	–	-2	–	-2
Currency translation on subsidiary net investments	–	–	-27	–	–	-27	–	-27
Defined benefit plan actuarial gains (+) / losses (-), net of tax	–	–	–	–	-4	-4	–	-4
Total comprehensive income	–	–	-27	-2	539	510	2	513
Dividends	–	–	–	–	-248	-248	–	-248
Share-based payments, net of tax	–	–	–	11	-7	4	–	4
Other items	–	–	–	0	0	0	0	-1
Dec 31, 2023	107	20	-177	1,131	1,527	2,608	10	2,618

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	–	–	–	–	301	301	0	301
Other comprehensive income								
Cash flow hedges, net of tax	–	–	–	3	–	3	–	3
Currency translation on subsidiary net investments	–	–	13	–	–	13	–	13
Defined benefit plan actuarial gains (+) / losses (-), net of tax	–	–	–	–	2	2	–	2
Total comprehensive income	–	–	13	3	303	319	0	319
Dividends	–	–	–	–	-199	-199	–	-199
Redemption of own shares	–	–	–	-25	–	-25	–	-25
Share-based payments, net of tax	–	–	–	14	-3	11	–	11
Other items	–	–	–	0	-6	-6	–	-6
Changes in non-controlling interests	–	–	–	–	-9	-9	7	-2
Dec 31, 2022	107	20	-150	1,122	1,243	2,342	7	2,350

Condensed consolidated statement of cash flow, IFRS

EUR million	10–12/2023	10–12/2022	1–12/2023	1–12/2022
Operating activities				
Profit for the period	136	106	546	301
Adjustments:				
Depreciation and amortization	41	40	158	156
Financial expenses, net	25	16	80	63
Income taxes	54	40	199	113
Other items	39	45	15	65
Change in net working capital	-80	-36	-449	-377
Net cash flow from operating activities before financial items and taxes	216	212	550	322
Financial income and expenses paid, net	-11	-24	-17	-73
Income taxes paid	-69	-38	-231	-121
Net cash flow from operating activities	136	149	302	127
Investing activities				
Capital expenditures on non-current assets	-48	-40	-170	-114
Proceeds from sale of non-current assets	6	1	16	10
Business acquisitions, net of cash acquired	-11	–	-28	-21
Proceeds from sale of businesses, net of cash sold	–	–	–	-9
Cash received from liquidation of associated companies	4	–	4	–
Proceeds from sale of non-current financial assets	–	–	–	2
Change in loan receivables, net	3	0	0	1
Net cash flow from investing activities	-46	-39	-178	-132
Financing activities				
Dividends paid	-124	-99	-248	-198
Proceeds from and repayments of non-current debt, net	347	296	347	246
Proceeds from and repayment of current debt, net	-19	-153	-139	140
Repayment of lease liabilities	-11	-9	-37	-35
Purchase of treasury shares	–	–	–	-25
Net cash flow from financing activities	193	35	-76	127
Net change in liquid funds	283	146	47	122
Effect from changes in exchange rates	-4	-12	-10	5
Liquid funds at beginning of period	359	467	601	473
Liquid funds at end of period	638	601	638	601

Key figures, IFRS

EUR million	**Dec 31, 2023**	Dec 31, 2022
Profit for the period from continuing operations	537	318
Earnings per share from continuing operations, EUR	0.65	0.39
Profit for the period from discontinued operations	8	-18
Earnings per share from discontinued operations, EUR	0.01	-0.03
Profit for the period	546	301
Earnings per share, EUR	0.66	0.36
Equity/share at end of period, EUR	3.16	2.84
Total number of shares at end of period (thousands)	828,972	828,972
Own shares held by Parent Company (thousands)	2,644	3,337
Number of outstanding shares at end of period (thousands)	826,328	825,636
Average number of outstanding shares (thousands)	826,216	827,414

EUR million	**Dec 31, 2023**	Dec 31, 2022
Net debt	884	684
Gearing, %	33.8%	29.1%
Equity-to-asset ratio, %	40.2%	39.2%
Debt to capital, %	35.0%	33.3%
Debt to equity, %	53.9%	50.0%
Net working capital (NWC)	990	596
Net debt and gearing		
Borrowings	1,410	1,174
Lease liabilities	118	118
Gross debt	1,528	1,293
Loan receivables	6	8
Liquid funds	638	601
Net debt	884	684
Gearing	33.8%	29.1%

Formulas for key figures

Earnings before financial expenses, net, taxes, and amortization, adjusted (adjusted EBITA)	=	Operating profit + adjustment items + amortization	
Earnings per share, basic	=	$\frac{\text{Profit attributable to shareholders}}{\text{Average number of outstanding shares during the period}}$	
Earnings per share, diluted	=	$\frac{\text{Profit attributable to shareholders}}{\text{Average number of diluted shares during the period}}$	
Equity/share	=	$\frac{\text{Equity attributable to shareholders}}{\text{Number of outstanding shares at the end of the period}}$	
Gearing, %	=	$\frac{\text{Net interest-bearing liabilities}}{\text{Total equity}}$	x 100
Debt to capital, %	=	$\frac{\text{Interest-bearing liabilities - lease liabilities}}{\text{Total equity + interest-bearing liabilities - lease liabilities}}$	x 100
Debt to equity, %	=	$\frac{\text{Interest-bearing liabilities - lease liabilities}}{\text{Total equity}}$	x 100
Equity-to-asset ratio, %		$\frac{\text{Total equity}}{\text{Balance sheet total - advances received}}$	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 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’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 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 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’s view, they are useful measures of Metso’s ability to obtain financing and to service its debts. Net working capital provides additional information concerning the cash flow needs of Metso’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’s alternative performance measures may not be comparable with similarly named measures presented by other companies.

Notes to the Financial Statements Review

Contents

1. Basis of preparation

This Financial Statements Review has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’, applying the accounting policies of Metso, which are consistent with the accounting policies of Metso Outotec Financial Statements 2022. New accounting standards have been adopted, as described in Note 2. This Financial Statements Review is unaudited. The figures in this review are based on audited Financial Statements.

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

On March 29, 2023, Metso announced its decision to initiate the divestment of the Metals & Chemical Processing and Ferrous & Heat Transfer businesses. Starting from September 30, 2023, these businesses have been classified as discontinued operations. Consequently, the 2023 figures related to the consolidated statement of income are presented separately from the continuing operations, and comparative figures for 2022 have been restated accordingly. The restated figures were published on October 2, 2023. The assets and liabilities held for sale have been transferred to separate lines in the consolidated balance sheet on December 31, 2023. The comparative figures for 2022 related to the consolidated balance sheet have not been restated. More information is disclosed under Note 10. Discontinued operations.

On May 3, 2023, the Annual General Meeting of Metso Outotec Oyj resolved to change the company's business name to "Metso" by amending Article 1 of the Articles of Association in accordance with the proposal of the Board of Directors.

In 2022, the balance sheet classification of the Waste-to-energy business was changed, and the assets and liabilities directly attributable to it have been classified as part of continuing operations. Due to the change in classification, depreciation of fixed assets and right-of-use assets continues, and the cumulative effect of depreciation has been recorded in the balance sheet of continuing operations through the income statement. All the income statement items related to the Waste-to-energy business continue to be adjusted to show the discontinued operations separately from continuing operations.

On October 28, 2020, Metso announced its decision to divest the Recycling business, and it was classified as discontinued operations. Completion of the Metal Recycling business divestment was announced on June 2, 2022.

Reporting segments

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

On September 30, 2023, Metso updated its segment reporting by moving its two businesses currently under divestment (Metals & Chemical Processing and Ferrous & Heat Transfer), both of which have been reported under the Metals segment, into discontinued operations, and transferring the Smelting business to the Minerals segment. As a result, and in line with the Group’s strategy, Metso’s segment reporting consists of two segments: Aggregates and Minerals. Metso’s restated segment information based on the new reporting structure for the financial year 2022 and for January–June 2023 was published on October 2, 2023.

The segments are reported in a manner consistent with the internal reporting provided to the Board of Directors, Metso'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 minerals operations. The Group Head Office and other is comprised of the Parent Company with centralized Group functions, such as treasury, tax, legal and compliance, as well as global business service centers and holding companies.

Segment performance is measured with operating profit/loss (EBIT). In addition, Metso 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 has applied the IFRS revisions that have been effective since January 1, 2023. These amendments have not had a material impact on the reported figures.

3. Disaggregation of sales

SALES BY SEGMENT

EUR million	10–12/2023	10–12/2022	1–12/2023	1–12/2022
Aggregates	289	387	1,346	1,446
Minerals	1,052	968	4,044	3,523
Sales, continuing operations	**1,342**	**1,356**	**5,390**	**4,970**

SALES BY SEGMENT

EUR million	10–12/2023	10–12/2022	1–12/2023	1–12/2022
Sales of services	**758**	**702**	**2,891**	**2,558**
Aggregates	102	115	434	477
Minerals	657	587	2,458	2,081
Sales of projects, equipment and goods	**583**	**653**	**2,499**	**2,412**
Aggregates	188	272	913	970
Minerals	396	381	1,586	1,443
Sales, continuing operations	**1,342**	**1,356**	**5,390**	**4,970**

EXTERNAL SALES BY TIMING OF REVENUE RECOGNITION

EUR million	10–12/2023	10–12/2022	1–12/2023	1–12/2022
At a point in time	930	789	4,306	3,701
Over time	412	567	1,084	1,269
Sales, continuing operations	**1,342**	**1,356**	**5,390**	**4,970**

EXTERNAL SALES BY DESTINATION

EUR million	10–12/2023	10–12/2022	1–12/2023	1–12/2022
Europe	262	263	1,061	1,100
North and Central America	265	354	1,260	1,201
South America	293	257	1,142	913
APAC	282	302	1,086	1,098
Africa, Middle East and India	239	180	840	657
Sales, continuing operations	**1,342**	**1,356**	**5,390**	**4,970**

4. Financial risk management

As a global company, Metso is exposed to a variety of business and financial risks. Financial risks are managed centrally by 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 a 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's financial performance.

Liquidity and refinancing risk, capital structure management

Liquidity or refinancing risk arises when a company is not able to arrange funding on 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 liquidity. 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 remained good, supported by the healthy operative cash flow, maturity structure of the funding, and available credit facilities. As of December 31, 2023, liquid funds, consisting of cash and cash equivalents, amounted to EUR 638 million (EUR 601 million on December 31, 2022) following the payment of the dividend installments of EUR 248 million in May and in November. There were no deposits or securities with a maturity of more than three months on December 31, 2023 (EUR 0 million on December 31, 2022).

In addition, Metso has a committed syndicated revolving credit facility of EUR 600 million with a maturity in 2026. The facility includes sustainability performance targets impacting the cost of borrowing. At the end of the reporting period, the facility was undrawn. The company also has a EUR 600 million Finnish commercial paper program, which was not utilized at the end of December.

Metso has a Euro Medium Term Note Program (EMTN) of EUR 2 billion, under which EUR 1,081 million at carrying value was outstanding at the end of December (EUR 758 million on December 31, 2022). On December 31, 2023, the average interest rate of total loans and derivatives was 4.3%. The duration of total interest-bearing debt was 1.8 years and the average maturity 3.9 years.

During the third quarter, Metso signed a one-year extension to an existing EUR 100 million term loan agreement with a new maturity in September 2025.

During the fourth quarter, Metso issued its first Sustainability Linked Bond for EUR 300 million with a coupon of 4.375% and maturity in 2030. The company also drew down EUR 50 million research, development, and innovation (RDI) loan with European Investment Bank maturing in 2030.

Capital structure management in Metso comprises both equity and interest-bearing debt. As of December 31, 2023, the equity attributable to shareholders was EUR 2,608 million (EUR 2,342 million on December 31, 2022), and the amount of interest-bearing debt, excluding lease liabilities, was EUR 1,410 million (EUR 1,174 million on December 31, 2022).

One of Metso's key financial targets is to maintain an investment-grade credit rating. Metso has a ‘BBB’ long-term issuer credit rating with stable outlook from S&P Global Ratings and a ‘Baa2’ long-term issuer rating with stable outlook from Moody’s Investor Service.

There are no prepayment covenants in Metso’s financial contracts that would be triggered by changes in the credit rating. Covenants included in some financing agreements would only become valid if Metso's credit rating was below investment-grade, and the covenants would be related to Metso’s capital structure. Metso 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 December 31, 2023, or on December 31, 2022.

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

	Dec 31, 2023		
EUR million	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
Derivatives not under hedge accounting	–	33	–
Financial assets at fair value through other comprehensive income			
Derivatives under hedge accounting	–	12	–
Total	–	46	–
Liabilities			
Financial liabilities at fair value through profit and loss			
Derivatives not under hedge accounting	–	36	–
Financial liabilities at fair value through other comprehensive income			
Derivatives under hedge accounting	–	9	–
Total	–	45	–

	Dec 31, 2022		
EUR million	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
Derivatives not under hedge accounting	–	68	–
Financial assets at fair value through other comprehensive income			
Derivatives under hedge accounting	–	21	–
Total	–	88	–
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	–	51	–
Total	–	80	–

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	**Dec 31, 2023**	Dec 31, 2022
Forward exchange rate contracts	3,269	3,540
Interest-rate swaps	605	425

7. Contingent liabilities and commitments

EUR million	**Dec 31, 2023**	Dec 31, 2022
Guarantees		
External guarantees given by Parent and Group companies	1,608	1,546
Other commitments		
Repurchase commitments	–	–
Other contingencies	0	1
Total	1,608	1,547

8. Acquisitions

Acquisitions 2023

Metso completed the acquisition of Ab A. Häggblom Oy, a Finnish engineering and manufacturing company, on August 1, 2023, by acquiring 100% of the company's shares. The acquisition broadens Metso's offering in mining truck bodies and buckets and strengthens its position in the aftermarket. The acquired business was consolidated into the Minerals segment. Häggblom's sales in 2022 were approximately EUR 25 million. The company employs about 100 people.

Metso completed the acquisition of Brouwer Engineering Ltd on August 1, 2023, by acquiring 100% of the company's shares. Brouwer is an Australian company specialized in automation, control systems, and electrical solutions for bulk material handling solutions. The acquired business was consolidated into the Minerals segment. Brouwer's sales in the financial year that ended in June 2023 were approximately EUR 8 million. The company employs about 30 people.

Metso completed the acquisition of Tedd Engineering Ltd on November 1, 2023, by acquiring 100% of the company's shares. Tedd Engineering employs approximately 70 employees and is based in Chesterfield, UK. The company is specialized in automation, control systems, and electrical solutions for mobile equipment and aftermarket, primarily focusing on the aggregates business. The acquired business was consolidated into the Aggregates segment. The company's sales in the financial year that ended in June 2023 were approximately EUR 17 million.

The acquisitions do not have a material impact on Metso's sales or financial result.

Assets and liabilities recognized as a result of the acquisitions

EUR million	**Fair value**
Fixed assets	32
Inventory	10
Other assets	13
Liabilities	-29
Net identifiable assets acquired at fair value	**26**
Goodwill (provisional)	14
Purchase consideration	**40**

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.

Cash flow impact of the acquisitions

EUR million	
Cash consideration paid	-34
Cash and cash equivalents acquired	5
Net cash flow for the year	-29
Contingent consideration	-6
Cash consideration, total	**-35**

Acquisitions 2022

On September 1, 2022, Metso completed the acquisition of Global Physical Asset Management, a technology provider based in North America. The acquisition strengthened Metso's capabilities in digital field service inspections for grinding. The acquired business was consolidated into the Minerals segment. Global Physical Asset Management's sales in 2021 were approximately EUR 5 million and it employed approximately 20 people.

On May 3, 2022, Metso completed the acquisition of Tesab Engineering Ltd. 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 approximately EUR 30 million and it employed approximately 60 people.

9. Business disposals

There were no business disposals in 2023.

On June 2, 2022, Metso announced the completion of 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. Approximately 160 employees were transferred to the new company.

10. Discontinued operations

On March 29, 2023, Metso announced its decision to initiate the divestment of the Metals & Chemical Processing and Ferrous & Heat Transfer businesses. These businesses have been reported under the Metals segment. Starting from September 30, 2023, these businesses have been classified as discontinued operations, including the transfer of assets and liabilities held for sale on separate lines in the consolidated balance sheet. The figures in the consolidated statement of income have been adjusted to show the discontinued operations separately from continuing operations.

In addition to the previously mentioned businesses, the result of discontinued operations includes the income statement items related to the Waste-to-energy business, which was already classified as a discontinued operation.

The result from discontinued operations was EUR 8 million for January 1–December 31, 2023 (EUR -18 million for January 1–December 31, 2022). Assets held for sale totaled EUR 238 million and liabilities EUR 169 million on December 31, 2023.

	1–12/2023		
EUR million	Continuing operations	Discontinued operations	**Metso total**
Sales	5,390	357	5,747
Cost of sales	-3,687	-301	-3,987
Gross profit	1,704	56	1,759
Selling and marketing expenses	-438	-12	-449
Administrative expenses	-372	-17	-389
Research and development expenses	-66	-9	-75
Other operating income and expenses, net	-25	2	-23
Share of results of associated companies	0	1	2
Operating profit	805	21	825
Finance income and expenses, net	-80	–	-80
Profit before taxes	724	21	745
Income taxes	-187	-12	-199
Profit for the period	537	8	546
Profit attributable to			
Shareholders of the Parent Company	535	8	543
Non-controlling interests	2	0	2
Earnings per share, EUR	0.65	0.01	0.66

EUR million	Dec 31, 2023 Continuing operations	 Discontinued operations	 **Metso total**
Non-current assets	2,744	97	2,841
Inventories	1,951	53	2,004
Trade and other receivables	1,585	87	1,673
Liquid funds	638	–	638
Assets total	6,919	238	7,156
Non-current liabilities	1,614	33	1,647
Short-term liabilities	2,756	136	2,892
Liabilities total	4,369	169	4,539

EUR million	1–12/2022 Continuing operations	 Discontinued operations	 **Metso total**
Sales	4,970	392	5,362
Cost of sales	-3,642	-336	-3,979
Gross profit	1,328	56	1,383
Selling and marketing expenses	-426	-26	-451
Administrative expenses	-315	-20	-335
Research and development expenses	-55	-9	-64
Other operating income and expenses, net	-40	-15	-55
Share of results of associated companies	-1	0	-1
Operating profit	490	-13	477
Finance income and expenses, net	-63	0	-63
Profit before taxes	426	-13	414
Income taxes	-108	-5	-113
Profit for the period	318	-18	301
Profit attributable to			
Shareholders of the Parent Company	319	-18	301
Non-controlling interests	0	0	0
Earnings per share, EUR	0.39	-0.03	0.36

11. Segment information, IFRS

The Smelting business has been transferred to the Minerals segment. In addition, the Metals & Chemical Processing and the Ferrous & Heat Transfer businesses have been classified as discontinued operations; their figures are not included in the segment figures below.

ORDERS RECEIVED

EUR million	**10–12/2023**	10–12/2022	**1–12/2023**	1–12/2022
Aggregates	297	364	1,274	1,481
Minerals	935	1,073	3,978	4,143
Metso total, continuing operations	1,232	1,437	5,252	5,623

ORDERS RECEIVED BY SERVICES BUSINESS

EUR million	**10–12/2023**	10–12/2022	**1–12/2023**	1–12/2022
Aggregates	111	107	442	469
% of orders received	37.3	29.4	34.7	31.7
Minerals	571	549	2,513	2,364
% of orders received	61.0	51.2	63.2	57.1
Metso total, continuing operations	681	656	2,955	2,833
% of orders received	55.3	45.6	56.3	50.4

SALES

EUR million	**10–12/2023**	10–12/2022	**1–12/2023**	1–12/2022
Aggregates	289	387	1,346	1,446
Minerals	1,052	968	4,044	3,523
Metso total, continuing operations	1,342	1,356	5,390	4,970

SALES BY SERVICES BUSINESS

EUR million	**10–12/2023**	10–12/2022	**1–12/2023**	1–12/2022
Aggregates	102	115	434	477
% of sales	35.2	29.8	32.2	33.0
Minerals	657	587	2,458	2,081
% of sales	62.4	60.6	60.8	59.1
Metso total, continuing operations	758	703	2,891	2,558
% of sales	56.5	51.8	53.6	51.5

ADJUSTED EBITA AND OPERATING PROFIT

EUR million, %	**10–12/2023**	10–12/2022	**1–12/2023**	1–12/2022
Aggregates				
Adjusted EBITA	47	63	232	213
% of sales	16.2	16.2	17.2	14.8
Amortization of intangible assets	-4	-4	-15	-16
Adjustment items	-3	-5	-4	-2
Operating profit	41	53	214	195
% of sales	14.0	13.7	15.9	13.5
Minerals				
Adjusted EBITA	179	158	707	538
% of sales	17.0	16.3	17.5	15.3
Amortization of intangible assets	-13	-11	-48	-45
Adjustment items	-23	-81	-32	-87
Operating profit	143	66	627	406
% of sales	13.6	6.8	15.5	11.5
Group Head Office and other				
Adjusted EBITA	-1	-11	-52	-37
Amortization of intangible assets	0	-1	-2	-2
Adjustment items*	18	76	17	-73
Operating profit*	16	65	-36	-112
Metso total, continuing operations				
Adjusted EBITA	225	210	887	715
% of sales	16.8	15.5	16.5	14.4
Amortization of intangible assets	-17	-16	-65	-63
Adjustment items*	-8	-10	-18	-163
Operating profit*	200	183	805	490
% of sales	14.9	13.5	14.9	9.9

*Figures for the comparison period 1–12/2022 include a EUR 150 million non-recurring charge related to the wind-down of business in Russia that was recorded in Q2/2022.

ADJUSTMENT ITEMS BY CATEGORY

EUR million	**10–12/2023**	10–12/2022	**1–12/2023**	1–12/2022
Capacity adjustment costs	-17	-8	-27	-12
Acquisition costs	-2	-2	-2	0
Profits on disposals, net	2	–	1	0
Wind-down of Russian business	9	–	9	-150
Adjustment items, total	-8	-10	-18	-163

Quarterly segment information, IFRS

ORDERS RECEIVED

EUR million	10–12/2023	7–9/2023	4–6/2023	1–3/2023	10–12/2022
Aggregates	297	269	330	379	364
Minerals	935	922	1,014	1,107	1,073
Metso total, continuing operations	1,232	1,191	1,344	1,485	1,437

SALES

EUR million	10–12/2023	7–9/2023	4–6/2023	1–3/2023	10–12/2022
Aggregates	289	308	386	363	387
Minerals	1,052	1,011	1,010	970	968
Metso total, continuing operations	1,342	1,319	1,396	1,334	1,356

Adjusted EBITA

EUR million	10–12/2023	7–9/2023	4–6/2023	1–3/2023	10–12/2022
Aggregates	47	53	66	66	63
Minerals	179	174	184	170	158
Group Head Office and other	-1	-15	-11	-24	-11
Metso total, continuing operations	225	213	238	211	210

Adjusted EBITA, % OF SALES

%	10–12/2023	7–9/2023	4–6/2023	1–3/2023	10–12/2022
Aggregates	16.2	17.3	17.0	18.1	16.2
Minerals	17.0	17.2	18.2	17.5	16.3
Group Head Office and other	n/a	n/a	n/a	n/a	n/a
Metso total, continuing operations	16.8	16.1	17.1	15.8	15.5

AMORTIZATION OF INTANGIBLE ASSETS

EUR million	10–12/2023	7–9/2023	4–6/2023	1–3/2023	10–12/2022
Aggregates	-4	-4	-4	-4	-4
Minerals	-13	-12	-12	-11	-11
Group Head Office and other	0	0	0	0	-1
Metso total, continuing operations	-17	-16	-16	-16	-16

ADJUSTMENT ITEMS

EUR million	10–12/2023	7–9/2023	4–6/2023	1–3/2023	10–12/2022
Aggregates	-3	0	0	0	-5
Minerals	-23	-2	-4	-3	-81
Group Head Office and other	18	-6	4	1	76
Metso total, continuing operations	-8	-8	0	-2	-10

OPERATING PROFIT

EUR million	10–12/2023	7–9/2023	4–6/2023	1–3/2023	10–12/2022
Aggregates	41	49	62	62	53
Minerals	143	160	168	156	66
Group Head Office and other	16	-21	-8	-24	65
Metso total, continuing operations	200	189	222	193	183

OPERATING PROFIT, % OF SALES

%	10–12/2023	7–9/2023	4–6/2023	1–3/2023	10–12/2022
Aggregates	14.0	16.1	16.0	17.0	13.7
Minerals	13.6	15.8	16.6	16.0	6.8
Group Head Office and other	n/a	n/a	n/a	n/a	n/a
Metso total, continuing operations	14.9	14.3	15.9	14.5	13.5

ORDER BACKLOG

EUR million	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022
Aggregates	453	451	486	553	561
Minerals	2,498	2,728	2,825	2,844	2,742
Metso total, continuing operations	2,951	3,179	3,311	3,397	3,303
Discontinued operations	287	452	518	587	599
Metso total	3,238	3,632	3,829	3,984	3,902

12. Exchange rates

Currency		1–12/2023	1–12/2022	Dec 31, 2023	Dec 31, 2022
USD	(US dollar)	1.0816	1.0563	1.1050	1.0666
SEK	(Swedish krona)	11.4563	10.6258	11.0960	11.1218
GBP	(Pound sterling)	0.8702	0.8537	0.8691	0.8869
CAD	(Canadian dollar)	1.4606	1.3757	1.4642	1.4440
BRL	(Brazilian real)	5.4128	5.4748	5.3618	5.6386
CNY	(Chinese yuan)	7.6589	7.0836	7.8509	7.3582
AUD	(Australian dollar)	1.6297	1.5189	1.6263	1.5693

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 differ materially 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's financial information in 2024

Annual Report 2023 during the week commencing March 18, 2024

Annual General Meeting 2024 on April 25

Interim Review for January–March 2024 on April 25

Half-Year Review for 2024 on July 24

Interim Review for January–September 2024 on October 24

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