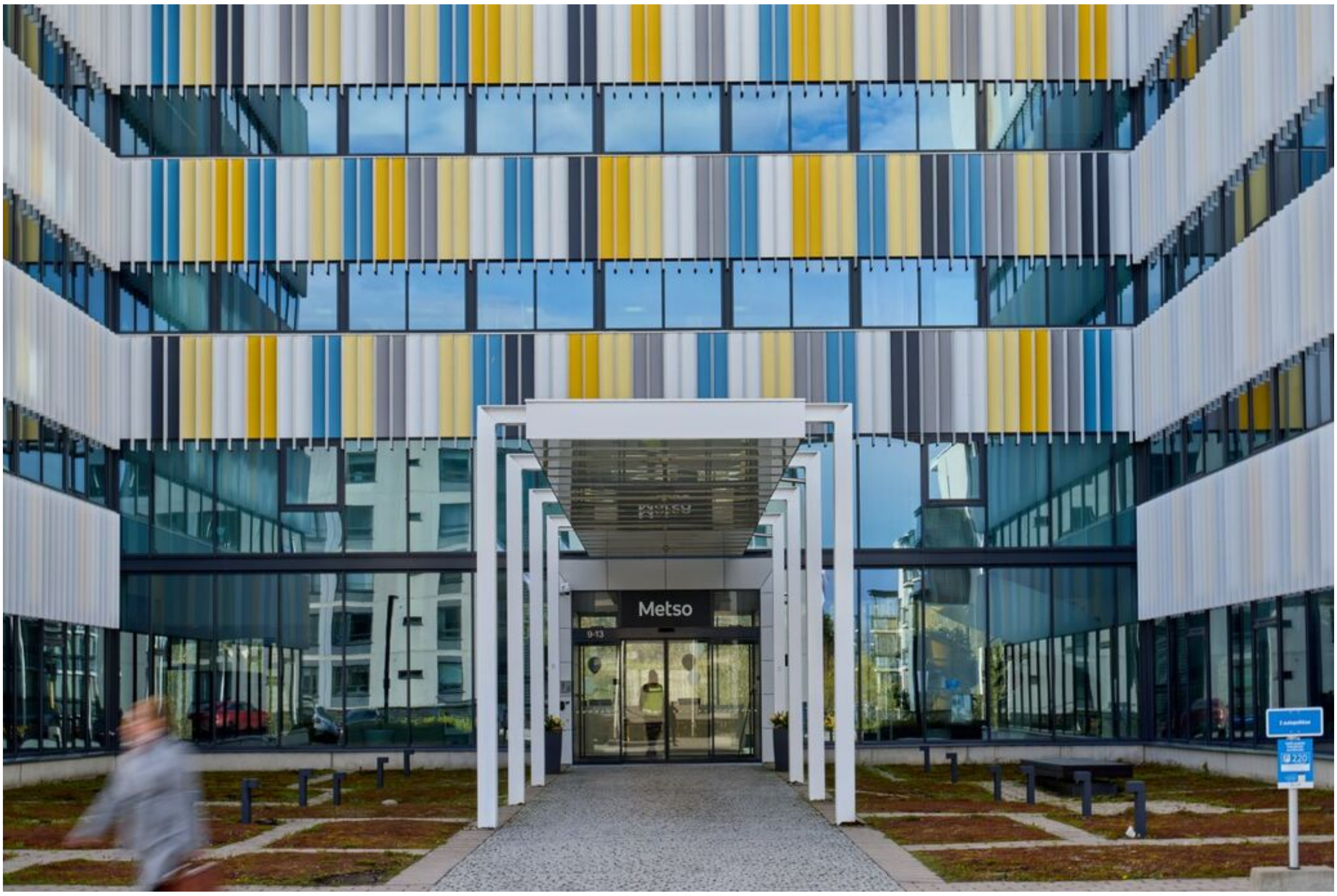

Q3

Interim Report

January – September 2023

Metso's Interim Report January 1 – September 30, 2023

Metso updated its segment reporting by moving its Metals & Chemical Processing and Ferrous & Heat Transfer businesses into discontinued operations as of September 30, 2023. Both businesses have previously been reported under the Metals segment. The Smelting business was transferred to the Minerals segment. All income statement, order intake and order backlog figures presented in this report relate 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.

Third quarter 2023 in brief

- Stable activity in mining and soft activity in the aggregates market
- Orders received declined -10% and amounted to EUR 1,191 million (EUR 1,318 million)
- Sales grew 1% to EUR 1,319 million (EUR 1,305 million)
- Adjusted EBITA increased 5% to EUR 213 million, or 16.1% of sales (EUR 202 million, or 15.5%)
- Operating profit increased to EUR 189 million, or 14.3% of sales (EUR 187 million, or 14.4%)
- Cash flow from operations was EUR 161 million (EUR 21 million)

January–September 2023 in brief

- Orders received declined -4% to EUR 4,020 million (EUR 4,186 million)
- Sales grew 12% to EUR 4,049 million (EUR 3,614 million)
- Adjusted EBITA increased 31% to EUR 662 million, or 16.4% of sales (EUR 505 million, or 14.0%)
- Operating profit was EUR 604 million, or 14.9% of sales (EUR 306 million, or 8.5%)
- Earnings per share were EUR 0.49 (EUR 0.24) and for continuing operations EUR 0.49 (EUR 0.23)
- Cash flow from operations was EUR 333 million (EUR 110 million)

President and CEO Pekka Vauramo:

"Our performance continued to strengthen and both segments improved their profitability year-on-year. The Group's adjusted EBITA margin increased to 16.1%"

The market activity in the third quarter was in line with our expectations, with a stable demand in Minerals and a softening in Aggregates. Our proposal pipeline in the Minerals equipment business is strong, and there is continued investment activity in electrification metals, such as copper, lithium and other battery minerals. The quarterly order intake, however, was affected by slower customer decision-making, mainly due to macro and other external uncertainties customers are facing. The demand for services has remained healthy, thanks to customer efforts to improve productivity; rebuild and modernization activity also has picked up.

The activity in our main Aggregates markets was softer, with continued weakness in Europe and an anticipated short-term decline in North America. The softer Aggregates market was the main reason for our Group orders being 10% lower year-on-year. Minerals' orders declined slightly, largely due to a negative currency impact.

Our performance continued to strengthen and both segments improved their profitability year-on-year. The Group's adjusted EBITA margin increased to 16.1% from 15.5% in the comparison period. This was driven by successful cost and price management and an improvement in overall operational performance. Cash flow from operations improved to EUR 161 million due to lower working capital requirements.

Sales of our Planet Positive products during the last 12 months grew 34% year-on-year to EUR 1,490 million. There continues to be strong demand for these sustainable products. We received a large Planet Positive order for the delivery of a copper concentrator to a mining customer in Kazakhstan consisting of primary process equipment for grinding, flotation and dewatering. Examples of other Planet Positive orders include grinding mills to an iron ore producer in Canada, supporting decarbonization of the steel industry, as well as delivery of an effluent treatment plant for Keliber’s lithium hydroxide refinery to be built in Finland.

We have also had an active year in acquisitions and made three announcements this year. This is in line with our strategy of expanding our offering and competencies and using our global presence to grow these acquired businesses to add value to our customers. In addition, we have proceeded in the divestment of the Metals & Chemical Processing and Ferrous & Heat Transfer businesses and moved them to discontinued operations as of September 30.

As a result of our strategy process, we have evaluated our financial targets and decided to increase the adjusted EBITA margin target to more than 17% over the cycle from the previous target of more than 15%. This upgrade is based on our view of having further possibilities to improve the profitability of our segments and improve the value generation to our shareholders.

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 the market activity to remain at the current level in both Minerals and Aggregates.

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

Group review

Key figures

EUR million	Q3/2023	Q3/2022	Change %	Q1–Q3/2023	Q1–Q3/2022	Change %	2022
Orders received	1,191	1,318	-10	4,020	4,186	-4	5,623
Orders received by services business	677	726	-7	2,274	2,177	4	2,833
% of orders received	57	55	–	57	52	–	50
Order backlog				3,179	3,336	-5	3,303
Sales	1,319	1,305	1	4,049	3,614	12	4,970
Sales by services business	710	695	2	2,133	1,855	15	2,558
% of sales	54	53	–	53	51	–	51
Adjusted EBITA	213	202	5	662	505	31	715
% of sales	16.1	15.5	–	16.4	14.0	–	14.4
Operating profit*	189	187	1	604	306	97	490
% of sales	14.3	14.4	–	14.9	8.5	–	9.9
Earnings per share, continuing operations, EUR*	0.14	0.15	-7	0.49	0.23	113	0.39
Cash flow from operations	161	21	669	333	110	203	322
Gearing, %				32.6	30.1	–	29.1
Personnel at end of period				17,069	16,277	5	16,705

*Q1–Q3/2022 and full-year 2022 includes a EUR 150 million non-recurring charge related to the wind-down of business in Russia.

The Group’s third-quarter financial performance

The market activity in the mining industry was stable, with high production volumes and proposal activity. However, slower customer decision-making had an impact on equipment orders. The demand in the aggregates market was softer than in the comparison period, in line with expectations. Orders received amounted to EUR 1,191 million compared to EUR 1,318 million in the same quarter of 2022. The difference is largely attributable to -24% order decline in the Aggregates segment.

Sales increased 1% to EUR 1,319 million (EUR 1,305 million), following growth in the Minerals segment and a decline in Aggregates. The Group's services sales grew 2%, while equipment sales were flat.

Adjusted EBITA increased to EUR 213 million and the adjusted EBITA margin was 16.1% (EUR 202 million and 15.5%). Both the Aggregates and Minerals segments improved their profitability. Adjusted EBITA of the Group items was EUR -15 million (EUR -13 million).

Operating profit (EBIT) was EUR 189 million and the EBIT margin 14.3% (EUR 187 million and 14.4%). Adjustments in the quarter were EUR -8 million (EUR 1 million). PPA amortization was EUR -13 million. Net financing expenses amounted to EUR -23 million (EUR -16 million).

Profit before taxes was EUR 165 million (EUR 171 million). Earnings per share for continuing operations were EUR 0.14 (EUR 0.15).

Cash flow from operations was EUR 161 million (EUR 21 million): less net working capital was tied up in the business.

January–September in brief

The Group's orders received declined -4% and amounted to EUR 4,020 million (EUR 4,186 million). Sales increased 12% to EUR 4,049 million (EUR 3,614 million). The order backlog at the end of the period was EUR 3,179 million (EUR 3,336 million).

Adjusted EBITA increased to EUR 662 million (EUR 505 million) and the adjusted EBITA margin improved to 16.4% (14.0%). Operating profit was EUR 604 million, or 14.9% of sales (EUR 306 million and 8.5%), including negative adjustments of EUR 11 million (EUR 152 million negative, largely related to the wind-down of the business in Russia). Profit before taxes was EUR 549 million (EUR 259 million). The effective tax rate was 26% (27%). Earnings per share for continuing operations were EUR 0.49 (EUR 0.23).

Cash flow from operations was EUR 333 million (EUR 110 million).

Impacts of currencies and structural changes

		Orders received		Sales
EUR million, %	Q3	Q1–Q3	Q3	Q1–Q3
2022	**1,318**	**4,186**	**1,305**	**3,614**
Organic growth in constant currencies, %	-6	-1	5	15
Impact of changes in exchange rates, %	-4	-3	-4	-4
Structural changes, %	0	0	0	1
Total change, %	**-10**	**-4**	**1**	**12**
2023	**1,191**	**4,020**	**1,319**	**4,049**

The Group’s financial position

At the end of September, the Group’s net interest-bearing liabilities were EUR 815 million (Dec 31, 2022: EUR 684 million), resulting in a gearing of 32.6% (Dec 31, 2022: 29.1%) and a debt-to-capital ratio of 29.9% (Dec 31, 2022: 33.3%). The equity-to-assets ratio was 39.8% (Dec 31, 2022: 39.2%).

The Group's liquidity position remained strong. Liquid funds, consisting of cash and cash equivalents, amounted to EUR 359 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).

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 quarter, the facility was undrawn. The company also has a EUR 600 million Finnish commercial paper program, of which EUR 15 million was utilized at the end of September. In addition, the company has a Euro Medium Term Note Program (EMTN) of EUR 2 billion, under which EUR 763 million at carrying value was outstanding at the end of September (Dec 31, 2022: EUR 758 million).

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

The average interest rate of total loans and derivatives was 3.9% on September 30, 2023. The duration of medium- and long-term interest-bearing debt was 1.6 years and the average maturity 3.3 years.

At the end of September, 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

- **Soft market activity**
- **Orders and sales declined**
- **Solid profitability with adj. EBITA of 17.3%**

	Orders received		Sales	
EUR million, %	Q3	Q1–Q3	Q3	Q1–Q3
2022	**351**	**1,116**	**362**	**1,059**
Organic growth in constant currencies, %	-21	-11	-12	1
Impact of changes in exchange rates, %	-2	-3	-3	-3
Structural changes, %	0	1	0	2
Total change, %	**-24**	**-12**	**-15**	**0**
2023	**269**	**977**	**308**	**1,057**

Third quarter

- Activity remained weak in the European market and was softer in North America, as expected. The demand in both India and China improved against the comparison period.
- As a result of slower market activity, equipment order intake was -30% and services order intake -9% year-on-year.
- The sales decline of -15% year-on-year was due to lower order intake during the previous quarters. Equipment sales declined -17% and services sales -10%.
- Adjusted EBITA was EUR 53 million (EUR 57 million), and the adjusted EBITA margin improved to 17.3% (15.7%). The improved profitability was driven by successful cost and price management as well as the sales mix.

January–September in brief

- Orders received decreased -12% to EUR 977 million.
- Sales were flat at EUR 1,057 million.
- Driven by a solid overall operational performance, adjusted EBITA improved to EUR 185 million (EUR 151 million), corresponding to a margin of 17.5% (14.2%).

Key figures

EUR million	**Q3/2023**	Q3/2022	Change %	**Q1–Q3/2023**	Q1–Q3/2022	Change %	2022
Orders received	269	351	-24	977	1,116	-12	1,481
Orders received by services business	104	115	-9	332	362	-8	469
% of orders received	39	33	–	34	32	–	32
Order backlog				451	610	-26	561
Sales	308	362	-15	1,057	1,059	0	1,446
Sales by services business	108	121	-10	332	361	-8	477
% of sales	35	33	–	31	34	–	33
Adjusted EBITA	53	57	-6	185	151	23	213
% of sales	17.3	15.7	–	17.5	14.2	–	14.8
Operating profit	49	53	-8	173	142	21	195
% of sales	16.1	14.8	–	16.4	13.4	–	13.5

Segment review

Minerals

- **Order intake affected by slow decision-making**
- **Sales increased 7%**
- **Adj. EBITA margin improved to 17.2%**

	Orders received		Sales	
EUR million, %	Q3	Q1–Q3	Q3	Q1–Q3
2022	**967**	**3,070**	**942**	**2,555**
Organic growth in constant currencies, %	-1	3	11	21
Impact of changes in exchange rates, %	-4	-4	-5	-4
Structural changes, %	0	0	0	0
Total change, %	**-5**	**-1**	**7**	**17**
2023	**922**	**3,043**	**1,011**	**2,992**

Third quarter

- Market activity was stable in both the equipment and services businesses. In the equipment business, the proposal activity continues to be high especially in copper and battery minerals. However, macro-economic uncertainties, higher funding costs and political and permitting issues have affected customer decision-making relating to new investments. The demand for services has been supported by customers' high production volumes and the continued strive for productivity improvements.
- Equipment order intake declined -2% and services orders -6% year-on-year
- Efficient deliveries from the backlog supported sales growth of 7% to EUR 1,011 million (EUR 942 million). Services sales grew 5% and equipment sales increased 11%. The share of services was 60% (61%).
- Adjusted EBITA improved to EUR 174 million (EUR 158 million) and the adjusted EBITA margin to 17.2% (16.8%). The higher result and improved profitability were driven by increased deliveries and a higher gross margin.

January–September in brief

- Orders received declined 1% year-on-year and totaled EUR 3,043 million.
- Sales increased 17% to EUR 2,992 million.
- Adjusted EBITA was EUR 528 million and the adjusted EBITA margin was 17.6% (EUR 380 million and 14.9%), supported by increased deliveries, successful price and cost management, and improved execution.

Key figures

EUR million	Q3/2023	Q3/2022	Change %	Q1–Q3/2023	Q1–Q3/2022	Change %	2022
Orders received	922	967	-5	3,043	3,070	-1	4,143
Orders received by services business	573	611	-6	1,942	1,815	7	2,364
% of orders received	62	63	–	64	59	–	57
Order backlog				2,728	2,726	0	2,742
Sales	1,011	942	7	2,992	2,555	17	3,523
Sales by services business	602	574	5	1,801	1,494	21	2,081
% of sales	60	61	–	60	58	–	59
Adjusted EBITA	174	158	10	528	380	39	538
% of sales	17.2	16.8	–	17.6	14.9	–	15.3
Operating profit	160	142	12	484	340	42	406
% of sales	15.8	15.1	–	16.2	13.3	–	11.5

Sustainability

- **69% reduction of CO_2 emissions in own operations**
- **All-time highest score for white-collar employee engagement**
- **First full-scale hydrogen-ready furnace for the copper industry**

Sustainability KPI (%)	Target	Q3/2023*	2022
Lost time injury frequency rate (LTIFR)	Zero harm	1.2	1.1
Total recordable injury frequency rate (TRIFR)	Zero harm	2.9	2.8
Employee Net Promoter Score (eNPS)	In top 10% industry benchmark	top 10%	top 10%
Inclusion score	In top 10% industry benchmark	top 10%	top 25%
Planet Positive sales (EUR million)****	To grow faster than overall Group sales	1,490	1,108
Reduction of CO_2 emissions: own operations**	Net zero by 2030	-69%	-60%
Reduction of CO_2 emissions: logistics***	-20% by 2025	-2%	-12%
Spend with suppliers having set Science Based Targets	30% by 2025	24%	20%

*Planet Positive sales and logistics emissions are rolling 12 months as of end of August 2023. CO2 emissions for own operations are rolling 12 months as of end of September 2023 with approx. 10% estimated based on previous months' actual data. eNPS and Inclusion for all employees are measured in June and December **Scope 1 and 2, baseline 2019. ***Baseline 2019. **** from continuing operations

Health and safety. Implementation of the fatality prevention program continued with monthly roll-out of Life-Saving Rules. Further and detailed investigations into the root causes of lost-time incidents were carried out to improve safety performance in the short and long term. A gap analysis project was initiated and locations were requested to evaluate their current situation and identify and address gaps vis-a-vis Metso's safety directives.

People and culture. The engagement score (eNPS) has significantly improved over the past years, and an all-time high score was reached in the survey for white-collar employees in the third quarter. The positive trend continued across all 2023 focus areas, with noticeable progress in inclusion and well-being. Several local well-being activities and a series of global webinars on health and well-being topics during the quarter. Diversity and inclusion initiatives continued as planned, including developing further the Metso Women's Leadership Forum and the Inclusive Talent Acquisition program.

Planet Positive. Planet Positive sales grew 34% year-on-year to EUR 1,490 million (EUR 1,108 million). During the quarter, one large Planet Positive order was received for the delivery of a copper concentrator to a mining customer in Kazakhstan; the order includes primary process equipment for grinding, flotation and dewatering. Other Planet Positive orders were primarily small- or medium-size, e.g. grinding mills for an iron ore producer in Canada, supporting decarbonization of the steel industry through production of high-grade and high-purity iron ore, as well as delivery of an effluent treatment plant for Keliber's lithium hydroxide refinery to be built in Finland. During the quarter, Metso introduced the VertiSense™ solution targeted at solving specific process challenges and enabling optimization of mineral and hydrometallurgical plant process performance as well as ensuring optimal wear parts replacement and mill availability.

Footprint. Renewable energy generation from solar panels grew by 9% year-on-year. Compared to 2020, the solar panel capacity has increased seven-fold. In total, close to 30 energy and CO_2 savings projects have been completed and more than 120 new suppliers have committed to Science Based Targets year-to-date.

Partnerships. During the quarter, Metso announced that Aurubis AG has invested in full-scale hydrogen-ready anode furnaces in Germany, which are first of its kind in the copper industry and are based on Metso's design input. The furnaces will be installed in Germany and the order was booked in the Metals segment's first-half 2023 orders received. During the quarter, Rio Tinto signed a detailed design and engineering contract for their BioIron™ process plant. In addition, Metso entered a strategic memorandum of understanding with a Canadian mineral development company, Avalon Advanced Materials, to establish terms to develop a lithium hydroxide production facility that will process lithium mineral concentrates that are essential for the North American electric vehicle value chain development.

Capital expenditure and investments

Gross capital expenditure, excluding right-of-use assets, was EUR 122 million in January–September 2023 (EUR 74 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 53 million, or 1.3% of sales, in January–September 2023 (EUR 39 million, or 1.1% of sales). The battery minerals play a significant role in the current R&D and customer raw material test work.

Personnel

Metso had 17,069 (16,277) employees at the end of September 2023.

Personnel by area on September 30, 2023

	Share, %
Europe	34
North and Central America	13
South America	27
Asia Pacific and Greater China	13
Africa, Middle East and India	13
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, a total of 692,256 treasury shares were conveyed to the participants of the company's long-term incentive plans. Treasury shares totaled 2,644,249 at the end of September.

Share performance on Nasdaq Helsinki

EUR	January 1–September 30, 2023
Closing price	9.95
Highest share price	11.61
Lowest share price	8.90
Volume-weighted average trading price	10.30

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 first installment was paid on May 12, 2023, and the second will be paid on November 6, 2023.

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 these can be found on metso.com.

Other main events between January 1 and September 30, 2023

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

On February 9, 2023, Metso Outotec 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, Metso Outotec and Advanced Metal Industries Cluster Company Limited (AMIC), a subsidiary of Tasnee, signed a full and final settlement agreement 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.

Annual Report for 2022

On March 22, 2023, the Annual Report for 2022 was published. The report consists of five sections: Business Overview, Financial Review, Corporate Governance Statement, Remuneration Report and GRI Supplement.

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. The transaction value was not disclosed, and it has no material impact on Metso’s financials.

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.

Events after the reporting period

Update of segment reporting

On October 2, 2023, Metso announced that it has 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. The changes became effective on September 30, 2023.

Copper concentrator delivery contract to Kazakhstan

On October 2, 2023, Metso announced a contract for the delivery of a new copper concentrator to be built in Kazakhstan. The order value of approximately EUR 85 million was booked in the Minerals segment’s third-quarter 2023 orders received.

Acquisition of Tedd Engineering

On October 2, 2023, Metso announced that it has 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 employs 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.

Order for Keliber lithium project

On October 6, 2023, Metso announced an order for the delivery of an effluent treatment plant for Keliber's lithium hydroxide refinery to be built in Kokkola, Finland. The typical value of this type of order is approximately EUR 15–25 million. In addition, the remaining portion of approximately EUR 40 million, covering the equipment for Keliber's concentrator plant in Kaustinen, Finland, announced on December 19, 2022, was booked in the Minerals segment's third-quarter 2023 orders received.

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 will call for an adjusted EBITA margin exceeding 17% over the cycle (previously exceeding 15% over the cycle). Other financial targets remained unchanged.

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 offensive, Metso has not taken any new orders for deliveries to Russia and has fully complied with all applicable sanctions against Russia. The company concluded its wind-down of the orders taken before the start of the war during the first quarter of 2023. To cover the costs of the wind-down process, the company booked a non-recurring charge of EUR 150 million in the second quarter of 2022, of which EUR 64 million was unused at the end of September.

Short-term business risks and market uncertainties

The uncertainty in the global markets may affect Metso's market environment. Inflation continues at a relatively high level. The tightening of monetary policy by central banks to tackle the inflation risks is having a negative impact on global economic growth. While higher prices for minerals and metals typically have a positive impact on demand for Metso's products and services, uncertainty in the global economic outlook is challenging both for customers and suppliers. Higher 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.

Inflation and 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 increasing 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.

While Metso has concluded the wind-down of its customer contracts in Russia and provided for the risk of claims, disputes or lawsuits, the possibility of additional liabilities cannot be excluded.

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 the market activity to remain at the current level in both Minerals and Aggregates.

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

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Helsinki, October 27, 2023

Metso Corporation's Board of Directors

Metso Interim Report
January 1–September 30, 2023: Tables

Contents

Consolidated statement of income, IFRS

EUR million	**7–9/2023**	7–9/2022	**1–9/2023**	1–9/2022	1–12/2022
Sales	1,319	1,305	4,049	3,614	4,970
Cost of sales	-904	-894	-2,761	-2,693	-3,642
Gross profit	415	411	1,288	921	1,328
Selling and marketing expenses	-101	-109	-325	-303	-426
Administrative expenses	-82	-77	-275	-223	-315
Research and development expenses	-15	-11	-48	-36	-55
Other operating income and expenses, net	-29	-26	-36	-52	-40
Share of results of associated companies	0	0	0	-2	-1
Operating profit	189	187	604	306	490
Finance income	3	3	12	6	14
Foreign exchange gains/losses	1	-3	8	-14	-14
Finance expenses	-28	-15	-75	-39	-63
Finance income and expenses, net	-23	-16	-55	-47	-63
Profit before taxes	165	171	549	259	426
Income taxes	-46	-46	-142	-70	-108
Profit for the period from continuing operations	119	126	407	189	318
Profit from discontinued operations	4	5	3	6	-18
Profit for the period	124	131	410	195	301
Profit attributable to					
Parent company shareholders	123	132	406	197	301
Non-controlling interest	0	-1	4	-2	0
Profit attributable to, continuing operations					
Parent company shareholders	119	127	403	191	319
Non-controlling interest	1	-1	4	-2	0
Profit attributable to, discontinued operations					
Parent company shareholders	4	5	3	6	-18
Non-controlling interest	0	0	0	0	0
Earnings per share, EUR	0.15	0.16	0.49	0.24	0.36
Earnings per share, diluted, EUR	0.15	0.16	0.49	0.24	0.36
Earnings per share, continuing operations, EUR	0.14	0.15	0.49	0.23	0.39
Earnings per share, discontinued operations, EUR	0.01	0.01	0.00	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

EUR million	7–9/2023	7–9/2022	1–9/2023	1–9/2022	1–12/2022
Profit for the period	124	131	410	195	301
Other comprehensive income					
Cash flow hedges, net of tax	-3	2	-4	2	3
Currency translation on subsidiary net investment	9	13	-8	72	13
Items that may be reclassified to profit or loss in subsequent periods	6	16	-13	74	17
Defined benefit plan actuarial gains and losses, net of tax	-1	0	-1	-1	2
Items that will not be reclassified to profit or loss	-1	0	-1	-1	2
Other comprehensive income	6	16	-13	73	18
Total comprehensive income	129	146	397	268	319
Total comprehensive income attributable to					
Parent company shareholders	129	148	393	269	319
Non-controlling interest	0	-1	4	-2	0
Total comprehensive income attributable to, continuing operations					
Parent company shareholders	124	143	390	264	337
Non-controlling interest	1	-1	4	-2	0
Total comprehensive income attributable to, discontinued operations					
Parent company shareholders	4	5	3	6	-18
Non-controlling interest	0	0	0	0	0

Consolidated balance sheet – Assets, IFRS

EUR million	**Sep 30, 2023**	Sep 30, 2022	Dec 31, 2022
Non-current assets			
Goodwill and intangible assets			
Goodwill	1,089	1,139	1,128
Other intangible assets	793	864	844
Total goodwill and intangible assets	1,882	2,004	1,972
Property, plant and equipment			
Land and water areas	40	37	40
Buildings and structures	120	123	117
Machinery and equipment	196	192	193
Assets under construction	102	58	57
Total property, plant and equipment	458	410	407
Right-of-use assets	115	118	115
Other non-current assets			
Investments in associated companies	5	6	6
Non-current financial assets	2	2	2
Loan receivables	–	6	5
Derivative financial instruments	3	–	3
Deferred tax assets	261	251	225
Other non-current receivables	23	37	20
Total other non-current assets	294	301	262
Total non-current assets	2,749	2,833	2,756
Current assets			
Inventories	1,998	1,887	1,846
Trade receivables	786	795	799
Customer contract assets	300	437	354
Loan receivables	8	2	3
Derivative financial instruments	37	79	86
Income tax receivables	130	31	48
Other current receivables	327	281	263
Liquid funds	359	467	601
Total current assets	3,946	3,980	3,998
Assets held for sale	271	13	–
TOTAL ASSETS	6,966	6,826	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 September 30, 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	**Sep 30, 2023**	Sep 30, 2022	Dec 31, 2022
Equity			
Share capital	107	107	107
Share premium fund	20	20	20
Cumulative translation adjustments	-158	-92	-150
Fair value and other reserves	1,125	1,117	1,122
Retained earnings	1,393	1,130	1,243
Equity attributable to shareholders	2,488	2,283	2,342
Non-controlling interests	11	7	7
Total equity	2,499	2,290	2,350
Liabilities			
Non-current liabilities			
Borrowings	809	704	998
Lease liabilities	88	94	87
Post-employment benefit obligations	95	127	96
Provisions	66	50	59
Derivative financial instruments	28	27	33
Deferred tax liability	208	201	193
Other non-current liabilities	2	2	2
Total non-current liabilities	1,295	1,204	1,470
Current liabilities			
Borrowings	255	338	176
Lease liabilities	31	29	31
Trade payables	684	779	787
Provisions	228	334	248
Advances received	331	321	281
Customer contract liabilities	356	419	474
Derivative financial instruments	61	132	47
Income tax liabilities	218	143	138
Other current liabilities	842	836	752
Total current liabilities	3,006	3,331	2,934
Liabilities held for sale	166	1	–
TOTAL EQUITY AND LIABILITIES	6,966	6,826	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 September 30, 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	–	–	–	–	406	406	4	410
Other comprehensive income								
Cash flow hedges, net of tax	–	–	–	-4	–	-4	–	-4
Currency translation on subsidiary net investments	–	–	-8	–	–	-8	–	-8
Defined benefit plan actuarial gains (+) / losses (-), net of tax	–	–	–	–	-1	-1	–	-1
Total comprehensive income	–	–	-8	-4	405	393	4	397
Dividends	–	–	–	–	-248	-248	–	-248
Share-based payments, net of tax	–	–	–	7	-7	1	–	1
Other items	–	–	–	0	0	0	0	0
Sep 30, 2023	107	20	-158	1,125	1,393	2,488	11	2,499

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

Condensed consolidated statement of cash flow, IFRS

EUR million	**7–9/2023**	7–9/2022	**1–9/2023**	1–9/2022	1–12/2022
Operating activities					
Profit for the period	124	131	410	195	301
Adjustments:					
Depreciation and amortization	39	39	117	116	156
Financial expenses, net	23	16	55	47	63
Income taxes	47	47	145	73	113
Other items	-47	6	-25	20	65
Change in net working capital	-25	-217	-369	-341	-377
Net cash flow from operating activities before financial items and taxes	161	21	333	110	322
Financial income and expenses paid, net	-1	-14	-6	-49	-73
Income taxes paid	-52	-22	-162	-83	-121
Net cash flow from operating activities	108	-15	166	-22	127
Investing activities					
Capital expenditures on non-current assets	-49	-31	-122	-74	-114
Proceeds from sale of non-current assets	3	3	10	9	10
Business acquisitions, net of cash acquired	-18	-6	-18	-21	-21
Proceeds from sale of businesses, net of cash sold	–	–	–	-9	-9
Proceeds from sale of non-current financial assets	–	0	–	2	2
Change in loan receivables, net	0	0	-3	0	1
Net cash flow from investing activities	-65	-33	-132	-93	-132
Financing activities					
Dividends paid	–	–	-124	-100	-198
Proceeds from and repayments of non-current debt, net	0	0	–	-50	246
Proceeds from and repayment of current debt, net	-39	99	-120	293	140
Repayment of lease liabilities	-9	-8	-26	-26	-35
Purchase of treasury shares	–	-25	–	-25	-25
Net cash flow from financing activities	-48	65	-270	92	127
Net change in liquid funds	-4	16	-236	-23	122
Effect from changes in exchange rates	-2	1	-6	17	5
Liquid funds at beginning of period	365	451	601	473	473
Liquid funds at end of period	359	467	359	467	601

Key figures, IFRS

EUR million	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
Profit for the period from continuing operations	407	189	318
Earnings per share from continuing operations, EUR	0.49	0.23	0.39
Profit for the period from discontinued operations	3	6	-18
Earnings per share from discontinued operations, EUR	0.00	0.01	-0.03
Profit for the period	410	195	301
Earnings per share, EUR	0.49	0.24	0.36
Equity/share at end of period, EUR	3.01	2.77	2.84
Total number of shares at end of period (thousands)	828,972	828,972	828,972
Own shares held by Parent Company (thousands)	2,644	3,337	3,337
Number of outstanding shares at end of period (thousands)	826,328	825,636	825,636
Average number of outstanding shares (thousands)	826,179	827,771	827,414

EUR million	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
Net debt	815	690	684
Gearing, %	32.6%	30.1%	29.1%
Equity-to-asset ratio, %	39.8%	37.6%	39.2%
Debt to capital, %	29.9%	31.3%	33.3%
Debt to equity, %	42.6%	45.5%	50.0%
Net working capital (NWC)	926	592	596
Net debt and gearing			
Borrowings	1,064	1,042	1,174
Lease liabilities	119	123	118
Gross debt	1,182	1,166	1,293
Loan receivables	8	8	8
Liquid funds	359	467	601
Net debt	815	690	684
Gearing	32.6%	30.1%	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 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, 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 Interim Report is unaudited.

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 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. 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 September 30, 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 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 were 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	7–9/2023	7–9/2022	1–9/2023	1–9/2022	1–12/2022
Aggregates	308	362	1,057	1,059	1,446
Minerals	1,011	942	2,992	2,555	3,523
Sales, continuing operations	**1,319**	**1,305**	**4,049**	**3,614**	**4,970**

SALES BY SEGMENT

EUR million	7–9/2023	7–9/2022	1–9/2023	1–9/2022	1–12/2022
Sales of services	**710**	**695**	**2,133**	**1,855**	**2,558**
Aggregates	108	121	332	361	477
Minerals	602	574	1,801	1,494	2,081
Sales of projects, equipment and goods	**609**	**609**	**1,916**	**1,759**	**2,412**
Aggregates	200	241	725	698	970
Minerals	410	368	1,191	1,062	1,443
Sales, continuing operations	**1,319**	**1,305**	**4,049**	**3,614**	**4,970**

EXTERNAL SALES BY TIMING OF REVENUE RECOGNITION

EUR million	7–9/2023	7–9/2022	1–9/2023	1–9/2022	1–12/2022
At a point in time	1,188	1,162	3,376	2,912	3,701
Over time	131	143	672	702	1,269
Sales, continuing operations	**1,319**	**1,305**	**4,049**	**3,614**	**4,970**

EXTERNAL SALES BY DESTINATION

EUR million	7–9/2023	7–9/2022	1–9/2023	1–9/2022	1–12/2022
Europe	248	261	798	838	1,100
North and Central America	284	309	995	847	1,201
South America	293	255	849	656	913
APAC	258	305	805	796	1,098
Africa, Middle East and India	236	175	601	478	657
Sales, continuing operations	**1,319**	**1,305**	**4,049**	**3,614**	**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 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 strong. As of September 30, 2023, liquid funds, consisting of cash and cash equivalents, amounted to EUR 359 million (EUR 601 million on December 31, 2022) following the payment of the first dividend instalment of EUR 124 million in May. There were no deposits or securities with a maturity of more than three months (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 September, the facility was undrawn. The company also has a EUR 600 million Finnish commercial paper program, of which EUR 15 million was utilized at the end of September.

Metso has a Euro Medium Term Note Program (EMTN) of EUR 2 billion, under which EUR 763 million at carrying value was outstanding at the end of September (EUR 758 million on December 31, 2022). On September 30, 2023, the average interest rate of total loans and derivatives was 3.9%. The duration of medium- and long-term interest-bearing debt was 1.6 years and the average maturity 3.3 years.

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

Capital structure management in Metso comprises both equity and interest-bearing debt. As of September 30, 2023, the equity attributable to shareholders was EUR 2,488 million (EUR 2,342 million on December 31, 2022), and the amount of interest-bearing debt, excluding lease liabilities, was EUR 1,064 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 September 30, 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.

		Sep 30, 2023	
EUR million	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
Derivatives not under hedge accounting	–	22	–
Financial assets at fair value through other comprehensive income			
Derivatives under hedge accounting	–	18	–
Total	–	40	–
Liabilities			
Financial liabilities at fair value through profit and loss			
Derivatives not under hedge accounting	–	44	–
Financial liabilities at fair value through other comprehensive income			
Derivatives under hedge accounting	–	45	–
Total	–	89	–

		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	**Sep 30, 2023**	Sep 30, 2022	Dec 31, 2022
Forward exchange rate contracts	3,561	3,183	3,540
Interest-rate swaps	425	275	425

7. Contingent liabilities and commitments

EUR million	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
Guarantees			
External guarantees given by Parent and Group companies	1,668	1,549	1,546
Other commitments			
Repurchase commitments	–	0	–
Other contingencies	1	1	1
Total	1,669	1,551	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 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.

The acquisitions do not have 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	21
Inventory	5
Other assets	5
Liabilities	-14
Net identifiable assets acquired at fair value	**16**
Goodwill (provisional)	5
Purchase consideration	**21**

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	-20
Cash and cash equivalents acquired	2
Net cash flow for the year	-18
Cash consideration, total	**-18**

Acquisitions 2022

On September 1, 2022, Metso completed the acquisition of Global Physical Asset Management, a technology provider based in North America. The acquisition strengthens 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 have been 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 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 3 million on January 1–September 30, 2023 (EUR 6 million on January 1–September 30, 2022). Assets held for sale totaled EUR 271 million and the liabilities EUR 166 million on September 30, 2023.

	1–9/2023		
EUR million	Continuing operations	Discontinued operations	**Metso total**
Sales	4,049	256	4,305
Cost of sales	-2,761	-216	-2,977
Gross profit	1,288	40	1,328
Selling and marketing expenses	-325	-13	-338
Administrative expenses	-275	-12	-287
Research and development expenses	-48	-9	-57
Other operating income and expenses, net	-36	0	-36
Share of results of associated companies	0	0	0
Operating profit	604	6	610
Finance income and expenses, net	-55	0	-55
Profit before taxes	549	6	555
Income taxes	-142	-4	-145
Profit for the period	407	3	410
Profit attributable to			
Shareholders of the Parent Company	403	3	406
Non-controlling interests	4	0	4
Earnings per share, EUR	0.49	0.00	0.49

EUR million	1–9/2022 Continuing operations	Discontinued operations	**Metso total**
Sales	3,614	303	3,917
Cost of sales	-2,693	-245	-2,938
Gross profit	921	58	979
Selling and marketing expenses	-303	-20	-323
Administrative expenses	-223	-13	-236
Research and development expenses	-36	-6	-42
Other operating income and expenses, net	-52	-10	-62
Share of results of associated companies	-2	0	-2
Operating profit	306	9	315
Finance income and expenses, net	-47	0	-47
Profit before taxes	259	9	268
Income taxes	-70	-3	-73
Profit for the period	189	6	195
Profit attributable to			
Shareholders of the Parent Company	191	6	197
Non-controlling interests	-2	0	-2
Earnings per share, EUR	0.23	0.01	0.24

11. Segment information, IFRS

The Smelting business has been transferred as part of the Minerals segment. In addition, businesses 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	7–9/2023	7–9/2022	1–9/2023	1–9/2022	1–12/2022
Aggregates	269	351	977	1,116	1,481
Minerals	922	967	3,043	3,070	4,143
Metso total, continuing operations	1,191	1,318	4,020	4,186	5,623

ORDERS RECEIVED BY SERVICES BUSINESS

EUR million	7–9/2023	7–9/2022	1–9/2023	1–9/2022	1–12/2022
Aggregates	104	115	332	362	469
% of orders received	38.9	32.8	34.0	32.5	31.7
Minerals	573	611	1,942	1,815	2,364
% of orders received	62.1	63.2	63.8	59.1	57.1
Metso total, continuing operations	677	726	2,274	2,177	2,833
% of orders received	56.9	55.1	56.6	52.0	50.4

SALES

EUR million	7–9/2023	7–9/2022	1–9/2023	1–9/2022	1–12/2022
Aggregates	308	362	1,057	1,059	1,446
Minerals	1,011	942	2,992	2,555	3,523
Metso total, continuing operations	1,319	1,305	4,049	3,614	4,970

SALES BY SERVICES BUSINESS

EUR million	7–9/2023	7–9/2022	1–9/2023	1–9/2022	1–12/2022
Aggregates	108	121	332	361	477
% of sales	35.2	33.4	31.4	34.1	33.0
Minerals	602	574	1,801	1,494	2,081
% of sales	59.5	60.9	60.2	58.5	59.1
Metso total, continuing operations	710	695	2,133	1,855	2,558
% of sales	53.8	53.3	52.7	51.3	51.5

ADJUSTED EBITA AND OPERATING PROFIT

EUR million, %	**7–9/2023**	7–9/2022	**1–9/2023**	1–9/2022	1–12/2022
Aggregates					
Adjusted EBITA	53	57	185	151	213
% of sales	17.3	15.7	17.5	14.2	14.8
Amortization of intangible assets	-4	-4	-11	-11	-16
Adjustment items	0	0	-1	3	-2
Operating profit	49	53	173	142	195
% of sales	16.1	14.8	16.4	13.4	13.5
Minerals					
Adjusted EBITA	174	158	528	380	538
% of sales	17.2	16.8	17.6	14.9	15.3
Amortization of intangible assets	-12	-11	-35	-34	-45
Adjustment items	-2	-4	-9	-6	-87
Operating profit	160	142	484	340	406
% of sales	15.8	15.1	16.2	13.3	11.5
Group Head Office and other					
Adjusted EBITA	-15	-13	-50	-25	-37
Amortization of intangible assets	0	-1	-1	-2	-2
Adjustment items*	-6	5	-1	-149	-73
Operating profit*	-21	-8	-52	-176	-112
Metso total, continuing operations					
Adjusted EBITA	213	202	662	505	715
% of sales	16.1	15.5	16.4	14.0	14.4
Amortization of intangible assets	-16	-16	-47	-47	-63
Adjustment items*	-8	1	-11	-152	-163
Operating profit*	189	187	604	306	490
% of sales	14.3	14.4	14.9	8.5	9.9

*Figures for the comparison period 1–9/2022 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	**7–9/2023**	7–9/2022	**1–9/2023**	1–9/2022	1–12/2022
Capacity adjustment costs	-6	1	-10	-4	-12
Acquisition costs	–	–	–	2	0
Profits on disposals, net	-2	0	-1	0	0
Wind-down of Russian business	–	–	–	-150	-150
Adjustment items, total	-8	1	-11	-152	-163

Quarterly segment information, IFRS

ORDERS RECEIVED

EUR million	7–9/2023	4–6/2023	1–3/2023	10–12/2022	7–9/2022
Aggregates	269	330	379	364	351
Minerals	922	1,014	1,107	1,073	967
Metso total, continuing operations	1,191	1,344	1,485	1,437	1,318

SALES

EUR million	7–9/2023	4–6/2023	1–3/2023	10–12/2022	7–9/2022
Aggregates	308	386	363	387	362
Minerals	1,011	1,010	970	968	942
Metso total, continuing operations	1,319	1,396	1,334	1,356	1,305

Adjusted EBITA

EUR million	7–9/2023	4–6/2023	1–3/2023	10–12/2022	7–9/2022
Aggregates	53	66	66	63	57
Minerals	174	184	170	158	158
Group Head Office and other	-15	-11	-24	-11	-13
Metso total, continuing operations	213	238	211	210	202

Adjusted EBITA, % OF SALES

%	7–9/2023	4–6/2023	1–3/2023	10–12/2022	7–9/2022
Aggregates	17.3	17.0	18.1	16.2	15.7
Minerals	17.2	18.2	17.5	16.3	16.8
Group Head Office and other	n/a	n/a	n/a	n/a	n/a
Metso total, continuing operations	16.1	17.1	15.8	15.5	15.5

AMORTIZATION OF INTANGIBLE ASSETS

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

ADJUSTMENT ITEMS

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

OPERATING PROFIT

EUR million	7–9/2023	4–6/2023	1–3/2023	10–12/2022	7–9/2022
Aggregates	49	62	62	53	53
Minerals	160	168	156	66	142
Group Head Office and other	-21	-8	-24	65	-8
Metso total, continuing operations	189	222	193	183	187

OPERATING PROFIT, % OF SALES

%	7–9/2023	4–6/2023	1–3/2023	10–12/2022	7–9/2022
Aggregates	16.1	16.0	17.0	13.7	14.8
Minerals	15.8	16.6	16.0	6.8	15.1
Group Head Office and other	n/a	n/a	n/a	n/a	n/a
Metso total, continuing operations	14.3	15.9	14.5	13.5	14.4

ORDER BACKLOG

EUR million	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022
Aggregates	451	486	553	561	610
Minerals	2,728	2,825	2,844	2,742	2,726
Metso total, continuing operations	3,179	3,311	3,397	3,303	3,336

12. Exchange rates

Currency		7–9/2023	7–9/2022	1–12/2022	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
USD	(US dollar)	1.0801	1.0637	1.0563	1.0594	0.9748	1.0666
SEK	(Swedish krona)	11.4578	10.5179	10.6258	11.5325	10.8993	11.1218
GBP	(Pound sterling)	0.8706	0.8485	0.8537	0.8646	0.8830	0.8869
CAD	(Canadian dollar)	1.4565	1.3682	1.3757	1.4227	1.3401	1.4440
BRL	(Brazilian real)	5.4232	5.4758	5.4748	5.3065	5.2584	5.6386
CNY	(Chinese yuan)	7.6145	7.0147	7.0836	7.7352	6.9368	7.3582
AUD	(Australian dollar)	1.6232	1.5082	1.5189	1.6339	1.5076	1.5693

13. Events after the reporting period

On October 2, 2023, Metso announced that it has 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 employs 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 is expected to close during Q4 2023.

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

Financial Statement Review for 2023 on February 16, 2024

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