2019 Financial Statements Review

Metso's Financial Statements Review January 1 – December 31, 2019

Metso has classified its Minerals segment as discontinued operations from October 29, 2019, in accordance with IFRS. This was based on the decision taken by Metso's Extraordinary General Meeting on October 29, 2019, to approve the partial demerger of the company. As a result, the depreciation and amortization of the Minerals segment is calculated only for the period of January-October 2019 according to IFRS. Metso has also prepared consolidated financial information, where the depreciation and amortization of Minerals is calculated for the full-year 2019, and these figures are comparable to the year 2018.

Analysis of the fourth-quarter 2019 and January-December 2019 in this Financial Statements Review is based on the comparable figures unless otherwise noted.
Figures in brackets refer to the corresponding period in 2018, unless otherwise stated.

Fourth-quarter 2019 in brief

- Market activity continued to be good
- Orders received increased 1% to EUR 914 million (902 million)
- Sales grew 7%, totaling EUR 963 million (897 million)
- Adjusted EBITA improved to EUR 117 million, or 12.2% of sales (98 million, or 10.9%)
- Operating profit improved to EUR 96 million, or 10.0% of sales (93 million, or 10.4%)
- Earnings per share were EUR 0.41 (0.42)
- Free cash flow was EUR 18 million (57 million)
- Acquisition of the Canadian mobile aggregates equipment supplier McCloskey was completed
- Shareholders approved Metso's partial demerger to create Metso Outotec and Neles. Closing is currently expected to take place on June 30, 2020, subject to regulatory approvals

January-December 2019 in brief

- Healthy market activity in both segments
- Orders received increased 5% to EUR 3,690 million (3,499 million)
- Sales grew 15%, totaling EUR 3,635 million (3,173 million)
- Adjusted EBITA increased to EUR 474 million, or 13.0% of sales (369 million, or 11.6%)
- Operating profit increased to EUR 418 million, or 11.5% of sales (351 million, or 11.1%)
- Earnings per share were EUR 1.94 (1.53)
- Free cash flow was EUR 39 million (146 million)
- Transformative strategy year with the McCloskey acquisition and the transaction to merge Metso Minerals and Outotec and to create an independent valve company, Neles
- The Board of Directors will propose a dividend of EUR 1.47 per share for 2019 (1.20)

IFRS figures for January-December 2019

- Sales for continuing operations totaled EUR 660 million (593 million)
- Operating profit for continuing operations was EUR 93 million (83 million)
- Profit from discontinued operations was EUR 230 million (164 million)
- Earnings per share, continuing operations, were EUR 0.46 (0.43)
- Earnings per share, discontinued operations, were EUR 1.54 (1.10)
- Earnings per share, Metso total, were EUR 2.00 (1.53)

Market outlook

- Market activity in both segments, Flow Control and Minerals, is expected to remain at the current level in both the equipment and services business.

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.

Key figures

EUR million	Q4/2019	Q4/2018	Change %	2019	2018	Change %
Orders received	**914**	902	1	**3,690**	3,499	5
Orders received by services business	**508**	498	2	**2,061**	1,913	8
% of orders received	**56**	55		**56**	55	
Order backlog at end of period				**1,688**	1,686	0
Sales	**963**	897	7	**3,635**	3,173	15
Sales by services business	**516**	473	9	**1,967**	1,773	11
% of sales	**54**	53		**54**	56	
Adjusted EBITA *)	**117**	98	19	**474**	369	28
% of sales	**12.2**	10.9		**13.0**	11.6	
Operating profit	**96**	93	3	**418**	351	19
% of sales	**10.0**	10.4		**11.5**	11.1	
Earnings per share, EUR	**0.41**	0.42	-2	**1.94**	1.53	27
Free cash flow	**18**	57		**39**	146	-68
Return on capital employed (ROCE) before taxes, %				**18.7**	16.9	
Equity to assets ratio, %				**42.1**	47.7	
Net gearing, %				**52.7**	11.7	
Personnel at end of period				**15,821**	13,150	20

**) Adjustment items amounted to EUR 15 million in Q4/2019 and EUR 36 million in 2019, while comparative periods for 2018 do not include any adjustment items. Reconciliation of EBITA and operating profit is presented in Note 10: Segment information.*

IFRS 16 is adopted in the 2019 figures. Comparison figures for 2018 are not restated. For more information, see Notes 2 and 7.

President and CEO Pekka Vauramo:

The last year was in many ways historical and transformative for Metso. It also marked a record in our financial performance, as our sales increased in both segments and our profitability was higher than ever in the company's history. Other significant accomplishments included the launches of many new products as well as new initiatives in sustainability. What is common to our new products is that they are designed to accommodate our customers' focus on improving their productivity. In sustainability, we published the Metso Climate Program, which aims for notable reductions in emissions. We also succeeded in improving our safety performance significantly. The great performance in 2019 is thanks to all the Metso people, who have shown their capabilities and commitment during the year.

In 2019, we made two major strategic decisions, which are transformative to both Metso and our industry. The first was the acquisition of McCloskey, a Canadian supplier of mobile aggregates crushers and screens. After the closing of the acquisition in October, Metso's offering strengthened in the mobile aggregates equipment market, which is estimated to see the industry's fastest-growing demand.

The second and truly transformative step was the decision related to the partial demerger of Metso, after which Metso's Minerals business will be combined with Outotec to create Metso Outotec, a unique company in the minerals, metals and aggregates industries. At the same time, the valves business will continue as an independent listed company named Neles. We are confident that, as a result of this transaction, both companies will be well-positioned to grow and create value for our customers and other stakeholders. Shareholders of both Metso and Outotec approved the transaction in October and internal preparations have proceeded according to plan. The completion of the transaction still requires approvals from the competition authorities in various markets. According to our current estimate, we expect the closing to take place on June 30, 2020.

Operating environment

The activity in the valves market remained healthy, reflected in good demand related to customers' oil & gas and pulp and paper investment projects. There was also good demand in the distribution network that serves several process industries.

The strong demand for mining services throughout 2019 was supported by high utilization rates at the customers' mines and their focus on productivity improvements. The demand for mining equipment was healthy, although customers' decision-making related to new capital investments turned cautious mid-year and remained so until the end of the year. Healthy demand for aggregates equipment and services in North America and Europe saw typically lower seasonal activity in the fourth quarter. In China, the demand for aggregates equipment was good throughout the year, while the Indian market remained softer than in 2018. Demand in waste recycling was healthy whereas demand in metal recycling continued to be affected by low scrap prices.

Orders and sales

The Group's fourth-quarter orders received totaled EUR 914 million (EUR 902 million), which represents an increase of 1% compared to the same period in 2018. Flow Control's orders were 2% lower year-on-year, due to fewer orders related to customers' capex projects. Growth of 2% in Minerals orders was supported by the acquisition of McCloskey. Organically Minerals orders declined 3%, due to fewer large mining equipment orders compared to the fourth quarter in 2018. Minerals' services orders increased 3%.

The Group's quarterly sales totaled EUR 963 million (EUR 897 million), which is 7% higher compared to the fourth quarter in 2018. Flow Control's sales declined 1% to EUR 167 million, as sales by the services business increased and equipment sales decreased. Sales in Minerals increased 9% to EUR 797 million and were supported by the acquisition of McCloskey. Minerals services sales increased 8%.

Orders received in January-December totaled EUR 3,690 million, which is 5% higher than in 2018. Orders increased organically 4%. The McCloskey acquisition and other structural changes had 1% positive impact on orders. Flow Control's orders increased 8%, and growth was driven by both equipment and services orders. Minerals' orders increased 5%, largely driven by the services business.

The order backlog at the end of December totaled EUR 1,688 million (EUR 1,686 million at the end of 2018).

January-December sales totaled EUR 3,635 million, which is 15% higher than in 2018. Most of this resulted from organic growth. Flow Control's 11% sales growth year-on-year was driven by both the equipment and services business. Minerals' sales increased 15% and both equipment and services business orders grew at a double-digit rate.

Impacts of currency and structural changes on orders received

EUR million, %	Flow Control Q4	Flow Control Q1–Q4	Minerals Q4	Minerals Q1–Q4	**Metso total Q4**	**Metso total Q1–Q4**
2018	**157**	**628**	**745**	**2,872**	**902**	**3,499**
Organic growth in constant currencies, %	-7 %	3 %	-3 %	4 %	-4 %	4 %
Impact of changes in exchange rates, %	2 %	2 %	0 %	0 %	0 %	1 %
Structural changes, %	3 %	3 %	6 %	1 %	5 %	1 %
Total change, %	**-2 %**	**8 %**	**2 %**	**5 %**	**1 %**	**5 %**
2019	**154**	**681**	**759**	**3,009**	**914**	**3,690**

Impacts of currency and structural changes on sales

EUR million, %	Flow Control Q4	Flow Control Q1–Q4	Minerals Q4	Minerals Q1–Q4	**Metso total Q4**	**Metso total Q1–Q4**
2018	**168**	**593**	**729**	**2,581**	**897**	**3,173**
Organic growth in constant currencies, %	-6 %	5 %	2 %	14 %	1 %	12 %
Impact of changes in exchange rates, %	3 %	3 %	0 %	0 %	0 %	1 %
Structural changes, %	3 %	3 %	7 %	1 %	6 %	2 %
Total change, %	**-1 %**	**11 %**	**9 %**	**15 %**	**7 %**	**15 %**
2019	**167**	**660**	**797**	**2,976**	**963**	**3,635**

Financial performance

Adjusted EBITA in the fourth quarter totaled EUR 117 million, or 12.2% of sales (EUR 98 million, or 10.9%). Flow Control's adjusted EBITA was EUR 23 million, or 13.6% of sales (EUR 28 million, or 16.4%). Minerals' adjusted EBITA totaled EUR 96 million, or 12.0% of sales (EUR 78 million, or 10.6%). The higher profitability resulted from the sales growth and improved operational efficiency, while the McCloskey business diluted the Minerals EBITA margin slightly.

The fourth-quarter operating profit improved to EUR 96 million, or 10.0% of sales (EUR 93 million, or 10.4%). Adjustment items of EUR 15 million had a negative impact on operating profit, as there were no adjustments in the fourth quarter of 2018. The adjustments were attributable to costs related to changes in the manufacturing footprint as well as to the Metso Outotec transaction costs. Flow Control's operating profit improved to EUR 22 million, or 13.0% of sales (EUR 27 million, or 16.0%). Minerals' operating profit totaled EUR 85 million, or 10.6% of sales (EUR 76 million, or 10.4%). The impact of the Group Head Office and other on the operating profit was EUR 10 million negative (EUR 10 million negative), largely due to the adjustment items.

Adjusted EBITA in January-December improved to EUR 474 million, or 13.0% of sales (EUR 369 million, or 11.6%). The higher profitability resulted from the sales growth and improved operational efficiency in both segments. Flow

Control's adjusted EBITA totaled EUR 104 million, or 15.8% of sales (EUR 90 million, or 15.2%). Minerals' adjusted EBITA increased to EUR 381 million, or 12.8% of sales (EUR 291 million, or 11.3%). Operating profit improved to EUR 418 million, or 11.5% of sales (EUR 351 million, or 11.1%) in 2019. Adjustment items of EUR 36 million had a negative impact on the operating profit, as there were no adjustments in 2018. The adjustments were attributable to costs related to changes in the manufacturing footprint as well as to the Metso Outotec transaction costs and other acquisition costs. Flow Control's operating profit totaled EUR 100 million, or 15.2% of sales (EUR 88 million, or 14.8%). Minerals' operating profit totaled EUR 350 million, or 11.8% of sales (EUR 283 million, or 11.0%). The impact of the Group Head Office and other on the operating profit was EUR 32 million negative, largely due to the adjustment items (EUR 20 million negative).

Profit before taxes in January-December improved to EUR 380 million (EUR 321 million). Annual net financial expenses were EUR 38 million (EUR 30 million).

During the second quarter Metso announced, that related to an earlier announced reassessment decision by the Finnish tax authority, the Assessment Adjustment Board had largely accepted Metso's appeal and ruled that Metso receive a refund of about EUR 14 million of the EUR 21 million tax payment made in the first quarter of 2018. The effective tax rate in 2019 was 24%, or 28% excluding the refund impact.

Earnings per share in January-December increased to EUR 1.94 (EUR 1.53) and the return on capital employed (ROCE) rose to 18.7% (16.9% at the end of 2018), thanks to improved earnings and despite higher working capital and the negative effect from the adoption of IFRS 16. See Notes 2 and 7 for more information.

Net cash generated by operating activities in January-December totaled EUR 91 million (EUR 177 million) and free cash flow was EUR 39 million (EUR 146 million). An increase in net working capital had a EUR 254 million negative (EUR 129 million negative) impact on cash flow, arising mainly from growth in receivables and inventories. The growth in receivables was related to the strong sales growth. Higher inventory was attributable to investments to assuring availability and some inefficiencies caused by long supply and internal logistics chains. In addition, the consolidation of McCloskey increased inventory. Actions to improve inventory efficiency are continuing and started to show results in the second half of 2019.

Financial position

Metso's balance sheet and liquidity position remain good. Total liquid funds at the end of December 2019 were EUR 213 million (EUR 426 million at the end of 2018). There were no investments in financial instruments with an initial maturity exceeding three months (EUR 94 million at the end of 2018), and EUR 213 million (EUR 332 million at the end of 2018) is accounted for as cash and cash equivalents. The dividend of EUR 180 million was paid in two installments: in May and in November.

Metso has an undrawn, committed syndicated revolving credit facility of EUR 600 million. In addition, Metso drew a bilateral EUR 300 million term loan from the Nordea Bank on September 30, 2019, to finance the McCloskey acquisition. The loan has a maturity of two years and includes an option to extend the maturity by one year. Metso drew a bilateral EUR 150 million term loan from the Nordea Bank on November 4, 2019, for general corporate purposes. The loan has a maturity of three years, and it will be part of the funding structure of the future Neles. Metso also has an undrawn, committed loan of EUR 40 million from the European Investment Bank.

Net interest-bearing liabilities were EUR 798 million at the end of December (EUR 165 million at the end of 2018) and net gearing was 52.7% (11.7% at the end of 2018), due to the decrease of liquid funds, and the EUR 300 million loan to finance the McCloskey acquisition. The equity-to-assets ratio was 42.1% (47.7% at the end of 2018).

On July 9, 2019, Standard & Poor's Ratings Services placed their BBB rating on Metso on Credit Watch negative due to planned carve-out and the combining of the Metso Minerals Business with Outotec. As a result of this, Metso's continuing business will consist of only the Neles (Flow Control) business.

Combination of Metso Minerals and Outotec and the creation of Neles

On October 29, 2019, the Extraordinary General Meetings (EGMs) of both Metso Corporation and Outotec Oyj approved the proposed partial demerger of Metso and the plan to combine Metso's Minerals Business and the Outotec Group to create Metso Outotec Corporation. As a result, Metso's Flow Control business became the continuing business of the currently listed Metso, and, after the registration of the demerger, it will be renamed Neles (later referred to as "the future Neles"), an independent listed company supplying flow control products and services. In the partial demerger of Metso, all assets and liabilities of Metso that relate to, or primarily serve, Metso's Minerals Business will transfer without liquidation of Metso to Outotec.

Metso and Outotec have previously communicated that the completion of the combination of Metso's Minerals Business and Outotec is expected to take place in the second quarter of 2020, subject to the receipt of all required regulatory and other approvals, including competition clearances. Considering the progress of the regulatory approval process, Metso and Outotec currently expect the completion of the combination of Metso's Minerals

Business and Outotec to take place on June 30, 2020, subject to the receipt of all required regulatory and other approvals, including competition clearances. Metso's Board of Directors published the plan relating to the transaction on July 4, 2019.

In addition, the EGM decided on an amendment of Metso's Articles of Association and on a decrease in Metso's share capital as a result of the demerger. More information including all meeting documents is available at www.metso.com/egm-2019.

As part of the preparations for both Metso Outotec and the future Neles, two new credit facilities were signed on September 30, 2019. A new EUR 600 million multi-currency revolving credit facility agreement will transfer to Metso Outotec on completion of the transaction. In addition, it refinanced Metso's existing EUR 500 million revolving credit facility. A new EUR 200 million multi-currency revolving credit facility agreement to be used for general corporate purposes of the future Neles Group will become available on completion of the transaction.

On October 7, 2019, the Finnish Financial Supervisory Authority approved the Finnish-language demerger prospectus (also referred to as the "Offering Circular"). It includes unaudited pro forma financial information presented for illustrative purposes only to give effect to the demerger and the acquisition of McCloskey International Ltd by the Metso Minerals Business to Outotec's historical financial information as if they had occurred at an earlier point in time.

On October 7, 2019, Metso published illustrative financial information for the future Neles for the financial years 2016–2018 and for the periods January–June 2019 and 2018.

On October 8, 2019, Moody's Investor Service assigned a 'Baa2' long-term issuer rating and S&P Global Ratings a 'BBB-' preliminary long-term issuer credit rating to the future Metso Outotec. The outlook on both ratings is stable.

On October 30, 2019, Metso announced the positive results of its consent solicitation process where it solicited consents and waivers from the holders of the outstanding notes of certain series of notes issued under its EMTN Program in order to substitute Outotec in place of Metso as the issuer of these notes.

Simo Sääskilahti was appointed Senior Vice President, Finance of Metso's Valves business area on October 2, 2019. During the creation of the future Neles, he will be nominated the Chief Financial Officer. He started in the new position on October 15, 2019, and reports to Olli Isotalo, President of the Valves business area and the CEO of the future Neles.

On November 29, 2019, clearance was received from the United States Department of Justice relating to the combination of Metso's Minerals business and Outotec.

Adjustment items related to the Metso Outotec transaction costs totaled EUR 14 million in 2019.

All related documents and stock exchange releases are available on our website at www.metso.com/news-metso-outotec-neles.

Reporting segments: Flow Control

- **Solid full-year performance on all fronts**
- **Fourth quarter impacted by short-term headwinds**
- **Preparations for the future Neles progressing well**

Key figures

EUR million	Q4/2019	Q4/2018	Change %	2019	2018	Change %
Orders received	**154**	157	-2	**681**	628	8
Orders received by services business	**35**	37	-5	**154**	136	13
% of orders received	**23**	24		**23**	22	
Order backlog				**280**	276	1
Sales	**167**	168	-1	**660**	593	11
Sales by services business	**44**	36	22	**152**	128	19
% of sales	**26**	21		**23**	22	
Adjusted EBITA *)	**23**	28	-18	**104**	90	16
% of sales	**13.6**	16.4		**15.8**	15.2	
Operating profit	**22**	27	-19	**100**	88	14
% of sales	**13.0**	16.0		**15.2**	14.8	
Return on operative capital employed (Segment ROCE), %				**28.8**	37.1	
Personnel at end of period				**2,866**	2,723	5

**) There were no adjustment items in the Flow Control segment in the reporting periods presented.*

The Pumps business area was moved from the Flow Control segment to the Minerals segment as of January 1, 2019. Figures for 2018 have been restated. Restated figures for 2018 based on the new reporting structure were published on March 26, 2019.

Flow Control's orders in the fourth-quarter 2019 decreased by 2% compared to the same quarter in 2018. Both equipment and services orders declined slightly, due to slower decision-making in customers' investment projects and somewhat softer market activity in North America towards the end of the year.

Fourth-quarter sales declined 1% year-on-year to EUR 167 million (EUR 168 million). The services business reported double-digit growth, while sales in the equipment business declined. The latter was affected by a three-day strike at the valve manufacturing site in Finland.

Flow Control's adjusted EBITA was EUR 23 million, or 13.6% of sales (EUR 28 million, or 16.4%) in the fourth quarter and operating profit EUR 22 million, or 13.0% of sales (EUR 27 million, or 16.0 %). Lower sales volumes and additional costs related to the strike in Finland as well as to the new manufacturing plant in China had a negative impact on the profitability. The preparations to create the future Neles have also incurred some additional expenses.

Flow Control's full-year orders increased 8% from the previous year and totaled EUR 681 million (EUR 628 million). The increase was driven by both organic and acquired growth. Equipment orders grew 7% and services orders 13%. The full-year sales totaled EUR 660 million, representing growth of 11% compared to 2018. Equipment sales increased 9% and services sales 19% year-on-year.

Adjusted EBITA was EUR 104 million, or 15.8% of sales, which compares to EUR 90 million, or 15.2% in 2018. Operating profit totaled EUR 100 million, or 15.2% of sales (EUR 88 million, or 14.8%). The higher profitability was driven by sales growth and overall solid operational performance.

Reporting segments: Minerals

- **Strong volume growth and margin improvement**
- **Mining equipment orders lower due to customers' cautiousness**
- **McCloskey consolidated as of the beginning of October**

Key figures

EUR million	**Q4/2019**	Q4/2018	Change %	**2019**	2018	Change %
Orders received	**759**	745	2	**3,009**	2,872	5
Orders received by services business	**473**	461	3	**1,907**	1,777	7
% of orders received	**62**	62		**63**	62	
Order backlog				**1,408**	1,411	0
Sales	**797**	729	9	**2,976**	2,581	15
Sales by services business	**472**	436	8	**1,815**	1,644	10
% of sales	**59**	60		**61**	64	
Adjusted EBITA *)	**96**	78	23	**381**	291	31
% of sales	**12.0**	10.6		**12.8**	11.3	
Operating profit	**85**	76	12	**350**	283	24
% of sales	**10.6**	10.4		**11.8**	11.0	
Return on operative capital employed (Segment ROCE), %				**22.6**	23.7	
Personnel at end of period				**12,451**	9,942	25

**) Adjustment items amounted to EUR 15 million in Q4/2019 and EUR 36 million in Q1-Q4/2019, while comparative periods for year 2018 do not include any adjustment items. Reconciliation of EBITA and operating profit is presented in Note 10: Segment information.*

The Pumps business area was moved from the Flow Control segment to the Minerals segment as of January 1, 2019. Figures for 2018 have been restated. Restated figures for 2018 based on the new reporting structure were published on March 26, 2019.

Minerals' orders received in the fourth quarter increased 2% year-on-year and totaled EUR 759 million (EUR 745 million). Services orders grew 3% and equipment orders were at the same level compared to the same quarter in 2018. Orders for aggregates equipment were supported by the acquired McCloskey business. Mining equipment orders were lower year-on-year, due to customers' cautious decision-making that resulted in fewer large capital orders than in the comparison period.

Quarterly sales increased 9% from the previous year and totaled EUR 797 million (EUR 729 million). Services sales increased 8% and equipment sales were supported by the acquisition of McCloskey. Adjusted EBITA for the quarter increased to EUR 96 million (EUR 78 million) and the adjusted EBITA margin to 12.0% (10.6%). Both sales and adjusted EBITA were affected by social unrest in Chile in the quarter and a three-day strike in manufacturing operations in Finland, which had an impact on the mining services and aggregates equipment business.

Operating profit improved to EUR 85 million, or 10.6% of sales (EUR 76 million, or 10.4%). Costs related to the decision to close a consumables manufacturing site in Sweden had a EUR 8 million negative impact on the operating profit.

Orders received in January-December increased 5% from the comparison period and totaled EUR 3,009 million (EUR 2,872 million). Equipment orders were at the previous year's level and saw both organic and acquired growth in aggregates, while the mining equipment orders came in lower year-on-year, due to customers' cautious decision-making during the second half of the year. Minerals services orders increased 7% compared to 2018. The full-year sales grew 15% to EUR 2,976 million (EUR 2,581 million) and was largely organic. Both equipment and services sales increased at a double-digit rate. Adjusted EBITA improved to EUR 381 million, or 12.8% of sales (EUR 291 million, or 11.3%). Higher profitability was thanks to volume growth and improved internal efficiency. Operating profit was EUR 350 million, or 11.8% of sales (EUR 283 million, or 11.0%).

During the second half of the year, Metso continued to streamline and optimize its supply chain and manufacturing footprint. As part of this initiative, Metso decided to discontinue its foundry operations in Isithebe in South Africa and its rubber and poly-met manufacturing operations in Ersmark in Sweden. Both relate to developing the global supply footprint of the Minerals Consumables business area. Going forward, Metso will utilize synergies of the most efficient manufacturing and sourcing opportunities regionally and globally to ensure the best value, availability and quality for its customers. These closures incurred total costs of EUR 15 million, which are reported as adjustment items and had a negative impact on Minerals' operating profit in 2019.

The grinding media business, with sales of EUR 60 million in 2018, was divested at the beginning of 2019. It is included in the comparison figures for 2018.

Capital expenditure and investments

Gross capital expenditure excluding business acquisitions in January-December 2019 was EUR 107 million (EUR 67 million), of which maintenance investments accounted for 55%, or EUR 59 million (54%, or EUR 36 million).

Metso's expansion investment of approximately EUR 25 million to increase the aggregates equipment manufacturing capacity in India advanced to the inauguration phase during the first quarter. The first product deliveries were started during the second half of 2019.

The groundbreaking ceremony for a new greenfield valve plant in Jiaxing, China, took place on January 9, 2019. The plant will strengthen Metso's production capabilities for valves and related products and increase production capacity for customers across various process industries, both in China and globally. The size of investment is approximately EUR 10 million.

In addition, the investment into expanding the foundry capacity in Vadodara, India, is progressing as planned and full-scale production is expected to begin in 2020. The total investment is approximately EUR 25 million.

Acquisitions and divestments

The acquisition of McCloskey International, a Canadian mobile crushing and screening equipment manufacturer, was successfully completed on October 1, 2019. With this acquisition, Metso expanded its offering in the aggregates industry globally and strengthened its customer reach especially in the general contractor segment. With the acquisition about 900 employees in Canada, the United States and the United Kingdom transferred to Metso. The acquisition was funded by a EUR 300 million term loan, which was drawn on September 30, 2019. McCloskey has been included in the Minerals segment from the fourth quarter of 2019 onwards.

On September 17, 2019, Metso announced that it had signed an agreement to acquire the remaining 25% of shares of Shaorui Heavy Industries Ltd, a Chinese manufacturer of crushing and screening equipment targeted for the mid-market to support its growth plans in China. The transaction was completed during the fourth quarter of 2019. As a result, Metso became the sole owner of the company with 100% of its shares, completing the original 75% shareholding acquired in September 2013.

The acquisition of a Chilean mining services business was successfully completed in May 2019. Its sales in 2018 were EUR 57 million and the May-December 2019 sales are recognized in the published figures for Minerals' services business. With the acquisition, 869 services employees in Chile, Argentina and Brazil transferred to Metso.

On January 4, 2019, Metso completed the divestment of its grinding media business. The divested business consisted of two locations in Spain and 80 employees. Its sales in 2018 were EUR 60 million. The proceeds from the divestment had no material impact on Metso's financial results.

Research and development

Continuous renewal and innovation are fundamental for Metso's competitiveness. The objective for innovation is to secure sustaining differentiation with targeted investments that are based on business- or product-specific roadmaps. During 2019, Metso continued to increase its research and development (R&D) activities. R&D expenses in 2019 were EUR 62 million, or 1.7% of sales (EUR 51 million, or 1.6%).

R&D and IP-related expenses

EUR million	**2019**	2018
R&D expenses	**62**	51
of sales, %	**1.7**	1.6

Inventions and patents

	2019	2018
Invention disclosures	**160**	123
Priority patent applications	**15**	23
Inventions protected by patents, as of December 31	**350**	310

Metso had several major product launches in 2019.

The latest addition to the versatile MX™ Multi-Action cone crusher series was introduced at the Bauma 2019 fair. The MX3 enables improved crusher productivity and lower operating costs with a design optimized especially for mid-sized quarrying for both hard- and soft-rock applications. The Metso MX3 is suitable for secondary, tertiary and quaternary crushing stages.

The Lokotrack ST2.3, a completely new mobile screen unit, brings the proven quality and operational reliability of Lokotrack track-mounted solutions to a completely new lighter-weight screening solution. Thanks to its compact and safety-driven design, the easy-to-use ST2.3 is an ideal solution for entrepreneurs looking to enter the screening business.

The Metso Lokotrack® Urban™ range is designed for crushing in densely populated environments, such as city centers. It enables up to 60% better noise protection and cuts dust emissions. This can make the environmental permit process easier and opens new opportunities for the crushing business. The latest addition to the series, the Urban LT96 is ideal for small to mid-sized contractors crushing and recycling demolished concrete on site.

Metso's Shaorui business in China introduced its first range of mobile crushing and screening equipment especially designed for the price- and quality-conscious mid-market segment. Utilizing Metso's proven technologies and long experience in track-mounted equipment, the new range offers various solutions ideal for quarry contracting and demolition applications.

The new Metso Nordtrack™ mobile crushing and screening range introduced 19 products designed to meet the requirements of general contractors in the aggregates industry.

Metso expanded its crusher wear parts offering by launching a new range of OEM crusher liners. Available for selected markets since September 2019, the new Metso O-Series offers the right balance between performance, affordability and reliability.

Metso introduced a new approach for tailings management in mining with the launch of the VPX filter. Water conservation, efficient tailings management and responsible mine reclamation are becoming increasingly important for mines to ensure their license to operate.

Metso launched a hybrid truck body with unmatched payload and wear life. The Metso Truck Body is a groundbreaking innovation that combines the benefits of rubber and high structural strength steel, enabling mines and quarries to haul more with less. The Metso Truck Body is a lightweight, rubber-lined tray designed for off-highway trucks. The elastic rubber absorbs the energy of every impact, preventing it from reaching the frame and thus allowing for a lighter-than-usual, high structural strength steel frame beneath the rubber. As a result, the body can absorb maximum shock at the lowest possible weight. It can have up to six times the wear life with 20-30% less weight.

Metso expanded its waste recycling product range with the launch of the new Metso M&J K-series pre-shredders. The first two models are M&J K160 and M&J K210. The new competitive models provide a low cost-per-ton with high reliability, ease of operation and great flexibility for various waste types and with a design optimized especially for sites with a production requirement of 5-45 tons per hour.

During the third quarter, Metso announced that it is expanding its remote monitoring services for the mining industry by opening its first Metso performance center in Santiago, Chile, and by building up capabilities for a second center in Changsha, China. Additional centers will be opened in major mining regions during 2020-2021.

Metso introduced an extended size range of Neles® M series trunnion ball valves. The Series M size range extension provides considerable advantages including modularity, better availability, and easier servicing.

Safety and sustainability

Metso wants to be a responsible and trusted partner bringing sustainable productivity to customers. This means that Metso operates efficiently and responsibly in terms of the environment, the safety and wellbeing of people and the economy.

Safety

Metso's aim is to reinforce its commitment to the continuous improvement of safety and the goal of zero harm. In 2019, Metso succeeded in improving its safety performance significantly, ending the year with an LTIF (lost time incident frequency) of 1.7 (2.9 in 2018). The stronger focus on safety was also reflected in the increased number of risk observations and safety conversations in 2019.

To sharpen the focus of safety work, Metso has developed a training program for supervisors to support them in leading safety. Additionally, a site support program was launched for selected Metso sites to bring the injury rate closer to the goal of zero harm.

Metso continues setting individual safety targets and conducting safety audits with follow-up plans for corrective actions. To ensure that all sites apply Metso's minimum safety standards, employees were trained on the upgraded standards in 2019 as part of Metso's annual Safety pledge campaign.

Environment

By auditing its own operations and following the implementation of corrective actions, Metso works to prevent environmental hazards. In 2019, Metso's environmental audits focused on, for example, chemical safety and the handling of hazardous waste.

In 2019, Metso improved energy efficiency at production sites by, for example, investing in new welding machines and melting furnaces. Water consumption was also decreased by reusing and recycling process water.

Climate program

In 2019, Metso launched its new Climate program that includes new climate targets for the most significant sources of emissions. These climate targets were also approved by the Science Based Targets initiative.

Metso has committed to a 25% reduction in carbon emissions in production by 2030. Metso demands sustainability not only of its own production, but also 30% of its suppliers in terms of spend are required to set science-based emission targets by 2024. By streamlining transportation routes and optimizing warehouse locations, Metso aims for a 20% reduction in transportation emissions by 2025.

Additionally, Metso aims for a 10% reduction in GHG emissions in the most energy-intensive customer processes using its products by 2025. This is further reinforced by the demanding energy-efficiency targets in all Metso R&D projects. As supportive actions, Metso will also offset flight emissions by 100% by 2021 and continue to find new ways to decrease emissions, for example, in offices.

Responsible procurement

Metso has developed a Supplier Code of Conduct that sets the standards for Metso's suppliers and forms the basis for supplier cooperation. Metso has over 7,000 suppliers in more than 70 countries. The direct procurement spend in 2019 totaled EUR 1,399 million.

In 2019, Metso conducted 123 supplier sustainability audits. 82 percent of the corrective actions were implemented. In 2019, Metso also organized a supplier sustainability day in India to improve collaboration and competences, to share good practices and to help suppliers understand Metso's expectations for sustainability.

Metso Code of Conduct

Metso's Code of Conduct sets the standard for the conduct of all Metso employees as well as Metso's suppliers, business partners and other stakeholders. In 2019, Metso organized Code of Conduct training to all employees and achieved a participation rate of 99.2%.

Compliance management

Regarding data privacy, Metso's Privacy Office has throughout the year developed practices and processes related to personal data processing, by actively monitoring the development of privacy legislation globally to ensure compliance everywhere we operate.

In 2019, Metso received 11 reports of suspected financial misconduct and 35 reports of suspected non-financial misconduct via its Whistleblower channel. In addition to the Whistleblower reports, 10 reports were investigated after they had been submitted directly to Internal Audit. All cases were investigated, and none had significant financial implications on to Metso.

Metso has an audit framework in place to support risk management by ensuring compliance and continuous business development. In total 27 internal audits were performed in 2019.

Corporate Governance and remuneration

Decisions of the 2019 Annual General Meeting

Metso Corporation's Annual General Meeting (AGM) was held on April 25, 2019, in Helsinki, Finland. The AGM approved the financial statements and discharged the members of the Board of Directors and the President & CEOs from liability for the financial year 2018.

The AGM approved the Board of Directors' proposal to pay a dividend of EUR 1.20 per share in two installments. The first dividend installment of EUR 0.60 per share was paid on May 7, 2019. The second installment of EUR 0.60 was paid on November 5, 2019.

The AGM confirmed the number of Board members as eight and re-elected Mikael Lilius as Chair of the Board and Christer Gardell as Vice Chair of the Board. Peter Carlsson, Lars Josefsson, Nina Kopola, Antti Mäkinen and Arja Talma were re-elected as members for a new term. Kari Stadigh was elected as a new member.

The Authorized Public Accountant firm Ernst & Young was elected as Metso's Auditor with Mikko Järventausta as principal responsible auditor. In addition, the AGM approved the proposals of the Board of Directors to authorize the Board to decide on both the repurchase of Metso shares as well as the issuance of shares and special rights entitling to shares. The Nomination Board's proposal concerning the composition and remuneration of the Board of Directors was also approved.

Metso's Board of Directors held its organizing meeting after the AGM. In the meeting the Board elected members of the Audit Committee and the Remuneration and HR Committee from among its members as follows:

- Audit Committee: Arja Talma (Chair), Nina Kopola and Antti Mäkinen
- Remuneration and HR Committee: Mikael Lilius (Chair), Christer Gardell and Lars Josefsson

The minutes of the meeting are available at www.metso.com/agm-2019.

Nina Kopola resigned from the Board of Directors as of August 1, 2019, due to her appointment as Director General of Business Finland. As a result, Metso's Board continued with the seven members and the Audit Committee with two members.

Changes in the Metso Executive Team

Merja Kamppari, SVP, Human Resources, left her position on January 31, 2019. Hannele Järvistö has acted as interim SVP, Human Resources, as of February 1, 2019.

On June 18, Metso's Board of Directors appointed Olli Isotalo as President, Valves business area. Olli Isotalo started in his position on July 15 and, at the same time, became a member of the Metso Executive Team. Olli Isotalo previously served as the CEO of Patria Oyj and has held various executive positions at Cargotec Corporation.

On July 26, Metso announced that Stephan W. Kirsch has been appointed President, Mining Equipment business area and a member of the Metso Executive Team, effective August 1. He joined Metso in 2018, and previously served as Senior Vice President, Business and Product Management in the Mining Equipment business area.

New earning periods for senior management's long-term incentive plans

On February 6, 2019, the Board of Directors decided on new earning periods for the company's three senior management long-term incentive plans: Performance Share Plan, Restricted Share Plan and Deferred Share Unit Plan. Competitive long-term incentive plans are designed to align the interest of Metso's management with those of its shareholders to increase the value of Metso and to commit the management to the company.

A new plan period for the Performance Share Plan

The Board approved the commencement of a new plan period for the senior management Performance Share Plan (PSP). PSP 2019-2021 commenced at the beginning of 2019 and potential share rewards will be delivered in the first half of 2022, if the performance targets set by the Board are achieved. The potential share reward payable under PSP 2019-2021 is based on the total shareholder return of Metso's share during calendar years 2019-2021. The plan includes 11 executives belonging to Metso's senior management and will comprise a maximum of 190,000 reward shares, gross before the deduction of applicable payroll tax.

A new plan period for the Restricted Share Plan

The Board approved the commencement of a new plan period for the complementary Restricted Share Plan (RSP). RSP 2019-2021 commenced at the beginning of 2019, and potential share rewards will be delivered in spring 2022, if the performance targets are achieved. The maximum number of share rewards that may be allocated and delivered within the RSP 2019-2021 total 60,000 shares, gross before the deduction of applicable payroll tax.

A new plan period for the Deferred Share Unit Plan

The Board approved the commencement of a new plan period for the Deferred Share Unit Plan (DSUP). DSUP 2019-2021 commenced at the beginning of 2019, and potential rewards will be delivered in the first half of 2022, if the performance targets are achieved. The plan includes around 140 people.

The Deferred Share Unit Plan consists of annually commencing three-year plans. The final value of the plans depends both on the achievement of the performance targets set by the Board of Directors and the development of Metso's share price. The maximum amount of rewards payable for the years 2019-2021, based on the average price of the Metso share on February 4, 2019, is approximately EUR 9 million, gross before the deduction of applicable payroll tax.

Personnel

Metso had 15,821 employees at the end of December 2019, which is 2,671 more than at the end of December 2018. During 2019, personnel increased by 143 to 2,866 in Flow Control and by 2,509 to 12,451 in Minerals. Acquisitions increased personnel by 2,182 in Minerals in 2019. Personnel in the Group Head Office and support functions totaled 504 at the end of 2019 (485 at the end of 2018).

Personnel by area

	Dec 31, 2019	Share, %	Dec 31, 2018	Share, %	Change %
Europe	4,874	31	4,412	34	10
North America	2,229	14	1,674	13	33
South and Central America	4,493	28	2,906	22	55
Asia Pacific	3,556	23	3,318	25	7
Africa and Middle East	669	4	840	6	-20
Metso total	**15,821**	**100**	13,150	100	**20**

In 2019, Metso conducted its PeoplePulse employee engagement survey to help personnel identify areas for development. With a response rate of 89% (87% in 2018), it provided teams with the opportunity to discuss results and take practical, positive development actions. Our employee net promoter score (eNPS) of 49.1 is also very strong.

Metso employees represent 97 nationalities, operating in over 50 countries and in 185 locations. The combination of different backgrounds and a wide range of service years and ages ensures diverse capabilities.

Shares and share trading

Metso's share capital on December 31, 2019, was EUR 140,982,843.80 and the number of shares 150,348,256. This included 272,088 treasury shares held by the Parent Company, which represented 0.2% of all Metso shares and votes. A total of 113,638,358 Metso shares were traded on Nasdaq Helsinki in January-December 2019, and the value of shares traded was EUR 3,673 million. Metso's market capitalization at the end of December 2019, excluding shares held by the Parent Company, was EUR 5,280 million (EUR 3,435 million at the end of 2018).

Metso share performance on Nasdaq Helsinki January 1- December 30, 2019

EUR	
Closing price	35.18
Highest share price	39.79
Lowest share price	22.36
Volume-weighted average trading price	32.49

In addition to Nasdaq Helsinki, Metso's ADRs (American Depositary Receipts) are traded on the International OTCQX market in the United States under the ticker symbol 'MXCYY', with four ADRs representing one Metso share. The closing price of the Metso ADR on December 31, 2019, was USD 9.78.

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

On March 28, 2019, a total of 79,040 of Metso Corporation's treasury shares were conveyed without consideration to the 80 key individuals participating in the Performance Share Plan 2016-2018 under the terms and conditions of the plan, decreasing the number of treasury shares to 272,088. The directed share issue was based on an authorization given by the Annual General Meeting 2018.

Flagging notifications

In January-December 2019, Metso received the following flagging notifications of changes in direct shareholding, shareholding through financial instruments or their total amount. Metso is not aware of any shareholders' agreements regarding the ownership of Metso shares and voting rights. Metso has 150,348,256 issued shares.

Date	Shareholder	Threshold	Direct, %	Indirect, %	Total, %	Total shares
November 8, 2019	BlackRock Inc.	below 5%	below 5%	below 5%	below 5%	below 5%
November 7, 2019	BlackRock Inc.	above 5%	4.84%	0.17%	5.02%	7,550,817
October 16, 2019	BlackRock Inc.	below 5%	below 5%	below 5%	below 5%	below 5%
October 11, 2019	BlackRock Inc.	above 5%	4.81%	0.24%	5.06%	7,609,453
October 4, 2019	BlackRock Inc.	below 5%	below 5%	below 5%	below 5%	below 5%
October 2, 2019	BlackRock Inc.	above 5%	4.75%	0.25%	5.00%	7,530,493
August 16, 2019	BlackRock Inc.	below 5%	below 5%	below 5%	below 5%	below 5%
August 15, 2019	BlackRock Inc.	above 5%	4.87%	0.15%	5.02%	7,560,273
August 14, 2019	BlackRock Inc.	below 5%	below 5%	below 5%	below 5%	below 5%

August 13, 2019	BlackRock Inc.	above 5%	4.86%	0.14%	5.01%	7,536,763
August 9, 2019	BlackRock Inc.	below 5%	below 5%	below 5%	below 5%	below 5%
August 1, 2019	BlackRock Inc.	above 5%	4.91%	0.15%	5.06%	7,622,077
July 31, 2019	BlackRock Inc.	below 5%	below 5%	below 5%	below 5%	below 5%
July 30, 2019	BlackRock Inc.	above 5%	4.90%	0.16%	5.07%	7,627,923
July 29, 2019	BlackRock Inc.	above 5%	5.01%	0.17%	5.19%	7,806,865
July 25, 2019	BlackRock Inc.	above 5%	4.95%	0.18%	5.14%	7,728,515
March 25, 2019	BlackRock Inc.	below 5%	4.56%	0.33%	4.89%	7,361,853
March 15, 2019	BlackRock Inc.	above 5%	4.66%	0.35%	5.01%	7,539,098

Events after the reporting period

Changes in the Metso Executive Team

Giuseppe Campanelli was appointed President, Minerals Services business area, and Kalle Sipilä as President, Pumps business area as of January 2, 2020. Both became also members Metso's Executive Team. The former President of both Minerals Services and Pumps business areas, Mikko Keto, resigned on January 1, 2020.

Shareholders' Nomination Board's proposals regarding the composition and remuneration of the Board of Directors of Metso and the future Neles

The Shareholders' Nomination Board published its proposals regarding the composition and remuneration of the Board of Directors of both Metso and the future Neles Corporation on January 16, 2020. The Nomination Board will provide these proposals to Metso's Board of Directors, which will submit them to Metso's next Annual General Meeting, to be held on March 20, 2020.

Metso's Board composition and remuneration

The Nomination Board will propose that Metso's Board of Directors should have seven members. Mikael Lilius is proposed to be re-elected as the Chair, Christer Gardell as the Vice Chair, and Lars Josefsson, Antti Mäkinen, Kari Stadigh and Arja Talma re-elected as members of the Board. Emanuela Speranza will be proposed as a new Board member. Peter Carlsson, a current Board member, has notified the Nomination Board that he will not be available for re-election.

The Board's term of office will commence at the end of the Annual General Meeting and will expire at the registration of the completion of the partial demerger of Metso Corporation.

All the Board member candidates have given their consent to their election and have been assessed to be independent of the company and its significant shareholders, except for Christer Gardell and Antti Mäkinen, who have each been assessed to be independent of the company but not independent of a significant shareholder.

Metso and Outotec have, on February 5, 2020, signed an agreement to amend the combination agreement in respect of the combination of Metso's Minerals Business and Outotec. In the amendment agreement, Metso and Outotec have agreed that Nina Kopola would be replaced with Emanuela Speranza on the Board of Directors of Metso Outotec due to the resignation of Ms. Kopola from the Board of Directors of Metso. Ms. Speranza will be proposed to be elected to the Board of Directors of Metso at the Annual General Meeting of Metso to be held on March 20, 2020.

The Nomination Board will propose the same fixed annual remuneration to the Board members as in the previous term. The remuneration to be paid will be calculated pro rata to the length of the term of office based on the following annual remuneration:

Chair – EUR 120,000
Vice Chair – EUR 66,000
Other members – EUR 53,000 each

Additional remuneration to be paid pro rata to the length of the term of office:

Chair of the Audit Committee – EUR 20,000
Members of the Audit Committee – EUR 10,000
Chair of the Remuneration and HR Committee – EUR 10,000
Member of the Remuneration and HR Committee – EUR 5,000

The Nomination Board will propose that the fixed annual remuneration be paid to the members of the Board of Directors in cash within two weeks after the expiry of their term of office.

Future Neles' Board composition and remuneration

The Nomination Board will propose that the Board of Directors of the future Neles Corporation should have seven members. Jukka Moisio is proposed to be elected as Chair, Mark Vernon as Vice Chair, and Britta Giesen, Anu Hämäläinen, Niko Pakalén, Teija Sarajärvi and Petter Söderström as members of the Board.

All member candidates have given their consent to their election and have been assessed to be independent of the company and its significant shareholders, except for Petter Söderström and Niko Pakalén, who have each been assessed to be independent of the company but not independent of a significant shareholder.

The term of office of the Neles Board will commence at the registration of the completion of the partial demerger of Metso and will expire at the end of the next Annual General Meeting of Neles.

The Nomination Board will propose the following fixed annual remuneration. The remuneration to be paid will be calculated pro rata to the length of the term of office based on the following annual remuneration:

Chair – EUR 115,000
Vice Chair – EUR 65,000
Other members – EUR 50,000 each

Additional remuneration to be paid pro rata to the length of the term of office:

Chair of the Audit Committee – EUR 15,000
Members of the Audit Committee – EUR 7,500
Chair of the Remuneration and HR Committee – EUR 7,500
Member of the Remuneration and HR Committee – EUR 3,750

The Nomination Board will propose that, as a condition for the annual remuneration, the members of the Board of Directors of the future Neles Corporation be obliged, directly based on the Annual General Meeting's decision, to use 40% of the fixed total annual remuneration for purchasing Neles Corporation shares from the market at a price formed in public trading and that the purchase will be carried out within two weeks from the publication of the interim review for the period following the registration of the completion of the partial demerger of Metso.

Meeting fees

Meeting fees are proposed to be paid as follows: for each meeting of the Board of Directors of Metso Corporation and the future Neles Corporation and their Committees, a fee of EUR 800 be paid to the members of the Board that reside in the Nordic countries, a fee of EUR 1,600 be paid to the members of the Board that reside in other European countries and a fee of EUR 3,200 be paid to the members of the Board that reside outside Europe.

Personnel representative

The Nomination Board notes that, also during the commencing term of office of the Board of Directors, a personnel representative will participate as an external expert in the meetings of the Board of Metso, within the limitations imposed by Finnish law. The Board of Metso will invite the personnel representative in its organizing meeting after the AGM 2020.

Composition of the Nomination Board

Metso's Shareholders' Nomination Board comprises Petter Söderström (Investment Director, Solidium Oy) as the Chair and Niko Pakalén (Partner, Cevian Capital Partners Ltd.), Mikko Mursula (Deputy CEO, Ilmarinen Mutual Pension Insurance Company), Risto Murto (President and CEO, Varma Mutual Pension Insurance Company), and, as an expert member, Mikael Lilius (Chair of Metso's Board of Directors). The Shareholders' Nomination Board consists of the representatives of the four largest registered shareholders of the company based on the ownership situation as of September 1 annually.

Mikael Lilius has not participated in the decision-making of the Nomination Board's proposal concerning the remuneration of the Chair of the Board and the election of the Chair of the Board of Metso, due to his current position as Metso's Chair.

Petter Söderström and Niko Pakalén have not participated in the decision-making of the Nomination Board's proposal concerning the remuneration of the members of the Board of Directors and the election of the Board members of the future Neles Corporation, due to them being proposed as Board members of the future Neles.

Short-term business risks and market uncertainties

Uncertainties in economic growth and political developments globally could affect our customer industries, reduce the investment appetite and spending among our customers, weaken the demand for Metso's products and services as well as affect our business operations. There are also other market- and customer-related risks that could cause on-going projects to be postponed, delayed or discontinued. Concern about the possible effects of the ongoing trade disputes on economic growth has had an impact on metal prices. This could further impact our customers' behavior.

Continued market growth and inflation as well as the impact of tariffs or other trade barriers could pose challenges to our supply chain and price management, impacting our growth capability and margins.

Exchange rate fluctuations and changes in commodity prices could affect our orders received, sales and financial position. Metso hedges currency exposure linked to firm delivery and purchase agreements.

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.

The outbreak of the coronavirus will likely have an impact on the manufacturing and supply chain-related operations in China during the first quarter of 2020.

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

Market outlook

- Market activity in both segments, Minerals and Flow Control, is expected to remain at the current level in both the equipment and services business.

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.

Board of Directors' proposal on the use of profit

The Company's distributable funds on December 31, 2019, totaled EUR 896,966,651.74, of which the net profit for 2019 was EUR 107,844,991.97.

The Board of Directors proposes that a dividend of EUR 1.47 per share be paid based on the balance sheet to be adopted for the financial year, ended December 31, 2019, and that the remaining portion of the profit is retained and included in the Company's unrestricted equity.

Corporate Governance Statement

Metso will publish a separate Corporate Governance Statement for 2019 that complies with the recommendations of the Finnish Corporate Governance Code for listed companies and covers other central areas of corporate governance. The statement will be published on our website, separately from the Board of Directors' Report, during the week commencing February 24, 2020, at the latest.

Non-financial information

Metso will publish non-financial information that complies with the Finnish Accounting Act, as part of the Board of Directors' Report during the week commencing February 24, 2020, at the latest.

Annual General Meeting 2020

Metso Corporation's Annual General Meeting 2020 is planned to be held on Friday, March 20, 2020. The Board will convene the meeting by a separate invitation.

Helsinki, February 5, 2020
Metso Corporation's Board of Directors

Analysis of Consolidated Income Statement

EUR million	2019 Continuing operations	2019 Discontinued operations[1]	2019 Metso total[1]	2019 Metso comparable[2]	2018 Continuing operations	2018 Discontinued operations	2018 Metso total
Sales	660	2,976	3,635	3,635	593	2,580	3,173
Cost of goods sold[1]	-435	-2,109	-2,544	-2,551	-391	-1,867	-2,257
Gross profit	225	867	1,091	1,084	202	714	916
Selling and marketing expenses[1]	-78	-264	-342	-344	-69	-222	-292
Administrative expenses[1]	-34	-207	-242	-246	-30	-185	-215
Research and development expenses	-17	-30	-47	-47	-16	-23	-39
Other operating income and expenses, net	-4	-25	-29	-29	-3	-16	-19
Share in profits of associated companies	0	0	1	1	0	0	0
Operating profit	93	340	432	418	83	268	351
Financial income	1	4	4	4	1	4	5
Foreign exchange gains/losses	0	1	2	2	0	0	1
Financial expenses	-2	-42	-44	-44	0	-36	-36
Profit before taxes	91	303	394	380	85	236	321
Income taxes	-22	-72	-95	-91	-20	-72	-92
Profit for the year	69	230	299	289	65	164	229
Attributable to							
Shareholders of the parent company	69	232	301	291	65	165	230
Non-controlling interests	0	-1	-1	-1	0	-1	-1
Earnings per share							
Basic, EUR	0.46	1.54	2.00	1.94	0.43	1.10	1.53
Diluted, EUR	0.46	1.54	2.00	1.94	0.43	1.10	1.53

[1] Amortization and depreciation of discontinued operations for year 2019 is calculated over a 10-month period, and totaling EUR 57 million. Thus, the total amortization and depreciation for year 2019 amount to EUR 82 million.

[2] Metso 2019 comparable figures are fully comparable with the 2018 total figures. In adjusted figures, the amortization and depreciation is calculated over a 12-month period (total EUR 96 million).

Analysis of Consolidated Balance Sheet – Assets

EUR million	2019 Continuing operations	2019 Discontinued operations[1]	2019 Metso total[1]	2019 Metso comparable[2]	2018 Metso total
Non-current assets					
Intangible assets					
Goodwill	62	556	618	618	525
Other intangible assets[1]	18	171	189	185	83
Total intangible assets	81	727	807	804	608
Tangible assets					
Land and water areas	6	43	50	50	40
Buildings and structures[1]	21	100	120	119	97
Machinery and equipment[1]	28	132	161	156	135
Assets under construction	11	46	57	57	33
Total tangible assets	67	321	388	382	305
Right-of-use assets[1]	46	93	140	135	0
Other non-current assets					
Investments in associated companies	0	8	8	8	4
Non-current financial assets	0	5	5	5	3
Loan receivables	-	6	6	6	6
Derivative financial instruments	-	2	2	2	3
Deferred tax asset	13	108	121	121	101
Other non-current receivables	1	41	41	41	38
Total other non-current assets	14	169	183	183	157
Total non-current assets	208	1,310	1,517	1,504	1,070
Current assets					
Inventories	181	975	1,156	1,156	950
Trade receivables	95	577	672	672	585
Customer contract assets	-	87	87	87	82
Loan receivables	-	1	1	1	1
Derivative financial instruments	0	16	16	16	10
Income tax receivables	2	44	46	46	22
Other current receivables	40	139	178	178	134
Deposits and securities, maturity more than three months	-	-	-	-	94
Cash and cash equivalents	57	156	213	213	332
Liquid funds	57	156	213	213	426
Total current assets	374	1,995	2,369	2,369	2,209
Assets, discontinued operations	3,305	3,305			
TOTAL ASSETS	3,887		3,887	3,873	3,279

[1] Amortization and depreciation of discontinued operations for year 2019 is calculated over a 10-month period, and totaling EUR 57 million. Thus, the total amortization and depreciation for year 2019 amount to EUR 82 million.

[2] Metso 2019 comparable figures are fully comparable with the 2018 total figures. In adjusted figures, the amortization and depreciation is calculated over a 12-month period (total EUR 96 million).

Analysis of Consolidated Balance Sheet – Equity and liabilities

EUR million	2019 Continuing operations	2019 Discontinued operations[1]	2019 Metso total[1]	2019 Metso comparable[1]	2018 Metso total
Equity					
Share capital	141	-	141	141	141
Cumulative translation adjustments	52	-	-101	-100	-101
Fair value and other reserves	298	-	295	297	302
Discontinued operations	-155	-	1	-	-
Retained earnings[1]	1,187	-	1,187	1,174	1 064
Equity attributable to shareholders	1,523	-	1,523	1,513	1,406
Non-controlling interests	3	-	3	3	10
Total equity	1,526	-	1,526	1,516	1,416
Liabilities					
Non-current liabilities					
Interest bearing liabilities	36	801	837	837	383
Lease liabilities	37	69	106	106	
Post-employment benefit obligations	9	61	69	69	68
Provisions	3	33	35	35	29
Derivative financial instruments	-	2	2	2	2
Deferred tax liability	4	66	70	70	30
Other non-current liabilities	0	2	2	2	2
Total non-current liabilities	89	1,034	1,123	1,123	515
Current liabilities					
Interest bearing liabilities	20	24	43	43	215
Lease liabilities	10	21	31	31	
Trade payables	63	385	448	448	431
Provisions	12	71	83	83	71
Advances received	24	189	212	212	208
Customer contract liabilities	-	63	63	63	100
Derivative financial instruments	1	13	13	13	14
Income tax liabilities	2	51	54	50	61
Other current liabilities	39	251	291	291	248
Total current liabilities	171	1,068	1,239	1,235	1,348
Total liabilities	259	2,102	2,361	2,357	1,863
Liabilities, discontinued operations	2,102				-
TOTAL EQUITY AND LIABILITIES	3,887		3,887	3,873	3,279

[1] Amortization and depreciation of discontinued operations for year 2019 is calculated over a 10-month period, and totaling EUR 57 million. Thus, the total amortization and depreciation for year 2019 amount to EUR 82 million.

[2] Metso 2019 comparable figures are fully comparable with the 2018 total figures. In adjusted figures, the amortization and depreciation is calculated over a 12-month period (total EUR 96 million).

NET INTEREST BEARING LIABILITIES

EUR million	2019 Continuing operations	2019 Discontinued operations	2019 Metso total	2019 Metso comparable	2018 Metso total
Interest bearing liabilities	56	825	880	880	598
Lease liabilities	47	90	137	137	0
Liquid funds	-57	-156	-213	-213	-426
Other interest bearing assets	-	-6	-6	-6	-7
Net interest bearing liabilities	**46**	**753**	**798**	**798**	**165**

Analysis of Consolidated Statement of Cash Flows

EUR million	2019 Continuing operations	2019 Discontinued operations[1]	2019 Metso total[1]	2019 Metso comparable[2]	2018 Continuing operations	2018 Discontinued operations	2018 Metso total
Operating activities							
Profit for the year	69	230	299	289	65	164	229
Adjustments							
Depreciation and amortization	25	57	82	96	12	46	58
Financial expenses, net	2	37	38	38	-1	32	30
Income taxes	22	72	95	91	20	72	92
Other items	5	-7	-2	-2	4	-3	2
Change in net working capital	-30	-224	-254	-254	-19	-111	-129
Net cash flow from operating activities before financial items and taxes	92	166	258	258	81	201	281
Financial income and expenses paid, net	0	-30	-30	-30	2	-20	-17
Income taxes paid	-38	-100	-137	-137	-2	-85	-87
Net cash flow from operating activities	54	36	91	91	81	96	177
Investing activities							
Capital expenditures on intangible and tangible assets	-20	-87	-107	-107	-8	-59	-67
Proceeds from sale of intangible and tangible assets	0	8	8	8	0	4	5
Business acquisitions, net of cash acquired	-	-214	-214	-214	-	-77	-77
Acquisitions/divestments, Metso Group	-50	50	0	0	-	-	-
Proceeds from sale of businesses, net of cash sold	-	9	9	9	-	-	-
Investments in associated companies	-	-3	-3	-3	-	-4	-4
Other items	-	-	-	-	0	0	0
Net cash flow from investing activities	-70	-238	-308	-308	-8	-135	-143
Financing activities							
Dividends paid	-36	-144	-180	-180	-31	-126	-157
Transactions with non-controlling interests	-	-13	-13	-13	-	1	1
Proceeds from/investments in financial assets, net	-	31	31	31	0	-	0
Proceeds from/repayments of short-term debt, net	13	-91	-78	-78	-1	15	14
Proceeds from/repayment of long-term debt, net	36	239	275	275	-3	-283	-286
Financing, Metso group	-34	34	0	0	-67	67	0
Lease payments	-10	-24	-34	-34	0	0	0
Net cash flow from financing activities	-31	33	2	2	-98	-330	-428
Net change in liquid funds	-46	-169	-215	-215	-24	-370	-394
Effect from changes in exchange rates	2	0	2	2	0	-6	-6
Liquid funds at beginning of year	101	325	426	426	-	-	826
Liquid funds at end of year	57	156	213	213	-	-	426

[1] Amortization and depreciation of discontinued operations for year 2019 is calculated over a 10-month period, and totaling EUR 57 million. Thus, the total amortization and depreciation for year 2019 amount to EUR 82 million.

[2] Metso 2019 comparable figures are fully comparable with the 2018 total figures. In adjusted figures, the amortization and depreciation is calculated over a 12-month period (total EUR 96 million).

Consolidated statement of income, IFRS

EUR million	**10–12/2019**	10–12/2018	**1–12/2019**	1–12/2018
Continuing operations				
Sales	**166**	168	**660**	593
Cost of goods sold [1]	-111	-112	-435	-391
Gross profit [1]	**56**	56	**225**	202
Selling and marketing expenses	-21	-18	-78	-69
Administrative expenses	-10	-8	-34	-30
Research and development expenses	-4	-4	-17	-16
Other operating income and expenses, net	-3	-1	-4	-3
Share in profits of associated companies	0	0	0	0
Operating profit [1]	**17**	25	**93**	83
Financial income	0	0	1	1
Foreign exchange gains/losses	0	0	0	0
Financial expenses [2]	-1	0	-2	0
Profit before taxes	**17**	25	**91**	85
Income taxes	-4	-6	-22	-20
Profit for the year, continuing operations	**12**	19	**69**	65
Profit for the year, discontinued operations	**60**	43	**230**	164
Profit for the year	**72**	62	**299**	229
Profit attributable to, continuing operations				
Shareholders of the parent company	12	19	69	65
Non-controlling interests	0	0	0	0
Profit attributable to, discontinued operations				
Shareholders of the parent company	60	43	232	165
Non-controlling interests	0	0	-1	-1
Profit attributable to				
Shareholders of the parent company	73	63	301	230
Non-controlling interests	-1	-1	-1	-1
Earnings per share, continuing operations				
Basic, EUR	0.08	0.14	0.46	0.43
Diluted, EUR	0.08	0.14	0.46	0.43
Earnings per share, discontinued operations				
Basic, EUR	0.40	0.29	1.54	1.10
Diluted, EUR	0.40	0.29	1.54	1.10
Earnings per share				
Basic, EUR	0.48	0.42	2.00	1.53
Diluted, EUR	0.48	0.42	2.00	1.53

[1] Following the adoption of IFRS 16, operating profit for 1-12/2019 does not include rental expenses for on-balance sheet leases. Such rental expenses totaling EUR 38 million are reversed and replaced by depreciation of right-of-use assets and interest expense on lease liability. Operating profit for 1–12/2019 includes EUR 30 million depreciation of right-of-use assets which was not recognized in comparison periods. See notes 2 and 7.

[2] Following the adoption of IFRS 16, financial expenses for 1–12/2019 include EUR 5 million interest expenses on lease liability which were not recognized in comparison periods. See notes 2 and 7.

Consolidated statement of comprehensive income, IFRS

EUR million	**10–12/2019**	10–12/2018	**1–12/2019**	1–12/2018
Continuing operations				
Profit for the period	**12**	19	**69**	65
Other comprehensive income				
Cash flow hedges, net of tax	-	-	-	-
Measurement at fair value, net of tax	0	0	0	0
Currency translation on subsidiary net investments	-4	2	0	2
Items that may be reclassified to profit or loss in subsequent periods	-4	2	0	2
Defined benefit plan actuarial gains and losses, net of tax	2	-3	2	-3
Items that will not be reclassified to profit or loss	2	-3	2	-3
Other comprehensive income	**-2**	-1	**1**	-1
Total comprehensive income, continuing operations	**10**	18	**70**	63
Profit attributable to, continued operations				
Shareholders of the parent company	10	20	70	63
Non-controlling interests	0	0	0	0
Discontinued operations				
Profit for the period	60	43	230	164
Other comprehensive income				
Cash flow hedges, net of tax	1	-1	3	-1
Measurement at fair value, net of tax	0	0	0	0
Currency translation on subsidiary net investments	-7	7	2	-15
Items that may be reclassified to profit or loss in subsequent periods	-6	6	4	-16
Defined benefit plan actuarial gains and losses, net of tax	-3	-1	-3	1
Items that will not be reclassified to profit or loss	-3	1	-3	1
Other comprehensive income	**-10**	5	**1**	-15
Total comprehensive income, discontinued operations	50	48	231	150
Profit attributable to, discontinued operations				
Shareholders of the parent company	51	49	232	151
Non-controlling interests	-1	0	-1	-1
Total comprehensive income	60	66	301	213
Profit attributable to				
Shareholders of the parent company	62	66	303	214
Non-controlling interests	-1	0	-1	-1

Consolidated Balance Sheet – Assets, IFRS

EUR million	**2019**	2018
Non-current assets		
Intangible assets		
Goodwill	62	525
Other intangible assets	18	83
Total intangible assets	**81**	608
Tangible assets		
Land and water areas	6	40
Buildings and structures	21	97
Machinery and equipment	28	135
Assets under construction	11	33
Total tangible assets	**67**	305
Right-of-use assets	**46**	0
Other non-current assets		
Investments in associated companies	0	4
Non-current financial assets	0	3
Loan receivables	-	6
Derivative financial instruments	-	3
Deferred tax asset	13	101
Other non-current receivables	1	38
Total other non-current assets	**14**	157
Total non-current assets	**208**	1,070
Current assets		
Inventories	181	950
Trade receivables	95	585
Customer contract assets	-	82
Loan receivables	-	1
Derivative financial instruments	0	10
Income tax receivables	2	22
Other current receivables	40	134
Deposits and securities, maturity more than three months	-	94
Cash and cash equivalents	57	332
Liquid funds	57	426
Total current assets	**374**	2,209
Assets, discontinued operations	**3,305**	-
TOTAL ASSETS	**3,887**	3,279

Consolidated Balance Sheet – Equity and liabilities, IFRS

EUR million	**2019**	2018
Equity		
Share capital	141	141
Cumulative translation adjustments	52	-101
Fair value and other reserves	298	302
Discontinued operations	-155	-
Retained earnings	1,187	1,064
Equity attributable to shareholders	**1,523**	**1,406**
Non-controlling interests	3	10
Total equity	**1,526**	1,416
Liabilities		
Non-current liabilities		
Interest bearing liabilities	36	383
Lease liabilities	37	0
Post-employment benefit obligations	9	68
Provisions	3	29
Derivative financial instruments	-	2
Non-current financial liabilities	0	-
Deferred tax liability	4	30
Other non-current liabilities	0	2
Total non-current liabilities	**89**	515
Current liabilities		
Interest bearing liabilities	20	215
Lease liabilities	10	0
Trade payables	63	431
Provisions	12	71
Advances received	24	208
Customer contract liabilities	-	100
Derivative financial instruments	-	14
Income tax liabilities	2	61
Other current liabilities	39	248
Total current liabilities	**171**	1,348
Total liabilities	**259**	1,863
Liabilities, discontinued operations	**2,102**	-
TOTAL EQUITY AND LIABILITIES	**3,887**	3,279

NET INTEREST BEARING LIABILITIES

EUR million	**2019**	2018
Interest bearing liabilities	56	598
Lease liabilities	47	0
Liquid funds	-57	-426
Other interest bearing assets	-	-7
Net interest bearing liabilities	**46**	**165**

Consolidated statement of changes in shareholders' equity, IFRS

EUR million	Share capital	Cumulative translation adjustments	Fair value and other reserves	Discontinued operations	Retained earnings	**Equity attributable to shareholders**	Non-controlling interests	**Total equity**
Jan 1, 2018	141	-87	305	-	987	1,346	7	1,353
Profit for the period	-	-	-	-	230	230	-1	229
Other comprehensive income								
Cash flow hedges, net of tax	-	-	-1	-	-	-1	-	-1
Measurement at fair value, net of tax	-	-	0	-	-	0	-	0
Currency translation on subsidiary net investments	-	-13	-	-	-	-13	0	-13
Defined benefit plan actuarial gains and losses, net of tax	-	-	-	-	-2	-2	-	-2
Total comprehensive income	-	-13	-1	-	228	214	-1	213
Dividends	-	-	-	-	-157	-157	0	-157
Share-based payments, net of tax	-	-	-2	-	1	-2	-	-2
Other items	-	-	0	-	1	1	0	1
Changes in non-controlling interests	-	-	-	-	4	4	5	9
Dec 31, 2018	141	-101	302	-	1,064	1,406	10	1,416
Effect from adoption of new IFRS standards [1]	-	-	-	-	-3	-3	-	-3
Jan 1, 2019	**141**	**-101**	**302**	**-**	**1,061**	**1,403**	**10**	**1,413**
Profit for the period	-	-	-	-	301	**301**	-1	**299**
Other comprehensive income								
Cash flow hedges, net of tax	-	-	3	-	-	3	-	3
Measurement at fair value, net of tax	-	-	0	-	-	0	-	0
Currency translation on subsidiary net investments	-	1	-	-	-	1	0	1
Defined benefit plan actuarial gains and losses, net of tax	-	-	-	-	-2	-2	-	-2
Discontinued operations	-	151	0	-155	3	-	-	-
Total comprehensive income	-	152	3	-155	302	302	-1	301
Dividends	-	-	-	-	-180	-180	0	-180
Share-based payments, net of tax	-	-	5	-	0	5	-	5
Other items	-	-	-12	-	12	0	0	0
Changes in non-controlling interests	-	-	-	-	-7	-7	-7	-13
Dec 31, 2019	**141**	**52**	**298**	**-155**	**1,187**	**1,523**	**3**	**1,526**

[1] Impact of the adoption of IFRIC 23 on retained earnings was EUR 3 million negative.

Consolidated statement of cash flows, IFRS

EUR million	**10–12/2019**	10–12/2018	**1–12/2019**	1–12/2018
Operating activities				
Profit for the year, continuing operations	12	20	69	65
Profit for the year, discontinued operations	60	42	230	164
Adjustments				
Depreciation and amortization	13	15	82	58
Financial expenses, net	13	9	38	30
Income taxes	26	22	95	92
Other items	-6	4	-2	-
Change in net working capital	-11	-23	-254	-129
Net cash flow from operating activities before financial items and taxes	**105**	91	**258**	281
Financial income and expenses paid, net [1]	-12	-5	-30	-17
Income taxes paid	-55	-16	-137	-87
Net cash flow from operating activities	**39**	69	**91**	177
Investing activities				
Capital expenditures on intangible and tangible assets	-35	-28	-107	-67
Proceeds from sale of intangible and tangible assets	3	1	8	5
Business acquisitions, net of cash acquired	-184	-52	-214	-77
Proceeds from sale of businesses, net of cash sold	-	-	9	-
Other items	-3	-4	-3	-4
Net cash flow from investing activities	**-219**	-83	**-308**	-143
Financing activities				
Dividends paid	-90	-	-180	-157
Transactions with non-controlling interests	-13	1	-13	1
Proceeds from and investments in financial assets, net	0	0	31	-
Proceeds from and repayment of debt, net	-130	9	198	-272
Repayments of lease liabilities	-7	0	-34	-
Net cash flow from financing activities	**-240**	11	**2**	-428
Net change in liquid funds	**-420**	-3	**-215**	-394
Effect from changes in exchange rates	-9	4	2	-6
Liquid funds equivalents at beginning of period	642	429	426	826
Liquid funds at end of period	**213**	426	**213**	426
Of which continued operation liquid funds at end of year	57	-	57	-
Of which discontinued operation liquid funds at end of year	156	-	156	-

[1]Following the adoption of IFRS 16, period 1–12/2019 includes EUR -5 million interest payments on the lease liability, see notes 2 and 7.

FREE CASH FLOW

EUR million	**10–12/2019**	10–12/2018	**1–12/2019**	1–12/2018
Cash flow from operating activities	39	69	91	177
Maintenance investments	-24	-13	-59	-36
Disposals on tangible and intangible assets	3	1	8	5
Free cash flow	**18**	57	**39**	146

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 the Financial Statements 2019. New accounting standards have been adopted as described in note 2. This Interim review is unaudited.

The segment information relating to 2018 in this Financial statements review has been restated to reflect a change in the reporting structure whereby Metso moved its Pumps business area from the Flow Control segment under the Minerals segment. The restated figures were published on March 26, 2019.

Until October 29, 2019, Metso reported its results consistently with its reporting structure, which consisted of two reportable segments: *Flow Control* and *Minerals*. On October 29, 2019, the extraordinary shareholders' meeting (EGM) approved the proposal of board of directors to demerge the Metso Minerals business from total Metso and to combine it with Outotec group. The closing of the transaction is currently expected to take place on June 30, 2020, being subject to an approval of competition authorities. Based on the decision of EGM, businesses of Minerals segment and a proportioned share of *Group Head office and other* are classified and disclosed as discontinued operations from November 2019. For the discontinued operations depreciations and amortizations have been calculated only for the period 1-10/2019. Consequently, Metso's Flow Control businesses form the continuing operations of Metso group.

Metso has also prepared consolidated financial information, where depreciation and amortization of Minerals are calculated for the full year 2019, these figures reflect the segment reporting and are comparable with the Metso year 2018. Analysed consolidated income statement, balance sheet and cash flow statement are presented at the beginning of this tables section of the Financial statement review 2019, before the IFRS financial information.

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

Reporting segments

Metso Group is a global supplier of sustainable technology and services for the mining, aggregates, recycling and process industries.

The **Flow Control segment (continuing operations)** supplies process industry flow control solutions and services. Flow Control customers operate in oil and gas, pulp and paper, and other process industries. The segment comprises the Valves business area.

The **Minerals segment (discontinued operations)** supplies technology, process solutions, machinery and services for aggregates production, mining, minerals processing, and metal and waste recycling. The Minerals segment is organized into six business areas: Mining Equipment, Aggregates Equipment, Minerals Services, Minerals Consumables, Recycling and Pumps.

Group Head Office and other is comprised of the parent company with centralized group functions, such as treasury and tax, as well as shared service centers and holding companies.

Metso measures the performance of segments with operating profit/loss. 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, adjusted (adjusted EBITA)" and "return on operative capital employed for reporting segments (segment ROCE)". Alternative performance measures should not, however, be considered as a substitute for measures of performance in accordance with the IFRS.

2. New accounting standards

New and amended standards adopted 2019

IFRS 16

From the beginning of 2019, Metso has adopted IFRS 16 Leases, replacing the previously used IAS 17 Leases and the related interpretations. The adoption was done using the modified retrospective approach whereby the comparative figures for 2018 were not restated. The adjustments resulting from the adoption were recognized on the opening balance sheet on January 1, 2019.

Impact

IFRS 16 introduced a single measurement and recognition approach for all leases, whereas under IAS 17 they were classified into operating or finance leases. Until December 31, 2018, Metso reported its operating leases as an off-balance sheet liability. The amount of Metso's finance leases was not material. IFRS 16 sets out new accounting treatment requirements for lessee accounting, whereas lessor accounting was substantially unchanged from IAS 17.

According to IFRS 16, from January 1, 2019, Metso as a lessee has recognized assets representing its right to use the leased assets during the lease term (the right-of-use asset) and liabilities to make the lease payments (the lease liability). Accordingly, a depreciation of the right-of-use assets and an interest expense on the lease liability are recognized, replacing the lease expenses recognized under IAS 17. The lessee's accounting treatment for short-term leases and leases of low-value assets has not changed under IFRS 16.

At the date of initial application Metso applied IFRS 16 to the existing contracts that were previously classified as leases. Metso applied the recognition exemptions permitted by the standard for short-term leases with a remaining lease term of 12 months or less and for leases of low-value assets. As other practical expedients, Metso has also applied a single discount rate to leases with reasonably similar characteristics, relied on its previous assessment on whether leases are onerous, and excluded initial direct costs when measuring the right-of-use asset at initial application. Metso has not separated the non-lease components, because of their immaterial impact.

THE IMPACT FROM THE ADOPTION OF IFRS 16 ON THE CONSOLIDATED BALANCE SHEET

EUR million	Jan 1, 2019
Right-of-use assets	
Land and water areas	0
Buildings and structures	107
Machinery and equipment	19
Total	**126**

EUR million	Jan 1, 2019
Lease liabilities	
Lease liabilities, non-current	96
Lease liabilities, current	30
Total	**126**

Metso's right-of-use assets consist primarily of operative and office premises in the category of *Buildings and structures*, and cars, operative machinery, and equipment in the category of *Machinery and equipment*. Low-value assets comprise IT equipment and other small office items, and short-term leases have a lease term of 12 months or less. The leases of low-value assets and short-term leases are not recognized on the balance sheet.

On the balance sheet, the right-of use assets were measured at the amount equal to the lease liability, adjusted by possible prepaid or accrued payments in 2018. Right-of-use assets are depreciated over the respective lease period. The lease liability was measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of January 1, 2019. The incremental borrowing rate has been defined separately for each group company and with consideration to company-specific, geographical and currency risks as well as duration of the lease liability. For Metso Group, the weighted average incremental borrowing rate on January 1, 2019 was approximately four percent.

The impact from the adoption of IFRS 16 on the consolidated income statement relates to the replacement of the lease expense included in operating profit under IAS 17 with the depreciation of right-of-use asset included in operating profit and with the interest expense of lease liability included in financial expenses under IFRS 16. Lease payments related to short-term leases and low-value leases are continued to be recognized as expenses in operating profit, as they were under IAS 17.

The impact from the adoption of IFRS 16 on the consolidated cash flow statement relates to the classification of the lease payments into principal payments of lease liability presented within cash flow from financing activities and interest payments presented within cash flow from operating activities. Lease payments related to short-term leases and low-value leases are presented within cash flow from operating activities, like all the lease payments previously under IAS 17.

The amounts recognized for leases in the income statement and balance sheet in the reporting period are presented in note 7.

Reconciliation

The lease liabilities recognized on the opening balance sheet in the adoption of IFRS 16 as at January 1, 2019, can be reconciled to the operating lease commitments reported under IAS 17 as at December 31, 2018, as follows:

EUR million	
IAS 17 off-balance sheet operating lease commitments as at December 31, 2018	**122**
Add: finance lease liabilities as at December 31, 2018	0
Add: net increase in lease liability resulting from different treatment of extension and termination options, leases of low-value assets and short-term leases	19
Less: Impact from discounting the future lease payments for leases recognized on the balance sheet	-15
IFRS 16 lease liability in the opening balance sheet as at January 1, 2019	**126**

Summary of new accounting policies

Right-of-use assets

At the commencement date of the lease, Metso recognizes right-of-use assets. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liability

At the commencement date of the lease, Metso recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. A period covered by Metso's option to extend or terminate the lease is included in the lease term if Metso considers that such option will be exercised. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments may include the exercise price of a purchase option reasonably certain to be exercised by Metso. Metso's lease terms do not include any material variable lease payments to be recognized separately from the lease liability.

In calculating the present value of lease payments, Metso uses the incremental borrowing rate, because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The lease liability is remeasured if there is a change in lease term, change in future lease payments resulting from a change in an index or a rate used to determine those payments, a change in the assessment of a purchase option, or a change in the amounts expected to be payable under a residual value guarantee.

Short-term leases and low-value assets

Payments of short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit and loss.

Summary of estimates and assessment by management

The most significant management judgment relates to lease agreements that include an option for Metso to extend or terminate early the lease term. For these contracts, management needs to assess the probability of exercising such option, which may significantly affect the estimated length of lease term and consequently the amounts of right-of-use asset and lease liability as well as the related depreciation and interest expense. Management judgment is also applied in defining the incremental borrowing rate used to calculate the present value of the future lease payments.

IFRIC 23

Metso has applied IFRIC 23 Uncertainty over Income Tax Treatment from the beginning of year 2019. The interpretation addresses the accounting for income taxes, when tax treatments involve uncertainty in the application of IAS 12. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

Metso Group is operating in a complex multinational environment; thus, management applies significant judgment in identifying uncertain tax positions. Based on the analysis made by the Group, Metso has recognized EUR 3 million tax liability for uncertain tax positions in the retained earnings as at January 1, 2019.

3. Key figures and formulas

Metso key figures (IFRS)	1–12/2019	1–12/2018
Earnings per share, basic, EUR	2.00	1.53
Earnings per share, diluted, EUR	2.00	1.53
Free cash flow, EUR million	39	146
Free cash flow/share, EUR	0.26	0.97
Cash conversion, %	14	64
Equity/share at end of period, EUR	10.1	9.37
Equity-to-assets ratio at end of period, %	42.3	47.7
Net gearing at end of period, %	52.3	11.7
Number of outstanding shares at end of period (thousands)	150,076	149,997
Average number of shares (thousands)	150,057	149,997
Average number of diluted shares (thousands)	150,200	150,187
Continuing operations		
Earnings per share, basic, EUR	0.46	0.43
Amortization, EUR million	4	2
Depreciation, EUR million	21	10
Gross capital expenditure, EUR million	20	8
Business acquisitions, net of cash acquired, EUR million	-	-
Discontinued operations		
Earnings per share, basic, EUR	1.54	1.10
Amortization, EUR million	12	16
Depreciation, EUR million	45	30
Gross capital expenditure, EUR million	90	59
Business acquisitions, net of cash acquired, EUR million	214	77

Metso comparable key figures	1–12/2019	1–12/2018
Earnings per share, basic, EUR	1.94	1.53
Earnings per share, diluted, EUR	1.94	1.53
Equity/share at end of period, EUR	10.1	9.37
Return on equity (ROE), %	19.8	16.5
Return on capital employed (ROCE) before taxes, %	18.7	16.9
Return on capital employed (ROCE) after taxes, %	14.7	12.5
Equity-to-assets ratio at end of period, %	42.1	47.7
Net gearing at end of period, %	52.7	11.7
Free cash flow, EUR million	39	146
Free cash flow/share, EUR	0.26	0.97
Cash conversion, %	14	64
Gross capital expenditure, EUR million	110	67
Business acquisitions, net of cash acquired, EUR million	214	77
Depreciation and amortization, EUR million	96	58
Number of outstanding shares at end of period (thousands)	150,076	149,997
Average number of shares (thousands)	150,057	149,997
Average number of diluted shares (thousands)	150,200	150,187

Metso comparable key figures 2019 are comparative to Metso 2018.

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	=	$\frac{\text{Equity attributable to shareholders}}{\text{Number of outstanding shares at the end of the period}}$	
Return on equity (ROE), %	=	$\frac{\text{Profit for the period}}{\text{Total equity (average for the period)}}$	x 100
Return on capital employed (ROCE) before taxes, %	=	$\frac{\text{Profit before tax + financial expenses}}{\text{Capital employed (average for the period)}}$	x 100
Return on capital employed (ROCE) after taxes, %	=	$\frac{\text{Profit for the period + financial expenses}}{\text{Capital employed (average for the period)}}$	x 100
Net gearing, %	=	$\frac{\text{Net interest bearing liabilities}}{\text{Total equity}}$	x 100
Debt to capital, %	=	$\frac{\text{Interest bearing liabilities}}{\text{Total equity + interest bearing liabilities}}$	x 100
Equity to assets ratio, %	=	$\frac{\text{Total equity}}{\text{Balance sheet total - advances received}}$	x 100
Free cash flow	=	Net cash flow from operating activities - maintenance investments + proceeds from sale of intangible and tangible assets	
Free cash flow/share	=	$\frac{\text{Free cash flow}}{\text{Average number of outstanding shares during the period}}$	
Cash conversion, %	=	$\frac{\text{Free cash flow}}{\text{Profit for the period}}$	x 100
Interest bearing liabilities	=	Interest bearing liabilities, non-current and current + lease liabilities, non-current and current	
Net interest bearing liabilities	=	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	
Capital employed	=	Net working capital + intangible and tangible assets + right-of-use assets + non-current investments + interest bearing receivables + liquid funds + tax receivables, net + interest payables, net	
Operative capital employed	=	Intangible and tangible assets + right-of-use assets + investments in associated companies + inventories + non-interest bearing operative assets and receivables (external) - non-interest bearing operating liabilities (external)	
Return on operative capital employed for reporting segments (segment ROCE), %	=	$\frac{\text{Operating profit, annualized}}{\text{Operative capital employed (month-end average)}}$	x 100

4. Disaggregation of sales

SALES BY SEGMENTS

EUR million	**10–12/2019**	10–12/2018	**1–12/2019**	1–12/2018
Flow Control segment	167	168	660	593
Group Head Office and other	-1	0	-1	0
Sales, continuing operations total	**166**	168	**660**	593
Minerals segment	797	729	2,976	2,581
Other	0	0	0	0
Sales, discontinued operations total	797	729	2,976	2,581

EXTERNAL SALES BY CATEGORY

EUR million	**10–12/2019**	10–12/2018	**1–12/2019**	1–12/2018
Flow Control segment				
Sales of services	44	36	152	128
Sales of projects, equipment and goods	122	132	508	465
Flow Control segment total (continuing)	**166**	168	**660**	593
Minerals segment				
Sales of services	472	436	1,815	1,644
Sales of projects, equipment and goods	325	293	1,161	937
Minerals segment total (discontinued)	797	729	2,976	2,581

EXTERNAL SALES BY TIMING OF REVENUE RECOGNITION

EUR million	**10–12/2019**	10–12/2018	**1–12/2019**	1–12/2018
Flow Control segment				
At a point in time	166	168	660	593
Over time	-	-	-	-
Flow Control segment total (continuing)	**166**	168	**660**	593
Minerals segment				
At a point in time	644	538	2,485	2,220
Over time	152	191	491	360
Minerals segment total (discontinued)	**797**	729	2,976	2,581

EXTERNAL SALES BY DESTINATION

EUR million	**2019 Continuing operations**	2019 Discontinued operations	2019 Metso total	2018 Continuing operations	2018 Discontinued operations	2018 Metso total
Finland	31	66	97	32	61	94
Other European countries	138	717	855	136	617	753
North America	236	507	743	207	403	610
South and Central America	38	669	706	31	567	599
Asia-Pacific	179	795	974	143	696	839
Africa and Middle East	38	223	260	43	236	279
Sales total	**660**	2,976	3,635	592	2,581	3,173

EUR million	**10-12/2019 Continuing operations**	10-12/2019 Discontinued operations	10-12/2019 Metso total	10-12/2018 Continuing operations	10-12/2018 Discontinued operations	10-12/2018 Metso total
Finland	7	19	25	9	20	29
Other European countries	37	203	240	36	187	223
North America	54	146	200	56	99	155
South and Central America	10	179	189	11	152	163
Asia-Pacific	49	195	244	45	205	250
Africa and Middle East	10	55	65	11	66	77
Sales total	**166**	797	963	168	729	897

5. Fair value estimation

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

Level 1 Quoted unadjusted prices at the balance sheet date in active markets. 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 debt and equity investments classified as financial instruments at 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. Metso had no such instruments.

The table below present Metso's financial assets and liabilities that are measured at fair value. There have been no transfers between fair value levels during the periods.

	Dec 31, 2019 Continuing operations			Dec 31, 2019 Discontinued operations			Dec 31, 2018 Metso total		
EUR million	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets									
Financial assets at fair value through profit and loss									
Derivatives not under hedge accounting	-	0	-	-	10	-	-	5	-
Securities	-	-	-	-	-	-	10	-	-
Financial assets at fair value through other comprehensive income									
Derivatives under hedge accounting	-	0	-	-	8	-	-	8	-
Total	**-**	**0**	**-**	-	18	-	10	13	-
Liabilities									
Financial liabilities at fair value through profit and loss									
Derivatives not under hedge accounting	-	1	-	-	11	-	-	10	-
Long term debt at fair value	-	-	-	-	102	-	-	188	-
Financial liabilities at fair value through other comprehensive income									
Derivatives under hedge accounting	-	-	-	-	5	-	-	7	-
Total	**-**	**1**	**-**	-	118	-	-	205	-

The carrying value of other financial assets and liabilities 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	**Continuing operations**	Discontinued operations	Dec 31, 2019	Dec 31, 2018
Forward exchange rate contracts	34	1,488	1,581	1,369
Interest rate swaps	-	145	145	345

The notional amount of nickel forwards to hedge stainless steel prices was 336 tons as of December 31, 2019 and 288 tons as of December 31, 2018. The notional amounts indicate the volumes in the use of derivatives, but do not indicate the exposure to risk.

7. Leases

The right-of-use assets, lease liabilities, depreciation and interest expense related to leases as at December 31, 2019 and for the year 2019 were as follows:

	Dec 31,2019			1–12/2019		
EUR million	Right-of-use assets	Lease liability, non-current	Lease liability, current	Reversal of rental expense	Depreciation of right-of-use assets	Interest expense on lease liability
Continuing operations	46	37	10	14	-11	-1
Discontinued operations	93	69	21	24	-18	-4
Metso total [1]	**140**	**106**	**31**	**38**	**-30**	**-5**

[1] Discontinued operations include depreciation only for the period 1–10/2019. With 12 months depreciation, right-of-use assets of Metso total would have been EUR 135 million and depreciation EUR 34 million, respectively.

For the continuing operations, the right-of-use assets and lease liabilities are reported as separate line items in the balance sheet. Depreciation of right-of-use assets is reported as part of cost of goods sold or selling, general and administrative expenses, depending on the use of the leased asset. Interest expense on lease liability is reported under financial expenses. Lease liabilities or the related interest expenses are not allocated to reportable segments.

For the discontinued operations, the right-of-use assets and lease liabilities are included in Discontinued asset or Discontinued liabilities line items. Also, depreciations on right-of-use assets and related interest expenses are included in line item Profit from discontinued operations in income statement.

The effect of the adoption of IFRS 16 is described in note 2.

8. Contingent liabilities and other commitments

EUR million	**2019 Continuing operations**	2019 Discontinued operations	2019 Metso total	2018 Metso total
Guarantees				
External guarantees given by parent and group companies	39	268	308	380
Other commitments				
Repurchase commitments	11	1	12	2
Other contingencies	4	1	6	6
Total	**55**	270	325	388

9. Acquisitions and business disposals

Acquisitions

On May 3, 2019, Metso acquired 100% share of the company Industrial Support Company SpA in Chile, which used to form the service division of the Chilean mining engineering, construction and technology company HighService Corp. The acquired business was consolidated into the Minerals Services business area and contributed sales of 35 EUR million to Metso for the period from May 3, 2019, to December 31, 2019, The company's sales in 12 months fiscal year that ended on December 31, 2018, was 57 EUR million. The company employs 869 persons.

On October 1, 2019, Metso acquired 100% share of the company McCloskey International Limited in Canada, a mobile crushing and screening equipment manufacturer, having operations in Canada, the United States and United Kingdom. The acquired business was consolidated into the Aggregates Equipment business area and contributed sales of 55 EUR million to Metso for the period from October 1, 2019, to December 31, 2019. The company's sales in 12 months fiscal year that ended on September 30, 2019, were 322 EUR million. The company has about 900 employees.

PRELIMINARY ASSETS AND LIABILITIES RECOGNIZED AS A RESULT OF ACQUISITIONS

EUR million	2019
Intangible assets	109
Tangible assets	38
Right-of-use assets	6
Deferred tax assets	17
Inventory	113
Trade receivables	56
Other receivables	6
Liquid funds	8
Interest bearing liabilities	-87
Trade payables	-47
Other liabilities	-33
Accrued income taxes	-24
Deferred tax liability	-27
Net identifiable assets acquired at fair value	133
Goodwill	100
Purchase consideration	**233**

The goodwill is attributable to personnel knowhow and synergies. Initial calculation on goodwill generated are based on the result of acquired companies, adjusted by changes in accounting principles and effects from the fair value adjustment of acquired assets and related tax adjustments.

NET CASH FLOW IMPACT OF ACQUISITIONS

EUR million	2019
Cash consideration paid	-222
Cash and cash equivalents acquired	8
Net cash flow for the year	-214
Contingent consideration	-11
Cash consideration, total	**-225**

Acquisition costs of EUR 5 million are expensed and included in administrative expenses in the income statement and in operating cash flow in the statement of cash flows.

Business disposals

On January 4, 2019, Metso successfully completed the divestment of its grinding media business to Moly-Cop, a portfolio company of American Industrial Partners. The transaction included the sale of Metso Spain Holding, S.L.U, including operations in Bilbao and Seville, Spain. As part of the transaction, 80 employees transferred from Metso to Moly-Cop. The turnover of the divested business in 2018 was EUR 60 million. The grinding media business was part of the Minerals segment.

NET ASSETS OF DISPOSED BUSINESS AND LOSS ON DISPOSAL

EUR million	
Intangible assets	6
Tangible assets	4
Inventories	21
Trade receivables	15
Other receivables	2
Liquid funds	3
Interest bearing liabilities	-31
Trade payables	-9
Other liabilities	-1
Deferred tax liabilities	3
Net assets of disposed business	**13**
Consideration received in cash	11
Net assets of disposed business	-13
Loss on disposal	**-2**
Consideration received in cash	11
Cash and cash equivalents disposed of	-3
Debt repayments at disposal	31
Net cash inflow on disposal	**39**

10. Segment information

ORDERS RECEIVED

EUR million	10–12/2019	10–12/2018	1–12/2019	1–12/2018
Flow Control segment	154	157	681	628
Minerals segment	759	745	3,009	2,872
Metso total	914	902	3,690	3,499

ORDERS RECEIVED BY SERVICES BUSINESS

EUR million, %	10–12/2019	10–12/2018	1–12/2019	1–12/2018
Flow Control segment	35	37	154	136
% of orders received	23	24	23	22
Minerals segment	473	461	1,907	1,777
% of orders received	62	62	63	62
Metso total	508	499	2,061	1,913
% of orders received	56	55	56	55

SALES

EUR million	10–12/2019	10–12/2018	1–12/2019	1–12/2018
Flow Control segment	167	168	660	593
Minerals segment	797	729	2,976	2,581
Group Head Office and Intra Metso	-1	0	-1	-0
Metso total	963	897	3,635	3,173

SALES BY SERVICES BUSINESS

EUR million, %	10–12/2019	10–12/2018	1–12/2019	1–12/2018
Flow Control segment	44	36	152	128
% of sales	26	21	23	22
Minerals segment	472	436	1,815	1,644
% of sales	59	60	61	64
Metso total	516	473	1,967	1,773
% of sales	54	53	54	56

ADJUSTED EBITA AND OPERATING PROFIT

EUR million, %	10–12/2019	10–12/2018	1–12/2019	1–12/2018
Flow Control segment				
Adjusted EBITA	22.6	27.6	104.2	90.3
% of sales	13.6	16.4	15.8	15.2
Amortization of intangible assets	-0.9	-0.8	-3.8	-2.3
Adjustment items	-	-	-	-
Operating profit	21.7	26.8	100.4	88.0
% of sales	13.0	16.0	15.2	14.8
Group Head Office and other				
Adjusted EBITA	-4.4	-1.9	-7.8	-4.7
Amortization of intangible assets	0,0	0,0	0,0	0,0
Adjustment items	-	-	-	-
Operating profit	-4.4	-1.9	-7.8	-4.7
Operating profit, continuing operations	17.3	25.0	92.6	83.3
% of sales	10.4	14.8	14.0	14.1
Minerals segment				
Adjusted EBITA	95.8	77.6	380.7	291.0
% of sales	12.0	10.6	12.8	11.3
Amortization of intangible assets	-3.5	-2.0	-9.3	-7.8
Adjustment items	-7.8	-	-21.5	-
Operating profit	84.6	75.6	349.9	283.2
% of sales	10.6	10.4	11.8	11.0
Minerals other				
Adjusted EBITA	3.5	-5.7	-3.2	-7.4
Amortization of intangible assets	-1.4	-2.0	-6.7	-8.0
Adjustment items	-7.6	-	-14.4	-
Operating profit	-5.5	-7.7	-24.3	-15.4
Reversal of amortization	3.6	-	3.6	
Reversal of depreciation	10.3	-	10.3	-
Operating profit, discontinued operations	93.0	68.0	339.5	267.8
% of sales	11.7	9.3	11.4	10.4

ADJUSTMENT ITEMS BY CATEGORY, DISCONTINUED OPERATIONS

EUR million, %	**10–12/2019**	10–12/2018	1–12/2019	1–12/2018
Capacity adjustment costs	-6.0	-	-15.2	-
Acquisition costs	-1.4	-	-4.4	-
Loss on disposal	-0.3	-	-1.9	-
Metso Outotec transaction costs	-7.6	-	-14.4	-
Adjustment items, total	-15.3	-	-35.9	-

OPERATIVE CAPITAL EMPLOYED AND SEGMENT ROCE-%

EUR million, %	Dec 31, 2019	Dec 31, 2018
Flow Control segment	364	293
Segment ROCE-%	28.8	37.1
Minerals segment	1,904	1,272
Segment ROCE-%	22.6	23.7

11. Quarterly segment information

Metso total comparable figures for the last quarter 10–12/2019 are calculated by using the full 3-month period amortization and depreciation and is fully comparative with previous periods.

ORDERS RECEIVED

EUR million	**10–12/2019**	7–9/2019	4–6/2019	1–3/2019	10–12/2018
Flow Control segment	154	171	165	191	157
Minerals segment	759	722	704	823	745
Group Head Office and Intra Metso	0	0	0	-0	0
Metso total	**914**	894	869	1 013	902

SALES

EUR million	**10–12/2019**	7–9/2019	4–6/2019	1–3/2019	10–12/2018
Flow Control segment	167	170	168	155	168
Minerals segment	797	763	735	681	729
Group Head Office and Intra Metso	-1	0	0	0	0
Metso total	**963**	933	903	836	897

ADJUSTED EBITA

EUR million	**10–12/2019**	7–9/2019	4–6/2019	1–3/2019	10–12/2018
Flow Control segment	22.6	29.3	28.6	23.6	27.6
Minerals segment	95.8	104.7	95.8	84.4	77.6
Group Head Office and Intra Metso	-0.9	-3.3	-2.6	-4.2	-7.6
Metso total, comparable	**117.5**	130.8	121.9	103.8	97.7

ADJUSTED EBITA, % OF SALES

%	**10–12/2019**	7–9/2019	4–6/2019	1–3/2019	10–12/2018
Flow Control segment	13.6	17.2	17.1	15.2	16.4
Minerals segment	12.0	13.7	13.0	12.4	10.6
Group Head Office and Intra Metso	n/a	n/a	n/a	n/a	n/a
Metso total, comparable	**12.2**	14.0	13.5	12.4	10.9

AMORTIZATION

EUR million	**10–12/2019**	7–9/2019	4–6/2019	1–3/2019	10–12/2018
Flow Control segment	-0.9	-1.1	-0.9	-1.0	-0.8
Minerals segment	-3.5	-3.0	-1.7	-1.1	-2.0
Group Head Office and Intra Metso	-1.4	-1.7	-1.7	-1.8	-2.0
Metso total, comparable	**-5.7**	-5.7	-4.4	-4.0	-4.7

OPERATING PROFIT

EUR million	**10–12/2019**	7–9/2019	4–6/2019	1–3/2019	10–12/2018
Flow Control segment	21.7	28.3	27.7	22.6	26.8
Minerals segment	84.6	91.3	90.8	83.2	75.6
Group Head Office and Intra Metso	-9.9	-11.8	-4.3	-6.0	-9.6
Metso total, comparable	**96.4**	107.7	114.2	99.9	93.0

OPERATING PROFIT, % OF SALES

%	**10–12/2019**	7–9/2019	4–6/2019	1–3/2019	10–12/2018
Flow Control segment	13.0	16.6	16.5	14.5	16.0
Minerals segment	10.6	12.0	12.3	12.3	10.4
Group Head Office and Intra Metso	n/a	n/a	n/a	n/a	n/a
Metso total, comparable	**10.0**	11.5	12.6	11.9	10.4

CAPITAL EMPLOYED

EUR million	**Dec 31, 2019**	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018
Flow Control segment [1]	364	365	347	352	293
Minerals segment [1]	1,904	1,598	1,505	1,371	1,272
Group Head Office and Intra Metso	265	582	279	496	449
Metso total, comparable	**2,533**	2,545	2,130	2,218	2,015

[1] Operative capital employed includes only external balance sheet items.

ORDER BACKLOG

EUR million	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018
Flow Control segment	280	295	298	311	276
Minerals segment	1,408	1,444	1,552	1,545	1,411
Group Head Office and Intra Metso	0	0	0	0	-1
Metso total	**1,688**	1,740	1,850	1,855	1,686

PERSONNEL

Persons	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018
Flow Control segment	2,866	2,911	2,903	2,738	2,723
Minerals segment	12,451	11,183	11,277	10,226	9,942
Group Head Office and Intra Metso	504	469	496	483	485
Metso total	**15,821**	14,563	14,676	13,447	13,150

12. Exchange rates

Currency		1–12/2019	1–12/2018	Dec 31, 2019	Dec 31, 2018
USD	(US dollar)	1.1214	1.1809	1.1234	1.1450
SEK	(Swedish krona)	10.5572	10.2591	10.4468	10.2548
GBP	(Pound sterling)	0.8773	0.8861	0.8508	0.8945
CAD	(Canadian dollar)	1.4882	1.5307	1.4598	1.5605
BRL	(Brazilian real)	4.4195	4.3020	4.5157	4.4440
CNY	(Chinese yuan)	7.7353	7.8148	7.8205	7.8751
AUD	(Australian dollar)	1.6090	1.5795	1.5995	1.6220

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for customer industry profitability and investment willingness, expectations for company growth, development and profitability and the realization of synergy benefits and cost savings, and statements preceded by “expects”, “estimates”, “forecasts” or similar expressions, are forward-looking statements. These statements are based on current decisions and plans and currently known factors. They involve risks and uncertainties that may cause the actual results to materially differ from the results currently expected by the company.

Such factors include, but are not limited to:
(1) general economic conditions, including fluctuations in exchange rates and interest levels which influence the operating environment and profitability of customers and thereby the orders received by the company and their margins,
(2) the competitive situation, especially significant technological solutions developed by competitors,
(3) the company’s own operating conditions, such as the success of production, product development and project management and their continuous development and improvement,
(4) the success of pending and future acquisitions and restructuring.

Metso's financial information in 2020

Financial Statements Review for 2019 on February 6

Annual Report 2019 on week 9

Annual general meeting on March 20

Interim Review for January–March 2020 on May 7

Half-Year Review for 2020 on August 6

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