metso

2019

Q1 Interim Review

Metso's Interim Review January 1 – March 31, 2019

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

First-quarter 2019 in brief

- The year started with strong market activity
- Orders received increased 18% to EUR 1,013 million (859 million)
- Sales grew 17%, totaling EUR 836 million (714 million)
- EBITA was EUR 104 million, or 12.4% of sales (85 million, or 11.9%)
- Operating profit was EUR 100 million, or 11.9% of sales (80 million, or 11.3%)
- Earnings per share improved to EUR 0.43 (0.33)
- Free cash flow was EUR 38 million (2 million)
- The divestment of the grinding media business was completed

Market outlook

- Market activity in both segments, Minerals and Flow Control, is expected to remain at the current high 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.

Previous outlook (February 6, 2019)

- Market activity in Minerals is expected to continue to grow in both equipment and services business.
- Market activity in Flow Control is expected to continue to grow in both equipment and services business.

Key figures

EUR million	**Q1/2019**	Q1/2018	Change %	2018
Orders received	**1,013**	859	18	3,499
Orders received by services business	**518**	491	5	1,913
% of orders received	**51**	57		55
Order backlog	**1,855**	1,554	19	1,686
Sales	**836**	714	17	3,173
Sales by services business	**462**	422	9	1,773
% of sales	**55**	59		56
EBITA	**104**	85	22	369
% of sales	**12.4**	11.9		11.6
Operating profit	**100**	80	25	351
% of sales	**11.9**	11.3		11.1
Earnings per share, EUR	**0.43**	0.33	30	1.53
Free cash flow	**38**	2		146
Return on capital employed (ROCE) before taxes, %, annualized	**18.9**	15.2		16.9
Equity to assets ratio, %	**46.6**	40.9		47.7
Net gearing, %	**15.1**	2.2		11.7
Personnel at end of period	**13,447**	12,356	9	13,150

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:

This was my first full quarter with Metso, and I am encouraged by many things I have seen so far when visiting many customers and meeting with more than half of our people. Our employees are highly motivated and committed, with deep knowledge about our customers' needs as well as our products and technologies. We have the local presence for providing service to our customers and the skills for adding value.

Our first quarter of 2019 was strong, with high growth and improved profitability. Our order intake was up 18% year-on-year and the growth was broad-based in both equipment and in services. Together with the healthy order growth of last year this has resulted in a solid order backlog, which we continue to deliver with better efficiency. The sales growth totaled 17% during the quarter and came from the both segments. Our profitability improved both as a result of volume growth as well as improving operational efficiency. This is despite the higher equipment sales having an impact on the sales mix and margins.

We see the market demand in our businesses to remain at the current high level. The mining equipment market looks somewhat stronger compared to the other markets we serve, thanks to the mining customers' plans to improve productivity and add capacity. There are of course uncertainties in the world economy overall, which have so far had limited impact on our customer activity.

Going forward, we will concentrate on further developing our performance culture. I am confident that we have a significant potential to develop Metso further to deliver 'One Metso experience' to our customers and sustainable returns to our shareholders.

Operating environment

Market activity was healthy in all our businesses during the first quarter. Demand for both mining equipment and aggregates equipment remained high. Also, the demand for services was healthy both from mining and aggregates customers. This was supported by high production rates at mines and customers' appetite for productivity improvements. The pumps and recycling businesses also saw good activity during the quarter. Activity in the valves business was particularly strong in services and good also in the oil & gas markets in Asia.

Orders and sales

First-quarter orders received increased 18% compared to the corresponding period in 2018, and totaled EUR 1,013 million (EUR 859 million). Orders grew 20% in the Minerals segment and 12% in the Flow Control segment. The growth in Minerals was driven by the equipment business and specifically mining equipment. In Flow Control, services orders grew faster than equipment orders.

Quarterly sales totaled EUR 836 million (EUR 714 million), which represents an increase of 17% from the first quarter in 2018. Sales in Minerals increased 17% to EUR 681 million, while Flow Control's sales increased 19% to EUR 155 million. Equipment sales grew faster than services sales in both segments.

The order backlog at the end of March totaled EUR 1,855 million (EUR 1,686 million at the end of 2018).

Impacts of currency and structural changes on orders received

EUR million, %	Minerals Q1	Flow Control Q1	**Metso total Q1**
2018	**688**	**171**	**859**
Organic growth in constant currencies, %	20%	6%	17%
Impact of changes in exchange rates, %	-1%	2%	0%
Structural changes, %	1%	3%	1%
Total change, %	**20%**	**12%**	**18%**
2019	**823**	**191**	**1,013**

Impacts of currency and structural changes on sales

EUR million, %	Minerals Q1	Flow Control Q1	**Metso total Q1**
2018	**584**	**130**	**714**
Organic growth in constant currencies, %	17%	12%	16%
Impact of changes in exchange rates, %	0%	3%	0%
Structural changes, %	0%	4%	0%
Total change, %	**17%**	**19%**	**17%**
2019	**681**	**155**	**836**

Financial performance

EBITA in the first quarter totaled EUR 104 million, or 12.4% of sales (EUR 85 million, or 11.9%). Operating profit in the reporting period reached EUR 100 million, or 11.9% of sales (EUR 80 million, or 11.3%). Minerals' operating profit totaled EUR 83 million, or 12.2% of sales (EUR 67 million, or 11.6%). Flow Control's operating profit totaled EUR 23 million, or 14.6% of sales (EUR 18 million, or 14.2%). Group Head Office and other operating profit totaled EUR -6 million (EUR -5 million). The profitability improvement resulted from higher volumes and improved internal efficiency, despite the higher share of the equipment business in the sales mix.

Profit before taxes improved to EUR 90 million (EUR 71 million). Net financial expenses in January-March were EUR 9 million (EUR 9 million) and the effective tax rate was 28.6%. Earnings per share totaled EUR 0,43 (EUR 0.33). Return on capital employed (ROCE) was 18.9% (16.9 % at the end of 2018) thanks to improved earnings and in spite of including the negative effect from the adoption of IFRS 16. See notes 2 and 7 for more information.

Net cash generated by operating activities totaled EUR 45 million (EUR 11 million) and free cash flow was EUR 38 million (EUR 2 million). An increase in net working capital had a EUR 55 million negative (EUR 44 million negative) impact on cash flow, arising mainly from growth in inventories in the supply chain to ensure availability. In the corresponding quarter 2018, a one-time tax payment of EUR 21 million affecting free cash flow was made. The payment was related to a reassessment decision from the Finnish tax authority. Metso is appealing the decision.

Financial position

Metso's balance sheet and liquidity position remain strong. Total liquid funds at the end of March 2019 were EUR 488 million (EUR 426 million at the end of 2018), of which EUR 62 million (EUR 94 million at the end of 2018) was invested in financial instruments with an initial maturity exceeding three months, and the remaining EUR 425 million (EUR 332 million at the end of 2018) is accounted for as cash and cash equivalents.

Metso has an undrawn, committed EUR 500 million syndicated revolving credit facility and an undrawn, committed EUR 40 million loan from the European Investment Bank.

Net interest-bearing liabilities were EUR 225 million at the end of March (EUR 165 million at the end of 2018) and net gearing was 15.1% (11.7% at the end of 2018), including the negative effect from the adoption of IFRS 16. See notes 2 and 7 for more information. The equity-to-assets ratio was 46.6% (47.7% at the end of 2018).

Metso's credit rating remains unchanged: Standard & Poor's Ratings Services confirmed Metso's long-term corporate credit rating of BBB and short-term credit rating of A-2, with a stable outlook, in March 2018.

Reporting segments: Minerals

- Strong order intake in all business areas
- Sales growth driven by equipment
- Profitability improved in line with sales growth

Key figures

EUR million	Q1/2019	Q1/2018	Change %	2018
Orders received	**823**	688	20	2,872
Orders received by services business	**474**	456	4	1,777
% of orders received	**58**	66		62
Order backlog	**1,545**	1,281	21	1,411
Sales	**681**	584	17	2,581
Sales by services business	**429**	393	9	1,644
% of sales	**63**	67		64
EBITA	**84**	69	22	291
% of sales	**12.4**	11.9		11.3
Operating profit	**83**	67	24	283
% of sales	**12.2**	11.6		11.0
Return on operative capital employed (Segment ROCE), %, annualized	**26.8**	24.1		23.7
Personnel at end of period	**10,226**	9,560	7	9,942

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 based on the new segment structure for 2018 were published on March 26, 2019.

Minerals' orders received in the first quarter increased 20% year-on-year and totaled EUR 823 million (EUR 688 million). Orders received grew 50% in the equipment business and 4% in services. Mining equipment orders included the second order booked for Albemarle's new lithium project in Australia. Order growth for aggregates equipment was driven by the Nordic countries and West Europe. In the services business, orders for wear parts and expert services increased, while spare part orders were at the same level year-on-year.

First-quarter sales totaled EUR 681 million (EUR 584 million) and the increase of 17% was mainly driven by a 32% growth in equipment sales. EBITA for the quarter increased to EUR 84 million (EUR 69 million) and the EBITA margin to 12.4% (11.9%). Operating profit improved to EUR 83 million, or 12.2% of sales (EUR 67 million, or 11.6%). Volume growth had a positive impact on profitability, despite the higher share of equipment deliveries in the sales mix.

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.

Reporting segments: Flow Control

- **Strong order intake, especially in services**
- **Healthy sales growth**
- **Improved profitability**

Key figures

EUR million	**Q1/2019**	Q1/2018	Change %	2018
Orders received	**191**	171	12	628
Orders received by services business	**44**	35	26	136
% of orders received	**23**	21		22
Order backlog	**310**	273	14	276
Sales	**155**	130	19	593
Sales by services business	**34**	29	17	128
% of sales	**22**	22		22
EBITA	**24**	19	26	90
% of sales	**15.2**	14.6		15.2
Operating profit	**23**	18	28	88
% of sales	**14.6**	14.2		14.8
Return on operative capital employed (Segment ROCE), %, annualized	**34.1**	31.7		37.1
Personnel at end of period	**2,738**	2,328	18	2,723

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 based on the new segment structure for 2018 were published on March 26, 2019.

Flow Control's first-quarter orders received increased 12% to EUR 191 million (EUR 171 million). Growth was driven by the services business. Orders received in the equipment business increased in the oil & gas market in Asia in particular. In addition, distribution and day-to-day businesses saw good order growth.

First-quarter sales increased 19% year-on-year to EUR 155 million (EUR 130 million). Sales growth was strongest in the equipment business.

Flow Control's first-quarter EBITA was EUR 24 million, or 15.2% of sales (EUR 19 million, or 14.6%) and operating profit EUR 23 million, or 14.6% of sales (EUR 18 million, or 14.2%). The improved profitability resulted from operational leverage from the strong volume growth.

Capital expenditure and investments

Gross capital expenditure excluding business acquisitions in January-March 2019, was EUR 19 million (EUR 13 million), of which maintenance investments accounted for 42%, or EUR 8 million (82%, or EUR 10 million).

The expansion project related to increasing the aggregates equipment manufacturing capacity in India, advanced to the inauguration phase during the first quarter. The first product deliveries are expected by the end of 2019. The investment increases Metso's crushing and screening equipment production capacity in India by 40 percent. The total investment is approximately EUR 25 million.

A groundbreaking ceremony for a new greenfield valve plant in Jiaxing, China, took place on January 9, 2019. The new-build plant will strengthen Metso’s valve and related products production capabilities and increase production capacity for customers across various process industries, both in China and globally. Metso plans to invest a total of approximately EUR 10 million by 2020. The investment was originally announced in October 2018.

In addition, the investment into expanding the foundry capacity in Vadodara, India, is progressing as planned and production is expected to fully ramp up in 2020.The total investment is approximately EUR 25 million and was originally announced in September 2018.

Acquisitions and divestments

On January 2, 2019, Metso announced an agreement to acquire HighService Service, the service business of the Chilean mining technology and maintenance provider HighService Corp. HighService Service is a high-quality mining services provider with operations in Chile, Argentina and Brazil. Its sales in fiscal year 2017 were EUR 60 million and it has 1,300 employees. The parties have agreed not to disclose the value of the transaction. The acquisition is proceeding as planned and the regulatory approvals have been obtained. The closing is expected to take place during the second quarter of 2019.

On January 4, 2019, Metso completed the divestment of its grinding media business. The divested business consisted of two locations in Spain and around 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. Research and development (R&D) expenses in January-March 2019 were EUR 12 million, or 1.5% of sales (EUR 7 million, or 1.0%).

Personnel

Metso had 13,447 employees at the end of March 2019, which is 297 more than at the end of December 2018. During January-March 2019, personnel increased by 284 to 10,226 in Minerals and by 15 to 2,738 in Flow Control. Personnel in the Group Head Office and corporate functions totaled 483 at the end of March 2019 (485 at the end of 2018).

Personnel by area

	Mar 31, 2019	**Share, %**	Mar 31, 2018	Share, %	Change %	Dec 31, 2018
Europe	**4,370**	**32**	4,183	34	4	4,412
North America	**1,676**	**12**	1,573	13	7	1,674
South and Central America	**3,174**	**24**	2,898	23	10	2,906
Asia Pacific	**3,369**	**25**	2,857	23	18	3,318
Africa and Middle East	**858**	**6**	845	7	2	840
Metso total	**13,447**	**100**	12,356	100	9	13,150

Other events during the quarter

Changes in the reporting segments

Metso announced on February 11, 2019, that it has moved the Pumps business area from its Flow Control reporting segment to the Minerals reporting segment. The change was backdated to January 1, 2019. Restated figures for 2018 based on the new segment structure were announced on March 26, 2019. The Pumps business area is now headed by Mikko Keto, who is also the President of Minerals Services business area. John Quinlivan continues as President of the Valves business area.

Change 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.

Shareholders' Nomination Board proposal on the Metso's Board composition and remuneration

The Shareholders' Nomination Board (Nomination Board) is responsible for preparing proposals covering the composition of the Board of Directors and remuneration of the Board members to the next Annual General Meeting to be held on April 25, 2019. The Nomination Board gave its proposal on January 23, 2019.

Proposal for the election of Board members

The Nomination Board will propose that the Board of Directors should have eight members and that Mikael Lilius, Christer Gardell, Peter Carlsson, Lars Josefsson, Nina Kopola, Antti Mäkinen and Arja Talma should be re-elected. Mr. Kari Stadigh will be proposed as a new Board member. Ozey K. Horton, Jr. will not be available for re-election after having served as a Board member since 2011. Mikael Lilius will be proposed to continue as Chair and Christer Gardell as Vice Chair of the Board.

Kari Stadigh (Master of Science, Eng., Bachelor of Business Administration, born 1955, Finnish citizen) is Group CEO and President of Sampo Group, Chair of the Board of If P&C Insurance Holding Ltd, Chair of the Board of Mandatum Life Insurance Company Limited, and Board member of Nokia Corporation and Waypoint Group Holdings SA.

All candidates have given their consent to be elected and have been assessed as being independent of the company and its significant shareholders, except for Christer Gardell and Antti Mäkinen, who have been assessed to be independent of the company and not independent of a significant shareholder.

Proposal for the Board members' remuneration

The Nomination Board proposes that remuneration of the Board members will be the same as the previous year:
- Chair - EUR 120,000
- Vice Chair - EUR 66,000
- Other members - EUR 53,000

Additional remuneration:
- 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
- Members of the Remuneration and HR Committee - EUR 5,000

Meeting fees (excluding committee meetings) are paid based on residence:
- Nordic countries - EUR 800
- Other European countries - EUR 1,600
- Outside Europe - EUR 3,200

As a condition for the remuneration, 40% of the fixed annual remuneration is to be used for purchasing Metso's shares.

The Nomination Board notes that a personnel representative will participate as an external expert in the Board meetings also during the next Board term within the limitations imposed by Finnish law and with no voting rights or legal liability for the Board's decisions.

The full Nomination Board's proposal is available in its entirety on our website at www.metso.com.

Composition of the Nomination Board

The Nomination Board was established in September 2018, and it comprises Petter Söderstöm, (Investment Director, Solidium Oy) as Chair, and members Niko Pakalén (Partner, Cevian Capital AB), Risto Murto (President and CEO, Varma Mutual Pension Insurance Company), Mikko Mursula (Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company) and Mikael Lilius, Chair of Metso's Board of Directors as an expert member.

As Chair of the Board of Directors, Mikael Lilius did not take part in the decision-making on the Nomination Board's proposal related to the Chair of the Board and the remuneration payable to the members of the Board of Directors.

Board of Directors' proposal on the use of profit

On February 6, 2019, Metso's Board of Directors gave its proposal for the dividend. The Board of Directors will propose a dividend of EUR 1.20 per share to be paid based on the balance sheet to be adopted for the financial year ended December 31, 2018, and that the remaining portion of the profit will be retained and included in the Company's unrestricted equity. According to the proposal, the dividend will be paid in two installments: EUR 0.60 in May and EUR 0.60 in November.

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 top 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 set 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.

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. Following the directed share issue, the number of treasury shares was decreased to 272,088 shares. The directed share issue is based on an authorization given by the Annual General Meeting held on March 22, 2018.

Annual report 2018

Metso's annual report for 2018 was published on March 5, 2019. The report consists of four sections: Business Overview, Financial Review, Corporate Governance and GRI Supplement.

The Business Overview comprises strategy, value creation, sustainability and risk management. The Financial Review consists of the Board of Directors' Report, including non-financial information compliant with the Finnish Accounting Act, as well as full financial statements and investor information. Corporate Governance includes the full Corporate Governance Statement with Remuneration Statement, compliant with the recommendations of the Finnish Corporate Governance Code for listed companies. The GRI Supplement consists of externally assured sustainability information compliant with the GRI Standards.

All sections of the report are available for downloading at www.metso.com/2018.

Shares and share trading

Metso's share capital on March 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 29,401,245 Metso shares were traded on Nasdaq Helsinki in January-March 2019, equivalent to a turnover of EUR 836 million. Metso's market capitalization at the end of March 2019, excluding shares held by the Parent Company, was EUR 4,601 million (EUR 3,435 million at the end of 2018).

Metso share performance on Nasdaq Helsinki January 1- March 31, 2019

EUR	
Closing price	30.66
Highest share price	32.27
Lowest share price	22.36
Volume-weighted average trading price	28.36

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 March 31, 2019, was USD 8.60.

Flagging notifications

In January-March 2019, Metso received two flagging notifications.

BlackRock, Inc. announced that on March 15, 2019, its direct holding in Metso's shares fell below the 5 percent threshold. BlackRock's direct holding (4.66%) and holding through financial instruments (0.35%) amounted to 7,539,098 Metso's shares, which corresponded to 5.01 percent of Metso's total number of shares and votes.

On March 25, 2019, BlackRock, Inc. announced that its total holding in Metso's shares fell below the 5 percent threshold. BlackRock's direct holding (4.56%) and holding through financial instruments (0.33%) amounted to 7,361,853 Metso's shares, which corresponds to 4.89 percent of Metso's total number of shares and votes.

Metso is not aware of any shareholders' agreements regarding the ownership of Metso shares and voting rights.

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, and thereby 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.

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 high 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**.**

Previous outlook (February 6, 2019)

- Market activity in Minerals is expected to continue to grow in both equipment and services business.
- Market activity in Flow Control is expected to continue to grow in both equipment and services business.

Helsinki, April 25, 2019
Metso Corporation's Board of Directors

Consolidated statement of income

EUR million	**1–3/2019**	1–3/2018	1–12/2018
Sales	**836**	714	3,173
Cost of goods sold [1]	-584	-505	-2,257
Gross profit [1]	**252**	209	916
Selling, general and administrative expenses [1]	-146	-130	-545
Other operating income and expenses, net	-6	2	-19
Share in profits of associated companies	0	0	0
Operating profit [1]	**100**	80	351
Financial income	1	1	6
Financial expenses [2]	-10	-10	-36
Profit before taxes	**90**	71	321
Income taxes	-26	-21	-92
Profit for the period	**65**	50	229
Attributable to:			
Shareholders of the parent company	65	50	230
Non-controlling interests	0	0	-1
	65	50	229
Earnings per share:			
Basic, EUR	0.43	0.33	1.53
Diluted, EUR	0.43	0.33	1.53

[1] Following the adoption of IFRS 16, operating profit for 1-3/2019 does not include rental expenses for on-balance sheet leases. Such rental expenses amounting to EUR 9 million are reversed and replaced by depreciation of right-of-use assets and interest expense on lease liability. Operating profit for 1-3/2019 includes EUR 8 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 1-3/2019 include EUR 1 million interest expenses on lease liability which were not recognized in comparison periods. See notes 2 and 7.

Consolidated statement of comprehensive income

EUR million	**1–3/2019**	1–3/2018	1–12/2018
Profit for the period	**65**	50	229
Other comprehensive income:			
Cash flow hedges, net of tax	0	0	-1
Measurement at fair value, net of tax	0	0	0
Currency translation on subsidiary net investments	15	-9	-13
Items that may be reclassified to profit or loss in subsequent periods	15	-9	-14
Defined benefit plan actuarial gains and losses, net of tax	0	1	-2
Items that will not be reclassified to profit or loss	0	1	-2
Other comprehensive income	**15**	-8	-16
Total comprehensive income	**80**	42	213
Attributable to:			
Shareholders of the parent company	80	42	214
Non-controlling interests	0	0	-1
	80	42	213

Consolidated balance sheet – Assets

EUR million	**Mar 31, 2019**	Mar 31, 2018	Dec 31, 2018
Non-current assets			
Intangible assets			
Goodwill	524	464	525
Other intangible assets	78	74	83
Total intangible assets	**602**	538	608
Tangible assets			
Land and water areas	41	42	40
Buildings and structures [1]	198	96	97
Machinery and equipment [2]	155	131	135
Assets under construction	39	14	33
Total tangible assets	**434**	283	305
Other non-current assets			
Investments in associated companies	5	0	4
Non-current financial assets	6	5	6
Loan and other interest bearing receivables	6	3	6
Deferred tax asset	106	89	101
Other non-current receivables	40	29	38
Total other non-current assets	**163**	126	157
Total non-current assets	**1,199**	947	1,070
Current assets			
Inventories	984	792	950
Trade receivables	587	519	585
Customer contract assets	100	87	82
Interest bearing receivables	1	1	1
Income tax receivables	25	27	22
Other current receivables	142	139	144
Deposits and securities, maturity more than three months	62	125	94
Cash and cash equivalents	425	694	332
Liquid funds	488	819	426
Total current assets	**2,326**	2,385	2,209
TOTAL ASSETS	**3,525**	3,332	3,279

[1] IFRS 16 impact as at March 31, 2019 EUR 100 million, see notes 2 and 7.
[2] IFRS 16 impact as at March 31, 2019 EUR 20 million, see notes 2 and 7.

Consolidated balance sheet – Equity and liabilities

EUR million	Mar 31, 2019	Mar 31, 2018	Dec 31, 2018
Equity			
Share capital	141	141	141
Cumulative translation adjustments	-85	-96	-101
Fair value and other reserves	294	305	302
Retained earnings	1,137	883	1,064
Equity attributable to shareholders	**1,486**	1,233	1,406
Non-controlling interests	11	7	10
Total equity	**1,497**	1,240	1,416
Liabilities			
Non-current liabilities			
Interest bearing liabilities [1]	475	554	383
Post-employment benefit obligations	71	68	68
Provisions	29	37	29
Non-current financial liabilities	3	0	2
Deferred tax liability	34	17	30
Other non-current liabilities	2	2	2
Total non-current liabilities	**614**	679	515
Current liabilities			
Interest bearing liabilities [2]	245	297	215
Trade payables	427	349	431
Provisions	68	73	71
Advances received	234	217	208
Customer contract liabilities	79	82	100
Income tax liabilities	77	40	61
Other current liabilities	283	356	262
Total current liabilities	**1,414**	1,413	1,348
Total liabilities	**2,028**	2,092	1,863
TOTAL EQUITY AND LIABILITIES	**3,525**	3,332	3,279

[1] IFRS 16 impact as at March 31, 2019 EUR 91 million, see notes 2 and 7.
[2] IFRS 16 impact as at March 31, 2019 EUR 29 million, see notes 2 and 7.

NET INTEREST BEARING LIABILITIES

EUR million	Mar 31, 2019	Mar 31, 2018	Dec 31, 2018
Non-current interest bearing liabilities	475	554	383
Current interest bearing liabilities	245	297	215
Liquid funds	-488	-819	-426
Other interest bearing assets	-7	-4	-7
Net interest bearing liabilities	**225**	**28**	**165**

Consolidated statement of changes in shareholders' equity

EUR million	Share capital	Cumulative translation adjustments	Fair value and other reserves	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	-	-	-	50	50	0	50
Other comprehensive income:							
Cash flow hedges, net of tax	-	-	-	-	0	-	0
Measurement at fair value, net of tax	-	-	0	-	0	-	0
Currency translation on subsidiary net investments	-	-9	-	-	-9	0	-9
Defined benefit plan actuarial gains and losses, net of tax	-	-	-	1	1	-	1
Total comprehensive income	-	-9	0	51	42	0	42
Dividends	-	-	-	-157	-157	0	-157
Share-based payments, net of tax	-	-	0	-	0	-	0
Other items	-	-	0	2	2	0	2
Changes in non-controlling interests	-	-	-	-	-	-	-
Mar 31, 2018	141	-96	305	883	1,233	7	1,240
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	-	-	-	65	**65**	0	**65**
Other comprehensive income:							
Cash flow hedges, net of tax	-	-	0	-	**0**	-	**0**
Measurement at fair value, net of tax	-	-	-	-	**-**	-	**-**
Currency translation on subsidiary net investments	-	15	-	-	**15**	-	**15**
Defined benefit plan actuarial gains and losses, net of tax	-	-	-	-	**-**	-	**-**
Total comprehensive income	**-**	15	-0	65	**80**	0	**80**
Dividends	-	-	-	-	**-**	-	**-**
Share-based payments, net of tax	-	-	5	-	**5**	-	**5**
Other items	-	-	-13	11	**-1**	1	**-1**
Changes in non-controlling interests	-	-	-	-	**-**	-	**-**
Mar 31, 2019	**141**	**-85**	**294**	**1,137**	**1,486**	**11**	**1,497**

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

Condensed consolidated statement of cash flows

EUR million	**1–3/2019**	1–3/2018	1–12/2018
Operating activities			
Profit for the period	65	50	229
Adjustments:			
Depreciation and amortization	22	14	58
Financial expenses, net	9	9	30
Income taxes	26	21	92
Other items	1	1	0
Change in net working capital	-55	-44	-129
Net cash flow from operating activities before financial items and taxes	**68**	51	281
Financial income and expenses paid, net [1]	-5	-2	-17
Income taxes paid	-18	-38	-87
Net cash flow from operating activities	**45**	11	177
Investing activities			
Capital expenditures on intangible and tangible assets	-19	-13	-67
Proceeds from sale of intangible and tangible assets	1	1	5
Business acquisitions, net of cash acquired	-	-	-77
Proceeds from sale of businesses, net of cash sold	9	-	-
Other items	-	-	-4
Net cash flow from investing activities	**-10**	-11	-143
Financing activities			
Dividends paid	-	-	-157
Transactions with non-controlling interests	-	-	1
Proceeds from and investments in financial assets, net	30	-	0
Proceeds from and repayment of debt, net [2]	-7	-5	-272
Other items	-	-	0
Net cash flow from financing activities	**24**	-5	-428
Net change in liquid funds	**59**	-5	-394
Effect from changes in exchange rates	3	-2	-6
Liquid funds equivalents at beginning of period	426	826	826
Liquid funds at end of period	**488**	819	426

[1] Following the adoption of IFRS 16, period 1-3/2019 includes EUR -1 million interest expenses on the lease liability, see notes 2 and 7.
[2] Following the adoption of IFRS 16, period 1-3/2019 includes EUR -6 million repayments of lease liability, see notes 2 and 7.

FREE CASH FLOW

EUR million	**1–3/2019**	1–3/2018	1–12/2018
Net cash flow from operating activities	45	11	177
Maintenance investments	-8	-10	-36
Proceeds from sale of intangible and tangible assets	1	1	5
Free cash flow	**38**	2	146

Notes to the interim review

Contents

1. Basis of preparation

This interim review has been prepared in accordance with IAS 34 'Interim Financial Reporting', applying the accounting policies of the Financial Statements 2018. New accounting standards have been adopted as described in Note 2. This interim review is unaudited.

The segment information relating to 2018 in this interim 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.

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 mining, aggregates, recycling and process industries.

Metso reports its results consistently with its reporting structure based on its strategy, which consists of two reportable segments: Minerals and Flow Control. The Minerals segment covers the mining, aggregates, recycling and pumps businesses. The Flow Control segment covers the valves business.

The **Minerals segment** 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.

The **Flow Control segment** 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.

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 (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 is as follows:

EUR million	Dec 31, 2018	**IFRS 16**	Jan 1, 2019
Tangible assets			
Land and water areas	40	0	40
Buildings and structures	97	104	201
Machinery and equipment	135	21	155
Assets under construction	33	-	33
Total	305	**125**	430
Interest bearing liabilities			
Interest bearing liabilities, non-current	383	96	479
Interest bearing liabilities, current	68	29	98
Total	452	**125**	577

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. As of March 31, 2019, the weighted average duration of the lease term was approximately six years. 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	18
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	**125**

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. As of March 31, 2019, the weighted average duration of the lease term was approximately six years.

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 affect significantly to the estimated length of lease term and consequently to 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 judgement in identifying uncertain tax positions. Based on group analysis made 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

	1–3/2019	1–3/2018	1–12/2018
Earnings per share, basic, EUR	0.43	0.33	1.53
Earnings per share, diluted, EUR	0.43	0.33	1.53
Equity/share at end of period, EUR	9.90	8.22	9.37
Return on equity (ROE), %, annualized	17.7	15.4	16.5
Return on capital employed (ROCE) before taxes, %, annualized	18.9	15.2	16.9
Return on capital employed (ROCE) after taxes, %, annualized	14.1	11.1	12.5
Equity to assets ratio at end of period, %	46.6	40.9	47.7
Net gearing at end of period, %	15.1	2.2	11.7
Free cash flow, EUR million	38	2	146
Free cash flow/share, EUR	0.25	0.01	0.97
Cash conversion, %	58	4	64
Gross capital expenditure, EUR million	19	13	67
Business acquisitions, net of cash acquired, EUR million	-	-	77
Depreciation and amortization, EUR million	22	14	58
Number of outstanding shares at end of period (thousands)	150,076	149,997	149,997
Average number of shares (thousands)	150,000	149,997	149,997
Average number of diluted shares (thousands)	150,096	150,167	150,187

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

Formulas for key figures

Earnings before financial expenses, net, taxes and amortization (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
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 on 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	
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 assets + Tangible assets + Non-current investments + Interest bearing receivables + Liquid funds + Tax receivables, net + Interest payables, net	
Operative capital employed	=	Intangible and tangible 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) , %	=	$\frac{\text{Operating profit}}{\text{Operative capital employed (month-end average)}}$	x 100

4. Disaggregation of sales

SALES BY SEGMENTS

EUR million	**1–3/2019**	1–3/2018	1–12/2018
Minerals	681	584	2,581
Flow Control	155	130	593
Group Head Office and other	0	0	0
Intra Metso sales	0	0	0
Sales	**836**	714	3,173

EXTERNAL SALES BY CATEGORY

EUR million	**1–3/2019**	1–3/2018	1–12/2018
Sales of services	462	422	1,773
Minerals	429	393	1,644
Flow Control	34	29	128
Sales of projects, equipment and goods	374	292	1,401
Minerals	252	191	936
Flow Control	122	101	465
Sales	**836**	714	3,173

EXTERNAL SALES BY DESTINATION

EUR million	**1–3/2019**	1–3/2018	1–12/2018
Finland	28	22	94
Other European countries	200	162	753
North America	172	137	610
South and Central America	146	147	599
Asia-Pacific	222	184	839
Africa and Middle East	69	62	279
Sales	**836**	714	3,173

EXTERNAL SALES BY TIMING OF REVENUE RECOGNITION

EUR million	**1–3/2019**	1–3/2018	1–12/2018
At a point in time	730	669	2,812
Minerals	575	539	2,220
Flow Control	155	130	592
Over time	106	45	361
Minerals	106	45	360
Flow Control	0	0	1
Sales	**836**	714	3,173

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.

	Mar 31, 2019			Mar 31, 2018		
EUR million	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	-	4	-	-	12	-
Interest bearing investments	-	-	-	-	-	-
Fund investments	20	-	-	58	-	-
Financial assets at fair value through other comprehensive income						
Derivatives under hedge accounting	-	10	-	-	9	-
Interest bearing investments	-	-	-	-	-	-
Total	**20**	**14**	**-**	58	21	-
Liabilities						
Financial liabilities at fair value through profit and loss						
Derivatives not under hedge accounting	-	17	-	-	5	-
Long term debt at fair value	-	189	-	-	398	-
Financial liabilities at fair value through other comprehensive income						
Derivatives under hedge accounting	-	8	-	-	11	-
Total	**-**	**214**	**-**	-	414	-

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	**Mar 31, 2019**	Mar 31, 2018	Dec 31, 2018
Forward exchange rate contracts	1,406	1,273	1,369
Interest rate swaps	345	345	345
Cross currency swaps	-	244	-

The notional amount of nickel forwards to hedge stainless steel prices was 330 tons as of March 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 and for the three months ended March 31, 2019 were as follows:

	Mar 31, 2019			**1-3/2019**		
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
Minerals	61	-	-	5	-5	-
Flow Control	52	-	-	4	-3	-
Group head office and other	6	91	29	0	-0	-1
Metso total	**119**	**91**	**29**	**9**	**-8**	**-1**

The right-of-use assets are reported under the balance sheet line item which corresponds the leased asset's type. Lease liabilities are reported as part of interest bearing liabilities. Depreciation of right-of-use assets are 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.

The adoption of IFRS 16 impacted the related key figures as follows:

	1-3/2019	
	Reported	Without IFRS 16 impact
Return on capital employed (ROCE) before taxes, %, annualized	18.9	19.5
Return on capital employed (ROCE) after taxes, %, annualized	14.1	14.5
Equity to asset ratio at end of period, %	46.6	48.4
Net gearing at end of period, %	15.1	7.1
Free cash flow, EUR million	38	32

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

8. Contingent liabilities and other commitments

EUR million	**Mar 31, 2019**	Mar 31, 2018	Dec 31, 2018
Guarantees			
External guarantees given by parent and group companies	373	296	380
Other commitments			
Repurchase commitments	2	2	2
Other contingencies	5	7	6

9. Acquisitions and divestments

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 Minerals segment.

The preliminary net assets of disposed business and loss on disposal were as follows:

EUR million	
Intangible assets	6
Tangible assets	4
Inventories	21
Trade receivables	15
Other receivables	2
Cash and cash equivalents	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	**1–3/2019**	1–3/2018	4/2018–3/2019	1–12/2018
Minerals	823	688	3,006	2,872
Flow Control	191	171	647	628
Group Head Office and other	0	0	0	0
Intra Metso orders received	0	0	0	0
Metso total	**1,013**	859	3,653	3,499

ORDERS RECEIVED BY SERVICES BUSINESS

EUR million, %	**1–3/2019**	1–3/2018	4/2018–3/2019	1-12/2018
Minerals	474	456	1,795	1,777
% of orders received	58	66	60	62
Flow Control	44	35	145	136
% of orders received	23	21	22	22
Metso total	**518**	491	1,940	1,913
% of orders received	51	57	53	55

SALES

EUR million	**1–3/2019**	1–3/2018	4/2018–3/2019	1–12/2018
Minerals	681	584	2,678	2,581
Flow Control	155	130	618	593
Group Head Office and other	0	0	0	0
Intra Metso sales	0	0	0	0
Metso total	**836**	714	3,295	3,173

SALES BY SERVICES BUSINESS

EUR million, %	**1–3/2019**	1–3/2018	4/2018–3/2019	1-12/2018
Minerals	429	393	1,680	1,644
% of sales	63	67	63	64
Flow Control	34	29	133	128
% of sales	22	22	21	22
Metso total	**462**	422	1,813	1,773
% of sales	55	59	55	56

EBITA AND OPERATING PROFIT (LOSS)

EUR million, %	**1–3/2019**	1–3/2018	4/2018–3/2019	1–12/2018
Minerals				
EBITA	84.4	69.4	306.0	291.0
% of sales	12.4	11.9	11.4	11.3
Amortization of intangible assets	-1.1	-1.9	-7.0	-7.8
Operating profit	**83.2**	67.5	299.0	283.2
% of sales	12.2	11.6	11.2	11.0
Flow Control				
EBITA	23.6	19.0	94.9	90.3
% of sales	15.2	14.6	15.4	15.2
Amortization of intangible assets	-1.0	-0.6	-2.8	-2.3
Operating profit	**22.6**	18.4	92.1	88.0
% of sales	14.6	14.2	14.9	14.8
Group Head Office and other				
EBITA	-4.2	-3.5	-12.8	-12.1
Amortization of intangible assets	-1.8	-2.0	-7.9	-8.0
Operating profit	**-6.0**	-5.5	-20.7	-20.1
Metso total				
EBITA	103.8	84.9	388.1	369.3
% of sales	12.4	11.9	11.8	11.6
Amortization of intangible assets	-4.0	-4.5	-17.7	-18.2
Operating profit	**99.9**	80.4	370.5	351.1
% of sales	11.9	11.3	11.2	11.1

OPERATIVE CAPITAL EMPLOYED AND SEGMENT ROCE-%

EUR million, %	**Mar 31, 2019**	Mar 31, 2018	Dec 31, 2018
Minerals	1,371	1,148	1,272
Segment ROCE-%	26.8	24.1	23.7
Flow Control	352	226	293
Segment ROCE-%	34.1	31.7	37.1

11. Quarterly information

ORDERS RECEIVED

EUR million	**1–3/2019**	10-12/2018	7–9/2018	4–6/2018	1–3/2018
Minerals	823	745	734	704	688
Flow Control	191	157	149	151	171
Group Head Office and other	0	0	0	0	0
Intra Metso orders received	0	0	0	0	0
Metso total	**1,013**	902	883	855	859

SALES

EUR million	**1–3/2019**	10-12/2018	7–9/2018	4–6/2018	1–3/2018
Minerals	681	729	641	627	584
Flow Control	155	168	146	149	130
Group Head Office and other	0	0	0	0	0
Intra Metso sales	0	0	0	0	0
Metso total	**836**	897	786	776	714

EBITA

EUR million	**1–3/2019**	10-12/2018	7–9/2018	4–6/2018	1–3/2018
Minerals	84.4	77.6	72.2	71.9	69.4
Flow Control	23.6	27.6	22.0	21.6	19.0
Group Head Office and other	-4.2	-7.6	1.4	-2.5	-3.5
Metso total	**103.8**	97.7	95.6	91.0	84.9

EBITA, % OF SALES

%	**1–3/2019**	10-12/2018	7–9/2018	4–6/2018	1–3/2018
Minerals	12.4	10.6	11.3	11.5	11.9
Flow Control	15.2	16.4	15.1	14.5	14.6
Group Head Office and other	n/a	n/a	n/a	n/a	n/a
Metso total	**12.4**	10.9	12.1	11.7	11.9

AMORTIZATION

EUR million	**1–3/2019**	10-12/2018	7–9/2018	4–6/2018	1–3/2018
Minerals	-1.1	-2.0	-2.0	-2.0	-1.9
Flow Control	-1.0	-0.8	-0.5	-0.5	-0.6
Group Head Office and other	-1.8	-2.0	-2.0	-2.0	-2.0
Metso total	**-4.0**	-4.7	-4.5	-4.5	-4.5

OPERATING PROFIT (LOSS)

EUR million	**1–3/2019**	10-12/2018	7–9/2018	4–6/2018	1–3/2018
Minerals	83.2	75.6	70.2	69.9	67.5
Flow Control	22.6	26.8	21.5	21.1	18.4
Group Head Office and other	-6.0	-9.6	-0.6	-4.5	-5.5
Metso total	**99.9**	93.0	91.1	86.5	80.4

OPERATING PROFIT, % OF SALES

%	**1–3/2019**	10-12/2018	7–9/2018	4–6/2018	1–3/2018
Minerals	12.2	10.4	11.0	11.1	11.6
Flow Control	14.6	16.0	14.7	14.2	14.2
Group Head Office and other	n/a	n/a	n/a	n/a	n/a
Metso total	**11.9**	10.4	11.6	11.1	11.3

CAPITAL EMPLOYED

EUR million	**Mar 31, 2019**	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018
Minerals *	1,371	1,272	1,229	1,202	1,148
Flow Control *	352	293	234	228	226
Group Head Office and other	496	449	457	462	718
Metso total	**2,218**	2,015	1,920	1,892	2,092

* Operative capital employed includes only external balance sheet items.

ORDER BACKLOG

EUR million	**Mar 31, 2019**	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018
Minerals	1,545	1,411	1,408	1,327	1,281
Flow Control	310	276	280	277	273
Group Head Office and other	0	0	-	-	-
Intra Metso order backlog	0	-1	-2	-3	0
Metso total	**1,855**	1,686	1,686	1,601	1,554

PERSONNEL

Persons	**Mar 31, 2019**	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018
Minerals	10,226	9,942	9,873	9,777	9,560
Flow Control	2,738	2,723	2,422	2,433	2,328
Group Head Office and other	483	485	477	498	468
Metso total	**13,447**	13,150	12,772	12,708	12,356

12. Exchange rates

Currency		**1–3/2019**	1–3/2018	1–12/2018	**Mar 31, 2019**	Mar 31, 2018	Dec 31, 2018
USD	(US dollar)	1.1397	1.2246	1.1809	1.1235	1.2321	1.1450
SEK	(Swedish krona)	10.3776	9.9962	10.2591	10.3980	10.2843	10.2548
GBP	(Pound sterling)	0.8717	0.8814	0.8861	0.8583	0.8749	0.8945
CAD	(Canadian dollar)	1.5189	1.5458	1.5307	1.5000	1.5895	1.5605
BRL	(Brazilian real)	4.3259	3.9913	4.3020	4.3865	4.0938	4.4440
CNY	(Chinese yuan)	7.6867	7.7784	7.8148	7.5397	7.7468	7.8751
AUD	(Australian dollar)	1.5954	1.5594	1.5795	1.5821	1.6036	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 2019

Financial Statements Review for 2018 on February 6

Annual Report 2018 on March 5

Interim Review for January – March 2019 on April 25

Half-Year Financial Review for 2019 on July 25

Interim Review for January – September 2019 on October 25

Metso Corporation, Group Head Office, Töölönlahdenkatu 2, PO Box 1220, FIN-00101 Helsinki, Finland
Tel. +358 20 484 100 Fax +358 20 484 101 www.metso.com