



Metso's Interim Review January 1 – March 31, 2020

Metso has classified its Minerals segment as discontinued operations as of October 29, 2019, in its IFRS reporting. 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 in accordance with IFRS. Metso has also prepared consolidated financial information, where the depreciation and amortization of Minerals is calculated for the full-year 2019 and the first quarter 2020, and these figures are comparable to the first quarter of 2019.

Analysis in this first quarter 2020 Interim Review is based on the comparable figures unless otherwise noted.

The Flow Control reporting segment has been renamed the Neles segment in preparation for the planned partial demerger and the creation of an independent valve company Neles Corporation.

Figures in brackets refer to the corresponding period in 2019, unless otherwise stated.

First-quarter 2020 in brief

- Orders received increased 5% to EUR 1,065 million (1,013 million)
- Sales were unchanged year-on-year at EUR 832 million (836 million)
- Adjusted EBITA was EUR 91 million, or 10.9% of sales (105 million, or 12.6%)
- Operating profit was EUR 73 million, or 8.8% of sales (100 million, or 11.9%)
- Earnings per share were EUR 0.35 (0.43)
- Free cash flow was EUR 78 million (38 million)
- Annual General Meeting was postponed due to the Covid-19-related restrictions
- Metso's partial demerger and the transaction to create Metso Outotec and Neles continue to progress according to plan. The closing is currently expected to take place on June 30, 2020, subject to regulatory approvals

IFRS figures for January-March 2020

- Sales from continuing operations totaled EUR 137 million (155 million)
- Operating profit from continuing operations was EUR 15 million (22 million)
- Profit from discontinued operations was EUR 59 million (48 million)
- Earnings per share, continuing operations, were EUR 0.07 (0.11)
- Earnings per share, discontinued operations, were EUR 0.39 (0.32)
- Earnings per share, Metso total, were EUR 0.46 (0.43)

Covid-19 market update

The measures taken to prevent the spreading of Covid-19 started to have a material impact on Metso's businesses and financial performance only towards the end of the first quarter. In February, the businesses and operations in China were affected but this impact was offset later, thanks to a fast ramp-up in March. Quarterly orders from China were higher year-on-year, while the drop in sales will take longer to catch up.

From mid-March, Metso has seen the biggest Covid-19 related impact in its aggregates equipment business, where customers and distributors have significantly reduced their investments. The mining equipment business, however, has continued in line with expectations. The importance of the mining operations for many countries has been visible in the continued healthy demand for spare and wear parts. Restrictions relating to travel and workforce mobility have had an impact on mining services by limiting service work carried out at customers' mines.

In Neles' businesses, volatile oil prices have had an impact on the market activity, whereas the pulp and paper market has developed as expected. Neles services business has also been hit by in the restricted access to customers' sites, which has led to postponements of maintenance shutdowns.

Lockdowns were introduced in mid-March in several countries; the lockdown in India has had the biggest impact on Metso. As of mid-April, operations in India and South Africa have been permitted to ramp up, while lockdowns in Peru and Mexico continue.

Market outlook

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

Due to the unpredictability of the Covid-19 situation, Metso will not, for the time being, estimate the development of its market activity for the six months ahead. Metso expects that market activity will continue to be affected by Covid-19 throughout the second quarter.

Previous outlook, published on February 6 and cancelled on March 31

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

Key figures

EUR million	Q1/2020	Q1/2019	Change %	2019
Orders received	1,065	1,013	5	3,690
Orders received by services business	535	518	3	2,061
% of orders received	50	51		56
Order backlog at the end of period	1,764	1,855	-5	1,688
Sales	832	836	-0	3,635
Sales by services business	468	462	1	1,967
% of sales	56	55		54
Adjusted EBITA *)	91	105	-13	474
% of sales	10.9	12.6		13.0
Operating profit	73	100	-27	418
% of sales	8.8	11.9		11.5
Earnings per share, EUR	0.35	0.43	-19	1.94
Free cash flow	78	38	105	39
Return on capital employed (ROCE) before taxes, %, annualized	12.6	18.9		18.7
Equity to assets ratio, %	41.2	46.6		42.1
Net gearing, %	48.6	15.1		52.7
Personnel at end of period	15,584	13,447	16	15,821

*) Adjustment items amounted to EUR 11 million in Q1/2020, EUR 2 million in Q1/2019 and EUR 36 million in 2019. Reconciliation of EBITA and operating profit is presented in Note 9: Segment information.

President and CEO Pekka Vauramo:

We had a positive start to the year, but as the Covid-19 situation started to escalate, our focus turned to the safety and well-being of our personnel, customers and business partners. During these challenging times, we have been ensuring the continuity of Metso's and its customers' operations by leveraging the flexibility of our global presence and supply chain. Our earlier investments in digital and IT platforms have enabled us to introduce real-time information sharing and dialogue with our customers and partners, while facilitating fast internal decision-making.

The impact of Covid-19 on our financial performance was still relatively limited during the first quarter. In February, our operations in China were impacted by lockdowns, which had some impact on our sales and result during the month. The operations in China were restarted successfully and have been running at the normal capacity since early March.

More material implications have resulted from the containment measures that have been quickly enforced around the world since mid-March. The aggregates equipment business has seen the most rapid decline in demand, whereas the mining equipment market has been stable. The services business has been affected by the restrictions relating to travel and workforce mobility that have prevented our experts from carrying out service at customer sites. Our own operations have been affected by lockdowns imposed by authorities in some countries.

We have been actively controlling our costs and preserving our cash flow and financial position. In preparation for the upcoming demerger, we have had strong cost control in place since the second half of 2019. Since the escalation of the Covid-19 situation, we have imposed cuts on discretionary spend across the organization. In addition, we have introduced temporary savings affecting our personnel, such as the reduction of worktime or compensation, and the Metso Executive Team also agreed to lower their own compensation, all effective from April. Metso's financial position continues to be good and we have further increased our funding facilities available to help us navigate through this challenging situation.

Despite these exceptional circumstances, we have made good progress in the Metso Outotec and Neles transaction. There are some approvals from competition authorities still pending, but we are working to obtain them so that we could close the transaction in line with the previously disclosed estimate of June 30, 2020.

Operating environment

The activity in the valves market was good during the first quarter. Investment projects in the oil & gas and pulp and paper industries remained active throughout the quarter. Towards the end of the quarter, the services business was affected by the Covid-19 related restriction measures that resulted in the postponement or cancellation of site work.

In the Minerals segment, demand for mining equipment was good throughout the quarter whereas demand for aggregates equipment slowed first in China due to the spread of Covid-19, and following a recovery in China, demand slowed sharply in other key markets late in the quarter. The demand for both mining and aggregates services and consumables was good. Towards the end of the quarter there was a slowdown of field service due to restrictions relating to workforce mobility at customer sites.

Demand for metal recycling equipment was low throughout the quarter due to the volatility of scrap prices that started already last year. Demand for metal recycling services and waste recycling was good.

Orders and sales

The Group's first-quarter orders received totaled EUR 1,065 million (EUR 1,013 million), which represents an increase of 5% compared to the same period in 2019. Orders declined 3% organically in constant currencies. The Neles segment's orders remained unchanged year-on-year. Growth of 6% in Minerals orders was supported by the acquisition of McCloskey, as Minerals orders declined 4% organically in constant currencies.

The Group's quarterly sales were unchanged year-on-year at EUR 832 million (EUR 836 million). The Neles segment's sales declined 12% to EUR 137 million, as sales in both the services business and equipment business declined. Sales in Minerals increased 2% to EUR 696 million, including the acquired McCloskey business. Organically in constant currencies Minerals sales declined 7%.

The order backlog at the end of March totaled EUR 1,764 million (EUR 1,688 million at the end of 2019).

Impacts of currency and structural changes on orders received

EUR million, %	Neles Q1	Minerals Q1	Total Q1
2019	191	823	1,013
Organic growth in constant currencies, %	1%	-4%	-3%
Impact of changes in exchange rates, %	-1%	-2%	-2%
Structural changes, %	0%	13%	10%
Total change, %	0%	6%	5%
2020	191	874	1,065

Impacts of currency and structural changes on sales

EUR million, %	Neles Q1	Minerals Q1	Total Q1
2019	155	681	836
Organic growth in constant currencies, %	-12%	-7%	-8%
Impact of changes in exchange rates, %	0%	-3%	-2%
Structural changes, %	0%	12%	10%
Total change, %	-12%	2%	0%
2020	137	696	832

Financial performance

Adjusted EBITA in the first quarter totaled EUR 91 million, or 10.9% of sales (EUR 105 million, or 12.6%). Neles' adjusted EBITA was EUR 19 million, or 14.0% of sales (EUR 24 million, or 15.2%). Minerals' adjusted EBITA totaled EUR 73 million, or 10.4% of sales (EUR 86 million, or 12.6%). Profitability in both segments was affected by under-absorption in manufacturing operations due to Covid-19 related lockdowns. This affected especially the aggregates equipment business in the Minerals segment. In addition, changes in the fair value of derivatives had a negative impact on adjusted EBITA, which resulted from the rapid depreciation of the currencies of key mining countries at the end of the quarter.

The first-quarter operating profit totaled EUR 73 million, or 8.8% of sales (EUR 100 million, or 11.9%). Adjustment items of EUR 11 million had a negative impact on operating profit in Q1/2020 and EUR 2 million in Q1/2019. There were no adjustments in the first quarter of 2019. The adjustments were attributable to costs related to the Metso Outotec transaction and creation of the independent Neles, as well as some footprint related costs. Neles operating profit was EUR 17 million, or 12.6% of sales (EUR 23 million, or 14.6%). Minerals' operating profit totaled EUR 68 million, or 9.7% of sales (EUR 83 million, or 12.2%). The impact of Group Head Office and other on the operating profit was EUR 12 million negative (EUR 6 million negative), due to the adjustment items.

Net cash generated by operating activities in the first quarter totaled EUR 89 million (EUR 45 million) and free cash flow was EUR 78 million (EUR 38 million). Changes in net working capital had a EUR 17 million positive impact (EUR 55 million negative impact) on cash flow.

Financial position

Metso's balance sheet and liquidity position remain good. Total liquid funds at the end of March 2020 were EUR 413 million (EUR 213 million at the end of 2019). There were no investments in financial instruments with an initial maturity exceeding three months (EUR 0 million at the end of 2019), and EUR 413 million (EUR 213 million at the end of 2019) is accounted for as cash and cash equivalents. There was no dividend payment in the first quarter, due to the postponement of the Annual General Meeting.

Metso's available funding consists of an undrawn, committed syndicated revolving credit facility of EUR 600 million. During the first quarter, Metso issued commercial papers worth EUR 121 million for short-term financing and drew a loan of EUR 40 million from the European Investment Bank.

The Group's net interest-bearing liabilities were EUR 739 million at the end of March (EUR 798 million at the end of 2019) and net gearing was 48.6% (52.7% at the end of 2019). The equity-to-assets ratio was 41.2% (46.6% at the end of 2019).

After the reporting period, Metso has obtained new funding of up to EUR 290 million. This consists of a EUR 100 million term loan for two years and four revolving credit facilities amounting to EUR 190 million from four banks for 1-2 years.

S&P Global Ratings lowered its long- and short-term issuer credit ratings on Metso to 'BBB-/A-3' on March 25, 2020. Metso's credit ratings remain on CreditWatch with negative implications, as placed by S&P on July 9, 2019. Metso's credit rating will continue as the rating of the future Neles Corporation, which is due to be formed in Metso's partial demerger currently expected to take place on June 30, 2020.

Simultaneously, S&P affirmed the preliminary 'BBB-' rating for Metso Outotec but revised its outlook to 'negative' from 'stable'.

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 on October 8, 2019. The outlook on both ratings is stable.

As previously communicated, Metso has received consent to transfer its senior unsecured notes to Metso Outotec at the closing of the transaction.

Reporting segments: Neles

- Good project activity with orders reaching previous year's record level
- Record-high order backlog at the end of March
- Sales and profitability affected by restrictions on access to customer sites

Key figures

EUR million	Q1/2020	Q1/2019	Change %	2019
Orders received	191	191	-	681
Orders received by services business	37	44	-16	154
% of orders received	19	23		23
Order backlog	337	310	9	280
Sales	137	155	-12	660
Sales by services business	29	34	-15	152
% of sales	21	22		23
Adjusted EBITA *)	19	24	-21	104
% of sales	14.0	15.2		15.8
Operating profit	17	23	-26	100
% of sales	12.6	14.6		15.2
Return on operative capital employed (Segment ROCE), %, annualized	19.2	34.1		28.8
Personnel at end of period	2,872	2,738	5	2,866

*) Adjustment items amounted to EUR 1 million in Q1/2020. Q1/2019 and full year 2019 did not include any adjustment items. Reconciliation of EBITA and operating profit is presented in Note 9: Segment information.

The Neles segment's orders in the first-quarter 2020 were at the same high level as in the first quarter of 2019. Project orders from both the oil & gas and pulp and paper industries increased, whereas services orders declined somewhat.

First-quarter sales came in 12% lower year-on-year at EUR 137 million (EUR 155 million). The decline resulted from both equipment and services businesses and was due to a low order intake in Q4/2019, the Covid-19 related mobility restrictions affecting services and the lockdown in the Chinese manufacturing operations in February and in the Indian operations in March affecting equipment sales.

Neles segment's adjusted EBITA was EUR 19 million, or 14.0% of sales (EUR 24 million, or 15.2%) in the first quarter and operating profit EUR 17 million, or 12.6% of sales (EUR 23 million, or 14.6%). The weaker profit was largely attributable to lower sales and lower share of services in the sales mix as well as the under-absorption in manufacturing sites due to the lockdowns.

Neles' order backlog at the end of the quarter was at an all-time high at EUR 337 million (EUR 310 million).

Reporting segments: Minerals

- **Healthy mining equipment orders; negative Covid-19 impact on aggregates equipment orders**
- **Services sales increased despite Covid-19 restrictions towards the end of the quarter**
- **Negative profit impact from under-absorption and derivatives due to currency fluctuations**

Key figures

EUR million	Q1/2020	Q1/2019	Change %	2019
Orders received	874	823	6	3,009
Orders received by services business	498	474	5	1,907
% of orders received	57	58		63
Order backlog	1,427	1,545	-8	1,408
Sales	696	681	2	2,976
Sales by services business	439	429	2	1,815
% of sales	63	63		61
Adjusted EBITA *)	73	86	-15	381
% of sales	10.4	12.6		12.8
Operating profit	68	83	-18	350
% of sales	9.7	12.2		11.8
Return on operative capital employed (Segment ROCE), %, annualized	16.2	26.8		22.6
Personnel at end of period	12,229	10,226	20	12,451

*) No adjustment items were reported in Q1/2020. Adjustment items for the full-year 2019 totaled EUR 36 million and in Q1/2019 EUR 2 million. Reconciliation of EBITA and operating profit is presented in Note 9: Segment information.

Minerals' orders received in the first quarter increased 6% year-on-year and totaled EUR 874 million (EUR 823 million). Services orders increased 5%, thanks to a good market activity. Growth of 8% in equipment orders was supported by the acquisition of McCloskey. Mining equipment orders increased slightly against a high comparison period, highlighting the healthy market activity. Organically with constant currencies the segment's total orders declined 4%

First-quarter sales increased 2% year-on-year and totaled EUR 696 million (EUR 681 million). Services sales increased 2% and equipment sales were supported by the acquisition of McCloskey. Organically with constant currencies the segment's total sales declined 7%. Sales were affected by the Covid-19 related mobility restrictions affecting services and the lockdown in the Chinese manufacturing operations in February and in other key operating countries such as India, South Africa and Peru in March affecting equipment sales.

Adjusted EBITA for the quarter was EUR 73 million (EUR 86 million) and the adjusted EBITA margin was 10.4% (12.6%). Profitability was impacted by the under-absorption at manufacturing sites due to the Covid-19 related lockdowns in several countries. In addition, changes in the fair value of derivatives had a negative impact on adjusted EBITA and resulted from the rapid depreciation of the currencies of key mining countries at the end of the quarter.

Operating profit was 68 million, or 9.7% of sales (EUR 83 million, or 12.2%).

Capital expenditure and investments

Gross capital expenditure excluding business acquisitions in January-March 2020 was EUR 26 million (EUR 19 million), of which maintenance investments accounted for 46%, or EUR 12 million (42%, or EUR 8 million).

The foundry investment in Vadodara, India, was completed in the first quarter. The new valve manufacturing site in China is expected to be completed in the third quarter.

Acquisitions and divestments

There were no acquisitions or divestments in the reporting period.

Research and development

Continuous renewal and innovation are fundamental for Metso's competitiveness. The objective for innovation is to secure sustaining differentiation with investments that are based on business- or product-specific roadmaps. Research and development (R&D) expenses in January – March 2020 were EUR 21 million, or 2.6% of sales (EUR 16 million, or 1.5%). Research and development expenses include digitalization investments, which are included in sales and marketing expenses and administrative expenses in the income statement.

R&D and IP-related expenses

EUR million	Q1/2020	Q1/2019	2019
R&D expenses	21	16	62
of sales, %	2.6	1.5	1.7

Personnel

Metso had 15,584 employees at the end of March 2020, which is 237 less than at the end of December 2019. During January – March 2020, personnel increased by 6 to 2,872 in Neles and decreased by 222 to 12,229 in Minerals. Personnel in the Group Head Office and support functions totaled 483 at the end of March 2020 (504 at the end of 2019).

Personnel by area

	Mar 31, 2020	Share, %	Mar 31, 2019	Share, %	Change %	Dec 31, 2019
Europe	4,860	31	4,370	32	11	4,874
North America	2,176	14	1,676	12	30	2,229
South and Central America	4,386	28	3,174	24	38	4,493
Asia Pacific	3,547	23	3,369	25	5	3,556
Africa and Middle East	615	4	858	6	-28	669
Metso total	15,584	100	13,447	100	16	15,821

Annual report 2019

Metso's annual report for 2019 was published on February 26, 2020. 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/2019.

Shares and share trading

Metso's share capital on March 31, 2020, was EUR 140,982,843.80 and the number of shares 150,348,256. This included 150,361 treasury shares held by the Parent Company, which represented 0.1% of all Metso shares and votes. A total of 49,579,054 Metso shares were traded on Nasdaq Helsinki in January – March 2020, and the value of shares traded was EUR 1,377 million. Metso's market capitalization at the end of March 2020, excluding shares held by the Parent Company, was EUR 3,262 million (EUR 5,280 million at the end of 2019).

Metso share performance on Nasdaq Helsinki January 1 – March 31, 2020

EUR	
Closing price	21.72
Highest share price	36.95
Lowest share price	17.92
Volume-weighted average trading price	27.76

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 was USD 5.72 on March 31, 2020.

In preparation of the upcoming demerger, Metso has decided to terminate its ADR facility. The termination is expected to become effective on May 21, 2020.

Flagging notifications

In the first quarter, 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
March 26, 2020	BlackRock Inc.	above 5%	4.51%	0.48%	5.00%	7,522,000
March 18, 2020	BlackRock Inc.	below 5%	below 5%	below 5%	below 5%	below 5%
March 17, 2020	BlackRock Inc.	above 5%	4.93%	0.1%	5.04%	7,582,849
March 16, 2020	BlackRock Inc.	above 5%	5.00%	0.06%	5.07%	7,630,846
March 13, 2020	BlackRock Inc.	above 5%	4.94%	0.10%	5.04%	7,591,558
March 12, 2020	BlackRock Inc.	above 5%	5.09%	0.10%	5.20%	7,818,872
March 11, 2020	BlackRock Inc.	below 5%	below 5%	below 5%	below 5%	below 5%
March 10, 2020	BlackRock Inc.	above 5%	5.02%	0.03%	5.06%	7,615,237
February 26, 2020	BlackRock Inc.	below 5%	below 5%	below 5%	below 5%	below 5%
February 25, 2020	BlackRock Inc.	above 5%	4.86 %	0.15%	5.01%	7,541,236
February 20, 2020	BlackRock Inc.	below 5%	below 5%	below 5%	below 5%	below 5%
February 18, 2020	BlackRock Inc.	above 5%	4.70%	0.34%	5.04%	7,582,200
February 17, 2020	BlackRock Inc.	below 5%	below 5%	below 5%	below 5%	below 5%
February 12, 2020	BlackRock Inc.	above 5%	4.78%	0.33%	5.11%	7,689,364
February 10, 2020	BlackRock Inc.	below 5%	below 5%	below 5%	below 5%	below 5%
February 6, 2020	BlackRock Inc.	above 5%	4.71%	0.31%	5.03%	7,562,914

Other events during the quarter

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 of Metso's Executive Team.

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

The Shareholders' Nomination Board published proposals regarding the composition and remuneration of the Board of Directors of both Metso and the future Neles Corporation on January 16, 2020. Composition and remuneration will be decided on in Metso's upcoming Annual General Meeting.

Proposal regarding Metso's Board composition and remuneration

The Nomination Board published in January that it 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 of Director'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.

The Nomination Board published that it 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 published that it 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 published that it 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 of Directors 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 published that it 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 published that it 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 noted 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 to 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, Niko Pakalén (Partner, Cevian Capital Partners Ltd.), Mikko Mursula (Deputy CEO, Ilmarinen Mutual Pension Insurance Company) and Risto Murto (President and CEO, Varma Mutual Pension Insurance Company), as members, and Mikael Lilius (Chair of Metso's Board of Directors) as an expert member. 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 Metso's Board of Directors 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 composition and remuneration of the members of the Neles Board of Directors, due to them being proposed as Board members of the future Neles.

Annual General Meeting 2020

Due to the prohibition of public gatherings of more than 10 people imposed in Finland on March 17, 2020, Metso's Board of Directors decided to postpone the Annual General Meeting, which was scheduled to be held on Friday, March 20, 2020. The Board will publish a new invitation to the Annual General Meeting as soon as possible and with consideration to the current circumstances and health restrictions.

Short-term business risks and market uncertainties

Covid-19 poses significant short-term risks and uncertainties to the markets. The spread and severity of the pandemic are difficult to predict. Abrupt measures taken by various national and local governments to restrict the spread have further increased the unpredictability of the pandemic on the demand for Metso's products and services as well as on Metso's operations restricting our ability to provide services at customer sites due to restrictions on mobility of people and to run our manufacturing sites when lockdowns are imposed.

There is increased risk that the pandemic will significantly deteriorate global economic growth, which together with uncertain political and trade related developments 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.

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

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

Due to the unpredictability of the Covid-19 situation, Metso will not, for the time being, estimate the development of its market activity for six months ahead. Metso expects that market activity will continue to be affected by Covid-19 throughout the second quarter.

Previous outlook, published on February 6 and cancelled on March 31

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

Helsinki, May 7, 2020
Metso Corporation's Board of Directors

Analysis of Consolidated Income Statement

EUR million	1–3/2020	1–3/2020	1–3/2020	1–3/2020	1–3/2019	1–3/2019	1–3/2019
	Continuing operations	Discontinued operations ¹	Metso total ¹	Metso comparable ²	Continuing operations	Discontinued operations	Metso total
Sales	137	696	832	832	155	681	836
Cost of goods sold ¹	-89	-476	-566	-578	-103	-481	-584
Gross profit	48	219	267	254	52	200	252
Selling and marketing expenses ¹	-18	-66	-84	-87	-18	-59	-77
Administrative expenses ¹	-8	-54	-62	-68	-8	-49	-57
Research and development expenses	-4	-8	-12	-12	-4	-8	-12
Other operating income and expenses, net	-3	-12	-15	-15	-1	-6	-6
Share in profits of associated companies	-	0	0	0	-	0	0
Operating profit	15	79	94	73	22	78	100
Financial income	0	3	3	3	0	1	1
Foreign exchange gains/losses	0	6	6	6	0	-1	-1
Financial expenses	-1	-10	-11	-11	-1	-9	-10
Profit before taxes	14	78	91	71	21	69	90
Income taxes	-3	-19	-22	-18	-5	-21	-26
Profit for the period	10	59	69	53	16	48	65
Attributable to							
Shareholders of the parent company	10	58	69	53	16	48	65
Non-controlling interests	-	0	0	0	-	0	0
Earnings per share							
Basic, EUR	0.07	0.39	0.46	0.35	0.11	0.32	0.43
Diluted, EUR	0.07	0.39	0.46	0.35	0.11	0.32	0.43

¹ Discontinued operations 1–3/2020 does not include amortization and depreciation.

² Metso comparable 1–3/2020 is fully comparable with Metso 1–3/2019; amortization and depreciation are calculated over a three-month period totaling EUR 21 million.

Analysis of Consolidated Balance Sheet – Assets

EUR million	Mar 31, 2020 Continuing operations	Mar 31, 2020 Discontinued operations ¹	Mar 31, 2020 Metso total ¹	Mar 31, 2020 Metso comparable ²	Mar 31, 2019 Metso total	Dec 31, 2019 Metso total
Non-current assets						
Intangible assets						
Goodwill	61	547	608	608	524	618
Other intangible assets ¹	18	167	185	176	78	189
Total intangible assets	79	714	793	784	602	807
Tangible assets						
Land and water areas	6	42	48	48	41	50
Buildings and structures ¹	20	95	115	112	99	120
Machinery and equipment ¹	27	138	166	154	135	161
Assets under construction	12	52	64	64	39	57
Total tangible assets	65	328	393	379	314	388
Right-of-use assets ¹	43	92	135	124	119	140
Other non-current assets						
Investments in associated companies	-	8	8	8	5	8
Non-current financial assets	0	3	3	3	3	5
Loan receivables	-	5	5	5	6	6
Derivative financial instruments	-	3	3	3	4	2
Deferred tax asset	16	100	116	116	106	121
Other non-current receivables	2	38	39	39	40	41
Total other non-current assets	18	156	174	174	163	183
Total non-current assets	205	1,290	1,495	1,460	1,199	1,517
Current assets						
Inventories	195	965	1,160	1,160	984	1,156
Trade receivables	90	540	630	630	587	672
Customer contract assets	-	73	73	73	100	87
Loan receivables	-	1	1	1	1	1
Derivative financial instruments	0	48	48	48	11	16
Income tax receivables	2	42	44	44	25	46
Other current receivables	33	109	141	141	132	178
Deposits and securities, maturity more than three months	-	-	-	-	62	-
Cash and cash equivalents	121	292	413	413	425	213
Liquid funds	121	292	413	413	488	213
Total current assets	440	2,069	2,510	2,510	2,326	2,369
Assets, discontinued operations	3,359	3,359				
TOTAL ASSETS	4,005		4,005	3,970	3,525	3,887

¹ Discontinued operations Mar 31, 2020 does not include amortization and depreciation.

² Metso comparable Mar 31, 2020 is fully comparable with Metso Mar 31, 2019 and Dec 31, 2019; amortization and depreciation are calculated over the three-month period totaling EUR 21 million.

Analysis of Consolidated Balance Sheet – Equity and liabilities

EUR million	Mar 31, 2020 Continuing operations	Mar 31, 2020 Discontinued operations ¹	Mar 31, 2020 Metso total ¹	Mar 31, 2020 Metso comparable ¹	Mar 31, 2019 Metso total	Dec 31, 2019 Metso total
Equity						
Share capital	141	-	141	141	141	141
Cumulative translation adjustments	51	-	51	-148	-85	-101
Fair value and other reserves	299	-	299	299	294	295
Discontinued operations	-203	-	-203	-	-	1
Retained earnings ¹	1,255	-	1,255	1,225	1,136	1,187
Equity attributable to shareholders	1,543	-	1,543	1,517	1,486	1,523
Non-controlling interests	3	-	3	3	11	3
Total equity	1,545	-	1,545	1,519	1,497	1,526
Liabilities						
Non-current liabilities						
Interest bearing liabilities	150	729	878	878	385	837
Lease liabilities	34	64	98	98	91	106
Post-employment benefit obligations	9	62	72	72	71	69
Provisions	1	27	29	29	29	35
Derivative financial instruments	-	3	3	3	3	2
Deferred tax liability	4	63	67	67	34	70
Other non-current liabilities	0	2	2	2	2	2
Total non-current liabilities	199	949	1,148	1,148	614	1,123
Current liabilities						
Interest bearing liabilities	20	134	154	154	216	43
Lease liabilities	9	19	28	28	29	31
Trade payables	52	382	434	434	427	448
Provisions	11	69	80	80	68	83
Advances received	25	191	216	216	234	212
Customer contract liabilities	-	68	68	68	79	63
Derivative financial instruments	0	24	24	24	22	13
Income tax liabilities	6	42	49	40	77	54
Other current liabilities	19	239	258	258	261	291
Total current liabilities	142	1,170	1,311	1,303	1,414	1,239
Total liabilities	341	2,119	2,459	2,451	2,028	2,361
Liabilities, discontinued operations	2,119	2,119		-	-	-
TOTAL EQUITY AND LIABILITIES	4,005		4,005	3,970	3,525	3,887

¹ Discontinued operations Mar 31, 2020 does not include amortization and depreciation.

² Metso comparable Mar 31, 2020 is fully comparable with Metso Mar 31, 2019 and Dec 31, 2019; amortization and depreciation are calculated over the three-month period totaling EUR 21 million.

NET INTEREST BEARING LIABILITIES

EUR million	Mar 31, 2020 Continuing operations	Mar 31, 2020 Discontinued operations	Mar 31, 2020 Metso total	Mar 31, 2020 Metso comparable	Mar 31, 2019 Metso total	Dec 31, 2019 Metso total
Interest bearing liabilities	170	862	1,032	1,032	601	880
Lease liabilities	43	83	126	126	120	137
Liquid funds	-121	-292	-413	-413	-488	-213
Other interest bearing assets	-	-6	-6	-6	-7	-6
Net interest bearing liabilities	92	648	739	739	225	798

Analysis of Consolidated Statement of Cash Flows

EUR million	1–3/2020 Continuing operations	1–3/2020 Discontinued operations ¹	1–3/2020 Metso total ¹	1–3/2020 Metso comparable ²	1–3/2019 Metso total
Operating activities					
Profit for the period	10	59	69	53	65
Adjustments					
Depreciation and amortization	6	-	6	26	22
Financial expenses, net	1	2	2	2	9
Income taxes	3	19	22	18	26
Other items	0	1	1	1	1
Change in net working capital	-38	55	17	17	-55
Net cash flow from operating activities before financial items and taxes	-19	136	118	118	68
Financial income and expenses paid, net	0	-4	-4	-4	-5
Income taxes paid	-5	-19	-25	-25	-18
Net cash flow from operating activities	-24	113	89	89	45
Investing activities					
Capital expenditures on intangible and tangible assets	-1	-26	-26	-26	-19
Proceeds from sale of intangible and tangible assets	0	1	1	1	1
Proceeds from/investments in financial assets, net	-	-	-	-	31
Business acquisitions, net of cash acquired	-	1	1	1	-
Proceeds from sale of businesses, net of cash sold	-	-	-	-	9
Net cash flow from investing activities	0	-24	-24	-24	20
Financing activities					
Proceeds from/repayments of debt, net	1	150	151	151	-1
Financing, Metso group	92	-92	-	-	-
Lease payments	-4	-5	-9	-9	-6
Net cash flow from financing activities	89	53	142	142	-7
Net change in liquid funds	65	142	207	207	59
Effect from changes in exchange rates	0	-7	-7	-7	3
Liquid funds at beginning of year	57	156	213	213	426
Liquid funds at end of year	121	292	413	413	488

¹ Discontinued operations does not include amortization and depreciation for the period 1–3/2020.

² Metso comparable 1–3/2020 is fully comparable with Metso total 1–3/2019; amortization and depreciation are calculated over a three-month period totaling EUR 21 million.

Consolidated statement of income, IFRS

EUR million	1–3/2020	1–3/2019	1–12/2019
Continuing operations			
Sales	137	155	660
Cost of goods sold ¹	-89	-103	-435
Gross profit ¹	48	52	225
Selling and marketing expenses	-18	-18	-78
Administrative expenses	-8	-8	-34
Research and development expenses	-4	-4	-17
Other operating income and expenses, net	-3	-1	-4
Share in profits of associated companies	-	-	0
Operating profit ¹	15	22	93
Financial income	0	0	1
Foreign exchange gains/losses	0	0	0
Financial expenses ²	-1	-1	-2
Profit before taxes	14	21	91
Income taxes	-3	-5	-22
Profit for the year, continuing operations	10	16	69
Profit for the year, discontinued operations	59	48	230
Profit for the year	69	65	299
Profit attributable to, continuing operations			
Shareholders of the parent company	10	16	69
Non-controlling interests	-	-	0
Profit attributable to, discontinued operations			
Shareholders of the parent company	58	48	232
Non-controlling interests	0	0	-1
Profit attributable to			
Shareholders of the parent company	69	65	301
Non-controlling interests	0	0	1
Earnings per share, continuing operations			
Basic, EUR	0.07	0.11	0.46
Diluted, EUR	0.07	0.11	0.46
Earnings per share, discontinued operations			
Basic, EUR	0.39	0.32	1.54
Diluted, EUR	0.39	0.32	1.54
Earnings per share			
Basic, EUR	0.46	0.43	2.00
Diluted, EUR	0.46	0.43	2.00

Consolidated statement of comprehensive income, IFRS

EUR million	1-3/2020	1-3/2019	1-12/2019
Continuing operations			
Profit for the period	10	16	69
Other comprehensive income			
Cash flow hedges, net of tax	-	-	-
Measurement at fair value, net of tax	0	0	0
Currency translation on subsidiary net investments	-1	3	0
Items that may be reclassified to profit or loss in subsequent periods	-1	3	0
Defined benefit plan actuarial gains and losses, net of tax	0	0	2
Items that will not be reclassified to profit or loss	0	0	2
Other comprehensive income	-1	3	1
Total comprehensive income, continuing operations	9	19	70
Profit attributable to, continued operations			
Shareholders of the parent company	9	19	70
Non-controlling interests	0	0	0
Discontinued operations			
Profit for the period	59	48	230
Other comprehensive income			
Cash flow hedges, net of tax	0	0	3
Measurement at fair value, net of tax	0	0	0
Currency translation on subsidiary net investments	-48	12	2
Items that may be reclassified to profit or loss in subsequent periods	-48	12	4
Defined benefit plan actuarial gains and losses, net of tax	0	0	-3
Items that will not be reclassified to profit or loss	0	0	-3
Other comprehensive income	-48	12	1
Total comprehensive income, discontinued operations	10	60	231
Profit attributable to, discontinued operations			
Shareholders of the parent company	10	60	232
Non-controlling interests	0	0	-1
Total comprehensive income	20	80	301
Profit attributable to			
Shareholders of the parent company	20	80	303
Non-controlling interests	0	0	-1

Consolidated Balance Sheet – Assets, IFRS

EUR million	Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
Non-current assets			
Intangible assets			
Goodwill	61	524	62
Other intangible assets	18	78	18
Total intangible assets	79	602	81
Tangible assets			
Land and water areas	6	41	6
Buildings and structures	20	99	21
Machinery and equipment	27	135	28
Assets under construction	12	39	11
Total tangible assets	65	314	67
Right-of-use assets	43	119	46
Other non-current assets			
Investments in associated companies	-	5	0
Non-current financial assets	0	3	0
Loan receivables	-	6	-
Derivative financial instruments	-	4	-
Deferred tax asset	16	106	13
Other non-current receivables	2	40	1
Total other non-current assets	18	163	14
Total non-current assets	205	1,199	208
Current assets			
Inventories	195	984	181
Trade receivables	90	587	95
Customer contract assets	-	100	-
Loan receivables	-	1	-
Derivative financial instruments	0	11	0
Income tax receivables	2	25	2
Other current receivables	33	142	40
Deposits and securities, maturity more than three months	-	62	-
Cash and cash equivalents	121	425	57
Liquid funds	121	488	57
Total current assets	440	2,326	374
Assets, discontinued operations	3,359	-	3,305
TOTAL ASSETS	4,005	3,525	3,887

Consolidated Balance Sheet – Equity and liabilities, IFRS

EUR million	Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
Equity			
Share capital	141	141	141
Cumulative translation adjustments	51	-85	52
Fair value and other reserves	299	294	298
Discontinued operations	-203	-	-155
Retained earnings	1,255	1,137	1,187
Equity attributable to shareholders	1,543	1,486	1,523
Non-controlling interests	3	11	3
Total equity	1,545	1,497	1,526
Liabilities			
Non-current liabilities			
Interest bearing liabilities	150	385	36
Lease liabilities	34	91	37
Post-employment benefit obligations	9	71	9
Provisions	1	29	3
Derivative financial instruments	-	3	-
Deferred tax liability	4	34	4
Other non-current liabilities	0	2	0
Total non-current liabilities	199	614	89
Current liabilities			
Interest bearing liabilities	20	216	20
Lease liabilities	9	29	10
Trade payables	52	427	63
Provisions	11	68	12
Advances received	25	234	24
Customer contract liabilities	-	79	-
Derivative financial instruments	0	-	1
Income tax liabilities	6	77	2
Other current liabilities	19	283	39
Total current liabilities	142	1,414	171
Total liabilities	341	2,028	259
Liabilities, discontinued operations	2,119	-	2,102
TOTAL EQUITY AND LIABILITIES	4,005	3,525	3,887
NET INTEREST BEARING LIABILITIES			
EUR million	Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
Interest bearing liabilities	170	601	56
Lease liabilities	43	120	47
Liquid funds	-121	-488	-57
Other interest bearing assets	-	-7	-
Net interest bearing liabilities	92	225	46

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, 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	-	-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
Jan 1, 2020	141	52	298	-155	1,187	1,523	3	1,526
Profit for the period	-	-	-	-	69	69	0	69
Other comprehensive income								
Cash flow hedges, net of tax	-	-	0	-	-	0	-	0
Measurement at fair value, net of tax	-	-	0	-	-	0	-	0
Currency translation on subsidiary net investments	-	-49	-	-	-	-49	0	-49
Defined benefit plan actuarial gains and losses, net of tax	-	-	-	-	-	-	-	-
Discontinued operations	-	48	-	-48	-	-	-	-
Total comprehensive income	-	-1	0	-48	69	20	0	20
Dividends	-	-	-	-	-	-	-	-
Share-based payments, net of tax	-	-	1	-	-4	-4	-	-4
Other items	-	-	1	-	3	-4	-1	3
Changes in non-controlling interests	-	-	-	-	-	-	-	-
Mar 31, 2020	141	51	299	-203	1,255	1,543	3	1,545

Consolidated statement of cash flows, IFRS

EUR million	1–3/2020	1–3/2019	1–12/2019
Operating activities			
Profit for the period, continuing operations	10	16	69
Profit for the period, discontinued operations	59	48	230
Adjustments			
Depreciation and amortization	6	22	82
Financial expenses, net	2	9	38
Income taxes	22	26	95
Other items	1	1	-2
Change in net working capital	17	-55	-254
Net cash flow from operating activities before financial items and taxes	118	68	258
Financial income and expenses paid, net ¹	-4	-5	-30
Income taxes paid	-25	-18	-137
Net cash flow from operating activities	89	45	91
Investing activities			
Capital expenditures on intangible and tangible assets	-26	-19	-107
Proceeds from sale of intangible and tangible assets	1	1	8
Proceeds from and investments in financial assets, net	-	31	31
Business acquisitions, net of cash acquired	1	-	-214
Proceeds from sale of businesses, net of cash sold	-	9	9
Other items	-	-	-3
Net cash flow from investing activities	-24	20	-277
Financing activities			
Dividends paid	-	-	-180
Transactions with non-controlling interests	-	-	-13
Proceeds from and repayment of debt, net	151	-1	198
Repayments of lease liabilities	-9	-6	-34
Net cash flow from financing activities	142	-7	-29
Net change in liquid funds	207	59	-215
Effect from changes in exchange rates	-7	3	2
Liquid funds equivalents at beginning of period	213	426	426
Liquid funds at end of period	413	488	213
Of which continued operation liquid funds at end of period	121	119	57
Of which discontinued operation liquid funds at end of period	292	369	156

FREE CASH FLOW

EUR million	1–3/2020	1–3/2019	1–12/2019
Cash flow from operating activities	89	45	91
Maintenance investments	-12	-8	-59
Disposals on tangible and intangible assets	1	1	8
Free cash flow	78	38	39

Notes to the Interim Review

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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 2019. New accounting standards have been adopted as described in note 2. This Interim Review is unaudited.

Financial information relating to 2019 has been restated to reflect the split between continuing and discontinued operations. On October 29, 2019, the Extraordinary Shareholders' Meeting (EGM) approved the proposal of the 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 expected to take place on June 30, 2020, subject to approval of competition authorities. Based on the decision of the EGM, the businesses of the Minerals segment and a proportioned share of *Group Head office and other* have been classified and disclosed as discontinued operations since November 2019. For the discontinued operations, depreciation and amortization have been calculated only for the period 1–10/2019 in the comparatives. Consequently, Metso's Neles businesses form the continuing operations of Metso Group.

Metso has also prepared consolidated financial information, where depreciation and amortization of Minerals are calculated for 1–3/2020; these figures reflect the segment reporting and are comparable with Metso total financial information for 1–3/2019. The analyzed consolidated income statement, balance sheet and cash flow statement are presented at the beginning of the tables section of this Interim Review, 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 **Neles segment (continuing)** supplies process industry flow control solutions and services. Neles customers operate in oil and gas, pulp and paper, and other process industries. The segment comprises the Valves business area.

The **Minerals segment (discontinued)** 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 2020

Metso has applied the following revised IFRS Standards that have been effective since January 1, 2020. These amendments have not had a material impact on the reported figures.

- Amendments to IFRS 3 Definition of a business
- Amendments to IAS 1 and IAS 8 Definition of material
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

3. Key figures and formulas

Metso key figures (IFRS)	1–3/2020	1–3/2019	1–12/2019
Earnings per share, basic, EUR	0.46	0.43	2.00
Earnings per share, diluted, EUR	0.46	0.43	2.00
Free cash flow, EUR million	78	39	39
Free cash flow/share, EUR	0.52	0.25	0.26
Cash conversion, %	114	58	14
Equity/share at end of period, EUR	10.27	9.90	10.1
Equity-to-assets ratio at end of period, %	41.5	46.6	42.3
Net gearing at end of period, %	47.8	15.1	52.3
Number of outstanding shares at end of period (thousands)	150,198	150,076	150,076
Average number of shares (thousands)	150,123	150,000	150,057
Average number of diluted shares (thousands)	150,177	150,096	150,200
Continuing operations			
Earnings per share, basic, EUR	0.07	0.11	0.46
Amortization, EUR million	1	1	4
Depreciation, EUR million	5	5	21
Gross capital expenditure, EUR million	1	2	20
Business acquisitions, net of cash acquired, EUR million	-	-	-
Discontinued operations			
Earnings per share, basic, EUR	0.39	0.32	1.54
Amortization, EUR million	-	3	12
Depreciation, EUR million	-	13	45
Gross capital expenditure, EUR million	26	18	90
Business acquisitions, net of cash acquired, EUR million	-1	-	214

Metso comparable key figures	1-3/2020	1-3/2019	1-12/2019
Earnings per share, basic, EUR	0.35	0.43	1.94
Earnings per share, diluted, EUR	0.35	0.43	1.94
Equity/share at end of period, EUR	10.1	9.90	10.1
Return on equity (ROE), %, annualized	13.9	17.7	19.8
Return on capital employed (ROCE) before taxes, %	12.6	18.9	18.7
Return on capital employed (ROCE) after taxes, %	11.0	14.1	14.7
Equity-to-assets ratio at end of period, %	41.2	46.6	42.1
Net gearing at end of period, %	48.6	15.1	52.7
Free cash flow, EUR million	78	38	39
Free cash flow/share, EUR	0.52	0.25	0.26
Cash conversion, %	148	58	14
Gross capital expenditure, EUR million	26	19	110
Business acquisitions, net of cash acquired, EUR million	-1	-	214
Depreciation and amortization, EUR million	26	22	96
Number of outstanding shares at end of period (thousands)	150,198	150,076	150,076
Average number of shares (thousands)	150,123	150,000	150,057
Average number of diluted shares (thousands)	150,177	150,096	150,200

Metso comparable key figures 2020 are fully comparable to Metso 2019.

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	1-3/2020	1-3/2019	1-12/2019
Neles segment	137	155	660
Group Head Office and other	0	0	-1
Sales, continuing operations total	137	155	660
Minerals segment	696	681	2,976
Other	0	0	0
Sales, discontinued operations total	696	681	2,976

EXTERNAL SALES BY CATEGORY

EUR million	1-3/2020	1-3/2019	1-12/2019
Neles segment			
Sales of services	29	34	152
Sales of projects, equipment and goods	108	122	508
Neles segment total (continuing)	137	155	660
Minerals segment			
Sales of services	439	429	1,815
Sales of projects, equipment and goods	256	252	1,161
Minerals segment total (discontinued)	696	681	2,976

EXTERNAL SALES BY TIMING OF REVENUE RECOGNITION

EUR million	1-3/2020	1-3/2019	1-12/2019
Neles segment			
At a point in time	137	155	660
Over time	-	-	-
Neles segment total (continuing)	137	155	660
Minerals segment			
At a point in time	611	575	2,485
Over time	85	106	491
Minerals segment total (discontinued)	696	681	2,976

EXTERNAL SALES BY DESTINATION

EUR million	1-3/2020 Continuing operations	1-3/2020 Discontinued operations	1-3/2020 Metso total	1-3/2019 Continuing operations	1-3/2019 Discontinued operations	1-3/2019 Metso total
Finland	9	13	22	9	20	28
Other European countries	26	178	204	31	169	200
North America	53	144	197	61	111	172
South and Central America	8	159	167	9	137	146
Asia-Pacific	30	157	187	38	183	222
Africa and Middle East	11	45	55	8	61	69
Sales total	137	696	832	155	681	836

EUR million	1-12/2019 Continuing operations	1-12/2019 Discontinued operations	1-12/2019 Metso total
Finland	31	66	97
Other European countries	138	717	855
North America	236	507	743
South and Central America	38	669	706
Asia-Pacific	179	795	974
Africa and Middle East	38	223	260
Sales total	660	2,976	3,635

5. Fair value estimation

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

- Level 1 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.

EUR million	Mar 31, 2020 Continuing operations			Mar 31, 2020 Discontinued operations			Mar 31, 2020 Metso total		
	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	-	-	38	-	-	38	-
Securities	-	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income									
Derivatives under hedge accounting	-	-	-	-	15	-	-	15	-
Total	-	0	-	-	53	-	-	53	-
Liabilities									
Financial liabilities at fair value through profit and loss									
Derivatives not under hedge accounting	-	1	-	-	15	-	-	16	-
Long term debt at fair value	-	-	-	-	102	-	-	102	-
Financial liabilities at fair value through other comprehensive income									
Derivatives under hedge accounting	-	-	-	-	13	-	-	13	-
Total	-	1	-	-	130	-	-	131	-

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, 2020 Continuing operations	Mar 31, 2020 Discontinued operations	Mar 31, 2020 Metso total	Mar 31, 2019 Metso total
Forward exchange rate contracts	8	1,416	1,424	1,406
Interest rate swaps	-	145	145	345

EUR million	Dec 31, 2019 Continuing operations	Dec 31, 2019 Discontinued operations	Dec 31, 2019 Metso total
Forward exchange rate contracts	34	1,488	1,521
Interest rate swaps	-	145	145

The notional amount of nickel forwards to hedge stainless steel prices was 342 tons as of March 31, 2020 and 330 tons as of March 31, 2019. The notional amounts indicate the volumes in the use of derivatives, but do not indicate the exposure to risk.

7. Contingent liabilities and other commitments

EUR million	Mar 31, 2020 Continuing operations	Mar 31, 2020 Discontinued operations	Mar 31, 2020 Metso total	Mar 31, 2019 Metso total
Guarantees				
External guarantees given by parent and group companies	36	255	290	373
Other commitments				
Repurchase commitments	10	0	10	2
Other contingencies	3	1	4	5
Total	13	1	14	380

EUR million	Dec 31, 2019 Continuing operations	Dec 31, 2019 Discontinued operations	Dec 31, 2019 Metso total
Guarantees			
External guarantees given by parent and group companies	39	268	308
Other commitments			
Repurchase commitments	11	1	12
Other contingencies	4	1	6
Total	55	270	325

8. Acquisitions and business disposals

In 2020, neither acquisitions nor business disposals have been made.

9. Segment information

ORDERS RECEIVED

EUR million	1–3/2020	1–3/2019	4/2019–3/2020	1–12/2019
Neles segment	191	191	682	681
Minerals segment	874	823	3,060	3,009
Metso total	1,065	1,013	3,742	3,690

ORDERS RECEIVED BY SERVICES BUSINESS

EUR million, %	1–3/2020	1–3/2019	4/2019–3/2020	1–12/2019
Neles segment	37	44	147	154
% of orders received	19	23	22	23
Minerals segment	498	474	1,931	1,907
% of orders received	57	58	63	63
Metso total	535	518	2,079	2,061
% of orders received	50	51	56	56

SALES

EUR million	1–3/2020	1–3/2019	4/2019–3/2020	1–12/2019
Neles segment	137	155	642	660
Minerals segment	696	681	2,990	2,976
Group Head Office and Intra Metso	0	0	-1	-1
Metso total	832	836	3,631	3,635

SALES BY SERVICES BUSINESS

EUR million, %	1–3/2020	1–3/2019	4/2019–3/2020	1–12/2019
Neles segment	29	34	147	152
% of sales	21	22	23	23
Minerals segment	439	429	1 825	1,815
% of sales	63	63	61	61
Metso total	468	462	1 973	1,967
% of sales	56	55	54	54

ADJUSTED EBITA AND OPERATING PROFIT

EUR million, %	1–3/2020	1–3/2019	4/2019–3/2020	1–12/2019
Neles segment				
Adjusted EBITA	19.1	23.6	99.7	104.2
% of sales	14.0	15.2	15.5	15.8
Amortization of intangible assets	-0.8	-1.0	-3.6	-3.8
Adjustment items	-1.1	-	-	-
Operating profit	17.2	22.6	95.0	100.4
% of sales	12.6	14.6	14.8	15.2
Group Head Office and other				
Adjusted EBITA	-2.5	-0.9	-9.3	-7.8
Amortization of intangible assets	0.0	0.0	0.0	0.0
Adjustment items	-0.2	-	-0.2	-
Operating profit	-2.7	-0.9	-9.5	-7.8
Operating profit, continuing operations	14.5	21.7	85.4	92.6
% of sales	10.6	14.0	13.3	14.0

ADJUSTING ITEMS BY CATEGORY, CONTINUING OPERATIONS

EUR million, %	1–3/2020	1–3/2019	4/2019–3/2020	1–12/2019
Demerger related expenses	-1.3	-	-	-
Adjustments items, total	-1.3	-	-	-

Minerals segment					
Adjusted EBITA		72.7	86.0	367.4	380.7
% of sales		10.4	12.6	12.3	12.8
Amortization of intangible assets		-4.6	-1.1	-12.8	-9.3
Adjustment items		-0.5	-1.6	-20.4	-21.5
Operating profit		67.5	83.2	334.2	349.9
% of sales		9.7	12.2	11.2	11.8
Minerals other					
Adjusted EBITA		1.6	-3.3	1.7	-3.2
Amortization of intangible assets		-1.0	-1.8	-5.9	-6.7
Adjustment items		-9.4	-	-23.8	-14.4
Operating profit		-8.8	-5.2	-28.0	-24.3
Reversal of amortization		5.6	-	9.3	3.6
Reversal of depreciation		15.0	-	25.3	10.3
Operating profit, discontinued operations		79.3	78.1	340.2	339.5
% of sales		11.4	11.5	11.4	11.4

ADJUSTMENT ITEMS BY CATEGORY, DISCONTINUED OPERATIONS

EUR million, %	1-3/2020	1-3/2019	4/2019-3/2020	1-12/2019
Capacity adjustment costs	-1.3	-	-16.5	-15.2
Acquisition costs	-	-	-4.4	-4.4
Loss on disposal	-	-1.6	-0.3	-1.9
Carve-out related expenses	-0.2	-	-0.2	-
Metso Outotec and future Neles transaction costs	-8.4	-	-22.8	-14.4
Adjustment items, total	-9.9	-1.6	-44.2	-35.9

OPERATIVE CAPITAL EMPLOYED AND SEGMENT ROCE-%

EUR million, %	Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
Neles segment	378	352	364
Segment ROCE-%	19.2	34.1	28.8
Minerals segment	1,811	1,371	1,904
Segment ROCE-%	16.2	26.8	22.6

10. Quarterly segment information

Metso total comparable figures are calculated by using the full period amortization and depreciation and are fully comparative with previous periods.

ORDERS RECEIVED

EUR million	1-3/2020	10-12/2019	7-9/2019	4-6/2019	1-3/2019
Neles segment	191	154	171	165	191
Minerals segment	874	759	722	704	823
Metso total	1,065	914	894	869	1,013

SALES

EUR million	1-3/2020	10-12/2019	7-9/2019	4-6/2019	1-3/2019
Neles segment	137	167	170	168	155
Minerals segment	696	797	763	735	681
Group Head Office and Intra Metso	0	0	0	0	0
Metso total	832	963	933	903	836

ADJUSTED EBITA

EUR million	1–3/2020	10–12/2019	7–9/2019	4–6/2019	1–3/2019
Neles segment	19.1	22.6	29.3	28.6	23.6
Minerals segment	72.7	95.8	104.7	94.2	86.0
Group Head Office and Intra Metso	-0.9	-0.9	-3.3	-2.6	-4.2
Metso total, comparable	90.9	117.5	130.8	120.3	105.4

ADJUSTED EBITA, % OF SALES

%	1–3/2020	10–12/2019	7–9/2019	4–6/2019	1–3/2019
Neles segment	14.0	13.6	17.2	17.1	15.2
Minerals segment	10.4	12.0	13.7	12.3	12.6
Group Head Office and Intra Metso	n/a	n/a	n/a	n/a	n/a
Metso total, comparable	10.9	12.2	14.0	13.3	12.6

AMORTIZATION

EUR million	1–3/2020	10–12/2019	7–9/2019	4–6/2019	1–3/2019
Neles segment	-0.8	-0.9	-1.1	-0.9	-1.0
Minerals segment	-4.6	-3.5	-3.0	-1.7	-1.1
Group Head Office and Intra Metso	-1.0	-1.4	-1.7	-1.7	-1.8
Metso total, comparable	-6.4	-5.7	-5.7	-4.4	-4.0

OPERATING PROFIT

EUR million	1–3/2020	10–12/2019	7–9/2019	4–6/2019	1–3/2019
Neles segment	17.2	21.7	28.3	27.7	22.6
Minerals segment	67.5	84.6	91.3	90.8	83.2
Group Head Office and Intra Metso	-11.5	-9.9	-11.8	-4.3	-6.0
Metso total, comparable	73.2	96.4	107.7	114.2	99.9

OPERATING PROFIT, % OF SALES

%	1–3/2020	10–12/2019	7–9/2019	4–6/2019	1–3/2019
Neles segment	12.6	13.0	16.6	16.5	14.6
Minerals segment	9.7	10.6	12.0	12.3	12.2
Group Head Office and Intra Metso	n/a	n/a	n/a	n/a	n/a
Metso total, comparable	8.8	10.0	11.5	12.6	11.9

CAPITAL EMPLOYED

EUR million	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Neles segment ¹	378	364	365	347	352
Minerals segment ¹	1,811	1,904	1,598	1,505	1,371
Group Head Office and Intra Metso	489	265	582	279	496
Metso total, comparable	2,677	2,533	2,545	2,130	2,218

¹ Operative capital employed includes only external balance sheet items.

ORDER BACKLOG

EUR million	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Neles segment	337	280	295	298	310
Minerals segment	1,427	1,408	1,444	1,552	1,545
Metso total	1,764	1,688	1,740	1,850	1,855

PERSONNEL

Persons	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Neles segment	2,872	2,866	2,911	2,903	2,738
Minerals segment	12,229	12,451	11,183	11,277	10,226
Group Head Office and Intra Metso	483	504	469	496	483
Metso total	15,584	15,821	14,563	14,676	13,447

11. Exchange rates

Currency		1-3/2020	1-3/2019	1-12/2019	Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
USD	(US dollar)	1.1055	1.1397	1.1214	1.0956	1.1235	1.1234
SEK	(Swedish krona)	10.7147	10.3776	10.5572	11.0613	10.3980	10.4468
GBP	(Pound sterling)	0.8580	0.8717	0.8773	0.8864	0.8583	0.8508
CAD	(Canadian dollar)	1.4900	1.5189	1.4882	1.5617	1.5000	1.4598
BRL	(Brazilian real)	4.9637	4.3259	4.4195	5.7001	4.3865	4.5157
CNY	(Chinese yuan)	7.7329	7.6867	7.7353	7.7784	7.5397	7.8205
AUD	(Australian dollar)	1.6833	1.5954	1.6090	1.7967	1.5821	1.5995

12. Events after reporting period

After the reporting period, Metso has obtained new funding of up to EUR 290 million. This consists of a EUR 100 million term loan for two years and four revolving credit facilities amounting to EUR 190 million from four banks for 1-2 years.

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 February 26

Interim Review for January–March 2020 on May 7

Half-Year Review for 2020 on August 5



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