metso

2019

Q3 Interim Review

Metso's Interim Review January 1 – September 30, 2019

Third-quarter 2019 in brief

- Healthy market activity in both segments
- Orders received increased 1% to EUR 894 million (883 million)
- Sales grew 19%, totaling EUR 933 million (786 million)
- Adjusted EBITA improved to EUR 131 million, or 14.0% of sales (96 million, or 12.1%)
- Operating profit improved to EUR 108 million, or 11.5% of sales (91 million, or 11.6%)
- Earnings per share were EUR 0.49 (0.40)
- Free cash flow was EUR 12 million (66 million)

January-September 2019 in brief

- Orders received increased 7% to EUR 2,776 million (2,597 million)
- Sales grew 17%, totaling EUR 2,672 million (2,276 million)
- Adjusted EBITA was EUR 356 million, or 13.3% of sales (272 million, or 11.9%)
- Operating profit was EUR 322 million, or 12.0% of sales (258 million, or 11.3%)
- Earnings per share were EUR 1.52 (1.11)
- Free cash flow was EUR 22 million (89 million)

Market outlook

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

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

Key figures

EUR million	**Q3/2019**	Q3/2018	Change %	**Q1–Q3/2019**	Q1–Q3/2018	Change %	2018
Orders received	**894**	883	1	**2,776**	2,597	7	3,499
Orders received by services business	**528**	461	15	**1,553**	1,415	10	1,913
% of orders received	**59**	52		**56**	54		55
Order backlog at the end of period				**1,740**	1,686	3	1,686
Sales	**933**	786	19	**2,672**	2,276	17	3,173
Sales by services business	**516**	436	18	**1,451**	1,300	12	1,773
% of sales	**55**	55		**54**	57		56
Adjusted EBITA *)	**131**	96	36	**356**	272	31	369
% of sales	**14.0**	12.1		**13.3**	11.9		11.6
Operating profit	**108**	91	19	**322**	258	25	351
% of sales	**11.5**	11.6		**12.0**	11.3		11.1
Earnings per share, EUR	**0.49**	0.40	23	**1.52**	1.11	37	1.53
Free cash flow	**12**	66		**22**	89	-75	146
Return on capital employed (ROCE) before taxes, %, annualized				**19.2**	17.1		16.9
Equity to assets ratio, %				**40.2**	47.8		47.7
Net gearing, %				**28.4**	10.3		11.7
Personnel at end of period				**14,563**	12,772	14	13,150

**) Adjustment items amounted to EUR 17 million in Q3/2019 and EUR 21 million in Q1-Q3/2019, while comparative periods for year 2018 do not include any adjustment items. Reconciliation of EBITA and operating profit is presented in Note 10: Segment information.*

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:

Our performance during the third quarter was solid and we continued to deliver good improvement from the previous quarters. Activity in our end markets remained healthy and is visible in the strong order intake for services. Aggregates equipment orders were up slightly despite seasonally low quarter in the Northern Hemisphere and the Indian market remained softer than a year ago. Mining customers' decision-making was slowed down by cautiousness with regards to global uncertainties. Sales growth continued at a double-digit rate in both segments and drove operational leverage, resulting in a clear improvement in profitability.

During the quarter we made progress on several fronts in executing our profitable growth strategy. The McCloskey acquisition in Canada was successfully closed right after the end of quarter. This deal expanded our offering of mobile crushing and screening equipment in the aggregates industry and is the biggest acquisition for Metso since the Svedala acquisition in 2001. Metso-McCloskey collaboration was officially launched right after confirmation of the closing at the Metso global distributor days. We are excited about the future possibilities this will bring.

Major steps were taken during the quarter in the planned combination of Metso Minerals and Outotec and in the formation of the future Neles, an independent valves business. We are on the road to creating two global leading companies: Metso Outotec, serving the aggregates, minerals processing and metals industries; and Neles, a focused supplier of valves for demanding applications. The Extraordinary General Meetings of shareholders are right around the corner and we anticipate getting the shareholders' approval to continue implementing these transactions. The closing is targeted to take place in the second quarter of 2020, after the necessary competition authority and other approvals. Until then we will remain fully focused on delivering on our current strategy.

Operating environment

The demand for mining services was strong. The demand for mining equipment remained healthy, despite the cautiousness in customers decision-making related to new large investments, which is due to uncertainties in the global economy and volatility in commodity prices. The demand for aggregates was at a good level, taking seasonality and some regional differences into consideration. Demand in waste recycling was healthy, whereas lower scrap prices slowed metal recycling markets somewhat year-on-year. The activity in the valves market remained healthy overall and especially in the pulp and paper industry.

Orders and sales

Third-quarter orders received increased 1% compared to the corresponding period in 2018, and totaled EUR 894 million (EUR 883 million). Minerals orders decreased 2%, whereas Flow Control's orders increased 15% year-on-year. Minerals services posted steady double-digit growth, aggregates equipment orders grew slightly, and mining equipment orders were lower compared to the corresponding period in 2018, due to the timing of large orders. Growth in Flow Control's orders was driven by the services business as well as pulp & paper and oil & gas projects.

Quarterly sales totaled EUR 933 million (EUR 786 million), which represents an increase of 19% compared to the third quarter in 2018. Sales in Minerals increased 19% to EUR 763 million and in Flow Control 16% to EUR 170 million. Both equipment and services sales grew in both segments.

Orders received in January-September totaled EUR 2,776 million, which is 7% higher than in the corresponding period of 2018. Orders grew 6% in Minerals to EUR 2,249 million and 12% in Flow Control to EUR 527 million. The order backlog at the end of September totaled EUR 1,740 million (EUR 1,686 million at the end of 2018).

January-September sales totaled EUR 2,672 million, which is 17% higher than in the comparison period of 2018. Minerals' sales increased 18% and Flow Control's sales 16% year-on-year.

Impacts of currency and structural changes on orders received

EUR million, %	Minerals Q3	Minerals Q1–Q3	Flow Control Q3	Flow Control Q1–Q3	**Metso total Q3**	**Metso total Q1–Q3**
2018	**734**	**2,126**	**149**	**471**	**883**	**2,597**
Organic growth in constant currencies, %	-3%	6%	9%	6%	-1%	6%
Impact of changes in exchange rates, %	1%	0%	3%	3%	1%	1%
Structural changes, %	1%	-1%	2%	3%	1%	0%
Total change, %	**-2%**	**6%**	**15%**	**12%**	**1%**	**7%**
2019	**722**	**2,249**	**171**	**527**	**894**	**2,776**

Impacts of currency and structural changes on sales

EUR million, %	Minerals Q3	Minerals Q1–Q3	Flow Control Q3	Flow Control Q1–Q3	**Metso total Q3**	**Metso total Q1–Q3**
2018	**641**	**1,852**	**146**	**425**	**786**	**2,276**
Organic growth in constant currencies, %	19%	18%	10%	9%	17%	17%
Impact of changes in exchange rates, %	1%	1%	4%	3%	1%	1%
Structural changes, %	0%	-1%	3%	4%	0%	0%
Total change, %	**19%**	**18%**	**16%**	**16%**	**19%**	**17%**
2019	**763**	**2,179**	**170**	**493**	**933**	**2,672**

Financial performance

Adjusted EBITA in the third quarter totaled EUR 131 million, or 14.0% of sales (EUR 96 million, or 12.1%). Adjustment items totaling EUR 17 million in the third quarter and EUR 21 million in January-September were related to manufacturing footprint changes as well as to the Metso Outotec and McCloskey transaction costs.

Operating profit during the same period improved to EUR 108 million, or 11.5% of sales (EUR 91 million, or 11.6%). Minerals' operating profit totaled EUR 91 million, or 12.0% of sales (EUR 70 million, or 11.0%). Flow Control's operating profit improved to EUR 28 million, or 16.6% of sales (EUR 22 million, or 14.8%). The impact of the Group Head Office and other on the operating profit was EUR 12 million negative (EUR 1 million negative) due to the adjustment items. The profitability improvement resulted from higher volumes and good operational efficiency in all businesses.

Adjusted EBITA in January-September improved to EUR 356 million, or 13.3% of sales (EUR 272 million, or 11.9%). Operating profit during the same period improved to EUR 322 million, or 12.0% of sales (EUR 258 million, or 11.3%). Minerals' operating profit totaled EUR 265 million, or 12.2% of sales (EUR 208 million, or 11.2%). Flow Control's operating profit totaled EUR 79 million, or 15.9% of sales (EUR 61 million, or 14.4%). The impact of the Group Head Office and other on the operating profit was EUR 22 million negative due to the adjustment items (EUR 11 million negative).

Profit before taxes in January-September improved to EUR 296 million (EUR 237 million). Net financial expenses in January-September were EUR 26 million (EUR 21 million).

During the second quarter Metso announced that related to the earlier announced reassessment decision by the Finnish tax authority, the Assessment Adjustment Board had largely accepted Metso's appeal and ruled that Metso receive a refund of about EUR 14 million of the EUR 21 million tax payment made in the first quarter of 2018. The effective tax rate in January-September was 23% or 28% excluding the refund impact.

Earnings per share in January-September totaled EUR 1.52 (EUR 1.11) and return on capital employed (ROCE) was 19.2% (16.9% at the end of 2018), thanks to improved earnings and in spite of the negative effect from the adoption of IFRS 16. See notes 2 and 7 for more information. Cash flow and consequently the Group ROCE were impacted by the EUR 300 million loan drawn on September 30 to finance the McCloskey acquisition that closed in early October.

Net cash generated by operating activities in January-September totaled EUR 52 million (EUR 108 million) and free cash flow was EUR 22 million (EUR 89 million). An increase in net working capital had a EUR 243 million negative (EUR 106 million negative) impact on cash flow, arising mainly from growth in receivables and inventories. Receivables growth in January-September 2019 was related to the strong sales growth. Inventory growth was related to investments into assuring availability and some inefficiencies caused by long supply and internal logistics chains. Inventory levels flattened during the third quarter as actions to improve efficiency started to show results.

Financial position

Metso's balance sheet and liquidity position remain strong. Total liquid funds at the end of September 2019 were EUR 642 million (EUR 426 million at the end of 2018), of which EUR 5 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 637 million (EUR 332 million at the end of 2018) is accounted for as cash and cash equivalents. The first installment of the dividend for the year 2018, EUR 90 million in total, was paid on May 7, 2019. The second installment of EUR 90 million will be paid on November 5, 2019.

Metso has an undrawn, committed syndicated revolving credit facility of EUR 600 million. In addition, Metso drewa bilateral EUR 300 million term loan from the Nordea Bank on September 30 to finance the McCloskey acquisition. The loan has a maturity of two years and includes an option to extend the maturity by one year. Metso also has an undrawn, committed loan of EUR 40 million from the European Investment Bank.

Net interest-bearing liabilities were EUR 420 million at the end of September (EUR 165 million at the end of 2018) and net gearing was 28.4% (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, and implications from the EUR 300 million loan to finance the McCloskey acquisition. The equity-to-assets ratio was 40.2% (47.7% at the end of 2018).

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

Combining Metso Minerals with Outotec – Flow Control to become an independent company

On July 4, 2019, Metso announced that its Board of Directors had approved a plan to combine Metso Minerals Business and Outotec to create Metso Outotec. As a result, Metso's Flow Control business will become the continuing business of the currently listed Metso, which will be subsequently renamed Neles (later referred to as "future Neles"), an independent listed company supplying flow control products and services. The transaction will be executed through a partial demerger of Metso, in which all assets and liabilities of Metso that relate to, or primarily serve, the Metso Minerals Business will transfer without liquidation to Outotec.

The completion of the demerger is targeted to be registered in the second quarter of 2020, subject to the approval by the Extraordinary General Meetings (EGMs) of both Metso and Outotec, convened to be held on October 29, 2019, the ongoing statutory creditor hearing process and receipt of all other required regulatory and other approvals. A notice to the Metso EGM was given on September 11, 2019.

Metso's Board of Directors proposes that the EGM decides on Metso's partial demerger and combination of the Metso Minerals Business with Outotec. In addition, the EGM is asked to decide on an amendment of Metso's Articles of Association and on a decrease in Metso's share capital as a result of the demerger. More information including all meeting documents is available at www.metso.com/egm-2019.

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

After the reporting period, on October 7, 2019, the Finnish Financial Supervisory Authority approved the Finnish language demerger prospectus (also referred to as the "Offering Circular"). On the same day, Metso published additional illustrative financial information for the future Neles. On October 8, Moody's Investor Service assigned a 'Baa2' long-term issuer rating and S&P Global Ratings a 'BBB-' preliminary long-term issuer credit rating to the future Metso Outotec. The outlook on both ratings is stable. On the same day, Metso announced the initiation of the bond consent solicitation process for transferring the existing bonds to the combined Metso Outotec.

Adjustment items in January-September related to the Metso Outotec transaction totaled EUR 7 million.

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

Reporting segments: Minerals

- **Healthy growth in services orders and sales**
- **Mining equipment orders affected by customers' cautiousness**
- **Strong profitability improvement**

Key figures

EUR million	**Q3/2019**	Q3/2018	Change %	**Q1–Q3/2019**	Q1–Q3/2018	Change %	2018
Orders received	**722**	734	-2	**2,249**	2,126	6	2,872
Orders received by services business	**492**	431	14	**1,434**	1,316	9	1,777
% of orders received	**68**	59		**64**	62		62
Order backlog				**1,444**	1,408	3	1,411
Sales	**763**	641	19	**2,179**	1,852	18	2,581
Sales by services business	**478**	404	18	**1,343**	1,208	11	1,644
% of sales	**63**	63		**62**	65		64
Adjusted EBITA *)	**105**	72	46	**285**	213	34	291
% of sales	**13.7**	11.3		**13.1**	11.5		11.3
Operating profit	**91**	70	30	**265**	208	27	283
% of sales	**12.0**	11.0		**12.2**	11.2		11.0
Return on operative capital employed (Segment ROCE), %, annualized				**25.4**	23.8		23.7
Personnel at end of period				**11,183**	9,873	13	9,942

**) Adjustment items amounted to EUR 11 million in Q3/2019 and EUR 14 million in Q1-Q3/2019, while comparative periods for year 2018 do not include any adjustment items. Reconciliation of EBITA and operating profit is presented in Note 10: Segment information.*

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

Minerals' orders received in the third quarter decrased 2% year-on-year and totaled EUR 722 million (EUR 734 million). Equipment orders declined 25%, whereas services orders increased 14%. The decline in the equipment orders resulted from fewer large mining equipment orders compared to the comparison period. Aggregates equipment orders grew slightly. Order growth in the services business was driven by mining and further supported by the recent acquisition in Chile.

Quarterly sales increased 19% from the previous year and totaled EUR 763 million (EUR 641 million) driven by both equipment and services business. Adjusted EBITA for the quarter increased to EUR 105 million (EUR 72 million) and the adjusted EBITA margin to 13.7% (11.3%). Operating profit improved to EUR 91 million, or 12.0% of sales (EUR 70 million, or 11.0%). Volume growth and improved operational efficiency in all businesses had a positive impact on profitability.

During the third quarter, Metso discontinued its foundry operations in Isithebe in South Africa, as part of the development of the global supply footprint of the Minerals Consumables business area. After the closure, Metso continues to develop its existing five foundries globally as well as the extensive external supplier network to support the growth of the consumables business. The closure incurred a cost of EUR 9 million, which is reported as an adjustment item and had a negative impact on Minerals' third quarter 2019 operating profit.

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.

Orders received in January-September increased 6% from the comparison period and totaled EUR 2,249 million. Sales during the same period grew 18% to EUR 2,179 million. Adjusted EBITA was EUR 285 million, or 13.1% of sales, and operating profit EUR 265 million, or 12.2% of sales.

Reporting segments: Flow Control

- **Solid order growth**
- **Strong increase in sales**
- **Profitability at an excellent level**

Key figures

EUR million	**Q3/2019**	Q3/2018	Change %	**Q1–Q3/2019**	Q1–Q3/2018	Change %	2018
Orders received	**171**	149	15	**527**	471	12	628
Orders received by services business	**36**	30	20	**119**	99	20	136
% of orders received	**21**	20		**23**	21		22
Order backlog				**295**	280	5	276
Sales	**170**	146	16	**493**	425	16	593
Sales by services business	**38**	32	19	**108**	92	17	128
% of sales	**22**	22		**22**	22		22
Adjusted EBITA *)	**29**	22	32	**82**	63	30	90
% of sales	**17.2**	15.1		**16.5**	14.8		15.2
Operating profit	**28**	22	27	**79**	61	30	88
% of sales	**16.6**	14.8		**15.9**	14.4		14.8
Return on operative capital employed (Segment ROCE), %, annualized				**32.5**	36.0		37.1
Personnel at end of period				**2,911**	2,422	20	2,723

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

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

Flow Control's third-quarter orders received increased 15% to EUR 171 million (EUR 149 million). Both equipment and services orders grew at a double-digit rate. In the equipment business, orders increased in the oil & gas and the pulp & paper markets. The strong overall organic growth was supported by a three percent growth related to the acquisition in India.

Third-quarter sales increased 16% year-on-year to EUR 170 million (EUR 146 million). Both equipment and services reported double-digit sales growth.

Flow Control's third-quarter adjusted EBITA was EUR 29 million, or 17.2% of sales (EUR 22 million, or 15.1%) and operating profit EUR 28 million, or 16.6% of sales (EUR 22 million, or 14.8%). The improved profitability resulted from improved operational efficiency and volume growth.

Orders in January-September increased 12% from the comparison period and totaled EUR 527 million (EUR 471 million). Sales totaled EUR 493 million during the same period, representing growth of 16% from the comparison period, and adjusted EBITA was EUR 82 million, or 16.5% of sales. Operating profit totaled EUR 79 million, or 15.9% of sales.

Capital expenditure and investments

Gross capital expenditure excluding business acquisitions in January-September 2019 was EUR 72 million (EUR 39 million), of which maintenance investments accounted for 49%, or EUR 35 million (59%, or EUR 23 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 total investment of approximately EUR 25 million will increase Metso's crushing and screening equipment production capacity in India by 40 percent.

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

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

Research and development

Continuous renewal and innovation are fundamental to Metso's competitiveness. The objective for innovation is to secure sustaining differentiation with targeted investments that are based on business- or product-specific roadmaps. R&D expenses, including digital investments, were 1.7% of sales in January-September of 2019.

EUR million	**Q3/2019**	Q3/2018	**Q1–Q3/2019**	Q1–Q3/2018	2018
R&D expenses	13	16	45	37	51
of sales, %	1.3	1.6	1.7	1.6	1.6

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

Acquisitions and divestments

The acquisition of McCloskey International, a Canadian mobile crushing and screening equipment manufacturer, was successfully completed after the reporting period, on October 1, 2019. With this acquisition, Metso expanded its offering in the aggregates industry globally and strengthened its customer reach especially in the general contractor segment. With the acquisition about 900 employees in Canada, the United States and Northern Ireland transferred to Metso.

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

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

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

Corporate Governance and remuneration

Changes in the composition of Metso's Board of Directors

Nina Kopola resigned from Metso's Board of Directors as of August 1, 2019, due to her appointment as Director General of Business Finland. Her resignation was originally announced on July 25, 2019. As a result, Metso's Board elected in the AGM of March 2019, will continue with the current seven members and the Audit Committee with two members. Metso's Nomination Board is in the process of finding a successor to Ms Kopola and it will present its proposal on the election of a new member at Metso's next Annual General Meeting in 2020.

Composition of the Shareholders' Nomination Board

Metso complies with the Helsinki Corporate Governance code in the preparation of the proposals on the election and remuneration of Board members. The Shareholders' Nomination Board, established by the Annual General Meeting (AGM), prepares the proposals to the AGM regarding Board of Directors' composition and remuneration.

On September 2, Metso announced that Metso's four largest registered shareholders Solidium, Cevian Capital, Ilmarinen and Varma have nominated the following members to the Shareholders' Nomination Board:

- Petter Söderström, Investment Director, Solidium Oy (22,374,869 shares and votes, or 14.88% of share capital and votes as of August 30)
- Niko Pakalén, Partner, Cevian Capital Partners Ltd (20,813,714 shares and votes, or 13.84% of share capital and votes as of August 30)
- Mikko Mursula, Deputy CEO, Ilmarinen Mutual Pension Insurance Company (4,433,253 shares and votes, or 2.95% of share capital and votes as of August 30)
- Risto Murto, President and CEO, Varma Mutual Pension Insurance Company (2,848,465 shares and votes, or 1.89% of share capital and votes as of August 30)

Mikael Lilius, Chair of Metso's Board of Directors, will serve as the Shareholders' Nomination Board's expert member. The Shareholders' Nomination Board is composed of the representatives of Metso's four largest shareholders as of August 30, 2019, based on the company's shareholders' register held by Euroclear Finland Ltd.

Changes in the Metso Executive Team

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

On June 18, Metso's Board of Directors appointed Olli Isotalo as President, Valves business area. Olli Isotalo started in his position on July 15, and at the same time, became a member of the Metso Executive Team. Olli Isotalo previously served as the CEO of Patria Oyj and has held various executive positions at Cargotec Corporation. John Quinlivan, the previous President of the Valves business area, will continue as Senior Adviser until the end of 2019 to support Olli Isotalo during the transition period.

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

Change in the reporting segment structure

Metso announced on February 11, 2019, that it moved the Pumps business area from its Flow Control segment to the Minerals 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.

Decisions of the 2019 Annual General Meeting

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

The AGM approved the Board of Directors' proposal to pay a dividend of EUR 1.20 per share in two installments. The first dividend installment of EUR 0.60 per share was paid on May 7, 2019. After the reporting period, on October 25, the Board decided on the payment of the second installment of EUR 0.60 per share on November 5, 2019, with a record date of October 29.

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

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

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

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

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

As a result of Nina Kopola's resignation, Metso's Board has consisted of seven members only and the Audit Committee of two members only as of August 1, 2019.

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

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

A new plan period for the Performance Share Plan

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

A new plan period for the Restricted Share Plan

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

A new plan period for the Deferred Share Unit Plan

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

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

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

Personnel

Metso had 14,563 employees at the end of September 2019, which is 1,413 more than at the end of December 2018. During January-September 2019, personnel increased by 1,241 to 11,183 in Minerals and by 188 to 2,911 in Flow Control. Acquisitions increased personnel in Minerals by 869 during the January-September period. Personnel in the Group Head Office and corporate functions totaled 469 at the end of September 2019 (485 at the end of 2018).

Personnel by area

	Sep 30, 2019	**Share, %**	Sep 30, 2018	Share, %	**Change %**	Dec 31, 2018
Europe	4,484	31	4,381	34	2	4,412
North America	1,694	12	1,662	13	2	1,674
South and Central America	4,001	27	2,862	22	40	2,906
Asia Pacific	3,544	24	2,994	23	18	3,318
Africa and Middle East	840	6	873	7	-4	840
Metso total	**14,563**	**100**	12,772	100	**14**	13,150

Shares and share trading

Metso's share capital on September 30, 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 86,657,023 Metso shares were traded on Nasdaq Helsinki in January-September 2019, and the value of shares traded was EUR 2,760 million. Metso's market capitalization at the end of September 2019, excluding shares held by the Parent Company, was EUR 5,143 million (EUR 3,435 million at the end of 2018).

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

EUR	
Closing price	34.27
Highest share price	39.79
Lowest share price	22.36
Volume-weighted average trading price	30.89

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 September 30, 2019 was USD 9.10.

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.

Flagging notifications

In January-September 2019, Metso has 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
August 16, 2019	BlackRock Inc.	below 5%	below 5%	below 5%	below 5%	below 5%
August 15, 2019	BlackRock Inc.	above 5%	4.87	0.15	5.02	7,560,273
August 14, 2019	BlackRock Inc.	below 5%	below 5%	below 5%	below 5%	below 5%
August 13, 2019	BlackRock Inc.	above 5%	4.86	0.14	5.01	7,536,763
August 9, 2019	BlackRock Inc.	below 5%	below 5%	below 5%	below 5%	below 5%
August 1, 2019	BlackRock Inc.	above 5%	4.91	0.15	5.06	7,622,077
July 31, 2019	BlackRock Inc.	below 5%	below 5%	below 5%	below 5%	below 5%
July 30, 2019	BlackRock Inc.	above 5%	4.90	0.16	5.07	7,627,923
July 29, 2019	BlackRock Inc.	above 5%	5.01	0.17	5.19	7,806,865
July 25, 2019	BlackRock Inc.	above 5%	4.95	0.18	5.14	7,728,515
March 25, 2019	BlackRock Inc.	below 5%	4.56	0.33	4.89	7,361,853
March 15, 2019	BlackRock Inc.	above 5%	4.66	0.35	5.01	7,539,098

Events after the reporting period

Demerger prospectus

The Finnish Financial Supervisory Authority approved on October 7, 2019, the Finnish language demerger prospectus (also referred to as the “Offering Circular”) relating to the combination of Outotec Oyj and Metso Corporation’s Minerals business. The prospectus was published on Metso’s website on the same day. It includes unaudited pro forma financial information presented for illustrative purposes only to give effect to the demerger and the acquisition of McCloskey International Ltd by the Metso Minerals Business to Outotec’s historical financial information as if they had occurred at an earlier point in time.

The supplement for the demerger prospectus regarding the credit ratings assigned was approved by the Financial Supervisory Authority on October 10, 2019.

Illustrative financial information for continuing operations

On October 7, 2019 Metso published illustrative financial information for its continuing Flow Control operations (also referred to as the “future Neles”) for the years 2016–2018 and for the periods January–June 2019 and 2018.

McCloskey closing

The acquisition of McCloskey International, a Canadian mobile crushing and screening equipment manufacturer was completed on October 1, 2019. With the acquisition, Metso expands its offering in the aggregates industry globally and strengthens its customer reach especially to the general contractor segment. The acquisition was funded, as previously announced, by a EUR 300 million term loan, which was drawn on September 30, 2019. McCloskey will be reported in Metso’s Minerals segment from the last quarter of 2019 onwards.

Metso Outotec credit rating

Metso Corporation and Outotec Oyj obtained issuer credit ratings from both Moody’s Investor Services and S&P Global Ratings for the future Metso Outotec, on October 8, 2019. Moody’s has assigned a ‘Baa2’ long-term issuer rating and S&P has assigned a ‘BBB-’ preliminary long-term issuer credit rating for the future Metso Outotec. The outlook on both ratings is stable.

Bond consent solicitation process

On October 8, 2019, Metso announced the launch of consent solicitation from holders of certain notes issued under its EMTN Program.

Appointment of Simo Sääskilahti, CFO of the future Neles

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

Dividend

On October 25, Metso's Board of Directors decided on the payment of the second dividend installment for the financial year ended December 31, 2018. The dividend to be paid is EUR 0.60 per share and the decision is based on the decision of the Annual General Meeting held on April 25, 2019. The dividend shall be paid on November 5, 2019, to shareholders listed in the company's shareholder register maintained by Euroclear Finland Ltd on the record date of October 29, 2019.

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 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.

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

Consolidated statement of income

EUR million	**7–9/2019**	7–9/2018	**1–9/2019**	1–9/2018	1–12/2018
Sales	**933**	786	**2,672**	2,276	3,173
Cost of goods sold [1]	-646	-559	-1,859	-1,608	-2,257
Gross profit [1]	**287**	227	**813**	668	916
Selling, general and administrative expenses [1]	-162	-132	-467	-395	-545
Other operating income and expenses, net	-18	-4	-25	-15	-19
Share in profits of associated companies	0	0	1	0	0
Operating profit [1]	**108**	91	**322**	258	351
Financial income	5	2	7	6	6
Financial expenses [2]	-11	-8	-33	-27	-36
Profit before taxes	**102**	85	**296**	237	321
Income taxes	-28	-25	-69	-70	-92
Profit for the period	**74**	60	**227**	167	229
Attributable to:					
Shareholders of the parent company	**75**	60	**228**	166	230
Non-controlling interests	-1	0	-1	0	-1
	74	60	227	167	229
Earnings per share:					
Basic, EUR	0.49	0.40	1.52	1.11	1.53
Diluted, EUR	0.49	0.40	1.52	1.11	1.53

[1] Following the adoption of IFRS 16, operating profit for 1-9/2019 does not include rental expenses for on-balance sheet leases. Such rental expenses amounting to EUR 28 million are reversed and replaced by depreciation of right-of-use assets and interest expense on lease liability. Operating profit for 1-9/2019 includes EUR 25 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 1-9/2019 include EUR 3 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	**7–9/2019**	7–9/2018	**1–9/2019**	1–9/2018	1–12/2018
Profit for the period	**74**	60	**227**	167	229
Other comprehensive income:					
Cash flow hedges, net of tax	2	0	2	0	-1
Measurement at fair value, net of tax	-	0	-	0	0
Currency translation on subsidiary net investments	6	-7	12	-22	-13
Items that may be reclassified to profit or loss in subsequent periods	8	-7	14	-22	-14
Defined benefit plan actuarial gains and losses, net of tax	-	-	-	1	-2
Items that will not be reclassified to profit or loss	-	-	-	1	-2
Other comprehensive income	**8**	-7	**14**	-21	-16
Total comprehensive income	**82**	53	**241**	146	213
Attributable to:					
Shareholders of the parent company	82	53	242	145	214
Non-controlling interests	-1	0	-1	0	-1
	82	53	**241**	146	213

Consolidated balance sheet – Assets

EUR million	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
Non-current assets			
Intangible assets			
Goodwill	543	480	525
Other intangible assets	89	75	83
Total intangible assets	**632**	555	608
Tangible assets			
Land and water areas	41	40	40
Buildings and structures	97	92	97
Machinery and equipment	145	127	135
Assets under construction	51	21	33
Total tangible assets	**334**	280	305
Right-of-use assets [1]	**131**	0	0
Other non-current assets			
Investments in associated companies	5	1	4
Non-current financial assets	7	5	6
Loan and other interest bearing receivables	6	8	6
Deferred tax asset	114	95	101
Other non-current receivables	41	27	38
Total other non-current assets	**173**	137	157
Total non-current assets	**1,270**	971	1,070
Current assets			
Inventories	1,046	906	950
Trade receivables	678	537	585
Customer contract assets	111	99	82
Interest bearing receivables	0	1	1
Income tax receivables	54	39	22
Other current receivables	170	136	144
Deposits and securities, maturity more than three months	5	36	94
Cash and cash equivalents	637	393	332
Liquid funds	642	429	426
Total current assets	**2,702**	2,147	2,209
TOTAL ASSETS	**3,972**	3,119	3,279

[1] IFRS 16 impact, see notes 2 and 7.

Consolidated balance sheet – Equity and liabilities

EUR million	**Sep 30, 2019**	Sep 30, 2018	Dec 31, 2018
Equity			
Share capital	141	141	141
Cumulative translation adjustments	-89	-109	-101
Fair value and other reserves	296	306	302
Retained earnings	1,119	999	1,064
Equity attributable to shareholders	**1,467**	1,336	1,406
Non-controlling interests	10	7	10
Total equity	**1,477**	1,344	1,416
Liabilities			
Non-current liabilities			
Interest bearing liabilities	689	555	383
Lease liabilities [1]	103	0	0
Post-employment benefit obligations	73	70	68
Provisions	36	32	29
Non-current financial liabilities	3	2	2
Deferred tax liability	37	18	30
Other non-current liabilities	2	2	2
Total non-current liabilities	**943**	680	515
Current liabilities			
Interest bearing liabilities	247	21	215
Lease liabilities [1]	29	0	0
Trade payables	412	388	431
Provisions	71	66	71
Advances received	231	210	208
Customer contract liabilities	68	98	100
Income tax liabilities	91	74	61
Other current liabilities	401	239	262
Total current liabilities	**1,552**	1,096	1,348
Total liabilities	**2,495**	1,775	1,863
TOTAL EQUITY AND LIABILITIES	**3,972**	3,119	3,279

[1] IFRS 16 impact, see notes 2 and 7.

NET INTEREST BEARING LIABILITIES

EUR million	**Sep 30, 2019**	Sep 30, 2018	Dec 31, 2018
Interest bearing liabilities	936	576	598
Lease liabilities	133	0	0
Liquid funds	-642	-429	-426
Other interest bearing assets	-6	-9	-7
Net interest bearing liabilities	**420**	**138**	**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	-	-	-	166	166	0	167
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	-	-22	-	-	-22	0	-22
Defined benefit plan actuarial gains and losses, net of tax	-	-	-	1	1	-	1
Total comprehensive income	-	-22	0	167	145	0	146
Dividends	-	-	-	-157	-157	0	-157
Share-based payments, net of tax	-	-	1	-	1	-	1
Other items	-	-	0	1	1	0	1
Changes in non-controlling interests	-	-	-	-	-	-	-
Sep 30, 2018	141	-109	306	999	1,336	7	1,344
Dec 31, 2018	141	-101	302	1,064	1,406	10	1,416
Effect from adoption of new IFRS standards [1]	-	-	-	-3	-3	-	-3
Jan 1, 2019	**141**	**-101**	**302**	**1,061**	**1,403**	**10**	**1,413**
Profit for the period	-	-	-	228	**228**	-1	**227**
Other comprehensive income:							
Cash flow hedges, net of tax	-	-	2	-	**2**	-	**2**
Measurement at fair value, net of tax	-	-	-	-	**-**	-	**-**
Currency translation on subsidiary net investments	-	12	-	-	**12**	-	**12**
Defined benefit plan actuarial gains and losses, net of tax	-	-	-	-	**-**	-	**-**
Total comprehensive income	**-**	12	2	228	**242**	-1	**241**
Dividends	-	-	-	-180	**-180**	0	**-180**
Share-based payments, net of tax	-	-	4	0	**4**	-	**4**
Other items	-	-	-12	11	**-1**	0	**-1**
Changes in non-controlling interests	-	-	-	0	**0**	-	**0**
Sep 30, 2019	**141**	**-89**	**296**	**1,119**	**1,467**	**10**	**1,477**

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

Condensed consolidated statement of cash flows

EUR million	**7–9/2019**	7–9/2018	**1–9/2019**	1–9/2018	1–12/2018
Operating activities					
Profit for the period	74	60	227	167	229
Adjustments:					
Depreciation and amortization	24	15	69	43	58
Financial expenses, net	6	6	26	21	30
Income taxes	28	25	69	70	92
Other items	4	-4	5	-4	1
Change in net working capital	-83	-11	-243	-106	-129
Net cash flow from operating activities before financial items and taxes	**54**	91	**153**	191	281
Financial income and expenses paid, net [1]	-2	-3	-18	-12	-17
Income taxes paid	-31	-14	-83	-71	-87
Net cash flow from operating activities	**21**	74	**52**	108	177
Investing activities					
Capital expenditures on intangible and tangible assets	-31	-13	-72	-39	-67
Proceeds from sale of intangible and tangible assets	4	1	5	4	5
Business acquisitions, net of cash acquired	4	-25	-30	-25	-77
Proceeds from sale of businesses, net of cash sold	-	-	9	-	-
Other items	-	0	-	-	-4
Net cash flow from investing activities	**-23**	-37	**-89**	-61	-143
Financing activities					
Dividends paid	-	-	-90	-157	-157
Transactions with non-controlling interests	-	-	-	-	1
Proceeds from and investments in financial assets, net	0	0	31	0	0
Proceeds from and repayment of debt, net	315	-26	328	-281	-272
Repayments of lease liabilities	-9	0	-27	0	0
Other items	-	-	0	-	0
Net cash flow from financing activities	**306**	-26	**242**	-439	-428
Net change in liquid funds	**304**	11	**205**	-391	-394
Effect from changes in exchange rates	10	-5	11	-6	-6
Liquid funds equivalents at beginning of period	328	423	426	826	826
Liquid funds at end of period	**642**	429	**642**	429	426

[1] Following the adoption of IFRS 16, period 1-9/2019 includes EUR -3 million interest payments on the lease liability, see notes 2 and 7.

FREE CASH FLOW

EUR million	**7–9/2019**	7–9/2018	**1–9/2019**	1–9/2018	1–12/2018
Net cash flow from operating activities	21	74	52	108	177
Maintenance investments	-13	-9	-35	-23	-36
Proceeds from sale of intangible and tangible assets	4	1	5	4	5
Free cash flow	**12**	66	**22**	89	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 the 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, adjusted (adjusted EBITA)” and “return on operative capital employed for reporting segments (segment ROCE)”. Alternative performance measures should not, however, be considered as a substitute for measures of performance in accordance with the IFRS.

2. New accounting standards

New and amended standards adopted 2019

IFRS 16

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

Impact

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

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

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

The impact from the adoption of IFRS 16 on the consolidated balance sheet is as follows:

EUR million	Jan 1, 2019
Right-of-use assets	
Land and water areas	0
Buildings and structures	107
Machinery and equipment	19
Total	**126**
Lease liabilities	
Lease liabilities, non-current	96
Lease liabilities, current	30
Total	**126**

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

On the balance sheet, the right-of use assets were measured at the amount equal to the lease liability, adjusted by possible prepaid or accrued payments in 2018. Right-of-use assets are depreciated over the respective lease period. As of September 30, 2019, the weighted average duration of the lease term was approximately eight 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	19
Less: Impact from discounting the future lease payments for leases recognized on the balance sheet	-15
IFRS 16 lease liability in the opening balance sheet as at January 1, 2019	**126**

Summary of new accounting policies

Right-of-use assets

At the commencement date of the lease, Metso recognizes right-of-use assets. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. As of September 30, 2019, the weighted average duration of the lease term was approximately eight 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 significantly affect the estimated length of lease term and consequently the amounts of right-of-use asset and lease liability as well as the related depreciation and interest expense. Management judgment is also applied in defining the incremental borrowing rate used to calculate the present value of the future lease payments.

IFRIC 23

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

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

3. Key figures and formulas

	1–9/2019	1–9/2018	1–12/2018
Earnings per share, basic, EUR	1.52	1.11	1.53
Earnings per share, diluted, EUR	1.52	1.11	1.53
Equity/share at end of period, EUR	9.77	8.91	9.37
Return on equity (ROE), %, annualized	21.0	16.5	16.5
Return on capital employed (ROCE) before taxes, %, annualized	19.2	17.1	16.9
Return on capital employed (ROCE) after taxes, %, annualized	15.2	12.5	12.5
Equity-to-assets ratio at end of period, %	40.2	47.8	47.7
Net gearing at end of period, %	28.4	10.3	11.7
Free cash flow, EUR million	22	89	146
Free cash flow/share, EUR	0.14	0.59	0.97
Cash conversion, %	10	53	64
Gross capital expenditure, EUR million	-72	-39	-67
Business acquisitions, net of cash acquired, EUR million	-30	-25	-77
Depreciation and amortization, EUR million	69	43	58
Number of outstanding shares at end of period (thousands)	150,076	149,997	149,997
Average number of shares (thousands)	150,051	149,997	149,997
Average number of diluted shares (thousands)	150,192	150,161	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, 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), %

$$= \frac{\text{Profit for the period}}{\text{Total equity (average for the period)}} \times 100$$

Return on capital employed (ROCE) before taxes, %

$$= \frac{\text{Profit before tax + financial expenses}}{\text{Capital employed (average for the period)}} \times 100$$

Return on capital employed (ROCE) after taxes, %

$$= \frac{\text{Profit for the period + financial expenses}}{\text{Capital employed (average for the period)}} \times 100$$

Net gearing, %

$$= \frac{\text{Net interest bearing liabilities}}{\text{Total equity}} \times 100$$

Equity to assets ratio, %

$$= \frac{\text{Total equity}}{\text{Balance sheet total - advances received}} \times 100$$

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, %

$$= \frac{\text{Free cash flow}}{\text{Profit for the period}} \times 100$$

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), %

$$= \frac{\text{Operating profit, annualized}}{\text{Operative capital employed (month-end average)}} \times 100$$

4. Disaggregation of sales

SALES BY SEGMENTS

EUR million	7–9/2019	7–9/2018	1–9/2019	1–9/2018	1–12/2018
Minerals	763	641	2,179	1,852	2,581
Flow Control	170	146	493	425	593
Group Head Office and Intra Metso	0	-1	0	-1	0
Sales	**933**	786	**2,672**	2,276	3,173

EXTERNAL SALES BY CATEGORY

EUR million	7–9/2019	7–9/2018	1–9/2019	1–9/2018	1–12/2018
Sales of services	516	436	1,451	1,300	1,773
Minerals	478	404	1,343	1,208	1,644
Flow Control	38	32	108	92	128
Sales of projects, equipment and goods	417	350	1,222	976	1,401
Minerals	285	237	836	644	936
Flow Control	132	113	386	333	465
Sales	**933**	786	**2,672**	2,276	3,173

EXTERNAL SALES BY DESTINATION

EUR million	7–9/2019	7–9/2018	1–9/2019	1–9/2018	1–12/2018
Finland	20	21	71	65	94
Other European countries	206	182	615	530	753
North America	183	155	543	454	610
South and Central America	195	156	517	437	599
Asia-Pacific	265	203	730	589	839
Africa and Middle East	64	69	195	202	279
Sales	**933**	786	**2,672**	2,276	3,173

EXTERNAL SALES BY TIMING OF REVENUE RECOGNITION

EUR million	7–9/2019	7–9/2018	1–9/2019	1–9/2018	1–12/2018
At a point in time	821	716	2,333	2,106	2,812
Minerals	651	572	1,841	1,683	2,220
Flow Control	170	145	493	424	592
Over time	112	70	339	170	361
Minerals	112	70	338	169	360
Flow Control	0	0	1	1	1
Sales	**933**	786	**2,672**	2,276	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.

	Sep 30, 2019			Sep 30, 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	-	10	-	-	5	-
Securities	-	-	-	-	36	-
Financial assets at fair value through other comprehensive income						
Derivatives under hedge accounting	-	12	-	-	8	-
Total	**-**	**22**	**-**	-	49	-
Liabilities						
Financial liabilities at fair value through profit and loss						
Derivatives not under hedge accounting	-	24	-	-	9	-
Long term debt at fair value	-	190	-	-	187	-
Financial liabilities at fair value through other comprehensive income						
Derivatives under hedge accounting	-	8	-	-	7	-
Total	**-**	**222**	**-**	-	203	-

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	**Sep 30, 2019**	Sep 30, 2018	Dec 31, 2018
Forward exchange rate contracts	1,761	1,196	1,369
Interest rate swaps	345	345	345
Cross currency swaps	-	-	-
Option agreements			
Bought	74	-	-
Sold	-	-	-

The notional amount of nickel forwards to hedge stainless steel prices was 300 tons as of September 30, 2019 and 276 tons as of September 30, 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 nine months ended September 30, 2019 were as follows:

	Sep 30, 2019			**1–9/2019**		
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	79	-	-	17	-16	-
Flow Control	46	-	-	10	-8	-
Group Head Office and other	6	103	29	1	-1	-3
Metso total	**131**	**103**	**29**	**28**	**-25**	**-3**

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

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

	1–9/2019	
	Reported	Without IFRS 16 impact
Return on capital employed (ROCE) before taxes, %, annualized	19.2	18.5
Return on capital employed (ROCE) after taxes, %, annualized	15.2	14.6
Equity to asset ratio at end of period, %	40.2	38.8
Net gearing at end of period, %	28.4	19.5
Free cash flow, EUR million	22	-5

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

8. Contingent liabilities and other commitments

EUR million	**Sep 30, 2019**	Sep 30, 2018	Dec 31, 2018
Guarantees			
External guarantees given by parent and group companies	340	318	380
Other commitments			
Repurchase commitments	2	3	2
Other contingencies	4	5	6

9. Acquisitions and divestments

Acquisitions

On May 3, 2019, Metso acquired 100% share of the company Industrial Support Company SpA in Chile, which used to former the service division of the Chilean mining engineering, construction and technology company HighService Corp. The acquired business was consolidated into the Minerals Services business area and contributed sales of 21 EUR million to Metso for the period from May 3, 2019 to September 30, 2019. The company's sales in 12 months fiscal year that ended on December 31, 2018, was 57 EUR million. The company employs 869 persons.

Preliminary asset and liabilities recognized from the acquisition are as follows:

EUR million	
Intangible assets	9
Tangible assets	4
Deferred tax asset	2
Trade receivables	7
Other receivables	2
Interest bearing liabilities	-3
Trade payables	-4
Other liabilities	-3
Deferred tax liabilities	-3
Net identifiable assets acquired at fair value	**9**
Goodwill	**21**
Purchase consideration	**30**

The goodwill is attributable to personnel knowhow and synergies. Goodwill is not tax deductible. Initial calculation on goodwill generated are based on the result of acquired company, adjusted by changes in accounting principles and effects from the fair value adjustment of acquired assets and related tax adjustments.

The cash flow impact of the acquisition:

EUR million	
Cash consideration paid	30
Cash and cash equivalents acquired	0
Cash consideration, total	**30**

Acquisition costs of EUR 0.4 million are expensed and included in administrative expenses in the income statement and in operating cash flow in the statement of cash flows.

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 the 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
Liquid funds	3
Interest bearing liabilities	-31
Trade payables	-9
Other liabilities	-1
Deferred tax liabilities	3
Net assets of disposed business	**13**
Consideration received in cash	11
Net assets of disposed business	-13
Loss on disposal	**-2**
Consideration received in cash	11
Cash and cash equivalents disposed of	-3
Debt repayments at disposal	31
Net cash inflow on disposal	**39**

10. Segment information

ORDERS RECEIVED

EUR million	**7–9/2019**	7–9/2018	**1–9/2019**	1–9/2018	10/2018–9/2019	1–12/2018
Minerals	722	734	2,249	2,126	2,996	2,872
Flow Control	171	149	527	471	684	628
Group Head Office and Intra Metso	0	0	0	0	0	0
Metso total	**894**	883	**2,776**	2,597	3,680	3,499

ORDERS RECEIVED BY SERVICES BUSINESS

EUR million, %	**7–9/2019**	7–9/2018	**1–9/2019**	1–9/2018	10/2018–9/2019	1-12/2018
Minerals	492	431	1,434	1,316	1,897	1,777
% of orders received	68	59	64	62	63	62
Flow Control	36	30	119	99	156	136
% of orders received	21	20	23	21	23	22
Metso total	**528**	461	**1,553**	1,415	2,053	1,913
% of orders received	59	52	56	54	56	55

SALES

EUR million	**7–9/2019**	7–9/2018	**1–9/2019**	1–9/2018	10/2018–9/2019	1–12/2018
Minerals	763	641	2,179	1,852	2,907	2,581
Flow Control	170	146	493	425	661	593
Group Head Office and Intra Metso	0	0	0	0	0	0
Metso total	**933**	786	**2,672**	2,276	3,569	3,173

SALES BY SERVICES BUSINESS

EUR million, %	**7–9/2019**	7–9/2018	**1–9/2019**	1–9/2018	10/2018–9/2019	1-12/2018
Minerals	478	404	1,343	1,208	1,779	1,644
% of sales	63	63	62	65	61	64
Flow Control	38	32	108	92	144	128
% of sales	22	22	22	22	22	22
Metso total	**516**	436	**1,451**	1,300	1,923	1,773
% of sales	55	55	54	57	54	56

ADJUSTED EBITA AND OPERATING PROFIT

EUR million, %	**7–9/2019**	7–9/2018	**1–9/2019**	1–9/2018	10/2018–9/2019	1–12/2018
Minerals						
Adjusted EBITA	104.7	72.2	284.9	213.5	362.5	291.0
% of sales	13.7	11.3	13.1	11.5	12.5	11.3
Amortization of intangible assets	-3.0	-2.0	-5.8	-5.9	-7.8	-7.8
Adjustments	-10.5	-	-13.8	-	-13.8	-
Operating profit	**91.3**	70.2	**265.3**	207.6	340.9	283.2
% of sales	12.0	11.0	12.2	11.2	11.7	11.0
Flow Control						
Adjusted EBITA	29.3	22.0	81.6	62.7	109.3	90.3
% of sales	17.2	15.1	16.5	14.7	16.5	15.2
Amortization of intangible assets	-1.1	-0.5	-3.0	-1.6	-3.7	-2.3
Adjustments	-	-	-	-	-	-
Operating profit	**28.3**	21.6	**78.6**	61.1	105.5	88.0
% of sales	16.6	14.7	15.9	14.4	16.0	14.8
Group Head Office and other						
Adjusted EBITA	-3.3	1.4	-10.0	-4.6	-17.6	-12.1
Amortization of intangible assets	-1.7	-2.0	-5.3	-6.0	-7.3	-8.0
Adjustments	-6.8	-	-6.8	-	-6.8	-
Operating profit	**-11.8**	-0.7	**-22.1**	-10.6	-31.7	-20.1
Metso total						
Adjusted EBITA	130.8	95.6	356.4	271.6	454.1	369.3
% of sales	14.0	12.1	13.3	11.9	12.7	11.6
Amortization of intangible assets	-5.7	-4.5	-14.1	-13.4	-18.8	-18.2
Adjustments	-17.3	-	-20.6	-	-20.6	-
Operating profit	**107.7**	91.1	**321.8**	258.1	414.8	351.1
% of sales	11.5	11.6	12.0	11.3	11.6	11.1

ADJUSTING ITEMS BY CATEGORY

EUR million, %	**7–9/2019**	7–9/2018	**1–9/2019**	1–9/2018	10/2018–9/2019	1–12/2018
Capacity adjustment costs	-9.2	-	-9.2	-	-9.2	-
Acquisition costs	-1.3	-	-3.0	-	-3.0	-
Loss on disposal	-	-	-1.6	-	-1.6	-
Metso Outotec and Neles transaction costs	-6.8	-	-6.8	-	-6.8	-
Adjusting items, total	17.3	-	-20.6	-	-20.6	-

OPERATIVE CAPITAL EMPLOYED AND SEGMENT ROCE-%

EUR million, %	**Sep 30, 2019**	Sep 30, 2018	Dec 31, 2018
Minerals	1,598	1,229	1,272
Segment ROCE-%	25.4	23.8	23.7
Flow Control	365	234	293
Segment ROCE-%	32.5	36.0	37.1

11. Quarterly information

ORDERS RECEIVED

EUR million	**7–9/2019**	4–6/2019	1–3/2019	10–12/2018	7–9/2018
Minerals	722	704	823	745	734
Flow Control	171	165	191	157	149
Group Head Office and Intra Metso	0	0	0	0	0
Metso total	**894**	869	1,013	902	883

SALES

EUR million	**7–9/2019**	4–6/2019	1–3/2019	10–12/2018	7–9/2018
Minerals	763	735	681	729	641
Flow Control	170	168	155	168	146
Group Head Office and Intra Metso	0	0	0	0	0
Metso total	**933**	903	836	897	786

Adjusted EBITA

EUR million	**7–9/2019**	4–6/2019	1–3/2019	10–12/2018	7–9/2018
Minerals	104.7	95.8	84.4	77.6	72.2
Flow Control	29.3	28.6	23.6	27.6	22.0
Group Head Office and Intra Metso	-3.3	-2.6	-4.2	-7.6	1.4
Metso total	**130.8**	121.9	103.8	97.7	95.6

Adjusted EBITA, % OF SALES

%	**7–9/2019**	4–6/2019	1–3/2019	10–12/2018	7–9/2018
Minerals	13.7	13.0	12.4	10.6	11.3
Flow Control	17.2	17.1	15.2	16.4	15.1
Group Head Office and Intra Metso	n/a	n/a	n/a	n/a	n/a
Metso total	**14.0**	13.5	12.4	10.9	12.1

AMORTIZATION

EUR million	**7–9/2019**	4–6/2019	1–3/2019	10–12/2018	7–9/2018
Minerals	-3.0	-1.7	-1.1	-2.0	-2.0
Flow Control	-1.1	-0.9	-1.0	-0.8	-0.5
Group Head Office and Intra Metso	-1.7	-1.7	-1.8	-2.0	-2.0
Metso total	**-5.7**	-4.4	-4.0	-4.7	-4.5

OPERATING PROFIT

EUR million	**7–9/2019**	4–6/2019	1–3/2019	10–12/2018	7–9/2018
Minerals	91.3	90.8	83.2	75.6	70.2
Flow Control	28.3	27.7	22.6	26.8	21.5
Group Head Office and Intra Metso	-11.8	-4.3	-6.0	-9.6	-0.6
Metso total	**107.7**	114.2	99.9	93.0	91.1

OPERATING PROFIT, % OF SALES

%	**7–9/2019**	4–6/2019	1–3/2019	10–12/2018	7–9/2018
Minerals	12.0	12.3	12.3	10.4	11.0
Flow Control	16.6	16.5	14.5	16.0	14.7
Group Head Office and Intra Metso	n/a	n/a	n/a	n/a	n/a
Metso total	**11.5**	12.6	11.9	10.4	11.6

CAPITAL EMPLOYED

EUR million	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018
Minerals *	1,598	1,505	1,371	1,272	1,229
Flow Control *	365	347	352	293	234
Group Head Office and Intra Metso	582	279	496	449	457
Metso total	**2,545**	2,130	2,218	2,015	1,920

* Operative capital employed includes only external balance sheet items.

ORDER BACKLOG

EUR million	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018
Minerals	1,444	1,552	1,545	1,411	1,408
Flow Control	295	298	311	276	280
Group Head Office and Intra Metso	0	0	0	-1	-2
Metso total	**1,740**	1,850	1,855	1,686	1,686

PERSONNEL

Persons	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018
Minerals	11,183	11,277	10,226	9,942	9,873
Flow Control	2,911	2,903	2,738	2,723	2,422
Group Head Office and Intra Metso	469	496	483	485	477
Metso total	**14,563**	14,676	13,447	13,150	12,772

12. Exchange rates

Currency		1–9/2019	1–9/2018	1–12/2018	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
USD	(US dollar)	1.1241	1.1938	1.1809	1.0889	1.1576	1.1450
SEK	(Swedish krona)	10.5547	10.2392	10.2591	10.6958	10.3090	10.2548
GBP	(Pound sterling)	0.8841	0.8845	0.8861	0.8857	0.8873	0.8945
CAD	(Canadian dollar)	1.4959	1.5341	1.5307	1.4426	1.5064	1.5605
BRL	(Brazilian real)	4.3840	4.2903	4.3020	4.5288	4.6535	4.4440
CNY	(Chinese yuan)	7.7167	7.7934	7.8148	7.7784	7.9662	7.8751
AUD	(Australian dollar)	1.6081	1.5757	1.5795	1.6126	1.6048	1.6220

13. Events after reporting period

Acquisition of McCloskey

Metso announced on October 1, 2019, that it has completed the acquisition of McCloskey International in Canada, a mobile crushing and screening equipment manufacturer, having operations in Canada, the United states and Northern Ireland.

The enterprise value of the transaction was CAD 420 million or EUR 290 million. Additionally, a contingent profitability-based earn-out consideration of up to CAD 35 million or EUR 23 million will be paid for the two-year period after closing.

McCloskey will be consolidated to Metso and reported in Minerals segment from October 2019. In the 12-month period ended September 30, 2018, McCloskey had pro forma sales of CAD 464 million or EUR 308 million and a pro forma EBITDA margin of 10.3%. McCloskey has about 900 employees. The fair value calculation of acquired net asset and purchase price allocation will be disclosed in the financial statement review for the full year 2019, when the calculation is completed.

Dividend

On October 25, Metso's Board of Directors decided on the payment of the second dividend installment for the financial year ended December 31, 2018. The dividend to be paid is EUR 0.60 per share and the decision is based on the decision of the Annual General Meeting held on April 25, 2019. The dividend shall be paid on November 5, 2019, to shareholders listed in the company's shareholder register maintained by Euroclear Finland Ltd on the record date of October 29, 2019.

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 Review for 2019 on July 25

Interim Review for January – September 2019 on October 25

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