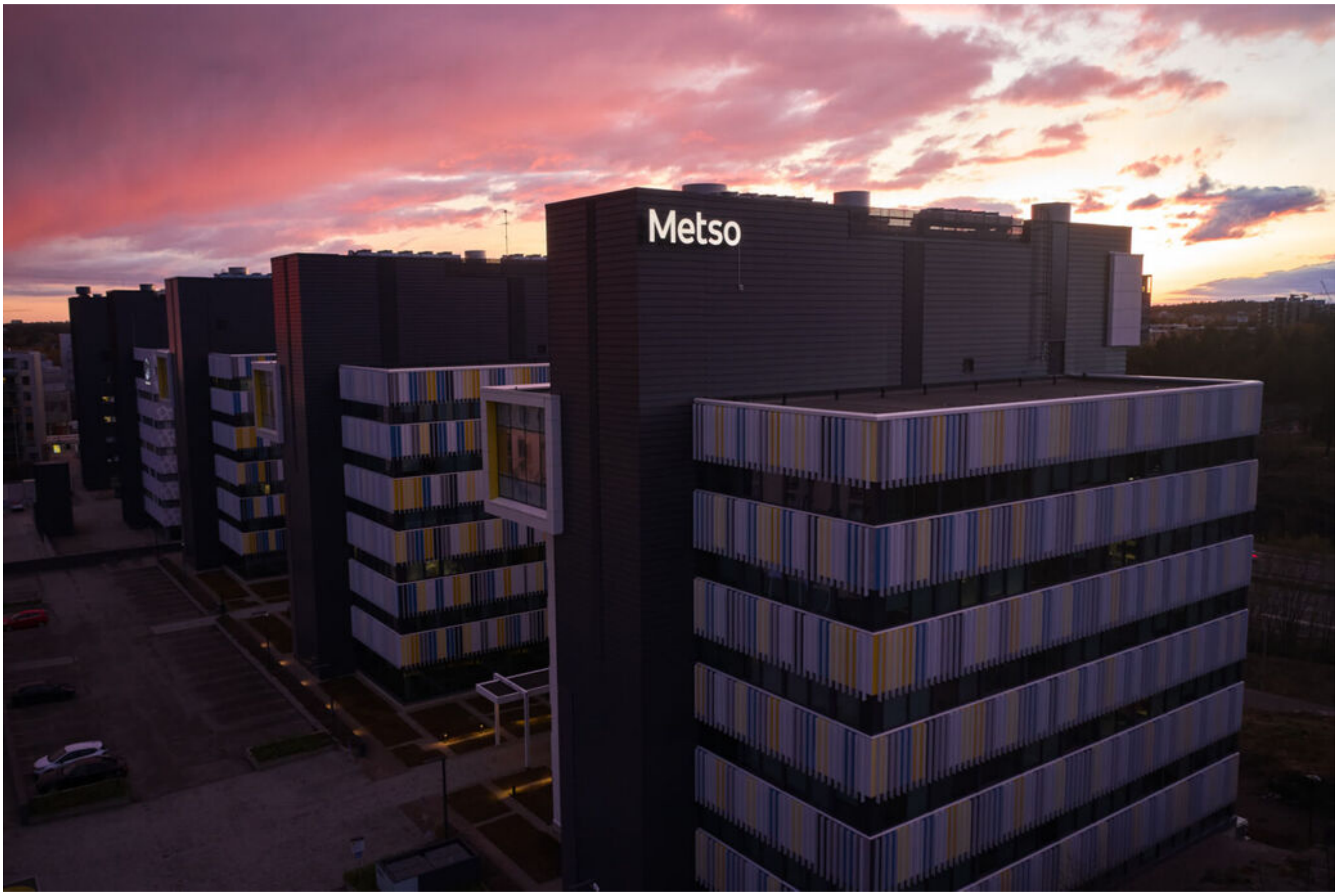
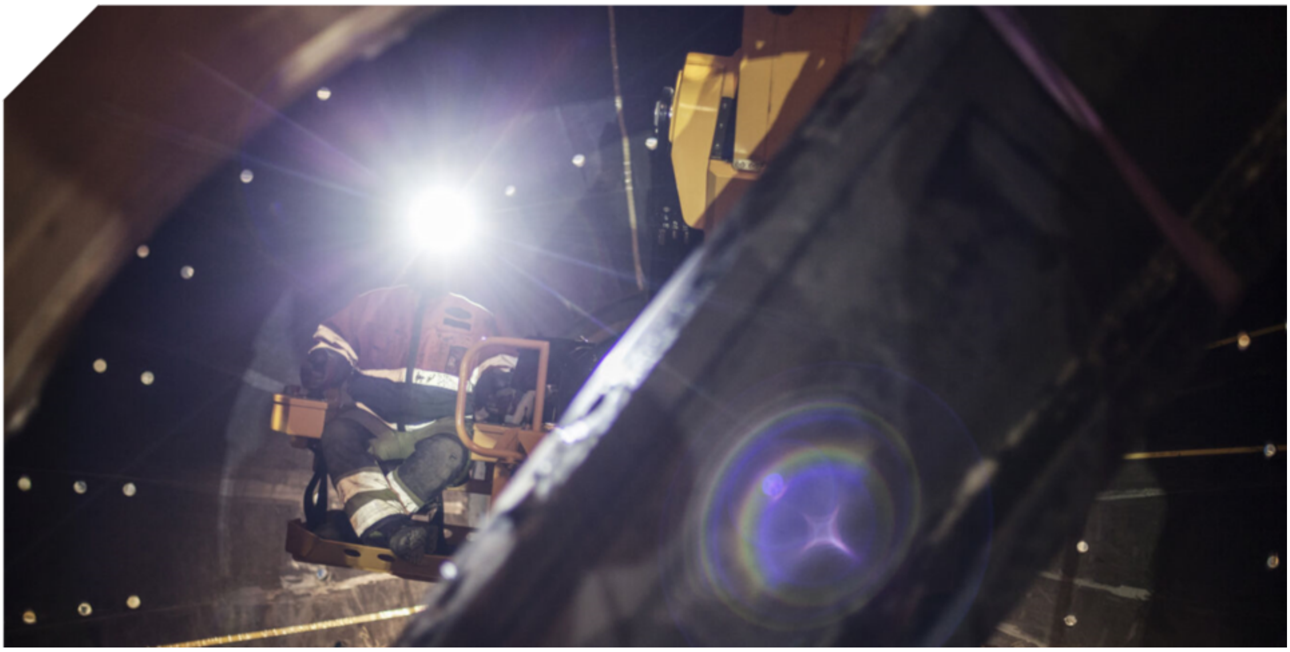
Metso



H1

Half-Year Report

January – June 2023



Metso’s Half-Year Report January 1 – June 30, 2023

Figures in brackets refer to the corresponding period in 2022, unless otherwise stated.

Second-quarter 2023 in brief

- Healthy market activity in the mining industry, while the aggregates market was softer
- Orders received declined -13% and amounted to EUR 1,398 million (EUR 1,610 million)
- Sales grew 15% to EUR 1,483 million (EUR 1,295 million)
- Adjusted EBITA increased 59% to EUR 246 million, or 16.6% of sales (EUR 155 million, or 12.0%)
- Operating profit increased to EUR 230 million, or 15.5% of sales (EUR -13 million, or -1.0%)
- Cash flow from operations was EUR 62 million (EUR 15 million)

January–June 2023 in brief

- Orders received declined -3% to EUR 2,931 million (EUR 3,034 million)
- Sales grew 18% to EUR 2,901 million (EUR 2,459 million)
- Adjusted EBITA increased 48% to EUR 461 million, or 15.9% of sales (EUR 312 million, or 12.7%)
- Operating profit was EUR 426 million, or 14.7% of sales (EUR 127 million, or 5.1%)
- Earnings per share were EUR 0.34 (EUR 0.08) and for continuing operations EUR 0.35 (EUR 0.08)
- Cash flow from operations was EUR 173 million (EUR 89 million)

President and CEO Pekka Vauramo:

"The volume growth, coupled with the successful price and cost management and overall solid execution, increased our adjusted EBITA to EUR 246 million and the adjusted EBITA margin to a record of 16.6%."

We performed well in the second quarter with the Group's profitability reaching its highest level to date, driven by a continued improvement in the Minerals segment and solid performances in Aggregates and Metals. In addition, we made good progress in several key areas, such as launching new solutions for battery metals processing and investing in our capacity around the world.

The market activity remained in line with expectations and was healthy in the mining market yet softer in the aggregates market, especially in Europe. As a result of a high year-on-year comparison in the Minerals equipment business and the softness in Aggregates, our orders received came in lower year-on-year. In Minerals services, orders for spare parts and consumables grew at a healthy rate compared to a year ago, while there were fewer orders for upgrades and modernizations, mostly due to timing.

The 15% sales growth was the result of all segments efficiently delivering their backlogs. The volume growth, coupled with the successful price and cost management and overall solid execution, increased our adjusted EBITA to EUR 246 million and the adjusted EBITA margin to a record of 16.6%. The Minerals segment reported strong margin growth, with adjusted EBITA reaching 18.1% as a result of improved performance in both the equipment and services business. The Aggregates and Metals segments also continued to show strong profitability of 17.0% and 12.2% adjusted EBITA margins, respectively.

Sales of our Planet Positive products grew 43% to almost EUR 1.5 billion during the last 12 months, and there is strong demand for these products that drive more sustainable minerals processing. In other focus areas, we have seen continuous positive development, such as high personnel engagement and inclusion scores and a reduction in our carbon footprint.

During the quarter, we continued to advance in several key areas designed to strengthen our position in the markets and our capabilities to drive customer success. For example, we launched an advanced battery black mass recycling process, as a result of which our offering for battery minerals production covers 90% of the process. We also signed partnerships as a technology supplier for feasibility studies and pilot plants related to the production of battery minerals and rare earth ores in various countries.

Looking ahead, we see energy transition and electrification advancing, which will support our business in the coming years. Our full focus will be on capitalizing on these opportunities and further improving our performance.

Market outlook

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

Metso expects the market activity to remain at the current level in Minerals and to slightly decline in Aggregates.

In its previously published outlook, Metso expected the overall market activity to remain at the current level, including normal seasonality in the aggregates market.

Group review

Key figures

EUR million	Q2/2023	Q2/2022	Change %	Q1–Q2/2023	Q1–Q2/2022	Change %	2022
Orders received	1,398	1,610	-13	2,931	3,034	-3	6,024
Orders received by services business	750	752	0	1,608	1,464	10	2,860
% of orders received	54	47	–	55	48	–	47
Order backlog				3,764	3,756	0	3,825
Sales	1,483	1,295	15	2,901	2,459	18	5,295
Sales by services business	738	616	20	1,431	1,167	23	2,574
% of sales	50	48	–	49	47	–	49
Adjusted EBITA	246	155	59	461	312	48	731
% of sales	16.6	12.0	–	15.9	12.7	–	13.8
Operating profit*	230	-13	–	426	127	237	504
% of sales	15.5	-1.0	–	14.7	5.1	–	9.5
Earnings per share, continuing operations, EUR*	0.18	-0.02	–	0.35	0.08	338	0.40
Cash flow from operations	62	15	302	173	89	95	322
Gearing, %	35.5	28.5	–	35.5	28.5	–	29.1
Personnel at end of period				16,836	15,992	5	16,705

*Figures for the comparison periods include a EUR 150 million non-recurring charge related to the wind-down of business in Russia that was booked in Q2/2022.

The Group's second-quarter financial performance

The market activity in the mining industry was healthy, while the demand in the aggregates market was softer than in the comparison period. Orders received amounted to EUR 1,398 million compared to EUR 1,610 million in the same quarter of 2022. The difference is largely attributable to a large equipment order in the Minerals segment booked in the comparison period and lower demand in the Aggregates segment.

Sales increased 15% to EUR 1,483 million (EUR 1,295 million), driven by efficient deliveries from the backlog. Growth was double-digit in all segments. Services sales grew 20%, while equipment sales grew 10%.

Adjusted EBITA increased to EUR 246 million and the adjusted EBITA margin was 16.6% (EUR 155 million and 12.0%). Profitability increased significantly in all segments, most notably in Minerals, which achieved its highest adjusted EBITA margin to date: 18.1%. The improvement in all segments was driven by higher gross margins, which resulted from volume growth and successful price and cost management.

The Group's operating profit (EBIT) was EUR 230 million and the EBIT margin 15.5% (EUR -13 million and -1.0%). Adjustments in the quarter were EUR 0 million (EUR -152 million, largely due to the wind-down of the business in Russia). PPA amortization was EUR -13 million. Net financing expenses amounted to EUR -20 million (EUR -11 million).

Profit before taxes was EUR 210 million (EUR -24 million). Earnings per share for continuing operations were EUR 0.18 (EUR -0.02).

Cash flow from operations improved to EUR 62 million (EUR 15 million).

January–June in brief

The Group's orders received declined -3% and amounted to EUR 2,931 million (EUR 3,034 million). Sales increased 18% to EUR 2,901 million (EUR 2,459 million), with a strong contribution from all segments. The order backlog was EUR 3,764 million (EUR 3,756 million) at the end of June.

Adjusted EBITA increased to EUR 461 million (EUR 312 million) and the adjusted EBITA margin improved to 15.9% (12.7%). Operating profit was EUR 426 million, or 14.7% of sales (EUR 127 million and 5.1%), including negative adjustments of EUR 2 million (EUR 153 million negative, largely related to the wind-down of the business in Russia). Profit before taxes was EUR 395 million (EUR 95 million). The effective tax rate was 25% (28%). Earnings per share for continuing operations were EUR 0.35 (EUR 0.08).

Cash flow from operations was EUR 173 million (EUR 89 million), supported by improved profitability.

Impacts of currencies and structural changes

	Orders received		Sales	
EUR million, %	Q2	Q1–Q2	Q2	Q1–Q2
2022	**1,610**	**3,034**	**1,295**	**2,459**
Organic growth in constant currencies, %	-11	-1	17	20
Impact of changes in exchange rates, %	-3	-3	-3	-3
Structural changes, %	0	0	0	1
Total change, %	**-13**	**-3**	**15**	**18**
2023	**1,398**	**2,931**	**1,483**	**2,901**

The Group’s financial position

At the end of June, the Group’s net interest-bearing liabilities were EUR 840 million (Dec 31, 2022: EUR 684 million), resulting in a gearing of 35.5% (Dec 31, 2022: 29.1%) and a debt-to-capital ratio of 31.7% (Dec 31, 2022: 33.3%). The equity-to-assets ratio was 38.6% (Dec 31, 2022: 39.2%).

The Group's liquidity position remained strong. Liquid funds, consisting of cash and cash equivalents, amounted to EUR 365 million (Dec 31, 2022: EUR 601 million), following the payment of the first dividend installment of EUR 124 million in May. There were no deposits or securities with a maturity of more than three months (Dec 31, 2022: EUR 0 million).

Metso has a committed syndicated revolving credit facility of EUR 600 million with a maturity in 2026. The facility includes sustainability performance targets impacting the cost of borrowing. At the end of the quarter, the facility was undrawn. The company also has a EUR 600 million Finnish commercial paper program, of which EUR 45 million was utilized at the end of June. In addition, the company has a Euro Medium Term Note Program (EMTN) of EUR 2 billion, under which EUR 762 million at carrying value was outstanding at the end of June (Dec 31, 2022: EUR 758 million).

The average interest rate of total loans and derivatives was 3.87% on June 30, 2023. The duration of medium- and long-term interest-bearing debt was 1.8 years and the average maturity 3.5 years.

At the end of June, Metso had a ‘BBB’ long-term issuer credit rating with stable outlook from S&P Global Ratings and a ‘Baa2’ long-term issuer rating with stable outlook from Moody’s Investor Service.

Segment review

Aggregates

- **Order intake remained soft in Europe**
- **Healthy sales growth, thanks to backlog**
- **Strong adj. EBITA margin of 17.0%**

	Orders received		Sales	
EUR million, %	Q2	Q1–Q2	Q2	Q1–Q2
2022	**363**	**765**	**368**	**697**
Organic growth in constant currencies, %	-7	-7	7	7
Impact of changes in exchange rates, %	-3	-2	-3	-2
Structural changes, %	1	2	1	3
Total change, %	**-9**	**-7**	**5**	**8**
2023	**330**	**709**	**386**	**749**

Second quarter

- Activity in the North American market was stable, while the European market was soft, especially in Northern Europe. The rest of the world saw activity picking up.
- As a result of lower demand for new equipment and lower utilization of the existing fleet in Europe, equipment orders were -8% and services orders -11% year-on-year.
- Sales growth of 5% year-on-year was supported by the strong order backlog. Equipment sales grew 15%, while services sales declined -14%.
- Adjusted EBITA increased to EUR 66 million (EUR 48 million), resulting in an adjusted EBITA margin of 17.0% (13.1%). The improved profitability was driven by gross margin and strong execution.

January–June in brief

- Orders received decreased -7% to EUR 709 million.
- Sales grew 8%, due to successful execution of the backlog.
- Driven by volume growth and strong overall operational performance, adjusted EBITA improved to EUR 131 million (EUR 94 million), corresponding to a margin of 17.5% (13.5%).

Key figures

EUR million	**Q2/2023**	Q2/2022	Change %	**Q1–Q2/2023**	Q1–Q2/2022	Change %	2022
Orders received	330	363	-9	709	765	-7	1,481
Orders received by services business	109	122	-11	227	247	-8	469
% of orders received	33	34	–	32	32	–	32
Order backlog				486	613	-21	561
Sales	386	368	5	749	697	8	1,446
Sales by services business	109	127	-14	224	240	-7	477
% of sales	28	35	–	30	35	–	33
Adjusted EBITA	66	48	36	131	94	40	213
% of sales	17.0	13.1	–	17.5	13.5	–	14.8
Operating profit	62	45	39	124	89	39	195
% of sales	16.0	12.1	–	16.5	12.8	–	13.5

Segment review

Minerals

- **Healthy market activity continued**
- **Strong sales growth of 21%**
- **Record-high adj. EBITA margin of 18.1%**

	Orders received		Sales	
EUR million, %	Q2	Q1–Q2	Q2	Q1–Q2
2022	**1,176**	**2,056**	**810**	**1,541**
Organic growth in constant currencies, %	-14	3	24	27
Impact of changes in exchange rates, %	-3	-3	-4	-3
Structural changes, %	–	–	–	–
Total change, %	**-16**	**0**	**21**	**24**
2023	**983**	**2,061**	**979**	**1,914**

Second quarter

- Market activity was healthy in both the new equipment and services businesses. For new equipment, the activity was especially strong in copper and battery minerals, such as lithium. However, there was slowness in decision-making relating to new investments, largely due to permitting and other uncertainties. The demand for services is being supported by customers' high utilization rates and the need for productivity improvements and other on-site services to maximize volumes.
- Equipment order intake was -35% year-on-year, as the comparison period included several large and mid-size orders. Services orders were at the same level year-on-year, with growth in spare parts and consumables and fewer orders for upgrades and modernizations, due to timing.
- Efficient deliveries from the backlog supported sales growth of 21% to EUR 979 million (EUR 810 million). Services sales grew 29% and equipment sales increased 9%. Share of services increased to 63% (59%).
- Adjusted EBITA was EUR 178 million (EUR 103 million) and the adjusted EBITA margin improved to 18.1% (12.7%). The stronger profitability was driven by increased deliveries and higher gross margin, thanks to successful price and cost management, higher share of services and solid execution.

January–June in brief

- Orders received were flat year-on-year at EUR 2,061 million, without any large orders.
- Sales increased 24% to EUR 1,914 million.
- Adjusted EBITA was EUR 340 million and the adjusted EBITA margin was 17.8% (EUR 211 million and 13.7%), supported by volumes, successful price and cost management and solid execution.

Key figures

EUR million	**Q2/2023**	Q2/2022	Change %	**Q1–Q2/2023**	Q1–Q2/2022	Change %	2022
Orders received	983	1,176	-16	2,061	2,056	0	3,993
Orders received by services business	614	612	0	1,339	1,173	14	2,303
% of orders received	62	52	–	65	57	–	58
Order backlog				2,693	2,518	7	2,589
Sales	979	810	21	1,914	1,541	24	3,359
Sales by services business	614	476	29	1,180	901	31	2,030
% of sales	63	59	–	62	58	–	60
Adjusted EBITA	178	103	72	340	211	62	502
% of sales	18.1	12.7	–	17.8	13.7	–	15.0
Operating profit	162	93	75	312	187	66	372
% of sales	16.6	11.5	–	16.3	12.2	–	11.1

Segment review

Metals

- **Healthy market activity**
- **Deliveries from backlog increased**
- **Profitability at a good level**

	Orders received		Sales	
EUR million, %	Q2	Q1–Q2	Q2	Q1–Q2
2022	**71**	**212**	**117**	**221**
Organic growth in constant currencies, %	25	-22	2	9
Impact of changes in exchange rates, %	-5	-2	-2	-1
Structural changes, %	–	–	–	–
Total change, %	**20**	**-24**	**1**	**8**
2023	**85**	**162**	**118**	**238**

Second quarter

- Customer activity was healthy; without large orders the quarterly orders received amounted to EUR 85 million (EUR 71 million).
- Sales were at a similar level as in the comparison period at EUR 118 million (EUR 117 million).
- Strong execution supported the adjusted EBITA of EUR 14 million (EUR 11 million) and the adjusted EBITA margin of 12.2% (9.3%).

January–June in brief

- The decline in orders received of -24% to EUR 162 million (EUR 212 million) was due to fewer large orders compared to a year ago.
- Increased deliveries from the backlog supported the sales growth of 8% year-on-year.
- Volume growth and solid execution drove the increase of adjusted EBITA to EUR 25 million (EUR 20 million), which corresponds to a margin of 10.6% (9.3%).

Key figures

EUR million	**Q2/2023**	Q2/2022	Change %	**Q1–Q2/2023**	Q1–Q2/2022	Change %	2022
Orders received	85	71	20	162	212	-24	551
Orders received by services business	27	19	43	42	44	-5	88
% of orders received	32	26	–	26	21	–	16
Order backlog				585	624	-6	674
Sales	118	117	1	238	221	8	489
Sales by services business	14	13	2	28	25	8	67
% of sales	12	12	–	12	12	–	14
Adjusted EBITA	14	11	32	25	20	23	52
% of sales	12.2	9.3	–	10.6	9.3	–	10.7
Operating profit	13	10	33	23	18	27	49
% of sales	11.2	8.5	–	9.7	8.2	–	10.0

Sustainability

- **Strong development of Planet Positive sales**
- **Multiple investments and partnerships for sustainable development**
- **Positive trend continued in employee engagement and inclusion**

Sustainability KPI (%)	Target	H1/2023*	2022
Lost time injury frequency rate (LTIFR)	Zero harm	1.1	1.1
Total recordable injury frequency rate (TRIFR)	Zero harm	2.8	2.8
Employee Net Promoter Score (eNPS)	In top 10% industry benchmark	top 10%	top 10%
Inclusion score	In top 10% industry benchmark	top 10%	top 25%
Planet Positive sales (EUR million)	To grow faster than overall Group sales	1,490	1,338
Reduction of CO_2 emissions: own operations**	Net zero by 2030	-66%	-60%
Reduction of CO_2 emissions: logistics***	-20% by 2025	-3%	-12%
Spend with suppliers having set Science Based Targets	30% by 2025	21%	20%

*Planet Positive sales and logistics emissions are rolling 12 months as of end of May 2023. CO2 emissions for own operations are rolling 12 months as of end of June 2023 with approx. 10% estimated based on previous months' actual data. **Scope 1 and 2, baseline 2019. ***Baseline 2019.

Health and safety. Implementation of the fatality prevention program proceeded with establishing monthly Life-Saving Rules communications packages. Several campaigns integrating these rules, with a special focus on sites with safety challenges, continued. Further and detailed investigations into the root causes of lost-time incidents were carried out to improve safety performance in the short and long term.

People and culture. The results of the engagement survey conducted in June continued to reflect the first quarter positive trend for the employee Net Promoter Score (eNPS) and inclusion placing Metso in the top 10% of the industry benchmark for both KPIs. Initiatives to drive diversity and inclusion continued as planned and included the launch of the Conscious Inclusion eLearning, Metso Women's Leadership Forum, as well as Digital Inclusion Quick Guide and accessibility training. Training to support the Inclusive Talent Acquisition initiative, one of the main initiatives for inclusion in 2023, was also launched.

Planet Positive. Planet Positive sales grew 43% year-on-year to EUR 1,490 million (EUR 1,043 million). Planet Positive orders were generally small and medium-sized and included pressure filtration units to an iron ore concentrator plant expansion in Algeria, grinding plant equipment for brownfield copper production in the US and a large minerals processing equipment package to a Zambian copper mine expansion, an additional order to an order originally announced in 2022. Metso launched an advanced battery black mass recycling process covering concentration and hydrometallurgical processing as well as related services, bringing the battery minerals offering, including lithium, nickel and cobalt value chains, to 90% of the end-to-end production process. RotarEkiln™, an electrically powered, indirectly heated rotary kiln that provides an alternative to fuel-powered indirectly heated rotary kilns, was also launched.

Footprint. Solar panel projects were completed in four locations during the quarter and renewable energy generation from solar panels grew by 4% year-on-year. Compared to 2020, the solar panel capacity has increased six-fold. During baseline year 2019. Metso locations had no solar panels for energy generation. In addition, there were other energy and CO2 savings projects completed; in total, close to 20 projects have been executed year-to-date. Supplier engagement continued with more than 80 new suppliers committing to SBTs during H1.

Investments. Metso announced several investments that support sustainable development and the Planet Positive portfolio sales growth:

- Doubling production capacity of the energy and water-efficient Planet Positive UFS Series™ and BSE Series™ banana screens in Sorocaba, Brazil
- Service center expansions in Antofagasta, Chile, and Arequipa, Peru. After the expansions, the centers will be able to repair and refurbish large high-pressure grinding rolls (HRC, HPGR), and Vertimill® grinding mills for mining customers as well as service beneficiation and de-watering process equipment.
- New machining unit in the Filtration Technology Center in Lappeenranta, Finland, designed for fast machining of Planet Positive filter plate pack frames.

Partnerships. Metso was chosen as the technology supplier for a definitive feasibility study of a precursor cathode active material processing plant in Vietnam using selected nickel processing and battery metals Planet Positive technologies. Metso signed a contract for large-volume pilot-scale processing of rare earth ore with Torngat's Strange Lake Rare Earth project in Canada. This project is a critical driver for the electrification value chain, specifically the manufacturing of permanent magnets for electric motors, wind turbines and other low-carbon technologies.

Capital expenditure and investments

Gross capital expenditure, excluding right-of-use assets, was EUR 72 million in January–June 2023 (EUR 44 million). This consisted of various small investments at manufacturing sites as well as new service centers.

Research and development

Research and development (R&D) expenses and investments were EUR 42 million, or 1.5% of sales, in January–June 2023 (EUR 32 million, or 1.3% of sales).

Personnel

Metso had 16,836 (15,992) employees at the end of June 2023.

Personnel by area on June 30, 2023

	Share, %
Europe	33
North and Central America	14
South America	28
Asia Pacific and Greater China	12
Africa, Middle East and India	13
Total	100

Shares and share trading

Metso has a total of 828,972,440 shares and its share capital is EUR 107,186,442.52. On March 15, a total of 692,256 treasury shares were conveyed to the participants of the company's long-term incentive plans. Treasury shares totalled 2,644,249 at the end of June.

Share performance on Nasdaq Helsinki

EUR	January 1–June 30, 2023
Closing price	11.05
Highest share price	11.25
Lowest share price	8.99
Volume-weighted average trading price	10.24

Annual General Meeting 2023

The Annual General Meeting (AGM) was held on May 3, 2023, in Helsinki.

The AGM resolved to change the company's business name to “Metso” by amending Article 1 of the Articles of Association in accordance with the proposal of the Board of Directors.

The AGM adopted the financial statements and discharged the members of the Board of Directors and the President & CEO from liability for the financial year 2022 and adopted the company's remuneration report for governing bodies through an advisory resolution.

The AGM resolved to approve the Board of Directors' proposal to pay a dividend of EUR 0.30 per share in two EUR 0.15 installments for the financial year 2022. The first installment was paid on May 12, 2023, and the second is planned for November 6, 2023.

The AGM decided to elect nine members to the Board of Directors. Kari Stadigh was re-elected as Chair, Klaus Cawén as Vice Chair, and Brian Beamish, Terhi Koipijärvi, Ian W. Pearce, Emanuela Speranza and Arja Talma as members of the Board. Niko Pakalén and Reima Rytsölä were elected as new Board members. The Board's term of office will end at the closing of the Annual General Meeting 2024.

Authorized public accounting firm Ernst & Young Oy was re-elected as Auditor for a term ending at the closing of the Annual General Meeting 2024. Ernst & Young Oy appointed Mikko Järventausta, APA, as the principally responsible auditor. The remuneration to the Auditor was decided to be paid against the Auditor's reasonable invoice approved by the company.

The Annual General Meeting resolved to amend Article 10 of the Articles of Association to enable holding a general meeting entirely without a meeting venue as a so-called remote meeting in addition to the Company's domicile (Helsinki), Espoo or Vantaa. The AGM also approved proposals regarding the remuneration of the Board of Directors as well as authorizations to repurchase the company's own shares and to issue shares and special rights entitling to shares. More information on the AGM can be found on metso.com.

Other main events between January 1 and June 30, 2023

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

On February 9, 2023, Metso Outotec announced that it is in legal proceedings with MW High Tech Projects UK Limited in connection with three waste-to-energy plants in the United Kingdom.

Full and final settlement agreement on ilmenite furnace project

On March 8, 2023, Metso Outotec and Advanced Metal Industries Cluster Company Limited (AMIC), a subsidiary of Tasnee, signed a full and final settlement agreement in relation to the original engineering, procurement and construction (EPC) contract, signed in May 2012, on the ilmenite furnace project in Saudi Arabia.

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

On March 15, 2023, a total of 692,256 of Metso Outotec Corporation's treasury shares were conveyed without consideration to 131 key persons and executives from the Performance Share Plan 2020–2022 and Deferred Share Plan 2020–2022. The Board of Directors had decided on the conveyance on February 17, and the directed share issue was based on an authorization given by the Annual General Meeting 2022.

Annual Report for 2022

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

Strategic review of the Metals businesses

On March 29, 2023, Metso Outotec completed the strategic review of its Metals businesses. As a conclusion, the company decided to initiate the divestment of two of its three Metals businesses: Metals & Chemical Processing and Ferrous & Heat Transfer. The Smelting business will remain part of Metso Outotec's portfolio.

S&P Global Ratings credit rating upgrade

On April 24, 2023, S&P Global Ratings upgraded Metso Outotec's credit rating to BBB with stable outlook.

Acquisition of Häggblom

On June 27, 2023, Metso signed an agreement to acquire Ab A. Häggblom Oy, a privately owned Finnish engineering and manufacturing company. The acquisition is estimated to be finalized in August 2023. The parties have agreed not to disclose the transaction value, which has no material impact on Metso's financials.

Russia business update

Metso condemns Russia’s military offensive against Ukraine and is deeply saddened by the humanitarian crisis it has caused. Since the start of the offensive, Metso has not taken any new orders for deliveries to Russia and has fully complied with all applicable sanctions against Russia. The company concluded its wind-down of the orders taken before the start of the war during the first quarter of 2023. To cover the costs of the wind-down process, the company booked a non-recurring charge of EUR 150 million in the second quarter of 2022, of which EUR 63 million was unused at the end of June.

Short-term business risks and market uncertainties

The uncertainty in the global markets may affect Metso's market environment. Inflation continues at a relatively high level. The tightening of monetary policy by central banks to tackle the inflation risks is having a negative impact on global economic growth. Whilst higher prices for minerals and metals typically have a positive impact on demand for Metso's products and services, uncertainty in the global economic outlook is challenging both for customers and suppliers. Higher financing costs risk having a negative impact on customers' capex decision-making. There are also other market and customer-related risks that could cause on-going projects to be postponed, delayed, discontinued or terminated.

Global supply chains continue to face uncertainty, challenged by inflation and the availability of materials and components. These challenges may be further exacerbated and affect the company’s ability to deliver on time and/or on budget. The financial position of suppliers may be at risk and could also lead to challenges with on-time deliveries. If suppliers are unable to deliver and the company is unable to find alternative sources in the time required, it may lead to contractual penalties and/or obligations.

Uncertain market conditions could adversely affect our customers’ payment behavior and increase the risk of lawsuits, claims and disputes taken against Metso in various countries related to, among other things, Metso’s products, projects and other operations.

Even though currency exposure of firm delivery and purchase agreements is hedged, exchange rate fluctuations may impact the company's financial position.

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

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

In discontinued operations, the company has a risk related to the UK waste-to-energy projects from 2015, where, in addition to delayed delivery and non-performance claims, the customer is claiming fraudulent misrepresentation and deliberate breach in its claims and lawsuits. Metso has assessed that it can protect itself against these claims and lawsuits. Even though provisions have been made against these risks, the possibility of additional liabilities materializing cannot be excluded.

Disputes related to delivery execution and resulting in extra costs and/or penalties are a risk for Metso. In contracts related to the delivery of major projects, the liquidated damages attributable to, for instance, delayed delivery or non-performance may be significant. Even though provisions are provided for, in accordance with accounting principles, the possibility of additional liabilities materializing cannot be excluded.

Metso is involved in some disputes which may lead to or are in litigation and arbitration. Differing interpretations of international contracts and laws may cause uncertainties in estimating the outcome of these disputes. The enforceability of contracts in certain market areas may be challenging or difficult to foresee.

Market outlook

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

Metso expects the market activity to remain at the current level in Minerals and to slightly decline in Aggregates.

In its previously published outlook, Metso expected the overall market activity to remain at the current level, including normal seasonality in the aggregates market.

Helsinki, July 20, 2023

Metso Corporation’s Board of Directors

Metso Half-Year Report
January 1–June 30, 2023: Tables

Contents

Consolidated statement of income, IFRS

EUR million	**4–6/2023**	4–6/2022	**1–6/2023**	1–6/2022	1–12/2022
Sales	1,483	1,295	2,901	2,459	5,295
Cost of sales	-1,006	-1,073	-1,995	-1,916	-3,909
Gross profit	477	222	906	542	1,386
Selling and marketing expenses	-121	-108	-233	-203	-445
Administrative expenses	-106	-79	-200	-153	-331
Research and development expenses	-21	-14	-39	-29	-64
Other operating income and expenses, net	2	-32	-7	-30	-41
Share of results of associated companies	0	-1	0	-1	-1
Operating profit	230	-13	426	127	504
Finance income	5	2	8	4	14
Foreign exchange gains/losses	-1	0	8	-11	-14
Finance expenses	-23	-14	-47	-24	-63
Finance income and expenses, net	-20	-11	-32	-31	-63
Profit before taxes	210	-24	395	95	441
Income taxes	-53	5	-99	-27	-112
Profit for the period from continuing operations	156	-19	296	69	329
Profit from discontinued operations	-4	-5	-10	-4	-28
Profit for the period	152	-24	286	64	301
Profit attributable to					
Shareholders of the Parent Company	148	-23	283	65	301
Non-controlling interests	5	-1	4	0	0
Earnings per share, EUR	0.18	-0.03	0.34	0.08	0.36
Earnings per share, diluted, EUR	0.18	-0.03	0.34	0.08	0.36
Earnings per share from continuing operations, EUR	0.18	-0.02	0.35	0.08	0.40

More information under "Key figures, IFRS".

Consolidated statement of comprehensive income, IFRS

EUR million	4–6/2023	4–6/2022	1–6/2023	1–6/2022	1–12/2022
Profit for the period	152	-24	286	64	301
Other comprehensive income					
Cash flow hedges, net of tax	-3	2	-2	1	3
Currency translation on subsidiary net investment	-5	13	-17	56	13
Items that may be reclassified to profit or loss in subsequent periods	-8	16	-19	57	17
Defined benefit plan actuarial gains and losses, net of tax	0	0	0	-1	2
Items that will not be reclassified to profit or loss	0	0	0	-1	2
Other comprehensive income	-8	16	-19	56	18
Total comprehensive income	144	-8	268	120	319
Attributable to					
Shareholders of the Parent Company	139	-8	264	121	319
Non-controlling interests	5	-1	4	0	0

Consolidated balance sheet – Assets, IFRS

EUR million	**Jun 30, 2023**	Jun 30, 2022	Dec 31, 2022
Non-current assets			
Goodwill and intangible assets			
Goodwill	1,126	1,135	1,128
Other intangible assets	821	872	844
Total goodwill and intangible assets	1,947	2,007	1,972
Property, plant and equipment			
Land and water areas	40	35	40
Buildings and structures	113	125	117
Machinery and equipment	191	186	193
Assets under construction	91	48	57
Total property, plant and equipment	435	394	407
Right-of-use assets	114	125	115
Other non-current assets			
Investments in associated companies	6	5	6
Non-current financial assets	2	2	2
Loan receivables	–	6	5
Derivative financial instruments	2	–	3
Deferred tax assets	256	260	225
Other non-current receivables	21	39	20
Total other non-current assets	288	313	262
Total non-current assets	2,784	2,838	2,756
Current assets			
Inventories	2,008	1,665	1,846
Trade receivables	859	711	799
Customer contract assets	425	386	354
Loan receivables	8	2	3
Derivative financial instruments	41	76	86
Income tax receivables	130	28	48
Other current receivables	292	256	263
Liquid funds	365	451	601
Total current assets	4,129	3,576	3,998
Assets held for sale	–	13	–
TOTAL ASSETS	6,913	6,427	6,754

Consolidated balance sheet – Equity and liabilities, IFRS

EUR million	**Jun 30, 2023**	Jun 30, 2022	Dec 31, 2022
Equity			
Share capital	107	107	107
Share premium fund	20	20	20
Cumulative translation adjustments	-168	-107	-150
Fair value and other reserves	1,124	1,139	1,122
Retained earnings	1,271	999	1,243
Equity attributable to shareholders	2,355	2,159	2,342
Non-controlling interests	11	8	7
Total equity	2,366	2,167	2,350
Liabilities			
Non-current liabilities			
Borrowings	808	711	998
Lease liabilities	86	99	87
Post-employment benefit obligations	95	126	96
Provisions	65	48	59
Derivative financial instruments	28	20	33
Deferred tax liability	236	254	193
Other non-current liabilities	2	2	2
Total non-current liabilities	1,320	1,261	1,470
Current liabilities			
Borrowings	288	236	176
Lease liabilities	31	29	31
Trade payables	764	753	787
Provisions	225	340	248
Advances received	319	281	281
Customer contract liabilities	469	423	474
Derivative financial instruments	49	115	47
Income tax liabilities	190	78	138
Other current liabilities	892	741	752
Total current liabilities	3,227	2,997	2,934
Liabilities held for sale	–	3	–
TOTAL EQUITY AND LIABILITIES	6,913	6,427	6,754

Consolidated statement of changes in shareholders' equity, IFRS

EUR million	Share capital	Share premium fund	Cumulative translation adjustments	Fair value and other reserves	Retained earnings	**Equity attributable to shareholders**	Non-controlling interests	**Total equity**
Jan 1, 2023	107	20	-150	1,122	1,243	2,342	7	2,350
Profit for the period	–	–	–	–	283	283	4	286
Other comprehensive income								
Cash flow hedges, net of tax	–	–	–	-2	–	-2	–	-2
Currency translation on subsidiary net investments	–	–	-17	–	–	-17	–	-17
Defined benefit plan actuarial gains (+) / losses (-), net of tax	–	–	–	–	0	0	–	0
Total comprehensive income	–	–	-17	-2	283	264	4	268
Dividends	–	–	–	–	-248	-248	–	-248
Share-based payments, net of tax	–	–	–	3	-7	-3	–	-3
Other items	–	–	–	–	0	0	0	-1
Jun 30, 2023	107	20	-168	1,124	1,271	2,355	11	2,366

EUR million	Share capital	Share premium fund	Cumulative translation adjustments	Fair value and other reserves	Retained earnings	**Equity attributable to shareholders**	Non-controlling interests	**Total equity**
Jan 1, 2022	107	20	-164	1,130	1,156	2,250	1	2,251
Profit for the period	–	–	–	–	65	65	0	64
Other comprehensive income								
Cash flow hedges, net of tax	–	–	–	1	–	1	–	1
Currency translation on subsidiary net investments	–	–	56	–	–	56	–	56
Defined benefit plan actuarial gains (+) / losses (-), net of tax	–	–	–	–	-1	-1	–	-1
Total comprehensive income	–	–	56	1	64	121	0	120
Dividends	–	–	–	–	-199	-199	–	-199
Share-based payments, net of tax	–	–	–	8	-3	5	–	5
Other items	–	–	–	0	-10	-10	–	-10
Changes in non-controlling interests	–	–	–	–	-9	-9	8	-1
Jun 30, 2022	107	20	-107	1,139	999	2,159	8	2,167

Condensed consolidated statement of cash flow, IFRS

EUR million	**4–6/2023**	4–6/2022	**1–6/2023**	1–6/2022	1–12/2022
Operating activities					
Profit for the period	152	-24	286	64	301
Adjustments:					
Depreciation and amortization	39	39	78	77	156
Financial expenses, net	20	11	32	31	63
Income taxes	53	-5	99	26	113
Other items	15	11	22	14	65
Change in net working capital	-217	-16	-344	-124	-377
Net cash flow from operating activities before financial items and taxes	62	15	173	89	322
Financial income and expenses paid, net	-13	-9	-5	-35	-73
Income taxes paid	-51	-47	-110	-61	-121
Net cash flow from operating activities	-2	-40	58	-7	127
Investing activities					
Capital expenditures on non-current assets	-40	-19	-72	-43	-114
Proceeds from sale of non-current assets	2	4	7	7	10
Business acquisitions, net of cash acquired	–	-16	–	-16	-21
Proceeds from sale of businesses, net of cash sold	–	-7	–	-9	-9
Proceeds from sale of non-current financial assets	–	2	–	2	2
Change in loan receivables, net	-2	0	-3	0	1
Net cash flow from investing activities	-41	-36	-67	-59	-132
Financing activities					
Dividends paid	-124	-100	-124	-100	-198
Proceeds from and repayments of non-current debt, net	–	–	0	-50	246
Proceeds from and repayment of current debt, net	9	132	-81	194	140
Repayment of lease liabilities	-9	-9	-18	-17	-35
Purchase of treasury shares	–	–	–	–	-25
Net cash flow from financing activities	-123	24	-222	27	127
Net change in liquid funds	-165	-52	-232	-39	122
Effect from changes in exchange rates	0	2	-4	16	5
Cash classified as assets held for sale	–	0	–	–	–
Liquid funds at beginning of period	531	501	601	473	473
Liquid funds at end of period	365	451	365	451	601

Key figures, IFRS

EUR million	**Jun 30, 2023**	Jun 30, 2022	Dec 31, 2022
Profit for the period from continuing operations	296	69	329
Earnings per share from continuing operations, EUR	0.35	0.08	0.40
Profit for the period	286	64	301
Earnings per share, EUR	0.34	0.08	0.36
Equity/share at end of period, EUR	2.85	2.60	2.84
Total number of shares at end of period (thousands)	828,972	828,972	828,972
Own shares held by Parent Company (thousands)	2,644	301	3,337
Number of outstanding shares at end of period (thousands)	826,328	828,672	825,636
Average number of outstanding shares (thousands)	826,103	828,473	827,414

EUR million	**Jun 30, 2023**	Jun 30, 2022	Dec 31, 2022
Net debt	840	617	684
Gearing, %	35.5%	28.5%	29.1%
Equity-to-asset ratio, %	38.6%	37.9%	39.2%
Debt to capital, %	31.7%	30.4%	33.3%
Debt to equity, %	46.3%	43.7%	50.0%
Net working capital (NWC)	874	383	596
Net debt and gearing			
Borrowings	1,096	948	1,174
Lease liabilities	117	128	118
Gross debt	1,214	1,076	1,293
Loan receivables	8	8	8
Liquid funds	365	451	601
Net debt	840	617	684
Gearing	35.5%	28.5%	29.1%

Formulas for key figures

Earnings before financial expenses, net, taxes, and amortization, adjusted (adjusted EBITA)	=	Operating profit + adjustment items + amortization	
Earnings per share, basic	=	$\frac{\text{Profit attributable to shareholders}}{\text{Average number of outstanding shares during the period}}$	
Earnings per share, diluted	=	$\frac{\text{Profit attributable to shareholders}}{\text{Average number of diluted shares during the period}}$	
Equity/share	=	$\frac{\text{Equity attributable to shareholders}}{\text{Number of outstanding shares at the end of the period}}$	
Gearing, %	=	$\frac{\text{Net interest-bearing liabilities}}{\text{Total equity}}$	x 100
Debt to capital, %	=	$\frac{\text{Interest-bearing liabilities - lease liabilities}}{\text{Total equity + interest-bearing liabilities – lease liabilities}}$	x 100
Debt to equity, %	=	$\frac{\text{Interest-bearing liabilities - lease liabilities}}{\text{Total equity}}$	x 100
Equity-to-asset ratio, %		$\frac{\text{Total equity}}{\text{Balance sheet total - advances received}}$	x 100
Interest-bearing liabilities (Gross debt)	=	Interest-bearing liabilities, non-current and current + lease liabilities, non-current and current	
Net interest-bearing liabilities (Net debt)	=	Interest-bearing liabilities - non-current financial assets - loan and other interest-bearing receivables (current and non-current) - liquid funds	
Net working capital (NWC)	=	Inventories + trade receivables + other non-interest-bearing receivables + customer contract assets and liabilities, net - trade payables - advances received - other non-interest-bearing liabilities	

Alternative Performance Measures

Metso presents certain key figures (alternative performance measures) as additional information to the financial measures presented in the consolidated statements of comprehensive income and the consolidated balance sheet and cash flows prepared in accordance with IFRS. In Metso's view, alternative performance measures provide meaningful supplemental information on its operational results, financial position and cash flows and are widely used by analysts, investors and other parties.

To improve the comparability between periods, Metso presents adjusted EBITA, being earnings before interest, tax, and amortization adjusted by capacity adjustment costs, acquisition costs, gains, and losses on business disposals as well as Metso transaction and integration costs. Their nature and net effect on cost of goods sold, selling, general and administrative expenses, as well as other income and expenses are presented in the segment information. Net debt, gearing, equity-to-asset ratio, debt-to-capital ratio, and debt-to-equity ratio are presented as complementing measures because, in Metso's view, they are useful measures of Metso's ability to obtain financing and to service its debts. Net working capital provides additional information concerning the cash flow needs of Metso's operations.

Alternative performance measures should not be viewed in isolation or as a substitute to the IFRS financial measures. All companies do not calculate alternative performance measures in a uniform manner, and therefore Metso's alternative performance measures may not be comparable with similarly named measures presented by other companies.

Notes to the Half-Year Report

Contents

1. Basis of preparation

This Half-Year Report has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’, applying the accounting policies of Metso, which are consistent with the accounting policies of Metso Outotec Financial Statements 2022. New accounting standards have been adopted, as described in note 2. This Half-Year Report is unaudited.

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

On May 3, 2023, the Annual General Meeting resolved to change the company's business name to “Metso” by amending Article 1 of the Articles of Association in accordance with the proposal of the Board of Directors.

The balance sheet classification of the Waste-to-energy business was changed in 2022, and the assets and liabilities directly attributable to it have been classified as part of continuing operations. Due to the change in classification, depreciation of fixed assets and right-of-use assets continues, and the cumulative effect of depreciation has been recorded in the balance sheet of continuing operations through the income statement. All the income statement items related to the Waste-to-energy business continue to be adjusted to show the discontinued operations separately from continuing operations.

On October 28, 2020, Metso Outotec announced its decision to divest the Recycling business, and it was classified as discontinued operations. Completion of the Metal Recycling business divestment was announced on June 2, 2022.

Reporting segments

Metso Group is a global supplier of sustainable technologies, end-to-end solutions, and services for the minerals processing, aggregates and metals refining industries. Metso has a broad offering in terms of equipment, solutions and various types of aftermarket services. Reportable segments of Metso are based on end-customer groups, which are differentiated both by offering and business model: Aggregates, Minerals, and Metals.

The segments are reported in a manner consistent with the internal reporting provided to the Board of Directors, Metso’s chief operating decision-maker with responsibility for allocating resources and assessing the performance of the segments, deciding on strategy, selecting key employees, as well as deciding on major development projects, business acquisitions, investments, organizational structure, and financing. The accounting principles applied to the segment reporting are the same as those used in preparing the consolidated financial statements.

Aggregates offers a wide range of equipment, aftermarket parts, and services for quarries, aggregates contractors and construction companies. Minerals supplies a wide portfolio of process solutions, equipment, and aftermarket services, as well as plant delivery capability for mining operations. Metals provides sustainable solutions for processing virtually all types of ores and concentrates into refined metals. The Group Head Office and other is comprised of the Parent Company with centralized Group functions, such as treasury, tax, legal and compliance, as well as global business service centers and holding companies.

Segment performance is measured with operating profit/loss (EBIT). In addition, Metso uses alternative performance measures to reflect the underlying business performance and to improve comparability between financial periods: earnings before interest, tax, and amortization (EBITA), and adjusted net working capital. Alternative performance measures, however, should not be considered as a substitute for measures of performance in accordance with the IFRS.

2. New accounting standards

Metso has applied the revised IFRS Standards that have been effective since January 1, 2023. These amendments have not had a material impact on the reported figures.

3. Disaggregation of sales

SALES BY SEGMENT

EUR million	4–6/2023	4–6/2022	1–6/2023	1–6/2022	1–12/2022
Aggregates	386	368	749	697	1,446
Minerals	979	810	1,914	1,541	3,359
Metals	118	117	238	221	489
Sales	1,483	1,295	2,901	2,459	5,295

SALES BY SEGMENT

EUR million	4–6/2023	4–6/2022	1–6/2023	1–6/2022	1–12/2022
Sales of services	738	616	1,431	1,167	2,574
Aggregates	109	127	224	240	477
Minerals	614	476	1,180	901	2,030
Metals	14	13	28	25	67
Sales of projects, equipment and goods	746	679	1,470	1,292	2,721
Aggregates	276	241	526	456	970
Minerals	365	335	734	640	1,329
Metals	104	103	210	195	422
Sales	1,483	1,295	2,901	2,459	5,295

EXTERNAL SALES BY TIMING OF REVENUE RECOGNITION

EUR million	4–6/2023	4–6/2022	1–6/2023	1–6/2022	1–12/2022
At a point in time	1,161	953	2,209	1,756	3,740
Over time	322	341	692	703	1,554
Sales	1,483	1,295	2,901	2,459	5,295

EXTERNAL SALES BY DESTINATION

EUR million	4–6/2023	4–6/2022	1–6/2023	1–6/2022	1–12/2022
Europe	297	293	607	612	1,194
North and Central America	363	302	717	539	1,211
South America	293	217	564	402	915
APAC	308	299	597	539	1,185
Africa, Middle East and India	222	184	416	366	790
Sales	1,483	1,295	2,901	2,459	5,295

4. Financial risk management

As a global company, Metso is exposed to a variety of business and financial risks. Financial risks are managed centrally by Group Treasury under annually reviewed written policies approved by the Board of Directors. Treasury operations are monitored by the Treasury Management Team chaired by the CFO. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the operating units. Group Treasury functions as counterparty to the operating units, centrally manages external funding, and is responsible for the management of financial assets and appropriate hedging measures. The objective of financial risk management is to minimize potential adverse effects on Metso's financial performance.

Liquidity and refinancing risk, capital structure management

Liquidity or refinancing risk arises when a company is not able to arrange funding on terms and conditions corresponding to its creditworthiness. Sufficient cash, short-term investments, and committed and uncommitted credit facilities are maintained to protect short-term liquidity. Diversification of funding among different markets and an adequate number of financial institutions is used to safeguard liquidity. Group Treasury monitors bank account structures, cash balances and forecasts of the operating units, and manages the utilization of the consolidated cash resources.

The liquidity position of Metso remained strong. As of June 30, 2023, liquid funds, consisting of cash and cash equivalents, amounted to EUR 365 million (EUR 601 million on December 31, 2022) following the payment of the first dividend installment of EUR 124 million in May. There were no deposits or securities with a maturity of more than three months (EUR 0 million on December 31, 2022).

In addition, Metso has a committed syndicated revolving credit facility of EUR 600 million with a maturity in 2026. The facility includes sustainability performance targets impacting the cost of borrowing. At the end of June, the facility was undrawn. The company also has a EUR 600 million Finnish commercial paper program, from which EUR 45 million was utilized at the end of June.

Metso has a Euro Medium Term Note Program (EMTN) of EUR 2 billion, under which EUR 762 million at carrying value was outstanding at the end of June (EUR 758 million on December 31, 2022). On June 30, 2023, the average interest rate of total loans and derivatives was 3.87%. The duration of medium- and long-term interest-bearing debt was 1.8 years and the average maturity 3.5 years.

Capital structure management in Metso comprises both equity and interest-bearing debt. As of June 30, 2023, the equity attributable to shareholders was EUR 2,355 million (EUR 2,342 million on December 31, 2022), and the amount of interest-bearing debt, excluding lease liabilities, was EUR 1,096 million (EUR 1,174 million on December 31, 2022).

One of Metso's key financial targets is to maintain an investment-grade credit rating. Metso has a 'BBB' long-term issuer credit rating with stable outlook from S&P Global Ratings and a 'Baa2' long-term issuer rating with stable outlook from Moody's Investor Service.

There are no prepayment covenants in Metso's financial contracts that would be triggered by changes in the credit rating. Covenants included in some financing agreements would only become valid if Metso's credit rating was below Investment Grade, and the covenants would be related to Metso's capital structure. Metso is in compliance with all covenants and other terms of its debt instruments.

5. Fair value estimation

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

Level 1 — Unadjusted quoted prices in active markets at the balance sheet date. The market prices are readily and regularly available from an exchange, dealer, broker, market information service system, pricing service or regulatory agency. The quoted market price used for financial assets is the current bid price. Level 1 financial instruments include fund investments classified as fair value through profit and loss.

Level 2 — The fair value of financial instruments in Level 2 is determined using valuation techniques. These techniques utilize observable market data readily and regularly available from an exchange, dealer, broker, market information service system, pricing service or regulatory agency. Level 2 financial instruments include:

- Over-the-counter derivatives classified as financial assets/liabilities at fair value through profit and loss or qualified for hedge accounting
- Debt securities classified as financial instruments at fair value through profit and loss
- Fixed-rate debt under fair value hedge accounting

Level 3 — A financial instrument is categorized into Level 3 if the calculation of the fair value cannot be based on observable market data. There were no such instruments on June 30, 2023, or on December 31, 2022.

The next table presents financial assets and liabilities that are measured at fair value. There have been no transfers between fair value levels during the presented period.

EUR million	Jun 30, 2023 Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
Derivatives not under hedge accounting	–	26	–
Financial assets at fair value through other comprehensive income			
Derivatives under hedge accounting	–	18	–
Total	–	44	–
Liabilities			
Financial liabilities at fair value through profit and loss			
Derivatives not under hedge accounting	–	27	–
Financial liabilities at fair value through other comprehensive income			
Derivatives under hedge accounting	–	50	–
Total	–	77	–

EUR million	Dec 31, 2022 Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
Derivatives not under hedge accounting	–	68	–
Financial assets at fair value through other comprehensive income			
Derivatives under hedge accounting	–	21	–
Total	–	88	–
Liabilities			
Financial liabilities at fair value through profit and loss			
Derivatives not under hedge accounting	–	29	–
Financial liabilities at fair value through other comprehensive income			
Derivatives under hedge accounting	–	51	–
Total	–	80	–

The carrying value of financial assets and liabilities other than those presented in this fair value level hierarchy table approximates their fair value. Fair values of other debt are calculated as net present values.

6. Notional amounts of derivative instruments

EUR million	**Jun 30, 2023**	Jun 30, 2022	Dec 31, 2022
Forward exchange rate contracts	3,690	3,022	3,540
Interest-rate swaps	425	275	425

7. Contingent liabilities and commitments

EUR million	**Jun 30, 2023**	Jun 30, 2022	Dec 31, 2022
Guarantees			
External guarantees given by Parent and Group companies	1,614	1,713	1,546
Other commitments			
Repurchase commitments	–	0	–
Other contingencies	1	1	1
Total	1,614	1,715	1,547

8. Acquisitions

There have been no acquisitions in 2023.

Metso Outotec completed the acquisition of Tesab Engineering Ltd on May 3, 2022. Tesab is a Northern Ireland-based company specializing mostly in mobile crushing equipment for aggregates applications, including quarrying, recycling, asphalt and concrete. The acquired business was consolidated into the Aggregates segment. Tesab's turnover in 2021 was approximately EUR 30 million and it employed approximately 60 people.

On September 1, 2022, Metso Outotec completed the acquisition of Global Physical Asset Management, a technology provider based in North America. The acquisition will further strengthen Metso Outotec's capabilities in digital field service inspections for grinding. The acquired business was consolidated into the Minerals segment. Global Physical Asset Management's sales in 2021 were approximately EUR 5 million and it employed approximately 20 people.

9. Business disposals

There have been no business disposals in 2023.

On June 2, 2022, Metso Outotec announced the completion of the divestment of its Metal Recycling business line to Mimir, a Swedish investment company. The sold Metal Recycling business includes the brands Lindemann and Texas Shredder. Approximately 160 employees were transferred to the new company.

10. Segment information, IFRS

ORDERS RECEIVED

EUR million	**4–6/2023**	4–6/2022	**1–6/2023**	1–6/2022	1–12/2022
Aggregates	330	363	709	765	1,481
Minerals	983	1,176	2,061	2,056	3,993
Metals	85	71	162	212	551
Metso total	1,398	1,610	2,931	3,034	6,024

ORDERS RECEIVED BY SERVICES BUSINESS

EUR million	**4–6/2023**	4–6/2022	**1–6/2023**	1–6/2022	1–12/2022
Aggregates	109	122	227	247	469
% of orders received	32.9	33.6	32.1	32.3	31.7
Minerals	614	612	1,339	1,173	2,303
% of orders received	62.5	52.0	65.0	57.0	57.7
Metals	27	19	42	44	88
% of orders received	31.5	26.5	25.8	20.8	15.9
Metso total	750	752	1,608	1,464	2,860
% of orders received	53.6	46.7	54.9	48.3	47.5

SALES

EUR million	**4–6/2023**	4–6/2022	**1–6/2023**	1–6/2022	1–12/2022
Aggregates	386	368	749	697	1,446
Minerals	979	810	1,914	1,541	3,359
Metals	118	117	238	221	489
Metso total	1,483	1,295	2,901	2,459	5,295

SALES BY SERVICES BUSINESS

EUR million	**4–6/2023**	4–6/2022	**1–6/2023**	1–6/2022	1–12/2022
Aggregates	109	127	224	240	477
% of sales	28.4	34.5	29.9	34.5	33.0
Minerals	614	476	1,180	901	2,030
% of sales	62.7	58.7	61.6	58.5	60.4
Metals	14	13	28	25	67
% of sales	11.7	11.5	11.6	11.5	13.7
Metso total	738	616	1,431	1,167	2,574
% of sales	49.7	47.6	49.3	47.5	48.6

ADJUSTED EBITA AND OPERATING PROFIT

EUR million, %	4–6/2023	4–6/2022	1–6/2023	1–6/2022	1–12/2022
Aggregates					
Adjusted EBITA	66	48	131	94	213
% of sales	17.0	13.1	17.5	13.5	14.8
Amortization of intangible assets	-4	-4	-7	-7	-16
Adjustment items	0	0	-1	3	-2
Operating profit	62	45	124	89	195
% of sales	16.0	12.1	16.5	12.8	13.5
Minerals					
Adjusted EBITA	178	103	340	211	502
% of sales	18.1	12.7	17.8	13.7	15.0
Amortization of intangible assets	-11	-11	-22	-22	-43
Adjustment items	-4	1	-7	-2	-88
Operating profit	162	93	312	187	372
% of sales	16.6	11.5	16.3	12.2	11.1
Metals					
Adjusted EBITA	14	11	25	20	52
% of sales	12.2	9.3	10.6	9.3	10.7
Amortization of intangible assets	-1	-1	-2	-2	-5
Adjustment items	–	0	–	0	1
Operating profit	13	10	23	18	49
% of sales	11.2	8.5	9.7	8.2	10.0
Group Head Office and other					
Adjusted EBITA	-11	-6	-36	-12	-37
Amortization of intangible assets	0	-1	-1	-1	-2
Adjustment items*	4	-154	5	-155	-73
Operating profit*	-8	-160	-32	-168	-112
Metso total					
Adjusted EBITA	246	155	461	312	731
% of sales	16.6	12.0	15.9	12.7	13.8
Amortization of intangible assets	-16	-16	-33	-33	-66
Adjustment items*	0	-152	-2	-153	-162
Operating profit*	230	-13	426	127	504
% of sales	15.5	-1.0	14.7	5.1	9.5

*Figures for the comparison periods include EUR 150 million non-recurring charge related to wind down of business in Russia that was recorded in Q2/2022.

ADJUSTMENT ITEMS BY CATEGORY

EUR million	4–6/2023	4–6/2022	1–6/2023	1–6/2022	1–12/2022
Capacity adjustment costs	-2	-3	-4	-5	-12
Acquisition costs	–	-1	–	2	–
Profits on disposals, net	2	2	2	0	–
Wind-down of Russian business	–	-150	–	-150	-150
Adjustment items, total	0	-152	-2	-153	-162

Quarterly segment information, IFRS

ORDERS RECEIVED

EUR million	4–6/2023	1–3/2023	10–12/2022	7–9/2022	4–6/2022
Aggregates	330	379	364	351	363
Minerals	983	1,078	1,030	907	1,176
Metals	85	77	196	143	71
Metso total	1,398	1,533	1,590	1,401	1,610

SALES

EUR million	4–6/2023	1–3/2023	10–12/2022	7–9/2022	4–6/2022
Aggregates	386	363	387	362	368
Minerals	979	934	921	896	810
Metals	118	120	125	144	117
Metso total	1,483	1,418	1,434	1,402	1,295

Adjusted EBITA

EUR million	4–6/2023	1–3/2023	10–12/2022	7–9/2022	4–6/2022
Aggregates	66	66	63	57	48
Minerals	178	163	146	146	103
Metals	14	11	15	17	11
Group Head Office and other	-11	-24	-12	-13	-6
Metso total	246	215	212	207	155

Adjusted EBITA, % OF SALES

%	4–6/2023	1–3/2023	10–12/2022	7–9/2022	4–6/2022
Aggregates	17.0	18.1	16.2	15.7	13.1
Minerals	18.1	17.4	15.8	16.3	12.7
Metals	12.2	9.1	12.1	11.7	9.3
Group Head Office and other	n/a	n/a	n/a	n/a	n/a
Metso total	16.6	15.2	14.8	14.8	12.0

AMORTIZATION OF INTANGIBLE ASSETS

EUR million	4–6/2023	1–3/2023	10–12/2022	7–9/2022	4–6/2022
Aggregates	-4	-4	-4	-4	-4
Minerals	-11	-11	-11	-11	-11
Metals	-1	-1	-1	-1	-1
Group Head Office and other	0	0	-1	-1	-1
Metso total	-16	-16	-17	-16	-16

ADJUSTMENT ITEMS

EUR million	4–6/2023	1–3/2023	10–12/2022	7–9/2022	4–6/2022
Aggregates	0	0	-5	0	0
Minerals	-4	-3	-81	-5	1
Metals	–	–	0	1	0
Group Head Office and other	4	1	76	6	-154
Metso total	0	-2	-10	2	-152

OPERATING PROFIT

EUR million	4–6/2023	1–3/2023	10–12/2022	7–9/2022	4–6/2022
Aggregates	62	62	53	53	45
Minerals	162	149	54	131	93
Metals	13	10	14	17	10
Group Head Office and other*	-8	-24	65	-8	-160
Metso total*	230	197	185	192	-13

OPERATING PROFIT, % OF SALES

%	4–6/2023	1–3/2023	10–12/2022	7–9/2022	4–6/2022
Aggregates	16.0	17.0	13.7	14.8	12.1
Minerals	16.6	16.0	5.8	14.6	11.5
Metals	11.2	8.1	11.1	11.6	8.5
Group Head Office and other	n/a	n/a	n/a	n/a	n/a
Metso total*	15.5	13.9	12.9	13.7	-1.0

ORDER BACKLOG

EUR million	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022
Aggregates	486	553	561	610	613
Minerals	2,693	2,703	2,589	2,580	2,518
Metals	585	650	675	567	624
Metso total	3,764	3,906	3,825	3,757	3,756

*Figure for the comparison period Q2/2022 includes EUR 150 million non-recurring charge related to wind down of business in Russia.

11. Exchange rates

Currency		4–6/2023	4–6/2022	1–12/2022	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
USD	(US dollar)	1.0789	1.0917	1.0563	1.0866	1.0387	1.0666
SEK	(Swedish krona)	11.3733	10.4590	10.6258	11.8055	10.7300	11.1218
GBP	(Pound sterling)	0.8752	0.8431	0.8537	0.8583	0.8582	0.8869
CAD	(Canadian dollar)	1.4591	1.3887	1.3757	1.4415	1.3425	1.4440
BRL	(Brazilian real)	5.4878	5.5824	5.4748	5.2788	5.4229	5.6386
CNY	(Chinese yuan)	7.5156	7.0636	7.0836	7.8983	6.9624	7.3582
AUD	(Australian dollar)	1.6108	1.5215	1.5189	1.6398	1.5099	1.5693

12. Events after the reporting period

On June 27, 2023, Metso signed an agreement to acquire Ab A. Häggblom Oy, a privately owned Finnish engineering and manufacturing company. The acquisition is estimated to be finalized in August 2023. The transaction has no material impact on Metso’s financials.

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

Such factors include, but are not limited to:

(1) general economic conditions, including fluctuations in exchange rates and interest levels which influence the operating environment and profitability of customers and thereby the orders received by the company and their margins,

(2) the competitive situation, especially significant technological solutions developed by competitors,

(3) the company’s own operating conditions, such as the success of production, product development and project management and their continuous development and improvement,

(4) the success of pending and future acquisitions and restructuring.

Metso's financial information in 2023

Interim Review for January–September 2023 on October 27

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

Metso

Partner for positive change