

Financial Statements Review 2008

Profitability good in 2008, estimated to be satisfactory in 2009

Highlights of 2008

- New orders worth EUR 6,384 million were received in 2008 (EUR 6,965 million in 2007), i.e. 8 percent less than in the previous year.
- At year-end, the order backlog was 6 percent lower than at the end of December 2007, amounting to EUR 4,088 million (EUR 4,341 million at December 31, 2007).
- Net sales grew 2 percent (6 percent at comparable exchange rates) on the comparison period and were EUR 6,400 million (EUR 6,250 million in 2007).
- Earnings before interest, tax and amortization (EBITA) were EUR 680.9 million, i.e. 10.6 percent of net sales (EUR 635.4 million and 10.2% in 2007).
- Operating profit (EBIT) was EUR 637.2 million, i.e. 10.0 percent of net sales (EUR 579.8 million and 9.3% in 2007).
- Earnings per share were EUR 2.75 (EUR 2.69 in 2007).
- Free cash flow was EUR 29 million (EUR 198 million in 2007).
- Return on capital employed (ROCE) before taxes was 23.2 percent (26.1% in 2007).
- The Board proposes a dividend of EUR 0.70 per share. The Board is further proposing the Annual General Meeting to authorize it to pay at its discretion an additional dividend later in the year 2009 in the amount not exceeding EUR 0.68 per share, should the Metso's financial position support the distribution of such additional dividend (in 2007, an ordinary dividend of EUR 1.65 per share and an extra dividend of EUR 1.35 was paid).

Highlights of the last quarter of 2008

- New orders worth EUR 1,040 million were received in October-December (EUR 1,771 million in Q4/07). At the same time, EUR 151 million of previously received orders were cancelled, so the net order intake for October-December was EUR 889 million.
- Net sales decreased by 3 percent on the comparison period and totaled EUR 1,839 million (EUR 1,896 million in Q4/07).
- Earnings before interest, tax and amortization (EBITA) were EUR 200.0 million, i.e. 10.9 percent of net sales (EUR 193.9 million and 10.2% in Q4/07).
- Operating profit (EBIT) was EUR 190.1 million, i.e. 10.3 percent of net sales (EUR 179.7 million and 9.5% in Q4/07).
- Earnings per share were EUR 0.79 (EUR 0.85 in Q4/07).

Jorma Eloranta, President and CEO of Metso Corporation comments year 2008: "I am satisfied with the development of our operating profit - our persistent work to improve profitability is yielding results. Our financial position continues to be satisfactory but our cash flow has a lot to improve. The dividend proposal takes into account our dividend policy as well as the uncertainty resulting from the world economy."

Eloranta says that the year 2009 will be demanding for Metso because of the market situation. This will, in turn, mean decline of net sales and operating profit. "We estimate that our 2009 net sales will, nevertheless, exceed EUR 5 billion and our profitability will be satisfactory. Furthermore, we expect our cash flow to clearly improve on 2008. We are taking actions to improve and secure competitiveness and profitability. We have already initiated measures to adjust our capacity and cost structure to an extended period of weak demand in

several product areas. Unfortunately the actions will also mean reductions in the number of employees."

Eloranta emphasizes that Metso has changed in the past few years: "We are clearly more flexible and agile than during the previous downturn. Our services business today is overall strong - last year about 35 percent of our net sales and a significantly larger proportion of our profits derived from services. We are truly global in our operations: nearly half of the orders received came from emerging markets. Energy and Environmental Technology offers significant new business potential for us. We are building Metso on a long-term on these and other strengths. We are also continuing several ongoing development programs, for example in R&D and in talent and leadership development."

As of December 1, 2008, Metso's businesses were reorganized into three reporting segments: Mining and Construction Technology, consisting of Mining and Construction business lines, Energy and Environmental Technology, consisting of Power, Automation and Recycling business lines, and Paper and Fiber Technology, consisting of Paper, Fiber and Tissue business lines. These financial statements are prepared based on the new operating structure.

Metso's key figures

EUR million	Q4/08	Q4/07	Change %	2008	2007	Change %
Net sales	1,839	1,896	-3	6,400	6,250	2
Net sales of services business	616	559	10	2,199	2,024	9
% of net sales	34	30		35	33	
Earnings before interest, tax and amortization (EBITA)	200.0	193.9	3	680.9	635.4	7
% of net sales	10.9	10.2		10.6	10.2	
Operating profit	190.1	179.7	6	637.2	579.8	10
% of net sales	10.3	9.5		10.0	9.3	
Earnings per share, EUR	0.79	0.85	-7	2.75	2.69	2
Orders received	889	1,771	-50	6,384	6,965	-8
Order backlog at end of period				4,088	4,341	-6
Free cash flow	-22	0	n/a	29	198	-85
Return on capital employed (ROCE) before taxes, %				23.2	26.1	
Equity to assets ratio at end of period, %				30.9	37.7	
Gearing at end of period, %				75.7	33.4	

Metso's last quarter 2008 review

Operating environment and demand for products in October-December

The market situation for Metso's products and services weakened substantially in the year's final quarter. Due to the un-certainty in the financial markets and the slowdown in global economic growth, customers hesitated with their investment decisions, and demand weakened for all Metso products and services. Some of our mining and construction as well as pulp and paper industry customers initiated discussions to extend the delivery schedules of projects in the order backlog or to postpone or even cancel such projects for the time being. The demand for services was also negatively affected because of lower capacity utilization rates in customer industries and while customers aim to use their existing spare and wear part inventories.

In the mining industry, investment plans were cut drastically in the fourth quarter following a rapid decline in the demand for minerals and their prices, resulting in a considerable decrease in the demand for mining industry equipment and services. In the construction industry, the slowdown of global economic growth and a reduction of available financing notably weakened the outlook and the construction industry's willingness to invest in new equipment. The rapid change in the market situation also weakened the demand for services both in the mining and construction industries.

In the power industry, the economic uncertainty and poor availability of financing weakened the demand for power plants utilizing renewable energy sources in Europe and North America. The demand for automation products was weak in the pulp and paper industry and satisfactory in the power, oil and gas industries. The demand for services business also weakened as a result of the cost saving schemes carried out by customers. The demand for metals recycling equipment weakened following the rapid decline of the demand for and the prices of scrap metal.

During the year's final quarter, the pulp and paper industry's demand for new machines and equipment deteriorated to a much lower level than it had been before, and new equipment markets are estimated to be more clearly focused on Asia and South America. The closures of customer mills in the Nordic countries and elsewhere in Europe and North America and the decreasing markets for new machines globally have reduced the demand for Metso's paper and fiber products and services. The situation escalated as a result of the global financial crisis.

Orders received in October-December

The orders received by Metso in October-December fell clearly below the comparison period's level and totaled EUR 1,040 million. At the same time, about EUR 151 million of previously received orders were cancelled, so the net value of orders received in October-December was EUR 889 million.

Many of Metso's customers hesitate to make decisions on new investments in the prevailing climate of economic uncertainty. Orders received decreased across all reporting segments. New order intake slowed down, particularly in the Paper, Fiber and Construction business lines.

The orders received by Mining and Construction Technology fell 31 percent below the last quarter in 2007 and totaled EUR 485 million (EUR 705 million). At the same time, a total of EUR 146 million previously received orders were cancelled, leaving the net value of orders received in October-December at EUR 339 million. Cancellations and project schedule postponements took place both in the mining and construction industries. In regional terms, orders received decreased considerably in South America, Eastern Europe and in Australia. The major orders received in October-December included grinding equipment to Norilsk Nickel in Russia.

Development was steadier in Energy and Environmental Technology, and orders received in the final quarter fell by 6 percent from the comparison period and totaled EUR 346 million. At the same time, a total of EUR 5 million previously received orders were cancelled, leaving the net value of orders received at EUR 341 million. Orders for automation products remained at the comparison period's level. Orders for power and recovery boilers, and metals recycling products dropped by one-third compared to last year. In geographical terms, the orders received by Energy and Environmental Technology increased most notably in Eastern Europe and fell most considerably in South America and Western Europe. Among the largest orders received during the fourth quarter were an automation system to the EnerjiSA Enerji Üretim A.S.'s combined cycle power plant in Bandirma, Turkey and multifuel-fired power boilers to Stora Enso Poland S.A.'s power plant in Poland and Kuopion Energia Oy's power plant in Finland.

Orders received by Paper and Fiber Technology in October-December fell by 70 percent from the comparison period and totaled EUR 207 million. New order intake was at a very low level across all regions. Major orders received by Paper and Fiber Technology during the final quarter included two tissue lines to HengAn International Group in China. The EUR 40 million delivery for a board machine to Lee & Man in China was cancelled from the order backlog in December. The payments received by Metso relating to the project cover expenses incurred.

Financial performance in October-December

Metso's net sales in October-December were EUR 1,839 million (EUR 1,896 million). Net sales of the services business grew 10 percent on the comparison period and accounted for 34 percent (30% in Q4/07) of Metso's fourth-quarter net sales.

Metso's fourth-quarter earnings before interest, tax and amortization (EBITA) improved on the comparison period and were EUR 200.0 million or 10.9 percent of net sales (EUR 193.9 million and 10.2% in Q4/07). Metso's operating profit increased and was EUR 190.1 million, or 10.3 percent of net sales (EUR 179.7 million and 9.5% in Q4/2007). The improvement in profitability in the fourth quarter was attributable to Paper and Fiber Technology. The profit attributable to shareholders was EUR 112 million (EUR 120 million in Q4/07) in October-December, corresponding to earnings per share (EPS) of EUR 0.79 (EUR 0.85 in Q4/07).

Metso's Financial Statements Review 2008

Operating environment and demand for products in 2008

During the year major changes took place in the market situation of Metso's products and services. The demand was good in the early year and weakened considerably from the end of September onwards.

Demand for Mining and Construction Technology products was excellent until September, when customers in both mining and construction industries began scaling back their investments. The drop in base metal prices that started in the summer led to cuts in mine production and even to shutdowns of mines. In the construction industry, the slowdown of global economic growth and poor availability of financing reduced new investments. As a result, demand for mining and construction products and services deteriorated quickly and some customers cancelled orders or postponed project delivery schedules. On the annual level, demand grew in the services business, particularly in the Mining business line. Geographically, the demand for Metso's Mining and Construction Technology's products increased substantially in Asia-Pacific but decreased in the United States and in Northern Europe.

The demand for Energy and Environmental Technology's products and services in 2008 was satisfactory. In particular, the demand for services increased substantially during the year. Demand for power plants utilizing renewable energy sources was satisfactory. The demand for metals recycling equipment decreased, as the prices and demand for scrap metal declined. In geographical terms, the demand for Energy and Environmental Technology's products remained satisfactory, apart from Western Europe where the demand declined notably.

The demand for Paper and Fiber Technology products and services was satisfactory from the beginning of the year until September, when demand started to decline and the downward trend intensified towards the year's end. The demand for

paper, board and fiber diminished globally, and there was overcapacity on the markets. Decision-making schedules for new investments were extended and several projects having reached execution phase were cancelled or postponed. The demand for tissue lines remained fairly even throughout the year. The demand for services slowed down towards the end of the year as a result of shutdowns of a number of customer mills and the cost savings programs carried out by customers.

Orders received and order backlog

Orders received by Metso in 2008 totaled EUR 6,384 million, down 8 percent on the comparison period. Calculated at comparable exchange rates, the value of orders received decreased by 5 percent. Orders received were close to the previous year's level in Mining and Construction Technology, and at a lower level in Energy and Environmental Technology and Paper and Fiber Technology due to the weak fourth quarter.

The three countries generating the largest total value of orders received were the United States, Brazil and China. When combined, these countries accounted for 33 percent of all orders received. Order intake increased in South America and was on a par with the comparison period in North America and Eastern Europe. The Western European market experienced the most abrupt slowdown during the year. Emerging markets made up 48 percent (43%) of the orders received. At the end of December, Metso's order backlog was EUR 4,088 million, 6 percent lower than at the end of 2007. Some customers have initiated discussions with Metso about either extending delivery times or putting projects on hold. Timing of slightly over 20 percent of the order backlog can be considered uncertain. These uncertain orders include the large pulp mill projects for Zhanjiang Chenming in China and Aracruz in Brazil.

Orders received by reporting segments

	2008		2007	
	EUR million	% of orders received	EUR million	% of orders received
Mining and Construction Technology	2,709	42	2,776	39
Energy and Environmental Technology	1,658	26	1,884	27
Paper and Fiber Technology	2,021	31	2,293	33
Valmet Automotive	65	1	85	1
Intra-Metso orders received	-69		-73	
Total	6,384	100	6,965	100

Orders received by market area

	2008		2007	
	EUR million	% of orders received	EUR million	% of orders received
Europe	2,375	38	3,135	44
North America	1,070	17	1,033	15
South and Central America	1,056	16	818	12
Asia-Pacific	1,476	23	1,514	22
Rest of the world	407	6	465	7
Total	6,384	100	6,965	100

Net sales

Metso's net sales in 2008 were at the previous year's level, totaling EUR 6,400 million. At comparable exchange rates, net sales growth would have been approximately 6 percent. At comparable exchange rates, the net sales of Mining and Construction Technology and Energy and Environmental Technology grew by 16 and 18 percent respectively, while Paper and Fiber Technology's net sales decreased by 12 percent. The net sales of the services business grew by 9 percent (about

13 percent at comparable exchange rates), accounting for 35 percent of Metso's net sales (33% in 2007). The growth of the services business was strongest in Energy and Environmental Technology, where the growth was 20 percent at comparable exchange rates.

Measured by net sales, the three largest countries in 2008 were the United States, China and Finland, which together accounted for about 29 percent of total net sales.

Net sales by reporting segments

	2008		2007	
	EUR million	% of net sales	EUR million	% of net sales
Mining and Construction Technology	2,586	40	2,330	37
Energy and Environmental Technology	1,775	27	1,543	25
Paper and Fiber Technology	2,044	32	2,364	37
Valmet Automotive	65	1	85	1
Intra-Metso net sales	-70		-72	
Total	6,400	100	6,250	100

Net sales by market area

	2008		2007	
	EUR million	% of net sales	EUR million	% of net sales
Europe	2,680	41	2,551	40
North America	1,015	16	1,049	17
South and Central America	770	12	859	14
Asia-Pacific	1,516	24	1,488	24
Rest of the world	419	7	303	5
Total	6,400	100	6,250	100

Financial result

Metso's earnings before interest, tax and amortization (EBITA) for 2008 improved by 7 percent and were EUR 680.9 million, or 10.6 percent of net sales (EUR 635.4 million and 10.2% in 2007). The increase of EBITA measured in euros was mainly attributable to Mining and Construction Technology. Improvement in the EBITA margin was primarily due to Paper and Fiber Technology.

Metso's operating profit for 2008 was EUR 637.2 million, or 10.0 percent of net sales (EUR 579.8 million and 9.3% in 2007).

Metso's net financial expenses for 2008 were EUR 89 million (EUR 33 million in 2007). Interest-bearing liabilities have increased substantially through the significant growth in net working capital over the year, the high level of investments and the pay-out of an extra dividend. The increased debt level, the relatively large share of floating interest rate debt and the general rise in interest rates have resulted in an increase in interest expenses of almost EUR 25 million from the comparison period. Another reason for the increase in net financial expenses was foreign exchange losses of EUR 24 million (in 2007, EUR 7 million gains). These gains and losses derive mainly from USD-denominated export credit financing of a Brazilian subsidiary. On the other hand, related gains and losses arising from customer deliveries are, once recognized, reported in operating profit.

Metso's profit before taxes was EUR 548 million (EUR 547 million in 2007). Metso's tax rate for 2008 was 29 percent, and it is estimated to be approximately 30 percent in 2009. The profit attributable to shareholders was EUR 389 million (EUR 381 million) in 2008, corresponding to earnings per share (EPS) of EUR 2.75 (EUR 2.69 per share).

Metso's return on capital employed (ROCE) before taxes was 23.2 percent (26.1%) and return on equity (ROE) was 26.0 percent (25.4%).

Cash flow and financing

Metso's net cash generated by operating activities was EUR 137 million in 2008 (EUR 294 million in 2007). Net cash generated by operating activities was burdened by the net working capital being tied up in all segments. Strong organic growth during the past years has made supply chain management more challenging, resulting in working capital being tied up in inventories. Net working capital increased by EUR 437 million during the year. The increase was highest in Mining and Construction Technology but also other segments reported clear increases. Over half of the increase came from the inventories but also receivables increased by almost EUR 100 million as a result of high level of net sales in December, and payables decreased by almost EUR 100 million due to decrease in procurement towards the end of the year. During the last quarter, net working capital increased by EUR 140 million, the main reasons being increase in receivables and decrease in payables. Inventories decreased clearly during the last quarter in spite of negative impact of order cancellations and delivery schedule extensions. Also advances received decreased towards the end of the year as a result of low level of new orders.

Metso's free cash flow in 2008 was EUR 29 million (EUR 198 million). Free cash flow for the last quarter was EUR 22 million negative (EUR 0 million in Q4/07).

Net interest-bearing liabilities totaled EUR 1,099 million at the end of the year (EUR 540 million on Dec 31, 2007).

The total amount of short-term debt maturing within the next 12 months decreased by EUR 79 million during the final quarter and was EUR 346 million at the end of the year. EUR 141 million of short-term debt consists of commercial papers issued in the Finnish markets. EUR 101 million are current portions of long-term debt and the remainder is local working capital financing of certain subsidiaries, primarily in Brazil. About EUR 160 million of existing long-term debt will mature in 2010.

The total amount of net funding acquired in 2008 was EUR 621 million, of which almost EUR 500 million was new long-term debt. Metso's liquidity position is satisfactory. The syndicated EUR 500 million revolving loan facility is available until late 2011, and it is currently undrawn.

Gearing was 75.7 percent (33.4%) and the equity-to-assets ratio was 30.9 percent (37.7%). In April, following the Annual General Meeting, Metso paid EUR 425 million in dividends for 2007, which together with the growth in net working capital and high level of investments increased gearing.

Capital expenditure

Metso's gross capital expenditure for 2008 grew by 60 percent on the previous year and was EUR 255 million (EUR 159 million in 2007). Capital expenditure on fixed assets includes technology and capacity acquisitions, the total value of which was approximately EUR 64 million. These were: the acquisition of Lachine's heavy fabrication plant in Canada, the purchase of a Swedish research and development company specializing in biofuels, LignoBoost AB and the acquisition of the paper machinery technology of Mitsubishi Heavy Industries in Japan. Other acquisitions of businesses are not included in the gross capital expenditure mentioned above.

In May, Metso acquired from the Swedish STFI-Packforsk AB the shares of LignoBoost AB, a research company. The transaction included all the intellectual property rights as well as the LignoBoost brand and the related know-how. The acquired company became part of Metso's Power business line. The acquisition opens an interesting biofuel business opportunity within pulping processes.

In May, Metso closed the deal with Mitsubishi Heavy Industries (MHI) over the purchase of MHI's paper machinery technology, making Metso globally the sole owner of Beloit's paper machinery intellectual property. The effect of MHI on annual services sales is estimated to be about EUR 10 million.

In August, Metso completed the acquisition of GE Energy's Lachine main plant, a heavy fabrication and machining facility in Canada. The plant was integrated into Metso's Mining business line and approximately 170 employees were transferred to Metso. The acquisition added significantly to Metso's mining equipment supply capacity.

Major capital expenditure on fixed assets in 2008 was targeted to strengthen Metso's presence in emerging markets, to improve the efficiency of the production chain and to expand the service network. In China, a new pulp and paper industry service center in Guangzhou started its operations, and Metso decided to establish a third service center in Zibo, located in the province of Shandong. In Tianjin, a crushing unit production capacity was expanded and new premises for Automation business line in Shanghai are under construction. In India, an assembly line for crushers and vibrating equipment in Bawal and a steel casting expansion in Ahmedabad were finalized, and construction of Metso Industrial Park in Rajasthan is underway. In the United States, a boiler service center was opened in Lancaster, South Carolina, and the extension of another boiler service center was completed in Fairmont, West Virginia. In Finland, Metso is rebuilding a pilot machine at the Paper Technology Center in Jyväskylä. Investment projects in enterprise resource planning systems were underway in Mining and Construction Technology and in Automation business line.

Metso's capital expenditure in 2009, excluding corporate acquisitions, is estimated at about EUR 150 million. New investment commitments will be cut considerably due to the changes in the global economy.

Acquisitions and divestments

In May, Metso acquired Kemotron A/S, a Danish manufacturer of measurement systems. The company had a workforce of 13. The acquired company was integrated into Metso's Automation business line.

In June, Metso completed the acquisition of MAPAG Valves GmbH, a company manufacturing primarily butterfly valves, from the Linde Group, a German company. With the acquisition, Metso complements the product offering for the energy and hydrocarbon industries. The debt-free acquisition price was EUR 36 million, and the acquired company was integrated into Metso's Automation business line. The company employs about 100 people. The company's annual net sales amount to approximately EUR 36 million.

In September, Metso increased its ownership in the associated company Valmet-Xi'an Paper Machinery Co. Ltd in China from 48.3 percent to 75 percent. The value of the share transaction was approximately EUR 5 million. The company has been consolidated into Metso's balance sheet as of September, and its annual net sales are approximately EUR 30 million, of which sales to Metso have accounted for more than half. At the end of the year, Valmet-Xi'an had about 1,100 employees.

In September, Metso announced the acquisition of a paper quality control business from Finnish Fastpap Oy Ab. The business operations based in Ylöjärvi, Finland, including a staff of 11 were integrated into Metso's Automation business line as of October 1, 2008.

In September, Metso acquired PSP Slévárna, a producer of finished machined manganese wear parts located in Prerov,

the Czech Republic. The acquisition price was approximately EUR 6 million. The company was integrated into Metso's Construction business line on October 1, 2008. The acquired company has a personnel of 385 and annual net sales of about EUR 20 million.

In October, Metso acquired the Australian company G & F Beltline Services Pty Ltd, a provider of conveyor belt installations and maintenance services to the mining industry. The value of the deal was approximately EUR 6 million. The company was integrated into Metso's Mining business line on October 15, 2008. Approximately 90 employees were transferred to Metso. Beltline's annual net sales are approximately EUR 11 million.

In January, Metso concluded the divestment of its Panelboard business. The panelboard press operations in Germany were divested to G. Siempelkamp GmbH & Co. KG in September 2007, and an agreement was concluded on the divestment of the panelboard operations in Nastola, Finland and Sundsvall, Sweden to the German company Dieffenbacher GmbH + Co. KG in January 2008.

In May, Metso sold its spreader roll manufacturing business (Finbow) and the related assets to a group of Finnish investors. The business is based in Finland and employs 20 people. The divested business was part of Metso's Paper business line.

In September, Metso divested the shares in Sweden-based Metso Foundries Karlstad AB to a group of financial investors represented by Primaca Group Oy. Metso will continue as a minority owner with a 16.7 percent holding in Heavycast Oy, a new company to which the Primaca Group transferred the acquired shares. The value of the transaction was approximately EUR 15 million, and Metso recognized a small tax-free capital gain from the sale. The divested business was part of Metso's Tissue business line.

Research and development

The focus areas of Metso's research and development are environmental technology, technology related to the services business and the development of smart applications. Metso's research and development expenses in 2008 totaled EUR 134 million, representing 2.1 percent of net sales (EUR 117 million and 1.9% in 2007). In addition to this, expenses for intellectual property rights amounted to EUR 14 million in 2008. R&D employed 905 people (923) in 2008. Metso's personnel made about 900 invention disclosures (850), which led to over 230 priority patent applications (220). At the end of 2008, approximately 3,000 Metso inventions were protected by patents (2,800).

Metso launched about 120 new products in 2008. New products introduced to the markets included for example a new flotation cell for a de-inking process, a rebuild concept for gap formers, wheel-mounted crushing plant and the paper quality control system PaperIQ Select.

In December, Metso and the European Investment Bank (EIB) signed a EUR 160 million research and development

loan agreement. This funding will be used to finance part of Metso's development and innovation activities relating to environmental products and services as well as other strategic R&D programs over the years 2008-2012. The overall loan period is seven years with semiannual installments starting in 2011.

Environment and environmental technology

The environmental impact of Metso's own production is minor and relates mainly to the consumption of raw materials and energy, emissions to air, water consumption and waste. Metso seeks to reduce environmental hazards through continuous development and by decreasing the use of energy, materials and hazardous substances.

Metso supplies its customers with complete product and service concepts, and environmental efficiency is integral to the company's offering. Many of Metso's technology solutions have been developed in close cooperation with customers. Metso's environmental solutions are related especially to renewable energy sources, energy efficiency of our customers' production processes, waste management, recycling, efficient utilization of raw materials and water, reducing dust, noise, carbon dioxide and particle emissions, and process optimization. Metso also provides training, maintenance and service relating to the products. Metso takes care of the entire life cycles of production processes and promotes the right and environmentally sustainable way to use the solutions it provides.

Over one half of Metso's net sales can be classified as environmental business, using the OECD definition.

Risks and business uncertainties

Metso's operations are affected by various strategic, financial, operational and hazard risks. Metso takes measures to manage and limit the potential adverse effects of these risks. If such risks materialized, they could have material adverse effects on Metso's business, financial situation, and operating result or on the value of shares and other securities.

Metso's risk assessments take into consideration the probability and effects of the risks on net sales and financial results. The management estimates that the overall risk level of the company is currently manageable in proportion to the scope of Metso's operations and the practical measures available to manage these risks.

Owing to the uncertainty of the financial markets and the slowdown of global economic growth, Metso's business environment is expected to be demanding in 2009. In an operating environment that is subject to rapid changes, the importance of efficient risk management increases, and the management of strategic and financial risks will receive emphasis in particular. Even though the geographical diversity of Metso's operations and the broad range of the company's customer industries serve to even out the effects of cyclical changes over the long-term, the rapid slowdown of global economic growth and prolongation of the financial crisis and downturn in the economy may deteriorate the demand for Metso's products and services further.

Global economic uncertainty and the financial crisis may have adverse effects on projects in Metso's order backlog. Some projects may be postponed or they may be suspended or discontinued. Metso's management estimates that slightly over 20 percent of projects in the order backlog are subject to uncertainties relating to delivery schedules. Metso applies the percentage of completion method to long-term delivery agreements. The customer advance payment is typically 10-30 percent, in addition to which the customer makes payments based on the milestones during the project execution. Metso continually evaluates its customers' creditworthiness and ability to fulfill their obligations. If a customer faces liquidity problems, Metso discusses with the customer the possibility of changing project delivery schedules and the resulting cost escalation effects or any other measures needed. As a rule, Metso does not finance customer projects.

Metso has launched many measures to adapt to the rapidly-changing operating environment. Capacity and cost structure is adjusted to correspond with the demand to maintain the company's competitiveness. The global economic crisis may shrink the markets for Metso's products, which may lead to intensified price competition.

Securing the continuity of Metso's operations requires that sufficient funding is ensured under all circumstances. The financial crisis may have adverse effects on the availability of Metso's debt financing or increase the costs related to it. Metso's management estimates that the company's financial assets and available credit facilities are sufficient to secure short-term liquidity. At the end of December, cash and cash equivalents totaled EUR 314 million and credit facilities available for withdrawal totaled EUR 500 million. Metso's long-term loans mature relatively evenly during 2009-2012, the average repayment period of loan capital is four years, and they do not have covenants initiating premature repayment on the basis of credit ratings. Currently Metso fully meets the covenants and other terms related to its financing agreements.

The capital tied up in net working capital and the level of capital expenditure have a fundamental effect on the adequacy of financing. A prolonged economic downturn could slow Metso's attempts to release some of its net working capital. Metso has no particularly large-scale investment schemes underway, and Metso's management estimates that it is well positioned to manage the capital expenditure levels in the coming years.

Changes in the prices of raw materials and components could also affect Metso's profitability. On one hand, the risk of increases in direct costs typically diminishes during economic downturn. On the other hand, some of Metso's customers are raw material producers, whose ability to operate and invest may be hampered by declining raw material prices.

Of the financial risks that affect Metso's profit, currency exchange rate risks are among the most substantial ones. Exchange rate changes can affect the business, although the geographical diversity of operations decreases the significance of any individual currency. The prevailing

uncertainty in the markets is likely to increase exchange rate fluctuations. Exchange rate variations can have a direct impact in situations where the invoicing currency is different from the currency of the manufacturing costs. Exchange rate fluctuations may also weaken the cost competitiveness of Metso's products against the products of competitors manufactured in another currency area. Alongside the euro, the most important currencies used in invoicing are the U.S. dollar, the Swedish krona, the Canadian dollar and the Brazilian real. Exchange rate changes affect Metso's business indirectly, as Metso translates the net sales and financial results of its subsidiaries based outside the Eurozone into euros. Metso hedges in full those currency exposures that arise from firm delivery and purchase agreements. In addition, Metso's units can hedge anticipated foreign currency denominated cash flows by taking into account the significance of such cash flows, the competitive situation and other opportunities to adapt.

Subpoena from the United States Department of Justice requiring Metso to produce documents

In November 2006, Metso Minerals Industries, Inc., which is Metso's U.S. subsidiary, received a subpoena from the Antitrust Division of the United States Department of Justice calling for Metso Minerals Industries, Inc. to produce certain documents. The subpoena relates to an investigation of potential antitrust violations in the rock crushing and screening equipment industry. Metso is cooperating fully with the Department of Justice.

Adjusting to changes in demand

Metso has begun to adjust its operations for an extended period of weak demand. The focus is on adjusting the capacity to correspond with the demand, ensuring profitability and strengthening the cash flow. The measures which were commenced in early October, will continue in 2009. The first measures were to cut down the use of temporary work force and subcontracting. In a rapidly deteriorating market situation these measures have turned out to be insufficient, and Metso has had to start temporary lay-offs and personnel reductions in many units. In most cases, the temporary lay-offs concern all

employee groups, and their duration varies, depending on the work load, from few weeks to longer periods. The measures are intended to secure the competitiveness of Metso's businesses by adjusting the operations and cost structures to correspond with the demand situation.

Personnel

At the end of 2008, Metso had 29,322 employees, which was 2,485 more than at the end of 2007 (26,837 employees at December 31, 2007). In terms of regions, the growth in personnel numbers was most substantial in Asia-Pacific, where 15 percent of the Group's personnel are based. In 2008, Metso had an average of 28,010 employees.

The main drivers behind personnel increases were the investments in delivery and service capability and strengthening of Metso's global presence. Personnel in Mining and Construction Technology increased due to growth investments in Canada, Brazil and India. Personnel in Energy and Environmental Technology increased mainly through the increase in the production capacity of the Power and Automation business lines in India and China and the MAPAG acquisition in Germany. Personnel in Paper and Fiber Technology increased during the year by about 1,100 people in China due to the acquisition of Valmet-Xi'an Paper Machinery Co. Ltd, but decreased in Europe and particularly in the Nordic countries as a result of efficiency improvement measures.

Metso's personnel is divided as follows by reporting segment: Mining and Construction Technology 38 percent, Energy and Environmental Technology 22 percent, Paper and Fiber Technology 36 percent, and Valmet Automotive, service centers and Group Head Office 4 percent. The countries with the largest numbers of Metso's personnel were Finland, the United States, Sweden, China and Brazil. These countries accounted for 70 percent of the entire Metso's personnel.

The salaries and wages of Metso employees are determined on the basis of local collective and individual agreements, employee performance and job evaluations. Basic salaries and wages are complemented by performance-based compensation systems. In 2008, the total amount of salaries and wages paid was EUR 1,066 million (EUR 1,036 million in 2007).

Personnel by area

	Dec 31	2008		2007	
		% of total personnel	Dec 31	% of total personnel	Change %
Finland	9,252	32	9,386	35	-1
Other Nordic countries	3,332	11	3,602	14	-7
Other Europe	3,842	13	3,183	12	21
North America	3,964	14	3,865	14	3
South and Central America	2,991	10	2,675	10	12
Asia-Pacific	4,469	15	2,705	10	65
Rest of the world	1,472	5	1,421	5	4
Total	29,322	100	26,837	100	9

Strategic study

In August, Metso initiated a study to assess value-enhancing opportunities, including structural options. In December, Metso's Board of Directors decided to discontinue the study as a result of the significant change in global economy. Metso's Board and management continue to look for value enhancing opportunities in the normal course of business.

New Corporate Governance

The new corporate governance policy of Metso became effective on January 1, 2009. The updated policy takes into consideration the changes in Metso's organizational structure and operating model as well as the recommendations outlined in the Finnish Corporate Governance Code issued by the Finnish Securities Market Association.

Reorganization of Metso's business

Metso's businesses were reorganized into three reporting segments as of December 1, 2008; Mining and Construction Technology which is headed by Matti Kähkönen, Energy and Environmental Technology, headed by Pasi Laine, and Paper and Fiber Technology, headed by Bertel Langenskiöld.

Changes in top management

Metso appointed two new members to its Executive Team as of December 1, 2008. The new members are Kalle Reponen, Senior Vice President, Strategy and M&A, and Perttu Louhiluoto, who started at Metso on October 1, 2008 as Senior Vice President, Operational Excellence.

Metso also established Metso Executive Forum to enforce strategy execution globally as of December 1, 2008. In addition to the Metso Executive Team members, the members of the Metso Executive Forum are from Metso's main business lines and geographical regions: Andrew Benko (Mining business line), João Ney Colagrossi (Construction business line), Per-Åke Färnstrand (Fiber business line), Heinz Gerdes (Recycling business line), Ari Harmaala (China), Hannu Mälkiä (Paper business line), Lennart Ohlsson (Power business line) and Sudhir Srivastava (India).

Financial targets and dividend policy

In connection with the annual strategy rounds Metso updated its long-term financial targets for the period 2009-2012. The following targets were set in August 2008 to replace the previous financial targets set in October 2006:

- Net sales growth more than 10 percent
- EBITA to improve annually and EBITA margin to exceed 12 percent
- ROCE-% before taxes to exceed 25 percent
- Cash conversion (free cash flow / net income) to exceed 100 percent

- Solid investment grade credit ratings to be maintained
- To distribute at least 50 percent of annual earnings per share as a dividend or in the other forms of repatriation of capital (share buybacks, redemptions etc.)

Even though the net sales growth, EBITA and ROCE targets continue to be valid for longer term, Metso does not consider these targets to be achievable for 2009 after major changes in Metso's operating environment. The cash conversion, and solid investment grade status as well as dividend policy, are valid targets also for 2009. As usual, Metso will assess its financial targets and dividend policy after the annual strategy round during the second half of 2009.

Decisions of the Annual General Meeting

The Annual General Meeting of Metso Corporation on April 2, 2008 approved the accounts for 2007 as presented by the Board of Directors and decided to discharge the members of the Board of Directors and the President and CEO of Metso Corporation from liability for the financial year 2007. In addition, the Annual General Meeting approved the proposals of the Board of Directors to authorize the Board to decide upon repurchasing the Corporation's own shares, arranging a share issue, granting special rights and decreasing the share premium reserve and the legal reserve.

The Annual General Meeting decided to establish a Nomination Committee of the Annual General Meeting to prepare proposals for the next Annual General Meeting in respect of the composition of the Board of Directors and director remuneration. The Nomination Committee consists of the representatives appointed by the four biggest shareholders and the Chairman of Metso's Board as an expert member.

Matti Kavetvuoto was re-elected as the Chairman of the Board and Jaakko Rauramo was re-elected as the Vice Chairman. Jukka Viinanen and Arto Honkaniemi were elected as new members of the Board. Board members re-elected were Maija-Liisa Friman, Christer Gardell and Yrjö Neuvo. The term of office of Board members lasts until the end of the next Annual General Meeting.

The Annual General Meeting decided that the annual remunerations for Board members be EUR 92,000 for the Chairman, EUR 56,000 for the Vice Chairman and EUR 45,000 for the members and that the meeting fee including committee meetings be EUR 600 per meeting. The auditing company PricewaterhouseCoopers Oy, Authorized Public Accountants, was re-elected as the Corporation's Auditor until the end of the next Annual General Meeting.

The Annual General Meeting decided that a dividend of EUR 3.00 per share be paid for the financial year which ended on December 31, 2007. The dividend comprised an ordinary dividend of EUR 1.65 per share and an extra dividend of EUR 1.35 per share. The dividend was paid on April 15, 2008.

Members of Metso's Board Committees

Metso Corporation's Board of Directors elected from its midst the members of the Audit Committee and Compensation Committee at its assembly meeting. The Board's Audit Committee consists of Maija-Liisa Friman (Chairman), Arto Honkaniemi and Jukka Viinani. The Board's Compensation Committee consists of Matti Kavetvuo (Chairman), Christer Gardell, Yrjö Neuvo and Jaakko Rauramo.

The Nomination Committee consists of Metso's four biggest registered shareholders on November 3, 2008 and they have named the following persons as their representatives for Metso's Nomination Committee i.e. State of Finland: Pekka Timonen, Cevian Capital II Master Fund L.P.; Lars Förberg, Varma Mutual Pension Insurance Company; Mikko Koivusalo and Ilmarinen Mutual Pension Insurance Company; Harri Sailas. The Chairman of Metso's Board of Directors serves as the Committee's expert member. The Nomination Committee prepares proposals on the composition of the Board of Directors along with the director remuneration for the next Annual General Meeting and presents its proposal to the company's Board of Directors.

Shares, options and share capital

At the end of December, Metso's share capital was EUR 240,982,843.80 and the number of shares was 141,754,614. The number of shares includes 60,841 Metso shares held by the parent company and 70,131 Metso shares held by a limited partnership consolidated in Metso's consolidated financial statements. Together these represent 0.09 percent of all the shares and votes. The average number of shares outstanding in 2008, excluding Metso shares held by the company, was 141,595,026.

Metso's Annual General meeting on April 2, 2008 decided to decrease the share premium reserve and the legal reserve. The decreased amounts were transferred to the invested non-restricted equity as of August 7, 2008.

In August, Metso's Board of Directors decided to cancel the remaining 100,000 year 2003A stock options. Following this and earlier cancellations and share subscriptions there are no options outstanding or available from any of Metso's option programs for subscription of shares in Metso Corporation.

Metso's market capitalization, excluding Metso shares held by the company, was EUR 1,207 million on December 31, 2008.

Share ownership plans

Metso has a share ownership plan for years 2006–2008. The maximum number of shares to be allocated in the incentive plan is 360,000 Metso Corporation shares.

The 2007 share ownership plan comprised 86 Metso executives, including the entire Executive Team. At the end of March 2008, 67,657 shares were distributed as rewards, corresponding to approximately 0.05 percent of all Metso shares. Members of the Executive Team received 15,763 shares.

Metso's Board of Directors decided in February on the number of shares to be allocated for 2008 plan and the criteria for earning them. The potential reward from the plan will be based on the operating profit of Metso and its business areas in 2008. In 2008, the share ownership plan will cover a maximum of 130,000 Metso shares, corresponding to 0.09 percent of all Metso shares. Metso's entire Executive Team is covered by the 2008 plan, and a maximum of 27,500 shares has been allocated to Executive Team members. The maximum reward from the plan is limited to each person's annual salary. The payment of rewards will be decided during the first quarter of 2009.

In October, Metso's Board approved a new, share-based incentive plan for the Metso Group management, Metso Share Ownership Plan 2009-2011 (SOP 2009-2011). The plan includes one three-year earnings period, which will begin on January 1, 2009 and will end on December 31, 2011. The plan was initially targeted to about 100 key managers, out of which 88 decided to participate. The plan requires participants' personal investment in Metso shares and the participants have committed to invest in about 55,000 shares. The rewards to be paid on the basis of the plan will correspond to a maximum total of approximately 376,000 Metso shares. The shares to be transferred in possible rewards are Metso shares obtained in public trading, and therefore, the SOP 2009-2011, will have no diluting effect on the share value.

REPORTING SEGMENTS

As of December 1, 2008, Metso's businesses were reorganized into three reporting segments: Mining and Construction Technology, consisting of Mining and Construction business lines, Energy and Environmental Technology, consisting of Power, Automation and Recycling business lines, and Paper and Fiber Technology, consisting of Paper, Fiber and Tissue business lines. These financial statements are prepared based on the new operating structure.

Mining and Construction Technology

EUR million	Q4/08	Q4/07	Change %	2008	2007	Change %
Net sales	717	683	5	2,586	2,330	11
Net sales of services business	296	254	17	1,078	960	12
% of net sales	42	37		42	41	
Earnings before interest, tax and amortization (EBITA)	91.9	99.4	-8	361.2	323.0	12
% of net sales	12.8	14.6		14.0	13.9	
Operating profit	91.3	98.6	-7	358.4	319.8	12
% of net sales	12.7	14.4		13.9	13.7	
Orders received	339	705	-52	2,709	2,776	-2
Order backlog at end of period				1,492	1,496	0
Personnel at end of period				11,259	9,754	15

Net sales of Mining and Construction Technology grew by 11 percent on the comparison period and were EUR 2,586 million (the growth was 16% at comparable exchange rates). Both of the segment's business lines increased net sales over the previous year. Net sales of the services business were at a good level and grew by 12 percent (19% at comparable exchange rates). The services business accounted for 42 percent of the net sales (41% in 2007).

The operating profit in 2008 increased by 12 percent and was EUR 358.4 million, or 13.9 percent of net sales (EUR 319.8 million and 13.7%). Strong volume growth and the favorable development of the services business improved profitability. However, in the fourth quarter profitability weakened because of a slowdown in net sales growth while fixed costs continued to increase.

The value of orders received in 2008 was EUR 2,709 million (EUR 2,776 million in 2007). The decrease was due to the

impact of exchange rates. The value of new orders was on par with the previous year in the Mining business line and slightly down in the Construction business line. The last quarter of 2008 was clearly the weakest in terms of orders received. The volume of orders received from emerging markets was at the previous year's level, and they accounted for 50 percent of the new orders (49%). Orders received increased in Asia-Pacific by close to 30 percent. Among the largest orders received during the year were those received for grinding equipment to Minera Petaquilla S.A.'s copper mine in Panama, minerals processing equipment to China Metallurgical Group in Australia, and grinding equipment to Metallurgical Company Norilsk Nickel in Russia. The order backlog remained at the previous year's level and totaled EUR 1,492 million at the end of December (EUR 1,496 million on Dec 31, 2007). Slightly over 10 percent of orders in the order backlog are subject to uncertainties, related to delivery schedules.

Energy and Environmental Technology

EUR million	Q4/08	Q4/07	Change %	2008	2007	Change %
Net sales	503	474	6	1,775	1,543	15
Net sales of services business	117	97	20	404	347	16
% of net sales	23	21		23	23	
Earnings before interest, tax and amortization (EBITA)	60.5	62.8	-4	198.3	182.4	9
% of net sales	12.0	13.2		11.2	11.8	
Operating profit	56.0	54.6	3	176.0	150.3	17
% of net sales	11.1	11.5		9.9	9.7	
Orders received	341	367	-7	1,658	1,884	-12
Order backlog at end of period				1,204	1,337	-10
Personnel at end of period				6,357	5,857	9

The net sales of Energy and Environmental Technology increased by 15 percent on the comparison period (18% at comparable exchange rates) and were EUR 1,775 million. The growth originated from all business lines, and the strongest growth was experienced in the Power business line. The services business grew by 16 percent (20 percent at comparable exchange rates). The services business accounted for 23 percent of the net sales, as was the case a year before (23% in 2007).

The operating profit increased by 17 percent on the previous year and was EUR 176.0 million, or 9.9 percent of net sales (EUR 150.3 million and 9.7% in 2007). Operating profit is burdened by the EUR 15 million of amortization of intangible assets related to the acquisition of the Power business (EUR 28 million in 2007). Operating profit in 2008 increased in the Automation business line owing to strong volume growth and decreased slightly in the Recycling business line. Also the operating profit of Power business line improved, but the improvement was mainly due to the decrease in the amortization of intangible assets.

The value of orders received fell by 12 percent from the comparison period and totaled EUR 1,658 million. The decrease

was due to the Power and Recycling business lines. Orders received by the Automation business line remained on the previous year's level. Major orders for valves during the year included valve deliveries for the oil and gas industry in Asia and the Middle East, of which the most significant was the delivery for the Qatar Petroleum and Shell GTL (gas-to-liquids) project in Qatar. Major system deliveries included the large automation package for the Propapier paper plant in Germany. The Power business line's major orders were the evaporation plant to SCA Packaging's pulp and paper mill in Sweden, the biomass-fired power boiler to Dalkia France SCA's combined heat- and power-plant in France, and a multifuel-fired boiler to Stora Enso Poland S.A.'s power plant in Poland. The order backlog amounted to EUR 1,204 million at the end of the year, 10 percent below the level at the end of 2007. Projects accounting for close to 20 percent of the order backlog's total value are subject to uncertainties relating to delivery schedules. These uncertain orders include pulp mill orders for Zhanjiang Chenming in China and Aracruz in Brazil.

Paper and Fiber Technology

EUR million	Q4/08	Q4/07	Change %	2008	2007	Change %
Net sales	627	738	-15	2,044	2,364	-14
Net sales of services business	203	208	-3	716	718	0
% of net sales	32	28		35	30	
Earnings before interest, tax and amortization (EBITA)	51.2	39.2	31	146.1	146.6	0
% of net sales	8.2	5.3		7.1	6.2	
Operating profit	46.9	34.6	36	130.1	128.2	1
% of net sales	7.5	4.7		6.4	5.4	
Orders received	207	698	-70	2,021	2,293	-12
Order backlog at end of period				1,434	1,553	-8
Personnel at end of period				10,544	10,093	4

Net sales of Paper and Fiber Technology decreased by 14 percent in 2008 and were EUR 2,044 million. Net sales decreased considerably in the Paper and Fiber business lines. The net sales of the services business were on a par with the comparison period (at comparable exchange rates, the growth would have been about 3 percent), accounting for 35 percent of net sales (30% in 2007).

Paper and Fiber Technology's EBITA for January-December was EUR 146.1 million, i.e. 7.1 percent of net sales (EUR 146.6 million and 6.2%). The profitability improvement in the final quarter compared to the same period last year was due to the successful deliveries of major projects and the nonrecurring costs that were lower than the year before.

The operating profit was EUR 130.1 million, i.e. 6.4 percent of net sales (EUR 128.2 million and 5.4%), and it includes EUR 4 million in amortization of intangible assets relating to the acquisition of the Pulping business (EUR 8 million in 2007). The Paper and Tissue business lines improved their operating profit slightly, while the Fiber business line's operating profit decreased considerably compared with the previous year.

The pulp and paper industry's demand for equipment and services weakened considerably during the year. Orders received by the Tissue business line were on a par with the comparison year, while those of the Paper business line decreased. Orders received by the Fiber business line increased in 2008, but include two pulp technology projects with uncertain delivery schedules.

The value of orders received decreased 12 percent from the comparison period and was EUR 2,021 million. The largest orders received during the year were a paper-making line for Propapier in Germany, pulp mill equipment for Zhanjiang Chenming in China, a pulp technology delivery to Aracruz in Brazil, board making lines for Shandong Bohui in China and Amcor in Australia, and a fine paper production line to Fujian Nanping Paper Co. in China.

The final scope of the Zhanjiang Chenming pulp mill project is currently being finalized. The customer of the Aracruz

pulp mill project has announced that it plans to resume the expansion project in Brazil, as from the first half of 2011. Metso has done some work relating to the project on the basis of the prepayment made by the customer.

Metso is negotiating with both Zhanjiang Chenming and Aracruz regarding project implementation schedules and the effects of scheduling changes.

The order backlog at the end of December, EUR 1,434 million, was 8 percent lower than the order backlog at the end of 2007. About one-third of the projects in the order backlog are subject to uncertainties relating to delivery schedules, such as the pulp mill orders mentioned above.

In the fourth quarter, the segment commenced measures to adjust capacity to the decreased machine and equipment demand in the pulp and paper industry. The change in the market situation has escalated further as a result of the global financial crisis. The planned measures are intended to secure the competitiveness of the business by streamlining the operational and cost structure of operations.

Valmet Automotive

Valmet Automotive's net sales in 2008 totaled EUR 65 million. The operating loss was EUR 3.5 million, or 5.4 percent of net sales. During the year, Valmet Automotive produced an average of 87 vehicles (in 2007, 110 vehicles) per day. At the end of December, Valmet Automotive employed 783 people (789 employees at December 31, 2007).

In November, Valmet Automotive and the U.S. company Fisker Automotive signed a cooperation agreement on the manufacture of Fisker Karma cars in Finland. Production is planned to start in the final quarter of 2009, and the first cars will be delivered to North America. The annual production is projected to be 15,000 cars. Valmet Automotive's current assembly contract with Porsche will continue until 2012.

Events after the review period

Metso and Wärtsilä completed the joint venture transaction

Metso and Wärtsilä completed the transaction combining Metso's Heat & Power business (a business unit within Metso Power) and Wärtsilä's Biopower business into a joint venture named MW Power Oy. The transaction was closed on January 1, 2009. Metso owns 60 percent and Wärtsilä 40 percent of MW Power Oy. An order backlog of approximately EUR 116 million was transferred with Wärtsilä Biopower Oy to the joint venture. The consolidated annual pro forma net sales of the company were approximately EUR 130 million and the number of employees about 200.

Metso sold its composites manufacturing business in Oulu, Finland

Metso sold its composites manufacturing business and related assets in Oulu, Finland to xperion Oy. The divestment was concluded on January 1, 2009. The divestment does not have a material effect on Metso, and a small profit was recognized from the sale. Annual net sales of the divested business have been less than EUR 5 million. The entire personnel of 21 people transferred to xperion Oy. The sold business was part of the Paper business line.

Metso adjusts its Finnish units serving the paper industry

In January 2009, Metso started personnel negotiations regarding employee reductions in its Finnish units serving the paper industry. The employee reduction is estimated to affect a total of 900-1,200 employees. Approximately 4,700 employees work in the units subject to the personnel negotiations. The possible reduction in the number of units and the consolidation of operations into bigger units will be examined as part of the negotiations.

The aim is to conclude the personnel negotiations involving the Paper business line and the Process Automation Systems business unit of the Automation business line by mid-March. The employee reductions are expected to take place during April-September of this year.

As a result of the adjustments, the annual expenses of the businesses in question are estimated to decrease by EUR 40-50 million. The cost reductions are estimated to be realized in full starting in 2010. The nonrecurring expenses caused by the adjustments and recognized in 2009 are estimated to be EUR 10-20 million.

Moody's revised Metso's rating outlook to negative

In January, Moody's Investor Service confirmed Metso's Baa2 long-term credit rating and changed the outlook from stable to negative.

Smurfit-Stone Container Corporation files for Chapter 11 bankruptcy

Smurfit-Stone Container Corporation, one of Metso's Paper and Fiber Technology's customers in North America, announced on January 26, 2009 that it has filed a voluntary petition for reorganization under Chapter 11. Metso estimates that maximum credit risk related to receivables from Smurfit-Stone is about EUR 3 million.

Metso's Nomination Committee proposes seven members to the Board

The Nomination Committee established by Metso's Annual General Meeting proposes to the next Annual General Meeting, which will be held on March 31, 2009, that the number of Board members is seven.

The Nomination Committee proposes that from the current Board members Maija-Liisa Friman, Christer Gardell, Arto Honkaniemi, Yrjö Neuvo, Jaakko Rauramo and Jukka Viinanen be re-elected. Jukka Viinanen is proposed to be elected as Chairman of the Board and Jaakko Rauramo as Vice Chairman. It is also proposed that Ms. Pia Rudengren shall be elected as a new member of the Metso Board. Matti Kavetvuo, present Chairman of the Board, has informed that he is not available for re-election.

The Nomination Committee proposes the following annual fees to be paid: Chairman of the Board EUR 92,000, Vice Chairman of the Board EUR 56,000 and other Board members EUR 45,000. In addition, a fee of EUR 600 per meeting is paid to all members for the Board and Board committee meetings they attend. The travel expenses and daily allowances will be paid according to company's travel policy. The fees are proposed to remain unchanged compared to 2008.

The Nomination Committee notes that a personnel representative will participate as an external expert in the Metso Board meetings in the next Board term within the limitations imposed by Finnish law. The new Board will invite the personnel representative as its external expert in its organizing meeting after the Annual General Meeting.

The members of the Nomination Committee were Pekka Timonen (Chairman), Lars Förberg, Mikko Koivusalo, Harri Sailas and Matti Kavetvuo as the Committee's expert member.

Short-term outlook

As a result of the uncertainty in the financial markets and the slowdown of global economic growth, Metso's operating environment is expected to be demanding in 2009. Metso's customers are cautious in their decisions to invest, which will especially affect the demand for Metso's new equipment and project business.

Mining companies are expected to make substantial cuts in their investment plans compared with the peak investment levels of recent years and further limit their production during the year. Based on the strong product and services offering, the demand for Metso's mining equipment is expected to be satisfactory in 2009. In the construction industry, the demand for equipment relating to aggregates production is estimated to be weak at least during the first half of the year. Many countries have introduced stimulus measures relating to infrastructure development, which, at some point, are expected to have a positive effect on the demand for construction industry products. The demand for Mining and Construction Technology's services business is expected to be satisfactory.

The demand for power plants utilizing renewable energy sources is expected to be satisfactory in Europe and North America in 2009. The goals set for the use of renewable energy sources and the efforts to secure and increase energy self-sufficiency are expected to boost the demand for these power plants. The demand for Metso's automation products is expected to be satisfactory in 2009. The demand for metals recycling equipment is expected to be weak, owing to the low demand of scrap metal and reduction in steel production. Demand for services business in Energy and Environmental Technology is expected to be satisfactory.

The demand for paper, pulp and fiber lines is expected to be weak in 2009. The delivery schedules of some large paper and board machine and fiber line projects in the order backlog have been prolonged. In the pulp and paper industry, low capacity utilization rates are expected to weaken the demand for Metso's services business, particularly in North America and Europe.

Metso's total net sales in 2009 are estimated to exceed EUR 5 billion. Metso's order backlog is over EUR 4 billion, out of which about EUR 3 billion is scheduled for 2009.

Metso's services business volumes are expected to remain satisfactory in 2009.

The focus of Metso's management has shifted from growth to profitability and cash flow. The aim is to quickly adjust the capacity and the cost structure to correspond with the demand. Metso's profitability is expected to be satisfactory in 2009. Free cash flow is expected to improve considerably on 2008 owing to the measures aimed at releasing working capital.

The net sales and profitability estimates are based on Metso's current market outlook and business scope.

Board of Director's proposal for the distribution of profit

The Parent Company's distributable funds totaled EUR 1,017,111,051.25 on December 31, 2008, of which the net profit for the year was EUR 361,829,353.31.

The Board proposes to the Annual General Meeting that the dividend of EUR 0.70 per share be distributed for the year ended on December 31, 2008. The Board is further proposing to the Annual General Meeting to authorize the Board to pay at its discretion an additional dividend later in the year 2009 in the amount not exceeding 0.68 euro per share should the Metso's financial position support the distribution of such additional dividend (in 2007, an ordinary dividend of EUR 1.65 per share and an extra dividend of EUR 1.35 was paid).

It is proposed that the record date for the payment of the dividend will be April 3, 2009 and that the dividend will be paid on April 15, 2009. All the shares outstanding on the dividend record date will be entitled to a dividend, except for the treasury shares held by the Parent Company.

Annual General Meeting 2009

The Annual General Meeting of Metso Corporation will be held at 3 p.m. on Tuesday, March 31, 2009 at Helsinki Fair Centre (Messuaukio 1, 00520 Helsinki, Finland).

Helsinki, February 4, 2009

Metso Corporation's Board of Directors

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 which 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.

Consolidated statements of income

EUR million	10-12/2008	10-12/2007	1-12/2008	1-12/2007
Net sales	1,839	1,896	6,400	6,250
Cost of goods sold	-1,371	-1,453	-4,733	-4,702
Gross profit	468	443	1,667	1,548
Selling, general and administrative expenses	-282	-256	-1,043	-972
Other operating income and expenses, net	3	-8	11	1
Share in profits of associated companies	1	1	2	3
Operating profit	190	180	637	580
% of net sales	10.3%	9.5%	10.0%	9.3%
Financial income and expenses, net	-35	-8	-89	-33
Profit before taxes	155	172	548	547
Income taxes	-43	-49	-158	-163
Profit	112	123	390	384
Profit attributable to minority interests	0	3	1	3
Profit attributable to equity shareholders	112	120	389	381
Profit	112	123	390	384
Earnings per share, EUR	0.79	0.85	2.75	2.69

Consolidated statement of recognized income and expense

EUR million	10-12/2008	10-12/2007	1-12/2008	1-12/2007
Cash flow hedges, net of tax	-24	-3	-33	-2
Available-for-sale equity investments, net of tax	-9	-3	-19	22
Currency translation on subsidiary net investments	-37	-16	-49	-29
Net investment hedge gains (losses), net of tax	-8	-2	-11	-2
Defined benefit plan actuarial gains (losses), net of tax	-22	-1	-22	-1
Other	0	1	0	2
Net income (expense) recognized directly in equity	-100	-24	-134	-10
Profit	112	123	390	384
Total recognized income (expense) for the period	12	99	256	374
Total recognized income (expense) attributable to minority interests	0	3	1	3
Total recognized income (expense) attributable to equity shareholders	12	96	255	371
Total recognized income (expense) for the period	12	99	256	374

Consolidated balance sheet

ASSETS

EUR million	Dec 31, 2008	Dec 31, 2007
Non-current assets		
Intangible assets		
Goodwill	778	772
Other intangible assets	254	251
	1,032	1,023
Property, plant and equipment		
Land and water areas	58	54
Buildings and structures	239	216
Machinery and equipment	366	315
Assets under construction	63	49
	726	634
Financial and other assets		
Investments in associated companies	14	19
Available-for-sale equity investments	18	45
Loan and other interest bearing receivables	8	5
Available-for-sale financial investments	5	5
Derivative financial instruments	0	3
Deferred tax asset	174	144
Other non-current assets	26	19
	245	240
Total non-current assets	2,003	1,897
Current assets		
Inventories	1,606	1,410
Receivables		
Trade and other receivables	1,146	1,256
Cost and earnings of projects under construction in excess of advance billings	362	374
Loan and other interest bearing receivables	9	2
Available-for-sale financial assets	-	0
Derivative financial instruments	48	18
Tax receivables	23	30
	1,588	1,680
Cash and cash equivalents	314	267
Total current assets	3,508	3,357
TOTAL ASSETS	5,511	5,254

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	Dec 31, 2008	Dec 31, 2007
Equity		
Share capital	241	241
Share premium reserve	-	77
Cumulative translation differences	-136	-76
Fair value and other reserves	490	456
Retained earnings	849	910
Equity attributable to shareholders	1,444	1,608
Minority interests	9	7
Total equity	1,453	1,615
Liabilities		
Non-current liabilities		
Long-term debt	1,089	700
Post employment benefit obligations	191	177
Provisions	36	37
Derivative financial instruments	8	1
Deferred tax liability	45	41
Other long-term liabilities	4	1
Total non-current liabilities	1,373	957
Current liabilities		
Current portion of long-term debt	101	22
Short-term debt	245	97
Trade and other payables	1,189	1,291
Provisions	218	222
Advances received	479	637
Billings in excess of cost and earnings of projects under construction	323	331
Derivative financial instruments	82	16
Tax liabilities	48	66
Total current liabilities	2,685	2,682
Total liabilities	4,058	3,639
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	5,511	5,254
NET INTEREST BEARING LIABILITIES		
Long-term interest bearing debt	1,089	700
Short-term interest bearing debt	346	119
Cash and cash equivalents	-314	-267
Other interest bearing assets	-22	-12
Total	1,099	540

Condensed consolidated cash flow statement

EUR million	10-12/2008	10-12/2007	1-12/2008	1-12/2007
Cash flows from operating activities:				
Profit	112	123	390	384
Adjustments to reconcile profit to net cash provided by operating activities				
Depreciation and amortization	36	38	138	148
Interests and dividend income	15	6	57	32
Income taxes	43	49	158	163
Other	16	-8	34	-4
Change in net working capital	-140	-123	-437	-286
Cash flows from operations	82	85	340	437
Interest paid and dividends received	-25	-17	-49	-29
Income taxes paid	-49	-34	-154	-114
Net cash provided by (used in) operating activities	8	34	137	294
Cash flows from investing activities:				
Capital expenditures on fixed assets	-55	-49	-255	-159
Proceeds from sale of fixed assets	2	3	10	16
Business acquisitions, net of cash acquired	-13	-8	-44	-55
Proceeds from sale of businesses, net of cash sold	-	0	12	9
(Investments in) proceeds from sale of financial assets	1	0	7	13
Other	-	-	-7	-
Net cash provided by (used in) investing activities	-65	-54	-277	-176
Cash flows from financing activities:				
Share options exercised	-	0	-	0
Dividends paid	-	-	-425	-212
Net funding	132	29	621	-5
Other	-	-	15	15
Net cash provided by (used in) financing activities	132	29	211	-202
Net increase (decrease) in cash and cash equivalents	75	9	71	-84
Effect from changes in exchange rates	-17	-3	-24	-2
Cash and cash equivalents at beginning of period	256	261	267	353
Cash and cash equivalents at end of period	314	267	314	267

Free cash flow

EUR million	10-12/2008	10-12/2007	1-12/2008	1-12/2007
Net cash provided by operating activities	8	34	137	294
Capital expenditures on maintenance investments	-32	-37	-118	-112
Proceeds from sale of fixed assets	2	3	10	16
Free cash flow	-22	0	29	198

Consolidated statement of changes in shareholders' equity

EUR million	Share	Cumulative	Fair value	Equity			Minority interests	Total equity
	capital	premium reserve	translation adjustments	and other reserves	Retained earnings	attributable to shareholders		
Balance at Jan 1, 2007	241	77	-45	432	739	1,444	6	1,450
Net income (expense) recognized directly in equity	-	-	-31	20	1	-10	-	-10
Net profit for the period	-	-	-	-	381	381	3	384
Total recognized income (expense) for the period	-	-	-31	20	382	371	3	374
Dividends	-	-	-	-	-212	-212	-	-212
Share options exercised	0	0	-	-	-	-	-	-
Redemption of own shares	-	-	-	-	-	-	-	-
Share-based payments, net of tax	-	-	-	5	-	5	-	5
Other	-	-	-	-1	1	0	-2	-2
Balance at Dec 31, 2007	241	77	-76	456	910	1,608	7	1,615
Balance at Jan 1, 2008	241	77	-76	456	910	1,608	7	1,615
Net income (expense) recognized directly in equity	-	-	-60	-52	-22	-134	-	-134
Net profit for the period	-	-	-	-	389	389	1	390
Total recognized income (expense) for the period	-	-	-60	-52	367	255	1	256
Dividends	-	-	-	-	-425	-425	-	-425
Share options exercised	-	-	-	-	-	-	-	-
Redemption of own shares	-	-	-	-	-	-	-	-
Share-based payments, net of tax	-	-	-	4	-	4	-	4
Decrease and transfer of share premium and legal reserve	-	-77	-	77	-	-	-	-
Other	-	-	-	5	-3	2	1	3
Balance at Dec 31, 2008	241	-	-136	490	849	1,444	9	1,453

Acquisitions

Acquisitions in 2008

In October Metso acquired G & F Beltline Services Pty Ltd, a provider of conveyer belt line installations and maintenance services based in Australia. The acquisition price was approximately EUR 6 million and EUR 2 million thereof was allocated to intangible assets being the fair value of Beltline's customer base. Goodwill of EUR 3 million arose from the acquisition. The company was integrated into Metso's Mining and Construction Technology segment on October 15, 2008.

In September Metso acquired PSP Slévárna in Czech Republic. The company is a producer of finished manganese wear parts. The transaction was valued at about EUR 6 million whereof EUR 2 million was allocated to property, plant and equipment representing their fair values. The company was transferred into Metso's ownership on October 1, 2008 and was integrated into the Mining and Construction Technology segment.

In September Metso also acquired from Finnish Fastpap Oy Ab its paper quality control business comprising the manufacturing and final assembly of measuring scanners used in Metso's Quality Control Systems as well as after sales services. The unit was combined into the Energy and Environmental Technology segment on October 1, 2008.

In September Metso increased its ownership in associated company Valmet-Xi'an Paper Machinery Co. Ltd in China. Metso's holding increased from 48.3% to 75% and the company was consolidated into Metso's balance sheet in September.

The cash paid for the incremental portion was EUR 5 million and the value of the previously held investment in associated companies was EUR 6 million. The company held a cash balance of EUR 13 million. A goodwill of EUR 1 million was recognized in the transaction.

Metso acquired in June Mapag Valves GmbH, a German manufacturer of butterfly valves which was combined into the Energy and Environmental Technology segment. The debt-free acquisition price was EUR 36 million, of which EUR 10 million was allocated to intangible assets, representing the fair values of the acquired technology, customer base and order backlog. The excess purchase price of EUR 10 million represents goodwill associated to Metso's improved market position in new and rapidly growing industrial markets.

In May, Metso acquired Kemetron A/S, a Danish manufacturer of advanced measurement systems mainly to the pulp, paper and chemical industry. The purchase price was about EUR 3 million and the company was combined into the Energy and Environmental Technology segment.

The acquired businesses contributed net sales of EUR 32 million and net profit of EUR 0 million for the period from their acquisition to December 31, 2008. Had these acquisitions taken place on January 1, 2008, Metso's net sales and net profit would have increased by EUR 55 million and EUR 1 million, respectively.

Summary information on acquisitions made in 2008 is as follows:

EUR million	Carrying amount	Fair value allocations	Fair value
Intangible assets	0	12	12
Property, plant and equipment	10	3	13
Inventories	24	-	24
Trade and other receivables	18	-	18
Deferred tax liabilities	-1	-4	-5
Minority interests	-3	-	-3
Other liabilities assumed	-24	-	-24
Non-interest bearing net assets	24	11	35
Cash and cash equivalents acquired			13
Pre-acquisition investment in associated companies (Valmet-Xi'an)			-6
Debt assumed			-11
Purchase price			-48
Goodwill			17
Purchase price settled in cash			-48
Settlement of acquired debt			-9
Cash and cash equivalents acquired			13
Net cash outflow on acquisitions			-44

Acquisitions in 2007

Metso acquired North American metal recycling provider, Bulk Equipment Systems and Technologies Inc (B.E.S.T. Inc), on March 30, 2007 and it was consolidated into the Energy and Environmental Technology segment. The acquisition price was approximately EUR 9 million, of which EUR 3 million was allocated to intangible assets, representing the fair values of the acquired customer base, brands, technology and order backlog. The excess purchase price of EUR 7 million represents goodwill associated to Metso's improved position in the North American metal recycling market.

On June 27, 2007, Metso acquired Mecanique et Dépannage Industries s.a.r.l. (MDI), a French company supplying maintenance services to the paper industry. The purchase price was less than EUR 1 million. The company became part of Metso's Paper and Fiber Technology.

Metso's Paper and Fiber Technology acquired on July 18, 2007 a UK based service provider Bender Holdings Limited with its subsidiaries. The purchase price was EUR 16 million, net of cash acquired. EUR 10 million was allocated to intangible assets, representing the fair values of acquired

technology, customer base and existing long-term contracts. The excess purchase price of EUR 6 million is goodwill related to Metso's improved position in the worldwide market for services to pulp and paper industry.

Metso strengthened its metal recycling business by acquiring Mueller Engineering Inc. in the USA on October 31, 2007 when the company was consolidated into the the Energy and Environmental Technology. Mueller Engineering is a shredder plant service provider specializing in servicing the drive motors and related equipment critical to the functioning of the shredder. The purchase price was EUR 6 million, of which EUR 3 million was allocated to intangible assets representing the fair values of acquired customer base, technology and order backlog and the remaining EUR 4 million represents goodwill arising from the leading market position gained on metal recycling plant services in North America.

Had these acquisitions taken place on January 1, 2007, Metso's net sales and net profit would have increased by EUR 26 million and EUR 3 million, respectively.

Summary information on acquisitions made in 2007:

EUR million	Carrying amount	Fair value allocations	Fair value
Intangible assets	0	16	16
Property, plant and equipment	2	-	2
Inventories	2	-	2
Trade and other receivables	8	-	8
Deferred tax liabilities	-1	-5	-6
Other liabilities assumed	-7	-	-7
Non-interest bearing net assets	4	11	15
Cash and cash equivalents acquired			4
Debt assumed			-1
Purchase price			-36
Goodwill			18
Purchase price settled in cash			-36
Cash and cash equivalents acquired			4
Cash outflow on acquisitions			-32

Assets pledged and contingent liabilities

EUR million	Dec 31, 2008	Dec 31, 2007
Mortgages on corporate debt	4	9
Other pledges and contingencies		
Mortgages	1	2
Pledged assets	0	0
Guarantees on behalf of associated company obligations	-	-
Other guarantees	9	11
Repurchase and other commitments	6	8
Lease commitments	152	142

Notional amounts of derivative financial instruments

EUR million	Dec 31, 2008	Dec 31, 2007
Forward exchange rate contracts	1,460	1,387
Interest rate swaps	168	143
Option agreements		
Bought	12	-
Sold	12	-

The notional amount of electricity forwards was 635 GWh as of Dec 31, 2008 and 356 GWh as of Dec 31, 2007.

The notional amount of nickel forwards to hedge stainless steel prices was 258 tons as of Dec 31, 2008 and 396 tons as of Dec 31, 2007.

The notional amounts indicate the volumes in the use of derivatives, but do not indicate the exposure to risk.

Key ratios

	1-12/2008	1-12/2007
Earnings per share, EUR	2.75	2.69
Equity/share at end of period, EUR	10.19	11.36
Return on equity (ROE), %	26.0	25.4
Return on capital employed (ROCE) before tax, %	23.2	26.1
Return on capital employed (ROCE) after tax, %	17.3	19.0
Equity to assets ratio at end of period, %	30.9	37.7
Gearing at end of period, %	75.7	33.4
Free cash flow	29	198
Free cash flow/share	0.20	1.40
Cash conversion, %	7	52
Gross capital expenditure (excl. business acquisitions)	255	159
Business acquisitions, net of cash acquired	44	55
Depreciation and amortization	138	148
Number of outstanding shares at end of period (thousands)	141,624	141,487
Average number of shares (thousands)	141,595	141,460

Exchange rates used

	1-12/2008	1-12/2007	Dec 31, 2008	Dec 31, 2007
USD (US dollar)	1.4726	1.3797	1.3917	1.4721
SEK (Swedish krona)	9.6833	9.2647	10.8700	9.4415
GBP (Pound sterling)	0.8023	0.6873	0.9525	0.7334
CAD (Canadian dollar)	1.5656	1.4663	1.6998	1.4449
BRL (Brazilian real)	2.6711	2.6623	3.2441	2.5949

Formulas for calculation of indicators

Earnings/share:

$$\frac{\text{Profit attributable to equity shareholders}}{\text{Average number of shares during period}}$$

Equity/share:

$$\frac{\text{Equity attributable to shareholders}}{\text{Number of shares at end of period}}$$

Return on equity (ROE), %:

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

Return on capital employed (ROCE), before tax %:

$$\frac{\text{Profit before tax + interest and other financial expenses}}{\text{Balance sheet total - non-interest bearing liabilities (average for period)}} \times 100$$

Return on capital employed (ROCE), after tax %:

$$\frac{\text{Profit + interest and other financial expenses}}{\text{Balance sheet total - non-interest bearing liabilities (average for period)}} \times 100$$

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:

$$\begin{aligned} &\text{Net cash provided by (used in) operating activities} \\ &- \text{capital expenditures on maintenance investments} \\ &+ \text{proceeds from sale of fixed assets} \\ &= \text{Free cash flow} \end{aligned}$$

Cash conversion:

$$\frac{\text{Free cash flow}}{\text{Profit}} \times 100$$

Reporting segments

Net sales

EUR million	10-12/2008	10-12/2007	1-12/2008	1-12/2007	Change, %
Mining and Construction Technology	717	683	2,586	2,330	11
Energy and Environmental Technology	503	474	1,775	1,543	15
Paper and Fiber Technology	627	738	2,044	2,364	-14
Valmet Automotive	13	21	65	85	-24
Group Head Office and other	-	-	-	-	-
Group Head Office and others total	13	21	65	85	-24
Intra Metso net sales	-21	-20	-70	-72	
Metso total	1,839	1,896	6,400	6,250	2

Other operating income (+) and expenses (-), net

EUR million	10-12/2008	10-12/2007	1-12/2008	1-12/2007
Mining and Construction Technology	-0.6	4.7	3.9	8.1
Energy and Environmental Technology	-0.6	1.7	-1.2	0.9
Paper and Fiber Technology	-0.6	-14.4	2.7	-10.4
Valmet Automotive	0.0	0.0	0.0	0.0
Group Head Office and other	4.8	0.0	5.2	2.5
Group Head Office and others total	4.8	0.0	5.2	2.5
Metso total	3.0	-8.0	10.6	1.1

Share in profits of associated companies

EUR million	10-12/2008	10-12/2007	1-12/2008	1-12/2007
Mining and Construction Technology	0.0	0.3	0.1	0.3
Energy and Environmental Technology	0.3	0.4	1.2	1.7
Paper and Fiber Technology	0.5	0.3	1.2	0.8
Valmet Automotive	-	-	-	-
Group Head Office and other	-	-	-	-
Group Head Office and others total	-	-	-	-
Metso total	0.8	1.0	2.5	2.8

Operating profit (loss)

EUR million	10-12/2008	10-12/2007	1-12/2008	1-12/2007	Change, %
Mining and Construction Technology	91.3	98.6	358.4	319.8	12
Energy and Environmental Technology	56.0	54.6	176.0	150.3	17
Paper and Fiber Technology	46.9	34.6	130.1	128.2	1
Valmet Automotive	-2.5	0.9	-3.5	8.0	-144
Group Head Office and other	-1.6	-9.0	-23.8	-26.5	-10
Group Head Office and others total	-4.1	-8.1	-27.3	-18.5	48
Metso total	190.1	179.7	637.2	579.8	10

Operating profit (loss), % of net sales

%	10-12/2008	10-12/2007	1-12/2008	1-12/2007
Mining and Construction Technology	12.7	14.4	13.9	13.7
Energy and Environmental Technology	11.1	11.5	9.9	9.7
Paper and Fiber Technology	7.5	4.7	6.4	5.4
Valmet Automotive	-19.2	4.3	-5.4	9.4
Group Head Office and other	n/a	n/a	n/a	n/a
Group Head Office and others total	n/a	n/a	n/a	n/a
Metso total	10.3	9.5	10.0	9.3

EBITA

EUR million	10-12/2008	10-12/2007	1-12/2008	1-12/2007	Change, %
Mining and Construction Technology	91.9	99.4	361.2	323.0	12
Energy and Environmental Technology	60.5	62.8	198.3	182.4	9
Paper and Fiber Technology	51.2	39.2	146.1	146.6	0
Valmet Automotive	-2.6	1.0	-3.5	8.1	-143
Group Head Office and other	-1.0	-8.5	-21.2	-24.7	-14
Group Head Office and others total	-3.6	-7.5	-24.7	-16.6	49
Metso total	200.0	193.9	680.9	635.4	7

EBITA, % of net sales

%	10-12/2008	10-12/2007	1-12/2008	1-12/2007
Mining and Construction Technology	12.8	14.6	14.0	13.9
Energy and Environmental Technology	12.0	13.2	11.2	11.8
Paper and Fiber Technology	8.2	5.3	7.1	6.2
Valmet Automotive	-20.0	4.8	-5.4	9.5
Group Head Office and other	n/a	n/a	n/a	n/a
Group Head Office and others total	n/a	n/a	n/a	n/a
Metso total	10.9	10.2	10.6	10.2

Orders received

EUR million	10-12/2008	10-12/2007	1-12/2008	1-12/2007	Change, %
Mining and Construction Technology	339	705	2,709	2,776	-2
Energy and Environmental Technology	341	367	1,658	1,884	-12
Paper and Fiber Technology	207	698	2,021	2,293	-12
Valmet Automotive	13	21	65	85	-24
Group Head Office and other	-	-	-	-	-
Group Head Office and others total	13	21	65	85	-24
Intra Metso orders received	-11	-20	-69	-73	
Metso total	889	1,771	6,384	6,965	-8

Quarterly information

Net sales

EUR million	10-12/2007	1-3/2008	4-6/2008	7-9/2008	10-12/2008
Mining and Construction Technology	683	534	665	670	717
Energy and Environmental Technology	474	373	476	423	503
Paper and Fiber Technology	738	483	493	441	627
Valmet Automotive	21	23	19	10	13
Group Head Office and other	-	-	-	-	-
Group Head Office and others total	21	23	19	10	13
Intra Metso net sales	-20	-13	-20	-16	-21
Metso total	1,896	1,400	1,633	1,528	1,839

Other operating income (+) and expenses (-), net

EUR million	10-12/2007	1-3/2008	4-6/2008	7-9/2008	10-12/2008
Mining and Construction Technology	4.7	5.5	-4.0	3.0	-0.6
Energy and Environmental Technology	1.7	0.6	-0.7	-0.5	-0.6
Paper and Fiber Technology	-14.4	0.1	1.8	1.4	-0.6
Valmet Automotive	0.0	0.0	0.0	0.0	0.0
Group Head Office and other	0.0	-0.7	0.7	0.4	4.8
Group Head Office and others total	0.0	-0.7	0.7	0.4	4.8
Metso total	-8.0	5.5	-2.2	4.3	3.0

Share in profits of associated companies

EUR million	10-12/2007	1-3/2008	4-6/2008	7-9/2008	10-12/2008
Mining and Construction Technology	0.3	0.0	0.1	0.0	0.0
Energy and Environmental Technology	0.4	0.2	0.3	0.4	0.3
Paper and Fiber Technology	0.3	0.4	0.3	0.0	0.5
Valmet Automotive	-	-	-	-	-
Group Head Office and other	-	-	-	-	-
Group Head Office and others total	-	-	-	-	-
Metso total	1.0	0.6	0.7	0.4	0.8

Operating profit (loss)

EUR million	10-12/2007	1-3/2008	4-6/2008	7-9/2008	10-12/2008
Mining and Construction Technology	98.6	78.2	91.0	97.9	91.3
Energy and Environmental Technology	54.6	24.6	44.2	51.2	56.0
Paper and Fiber Technology	34.6	24.9	23.8	34.5	46.9
Valmet Automotive	0.9	1.0	0.9	-2.9	-2.5
Group Head Office and other	-9.0	-9.1	-4.7	-8.4	-1.6
Group Head Office and others total	-8.1	-8.1	-3.8	-11.3	-4.1
Metso total	179.7	119.6	155.2	172.3	190.1

EBITA

EUR million	10-12/2007	1-3/2008	4-6/2008	7-9/2008	10-12/2008
Mining and Construction Technology	99.4	78.9	91.8	98.6	91.9
Energy and Environmental Technology	62.8	32.4	49.7	55.7	60.5
Paper and Fiber Technology	39.2	29.9	28.1	36.9	51.2
Valmet Automotive	1.0	1.0	0.9	-2.8	-2.6
Group Head Office and other	-8.5	-8.5	-4.0	-7.7	-1.0
Group Head Office and others total	-7.5	-7.5	-3.1	-10.5	-3.6
Metso total	193.9	133.7	166.5	180.7	200.0

Capital employed

EUR million	Dec 31, 2007	Mar 31, 2008	June 30, 2008	Sep 30, 2008	Dec 31, 2008
Mining and Construction Technology	1,004	1,067	1,120	1,226	1,230
Energy and Environmental Technology	532	524	621	640	647
Paper and Fiber Technology	458	557	532	480	532
Valmet Automotive	21	22	22	23	21
Group Head Office and other	419	533	496	390	458
Group Head Office and others total	440	555	518	413	479
Metso total	2,434	2,703	2,791	2,759	2,888

Orders received

EUR million	10-12/2007	1-3/2008	4-6/2008	7-9/2008	10-12/2008
Mining and Construction Technology	705	687	936	747	339
Energy and Environmental Technology	367	382	367	568	341
Paper and Fiber Technology	698	433	441	940	207
Valmet Automotive	21	23	19	10	13
Group Head Office and other	-	-	-	-	-
Group Head Office and others total	21	23	19	10	13
Intra Metso orders received	-20	-16	-23	-19	-11
Metso total	1,771	1,509	1,740	2,246	889

Order backlog

EUR million	Dec 31, 2007	Mar 31, 2008	June 30, 2008	Sep 30, 2008	Dec 31, 2008
Mining and Construction Technology	1,496	1,562	1,850	1,964	1,492
Energy and Environmental Technology	1,337	1,331	1,253	1,402	1,204
Paper and Fiber Technology	1,553	1,494	1,441	1,931	1,434
Valmet Automotive	-	-	-	-	-
Group Head Office and other	-	-	-	-	-
Group Head Office and others total	-	-	-	-	-
Intra Metso order backlog	-45	-47	-50	-53	-42
Metso total	4,341	4,340	4,494	5,244	4,088

Personnel

Personnel	Dec 31, 2007	Mar 31, 2008	June 30, 2008	Sep 30, 2008	Dec 31, 2008
Mining and Construction Technology	9,754	10,063	10,503	10,829	11,259
Energy and Environmental Technology	5,857	5,957	6,311	6,317	6,357
Paper and Fiber Technology	10,093	9,892	10,089	10,661	10,544
Valmet Automotive	789	789	779	579	783
Group Head Office and other	344	361	387	376	379
Group Head Office and others total	1,133	1,150	1,166	955	1,162
Metso total	26,837	27,062	28,069	28,762	29,322

Notes to the Financial Statements Review

This Financial Statements Review has been prepared in accordance with IAS 34 'Interim Financial Reporting'. The same accounting policies have been applied as in the annual financial statements. This Financial Statements Review is unaudited.

New accounting standards

IFRS 8

In November 2006, IASB issued IFRS 8 'Operating Segments' requiring the company to adopt a 'management approach' to reporting on the financial performance of its operating segments. Thus, the information to be reported is the same management uses internally for evaluating segment performance.

Metso will apply the standard for the financial year beginning on January 1, 2009. The new standard does not affect the reporting segment structure.

IAS 1 (Revised)

In September 2007, IASB published IAS 1 (Revised) 'Presentation of Financial Statements'. The revised standard is aimed at improving users' ability to analyze and compare the information provided in financial statements. It requires all non-owner changes in equity (comprehensive income) to be presented in one statement of comprehensive income or in two statements, a separate income statement and a statement of comprehensive income. However, components of total comprehensive income are not permitted to be presented separately in the statement of changes in equity.

IAS 1 (revised) was endorsed by the European Union in December 2008. Metso adopted the statement of comprehensive income or statement of recognized income and expenses in 2007 when it began recognizing the actuarial gains and losses. The standard will be fully applied for the financial year beginning on January 1, 2009.

IFRS 3 (Revised)

IASB has published IFRS 3 (Revised), 'Business combinations', which maintains the requirement to apply the acquisition method to business combinations, but with some significant changes such as expensing of transaction costs. In addition, all payments to purchase a business are to be recorded at fair value on the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. Metso is currently evaluating the effects on its financial statements but expects it to affect only future business combinations.

IFRS 3 (Revised), still subject to endorsement by the European Union, becomes effective for annual financial statements for periods beginning on or after July 1, 2009.

Provided the revision receives endorsement by the European Union, Metso will apply the standard for the financial year beginning on January 1, 2010.

IAS 23 (Amended)

IASB has published Amendment to IAS 23 'Borrowing Costs', which requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. A qualifying asset can be intended for its own use (self-constructed asset) or for sale. The option of immediately expensing these borrowing costs will be removed.

IAS 23 (revised) was endorsed by the European Union in December 2008. Metso will apply the standard for the financial year beginning on January 1, 2009. As Metso capitalizes interest costs on self-constructed long-lived assets, the amendment does not impact Metso's financial statements.

IAS 27 (Revised)

IASB has published IAS 27 (Revised), 'Consolidated and separate financial statements'. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is expensed. Metso does not expect the standard to affect its financial statements.

IAS 27 (Revised) is effective for annual financial statements for periods beginning on or after July 1, 2009. The standard is still subject to endorsement by the European Union.

Provided the revision receives endorsement by the European Union, Metso will apply the standard for the financial year beginning on January 1, 2010.

IFRS 2 (Amended)

IASB published in January 2008 an amendment to IFRS 2 'Share-based payments' clarifying the accounting of vesting conditions and cancellations. Vesting conditions are limited to service and performance conditions, other features are not vesting conditions and only impact the grant date fair value. Cancellations whether by the Company or by other parties are accounting for in similar way, Metso does not expect the amendment to affect its financial statements.

IFRS 2 (revised) was endorsed by the European Union in December 2008. Metso will apply the standard for the financial year beginning on January 1, 2009.

Trading of Metso shares

The number of Metso Corporation shares traded on the NASDAQ OMX in Helsinki Exchange in 2008 was 359,378,566 shares, equivalent to a turnover of EUR 8,503 million. The share price on December 31, 2008 was EUR 8.52 and the average trading price for the period was EUR 23.66. The highest quotation during the review period was EUR 38.56 and the lowest EUR 7.74.

Metso's ADSs (American Depositary Shares) are traded in the United States on the OTC market. At the end of the year, the closing price of an ADS was USD 12.19. Each ADS represents one share.

Disclosures of changes in holdings

The Finnish State has on December 11, 2008 transferred all its shares in Metso Corporation to the entirely state-owned Solidium Oy as a capital contribution. The shares transferred to Solidium Oy include 15,695,287 Metso shares, which corresponds to 11.07 percent of the paid up share capital and votes in Metso. After the transfer, there are no Metso Corporation shares owned by the state.

On November 11, 2008 Marathon Asset Management LLP announced that the funds they managed held 7,258,794 shares, which corresponds to 5.12 percent of the paid up share capital of Metso Corporation. Out of this holding, Marathon Asset Management LLP was in possession of 5,545,225 shares

and the voting authority represents 3.91 percent of the total voting rights in Metso.

On April 15, 2008 UBS AG announced that the funds they managed held 7,274,140 Metso shares corresponding to 5.13 percent of the paid up share capital and votes in Metso Corporation.

UBS AG announced that on April 18, 2008 the group holding in Metso shares fell below the 5 percent threshold. The holding amounted to 7,072,425 shares, which corresponds to 4.99 percent of the paid up share capital and votes in Metso Corporation.

Credit ratings

In November 2008, Standard & Poor's affirmed Metso's BBB long-term and A-2 short-term credit ratings and changed the outlook from positive to stable.

In April 2008, Standard & Poor's affirmed the BBB long-term credit ratings for Metso and changed the outlook from stable to positive. At the same time, the senior unsecured debt ratings were raised from BBB- to BBB. The short-term A-2 ratings were affirmed.

At the end of 2008, Moody's Investor Service's long-term rating for Metso was at Baa2 and the rating outlook was stable. In January 2009, Moody's Investor Service confirmed Metso's Baa2 long-term credit rating and changed the outlook from stable to negative.

Metso's Financial Reporting in 2009

The Annual Report for 2008 will be published during the week starting on March 9, 2009.

Metso will publish three interim reviews in 2009 as follows:

Interim review for January-March on April 28, 2009,

Interim review for January-June on July 24, 2009 and

Interim review for January-September on October 29, 2009, respectively.



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