



Our journey
continues

Metso's Annual Report

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Essential Metso

Metso's good development continued in 2012 in an operating environment that was very challenging in some areas. Net sales and profit grew, while fewer big project orders were received compared to the peak year of 2011. Our company's solid footing and strong position in the markets provide a good foundation for the future. [Read more.](#)



We reached many of our key targets in 2012. [Read more about targets and achievements.](#)

EBITA, all-time
second highest

→ 684

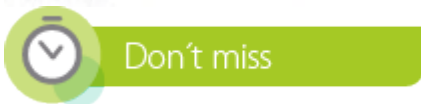
EUR million



[Watch our President and CEO Matti Kähkönen's video greetings](#)

→ 11%

growth in services
net sales



[From the CEO](#)

[Targets and achievements](#)

[Metso's businesses](#)

[Global presence](#)

[Group key figures](#)

[Segment key figures](#)

→ 1.85

dividend proposal
for 2012

This is Metso

Metso is a global supplier of technology and services in the process industries, including mining, construction, recycling, pulp and paper, power and oil and gas. Our 30,000 professionals in over 50 countries deliver sustainability and profitability to customers worldwide.

Metso has a global pool of highly dedicated individuals working closely together to ensure our customers' success. Our strategy implementation is focused on five must-wins (services, growth countries, technology, operating model and people), and these ensure that our employees are able to take full advantage of their outstanding expertise, commitment and drive. Together with our customers, we aim for highly profitable advancements and new heights in both services and technology. We want to deliver real results around the globe.

Working together towards common goals

Metso's operations are guided by the company values. To achieve long-term results in a competitive environment, the only way forward is by "**Working as one to be number one.**" This is done through mutual respect and understanding towards our internal and external stakeholders. The measure of our success is in the results we deliver to our customers. This is why we want them to be number one as well.

Contributing to a sustainable future is the core of Metso's business. This is achieved by providing our customers with full life-cycle services along with constant technological improvements and innovations. We want to be where our customers are so that we can better understand their business realities and cater to the needs arising from each individual business environment. With this insight, we create effective solutions that increase the productivity of our customers in a sustainable manner.

Mining and Construction

Metso's Mining and Construction segment provides full-scope solutions, including technology, process knowledge, machinery and services, to our customers in aggregates production, construction, mining, minerals processing and recycling.

Automation

Automation's solutions and services help our customers to unlock business value over the life of their investments by improving productivity, energy and materials efficiency, optimizing costs and enabling more effective risk control. To achieve this goal, we have the right product and service portfolio supported by a worldwide network of automation experts.

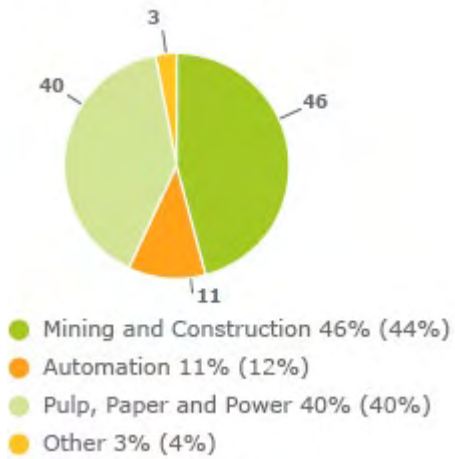
Pulp, Paper and Power

Metso's pulp, paper and power professionals specialize in full-scope processes, machinery, equipment and services. Our offering and experience cover the entire process life cycle, including new production lines, rebuilds and services.

Other

Separate entity: Valmet Automotive

Net sales by segment



From the CEO

Metso's good development continued in 2012 in an operating environment that was very challenging in some areas. Net sales and profit grew, while fewer big project orders were received compared to the peak year of 2011. Our company's solid footing and strong position in the markets provide a good foundation for the future.

In 2012, we advanced in many areas important to Metso. We can be particularly pleased with the strong growth in the services business, which has not been significantly affected by economic uncertainties. Net sales in the services business grew by 11% to approx. EUR 3.2 billion euros and accounted for 44% of Metso's net sales. Services cover an even bigger share of the company's financial results, so it will continue to be the most important target of development for us. Metso's overall net sales grew by 13% to EUR 7,504 million euros, the highest amount ever.

Uncertainties in the operating environment

Development of our customer industries was marked by global economic uncertainty throughout the year, even though in spring it was widely believed that difficulties were already easing. Challenges in the economies of Europe and the United States continued right up to the end of the year, resulting in a slow down (at least temporarily) in many of the growth markets important to us. The mining industry saw cut backs in investment programs, and particularly the bigger projects in other sectors as well were either halted or progressed very slowly. One positive thing in this situation was that the wheels of the economy had enough momentum to keep our customers' capacity utilization rates high, thereby supporting the demand for our services. The strength of our services business was also clearly visible in the fact that our customers trusted Metso's ability to improve their processes and their production efficiency in a situation where new investments were being postponed.

Metso's strong foundation

Even though the world around us is uncertain and constantly evolving, Metso has a strong foundation supporting our strategy and operations. Global megatrends are still there and are continuing to develop in a direction that is favorable for us. Likewise, Metso's key competence areas - leading technologies, understanding customer processes, global sales networks close to customers, comprehensive services offering, high-quality products and business know-how - remain unchanged. By further strengthening these competence areas, we are pursuing our ambition of being the leading technology and service provider in our customer industries. This goal is challenging, but achievable, because all our businesses have a strong position either globally or in selected markets.

Our journey continues

The past year was a time of implementing the strategy to align with decisions made the previous year. Strategic focus areas and must-wins guided our operations, and we made promising advances in many areas. Our journey will continue and our efforts will grow, and in many areas we are at the beginning of our journey. In the current operating environment, we will nurture our competitiveness and continue to utilize growth opportunities in various customer industries. Our financial position remains strong, but we cannot tread water; we will continue looking for new ways to better serve our customers, improve our operational efficiency, keep costs in check, and together build an ever stronger company.

Something else about last year that I'd like to highlight is the continued positive development in occupational safety. Safety always takes precedence over business at Metso and is one of the most important elements in ensuring high productivity and quality in all our operations. Our work to improve safety will continue, and I'm sure that a year from now our performance is even better than what we have seen so far.

Looking forward

When writing this text early in the year, there is emerging optimism around the world that growth will pick up again and the economy will recover in many important markets. For us, this would be excellent news. However, having learned from years past, we will not rely on optimism alone, instead we will make sure that Metso is a strong company also in more difficult market situations. I want to thank Metso's people for their hard work last year; let's keep up the drive to take Metso further. I want to thank our customers, shareholders and partners for their confidence in Metso; I'm sure that the good collaboration continues. We are fit for the future.

CEO Matti Kähkönen talking about Metso's year 2012.



Targets and achievements summary

This is a summary about our targets and achievements in 2012, please read more about our [Financial targets and achievements](#), [Strategic achievements and priorities](#) and [Sustainability targets and achievements](#).

Our net sales growth target: over 10%

Net sales

→ 7,504 EUR million

→ 13%

growth in net sales

Our Capital efficiency target: ROCE, % above 20%

Return on capital employed (ROCE) before taxes

→ 19.6%

Our target: strengthen position in emerging markets

Emerging markets accounted for

→ 50%

of net sales

Our short-term occupational safety target: LTIF less than 5 by 2015

Our lost-time incident factor (LTIF) in 2012 was

→ 7.1

Our services business net sales growth target: over 10%

→ 11%

growth in services net sales

Our dividend target:

At least

→ 50%

of annual earnings per share

Earnings per share

→ EUR 2.49

Metso's Board of Directors proposes a dividend of

→ EUR 1.85

per share for 2012

This corresponds to

→ 74%

of the earnings per share

Our target to reduce our carbon dioxide emission: by 15% by 2015 and by 20% by 2020

We have reduced

→ 9%

of our CO2 emissions in 2012

Customer industries

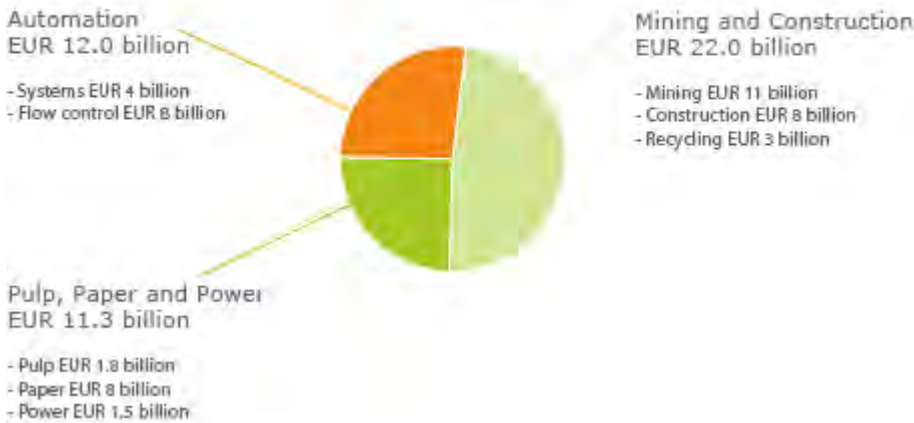
Our three business segments ? Mining and Construction, Automation, and Pulp, Paper and Power ? offer technology and services to a range of customer industries around the world.

We have a balanced offering of products, projects and services business. Large-scale project deliveries are typical to the mining, power generation, and pulp and paper industries. Our deliveries to the construction and the oil and gas industries mainly consist of individual equipment components and smaller package solutions. The share of services business is significant in all our businesses.

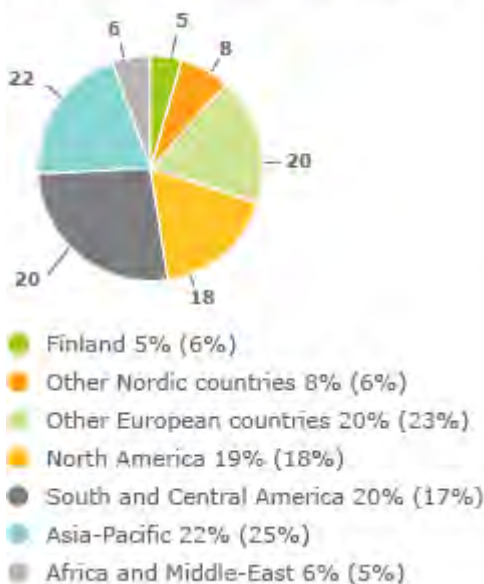
[Read more about our customer industries \(opens a PDF file\) >](#)

Metso's addressable markets in 2012

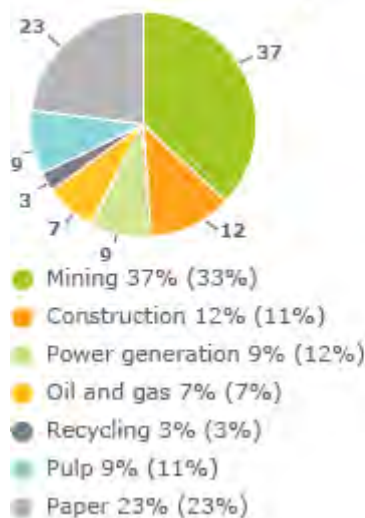
EUR 45.3 billion



Net sales by market area



Orders received by customer industry

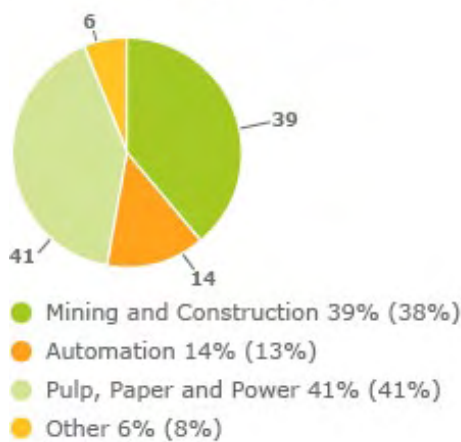


Metso's businesses

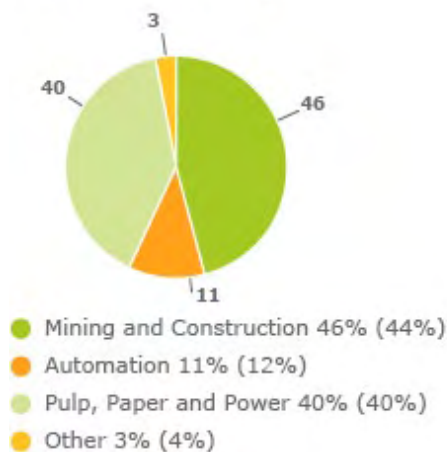
We operate through three reporting segments: **Mining and Construction**, consisting of Minerals Processing Solutions, Crushing and Screening Equipment and Services business lines; **Automation**, consisting of Process Automation Systems, Flow Control and Services business lines; and **Pulp, Paper and Power**, consisting of Paper, Fiber, Power and Services business lines.

[Read more about our businesses \(opens a PDF file\) >](#)

Personnel by segment



Net sales by segment



Mining and Construction

Good progress on many fronts in 2012

We are a leading, global supplier of technology and services for the mining and construction industries. We believe that the measure of our work is in the results we deliver to our customers. This is why we do not compromise on our product and service offerings. We utilize our deep technological knowledge to deliver cutting-edge equipment, solutions and services designed to make a real and sustainable difference to our customers' businesses.

We have long and deep exposure to the fast-growing mining industry. Our solutions embrace the latest technology, process know-how and extensive services offering for the whole value chain of minerals processing. Although the big mining companies scaled down or postponed some of their investments in 2012, our mining business performed well, and we're especially proud of the performance of our services business. We work in close collaboration with our customers to improve their productivity and to develop solutions that increase their operating performance and profitability. We are able to lower the total cost of ownership by combining our technological and process know-how to offer customers the most efficient results throughout the life cycle. This has recently resulted in major orders for life-cycle services from the Russian Copper Company and Boliden, to name a few.

Our position in the crushing and screening niche of the construction industry is strong. Infrastructure maintenance in developed countries and continued expansion in the emerging markets have driven the demand for our crushing and screening equipment. China is a very important market for us, and one of our strategic targets is to strengthen our presence in the fast-growing Chinese construction market. By establishing strategic partnerships or by acquiring reputable local players, we will gain deeper knowledge about the construction mid-market products and customers. Combining Metso's current premium product offering with the partners' excellence in mid-market products is a good platform for future growth. In 2012, we announced two important strategic steps in line with our strategy - a joint venture with LiuGong Group Corp. Ltd and an acquisition of a 75% ownership in Shaorui Heavy Industries Ltd.

We are fully committed to delivering the targeted performance. In 2012, we made good progress in many strategically important areas - and financially as well, especially in terms of profitability, return on investment and cash flow. Innovation is at the core of who we are, and we have made several important product launches that confirm our leadership in sustainable technology. We have also shown our creativity in developing new business and operating models that will make us stronger and more efficient in the future.

Performance-based services for increased productivity

We have grown our services business rapidly over the past few years by establishing new business models for services and a global services hub network and by leveraging our installed base. Our integrated solutions for the mining and construction industries enable our customers to process material at the lowest cost per ton while prioritizing health, safety, and environmental performance. Our services offering consists of performance contracts, wear and spare parts, process technology and innovation services.

The markets for the services business are more stable than the markets for new equipment, and thus offer us financial stability in all business cycles. Today, some 50% of our net sales come from the services business. Order intake in services has grown about 20% annually since 2009 and operating profit even faster than this. Our target is to achieve sales growth exceeding 10% every year.

We have the most extensive services hub network in the industry, with more than 70 services hubs and 10 regional distribution centers. Our presence offers customers availability and a strong local services knowledge base close to their operations. During 2011 and 2012, we strengthened our services hub network in Chile, the USA and northern Sweden. Comparable work is in process in Mexico and Peru, and our intention is to continue expanding the network even further.

Strong global presence close to our customers

Our growth in mining and construction businesses is based on our strong global presence. We have been present in emerging markets for a long time, as these are the traditional markets for our industry. Currently, half of Mining and Construction's personnel work in emerging markets.

We have built a strong position in South America - especially in Brazil, Chile and Peru. In 2012, we received many important construction equipment orders, from Brazil in particular. We also have been successful with many big orders in Russia and CIS. Our intention is to continue to grow our presence wherever our customers operate.

In India, we have a well-established position in crushing and screening as well as in iron ore pelletizing. With the launch of a mid-market version of our Lokotrack, we entered the local mobile crusher mid-market. The new product, which has been engineered and manufactured in India for local customers' requirements, has been a great commercial success also in export markets in Southeast Asia, Eastern Europe and North Africa.

The Chinese construction market is worth half of the global construction market and a key to our global success. We have a strong foothold in the premium crushing market in mining, and we have also succeeded in grinding and bulk materials handling. The fast-growing mid-market segment offers us good growth opportunities in the future. We will continue to develop our organization, supply chain and distribution network in China. In order to be competitive also in the future, we need to fully utilize our technological knowledge and manage our cost structure effectively.

We prioritize health, safety and environment

Health and safety issues are a clear priority for us, and we have a solid track record in improving our results in this area. Environmental impact is a major issue for our customers in mining and construction. We are helping our customers to reduce their energy and water consumption as well as the noise and dust generated by the use of our equipment. For instance, our HRC high-pressure grinding roll is our latest innovation for energy-efficient comminution. We strive to assure that environmental issues are addressed properly, and we work in close cooperation with the local communities and authorities.

Capitalizing on the opportunities in mining and construction markets

We foresee good, steady growth in mining for years to come. We are continuing to expand our offering for mining processing plants and to differentiate our offering with process technology. One of the businesses in which we see great potential for growth is pelletizing. The acquisition of additional pelletizing technology and know-how from Jacobs Engineering Group, Inc. makes us the technology leader in pelletizing. Our services capabilities help our mining customers to tackle the challenge of growing cost structures by improving their productivity and profitability. We will also continue to focus on key account management.

In construction, we are continuing to improve profitability by focusing on pricing and procurement tools and on supply chain flexibility. In addition, success in the growing Chinese construction market is a must for us. In both the mining and construction businesses, we will continue driving our global supply chain shift toward emerging markets and gain benefits from our global procurement organization.

Note:

Metso's Recycling business was integrated into Mining and Construction as of December 1, 2012, and we are committed to developing the Recycling business as part of our Mining and Construction segment in the longer term. The integration will add value to the Recycling business and Metso in terms of volume growth, cost competitiveness and offering development. We are a forerunner and global market leader in metal and waste recycling, and our intention is to further strengthen that position.

Must-win cases for Mining and Construction



Must-win: Services

João Ney Colagrossi, President, Services business, Mining and Construction

With the unique regional service hub concept, we aim to place Metso's service personnel even closer to our customers. The location of these cost-efficient and fast-operating hubs are determined by our customers' needs and the growth of our customer industries. During 2012 and early this year, we have worked on expanding Metso's Mining and Construction service business through new hubs, for example in Chile, Mexico and Peru. Currently our position as the leading service and technology provider for mining and construction consists of an impressive hub network of over 70 locations in six continents.



Must-win: Growth countries

Pekka Pohjoismäki, President, Crushing and Screening Equipment business, Mining and Construction

In 2012, we strengthened our presence in the fast growing Chinese construction market. By establishing strategic partnerships or by acquiring reputable local players, we will have a better access to the attractive construction mid-market. Combining Metso's current premium product offering with the partners' excellence in mid-market products is a good platform for expanding our product offering and growing our business in China. The joint venture with LiuGong Group will give us significant foothold in the Chinese mobile crushing and screening market through LiuGong's extensive distribution resources (~900 outlets) and manufacturing capabilities. The acquisition of 75 percent of Shaorui Heavy Industries grants us access to Shaorui's 18 sales and services centers and a strategically located manufacturing facility in southern China. It will also ease our way into new markets in Asia and Africa. China is an important market for us and I see great growth potential there for years to come.



Must-win: Technology

Victoria Herman, Product Manager, Hydraulic Roll Crusher (HRC), Mining and Construction

Savings in time and costs for our clients are in my opinion the direct outcome of the key innovations of 2012 in Metso Mining and Construction. Our latest development in comminution equipment, the HRC, is a major step in the profitable application of high pressure grinding roll (HPGR) technology. By working closely with our customers we have been able to better understand their concerns and provide solutions and advancements to HPGR technology, such as increase throughput and decrease total cost of operation. These recent leaps in technology can be seen in large-scale action at the world's largest high-pressure grinding roll by 2014 when Freeport-McMoRan Copper & Gold's Morenci copper mine in Arizona starts operating.



Must-win: Operating model

Korlan Strays, Senior Vice President, Global Procurement, Mining and Construction

As Metso's Mining and Construction business has grown into proportions of 8 600 suppliers and 75 global supply locations, we needed to take action to secure continuation of cost-efficiency when connecting people and supply. To manage Metso's Mining and Construction external supplying, we founded a Global Procurement organization in 2012. The aim is to more than double our sourcing to lower total cost countries, improve procurement efficiencies, reduce supplier lead times, improve net working capital and manage the risks of the supplier base. We see this organization key in increasing the flexibility of our supply chain management while simultaneously improving quality and total cost of supply.



Must-win: People

Randy Reisinger, Senior Vice President, Spares Repairs & Engineered-to-order (ETO), Mining and Construction

Metso's service business is constantly growing, and we need our people to grow to keep pace and to match our services business strategy. Every day, over 2,000 service technicians and service engineers are working safely and efficiently to meet the common goals, set together with our customers for cost-efficiency and high performance service. During 2012, we developed and launched a global field service training and development system for our service experts through the Services Development Project. This training project incorporates field service qualification and certification processes, standardized work practices, and a procedure-based development culture. This project is also designed to identify the continuous training needs in order to support the growth of our services business for the future.

Automation

Automation markets are attractive both in terms of growth and profitability. Demand for automation solutions is growing faster than the gross world product. As a result, automation investments are also outpacing the growth rate of industry investments in general.

Automation's core competence is to improve production performance, cost, material and energy efficiency, and risk management for process industry customers. Exhaustible and increasingly more expensive raw materials, as well as the use of clean and efficient energy, are structural growth factors that have a strong impact on Automation's business operations. The increasing investments in power and heat production, the long-term supply and demand for oil and gas, the shortage of labor, and the growing investments in infrastructure also stimulate growth and demand.

Automation's customers are typically leading players in their respective sectors. They value Metso's deep knowledge of customer industries, its technology leadership and global service network. Automation's products and services help customers to develop their own production processes, in which even minor improvements often can lead to significant improvements in cost, materials and energy efficiency. Automation generally accounts for a small part of the actual investment in a production plant, but it has a major impact on the plant's functionality and efficiency.

Automation's products and services support and strengthen Metso's overall portfolio and thus improve Metso's position in its strong customer sectors. The profound customer industry knowledge of Metso's other business segments supports the development of the independent Automation segment.

As an industry sector, automation is big, but fragmented. Process automation and flow control solutions and the related services are a 70-billion-euro market. Typical to the sector is a high number of players that focus on serving specific customer segments and that are strong in their respective area. This gives Metso the opportunity to focus on its target market based on its own strengths.

We are solidly positioned in our selected market segments. About 40 percent of our current business consists of automation solutions for the pulp and paper industry. Automation is the market leader in solutions for the pulp and paper industry and has good growth opportunities also in all of Metso's other main customer industries - power generation, mining and construction, and oil and gas. Services account for about half of the segment's net sales.

Flow control solutions for the strongly growing oil and gas industry represent nearly 50 percent of our business. Automation solutions for power generation account for about ten percent of our business.

Global megatrends support our growth targets

Sustainability and climate change increase the demand for automation solutions because automation can improve material and energy efficiency. In the globalizing economy, our customers aim to achieve a consistent standard of quality all around the world - and that creates growth opportunities for us.

The rise of emerging economies is an important growth factor for us. Geographically, the key growth markets are the BRIC countries and the Middle East. Of these, Metso has the strongest foothold in China, where there is a high demand for Metso's automation solutions and services.

We have set ambitious goals for Automation:

- We will maintain our already strong market leadership in the pulp and paper industry automation solutions.
- We will significantly grow the process automation business outside the pulp and paper industry.
- We will develop our offering as a supplier of advanced automation solutions for the mining and construction customers.

- We will become one of the top three suppliers of flow control solutions for the oil and gas industry.
- We will become a market leader in flow control solutions, measured in terms of profitability, scope and size.
- We will achieve significant growth in the services business.

To achieve these goals, the key development targets include expanding the services offering and strengthening our operations in the growth markets of China, Brazil, India, Russia and the Middle East. Additionally, we will develop and expand our product offering and our business.

The development of new business is primarily related to automation solutions for the mining and construction industry and analyzers. Mining and construction industry customers are increasingly turning to automation solutions to improve the performance of their operations. Metso has a unique combination of equipment and automation to improve operational efficiency and safety for mining and construction customers.

Strong market position and a global sales and services organization are a platform for growth

Automation's strong market position and expertise as well as the global sales services and valve operation organization provide excellent conditions for meeting our customers' needs. We have made good progress in serving our customers and in creating growth.

We strengthened our operations in 2012 by developing our global market position and our internal ways of operating.

In 2012, we took many steps that support the strengthening of our global market position and our growth targets. We entered new markets with the acquisition of the South Korean globe valve manufacturer Valstone. Additionally, we consolidated valve operations in the United States into new premises in Massachusetts, and we opened a new valve supply and service center in Vadodara, India.

The new Services business line enables the development of services at the entire Automation segment level rather than the development of product-specific services. Demand for our services has grown clearly, particularly in Asia and North America. We strengthened our optimization services for industrial processes by acquiring the U.S. software company ExperTune Inc, which products are widely used as software tools to analyze and monitor the performance of industrial processes and to identify the associated maintenance and improvement opportunities.

Significant operational improvements were implemented in the Finnish valve production operations and the delivery times were shortened.

We have maintained our leading position in our traditionally strong areas. In 2012, we sold more process automation solutions for non-Metso-manufactured equipment than ever before and, for the first time, we achieved global market leadership as a supplier of quality control systems for the paper industry. Valve orders from the pulp and paper industry grew again in 2012.

We made fairly good progress with our growth targets, taking into consideration the investments made to develop internal operations during the year. In 2012, our profitability was undermined by challenges in our valve production and the reduction in process automation system deliveries as part of Metso's delivery packages to the pulp and paper industry. Additionally, we had not yet achieved the full benefits from our growth investments.

We will continue on a path of growth in 2013, despite the conflicting views for the global economy. We are confident in the future of the pulp and paper industry. High oil prices support the demand for our flow control business. The growth prospects for our services business are good, and we will expand our global services offering both to existing and new customer industries.

Must-win cases for Automation



Must-win: Services

Johanna Newcomb, Manager, Engineering & Project Management, Automation

Metsä Board Joutseno pulp mill partnered with Metso in 2010 to optimize their Thermo Mechanical Pulping process. Metsä Board's objectives were to reduce energy and chemical usage which for the particular process they use is a significant operational cost.

Working together to analyze the process, it was agreed to implement Metso's advanced process control solution for this process as well as introduce new Metso analyzer and measurement equipment. Collectively these enabled the process to be controlled more accurately and it to be significantly optimized using Metso's industry leading process knowledge.

The results speak for themselves: 8 percent reduction in energy consumption and considerable chemical savings for the mill. Collectively these have had a significant impact on operational costs for the mill and have helped create additional financial value for Metsä Board. Since the initial solution delivery, performance and savings have been maintained and improved under a long term performance agreement.

I see that the key factors in achieving joint goals with our client were listening closely to our customer's needs, and working together for the customer.



Must-win: Growth countries

Alok Kishore, Country Manager, India, Automation

In 2012, Metso opened a new valve supply and service center in Vadodara, India. I see that Metso has taken an important step in widening manufacturing and service capabilities in India. The investment supports the company's strategy to develop and expand its valve offering, delivery and service capabilities. The step was logical and preceded by a series of investments in Metso's global offering in growth countries such as South Korea, China and the US. Metso already has 32 valve service centers around the globe on top of the latest one in India.



Must-win: Technology

Eric Challenges, Director, EMEA, Energy & Process Systems, Automation

The past year has been significant in the development of Metso Automation analyzers. Our two new products, Metso Corrosion Reduction Analyzer and Metso MR Moisture Analyzer, have been the result of close corporation together with Metso Power. We are especially content with the way we have been able to join our forces and knowledge in producing direct savings in money, time and resources to our clients. The novel solutions are good examples on combining Automation's analyzer and process control know-how with Metso Power's process and boiler knowledge.



Must-win: Operating model

John Quinlivan, Senior Vice President, Global Operations, Automation

Automation is aiming at strong growth. To support that goal, we are building a platform by focusing in three main areas: services business, growth countries and a globally scalable and flexible operations network. During 2012, we redefined our organization and operating model by establishing a new Services business line. This enables us to develop and provide a more comprehensive total service portfolio for our customers. We also created a new global valve operations unit. This allows us to further strengthen our growth country presence and the capability to serve the regionally varying customer needs. Globally optimized operations setup will reinforce our ability to stay competitive and grow in the market place.



Must-win: People

Shiming Xu, Service Director, Process Automation System, China, Automation

In 2012, we launched our first service skills evaluation and development program of this extent. Metso Automation's Upskill program started off last July by mapping out the regional process and product competence levels of our service professionals around the world. After gathering and analyzing the data at the end of last year, we are able to target the appropriate training and other development measures to where they are needed in the future. This now annual process will provide information on where we are and how we can operate towards achieving the desired competence levels in our services organization. The program is a perfect addition to our well-established on-going development review practice. Especially in the service sector, Metso people and their skills are our main asset.

Pulp, Paper and Power

Our technologies bring a sustainable way to add value to renewable raw materials

The Pulp, Paper and Power segment offers its customers the technologies and services to turn renewable raw materials into energy and recyclable products. Metso has the sector's broadest offering and valuable experience in pulp, paper, bioenergy and new biotechnology solutions. We cover the entire life cycle of processes: new installations, rebuilds and services. We engage in close collaboration with our customers so that we can continuously develop new products and processes that meet customer needs.

We are improving our competitiveness through customer-driven product development and by improving productivity and growing our presence in cost-competitive countries. In new products and services, we are focusing on solutions that are representative of the popular mid-level of the markets in terms of capacity, technology and investment value.

In 2012, we maintained our profitability at a satisfactory level and return on investment at a good level. We grew our market share in the paper sector market for machinery and equipment and strengthened our technology leadership with new machine and service products.

Efficient paper production

The increased demand for board and tissue and the projected 1-2 percent annual growth in the demand for new wood pulp create opportunities for Metso as a supplier of full-scope solutions for the sector. The biggest of the ongoing deliveries is the pulp mill to Suzano Papel e Celulose in Brazil; the mill will be completed in the second half of 2013. We are pursuing more orders for new pulp mills in 2013.

Research and development is key in maintaining the technology leader position in the pulp and paper industry. We actively explore opportunities to expand and to improve the properties of paper and board. A good example of this is the renowned Marcus Wallenberg Prize which was awarded to Metso's Mika Viljanmaa for his groundbreaking development of metal belt calendaring technology in 2012. The technology results in a better paper print surface, higher production efficiency and less use of fiber materials.

In December 2012, a new modular OptiConcept M production line supplied by Metso was started in China. The OptiConcept M paper and board machine is designed particularly for the needs of growing markets. The machine enables the best possible productivity at the lowest possible operating costs.

Permanent structural changes have taken place in the Pulp, Paper and Power segment's operating environment. These include the permanently weakened demand for paper machines and a shift to lower-cost solutions, increased competition and a drop in demand for foundry products. We adjusted our manufacturing capacity in 2012 in response to these changes and thus strengthened our competitiveness and our position as the paper industry's leading supplier.

New biotechnologies increase the use of biomass

Another goal in our research and product development is to expand the use of biomaterials in energy production and as a raw material. The importance of biomass will be highlighted as society strives to reduce the use of fossil fuels. Metso has a long track record in e.g. biomass combustion with fluidized bed technology.

Metso has taken significant developmental steps in commercializing biotechnologies in recent years. We have already supplied several gasification plants that can be used to replace the use of fossil fuels in existing plants. In a gasification plant, like the Lahti Energia plant inaugurated in May 2012, for example, biomass or municipal

waste is used as fuel. We delivered a plant utilizing LignoBoost[®] technology to Domtar in the United States; it is the first commercial application of the technology. The plant came on stream at the beginning of 2013. With LignoBoost, the lignin in the wood can be separated from black liquor at the pulp mill, thereby boosting production efficiency. The lignin can be used as a fuel. This is a good example of the use of biomass to find new revenue streams.

Several biotechnology demonstration projects are also under way. In Germany, Metso's prehydrolysis technology is being used at a demonstration plant to produce second-generation bioethanol for traffic fuel. In Finland, we are building a demonstration plant based on pyrolysis technology; the plant is scheduled for completion in autumn 2013. Pyrolysis can be used to produce bio-oil from biomass as a replacement for the use of fossil oil.

Growing demand for services business

In addition to bioenergy, the services business offers us the biggest growth opportunity. Our customers are increasingly focusing on their core businesses and outsourcing service and maintenance, which creates opportunities to grow Metso's services business. Demand for services is growing especially in South America, China and Asia Pacific.

The Pulp, Paper and Power segment has over one hundred sites in 26 countries. Operating close to our customers in their own operating environment gives us a better understanding of local markets and their challenges. Our comprehensive process and technology know-how makes us a reliable partner. By optimizing service-related downtime, we boost the efficiency of our customers' production. In 2012, we signed several long-term service agreements and successfully combined service agreements with machine and equipment deliveries.

New biotechnologies a part of the strategy

Development of our business is guided by strategic must-wins. In 2012, we added new biotechnologies as our sixth strategic must-win in Pulp, Paper and Power. In the services business, we are increasing market share and productivity with a new services offering and by increasing our foothold in the markets. We are strengthening the ability of our area organizations to create growth by working in close collaboration with our customers. In technology, we are maintaining our leading position by introducing new products and by sharpening our focus on fit-for-purpose solutions and services.

We are improving the competitiveness of our own operations globally by reducing costs and by increasing our presence in cost-competitive countries.

In personnel development, we are focusing on know-how and talent development close to our customers.

Developing and commercializing new biotechnologies, in turn, offers us completely new growth opportunities.

Must-win cases for Pulp, Paper and Power



Must-win: Services

Jukka Koiranen, Director, Mill Maintenance Outsourcing, Pulp, Paper and Power

Metso started maintenance cooperation with SAICA back in 2005 with the Zaragoza paper mill in Spain. I have proudly followed our partnership progress throughout the years which culminated in 2011 with a full mill maintenance contract at Saica Paper UK near Manchester. Metso has complete mill maintenance responsibility at this site. Our success in obtaining such unique collaboration is based on deep trust and the ability to listening to our customer. We have shaped our way of operating to suit our client's operating model and business culture. I believe that tailor-made solutions in services are the way forward.



Must-win: Growth countries

Celso Tacla, Area President, South America, Pulp, Paper and Power

In 2012, Metso opened its new premises in Araucária, Brazil. The investment was critical for increasing our capacity to serve the growing pulp and paper industry in South America. With the investment we are also building competences to serve the power generation sector, especially for agro-business related applications. And, of course, the new service workshop is a platform to widen our offering to provide more and better services to the large installed base and also to new customers. The Araucária investment provides a solid foundation for supporting Metso's strategy in growth countries by reinforcing our local presence and enabling growth.



Must-win: Technology

Mika Viljanmaa, R&D Manager, Coating and Calendering, Pulp, Paper and Power

This year I was honored to receive the most prestigious award in our business, The Marcus Wallenberg Prize. The prize was awarded for development of metal belt calendering technology resulting in better paper print surfaces with less fiber materials and higher production efficiency. The prize is the highest recognition that an engineer in the wood industry can receive. The prize is a very good example of the results that can be achieved

through the long-term development work that is typical for Metso's research and development functions.

Many years, thousands of working hours, dozens of inventions, high-tech pilot facilities and a highly committed development group are needed to reach an achievement like this. Not only does it require hard work, but also vision and the ability to take risks. During these years of development, I have felt that Metso's organizational culture supports the development of spearhead products.

Our target is to be number one in technology, and The Marcus Wallenberg Prize is strong evidence of that.



Must-win: Operating model

Crystal Awadalla, Corporate Safety Manager, North America, Pulp, Paper and Power

After a review of safety practices in our North American operations, the need for a uniform and standard program for Lockout Tagout (LOTO) was evident. During the service and maintenance of machines or equipment, the unexpected start-up or release of stored energy could cause injury to employees. Performing our work safely during all phases of machine operation is a critical component of our safety system. Through the engagement of our employees, we have developed an official best practice LOTO program that exceeds regulatory compliance requirements. The LOTO program is now being implemented in every North American location. We expect to have the LOTO initiative complete in mid-2013 and are auditing on a regular basis to ensure progress and compliance.



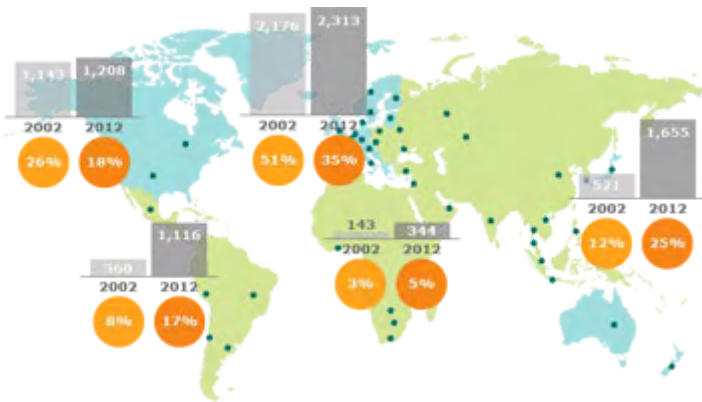
Must-win: People

Kelly McCue, Vice President, Human Resources, Services business line, Pulp, Paper and Power

In late 2012, we piloted the "Maintenance Academy," a new program that enables the execution of our strategy and, in particular, develops our people-related capabilities to secure our growth. In the program, we develop employee know-how related to mill maintenance concepts, create a better understanding of modern maintenance methods and enhance capabilities in maintenance-related strategies, methods and troubleshooting at customer sites. Further, there is a focus on developing participant understanding of the customer's mindset. But perhaps the most valuable aspect of the program is the opportunity for participants to network with maintenance colleagues from around the world.

Global presence

The map shows Metso's operating countries and our net sales. By clicking the tabs below you can choose which parameters you want to view. You can have them all active at the same time or decide to view the parameters one at a time.



North America 2002 2012

Number of employees 4,794 3,974

% of total personnel 17 13

Europe 2002 2012

Number of employees 18,978 15,944

% of total personnel 67 53

South and Central America 2002 2012

Number of employees 1,883 3,406

% of total personnel 6 11

Africa and Middle East 2002 2012

Number of employees 1,493 1,419

% of total personnel 5 5

Asia-Pacific 2002 2012

Number of employees 1,341 5,469

% of total personnel 5 18

Emerging markets

Today the demand for new equipment and processes is mainly in Asia, South and Central America, Eastern Europe, Africa and the Middle East. In 2012, emerging markets accounted for 48 percent (51%) of orders received. From the BRIC countries Brazil, Russia and China were among the ten biggest countries in terms of orders received.

The increased uncertainty in the global economy in 2012 was reflected also in a slowdown in economic growth in India and China. However, we anticipate that the operating environment in emerging markets will remain good in most of our customer industries. The growing middle-class is gaining affluence and purchasing more consumer goods. This significantly increases the consumption of various minerals, energy and packaging industry products.

To create a platform for sustainable economic growth and a higher standard of living, emerging economies are actively investing in new transportation and other infrastructure.

The focus of new mining as well as pulp industry investments has shifted to emerging markets that are rich in natural resources. The demand outlook for the energy industry using both fossil and renewable fuels is promising in these markets.

Asia

Metso's presence in Asia in 2012

2012

Net sales EUR 1,155 million

Net sales development -7%

Share of orders received 17%

Number of personnel 4,666

Share of personnel 15%

China

For the last six years, China has been among Metso's three biggest countries, measured in terms of the value of orders received. In 2012, orders received from China totaled EUR 616 million.

After a long period of strong growth, economic activity slowed down in China in 2012. We believe, however, that the country's rapid urbanization and industrialization will continue and will create a high demand for energy, minerals, packaging, and construction materials. This offers excellent growth opportunities for all of our segments. We will continue to actively invest in our operations in China and to systematically develop our local presence there. We strive to better serve the needs of Chinese customers and to support the sustainable development of China's industries and infrastructure.

Mining and Construction

China's mining and construction industries have grown briskly in recent years. Today we serve the country's mining and steel industry, and we supply equipment for the production of aggregates at quarries and directly to port, terminal, road and dam construction sites. Mining industry customers account for the majority of the Mining and Construction segment's business in China.

Our modern crusher factory in Tianjin manufactures a premium range of our crusher models and serves both the Chinese and Asian markets and our customers globally.

In 2012, we took two strategic actions to strengthen our presence in the fast growing Chinese construction mid-market: we established a joint venture with LiuGong Group Corp. Ltd and agreed to acquire 75% ownership of Shaorui Heavy Industries Ltd.

Automation

China is one of the biggest growth areas for Automation. We are China's leading automation supplier for the pulp and paper industry. We also have a good market position in other process industries, like the oil and gas and power generation industries.

A sizable investment in the Automation business was the technology center that we opened in China in 2010. Specializing in automation solutions and in valves, the technology center strengthens our customer service especially in China and the Asia-Pacific region.

Pulp, Paper and Power

China is our main market area for new paper and board lines. Our reliable references and strong brand give us a good position in these markets, where the customer expects their partner to offer advanced technology solutions

at a competitive price. China's paper and board industry has made substantial investments over the past ten years. We have been a partner in many of these projects, and we are currently the leading technology supplier in the sector.

Continued economic growth is supporting the demand for packaging board and tissue paper in China, whereas the current oversupply is slowing down new investments in graphic papers. Paper and board companies are also increasing their focus on their operational efficiencies.

The fastest growing industry segment in China at the moment is bioenergy. We are not yet the market leaders in biomass-based power plants, so this market offers us a lot of growth potential. In the pulp and paper industry, the demand for our services business is growing faster than the installed base.

In addition to factories serving the pulp and paper industry, we have three service centers in China. The growing markets for paper machine fabrics are served by our factory for wet and dry filtration applications in Tianjin and our filter factory in Shanghai.

In 2012, we were awarded a repeat order for four complete tissue production lines for HengAn Group in China. We will also supply Chenming Jilin, part of Shandong Chenming Paper Holdings Ltd., with the relocation and rebuild of a paper machine for the company's new mill site in Jilin Province.

India

In 2012, orders received from India totaled EUR 290 million, making it the eighth biggest country for Metso, measured in terms of the value of orders received. All our segments have operations in India; the Mining and Construction business has a particularly strong local presence.

India is the world's second most populated country and quickly gaining in affluence. Rapid population growth and urbanization, environmental issues, a higher demand for energy and the transportation infrastructure all pose increasingly bigger challenges for India and offer new business opportunities for us. With our leading technology know-how, strong market position and good references in India, we are well positioned to tap into these opportunities.

Mining and Construction

The mining and construction industries are our fastest growing customer segments in India, where we are the leading supplier of mobile crushing plants and mobile screens. Mining and Construction has a crusher factory in Bawal, a foundry in Ahmedabad, and regional sales and service units in New Delhi, Bangalore, Kolkata, Thane, Hyderabad and Chennai.

The second phase of construction of our largest single investment so far in India, Metso Park, has been completed in the city of Alwar in Rajasthan. The investment significantly strengthens our presence and supports the rapid growth in demand for mining and construction products and services in India and other quickly growing markets in the Asia-Pacific region, Africa and Eastern Europe.

In 2012, we strengthened our capabilities in these markets by launching a mid-market version of our track-mounted crushing plant, Lokotrack. The new product has been engineered and manufactured in India for local customers' requirements. Our recent acquisition of iron ore pelletizing know-how and technology will also strengthen our presence in India's growing pelletizing markets.

In 2012, we received an order to supply a complete set of mineral processing equipment for a greenfield iron ore beneficiation plant to be built in the Saraikela district of Jharkhand in eastern India. In addition to equipment supplies, the scope of the delivery includes plant design, engineering and supervision services.

Automation

In India, power plants are our Process Automation Systems' biggest customer group, which we serve in collaboration with India's energy-sector equipment manufacturer Bharat Heavy Electricals. Together, we have an over 50 percent market share in power plant automation systems. The pulp and paper industry is also an important customer industry for us.

We have several sites in India as well as a research and product development center, which we established in Mumbai in 2011.

In 2012, we opened a new valve supply and service center in Vadodara. The new supply center supports our strategy to grow the valve business globally and strengthens our service capabilities for major petrochemical, energy, and oil and gas companies in India.

In 2012, Automation entered new markets and expanded its offering for customers in oil & gas and power industries by acquiring a globe valve technology company, Valstone in South Korea.

Pulp, Paper and Power

Our local resources in India also serve the pulp and paper industry. Our joint venture with our Indian partner focuses on power industry solutions for Asian markets and provides engineering services for our other power industry units globally. The unit, operating in Chennai, has also designed a recovery boiler solution particularly for the Southeast Asian markets.

Rest of Asia

Rapid urbanization is creating sizable infrastructure development needs in Southeast Asia, where Indonesia is our most significant country in terms of operations and growth prospects. Indonesia is Asia's third-largest economy after China and India, and it has major pulp and mining industries. Indonesia is also the world's second-biggest producer of tin, the third biggest of copper, and the fourth biggest of nickel; thus it is an important market for us.

We have a strong position in the pulp and paper industry in Indonesia. In the fast growing power generation industry, we are established and growing stronger. Population growth, young demographics and improving living standards will drive energy consumption in Indonesia. The government's commitment to CO₂ reductions and significant biomass reserves provide opportunities for our Pulp, Paper and Power business.

In 2012, our orders from Indonesia included a contract to supply PT Cikarang Listrindo with two power boilers and a Metso DNA control system to meet local electricity needs. The investment will significantly increase the company's electricity production.

Various construction and infrastructure development projects are driving the demand for our equipment and services also in countries like Thailand, Vietnam, the Philippines, South Korea and Malaysia. There is good regional demand for Mining and Construction's products, particularly mobile crushers and stationary crushing plants, as well as various pumps used in the mining industry.

In 2012, we received an order to rebuild an off-machine coater of the coated woodfree paper production line at the Changhang mill of Hansol Paper Co., Ltd. in South Korea. We also acquired a South Korean valve technology company, Valstone Control Inc. The acquisition expanded our control valve and service offering for customers in the oil, gas and power industries and strengthened our market position in the growing Asian markets.

Eastern Europe

Metso's presence in Eastern Europe in 2012

2012

Net sales EUR 628 million

Net sales development 14%

Share of orders received 10%

Number of personnel 1,178

Share of personnel 4%

Russia is the most significant of the Eastern European markets for us, and we serve the pulp, paper and board, mining, construction, oil and gas, and power industries there. Orders received from Russia totaled EUR 349 million in 2012.

Eastern Europe will become increasingly significant to our operations. In particular, infrastructure development in transportation and energy, local utilization of natural resources in the mining and pulp industries, and various projects supporting sustainability will increase the demand for our products.

Orders for mining and construction technology have been growing in Russia during recent years. In 2012, among our most significant orders in Russia was a contract with ZAO Russian Copper Company to supply crushing, screening and grinding equipment to the first plant of the new Tominsky GOK copper concentrator. The contract also covers on-site services for six years.

Another important order was for delivery of a complete minerals processing system to Ferrexpo Poltava Mining Company in Ukraine aiming to significantly improve the quality of iron ore produced. The delivery includes high-capacity vertical grinding mills, flotation cells, magnetic separators, pumps and a crushing and screening system.

The Turkish Kipas Kagit Sanayi Isletmeleri A.S ordered a containerboard machine for their new mill site in Kahramanmaras in southeastern Turkey. Our delivery will comprise a complete high-technology board machine and extensive automation package including process, machine and quality controls.

South and Central America

Metso's presence in South and Central America in 2012

2012

Net sales EUR 1,509 million

Net sales development 35%

Share of orders received 14%

Number of personnel 3,406

Share of personnel 11%

Brazil is by far our biggest market in South and Central America. It was the fourth biggest country for us in terms of orders received, which were EUR 458 million. Metso has been present in Brazil for decades. We have an extensive local business network there and our customers operate in several different industries.

In recent years, Brazil, Chile, Peru and Mexico have become leading mining industry countries in the world, and our deliveries to the mining industry have grown rapidly in these countries. We have increased our presence, particularly in the services business, by building new service hubs in Chile, Peru and Mexico, and have won several major service agreements for mines. Our manufacturing unit in Sorocaba, Brazil, is one of Metso's largest manufacturing units globally.

The construction of transportation infrastructure, particularly roads, has been very active in Brazil, due to the upcoming Olympics and World Cup, and that has created additional demand for our construction equipment.

Sizable investments by the Brazilian oil industry have offered significant opportunities for our automation solutions. The oil and gas industry currently represents around 40% of our automation business in South America, and it is our fastest growing customer industry for automation solutions there.

South America, and particularly Brazil, is on its way to becoming the world's leading supplier of pulp, and in the region there are several pulp mill projects planned for launching in the upcoming years. We already have an extensive installed equipment base in the pulp industry and are the leading supplier of recovery systems and BFB power boilers in South America. We also serve the paper and tissue industries and are presently installing a double-width tissue machine for the CMPC Talagante mill in Chile.

In 2012, we inaugurated our new facilities in Araucária, Brazil. The new facilities incorporate a machinery production and services unit and an administrative office. The investment will be continued by further increasing the capacity and capabilities of the facilities.

Among the most significant orders was a contract with MMX mining company in Brazil for 14 vertical grinding mills, which will be assembled for the expansion of the Serra Azul iron ore project in southeastern Brazil. We also received an order to supply equipment for the construction of the Belo Monte hydroelectric power plant in Brazil. The project is located on the Xingu River, Pará State, in the northern region of the country.

Africa and the Middle East

Metso's presence in Africa and the Middle East in 2012

2012

Net sales EUR 426 million

Net sales development 24%

Share of orders received 7%

Number of personnel 1,419

Share of personnel 5%

In 2012, 7 percent of the orders we received were from Africa and the Middle East. Our strongest customer industries in this region are mining and construction, but there has been strong growth also in our valve deliveries, particularly to oil, gas and petrochemical plants in the Middle East.

The African continent holds a significant share of the world's known mineral resources, such as gold, platinum, chromium and diamonds. A substantial share of the world's bauxite, cobalt, phosphate and uranium deposits are also found in Africa.

In South Africa, we have sales and services units serving our mining and construction customers; we also have a factory manufacturing rubber-based wear parts, a factory manufacturing crushing and screening equipment and pumps, and a manganese foundry producing wear parts for crushers. Additionally, our sales and services units in Algeria, Ghana, Zambia and Zimbabwe serve the mining industry.

Our Automation business has sales and maintenance units in South Africa and sales units in Dubai, Qatar and Bahrain.

In Africa, the demand for automation equipment is currently driven by large-scale investments into new or improved petrochemical mining, natural gas processing and industrial facilities. This is increasing our installed equipment base and will drive the demand for services in the years to come. In 2012, among our important new contracts was an order from Technip, a world leader in project management, engineering and construction for the energy industry, to supply the latest generation of our automated on-off valves and actuators to the Algiers Refinery in Algeria.

Developed markets

Our traditional markets are the developed markets, i.e. Western and Northern Europe, North America, Japan, Australia and New Zealand. The focus of our operations in these markets is on the services business and on modernization of the existing equipment base. In 2012, services orders grew 5 percent and accounted for 49 percent of total orders (40%) at the Metso level. Developed markets accounted for 59 percent (57%) of services orders received.

The general economic development as well as demand for Metso's equipment and services remained strong throughout the year in North America. In Europe, the problems of the euro zone started to accentuate during the second half of the year.

Western and Northern Europe

Metso's presence in Western and Northern Europe in 2012

2012

Net sales EUR 1,852 million

Net sales development 5%

Share of orders received 28%

Number of personnel 14,766

Share of personnel 49%

In 2012, 28 percent of the orders Metso received came from Western and Northern Europe. We have production facilities in Finland and Sweden, which is where our roots are, as well as in France, Germany, Italy, Portugal, Poland and the Czech Republic.

Our focus in this region is on the services business and on modernization of the existing equipment base, which is supported by our strong market position, extensive installed equipment base and comprehensive services offering.

The demand for power plants using renewable energy sources continues to increase. Several European countries have set targets to grow the use of renewable energy, and we expect this to support the demand for our biomass- and waste-fired power plant solutions, and automation. Uncertainties related to support mechanisms for renewable energy play a critical role in the realization of final investment decisions. The demand for the services business in the power generation industry remained good.

In 2012, we received an order to supply a new biofuel-fired boiler for Jönköping Energi's combined heat and power plant in Torsvik, Sweden. The expansion and modernization of the power plant will enable refined bio-fuels to be replaced with primary biomass fuels. We will also supply Mälarenergi's combined heat and power plant in Västerås, Sweden, with the world's largest recovered fuel-fired boiler.

We expect underlying demand in the mining market to remain at a historically good level. Mining and metal refining investments in northern Finland and Sweden create demand for our products and services. Among the major orders received in 2012 was the extension of the services contract for Boliden mine in Gällivare, northern Sweden. We have also strengthened our services presence in the area to support local mining companies.

The order volumes for automation technology were at historically high levels in 2012, with customers mainly originating from the energy and the pulp and paper industries. Among the most significant orders were the contracts to supply automation technology for greenfield waste-to-energy plants in Italy, Estonia and the UK, the agreement to deliver automation for Séchilienne-Sidec, one of the market leaders in biomass and solar energy production in France, and the order from Stora Enso to provide an IQ quality control system to be installed on BM8, one of the largest board machines in the world.

Northern America

Metso's presence in North America in 2012

2012

Net sales EUR 1,401 million

Net sales development 16%

Share of orders received 17%

Number of personnel 3,974

Share of personnel 13%

In 2012, 17 percent of the orders we received came from North America. The USA was our biggest country, measured in terms of orders received.

Our focus in North America is on the services business and on modernization of the existing equipment base, and we have adjusted our resources and cost structure accordingly. The acquisition of Copperstate Industrial Services, Inc., in 2011, strengthened our services presence and offering during the year.

Our key strengths in the North American markets include our good market position and reputation in selected business segments, our extensive installed equipment base, and our strong, full-scope services organization. Demand for Automation services has grown clearly, particularly in North America. We strengthened our optimization services for industrial processes by acquiring the U.S. software company ExperTune Inc., which products are widely used as software tools to analyze and monitor the performance of industrial processes and to identify the associated maintenance and improvement opportunities.

In 2012, the demand for aggregate production equipment was at a relatively low level. Demand for our construction industry services remained satisfactory.

In 2012, we completed and commissioned an addition to the Shrewsbury, Massachusetts, facility, which serves as our Flow Control's North American hub. The expansion facilitates the establishment of a dual operational model for high-volume standard production and customer-engineered valve production.

With the oil and gas industry investing significantly in shale gas and tar sands activity, we are expanding our participation in these markets - from both the product and services perspectives. The United States has set targets to increase the use of renewable energy sources; we believe this will further support the demand for our biomass- and waste-based power plant solutions and automation.

Pacific region

(Australia, Japan and New Zealand)

Metso's presence in the Pacific region in 2012

2012

Net sales EUR 533 million

Net sales development 24%

Share of orders received 7%

Number of personnel 803

Share of personnel 3%

In 2012, 7 percent of the orders we received came from the Pacific region. Our most significant customer sector in the region is the mining industry, in which the Australian mining companies in particular have made significant investments in recent years. Australia has the world's largest resources of recoverable brown coal, lead, rutile, zircon, nickel, tantalum, uranium and zinc, and ranks second in the world for bauxite, copper, gold, ilmenite and silver. Iron ore is another extremely valuable asset, with high demand from China.

Japan has been a market for Metso's pulp and paper machines and for its equipment and automation for many years. We took part in helping Japan with the reconstruction efforts after the major earthquake and devastating tsunami in 2011. With economic growth predicted to continue in the Pacific region, the prerequisites for Metso's continued operational growth are good.

Orders from the region in 2012 included bulk materials handling equipment for Hamersley Iron Pty Ltd. in Australia. The order also includes spare parts, technical assistance during installation, pre-commissioning, commissioning and performance testing.

Group key figures summary

This is a summary about our key figures. Read our key figures for 2012 in more details under [Financial performance](#).

Key figures, EUR million	2011	2012
Net sales	6,646	7,504
Services net sales	2,871	3,174
Services, % of net sales	45	44
Earnings per share, EUR	2.38	2.49
Dividend per share, EUR **	1.7	1.85
Personnel, December 31	30,324	30,212

**) Board's proposal

Segment key figures summary

This is a summary about our segment key figures. Read our key figures for 2012 in more details under [Financial performance](#).

Mining and Construction

EUR million	2011	2012
Net sales	2,967	3,492
EBITA before non-recurring items	324.4	418.5
% of net sales	10.9	12.0
Personnel, Dec 31	11,433	11,721

More segment specific key figures, [Mining and Construction](#).

Automation

EUR million	2011	2012
Net sales	770	859
EBITA before non-recurring items	103.9	103.1
% of net sales	13.5	12.0
Personnel, Dec 31	3,892	4,128

More segment specific key figures, [Automation](#).

Pulp, Paper and Power

EUR million	2011	2012
Net sales	2,703	3,014
EBITA before non-recurring items	218.8	200.3
% of net sales	8.1	6.6
Personnel, Dec 31	12,528	12,439

More segment specific key figures, [Pulp, Paper and Power](#).

Environmental summary

Targets to reduce our environmental footprint

Energy efficiency	15% by 2015 and 20% by 2020
Water	15% by 2020
Waste	15% by 2020

Environmental data

Materials	1,000t
Ferrous metals	217.335
Non-ferrous metals	7.116
Paints	1.08
Solvents	0.61
Recycled materials	78.511
Cardboard	0.624
Wood	8.982
Paper	0.081
Plastics	0.195
Energy	TJ
Electricity	1.644.07
District heat	549.69
Steam	74.89
Natural gas	840.06
Coal	66.26
Heavy fuel oil	11.25
Light fuel oil	29.28
Diesel	38.89
Gasoline	3.92
Liquefied petroleum gas	81.73

Emissions to air	1,000t
CO ₂ , 1,000t	250.569
VOC, 1,000t	0.437

Waste	1,000t
Waste, hazardous	7.243
Waste, non-hazardous	94.093

Water	m3
Water 1,000 m3	1,286.8

Certificates / Certified operations	ISO 9001	ISO 14001	OHSAS 18001
2011	79%	51%	33%
2012	82%	57%	42%
Increase %	3%	6%	9%

RTD expenditures	2012	Increase from 2011
Expenditures	8,000,000	5%
Personnel amount	120	2%

People summary

This is a summary about our key figures. Read more under [Metso people](#) and [Health, safety and environment](#).

Workplace safety	2011	2012	LTIF improvement %
Target to reduce work-related incidents	under 5 by 2015	Long term goal is zero incidents	
Lost-time incident factor	9.1.	7.1	22%
Work-related fatalities	4	1	-

Human resources	2012 %
Development Review coverage rate	64%
Performance Review coverage rate	60%
Training costs per employee	536 €
Total turnover	9,1%
360 coverage of managers	27,8%
Average age	42 years
Average length of service	11 years
Number of illness related absence days per employees	6,9
Number of employment related discrimination lawsuits against Metso	0

	2012	
Sponsorships and donations	EUR	%
Total	1,377,718	100
Youth activities	333,379	24
Culture	258,544	19
Science, research and education	44,969	3
Environmental protection and nature conservation	40,523	3
Sports	185,06	14
Others	515,243	37

	2012
Number of social initiatives globally	349

Investor information

Investor Relations

Providing the most current information about the company

Our main task at Metso's Investor Relations is to support the correct valuation of Metso's share by providing up to date information on matters concerning the company's operations and operating environment, strategy, objectives and financial situation. We anticipate that capital market participants will find this information valuable when forming a balanced view of Metso as an investment. Additionally, we regularly gather and analyze market information and investor feedback for use of top management and the Board of Directors. Our goal is to provide correct, adequate and current information regularly and impartially to all market participants. In our work, we aim for promptness, transparency and good service every day.

Working closely and interacting with our stakeholders

Investor Relations is responsible for investor communications and for daily contact with representatives of capital markets and the financial press. In recent years, the dialogue has increased. We are responsible for centrally organizing all investor and share analyst meeting requests with Metso's management or with an IR representative. Our investor communications consists of quarterly financial reporting, releases, our actively updated online services as well as investor meetings and seminars, in which also our top management actively participates. We also arrange an annual Capital Markets Day event.

Every quarter, always in conjunction with the publication of our financial results, we arrange a news conference for investors and analysts in English. It is also possible to participate in these events by phone or on the Internet, and a webcast is available also for later viewing on our website, [Video and audio presentations](#).

During the last year, we spent 34 days travelling in Europe and the US to meet with investors, frequently with our top management. We organized visits for investor groups to our stands at trade fairs, such as MINExpo in September in Las Vegas, where more than 60 investors visited our stand, and e.g. to our units in Sorocaba, Brazil, in Tampere, Finland, and to our Valve Technology Center in Vantaa, Finland. During the year, we met over 600 institutional investors and analysts, and we participated in seven investor seminars in Europe and the US.

In December, we arranged a Capital Markets Day at our Valve Technology Center in Vantaa, Finland. About 50 analysts and investors from the Nordic countries, the UK and US took part in the event. The theme of the event was our key growth area, the services business. In addition to this, management presentations focused on e.g. the company's strategy and financial performance, and we provided an updated guidance on the future prospect of our businesses. All presentations from the event are archived and available for viewing on our website, [Video and audio presentations](#).

Metso's Disclosure Policy outlines the principles of financial communications and lays down our operational models and practices in various communications situations. The entire Disclosure Policy is available on our website, [Corporate Governance](#).

Investor services on the Internet

The investor information included on [Metso's investor relation's website](#) contains a share monitor, which is an interactive tool for viewing and analyzing the performance of Metso's share traded on the NASDAQ OMX Helsinki exchange. The data in the monitor is updated every 15 minutes. You can also find monthly updates on Metso's largest shareholders, the company's insider register, an archive of presentations and financial reports, as well as services, such as consensus estimates on Metso's financial performance provided by analysts, a historical price lookup and an investment calculator that enables you to calculate the value of your Metso investment. In addition, the website contains a financial calendar showing the publication dates of our financial reports, as well as the dates and times of events planned for investors, such as the Annual General Meeting,

along with the presentations used at these events. A list of the banks and brokerage firms that analyze Metso as an investment as well as the analysts and their contact information is available online.

In the IR 2.0 service, we have collected information about the social media channels and mobile services through which you can follow Metso.

Silent period

During the three-week period prior to publication of the annual or interim financial results, we are not in contact with capital market representatives. At other times, we will be happy to answer the enquiries of analysts and investors by phone, email or at arranged investor meetings.

For shareholders

Annual General Meeting

Metso's 2013 Annual General Meeting (AGM) will be held on Thursday, March 28, 2013 at 1:00 p.m., at Helsinki Fair Centre (Messuaukio 1, FI-00520 Helsinki, Finland). The notice to the AGM has been published on February 7 and since then, also the agenda and meeting materials have been available on our [Annual General Meeting website](#).

Shareholders who are entered as shareholders in Metso's shareholder register maintained by Euroclear Finland Ltd by March 18, 2013, have the right to participate in the AGM. The meeting will be held in Finnish, and simultaneous interpretation in English will be provided.

Registration

Shareholders who wish to participate in the meeting should notify Metso of their intention to participate by no later than 10:00 a.m. on March 25, 2013.

A notice of participation can be submitted on our website, [Annual General Meeting](#), by phone at +358 10 808 300 (from Monday to Friday between 8:00 a.m. and 6:00 p.m. EET), by fax at +358 20 484 3125, or by mail to Metso Corporation, Ritva Tyventö-Saari, PO Box 1220, FI-00101 Helsinki, Finland. Notice of participation must be received before the deadline. In connection with the registration, shareholders are required to provide their name, personal or company identification number, address, telephone number and the name of a possible assistant, authorized representative as well as the personal identification number of the proxy representative or statutory representative. Any proxy documents should also be sent to the above-mentioned address during the registration period.

Shareholders holding nominee-registered shares and wishing to participate in the AGM must be registered into the temporary shareholder register by no later than 10:00 a.m. on March 25, 2013. Registration can be made only, if the shareholder has the right to be entered in Metso's shareholder register on the basis of the same shares on the AGM's record date March 18, 2013. Shareholders holding nominee-registered shares are requested to ask their custodian bank for instructions on registering in the shareholder register, the issuing of proxy documents and registering for the AGM.

Payment of dividends

The Board of Directors proposes to the AGM that a dividend of EUR 1.85 per share be paid for 2012. The dividend will be paid to those shareholders who are entered in the Corporation's shareholder register maintained by Euroclear Finland Ltd on the record date of the dividend payment, April 4, 2013.

Important dates related to the AGM

2013

Record date of AGM participation March 18, 2013

Registration period ends March 25, 2013 at 10.00 a.m.

Annual General Meeting March 28, 2013

Dividend ex-date April 2, 2013

Record date of dividend payment April 4, 2013

Date of dividend payment April 11, 2013

Read more about AGM-related issues on our [Annual General Meeting website](#):

- Notice of AGM
- Registering for the AGM
- Proposal on composition of the Board
- Board's proposal to the AGM
- Proposals on Board's authorizations

Trading of Metso's shares

Metso Corporation has one share series. Metso's shares are listed on the NASDAQ OMX Helsinki Ltd and are registered in the Finnish book entry register maintained by Euroclear Finland Ltd. Metso shares are traded as American Depositary Shares (ADS) in the United States on the International OTCQX marketplace. Each Metso ADS represents one Metso share. The Bank of New York Mellon acts as the depository for the Metso ADS.

Credit ratings

Standard & Poor's

December 28, 2012

Corporate credit rating: BBB; outlook: positive

Short-term rating: A-2. Ratings for outstanding bonds and EMTN program: BBB

Moody's

November 30, 2012

Long-term credit rating: Baa2; outlook: positive

Financial publications

We publish the Online Annual Report 2012 in English. Additionally, we publish a printed Annual Review and Financial Statements in Finnish and English. A pdf version of the Annual Review and Financial Statements is also available on our website, [AGM](#).

We publish interim reviews in Finnish and English on our website, [AGM](#). Webcasts of the related news conferences in English can be viewed on our website, [AGM](#).

We publish releases in Finnish and English, and they are available on our website, [AGM](#).

Publication dates of reviews and reports in 2013**2013**

Financial statements review 2012, February 7, 2013

Annual Report 2012, week 10, 2013

Interim review for January-March, April 23, 2013

Interim review for January-June, July 25, 2013

Interim review for January-September, October 24, 2013

Submit a change of address for shareholders [here](#)

Metso strategy

Metso's strategic goal is long-term sustainable and profitable growth. Our comprehensive product and services offering, extensive installed equipment base and strong global presence provide an outstanding foundation for implementing our strategy and further developing Metso. Our ambition is to be the leading technology and service provider in all our businesses.



Our solid foundation - Ambition, mission, vision, values

Our ambition is to be the leading technology and service provider in all our businesses.

Emerging markets accounted for

→ 50%

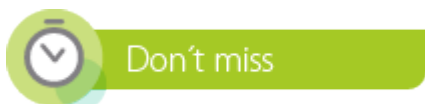
of net sales



In 2012, our focus was on strategy implementation. Read more about our achievements in 2012 and priorities for 2013 [Achievements and priorities](#)

→ 11%

growth in services net sales



[Group strategy](#)

[Strategic must-wins](#)

[Business portfolio](#)

[Strategy in action](#)

→ 4 acquisitions
and one joint venture

→ 4 service hubs
were established in 2012

Foundation

Our comprehensive product and services offering, capabilities, extensive installed equipment base and strong global presence provide an outstanding foundation for our strategy to further developing Metso.

Our strategy was defined through thorough and intensive work carried out in 2011. The strategy journey continued in 2012 with a focus on implementation.

Mission and vision

Our solid foundation - Ambition, mission, vision, values

Our ambition is to be the leading technology and service provider in all our businesses.

According to our mission, we contribute to a more sustainable world by helping our customers to process natural resources and recycle materials into valuable products. Our mission, together with our values and our code of conduct, form the foundation for our vision: "Working as One to be Number One." Working as one means working closely with customers, other key stakeholders and within the company. To be number one means creating added value for our stakeholders in everything we do and being the best at it.

Metso's values are: driving customer success, seeking innovations, performing together, and respecting each other. Our values embody the spirit and energy of Metso. Our values drive our performance and guide us in how we do business and in how we work together with internal and external stakeholders.



Our capabilities

Our key capabilities in all our businesses are industry-leading technology, deep understanding of customer processes, global sales network close to our customers, compelling services offering and high-quality products.

Our capabilities



Business environment

We offer products and services to a range of customer industries around the world in the mining, construction, oil and gas, pulp and paper, and power generation industries. All of these customer industries offer growth potential for Metso.

Our view is that megatrends are likely to be the largest drivers for change in our customer industries for the next decades. We have identified the megatrends relevant to Metso: globalizing economy, sustainability and climate change, rise of emerging economies and demographic changes.

Metso megatrends



Read more about the market drivers, trends and outlook of our customer industries on the [Customer industries page](#).

Group strategy

Our ambition is to be the leading technology and service provider in all our businesses. We aim to reach this target by exploiting megatrends, strengthening our capabilities and leveraging our strong position in our core businesses.

Our strategy emphasizes the importance of balancing competitiveness and growth. The key requirement for Metso's future success will be the agility to capture opportunities and adapt to the volatile market environment.



We need to improve our competitiveness...

- Cost-efficiency and net working capital improvements
- Global footprint and operations
- Global procurement



...and at the same time grow

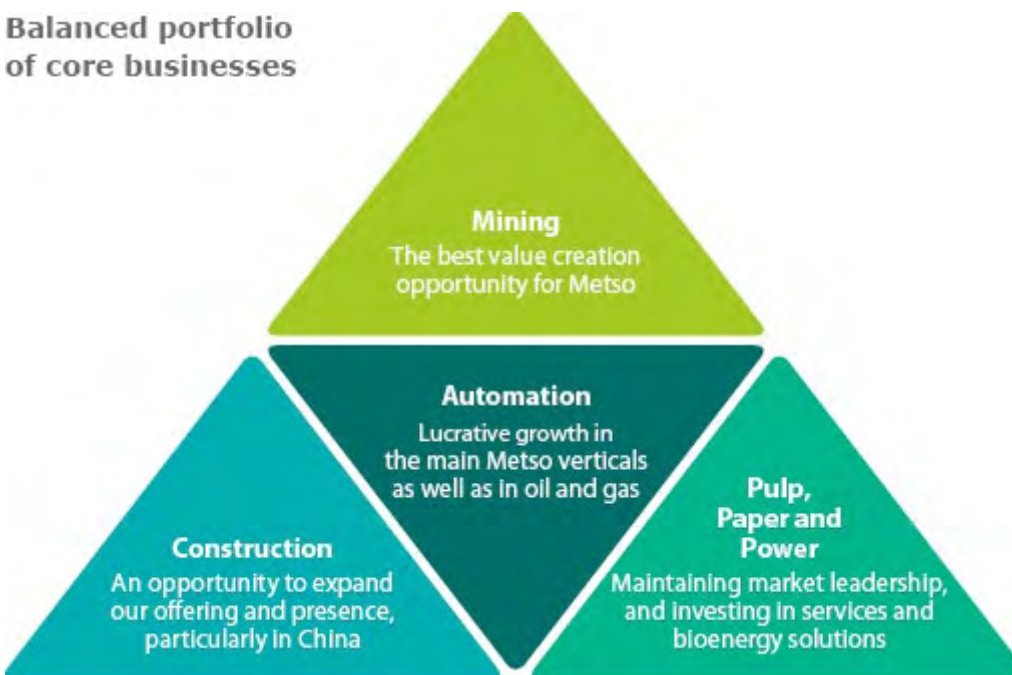
- Continue to advance in the services business
- Focus on China and other growth countries
- Mining growth
- New bioenergy business
- Automation solutions outside Pulp and Paper (e.g. Power, Mining and Construction), analyzers, expansion of valve portfolio

Business portfolio

Our existing business portfolio provides a good basis for future growth. In order to ensure continued profitable growth, gain the critical size needed to win in the markets, and reinforce our long-term strategic direction, we will continue to develop all our segments: Mining and Construction, Automation, and Pulp, Paper and Power.

All our businesses have leading market positions either globally or in niches in their respective customer industries. All businesses are creating value, offer growth opportunities and have high potential for services business. Due to the strong mining industry growth, our mining business continues to be the best value creation opportunity for us.

Balanced portfolio of core businesses



Mining and Construction operates in a big and growing global market. It provides its customers with minerals processing solutions, crushing and screening equipment and a wide variety of related services. Metso has a global leading position in the mining equipment market and a strong niche position in construction. By leveraging this position, Metso targets to grow and strengthen its presence both organically and through acquisitions.

Automation offers its customers process automation and flow control solutions and related services. In process automation solutions, Metso is a leading player in the pulp and paper industries with opportunities and a target to grow in other Metso verticals, such as mining. Flow Control business is supported by strong growth in the oil and gas sector, which offers acquisition opportunities due to the fragmented nature of the market.

Pulp, Paper and Power is a market leader in pulp and paper equipment and related services and a strong niche player in bioenergy. The segment delivers big projects to its customers and thus has an asset-light operating model reflected in the low need for capital employed. Pulp and paper markets are expected to face modest growth, whereas the bioenergy industry offers longer term growth potential.

Strategic must-wins

Our strategy implementation is focused on five must-wins: Services, Growth countries, Technology, Operating model and People. We continue to implement our strategy through must-wins in each segment, and the implementation is advancing accordingly based on management priorities.



The operative business strategies are driven, managed, and communicated through the given priorities. Each segment implements the must-wins through strategic actions in order to achieve segment-specific ambitions and their most important targets.

In 2012, the focus was on supporting the execution of the operational segment and business line strategies.

Inorganic growth priorities

Metso aims to reach its strategic targets through organic actions and acquisitions. Growth through acquisitions is an essential part of our strategy execution. The acquisitions must support the following growth priorities:

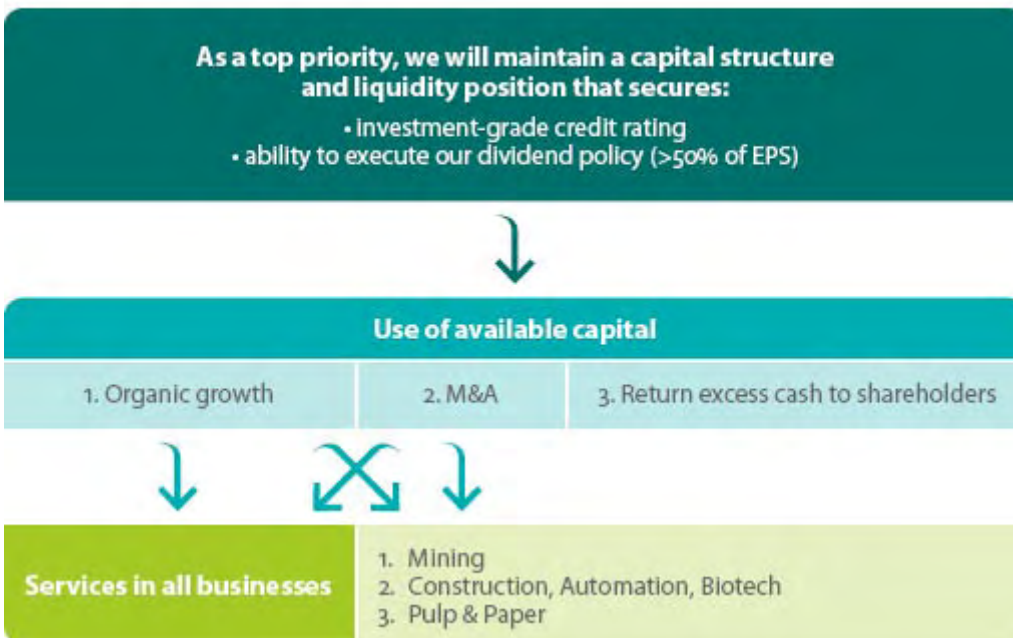
- Accelerate services growth and strengthen the services business
- Expand geographic presence in areas and growth markets (e.g. BRIC)
- Fill gaps in the offering portfolio, and strengthen global offerings
- Develop mid-market offerings
- Reach critical competences and key technologies
- Support us in meeting our financial targets and add value.

In 2012, we made four acquisitions (Valstone, pelletizing technology from Jacobs, Shaorui Heavy Industries and ExperTune) and one joint venture (with Chinese LiuGong company).

Capital allocation

Capital allocation is about how Metso divides its financial resources and other sources of capital. According to our capital allocation policy, Mining has the highest priority, followed by Automation, Construction and Biotech then followed by Pulp and Paper. Service related investments will be supported in all Metso's businesses.

Capital allocation policy



Strategy in action

In 2012, our focus was on strategy implementation. We concentrated on development of the services business and related offering, and we developed new biotechnologies and made strategy plans for the South American and Asia-Pacific markets. We launched new mid-market solutions for Construction, and Automation expanded to industries outside the pulp and paper industries.

Achievements and priorities

Strategy implementation and achievements through must-wins

1. SERVICES

Achieve growth in services market share and profitability locally by leveraging installed base

Major achievements in 2012	Priorities in 2013
Continuous growth (11%) in the services business, especially mining services grew strongly at 20%	Maintain the services growth and capitalize on market opportunities
Strengthen services organizations and capabilities in all segments further	Continue to expand presence close to customers (i.e. new hubs and service centers)
Service acquisitions were given highest priority in capital allocation	Continue to drive transition from equipment supplier to life-cycle service provider
Four new service hubs and service centers established	Speed up service-related RTD and concept development
Offering development (Life-cycle services in Mining and Construction, Mill Maintenance Outsourcing deals in Pulp, Paper and Power segment, Agreement-based services business growth in Automation segment)	

2. GROWTH COUNTRIES

Strengthen our local presence and growth, particularly in the BRICs and other growth countries

Major achievements in 2012	Priorities in 2013
<p>Establishing similar area organizations in every segment with similar operational logic</p>	<p>Continue geographical expansion</p>
<p>Actions to strengthen Mining and Construction's market position in China and enter into the strongly growing Chinese mid-market</p>	<p>Continue to expand the role and scope of growth countries' organizations in Metso's global footprint</p>
<p>Development of organization and operations in Africa in Mining and Construction</p>	<p>Focus on other relevant growth countries (India and Russia)</p>
<p>Focus on the Asia-Pacific market and realized actions to move forward in China in every segment</p>	

3. TECHNOLOGY

Maintain our technology leadership with cost-efficient and environmentally sustainable products and process solutions and develop our mid-market offering

Major achievements in 2012	Priorities in 2013
Acquisition of iron ore pelletizing technology in Mining and Construction	Improve mid-market offering
Acquisition of globe valve business and expansion of globe valve portfolio in the Automation segment	Core technologies to support services offering expansion
Successful commercialization of gasification and pyrolysis, successful product launches, new bioenergy and power business in the Pulp, Paper and Power segment	Accelerated development of our bioenergy offering and business
	Complete offering and solutions for mining processes

4. OPERATING MODEL

Secure the quality of operations and deliveries (Supply Chain Excellence) globally by improving cost efficiency

Major achievements in 2012	Priorities in 2013
Development of services logistics chain and utilization of ERP system in full in Mining and Construction	Continue to develop global supply chain operations especially in Flow Control, Construction and Paper business lines
Focus on procurement. Segments' procurement organized in a similar fashion	Continue to expand engineering footprint in cost competitive countries
Strong efforts to develop and improve global operations in Automation by designated organization	Sustain competitiveness through better cost management
Footprint development in Pulp, Paper and Power	More focus on procurement development to capture cost advantages and find synergies
	Localized value chains especially in services business

5. PEOPLE

Develop a working environment that enables our business success (attracts the right people, helps them to develop and to perform at their highest capabilities)

Major achievements in 2012	Priorities in 2013
Strong development of Health, Safety and Environment (HSE) and Metso's leadership culture	Continue develop leadership capabilities
Improved resourcing processes (e.g. more than 3,500 new hires, including 1,000 trainees, recruited during the year)	Long-term resource planning and ensuring effective resourcing
Investments in competence development programs (project management and services)	Enhance services and supply capability
Solid basis for global performance and rewards processes created (job leveling, rewards principles, bonus framework)	More focus on performance and rewarding

A new Group-wide initiative under the Operating model must-win, that will be a strong focus of development, is global procurement. It provides the largest opportunity to improve our profitability and cost competitiveness. Metso's total purchases were EUR ~4.7 billion (~67% of external net sales) in 2012. Metso's strategy is to move closer to the customer (downstream) and services business. Thus, an effective sourcing strategy and procurement model is a key business enabler for our business success from the perspective of competitiveness, profitability and new business models.



[Financial targets and achievements](#)

[Health, safety and environment \(HSE\)](#)

[Strategic must-wins](#)

[Must-win cases for Mining and Construction](#)

[Must-win cases for Automation](#)

[Must-win cases for Pulp, Paper and Power](#)

Financial performance

Net sales in the services business grew by 11% to EUR 3,174 billion and accounted for 44% of Metso's net sales. Services cover an even bigger share of the company's financial results, so it will continue to be the most important target of development for us. Metso's overall net sales grew by 13% to EUR 7,504 million, the highest amount ever.



During the year we achieved the net sales growth target of over 10 percent, and the services net sales exceeded the annual 10 percent target. [Read more about financial targets and achievements.](#)

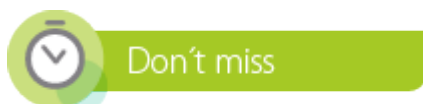
Net sales

→ **7,504**
EUR million



Download our Financial Statements 2012 in PDF format [from here](#)

→ **684** EUR million
EBITA, all-time second highest



[Financial targets and achievements](#)

[Group key figures](#)

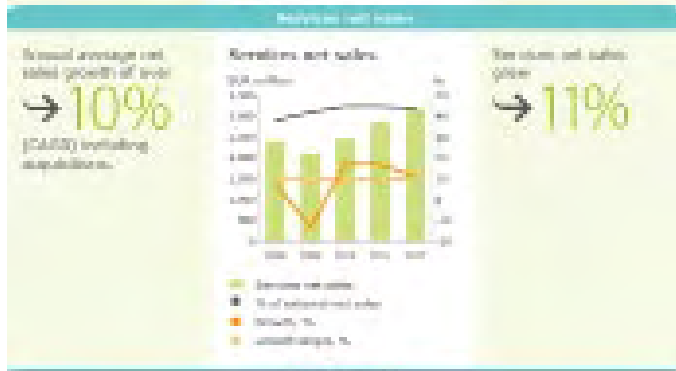
[Segment key figures](#)

[Prosperity for stakeholders](#)

Return on capital employed
(ROCE) before taxes

→ **19.6%**

Financial targets and achievements



Capital structure

Credit rating: solid investment grade

Our target is to maintain a solid investment-grade rating unless and until changed.

Standard & Poor's (Rev. 7047) ABB (Long-term B-2) (short-term), outlook positive, Moody's (Rev. 2012) Baa1, outlook positive



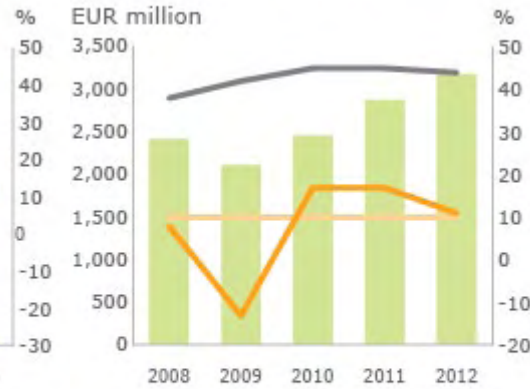
Long-term financial targets

Net sales



- Net sales
- Growth, %
- Target, %

Services net sales



- Services net sales
- % of external net sales
- Growth, %
- Growth target, %

Earnings per share



- Earnings per share
 - Earnings per share growth, %
 - Net sales growth, %
- Earnings per share growth is targeted to exceed net sales growth

Earnings per share and dividend per share



- Earnings per share
- Dividend per share
- Minimum dividend by dividend policy (at least 50% of EPS)

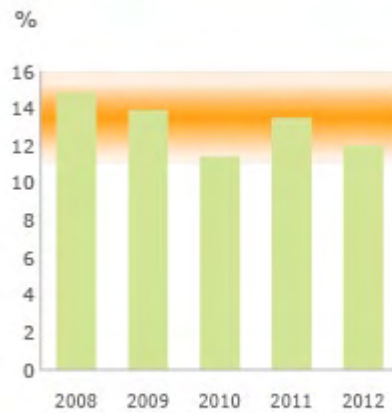
*Board's proposal

EBITA, % before non-recurring items
Mining and Construction



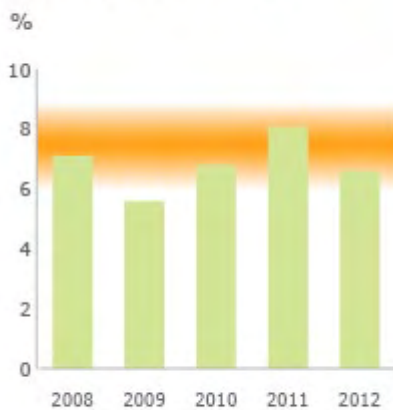
- EBITA before non-recurring items
- Targeted EBITA before non-recurring items

EBITA, % before non-recurring items
Automation



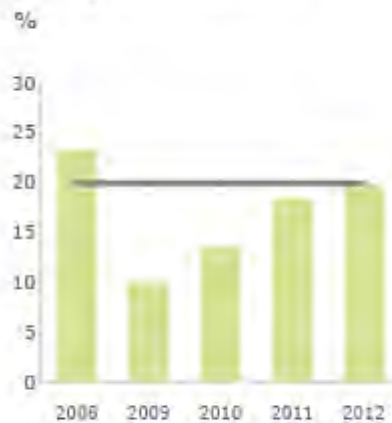
- EBITA before non-recurring items
- Targeted EBITA before non-recurring items

EBITA, % before non-recurring items
Pulp, Paper and Power



- EBITA before non-recurring items
- Targeted EBITA before non-recurring items

Return on capital employed (ROCE) before tax



- Return on capital employed (ROCE) before tax
- Target

Key figures



Group key figures

Key figures, EUR million	2011	2012
Net sales	6,646	7,504
Services net sales	2,871	3,174
Services, % of net sales	45	44
Earnings before interest, tax and amortization (EBITA) and non-recurring items	628.5	684.3
% of net sales	9.5	9.1
Operating profit	571.8	598.5
% of net sales	8.6	8.0
Profit before taxes	507	550
% of net sales	7.6	7.3
Profit	358	372
% of net sales	5.4	5.0
Procurements*	4,319	5,020
Research and development expenditure (including IPR expenses)	137	139
Research and development personnel	852	831
Priority applications, pcs*	180	215
Invention disclosures, pcs*	649	679
Gross capital expenditure (excluding business acquisitions)	166	156
Business acquisitions, net of cash acquired	15	5
Earnings per share, EUR	2.38	2.49
Dividend per share, EUR **	1.70	1.85
Balance sheet total	6,618	6,642
Return on capital employed (ROCE), %	18.4	19.6
Return on equity (ROE), %	17.8	17.5
Equity to assets ratio, %	39.8	40.5
Gearing, %	12.2	14.2
Free cash flow	375	257
Orders received	7,961	6,865
Services orders received	3,100	3,264
Order backlog, December 31	5,310	4,515
Personnel, December 31	30,324	30,212

* Unaudited figure

** 2012 Board's proposal

Metso's addressable markets in 2012

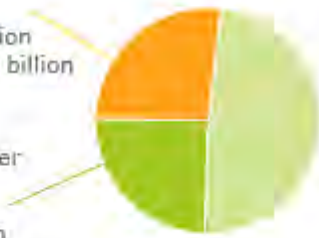
EUR 45,3 billion

Automation
EUR 12.0 billion

- Systems EUR 4 billion
- Flow control EUR 8 billion

Pulp, Paper and Power
EUR 11.3 billion

- Pulp EUR 1.8 billion
- Paper EUR 8 billion
- Power EUR 1.5 billion



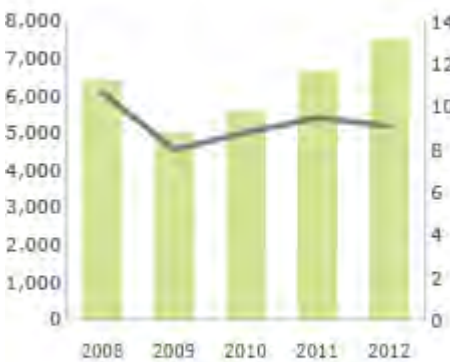
Mining and Construction
EUR 22.0 billion

- Mining EUR 11 billion
- Construction EUR 8 billion
- Recycling EUR 3 billion

Net sales and EBITA before non-recurring items

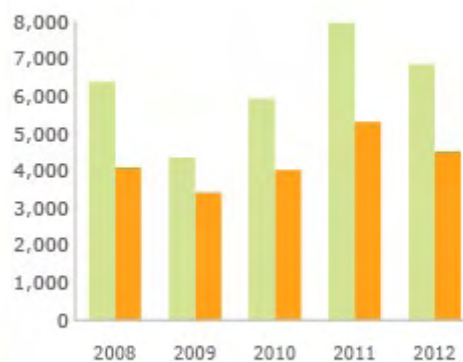
EUR million

%



Orders received and order backlog

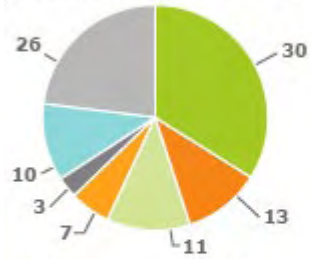
EUR million



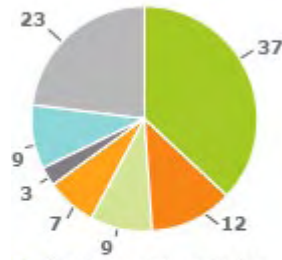
■ Net sales
● EBITA before non-recurring items, % of net sales

■ Orders received
■ Order backlog

Net sales EUR 7,504 million
(2011: EUR 6,646 million)



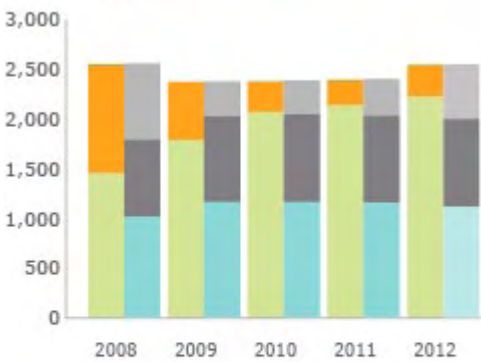
- Mining 34% (30%)
- Construction 11% (13%)
- Power generation 12% (11%)
- Oil and gas 6% (7%)
- Recycling 3% (3%)
- Pulp 11% (10%)
- Paper 23% (26%)



- Mining 37% (33%)
- Construction 12% (11%)
- Power generation 9% (12%)
- Oil and gas 7% (7%)
- Recycling 3% (3%)
- Pulp 9% (11%)
- Paper 23% (23%)

Balance sheet structure

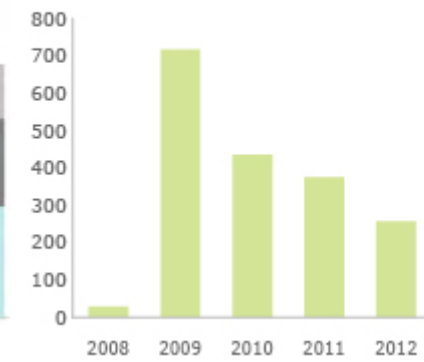
EUR million

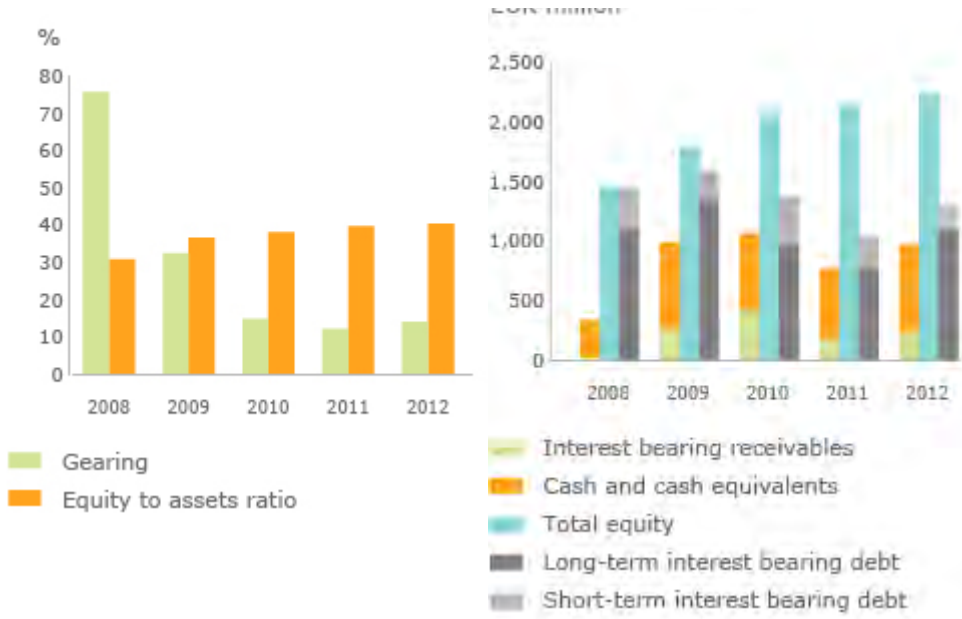


- Total equity
- Net interest bearing liabilities
- Fixed assets
- Goodwill
- Net working capital

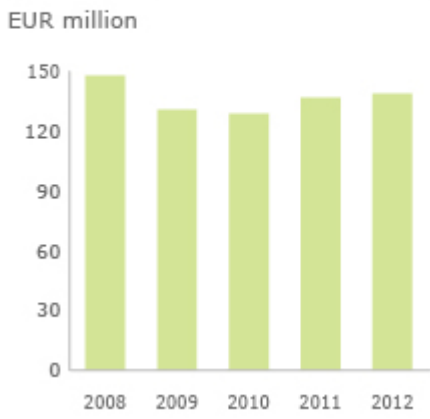
Free cash flow

EUR million





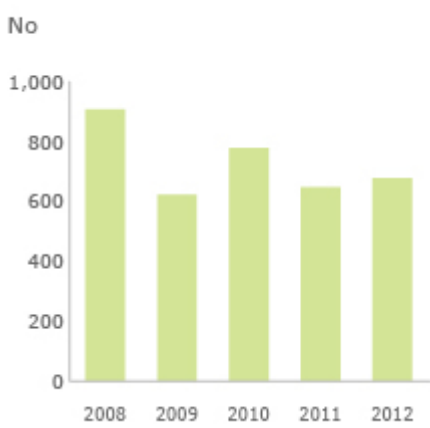
Research and development expenditure (including IPR expenses)



Priority applications



Invention disclosures



Segment key figures

Mining and Construction

→ 14%

yearly increase
in services

Automation

→ 10%

yearly increase
in services

Pulp, Paper and Power

→ 12%

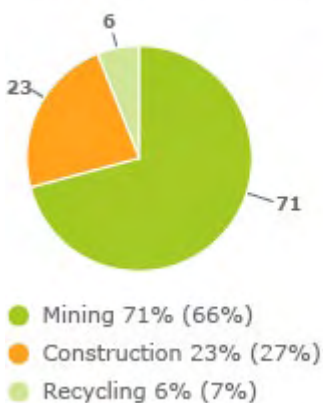
yearly increase
in net sales

Mining and Construction

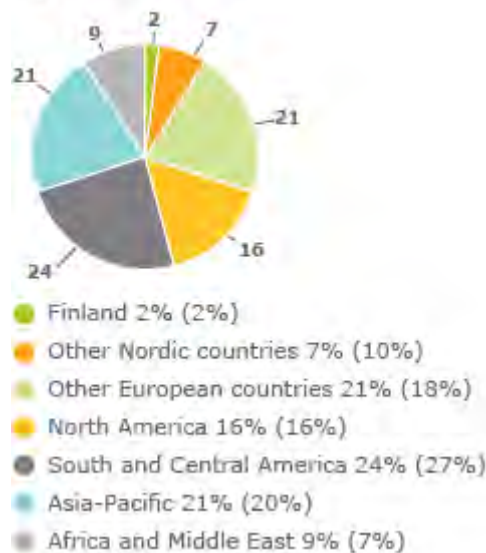
Key Figures

EUR million	2011	2012
Net sales	2,967	3,492
Services net sales	1,478	1,692
EBITA before non-recurring items	324.4	418.5
% of net sales	10.9	12
Operating profit	313	399.9
Capital employed, Dec 31	1,357	1,357
Gross capital expenditure	52	64
Research and development expenses	25	27
Orders received	3,714	3,436
Services orders received	1,603	1,771
Order backlog, Dec 31	2,144	1,983
Personnel, Dec 31	11,433	11,721

Net sales by customer industry

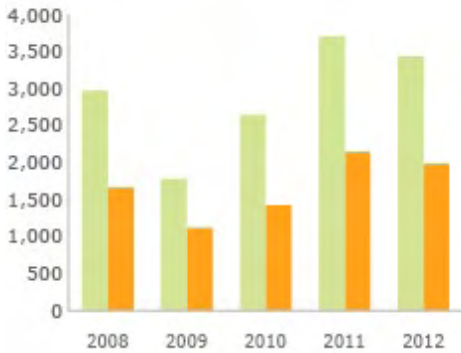


Orders received by market area



Orders received and order backlog

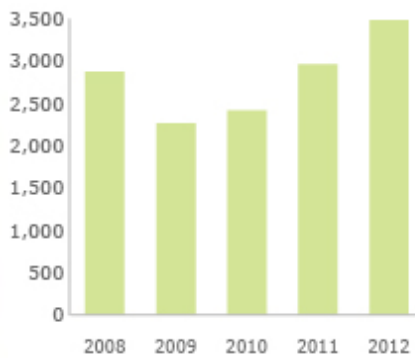
EUR million



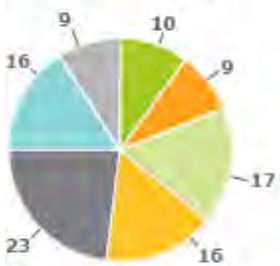
- Orders received
- Order backlog

Net sales

EUR million



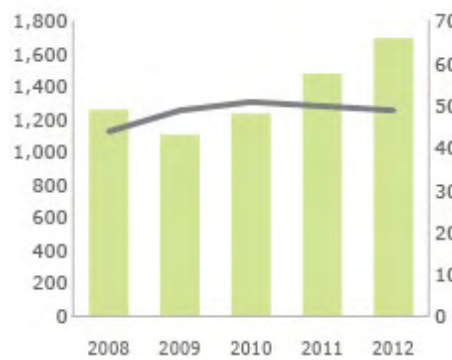
Personnel by area



- Finland 10% (10%)
- Other Nordic countries 9% (9%)
- Other European countries 17% (17%)
- North America 16% (16%)
- South and Central America 23% (22%)
- Asia-Pacific 16% (16%)
- Africa and Middle East 9% (10%)

Services net sales

EUR million



- Services net sales
- % of external net sales

Operating profit and EBITA before non-recurring items

EUR million



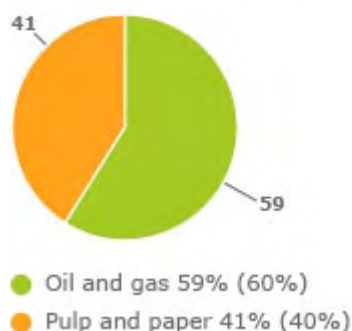
- Operating profit
- EBITA before non-recurring items
- EBITA before non-recurring items, % of net sales

Automation

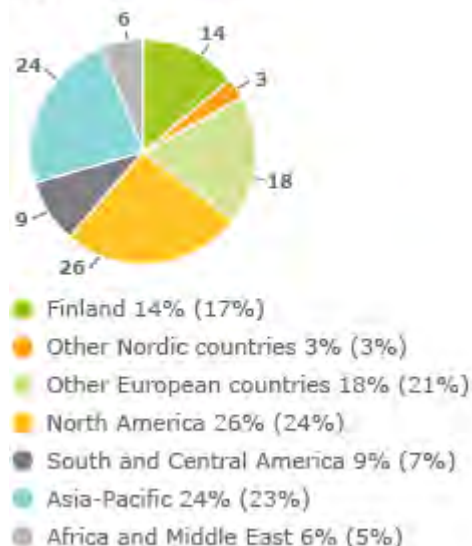
Key Figures

EUR million	2011	2012
Net sales	770	859
Services net sales	345	380
EBITA before non-recurring items	103.9	103.1
% of net sales	13.5	12
Operating profit	99.7	97.6
Capital employed, Dec 31	292	289
Gross capital expenditure	19	22
Research and development expenses	31	32
Orders received	822	845
Services orders received	352	382
Order backlog, Dec 31	364	343
Personnel, Dec 31	3,892	4,128

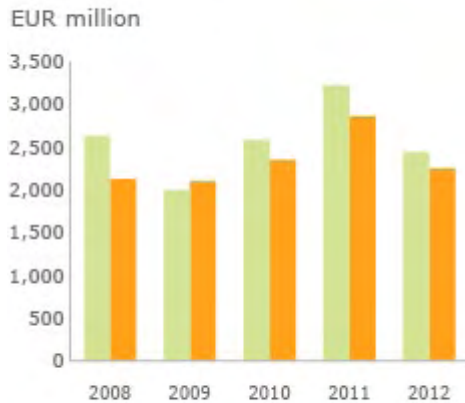
Net sales by customer industry



Orders received by market area



Orders received and order backlog

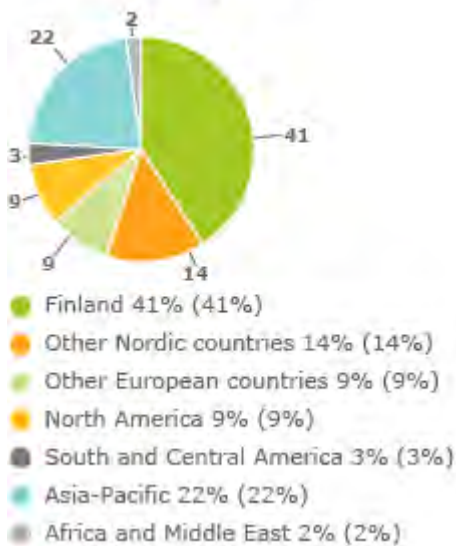


- Orders received
- Order backlog

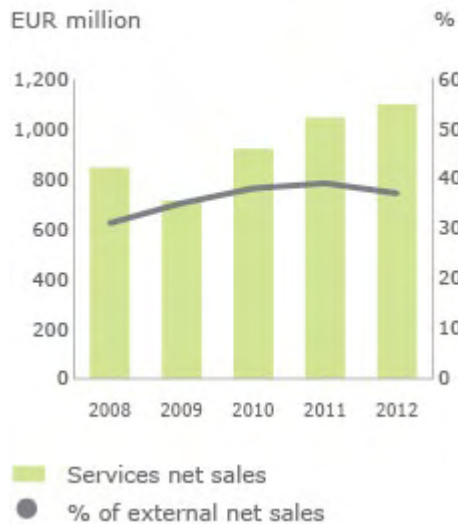
Net sales



Personnel by area



Services net sales



- Services net sales
- % of external net sales

Operating profit and EBITA before non-recurring items



- Operating profit
- EBITA before non-recurring items
- EBITA before non-recurring items, % of net sales

Geographical key figures

Net sales 20 largest countries in 2012, EUR million		
	2011	2012
USA	936	1,110
Brazil	645	873
China	777	664
Sweden	328	516
Australia	339	420
Finland	418	414
Russia	259	297
Canada	272	291
Germany	314	289
Chile	222	255
India	239	208
South Africa	153	198
United Kingdom	180	171
Mexico	111	159
France	155	134
Peru	70	119
Turkey	78	110
Japan	83	105
Indonesia	69	90
Poland	86	83

Orders received 20 largest countries in 2012, EUR million		
	2011	2012
USA	1,167	896
Sweden	493	646
China	642	616
Brazil	1,292	458
Finland	417	364
Russia	329	349
Australia	399	335
Canada	280	290
France	156	233
Germany	341	230
India	212	226

Orders received 20 largest countries in 2012, EUR million

Chile	244	210
South Africa	222	184
Indonesia	83	172
United Kingdom	134	154
Japan	113	148
Turkey	45	143
Mexico	201	124
Peru	76	117
Norway	65	71

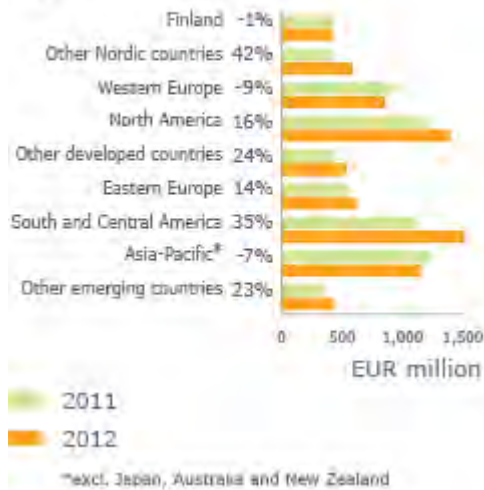
Personnel 20 largest countries in 2012

	2011	2012
Finland	9,222	8,464
USA	3,049	3,171
China	3,199	3,156
Sweden	2,758	2,741
Brazil	2,233	2,319
Germany	1,271	1,325
South Africa	1,303	1,302
India	1,060	1,140
Canada	796	803
France	732	786
Australia	574	650
Chile	506	594
Poland	472	443
Czech Republic	377	327
Russia	262	322
Portugal	274	279
United Kingdom	259	272
Spain	262	257
Mexico	230	252
Peru	192	238

Net sales by market area

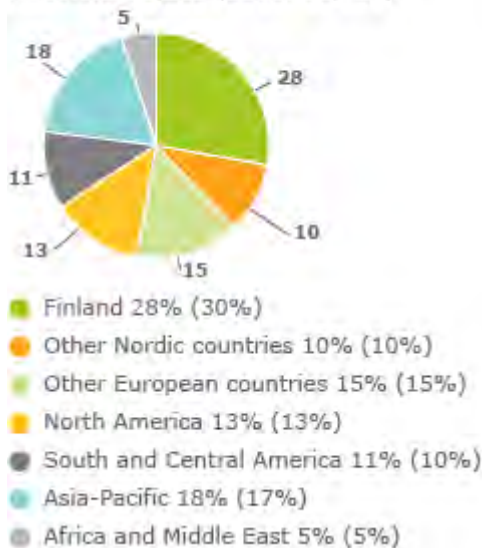


Net sales growth by market area



Personnel by area

Personnel 30,212 (2011: 30,324)

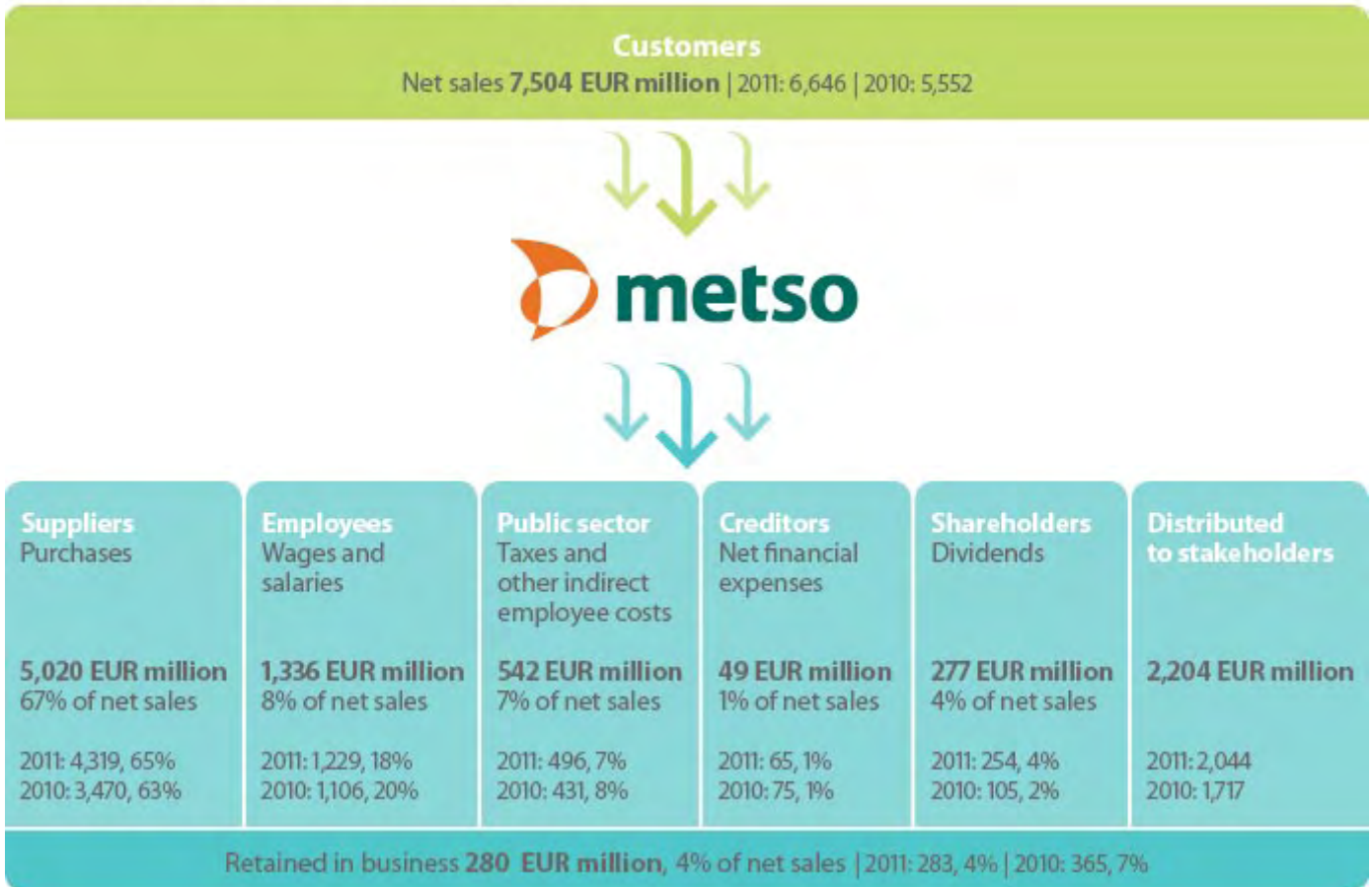


Personnel growth by area



Prosperity for our stakeholders

Monetary flows by stakeholder group



Purchases

Procurements were still largest in the developed countries

The value of Metso's purchases in 2012 was EUR 5,020 million (EUR 4,319 million in 2011). Approximately 74 percent of our purchases were directly related to products, such as components, raw materials and sub-contracting. The remaining 26 percent were indirect purchases, i.e. goods and services necessary to maintain operations, such as electricity, cleaning, IT, training, travel tickets, consultants, insurances. Globalizing the markets increase the share of indirect purchases along with growing the share of purchased services and outsourcing.

Despite the strong shifting of main markets to emerging countries, the increase in procurement volumes was still largest in our traditional production countries like USA, Finland, Sweden, Brazil and Australia. Metso's strategy of aiming to move services close to the customer affected also purchases to some extent. However, all cost competitive countries (CCC) don't necessarily represent the biggest customer potential. One of the fastest climbers on the top purchasing markets was Poland.

In order to gain further cost benefits from the global supply chain, Metso's management team has selected procurement as one of their main development focus areas for 2013. Many new development projects focusing on global sourcing and procurement are being started in all business areas.

Purchases by area (10 largest countries), EUR million		
	2011	2012
Finland	1,309	1,388
USA	470	609
Brazil	355	422
Sweden	326	395
Germany	277	278
China	253	269
Canada	103	175
France	168	164
South Africa	171	131
India	123	114

Wages and salaries

Number of personnel remained at 2011 level

In 2012, we paid wages and salaries, excluding indirect employee expenses, of EUR 1,333 million, or 20 percent of net sales (EUR 1,229 million and 20% in 2011). The number of employees and the performance-based bonuses and incentives have an impact on the total amount of wages and salaries. The wages and salaries on the income statement are the gross amount, a portion of which is paid by the employees as taxes to society. The wages and salaries also include holiday pay.

The amount of bonuses paid increased about 16% from the comparison period. Within the framework of collective agreements, we apply profit- and performance-based incentive systems when it justifiably supports managing the company. In 2012, EUR 52 million (EUR 45 million) was paid in bonuses. Additionally, certain key persons at Metso were paid a share incentive, the value of which at the time of payment was about EUR 11 million.

Indirect employee costs include payments related to pension insurance, social security, and unemployment and disability insurance based on the wages and salaries paid. Indirect employee costs depend on the scope of operations and the number of employees. In 2012 our indirect employee costs were EUR 367 million (EUR 347 million).

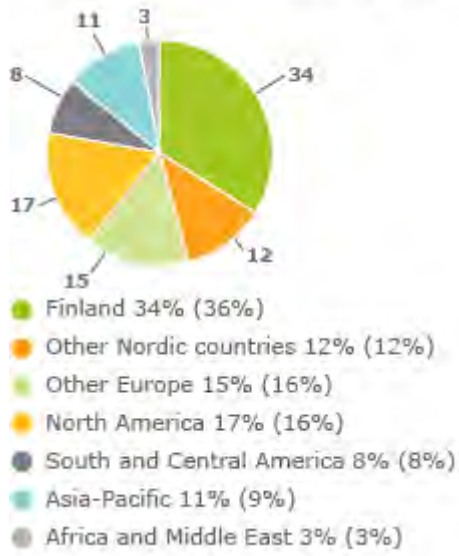
We monitor trends in base salary levels in comparable industries in each country.

Number of personnel remained at the same level as year before. The personnel increased in the emerging countries, but decreased about 3% in developed countries and the share of our personnel in developed countries was 65%. Of our personnel, 51 percent (53%) work in EU countries and 30 percent (29%) in non-OECD countries.

Total wages and salaries (10 largest countries), EUR million

	2011	2012
Finland	443	442
USA	154	184
Sweden	136	152
Germany	72	80
Brazil	73	73
Australia	47	62
Canada	43	50
China	34	44
France	34	35
South Africa	29	30

Wages and salaries by area



Taxes

Profits improved and income taxes increased

We paid EUR 188 million in corporate income taxes in 2012 (EUR 122 million in 2011). In addition to income taxes, we paid various other taxes, which were not based on the taxable income, but carrying on business' operations. The income tax cost on the income statement was EUR 178 million and our tax rate was 32 percent (EUR 149 million and 29%).

Considering the scope of their operations, Finnish companies still paid low income taxes. The combined taxable profit of all the Finnish companies was positive, but we utilized tax credits available from prior years.

We reported the biggest profits in the USA, where the corporate tax rate is relatively high. As a result the taxes paid doubled in the USA and were significantly higher than in any other country. Income taxes paid doubled also in Brazil.

In emerging markets, we paid the most income taxes in Brazil, China, South Africa, Chile and Mexico. Earnings from our Brazilian and Chinese operations continued to markedly improve, part of which will affect our taxes to be paid only in the next few years.

Income taxes paid, 10 largest countries, EUR million

	2011	2012
USA	39	77
Brazil	15	32
China	14	15
Australia	14	8
Chile	5	8
Finland	1	8
Canada	0	8
South Africa	5	5
Sweden	3	5
Mexico	1	5

Net financial expenses

Net interest-bearing liabilities continued to decrease

As the net interest-bearing liabilities continued to decrease, also our net financial expenses in 2012 decreased on the comparison period and were EUR 49 million (EUR 65 million in 2011), or 0.7 percent of net sales (1%). Our net interest expenses totaled EUR 42 million in 2012 (EUR 49 million).

Higher business volumes and progress on customer projects were reflected in an increase in working capital levels during the year, mainly in Pulp, Paper and Power. In 2012, EUR 176 million (EUR 123 million) in net working capital was tied up and our free cash flow was good, at EUR 257 million (EUR 375 million).

Interest-bearing liabilities mainly consisted of bonds and fixed and variable interest loans from international financial institutions. Our net interest-bearing liabilities at the end of 2012 totaled EUR 316 million (EUR 260 million). Gearing was 14.2 percent (12.2 %). Interest-bearing receivables and cash and equivalents stood at EUR 974 million (EUR 767 million) at year-end. In December 2010, we renewed the five-year EUR 500 million revolving credit facility, which was concluded with a syndicate of 14 banks. The facility has remained undrawn.

In December 2012, Standard & Poor's Ratings Services affirmed Metso's BBB long-term and A-2 short-term corporate credit ratings and positive outlook.

In November 2012, Moody's Investors Service affirmed Metso's Baa2 long-term credit rating and positive outlook.

Dividend

Metso's target, in line with its dividend policy, is to distribute at least 50 percent of annual earnings per share as dividend or in other forms of repatriation of capital.

Our profitability improved in 2012 and our earnings per share were EUR 2.49 (EUR 2.38 in 2011). The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.85 per share be distributed for 2012. This would be a total of EUR 277 million, representing 74 percent of the earnings per share.

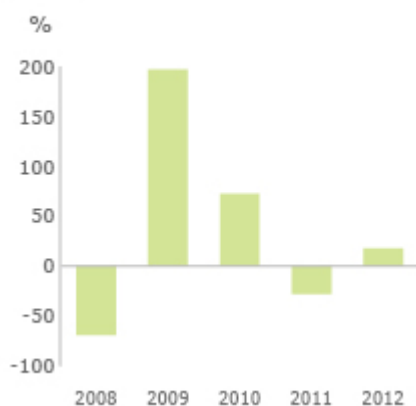
Metso paid dividend totaling EUR 254 million, i.e. EUR 1.70 per share, for 2011 (EUR 232 million and EUR 1.55 per share for 2010).

Metso's share price increased 12 percent during 2012

The trading price on the NASDAQ OMX Helsinki in 2012 for Metso's share increased 12 percent, and the closing price at the end of the year was EUR 32.04. At the same time, the NASDAQ OMX Helsinki portfolio index, OMX Helsinki CAP, declined 10 percent.

Our market capitalization at year-end, excluding the shares held by the Parent company, was EUR 4,798 million (EUR 4,287 million in 2011). When the dividend paid and the change in share price are taken into consideration, Metso's total shareholder return (TSR) in 2012 was 17.8 percent positive (27.8 % negative).

Total shareholder return (TSR)



Earnings per share and dividend per share



Quarterly information

Quarterly consolidated statements of income, balance sheets and segment information for 2012 are available in PDF format.

[English >>](#)

[Finnish >>](#)

Financial statements 2012

Download the Metso financial statements for 2012 as a PDF file:

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Sustainability

Metso strongly believes in the value stemming from sustainable business operations. The way we see it, a company that is able to include solutions to global social and environmental challenges in its offering will succeed in the long term and will create value and well-being for all the company's stakeholders, including society.

Check-in

"Metso supports the UN Global Compact principles and we see it as a valuable common reference and guidance describing the set of universal issues we respect and wish to promote."

Metso's President and CEO Matti Kähkönen

 **349**
social initiatives globally in 2012



Metso and WWF Finland have had a successful cooperation for over 10 years. [Read more about the cooperation.](#)

Our lost-time incident factor (LTIF) in 2012 was

 **7.1**

Don't miss

[Our strategic approach to sustainability](#)

[Sustainability targets and achievements](#)

[Summary of sustainability key figures](#)

[Independent assurance report](#)

[GRI index](#)

We have reduced our CO₂ emissions
 **9%**
in our own production in 2012

Sustainability at Metso

Metso's sustainability focus areas

Metso People

We prioritize the wellbeing, health and safety of the individuals in all our operations. We actively promote equal opportunities and diversity, and we train our leaders to promote sustainability thinking and to link individual objectives to sustainability.

Metso Environment

We constantly strive for improvements in our energy and materials efficiency and in reducing water consumption, emissions to water, soil and air, and the amount of waste in our operation. We have also identified environmental risks related to our operations and practice precautionary procedures to avoid any environmental accidents.

Society

We strive to act as a responsible corporate citizen and to support sustainable development in the communities we operate in by forming partnerships with customers and other stakeholders. By sponsoring and donating to local projects in science, research and education, environmental protection and nature conservation, and youth activities, we contribute towards a more sustainable world.

Marketplace

We help our customers to improve the sustainability of their operations by using our technology and solutions, and we develop a transparent and responsible supply chain management to support our own sustainability efforts.

Our four pillar approach to sustainability:



Value from sustainable business operations

Metso strongly believes in the value stemming from sustainable business operations. The way we see it, a company aiming to solve global social and environmental challenges will succeed in the long term and will create value and well-being for all the company's stakeholders, including society.

Finding ways to address sustainability challenges can most certainly give rise to new business opportunities. Metso believes that one of the best ways to promote sustainable development is to innovate in technologies and to change current ways of operating to align with principles of sustainability. This is how we want to take part in creating a more sustainable future.

Global solutions with a local presence

Metso operates on all continents and aims to strengthen its local presence close to its customers by creating a world-class sustainable business structure globally. Consequently, we will continue to sharpen our focus on growth countries worldwide by adapting innovative service models to meet the complex and varying sustainability needs of our customers.

Our operations, particularly in emerging markets, support the development of local communities through the creation of local employment. Metso also supports youth education and vocational training, as well as overall well-being of local communities through a range of social responsibility projects around the world.

Sustainable technologies and services

In line with our mission, we contribute to sustainable development by offering products and services that reduce the environmental load and improve the quality of our customers' operations. Our technological solutions enable our customers to improve their sustainability performance by increasing the energy and materials efficiency of their industrial processes and reducing emissions and water consumption. Metso has a solid track record in these areas.

We focus our research and product development activities on sustainable technology solutions. We believe that technology plays a significant role in curbing and adapting to climate change. Our services business helps extend the life cycle of our customers' processes.

Providing safe working conditions

In line with Metso's health, safety and environment (HSE) policy, we prioritize the well-being, health and safety of all individuals. We believe that all workplace accidents can be prevented. Advancing workplace well-being through a variety of local development projects is defined on the basis of the feedback and needs of the Metso people. We emphasize our high HSE standards of conduct when dealing with customers, suppliers and other stakeholders. We aspire to minimize our environmental footprint throughout the entire value chain, and we strive for more sustainable supply chain management.

We want to have the best people in the business

We want to foster a good sustainability performance and a working environment that attracts talented people to work with us, helps our employees to develop, allows them to perform at their highest capabilities and thus strongly contribute to the success of the company. Our People must-win has a strong focus on the development of Metso's employees.

Metso sustainability statement

At Metso, we recognise that today's concerns and future goals of our customers, owners and society must be reflected in the way we run our business profitably and responsibly. Our mission is to contribute to a more sustainable world by helping our customers to process natural resources and recycle materials into valuable products.

We have already seen the benefit of placing sustainability throughout the value chain of our business. For example, by operating in a more eco-efficient way we have reduced our costs and emissions. By constantly seeking new technical solutions as we work side by side with our customers, we are already helping them to meeting their environmental challenges, as well as increasing their productivity.

We must manage risks to our reputation and avoid business interruptions, but also seize the opportunities sustainability presents. Through innovating, we can create new eco-efficient products and solutions for our customers while simultaneously reducing our own direct environmental impacts.

By being a good corporate citizen, we enjoy a strong reputation, which makes us an attractive and trustworthy partner and employer. By operating globally in a way that respects local cultures and knowledge while drawing on the diversity of our people, we can build a profitable and enduring company.

We will work together to truly embed sustainability in our daily operations, and by 2020 we want to be considered a thought leader in sustainability within our industry. Achieving that goal will mean we are delivering on our mission and ensuring our business is well-positioned to develop and thrive in the years ahead.

Climate change issues integrated into our business strategy

Metso's long-term strategic goal is sustainable and profitable growth that is based on our comprehensive, energy-efficient product offering and on the role of our solutions and services. Sustainability is strongly present in our strategy and must-wins.

Sustainability intergrated into our strategy

Our strategy towards 2015 is the result of a thorough and intensive strategy process, and is based on a long-term strategic framework of our mission, vision, values and leadership principles. Megatrends are important elements in all strategic considerations, since they are likely to be the largest drivers for change in the next decades. Metso has identified global megatrends relevant to our company, one of which is sustainability and climate change. This is also stated clearly in Metso's mission, as the purpose of our operations emphasizes sustainable solutions: "We contribute to a more sustainable world by helping our customers to process natural resources and recycle materials into valuable products." In accordance with our mission, we are committed to working together with our customers and being an active participant in building a more sustainable world. Our main path to this target is through continued development of technology that is relevant to our growth markets and is responsive to the increasing importance of environmental acceptance and energy efficiency.

Global megatrends affect our operations

Although the sustainability and climate change megatrend is global, it impacts Metso's individual businesses in different ways, depending on their respective location. For all of its units, Metso strives to continuously improve the energy efficiency of its own production. We target to reduce our own energy consumption and CO₂ emissions from base year 2005-2009 by 15% by 2015 and by 20% by 2020.

Another aspect of the sustainability and climate change megatrend that has influenced Metso's strategy is the limited supply of raw materials, energy and clean water, shifting the development towards new technologies. Development of solutions that improve energy efficiency is expected to continue, and demand for power plants utilizing biofuels or other renewable sources is expected to grow.

In developed markets, tightening environmental legislation, customer awareness and higher prices for carbon emission allowances are calling for the reduction of Greenhouse gas (GHG) emissions.

Climate change issues have already affected Metso's short-term strategy for many years already. The risks and opportunities for Metso are heavily influenced by climate change issues and are taken into serious consideration when operating in emerging markets as well as in developed markets.

Metso is a global supplier of technology and services in process industries. Metso's high-end products represent the latest clean technology. The tighter local and global regulations and legislation become, the higher Metso's expectations to increase its market share based on clean technology products.

Results through energy efficiency program

One substantial business decision made during the reporting year, influenced by the climate change aspects, was the continuing increase of investments in Metso's energy efficiency program, which is targeting a reduction of energy and CO₂ emissions in our own units. Metso has also continuously increased its RTD investments, which totaled EUR 139 million in 2012, an increase of EUR 5 million from the previous year.

Sustainability is part of Metso's strategy

Our strategic approach to sustainability

Metso has made significant progress in incorporating sustainability to its global operations by launching a Metso-wide sustainability strategy this past year. The sustainability strategy was approved by the Metso Executive Team in November 2012 and is a natural continuation of the goals set in our mission and of the company strategy launched in 2011.

Metso's target is to be considered a thought leader in sustainability by 2020. In practice, this means that we have sustainability integrated into our strategy and that there is effective sustainability governance and measurement in place. It also means that we engage our stakeholders in an active dialogue about sustainability in all the communities we work in, and we use the feedback in developing our products and operations.

The sustainability strategy integrates Metso's sustainability goals with our strategic must-wins (Services, Growth countries, Technology, Operating model and People). The growing concern over the availability of earth's resources is already having a strong impact on our customer industries. We believe that eco-efficient technologies play an important part in adapting to this challenge.

In line with our mission, we contribute to sustainable development by offering products and services that reduce the environmental load and improve the quality of our customers' operations. Our solutions are particularly related to the energy and raw materials efficiency of our customers' production processes, the use of renewable energy sources, recycling, the efficient use of water, the reduction of emissions, and process optimization.

We want to develop innovative service models that meet the complex and varying sustainability needs of our customers. Customers in emerging markets are increasingly looking for partners with sustainability credentials. By continuing to strengthen our presence in growth countries, we are able to operate close to our customers and to be a local partner for them.

In our own operations, we prioritize the well-being, health and safety of all individuals. We are committed to offering a safe working environment and preventing all work-related injuries and accidents. We also strive for sustainable operations throughout the supply chain.

In 2013, we will continue to implement our sustainability strategy by, for example, developing a responsible supply chain and integrating life-cycle assessments into our product development processes.

Sustainability targets and achievements

Global health, safety and environment targets

In 2012, Metso made major progress in integrating sustainability into its daily business operations with the approval of a new sustainability strategy, including comprehensive action plans in each of the core focus areas for short-term targets by 2015 and long-term targets by 2020.

We have set ambitious targets for workplace safety, energy and water consumption, and the amount of waste in our own operations. The targets for safety and energy consumption were set in 2009. In 2012, we took a step forward and set targets also for two of the main materials used and arising from our operations, water and waste.

Global health and safety targets

Metso's Health, Safety and Environment (HSE) policy supports the development of a safe, healthy and well-managed work environment. Our long-term target is zero work-related accidents. We believe that every accident can be prevented. Our short-term occupational safety target is to achieve a lost-time incident factor (LTIF) of less than 5 by 2015. In 2012, our LTIF was 7.1. LTIF reflects the number of accidents resulting in an absence of at least one workday per million hours worked. In 2012, 64% of Metso's units reached the group LTIF target level of less than 5.

During 2013 we will continue HSE training for our management and the work we started in 2012, e.g. internal auditing of our own production sites and creating a development plan for low-performing units. We are also continuing to introduce Metso's minimum safety standards to all our employees. The minimum safety standards will be implemented at all Metso production sites during 2013.

Environmental targets for our own production

In 2009, we set global, Group-wide energy-saving and carbon dioxide emissions targets for our own production. The majority of our reported CO₂ emissions arise from the use of energy; therefore decreasing energy consumption will also reduce emissions - while also bringing financial benefits.

Mapping the opportunities to save energy and decrease carbon dioxide emissions at Metso level was started in the most energy-intensive production units, the biggest of which are the steel and iron foundries. The mapping continued in 2012 and the studies were completed in our energy-intensive production units. Currently, about 75 percent of Metso's energy consumption has been mapped.

The biggest energy-savings opportunities are related to the use of fuel and heat. Potential savings outside our production processes were also found, e.g. in cooling and compressed air systems. We have defined energy-efficiency indices for our production units, and the units report their energy consumption in accordance with the indices on a quarterly basis, which promotes energy-efficiency and monitoring at the Metso level. In 2013, we will continue to map energy-savings opportunities also in our smaller consuming sites as well as start energy-savings measures in all of Metso's production units globally.

In 2012 we also set a target to reduce the water usage and amount of waste in our own operations 15% by 2020. During 2013, we plan to improve the relevant metrics and data collection frequency related to our water and waste data.

Targets for product sustainability

Sustainable products provide environmental, social and economic benefits over their entire life cycle, from the extraction of raw materials to decommissioning. What this means for Metso in practical terms is that our products

are safe to operate, economically feasible and efficient, and help our customers gain maximum environmental benefits. During 2013, based on the successful development work of recent years, we plan to continue training our network and building competence internally about Life Cycle Assessments (LCA). We will also enhance internal communication to raise awareness of the theme, as well as use LCA in external marketing. We will also strive to evaluate LCA information in different processes and in different product lines during 2013.

In 2013, we plan to establish a product safety-related discussion and exchange forum that includes all Metso segments. We also plan to develop Metso-wide guidelines and instructions for product safety and a benchmark of best practices. We are also aiming to create a network that includes product safety, risk management, HSE and legal communities of Metso.

Targets for our social responsibility projects

During 2013, we plan to identify and prioritize the risks and opportunities of our social responsibility projects together with our key external parties. We aim to create a systematic approach to partnerships at the Metso Group level and develop guidance to share learning across operations.

Sustainability risks and opportunities

Sustainability risk management at Metso

Managing climate change risks and opportunities is integrated into a multi-disciplinary, company-wide risk management processes at Metso. We have a systematic method for regularly assessing the probability and impact of climate change and environment-related risks at Group-level and also within each reporting segments. The assessed risks are based on the risk map document in which the company risks are listed on the headline level.

The potential risks and opportunities related to sustainability arise from the availability of sufficient competence resources, the health and safety of our personnel, our ability to develop our product and technology portfolio according to the changing needs of customers, and the adequacy and pricing of financing both for us and for our customers.

Metso's risk process promotes opportunities. Furthermore, it aspires to minimize the adverse impacts of strategic, financial and operational risks and to remove or mitigate hazard risks. The line management of Metso's businesses is operatively accountable for managing risks as part of its daily activities. Climate change and environmental risks are assessed once a year at the Group-level by Metso's Risk Management Team, based upon individual business unit's risk management reports, consolidated at the company level. The results are annually reported to the Metso Group Risk Management team, Metso Board of Directors and Metso Audit Committee, and to the Metso Executive Team.

Reporting segments' responsibilities

Each Metso's reporting segment annually assesses the probability and impact of climate change and environmental risks and defines the need for and priority of the actions to remove, mitigate, minimize, retain or utilize the risks by using Metso's risk map. The climate change and environment risk assessment process includes the actions needed, accountabilities, time frame and decisions to treat the residual risk.

Metso uses the Flexible Risk Management Evaluation (FRiME) concept when evaluating the level and implementation of risk management and risk management practices in its units. Annually, 10 FRiME evaluations are carried out in Metso's key locations/units, covering about 80% of Metso's net sales within a 5-year evaluation cycle. The evaluation of risk management is always based on a location's /unit's risk assessment and business interruption assessment (BIA) and is conducted by Metso's insurance broker.

Metso brand and risk management

Metso's strong brand and good reputation are imperative to us. Any action or event negatively influencing our brand and reputation, including also the potential lack of social acceptance, is a risk to our industry benchmark position and hence to our capability for growth. The continuous, positive development of the Metso brand and reputation is a major opportunity for Metso's sustainable growth and for the positive perception among our stakeholders.

Energy and environmental risk management

The use of renewable energy is increasing around the world in the aspiration to achieve climate targets, and thus our know-how in biomass- and waste-based energy solutions is a significant competitive advantage for us. The supply of clean water is also a global challenge. We have developed solutions to significantly reduce water consumption in pulp and paper manufacturing processes and to reuse the process waters more effectively. With our solutions for the mining and construction industry, crushing can take place on site at the bottom of a quarry or close to a construction site, which decreases emissions and dust, lowers energy consumption and improves work safety.

Stricter regulations and increased environmental awareness might also limit our growth opportunities. If paper companies slow down investments or production due to CO₂ emissions regulations, it could adversely affect our Pulp, Paper and Power segment's business. The price and availability of energy are critical to our customers. Any regulatory changes affecting energy price or availability could therefore affect us as well. A sudden and substantial change in CO₂ emissions regulations can potentially turn into a technology threat for us if we are not able to provide these new types of solutions. On the other hand, an energy shortage could open new business opportunities for Metso.

Health and safety

We continuously focus on identifying and preventing health and safety risks. We thoroughly investigate all accidents and near-miss incidents and initiate the necessary actions to prevent them in the future. Travel safety and security guidelines, our common travel insurance program and travel information system improve the safety of our employees traveling around the world.

Financial markets

Metso's economic responsibility is to benefit all our stakeholders through profitable business operations. Securing the continuity of our operations requires that we have sufficient funding available under all circumstances. Various economic uncertainties globally could potentially have a negative impact on funding from capital markets.

During 2013, Metso aims to further develop its sustainability risk management by including all relevant aspects of sustainability management and adding the recognized issues into the Risk Assessment and Risk Management Evaluation process.

Metso employees and competencies

Ensuring the capabilities of Metso employees is crucial for securing the development of our business and competitiveness. Resource and competence planning, as well as successor planning for the key positions in the businesses, is important. Our ability to attract and retain talent is essential in achieving our growth and global presence targets.

Emerging markets

The ability to maintain and develop a global presence in emerging markets is seen as an opportunity for Metso. Our business development is strongly linked to our ability to expand our operations in new, rapidly emerging markets. There are also threats related to operating in these markets. Such threats may be associated with, among other things, business limitations due to our reputation as a responsible ethical corporate citizen.

Our operations are very limited in countries where trade is restricted by international agreements and in countries that have a high risk level due to terrorism or corruption. Our travel restrictions and bans have an indirect effect on where we conduct business.

Environment

The biggest threats and opportunities related to climate change and environmental aspects are transferred to Metso from our customers and are thus linked to our products, technology and RTD (Research and Technology Development). We assist our customers in reducing their CO₂ emissions through energy savings in their existing operations or through new, energy-efficient technologies for new plants. By systematically monitoring the development of environmental issues, we strive to find new business opportunities, which, if overlooked, would pose a strategic threat.

Stricter environmental legislation is the trend in developed markets and in emerging markets. This creates opportunities for us to offer new solutions that improve our customers' energy efficiency, reduce emissions, promote recycling and meet more stringent environmental standards. Based on our risk assessment results, we are capable of managing regulatory development challenges to maintain a global competitive position.

Environmental risks and natural events are not seen as significant threats to Metso's own operations. Instead, these could trigger a change in environmental legislation, which in turn could become a catalyst for further business. We see Metso's role as a significant technology developer for our customers' processes, satisfying an increased demand for sustainable technology solutions.



Case: reputational risk management

Metso is investing heavily in its brand reputation and employee image globally through successful customer relationships, a balanced portfolio of products, projects and services, and marketing communications. Metso is working with its stakeholders to increase stakeholder engagement and to learn more about the issues concerning our stakeholders and our customer markets.

Reputational risks related to eco-efficient products can affect Metso's overall brand image globally and can also have an effect on the positive development of net sales and the order backlog. Metso's high-end products are energy efficient and that is seen as a great strength of our product portfolio. If global markets and customer industries do not demand more energy-efficient products, there would be a decrease in Metso's competitive advantage and in Metso's overall net sales and order backlog.

Monitoring and understanding market development is the key to survival in today's unstable economy. Metso is closely following and monitoring the markets, customer needs and demands, as well as the current and emerging trends of customer industries. Metso has business intelligence units in place in all three of its business segments that have operations in over 50 countries and over 100 production sites, in order to stay aware of all possible risks related to its operations. Our target is to create shareholder value through growth and profitability.

Metso Group is managing reputational risk by striving to boost its reputation and brand image through internal and external communications and marketing communications actions globally. Brand and reputation building is also the responsibility of all Metso's business segments: Mining and Construction, Automation, and Pulp, Paper and Power. Metso is increasing its good reputation with a strong product portfolio and successful customer relationships and by investing in emerging markets and the services business throughout the segments. Metso is also working with various NGOs in the areas it operates in.



Case: Carbon taxes posing a regulatory risk to Metso

Carbon taxation and emissions trading schemes increase the risk for high energy prices. Metso has production sites and offices in over 50 countries, so carbon taxation would have an effect on Metso's production. Uncertainty in different countries increases the risk of different carbon taxation systems being developed. This risk is difficult to manage since it is hard to predict the development of local environmental legislation in all the countries in which Metso is operating.

Metso manages this risk by striving for long-term purchasing agreements with its partners and by reducing the use of fossil fuels, as much as possible in its own operations. Metso also monitors the current status and development of energy prices and alternative renewables suited for Metso's production. Most of Metso's CO₂ emissions stem from primary energy use. Metso is striving to reduce energy and CO₂ consumption in its own production through a company-wide energy-efficiency program. Metso has reduced its CO₂ emissions by 9% in 2012. The 9% reduction in CO₂ emissions in 2012 is the equivalent of a reduction of 10 000 CO₂ tons.

Sustainability highlights 2012

New sustainability strategy launched

Metso has made significant progress in incorporating sustainability to its global operations by launching a Metso-wide sustainability strategy this past year. The sustainability strategy was approved by the Metso Executive Team in November 2012 and is a natural continuation of the goals set in our mission and of the company strategy launched in 2011.

Significant progress made in energy efficiency program

Since the creation of Metso's energy-efficiency program in 2009, it has implemented 223 projects that have led to a carbon dioxide savings of 13,960 tons. Since starting the program, 52,000 MWh of energy, worth EUR 3,3 million, has been saved with investments of EUR 5,7 million; these investments have a payback time ranging from one to three years.

We extended the life cycle assessment framework

In 2012, we expanded the scope of life cycle assessments to novel technologies by assessing the waste gasification plant we built for Lahti Energy Ltd. Another example is the inclusion of occupational safety in the assessments. This is one of the steps of looking into possibilities of assessing social impacts in addition to environmental impacts. Overall, the scale of the assessed products has ranged from smaller automation systems to entire plants.

Metso the best industrial company in the CDP climate index

In 2012, Metso received its all-time highest scores in the Carbon Disclosure Project (CDP), with 97 points out of 100; it was also included in the Carbon Disclosure Leadership Index for the first time. Metso's disclosure score of 97 was the highest from a Nordic company in the Industrials sector. Metso has reported to the CDP since 2007.

Social data

Number of employees 30,212 (30,324)

Female employees 19% (19%)

Females in management 13% (15%)

	2011			2012		
	number of days	% of total	Average days per person	number of days	% of total	Average days per person
Due to illness	139.839*	94.1	4.6*	196.250	94.0	6.5
Due to injuries at work	8.743*	5.9	0.3*	12.441	6.0	0.4
All total	148.582	100.0	4.9*	208.691	100.0	6.9

*) 2011 figures changed due to data correction

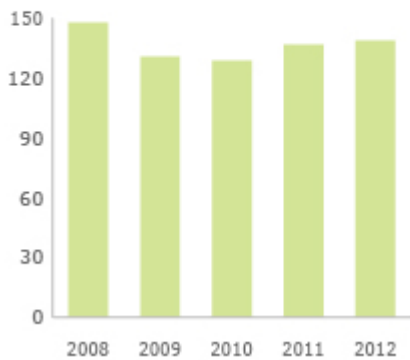
ENVIRONMENTAL BALANCE SHEET

	2008	2009	2010	2011	2012
MATERIALS					
Ferrous metals, 1,000t	243.611	151.834	230.771	259.363	217.335
Non-ferrous metals, 1,000t	7.272	4.166	4.259	7.347	7.116
Paints, 1,000t	1.228	1.023	0.722	1.06	1,08
Solvents, 1,000t	0.848	0.5	0.43	0.60	0.61
Recycled materials, 1,000t	94.737	66.586	101.613	94.478	78.511
Cardboard, 1,000t	0.135	0.135	0.619	0.695	0.624
Wood, 1,000t	4.048	4,784	6,095	7,723	8,982
Paper, 1,000t	0.013	0.018	0.022	0.036	0.081
Plastics, 1,000t	0.078	0.054	0.252	0.271	0.195
ENERGY AND WATER					
ENERGY					
Electricity, TJ	1831.56	1.489.67	1.733.94	1.786.97	1.644.07
District heat, TJ	574.37	546.05	747.09	560.00	549.69
Steam, TJ	43.78	63.21	98.3	95.54	74.89
Natural gas, TJ	786.55	716.02	825.39	870.64	840.06
Coal, TJ	404.24	300.71	198.83	120.32	66.26
Heavy fuel oil (HFO), TJ	194.91	177.04	32.21	13.59	11.25
Light fuel oil (LFO), TJ	79.53	56.68	64.46	50.53	29.28
Diesel, TJ	38.42	28.75	35.85	47.18	38.89
Gasoline, TJ	3.6	6.07	5.98	2.92	3.92
Liquified petroleum gas (LPG), TJ	51.8	54.74	73.30	73.96	81.73
WATER					
Water consumption, 1,000 m3	1.814.4	1.485.0	1.844.4	1.584.5	1.286.8
AIR EMISSIONS					
CO ₂ , 1,000t	314.943	265.154	290.579	274.691	250.569
VOC, 1,000t	0.547	0.406	0.394	0.419	0.437
WASTE					
Hazardous, 1,000t	8.07	4.81	6.75	7.68	7.24
Non-hazardous, 1,000t	116.244	80.289	93.408	108.871	94.093

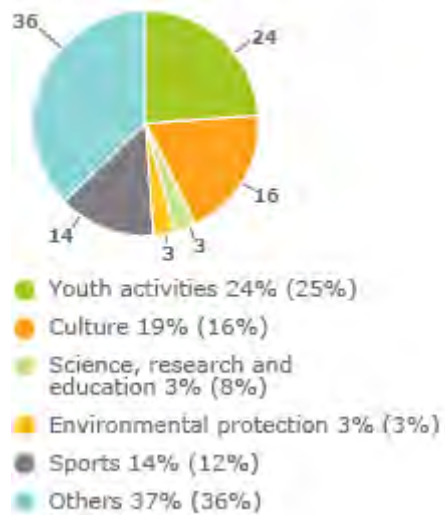
Certificates / Certified operations	ISO 9001	ISO 14001	OHSAS 18001
2011	79%	51%	33%
2012	82%	57%	42%
Increase %	3%	6%	9%

Research and development expenditure (including IPR expenses)

EUR million



Support for non-profit organizations



Stakeholder dialogue

Metso actively engages its stakeholders in sustainability-related topics, among them the development and implementation of energy and climate policy, legislation and regulation, and RTD activities in environmental technology. Metso takes a supportive approach towards climate change policies and initiatives. Metso also supports new national- and international-level regulations that mitigate climate change and endorses actions and operations that prevent and lessen the adaptation to climate change. We promote energy efficient technology and support our partners, e.g. universities, in researching sustainable production technologies and finding new solutions. We also share the knowledge within the stakeholder dialogue groups for further discussions. Our stakeholder dialogue actions also include sharing our expertise and raising awareness of eco-efficient products.

Metso stakeholders



Existing and potential customers

Our customer relationships are built on extensive know-how and long-term commitment. Our pursuit of improving the productivity and competitiveness of our customers' industrial processes throughout their entire life cycle is built on three cornerstones: in-depth knowledge of our customers' core processes, automation expertise and a large base of installed machinery and equipment. Our customers operate in several industries and many parts of the world. Metso's global network, including units in over 50 countries, enables us to serve our customers in all continents.

Metso conducted customer interviews in 2012 in order to explore expectations customers have regarding Metso's sustainability management. The interviews provided an overview of how Metso's customers see certain

sustainability themes in the current business environment and also identified areas of improvement in Metso's sustainability work. Among the topics raised were sustainable supply chain management, product safety, development of a sustainability strategy with relevant targets and KPI's, human right issues, community involvement, and health and safety management. Interviewees were selected by Metso to reflect the various business segments and the geographical regions that are most significant to Metso's operations.

We maintain an active dialogue with our customers through regular meetings and other direct customer contacts, joint development projects, fairs, seminars, extranets, customer satisfaction surveys, supplier certifications, and specific industry organizations. In the dialogue with our customers, we strive for high reaction speed, quality, operational reliability, return on investments, eco-friendliness, local offering of desired services, long-term collaboration, and supplementing our own expertise.

Existing and potential employees

Our people and their know-how is one of our competitive advantages and therefore Metso people is also defined as one of the Group's five must-wins. Metso people management is based on strong leadership having a solid foundation in our annual development and performance reviews. Metso has global people management processes and practices in use, e.g. remuneration and performance management, training and development offering. We emphasize open and active communications. We prioritize the wellbeing, health and safety of the individuals in all our operations and promote equal opportunities and diversity. We regularly conduct engagement surveys as a means to measure employee engagement and performance excellence and to identify development needs in our working environment.

Suppliers and subcontractors

With operations in over 50 countries and customers in over 140 countries, Metso has a vast supply chain. Our cooperation is based on operational profitability, long-term collaboration and the development opportunities it offers, as well as on growth, operational reliability and networking. We have regular meetings and direct contacts with our suppliers as well as joint development projects, training and development events, supplier audits, electronic procurement systems and an extranet channel for communicating with our suppliers. During 2012, Metso conducted an internal survey concerning its external stakeholders and ways to improve our stakeholder dialogue. Through the survey, we learned more comprehensively about our dialogue with our suppliers globally and the priority of sustainability issues discussed with our suppliers.

We also actively communicate our expectations towards our suppliers; in 2012, e.g., we published the Sustainability Handbook for Suppliers, a guidebook to introduce sustainability to our partners. The handbook presents the most relevant sustainability issues from Metso's point of view and encourages our partners to introduce similar processes in their business operations.

Shareholders and investors

Metso promotes sustainability in its dialogue with investors and analysts. Metso annually participates in several significant sustainability surveys and indices conducted by research institutes, analysts and investors. The continuous dialogue with investors and other relevant groups strengthens and develops Metso's internal reporting process and its external reporting. Our active dialogue with shareholders, investors and analysts is based on return on investment, credit worthiness, and governance principles that are consistent with good practices, transparency and predictability, compliance with sustainability principles, and reliable, sufficient and up-to-date information about the company's operations. The dialogue with shareholders and investors includes the Annual General Meeting, investor and analyst meetings, investor events (e.g. annual Capital Markets Day), financial and non-financial reporting, stock exchange and press releases, news conferences, webcasts and phone conferences, online investor pages, and continuous monitoring of investor feedback. During 2012, sustainability themes integrated deeper into Metso's agenda, as more and more investors and analysts requested information concerning our sustainability performance. We have also developed our processes to better answer our shareholders, investors and analysts needs in questions related to our sustainable business operations.

Media

In our communications, we comply with Finnish and EU legislation, the NASDAQ OMX Helsinki Ltd's regulations, the Finnish Financial Supervisory Authority's guidelines, and the company's corporate governance principles. Our communications are based on facts and on the key principles of being systematic, open, honest, equal and active. We communicate the same extent about positive and negative issues simultaneously to all stakeholders with the objective to give a fair and correct view of our operations without undue delay. Our dialogue with the media includes press events and interviews, press seminars and trips, press conferences, a media service section on the Internet, press releases, financial and non-financial reporting, and corporate image surveys. During 2012, we increased our media relations activities in China in order to enhance the knowledge and awareness of Metso and of our operations locally. During the year, we also invited international media representatives to visit Finland and our local production sites.

Non-governmental organizations, authorities and local communities

We strive to act as a responsible corporate citizen and tax payer, and to work with the non-governmental organizations (NGOs), local communities and people around our operations. We aim to develop the regional and local well-being and employment opportunities with long-term operations that are compliant with local laws and regulations. We support community development projects in the countries where we operate. Our constant dialogue with NGOs and local communities includes meetings and joint events, participation in legislative work, a dialogue with trade and civic organizations, as well as the Internet as a channel for communicating with our stakeholders.

We maintain a continuous dialogue with policy makers in the majority of the countries where we operate. Through the dialogue with key policy makers, Metso can share its views, knowledge and expertise regarding our latest energy-efficient technology. The dialogue includes sharing Metso's expertise in sustainable technology, learning and networking in the Group and also raising awareness of what the latest technology can do in terms of global megatrends, e.g. climate change. Through the engagement, Metso also receives current information about the status of environmental regulations and legislation.

Metso also is involved with different industry and trade organizations, e.g. the International Chamber of Commerce (ICC) and World Business Council for Sustainable Development (WBCSD). On a national level in Finland, Metso is part of the Federation of Finnish Technology Industries and the Confederation of Finnish Industries EK working group. Metso is also a signatory of the UN Global Compact initiative and respects the OECD Guidelines for, e.g., environment recommendations. Metso participates in the International Chamber of Commerce (ICC) as an individual company. The ICC has regional and national organs in which also Metso operates. Metso's President and CEO, Matti Kähkönen, is Council Member of ICC Finland. Metso's Vice President for Stakeholder Relations and Trade Policy, Jukka Seppälä, is Chair for the National Expert Group on Anti-Corruption & Corporate Responsibility. He also served as Vice Chair of the ICC Commission on Trade and Investment Policy, from 2009 to 2012.

Research institutes, universities and vocational schools

In our research and development activities we engage in research partnerships with designated research institutes and universities around the world, networking and creating employment opportunities for students in research and development projects and research collaboration. We also provide jobs and trainee positions, student visits and lectures. Currently, we foster continuous cooperation with over 30 universities and research institutes globally.

We also cooperate with local vocational schools as part of our community involvement initiatives. We strive to share our knowledge and expertise in order to give the young generation in emerging markets better employment opportunities.

Memberships in organizations

We actively engage with customers and with various trade, non-profit and expert organizations in our line of business. To be a responsible corporate citizen and to contribute to regional and local well-being and employment opportunities, Metso is committed to the UN Global Compact initiative.

Metso's memberships in industrial organizations, associations and lobby organizations include, for example:

- American Forest & Paper Association
- AMIRA International Ltd
- Cleantech Scandinavia
- Corporate Executive Board
- European Association of Communication
- Excellence Finland
- The Federation of Finnish Technology Industries
- Finnish Association for Corporate Patent Agents
- Global Compact Network Nordic Counsel
- IMD International Institute for Management Development
- International Chamber of Commerce, Finland
- IPR University Center
- MIT Industrial Liaison Program
- Nordic Capital Markets Forum
- Procurement Intelligence Unit Ltd
- Society for Human Resource Management
- WorldatWork
- World Energy Council
- Agenda 2020
- Finnish Forest Cluster
- NAEM
- World Business Council for Sustainable Development
- Finnish Business & Society
- The Conference Board Europe

Case: International Chamber of Commerce (ICC)

ICC, the voice of business worldwide - a win-win partnership with Metso

In a rapidly changing world, companies must adapt to new and often difficult circumstances. Challenges like protectionism, corruption and counterfeiting affect companies' ability to trade and invest across borders. Therefore, a level playing field and a global framework for business are needed. Furthermore, companies can build better sustainable growth by delivering and deploying innovations, products and services. The role of business in a market economy is to create wealth for shareholders, employees, customers and society at large - and that underlines the International Chamber of Commerce as the voice of business worldwide. Metso's business strategy very much aligns with the ICC mission.

"Metso is a longstanding member and partner of the ICC. Knowing the broad variety of challenges a global company like Metso is facing, I think this partnership has brought good value for both of parties," says Timo Vuori, Chief Executive of ICC Finland. Metso has been an active ICC member since 1999 when the company was created. Through the years, Metso leaders and experts have actively participated in the ICC's work. Today, President and CEO Matti Kähkönen is a Member of the Council of ICC Finland.

"I believe the ICC has been able to offer Metso not only useful contacts all over the world, but also guidance and insight on best practices based on the experiences and knowledge of other multinational corporations. On the other hand, an organization like the ICC needs constant and concrete input from companies like Metso to be able to promote the interests of business and to address issues of relevance," continues Vuori.

Jukka Seppälä, Metso's Vice President, Stakeholder Relations and Trade Policy, served as the Vice Chair of the ICC International Commission for Trade and Investment from 2009 to 2012. In this context he has had many great opportunities to promote Metso business cases at various international forums, particularly in emerging economies. Furthermore, he participated in the process to update the new ICC Guidelines for International Investment, which were launched in front of key political decision makers at the United Nations Conference on Trade and Development in Doha, Qatar, in April 2012. These guidelines established a clear and modern model for governments and private investors on their rights and obligations.

Founded in 1919, the global ICC organization groups hundreds of thousands companies and other business actors from 140 countries covering all business sectors; it has its own offices, like ICC Finland, in 93 countries. ICC corporate experts from all over the world are shaping policy statements for lobbying purposes in areas such as trade policy, competition, taxation, environment and energy. Furthermore, ICC corporate experts also develop practical services and guidelines for the concrete needs of companies in areas like trade practices and finance as well as anti-corruption.

Case: Solidium, investor perspective on sustainability

"From an investor perspective, sustainability is a key theme for Solidium, Metso's biggest shareholder. Sustainability issues are essential competitive factors for companies. Well managed, they are one of the prerequisites for achieving successful business operations and long-term financial value," says Dr. Annareetta Lumme-Timonen, Investment Director, Solidium.

Sustainability issues have traditionally been considered part of a company's risk management. Solidium sees that for many companies, such as Metso, responsibility issues are also increasingly a source of new business opportunities. By building new businesses that take the needs of sustainability into consideration, companies can increase their shareholder value.

"We form our own opinions of the state of sustainability issues within companies. We examine the materiality of sustainability issues from the point of view of risks and business opportunities. The governance and level of performance of sustainability management in our investment targets is also assessed. The state of sustainability issues is compared across peer companies, and the special themes of the business sector in question are taken into account. This method extends both to companies that are already in Solidium's investment portfolio and to possible new investments," Lumme-Timonen continues.

The sustainability perspective is integrated in Solidium's investment activities. The materiality analysis is carried out by the same investment director-analyst team that is responsible for other analyses and for forming a view on the company in question. In this way, issues are seen as a whole, and the links between sustainability and the company's business operations are highlighted.

Metso's strategy is centered around sustainable development trends. From Solidium's point of view, Metso's material sustainability themes revolve around developing and offering environmentally sustainable products and services. Growing demand for raw materials has increased the need for crushing and processing. Tightening environmental requirements are strengthening demand for Metso's products and services. Innovation plays a key role in enhancing the energy, material and environmental efficiency of the company's products and services.

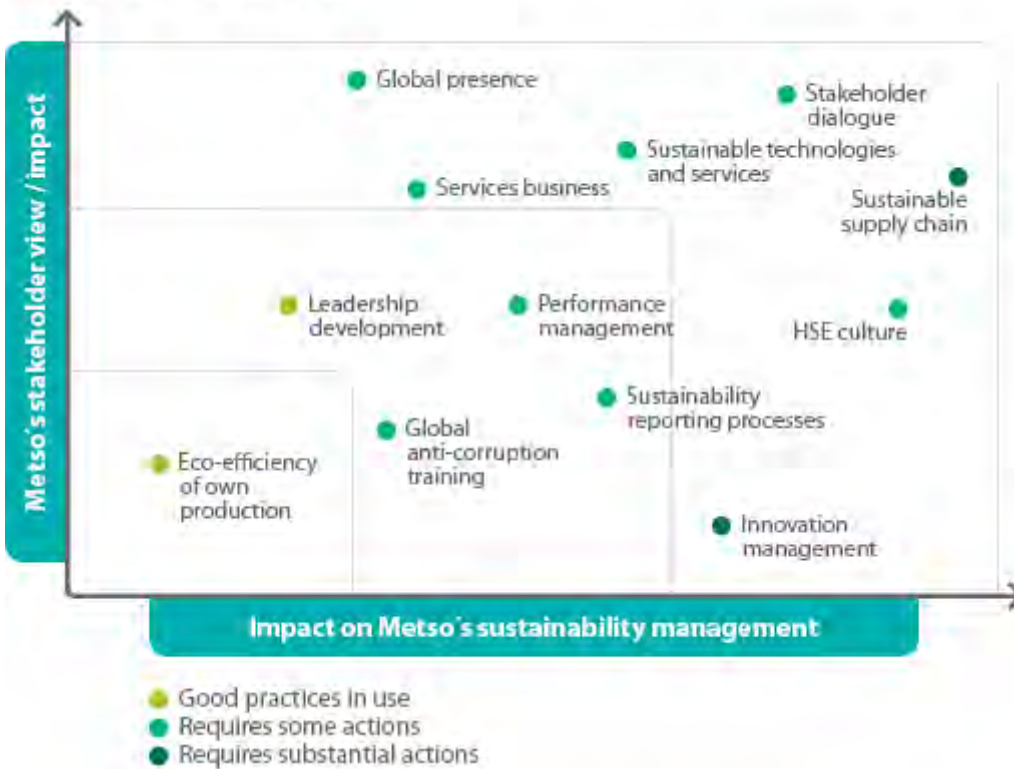
The sustainability impacts of Metso's operations mostly arise either in the company's subcontractor chain or when Metso's customers use the company's technology. Metso is actively developing the sustainability in its global supply chain.

"The management of Metso's sustainability issues is integrated in the company's business and organization. The level of the company's sustainability management and reporting is good," Lumme-Timonen concludes.

Sustainability management

We strive to consider all aspects of the financial, social and environmental implications of our operations, to tap into opportunities created by sustainability and to manage risks. Sustainability is an integral part of Metso's business strategy, and our sustainable operations bring us a competitive advantage in our global business activities. Our mission, vision, values and our Code of Conduct guide all our operations and stakeholder interaction. Our mission is to contribute to a more sustainable world by helping our customers to process natural resources and recycle materials into valuable products. In our work to fulfill this mission, we uphold our commitment to our Code of Conduct and to selected, globally acknowledged guidelines and principles.

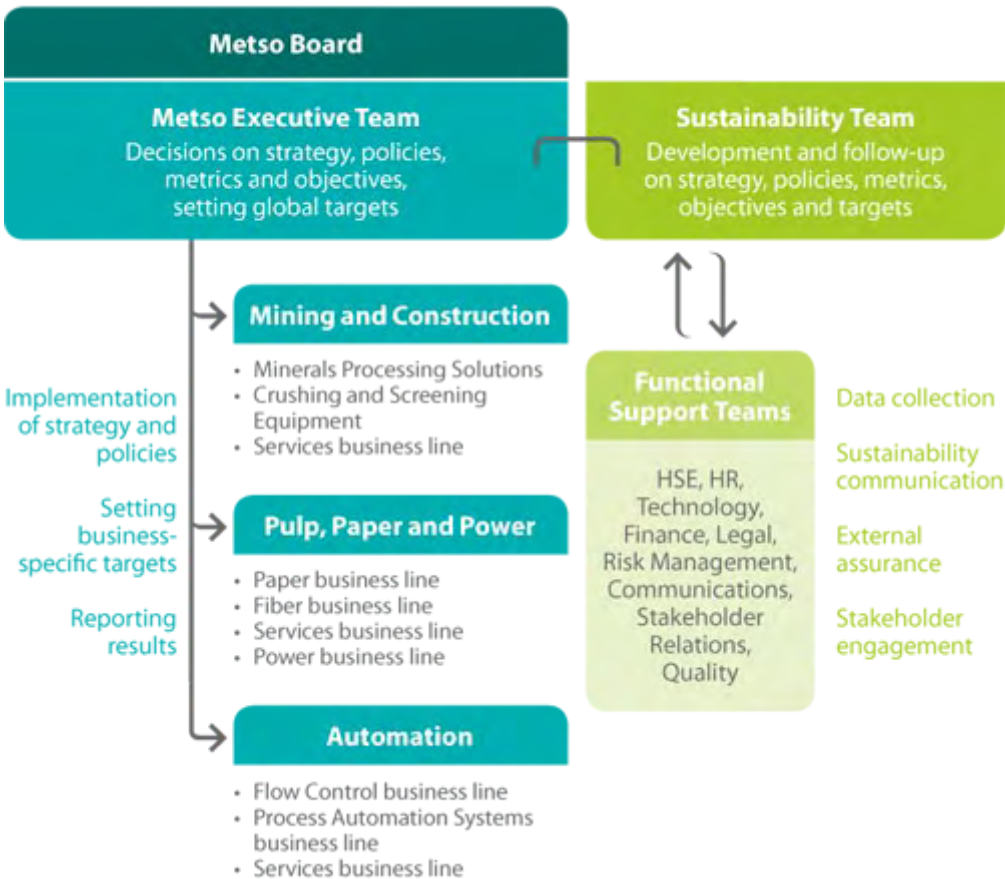
Materiality matrix 2012



Management model

We strive for consistent and transparent management practices so that all our stakeholders can reliably assess the company's sustainable operations and development.

Sustainability management model



The Corporate Governance principles approved by the Board of Directors form the basis for the management and governance of our company. Our mission, vision, values and our Code of Conduct guide all our operations and stakeholder interaction. We develop sustainable products and solutions that are safe and impact the environment as little as possible. We commit to good corporate governance principles by complying with national and international laws and regulations. Additionally, we apply best practices, such as the Finnish Corporate Governance Code for listed companies, in our management and governance. Corporate Governance principles form the foundation for the management of the company. Local management ensures compliance with guidelines and local legislation affecting employees. Our values and Code of Conduct ensure that our operations are consistent and uniform, regardless of the country and reporting segment.

Sustainability and its management are the responsibility of Metso's President and CEO and the Metso Executive Team (MET). It is the responsibility of our business management and supervisors to ensure that our employees are familiar with and comply with the legislation, regulations and internal operating guidelines of their respective areas of responsibility. Additionally, we strive to make good use of the best practices and synergy benefits of our businesses and to continuously improve our personnel's awareness of sustainable business operations. Our key principles related to good governance and corporate ethics form a separate section on our intranet, which is accessible to all of our employees.

Initiatives related to sustainability are managed by the Sustainability Team and are reviewed when needed by the Metso Executive Team. The MET decides on all sustainability-related policies, the sustainability strategy and the sustainability targets as well as the relevant metrics that the Sustainability Team is responsible for

developing and monitoring. Sustainability performance is reviewed annually by the MET. Metso's Board of Directors annually reviews sustainability guidelines.

The Sustainability Team is responsible for coordinating and developing sustainability at the Group level. The team is responsible for, among other things, collecting and reporting the sustainability data according to GRI reporting guidelines, proposing and managing corporate-wide sustainability initiatives and strategies, managing Metso's Energy Efficiency Program and sustainable technology development, stakeholder engagement and communicating sustainability issues to internal and external stakeholders.

Functional teams - such as HSE, Technology and HR - work closely with our business lines, which are responsible for implementing the sustainability strategy and initiatives and for sharing best practices within the company. Our business lines are also responsible for making sure that all the corporate-wide initiatives and the sustainability targets are implemented. Metso's business lines report sustainability data to our corporate office and are responsible for the accuracy of the data.

The Sustainability Team is responsible for managing the Group's sustainability networks, e.g. the global health and safety team and the environmental team, which met four and five times, respectively, during 2012. A new global network for Metso's Research and Technology Development (RTD) was created in 2012 to increase the dialogue and cooperation between Metso's segments beyond national borders. The new network is scheduled to meet twice a year.

General operating principles

Sustainability at Metso is founded on Metso's strategy, Code of Conduct and on selected, globally acknowledged guidelines and principles. These form our general operating principles that serve our mission.

Metso's Code of Conduct, originally launched in 2004 and since reviewed twice, encompasses issues, responsibilities and practices supporting Metso's sustainability and success, and provides us and our stakeholders with commonly accepted guidelines and perspectives for future decisions. Our Code of Conduct creates a uniform foundation for all our ethical business transactions and work assignments. Metso's Code of Conduct also describes our company culture, commonly accepted practices, and our commitment to compliance with laws and regulations. As Metso is a global employer and supplier, we provide our Code of Conduct in 11 different languages for our stakeholders.

The Metso Code of Conduct is implemented through different training sessions for our employees and suppliers. In addition, the Metso-wide internal training program for new Metso employees includes the Code of Conduct, and employees are tested on their knowledge regarding its meaning and content. The Code of Conduct is also part of our general purchase conditions. We have introduced a handbook for our suppliers, and it includes our Code of Conduct with encouragement to improve their own sustainable business operations.

Metso's Anti-Bribery Policy

Metso has consistently had a zero tolerance approach to bribery and corruption. This has been set out in Metso's Code of Conduct and in its guidelines for the prevention of misconduct. In addition, Metso always follows related national legislation.

In 2012, we introduced a new and more comprehensive Metso Anti-Bribery Policy to meet the standards set out in the UK Bribery Act, the new anti-corruption legislation effective July 1, 2011 with worldwide implications. Metso's Anti-Bribery Policy was approved by the President and CEO, Matti Kähkönen, to take effect from January 1, 2012. This policy contains guidelines, standards and procedures intended to ensure that Metso Corporation and those acting on its behalf understand and comply with applicable anti-corruption laws in all interactions with Metso's customers, prospective customers and others.

As part of the introduction of the new Anti-Bribery Policy, Metso has introduced a comprehensive training program for its employees, including management, procurement and sales. The purpose of Metso's anti-bribery and export control training is to improve the understanding of Metso's anti-corruption policy and export control guidelines among Metso employees by providing further education about issues involving conflicts of interests and situations where gifts, entertainment and hospitality may not be suitable. The training program is available in various language versions. The training program includes an anti-bribery compliance section with an introduction to Metso's basic principles and themes related to agents and consultants, an overview on giving and receiving gifts, entertainment and hospitality, facilitation payments, and what to do in case of conflicts of interests. The program also includes an export controls and sanctions section with EU and US sanctions regimes and dual-use export control.

Metso's commitment to global initiatives

Metso's workforce, customers and partners represent a broad scope of different cultural backgrounds. Therefore, we have found the UN Global Compact to be a valuable common reference and guidance describing the set of universal issues we respect and wish to promote. Metso also supports and works according to principles described in the OECD Guidelines for Multinational Enterprises, the International Labor Organization's (ILO) Declaration of Fundamental Principles and Rights at Work, as well as the International Chamber of Commerce Business Charter for Sustainable Development.

Metso's promise to Green Growth

In 2012, Metso made a promise to the Green Growth program, the joint initiative of the Ministry of Employment and the Economy (TEM) in Finland and the Finnish Funding Agency for Technology and Innovation Tekes to promote a sustainable economy in Finland. Metso's promise to Green Growth strengthens its commitment to sustainability and reflects the awareness of the need for more sustainable business operations in the world.

The goal of Metso's promise to Green Growth is long-term sustainable growth and sector leadership in sustainable technology and service provision in all its businesses through the development of new technologies, processes and service solutions. Metso promises to strive to maintain its technology leadership with environmentally sustainable products and process solutions. The company aims to develop its product offering by aligning its research and technology development (RTD) efforts and resources globally. Clean technology is a key enabler for Metso in terms of realizing its promise to strive to be the leading technology provider in all its businesses. Metso is committed to developing technology that is responsive to the increasing importance of environmental responsibility.

The Green Growth initiative combines public and private actions to create a common roadmap to a sustainable economy with a goal to draw on each actor's individual core skills and possibilities to promote Finland's sustainable businesses globally. Cleantech Finland, a network of top cleantech experts, is running the project under a Finnish Government Program with a priority of enhancing a sustainable economy.

Sustainability auditing and assurance

Metso controls and monitors sustainability issues through various internal and external processes aimed at ensuring the validity and reliability of our sustainability management practices and reporting. Regular controlling and monitoring gives us valuable information on the results of our sustainability work and is therefore an important element in our continuous efforts to develop our reporting and in building a more sustainable world.

Internal audit

Metso Compliance is an internal program to ensure the credibility of the company's financial reporting and compliance with the governance principles in all its units. All Metso units are required to achieve a standard level of internal controls set for them. Internal audit, assisted by dozens of trained Metso testers in different parts of our organization, is responsible for the testing of the units.

Metso's internal audit assesses the efficiency and appropriateness of our operations. Its goal is to ensure the reliability of financial and operational reporting, compliance with applicable laws and regulations, and proper management of the company's assets and the level of common practices and processes in our units. Internal audit also supervises the functioning of internal controls in all our units and operations and proactively encourages the development of risk management.

Metso's internal auditing program includes extensively health, safety and environmental themes. Indicators for health and safety include the implementation of our global Health, Safety and Environment (HSE) Policy, a safety plan in case of emergencies, and monitoring of possible incidents and near-miss situations. The environmental indicators cover areas such as environmental management systems, environmental impacts and risks, and possible environmental incidents. The compliance areas are part of the standard auditing activities and are used in all internal audits at Metso. The general level of compliance and knowledge regarding these matters is good. The sustainability requirements included in the internal auditing program are based on Metso's HSE Policy.

The internal audit process also includes our Code of Conduct. Every Metso unit belonging to the Metso Compliance program is tested on Code of Conduct issues. Metso's employees are interviewed on the Code of Conduct themes and the results are annually presented to the internal audit team. The awareness of Metso's Whistleblower process is tested among our personnel. Metso employees and partners can report suspicions of financial misconduct confidentially via the Whistleblower channel, which is maintained by an independent party. The Metso Compliance program covers all Metso locations, functions and systems. Every three years each location is tested against Metso-defined control standards and, if successful, certified. The Metso Compliance program is audited by a third party.

Internal audit reports to Metso management, the auditors and the Board's Audit Committee. The head of internal audit reports administratively to the Executive Vice President and CFO, but also has direct access to the CEO and to the Chairman of the Audit Committee.

Employees are encouraged to report financial misconduct

The purpose of our internal control and monitoring systems is to prevent financial misconduct. However, should such misconduct occur, specific guidelines have been defined on how to report, investigate and further proceed with the issue. Metso employees are responsible for reporting suspected misconduct to their own supervisors, to other management or, if necessary, directly to internal audit.

Compliance with Metso's Code of Conduct is part of good corporate governance and the primary responsibility for this lies with our line organization and the related support functions. As a listed company, we are expected to be vigilant in matters affecting the company's finances and profitability. Financial misconduct is defined as negligent activity that either directly or indirectly causes financial harm to the company.

Additionally, Metso employees and partners can report suspicions of financial misconduct confidentially via the Whistleblower channel, which is maintained by an independent party. The report can be made via the Internet, by phone or by email in 21 different languages and anonymously, if necessary. Suspected misconduct is investigated immediately and confidentially. All cases proven to be misconduct are reported to the Audit Committee.

Non-financial issues also reviewed annually

Issues fundamental for Metso's management and strategy are scheduled for review in the strategy and annual plans of the Board of Directors, its committees, the businesses, and Group management. This procedure ensures that issues of strategic importance are reviewed regularly and that the achievement of targets and compliance with operating principles are monitored.

Our senior management thoroughly reviews our strategy and business environment, investments, acquisitions, quality, human resources, market shares and customer satisfaction, services business, product development and risk management at least once a year and more frequently, as needed.

Certificates

In our sustainability management, we comply with several international standards, such as ISO 14001, ISO 9001 and OHSAS 18001, and many of our business units have gained certification to these standards. 57% (51%) of our relevant operations (excluding offices) are covered by the ISO 14001 certification, 42% (33%) by the OHSAS 18001 certification and 82% (79%) by the ISO 9001 certification. In addition to these, 100% (70%) of our Valmet Automotive operations are covered by the ISO/TS 16949 certification. The coverage is calculated by number of employees working in certified facilities. The changes from the 2011 numbers are explained by the development of our reporting systems and by certificate scope changes in some countries of operations.

Assurance

The quantitative sustainability performance data in our Annual Report 2012 has been externally assured by PricewaterhouseCoopers Oy. Metso's sustainability report follows GRI guidelines application level B. Metso's sustainability data has been assured since year 2010. Read more about the assurance process in our [reporting principles](#) and in the [assurance report](#). The report content is not updated after assurance, and any amendments to the content will be reported in the following year.

Sustainable supply chain

In our operations we focus on our core competencies and outsource many work phases to our suppliers. Outsourcing decreases the environmental load of our own operations, but emphasizes our responsibility for the environmental efficiency of our subcontractors and suppliers.

We have guidelines and criteria in place to integrate sustainability throughout the entire value chain. We require our subcontractors and suppliers to be familiar with our Health, Safety and Environment Policy, as well as with the international initiatives supported by Metso. We require our suppliers to comply with local legislation, offer a safe working environment, and to identify and assess their own environmental impacts. Our suppliers must also comply with our Code of Conduct or with their own operating principles that are of equivalent content.

Suppliers must confirm that their business practices do not contradict the business principles stated in the United Nations Global Compact Initiative, which Metso supports as a signatory. The supplier should also support and respect the United Nations Universal Declaration of Human Rights and the core rights stated in the ILO Convention. Suppliers, and their sub-suppliers, must refrain in all circumstances from the use of child or forced labor and the use of bribery, and they must undertake to follow sustainable business practices. All these requirements are included in Metso's General purchasing conditions document and are communicated to all major suppliers for inclusion in their purchasing contracts.

With operations in over 50 countries and customers in over 140 countries, Metso has a vast supply chain. We are aware of the risks and also of the opportunities when it comes to taking sustainability issues into account in our supply chain management, and we continuously strive to develop better ways to train and assess our suppliers.

Metso has sustainability criteria for its suppliers in place, guidelines that aim to support the sustainable development of our suppliers' operations. The sustainability criteria affect all of our supplier relationships around the world, and the criteria are used in connection with supplier assessments. The criteria play a role in the selection process for our new suppliers. The criteria are concrete, sustainable operating principles that concern not only environmental issues, but also quality and work safety, among other things.

Sustainability Handbook for Suppliers

During 2012 we created a Sustainability Handbook for Suppliers to ensure the sustainability of our value chain. The sustainability criteria are the starting point for entering into and maintaining all of our business partnerships. The handbook aims to describe our approach to sustainability and to explicate the expectations that we place on our suppliers regarding ethical principles and sustainable practices. In our operations, we focus on our core competencies and outsource various phases of work to our suppliers. To support our sustainability goals and our vision and to seize the opportunities sustainability presents, we need close interaction with our suppliers who share the same values. Together with a trusted network of suppliers, we can lead the way in eco-efficient products and solutions while simultaneously reducing environmental impacts.

Metso encourages its suppliers to familiarize themselves both with the handbook and the supplier criteria and to apply the standards in their own operations. Metso also expects its suppliers to identify their own material sustainability issues and to have policies and processes in place that address these issues.

Sustainable supply chain management targets

During 2013, we will strive to improve our sustainable supply chain management by strengthening the collaboration with our key suppliers throughout the value chain and encouraging our suppliers to improve their sustainability performance. Metso's sustainability criteria have been added to Metso's business line-specific supplier assessments. Metso has created and launched a Sustainability Handbook for Suppliers, a guidebook to introduce sustainability to its partners and the business approach that is an integral part of Metso's strategy and business operations. The handbook presents the most relevant sustainability issues from Metso's point of view and encourages our partners to introduce similar processes

in their business operations. During 2013, we also plan to define a Metso-wide supplier sustainability policy and to issue a self-assessment questionnaire to all our high-and medium-risk suppliers. We will also strive to further develop our supplier audit approach and start raising the awareness of a sustainable supply chain among our personnel by communicating more effectively in various channels within Metso.

Sustainability indices

We believe that sustainability creates long-term shareholder value and enables us to embrace opportunities and manage risks deriving from economic, environmental and social trends and challenges. Global sustainability indices track the performance of companies and rate how companies face and manage sustainability trends, such as resource scarcity, climate change or an aging population within a company's competitive environment. These global frameworks also provide companies the possibility to develop through transparent and enduring indicators. We believe that adapting to global challenges through innovation, quality and productivity enhances our ability to generate long-term shareholder value.

In 2012, Metso received its all-time highest scores in the Carbon Disclosure Project (CDP), with 97 points out of 100; it was also included in the Carbon Disclosure Leadership Index for the first time. Metso's disclosure score of 97 was the highest from a Nordic company in the Industrials sector. Metso has reported to the CDP since 2007.

Metso was awarded with a Prime status C+ rating by the German oekom Research AG. The Prime status acknowledges that Metso ranks among the leaders in its industry and fulfills the sector-specific minimum requirements of sustainability.

Metso was also added into the Storebrand Trippel Smart/SPP Global Top 100 fund, a global equity fund that invests in the 100 most sustainable companies in the world, according to our analysis methodology. The companies in the fund are selected from the MSCI All Countries Index.

In addition, Metso is included in the FTSE4GOOD index, Ethibel Sustainability Index, OMX GES Ethical Finland Index, OMX GES Sustainability Finland Index, Kempen SNS SRI Universe Index and ECPI Ethical EMU Equity Index as well as in Vigeo rating.

Our target is to constantly improve our ratings in the significant sustainability indices.

CARBON DISCLOSURE PROJECT



Case: Carbon Disclosure Project

Carbon Disclosure Project (CDP) is a non-profit organization working to transform the way the world does business to prevent adverse climate change and to protect our natural resources. CDP holds the largest collection globally of self reported climate change data and provides companies and investors with information to be better able to mitigate risk, capitalize on opportunities and make investment decisions that drive action towards a more sustainable world.

CDP has evolved its operations to work with over 50 major purchasing companies, including Walmart and L'Oreal, and over 2,400 suppliers to achieve more sustainable supply chains. Since pioneering a system for natural capital disclosure ten years ago, the number of investors requesting corporate climate change information through CDP has grown more than 18 fold to over 655 signatory investors representing USD 78 trillion in assets - half the world's invested capital. It started in 2002 with 35 signatories representing USD 4.5 trillion.

The increase in companies using the CDP system for disclosure has nearly matched this rate. In 2012, over 4,000 companies from all over the world used CDP to report climate change data to their stakeholders; this includes 81% of the Global 500. At present, 6.8 gigatons of scope 1 greenhouse gas emissions are reported through CDP; this is equivalent to roughly 20% of global carbon emissions.

Metso people

Metso's success starts with over 30,000 employees around the world. By supporting their opportunities for development, Metso enables its business success. This thinking is reflected in our company strategy, where our personnel have a central role. People is one of our five Group-level must-wins. It enables the realization of the other must-wins - we can reach our goals only with engaged and competent employees.

Within the People must-win, we focus on developing four areas: leadership, performance, capabilities and resourcing. The People must-win means that we aim to develop a working environment that attracts the right people, helps them to develop, and to reach their full potential and enables our business success. Metso's vision, mission and values form the foundation for this development.

HR development focus areas

Goals related to our four themes

2012 Achievements	2015 Target
Leadership <ul style="list-style-type: none"> • Introducing the new Leadership Essentials Workshop to support our leaders in understanding their role • Good global leadership development programs in place 	<ul style="list-style-type: none"> • Strong leadership in managing a global and multicultural organization • Increased internal mobility as a leader
Performance <ul style="list-style-type: none"> • Performance review process well-established • Aligning compensation and rewarding practices 	<ul style="list-style-type: none"> • Performance review process more consistently used across Metso globally • Individual performance and targets closely linked to business goals • Strong performance-driven culture
Capabilities <ul style="list-style-type: none"> • Development review process in place 	<ul style="list-style-type: none"> • Development review process more consistently implemented throughout Metso • Clear link between required people capabilities and business strategy
Resourcing <ul style="list-style-type: none"> • Recruitment process further strengthened • Continued implementation of global Metso Job Leveling system 	<ul style="list-style-type: none"> • Effective and efficient recruitment practices • Comprehensive understanding of long-term business resource needs

TellUs

Engagement survey renewed in 2012

We conducted our global engagement survey TellUs again in 2012. TellUs is a means to measure engagement and performance excellence elements and to identify development needs. The survey focuses on many dimensions, such as leadership, safety, teamwork and involvement.

The areas that were rated the highest among our employees in the 2012 survey included teamwork, safety and leadership in terms of leaders treating employees fairly. Employees also trust their managers. On the other hand, an improvement in areas such as knowledge sharing and cooperation over organizational boundaries was indicated.

In 2012, we renewed the survey and took new indexes for engagement, performance and wellbeing into use. With the more distinct use of indexes, we wanted to clarify reporting and find clear insight into strengths and development targets. The data acquired by the indexes helps our managers to make development plans in their own units, which means the survey has a close link to the daily work of managers.

The results are used to further develop our employees' engagement and to support their performance both at the individual team level as well as at the company level. The teams have been actively making action plans based on their own results. At the company level, recognition and feedback were selected as key areas to develop based on the survey.

Past results indicate that the survey helps us to direct actions to achieve positive change. For example, safety and leadership were identified as key development areas in our previous survey; now these areas were rated highly.

Strong leadership to inspire and lead the way

Leadership has a key role in creating a working environment where people can reach their full potential. Good leaders help employees to understand their role at Metso and to connect individual targets to our company strategy, which is important in order for employees to feel that their work is meaningful. Therefore, leadership is essential to our business success.

Shared view of the role of a manager

To support our managers in their role, we offer them tools to develop their leadership skills. We have been systematically developing leadership for a long time; over the years, we have, for example, built 360-degree leadership feedback to enhance self-awareness. 360-degree feedback has since been integrated into our international training programs to help the participants identify their own leadership development areas. In total, 27.8 percent of our current leaders had gone through 360-degree feedback by the end of 2012.

We have defined the leadership principles that represent our shared view of what leadership means at Metso. These principles form a common foundation for developing leadership in a global and multicultural organization.

In 2012, we launched a global Leadership Essentials Workshop to ensure our supervisors understand their role as managers and know what is expected from them. The program also ensures that our leadership principles are adopted globally.

The first Leadership Essentials Workshops, covering roughly 400 line managers, were held in the autumn of 2012. The workshops will reach the rest of our line managers, around 3,000 people, in 2013. Leadership Essentials will gradually become the on-boarding training for new managers.

Case: Leadership Essentials

Better business and people leaders

I act as a Leadership Essentials ambassador in the new training workshop, says Kerry Flick Director of Technology at Metso Pulp, Paper and Power North America. My role as an ambassador is to share personal experiences with, and support our managers in, understanding and further developing their own leadership skills. I hope I can help others become better leaders, both from a business and a personal perspective.

Developing managers to effectively lead in business and the workplace is critical. It is essential to the company's success that its managers can lead in both areas. As managers, we must ensure that our activities are focused on achieving business goals, but we must also create a workplace where everyone feels motivated and appreciated.

I believe the significance of the Leadership Essentials Workshop is to grow our current and future leaders to become better strategic thinkers and business leaders, and also to enable each manager to improve personally so that they can better manage even difficult situations.

Never-ending learning process

The Leadership Essentials Workshop helps participants to understand what is required of a Metso manager and introduces Metso's Leadership principles that all managers must adhere to. With the results of their own 360-degree leadership feedback, managers are able to better understand their strengths and weaknesses. The linkage of this feedback to the company's business goals provides them with a greater perspective of the role of a manager. Managers will have a better understanding of how to combine their leadership style with the successful implementation of our strategy. The role playing activities provide them with an increased sense of

a manager. Managers will have a better understanding of how to combine their leadership style with the successful implementation of our strategy. The role playing activities provide them with an increased sense of how to deal with people in various situations.

Having experienced senior managers involved in the workshop provides greater insight and clarity to the application of various leadership techniques in everyday life. I hope that our interactions and collaborations during these workshops will give everyone - myself included - valuable insight into what it means to be a better leader. To me, this is a never-ending learning process.

Strengthening day-to-day leadership

I participated in a Leadership Essentials Workshop in October 2012, tells Mike Gay, Vice President of Pulp, Paper and Power in Appleton the United States. As an ambassador for the program, my role was a bit different compared to that of the other participants. My experience was very positive; I found that not only did I share my viewpoint, I learned things as well.

The workshop explores issues around our day-to-day business activities and interactions, for example how managers relate to others. Through various small group exercises where we solved issues and engaged in some role playing, participants got to practice their conduct in different situations related to leadership and managerial work.

The majority of the role playing exercises involved interactive situations with employees, with the goal of strengthening the manager's ability to understand an employee's point of view. It is important, for example, in our annual review process that managers are able to make sure the discussions with employees are open and effective. In the training, I worked closely with the teams during these exercises and was impressed by the way everyone threw themselves into the process. And from what I have heard, the feedback from participants has been very positive.

A chance to network

The matters discussed in the workshop were not new to me, since I work with similar issues on a daily basis. But I think this is also an advantage. By reflecting daily issues in the training, we can reinforce our day-to-day ways of working. For me, it was also very useful to meet some of my Metso colleagues from outside my own business and to observe the lively discussions and differing perspectives. Additionally, the workshop provides us with an opportunity to work on those areas of leadership that were identified in TellUs, our employee engagement survey, as being in need of improvement.

In my opinion, one of the main benefits of Leadership Essentials for Metso as a company is the strengthening of our managers' abilities to interact with people in different situations. Whenever we can create open interaction between people and minimize boundaries between employees, we are building a better organization and improving our ways of working together.

Creating a performance-driven culture

We help our employees to reach their highest potential. In practice, this means that we have a performance review process in which employees discuss their performance with their supervisor and get feedback. Continuous development of the performance review process as well as compensation and rewarding practices is important for a performance-driven culture.

Well-established performance review process

In the performance review, the manager and employee focus on setting and achieving personal targets. To ensure that certain important aspects are covered in the discussion, there is a uniform performance review structure and tool used throughout Metso.

Metso's performance review process is well-established, and the coverage has increased annually. We aim to continue increasing the coverage and to support managers in developing the quality of the discussions.

In 2012, 60% (2011: 51%) of all our personnel participated in the performance review process. The number of performance reviews completed in 2012 was 11,790 (2011: 9,996). The target is that performance reviews cover all our white-collar employees.

Aligning compensation practices to support a global organization

Compensation and rewarding practices are important in engaging and motivating our employees. In recent years we have continued to focus on aligning our practices to better support our global business. It is important for Metso's managers to be able to make justified decisions related to compensation in a global team environment.

We started this work with the implementation of the global Metso Job Leveling system. The implementation started in January 2011 and was completed in the majority of our countries of operation during 2012. The system makes our job structure more systematic and improves transparency. By offering globally uniform information on different job requirements, the job leveling system improves visibility of our global resources and gives a good basis for many of our global people processes.

We have also created Metso performance and rewards principles, which were approved by the Metso Board in March 2012. These principles formulate the main goals in building a performance-driven culture at Metso.

We aim to use this foundation - the global job leveling system, the performance review process as well as compensation and rewards principles - as a basis in reviewing our current practices and people processes to ensure that they support our business requirements also in the future.

Case: Performance Review

Opportunity for rethinking personal goals

In my team, I have 25 people with whom I and my group leader go through the annual review process, says Hans Rehner, Service Manager of Automation in Central Europe. The performance review is a good way to take the time to discuss individual performance with each of the team members.

Since performance reviews are held in the beginning of the year, it is a natural moment for both to look back at the previous year and ahead to the future. One important aspect of the reviews is Metso's strategy and adapting the global targets to our daily work. The performance reviews are a good opportunities for checking and discussing how employees understand the company's targets. In the service business, our work is closely tied to customer wishes and short-term actions, but it is good to start the year by discussing the bigger picture and our focus areas for the whole year.

It is important to note that the performance review is not a one-way street. We should reach a mutual understanding of past results and clearly describe new, measurable targets together. That way, both parties are committed to the targets. This is essential, because the development of the whole company is based on the development of its individual employees.

Documentation ensures continuity

The fact that we have a globally uniform structure for performance reviews and a database where the discussions are documented has many advantages. First, with a fixed structure, you don't have to think it over every year or accidentally omit some important subject.

Second, the documentation of the agreed targets is important in order to follow up on them during the year. The documentation also forms the basis for the next year's performance review, when we assess how successfully the targets were met. Documentation is essential for me, personally, because it helps me remember what was agreed on with all of my team members individually. From an employee's point of view, the performance review process ensures continuity - even if his or her manager changes.

Encouraging continuous learning

We encourage our employees to pursue continuous learning opportunities and support their professional development. We provide opportunities for knowledge sharing as well as internal networking and mobility. Development reviews and our training offering are both important in achieving these goals. We also identify competencies, knowledge and skills that we will need in the future in our businesses. We use this information to develop our training programs and recruiting to match our future needs.

Development review focuses on personal development

During the development review, our employees and their managers discuss personal development needs and career plans. With the development reviews, we want to ensure that there is consistent and continuous learning aligned with business needs and changes.

The development reviews have a uniform structure and tool used throughout Metso to ensure that they cover certain aspects. Our company values as well as the defined competencies for each job family (e.g. sales, service etc.) are embedded in the development review. By doing this, we want to ensure that every Metso employee's development review has a link to our vision, mission and strategic targets.

In 2012, 64.0% (2011: 60.0%) of all our personnel participated in the development review process. The number of completed development reviews was 15,481 (2011: 14,223). The target is for all our white-collar employees to be part of the development review process.

Services business closely integrated in the training portfolio

Metso's Talent Development programs support and develop our leadership and people management at different levels; for example, the Metso Compass focuses on operational excellence, the Metso Navigator on strategic alignment and the Metso Catalyst on pursuing new business opportunities.

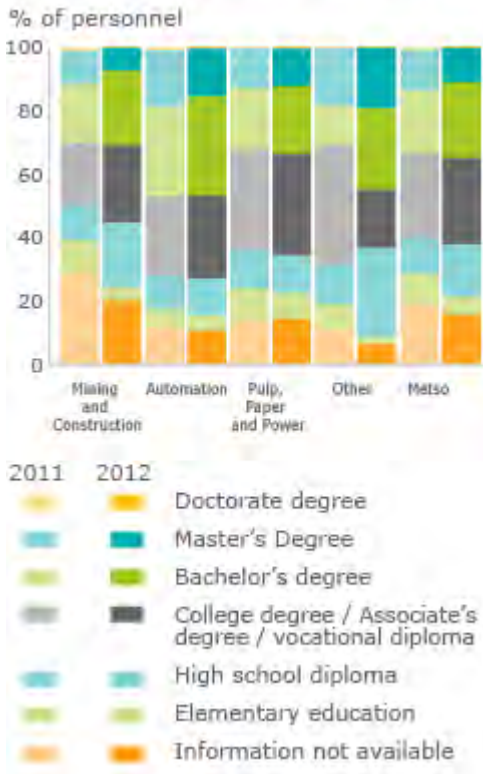
Additionally, our global offering was supplemented with the new Services Management program in 2012. The services business has a central role in Metso's business strategy, and the training program was designed to build a shared view of the business across our company. The program was created in close collaboration with Metso's services businesses.

In 2013, we will continue to develop our talent development portfolio by introducing another new training program, the Supply Chain Management program.

The overall goal in Metso's global training programs is to enable people from different businesses and areas to network and to gain new perspectives and solutions for the challenges of everyday work. In 2012, a total of 327 (2011: 173) Metso employees participated in our global training programs, which added up to a total of 2,840 (1,469) training days.

Our local training offering complements our international programs. In the local training programs, we continued to advance Metso-wide cooperation. Our training expenses in 2012, excluding the wages and salaries of the participants, totaled EUR 16.2 (12.4) million.

Personnel by education level



Case: Catalyst program

Training provides insight to leadership

My experience with the Metso Catalyst course was excellent, says Greg Albert, Vice President of Business Development at Mining and Construction. Catalyst is one of Metso's international training programs for senior leaders, and it focuses on building new business opportunities as well as creating innovation and an entrepreneurial mindset.

I participated in the Catalyst course in September 2012. The course content generated a number of new development opportunities that I found personally relevant. There was considerable time spent on leadership and on the leader's role as a change agent.

The theme of the course was evolving Metso towards becoming an innovative company. For this to happen, we need different types of leaders who think like entrepreneurs and who can create future visions, goals and who are able to mobilize people around these ideas. As our global business landscape is changing rapidly, we need to develop our current ways of operating towards this new way of thinking.

New knowledge on motivating people

I work with various activities connected to business development in line with Metso's future growth strategies. The Catalyst training has already proved to be useful for me in practice. A couple of weeks after the course, I needed to hold a very important business strategy planning session with a potential business partner company in China. I utilized many of the elements of the innovative business planning methodology, called Deep Dive, but more importantly, I was able to use my newly acquired knowledge on motivating people to our strategy and the changes required to be successful.

For me, the most important insight from the Catalyst course was that change starts from oneself. In the end, success as a leader is about how you energize people and get them energized towards your ideas.

Wellbeing has an impact on our business

In terms of business, the wellbeing of our employees not only enhances productivity and innovativeness, it is also beneficial at the individual level. Wellbeing reduces the costs arising from absences, medical treatment and voluntary turnover.

Personal resources and the constantly changing demands of working life affect the wellbeing of individuals. Occupational wellbeing has two main dimensions: The first is the state of physical and mental health of the person. The second dimension consists of wellbeing matters related to professionalism and the work community, such as having the required skills to take on assignments and having a safe working environment. Safety is an essential part of all our operations, and the safety of employees is always our number-one priority. We believe that everyone not only has the right, but also the obligation to work in a safe working environment. Our everyday decisions and choices ensure both our own as well as others' safety.

We are all responsible for creating wellbeing at work. However, good leadership and managerial work have an important role in wellbeing. Our new [Leadership Essentials Workshop](#) builds our leaders awareness and capabilities to address wellbeing.

In 2012, we also added a new wellbeing index to our [global engagement survey](#) to further develop wellbeing at Metso. The wellbeing index consists of ten employee survey questions that are known to have the most impact on employee wellbeing. The index emphasizes the significance of leadership on wellbeing; it is a helpful and concrete tool supervisors can use to find out which factors have the most impact on employee wellbeing.

Personnel structure

At the end of 2012, we had a total of 30,212 (30,324) employees and the average length of service was 11 years (12 years). The countries with the most Metso employees were Finland, the United States, China, Sweden and Brazil. These five countries employed 65.7 percent of Metso's total workforce.

Number of employees

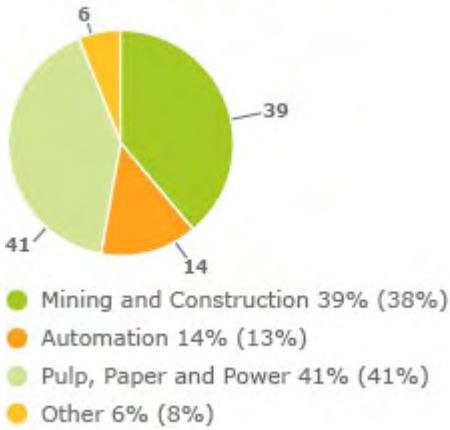
Total number of employees in 2012 was

→ 30,212



Geographics

Personnel by segment



Number of employees by country	2011				2012			
	Male	Female	Total	% of total	Male	Female	Total	% of total
Austria	89	26	115	0.4	92	27	119	0.4
Belgium	96	8	104	0.3	93	13	106	0.4
Czech Republic	317	60	377	1.2	278	49	327	1.1
Denmark	74	24	98	0.3	82	27	109	0.4
Estonia	4	1	5	0.0	4	1	5	0.0
Finland	7,177	2,045	9,222	30.4	6,637	1,827	8,464	28
France	613	119	732	2.4	648	138	786	2.6
Germany	1,083	188	1,271	4.2	1,114	211	1,325	4.4
Italy	123	32	155	0.5	117	29	146	0.5
Netherlands	64	10	74	0.2	68	10	78	0.3
Norway	68	11	79	0.3	73	11	84	0.3
Poland	298	174	472	1.6	277	166	443	1.5
Portugal	118	156	274	0.9	119	160	279	0.9
Russia	188	74	262	0.9	228	94	322	1.1
Spain	240	22	262	0.9	235	22	257	0.9
Sweden	2,266	492	2,758	9.1	2,244	497	2,741	9.1
Turkey	29	8	37	0.1	34	9	43	0.1
Ukraine	21	14	35	0.1	25	13	38	0.1
United Kingdom	223	36	259	0.9	232	40	272	0.9
EUROPEAN COUNTRIES	13,091	3,500	16,591	54.7	12,600	3,344	15,944	52.8
TOTAL								

Number of employees by country	2011				2012			
	Male	Female	Total	% of total	Male	Female	Total	% of total
Algeria	4	1	5	0.0	5	1	6	0.0
Ghana	41	4	45	0.1	42	6	48	0.2
Kazakhstan	18	8	26	0.1	16	10	26	0.1
South Africa	1,162	141	1,303	4.3	1,159	143	1,302	4.3
United Arab Emirates	20	4	24	0.1	18	3	21	0.1
Zambia	5	1	6	0.0	8	2	10	0.0
Zimbabwe	5	1	6	0.0	5	1	6	0.0
AFRICA & MIDDLE EAST COUNTRIES TOTAL	1,255	160	1,415	4.7	1,253	166	1,419	4.7
EMEA TOTAL	14,346	3,660	18,006	59.4	13,853	3,510	17,363	57.5
Canada	670	126	796	2.6	679	124	803	2.7
USA	2,510	539	3,049	10.1	2,610	561	3,171	10.5
NORTH AMERICA TOTAL	3,180	665	3,845	12.7	3,289	685	3,974	13.2
Argentina	3	0	3	0.0	3	0	3	0.0
Brazil	1,965	268	2,233	7.4	1,996	323	2,319	7.7
Chile	426	80	506	1.7	529	65	594	2.0
Mexico	212	18	230	0.8	231	21	252	0.8
Peru	171	21	192	0.6	211	27	238	0.8
SOUTH AND CENTRAL AMERICA TOTAL	2,777	387	3,164	10.4	2,970	436	3,406	11.3

Number of employees by country	2011				2012			
	Male	Female	Total	% of total	Male	Female	Total	% of total
Australia	471	103	574	1.9	537	113	650	2.2
China	2,453	746	3,199	10.5	2,400	756	3,156	10.4
India	1,014	46	1,060	3.5	1,086	54	1,140	3.8
Indonesia	33	22	55	0.2	48	9	57	0.2
Japan	94	16	110	0.4	99	17	116	0.4
Malaysia	2	0	2	0.0	0	0	0	0.0
New Zealand	59	14	73	0.2	32	5	37	0.1
Singapore	44	22	66	0.2	43	31	74	0.2
South Korea	27	9	36	0.1	62	21	83	0.3
Thailand	94	39	133	0.4	108	41	149	0.5
Vietnam	1	0	1	0.0	6	1	7	0.0
ASIA-PASIFIC COUNTRIES TOTAL	4,292	1,017	5,309	17.5	4,421	1,048	5,469	18.1
TOTAL	24,595	5,729	30,324	100	24,533	5,679	30,212	100

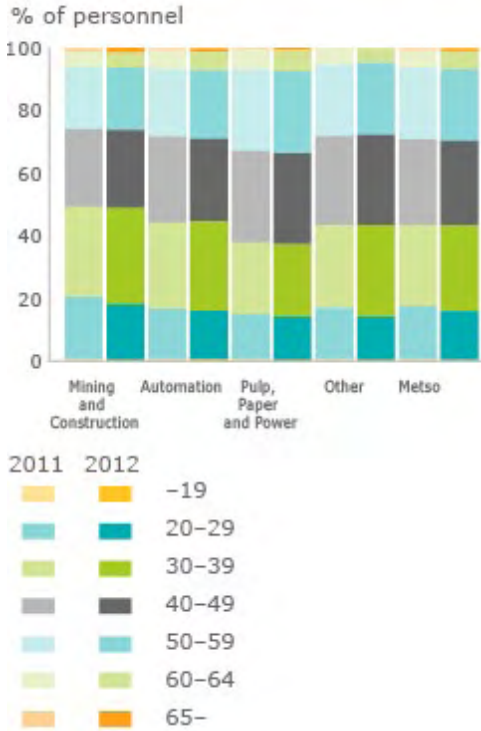
Personnel 20 largest countries in 2012

	2011	2012
Finland	9,222	8,464
USA	3,049	3,171
China	3,199	3,156
Sweden	2,758	2,741
Brazil	2,233	2,319
Germany	1,271	1,325
South Africa	1,303	1,302
India	1,060	1,140
Canada	796	803
France	732	786
Australia	574	650
Chile	506	594
Poland	472	443
Czech Republic	377	327
Russia	262	322
Portugal	274	279
United Kingdom	259	272
Spain	262	257
Mexico	230	252
Peru	192	238

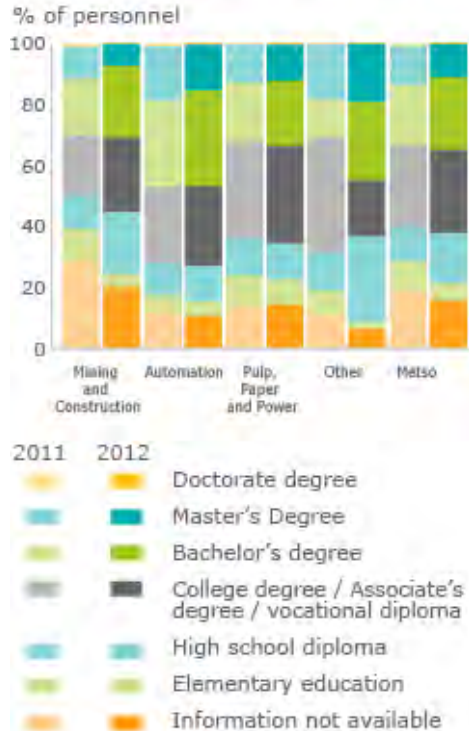
Employee total turnover rate by country / Top 20 countries 2012	2011	2012
Finland	6.1%	6.2%
USA	4%	10.4%
China	10.5%	15.6%
Sweden	7.5%	7.4%
Brazil	8.4%	10.2%
Germany	6.6%	4.5%
South Africa	7%	12.4%
India	7.1%	7.5%
Canada	7.3%	9.1%
France	7.1%	4.5%
Australia	18.1%	18.2%
Chile	9.7%	16.3%
Poland	7.4%	13.1%
Czech Republic	10.6%	22.9%
Russia	9.2%	9.6%
Employee total turnover rate by country / Top 20 countries 2012	2011	2012
Portugal	1.8%	2.2%
United Kingdom	8.1%	9.6%
Spain	6.5%	3.5%
Mexico	9.1%	7.9%
Peru	14.6%	14.3%
METSO ALL COUNTRIES TOTAL	7.2%	9.1%

Demographics

Age structure



Personnel by education level



Gender distribution of personnel	2011		2012	
	Male	Female	Male	Female
Metso Board of Directors	71%*	29%*	71%	29%
Metso Executive team	86%	14%	86%	14%
Metso Employees	81%	19%	81%	19%
Blue Collars**	89%	11%	91%	9%
White Collars**	74%	26%	76%	24%
Supervisors**	85%	15%	87%	13%
Permanent Full-Time employees**	82%	18%	82%	18%
Permanent Part-Time employees**	45%	55%	45%	55%
Temporary Full-Time employees**	75%	25%	77%	23%
Temporary Part-Time employees**	68%	32%	69%	31%
Trainees	73%	27%	75%	25%

*) 2011 figures corrected, personnel representative was incorrectly reported as part of the Board of Directors gender division.

***) Data coverage 2011: 77% for 2012: 97% of all Metso Employees (from SAP HR)

Personnel structure by employment type	2011		2012	
	total	% of total	total	% of total
Regular, Full-time	25,928	85.5%	26,768	88.6%
Regular, Part-time	603	2.0%	533	1.8%
Regular total	26,531	87.5%	27,301	90.4%
Temporary, Full-time	3,510	11.6%	2,687	8.9%
Temporary, Part-time	283	0.9%	224	0.7%
Temporary total	3 793	12.5%	2 911	9.6%
All total	30,324	100%	30,212	100%
Number of trainees in headcount	326	1.1%	324	1.1%

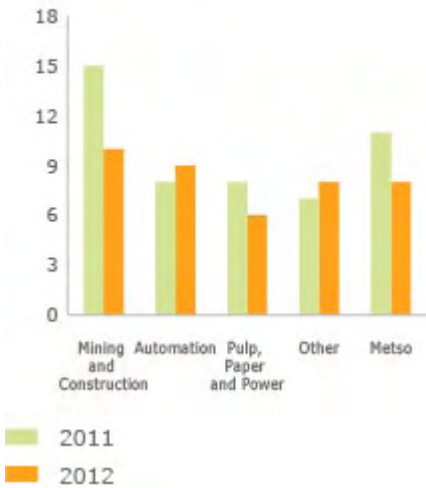
Personnel by function	2011		2012	
	Headcount	% of total	Headcount	% of total
Engineering	4,667	15.4%	4617	15.3%
Manufacturing	13,482	44.5%	12,817	42.4%
Service	3,666	12.1%	3,684	12.2%
Active personnel total, COGS	21,815	71.9%	21,117	69.9%
Sales and marketing	4,473*	14.8%	4,844	16.0%
R&D	852	2.8%	831	2.8%
Administration	3,184*	10.5%	3,420	11.3%
Active personnel total, S,G&A	8,509	28.1%	9,095	30.1%
Active personnel by function, total	30,324	100%	30,212	100%

*) In 2011 reporting these figures were reversed, mention needed

Changes in personnel

External recruitment

% of personnel



Personnel growth by area



Employee total turnover rate by country, Top 20 countries 2012	2011	2012
Finland	6.1%	6.2%
USA	4%	10.4%
China	10.5%	15.6%
Sweden	7.5%	7.4%
Brazil	8.4%	10.2%
Germany	6.6%	4.5%
South Africa	7%	12.4%
India	7.1%	7.5%
Canada	7.3%	9.1%
France	7.1%	4.5%
Australia	18.1%	18.2%
Chile	9.7%	16.3%
Poland	7.4%	13.1%
Czech Republic	10.6%	22.9%
Russia	9.2%	9.6%
Portugal	1.8%	2.2%
United Kingdom	8.1%	9.6%
Spain	6.5%	3.5%
Mexico	9.1%	7.9%
Peru	14.6%	14.3%
Employee total turnover rate by country, Top 20 countries 2012	2011	2012
METSO ALL COUNTRIES TOTAL	7.2%	9.1%

We are committed to compliance with laws and ethical principles in people matters

In our personnel relations we comply with the labor rights stated by the International Labor Organization (ILO), and we support and respect the protection of human rights as expressed in the UN Declaration of Human Rights.

We do not use child labor or engage subcontractors or suppliers that do so. We do not allow behavior that is physically coercive, threatening, abusive or exploitative.

We are also committed to the UN Global Compact initiative with its ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption.

In 2012, the total number of incidents of discrimination was 0 (2011: 0) and actions taken 0 (2011: 0).

Human resources is responsible for people management policies at Metso

The Metso HR management team drafts policies, principles and guidelines related to people management. The HR team is also responsible for the monitoring of them in accordance with the governance model. Local HR organizations are responsible for implementing them and supporting the compliance with them as part of our way of operating.

Examples of Metso's global HR policies and guidelines:

- Health, Safety and Environment Policy
- Anti-drug Guidelines
- Metso Leadership Principles
- Metso Recruitment Policy
- Global Travel Policy
- International Assignment Guidelines
- Personnel Background Checking Guidelines
- Job Description Guidelines
- Annual Review Guidelines
- Equal Opportunity and Diversity Policy
- Global Bonus Plan Guidelines
- Localization Guidelines for Expatriates
- Guidelines for Company Supported and Funded Studies

Job security and termination procedures

We take a long-term approach in personnel planning and development so that our personnel structure corresponds to the demand in all business cycles. We act responsibly and in compliance with national legislation and good employer practices in structural changes and lay-off situations resulting from financial or production reasons.

Wages, salaries and benefits

The wages and salaries of Metso employees are determined on the basis of local collective and individual agreements, job skills assessments and employee job performance. Our globally applicable, performance-based incentive systems complement basic salaries and wages. Salary increases are based on principles determined annually by the management and on country-specific collective agreements.

Our employee benefits are based on local legislation, practices and competitive compensation levels. Occupational health care, country-specific pension practices, statutory insurance, training, and various sabbaticals supporting parenthood and family life, studying and annual vacation time are determined on the basis of country-specific legislation and national policies.

Independent trade unions and collective bargaining

Our employees have the freedom to organize. Metso does not require or prevent the organization of employees. Our human resources management model is applicable for countries with either a high or low degree of organization and collective bargaining. We do not track the extent of our employees' engagement in trade union activities.

In many countries, local legislation dictates the business changes that employee representatives or employees must be informed of or consulted with.

Cooperation with personnel and management

Cooperation acts and other laws and regulations create a country-specific framework for the collaboration between the management and personnel and for the mutual development of the company and its operations.

Personnel representation in business unit management is separately agreed upon and compliant with country-specific regulations. Additionally, our units engage in forms of cooperation that comply with country-specific practices and legislation.

A personnel representative elected by our personnel groups participates in the meetings of Metso's Board of Directors as an invited expert. The representative does not have voting rights and is not legally responsible for Board decisions.

Metso European Works Council renewed

The Metso European Works Council is our European management and personnel cooperation body, which carries out the cooperation and communication defined in the EU's European Works Council directive. It offers our employees an opportunity to engage in an open dialogue about company issues.

In 2012, representation of six new countries was added to cover all the main European countries where Metso is present. The new members of the Metso European Works Council are Austria, Belgium, Denmark, Estonia, the Netherlands and Norway. The target is to focus on topical issues of working life common to all European countries, such as changes in global markets and the increasing competition of professionals due to the aging workforce.

The role of the Working Committee operating under the Metso European Works Council was also clarified during 2012. The Working Committee has six employee members and two top management members who are nominated amongst the representatives of the Metso European Works Council. The Working Committee convenes between council meetings and reports to the council.

These changes in the operating model will be effective in the Metso European Works Council meeting in 2013.

Altogether 33 employee representatives and several of our top management representatives participated in the Metso European Works Council in 2012. The key topics of the discussions covered our strategic themes, such as services business, our global presence as well as occupational health and safety matters. The changes in the operating model of the Metso European Works Council were extensively discussed.

Corporate citizenship

Our corporate citizenship has its foundation in our mission statement: ***We contribute to a more sustainable world by helping our customers to process natural resources and recycle materials into valuable products.***

Our growth in emerging markets and the extension of our service business to remote locations close to local customers brings our role as a corporate citizen to a true global scale. At the same time as we expand into new markets, we also operate in advanced industrial countries, which, in many cases, are currently undergoing drastic changes in industrial structure and demographics. We are aware of the challenges and responsibilities related to these issues. In some locations we directly or indirectly create new jobs based on our technology, solutions and services, whereas in others we need to adjust our operations to a changing business environment with varying demands.

Our aspiration of being a responsible corporate citizen is based on understanding mutual needs and expectations in our relationships with local communities. We are convinced that increased integration with the local community through the engagement of our local employees results in mutual benefits for Metso and the society.

We recognize that the best examples of local-level corporate citizenship arise from local needs and are exercised by our local people. In this respect, the role of Metso's management is to set the framework and practices for resources used and to provide encouragement and support for local units and the employees involved. A number of excellent local programs in, e.g., vocational training, life skills teaching, social support and health counseling have been developed and run by our local units. Another important area is our relationship with universities and research institutes, reflecting our roles as a technology company, a partner in science and research, and a potential employer.

Metso's sponsorship program comprises a number of joint activities with various external, often local partners with whom we share common interests and values. We have during the last year put much effort in developing our health, safety and environment policies and practices, all of which are strongly linked to our view of a responsible employer and being a role model for the local business community and all our employees worldwide.

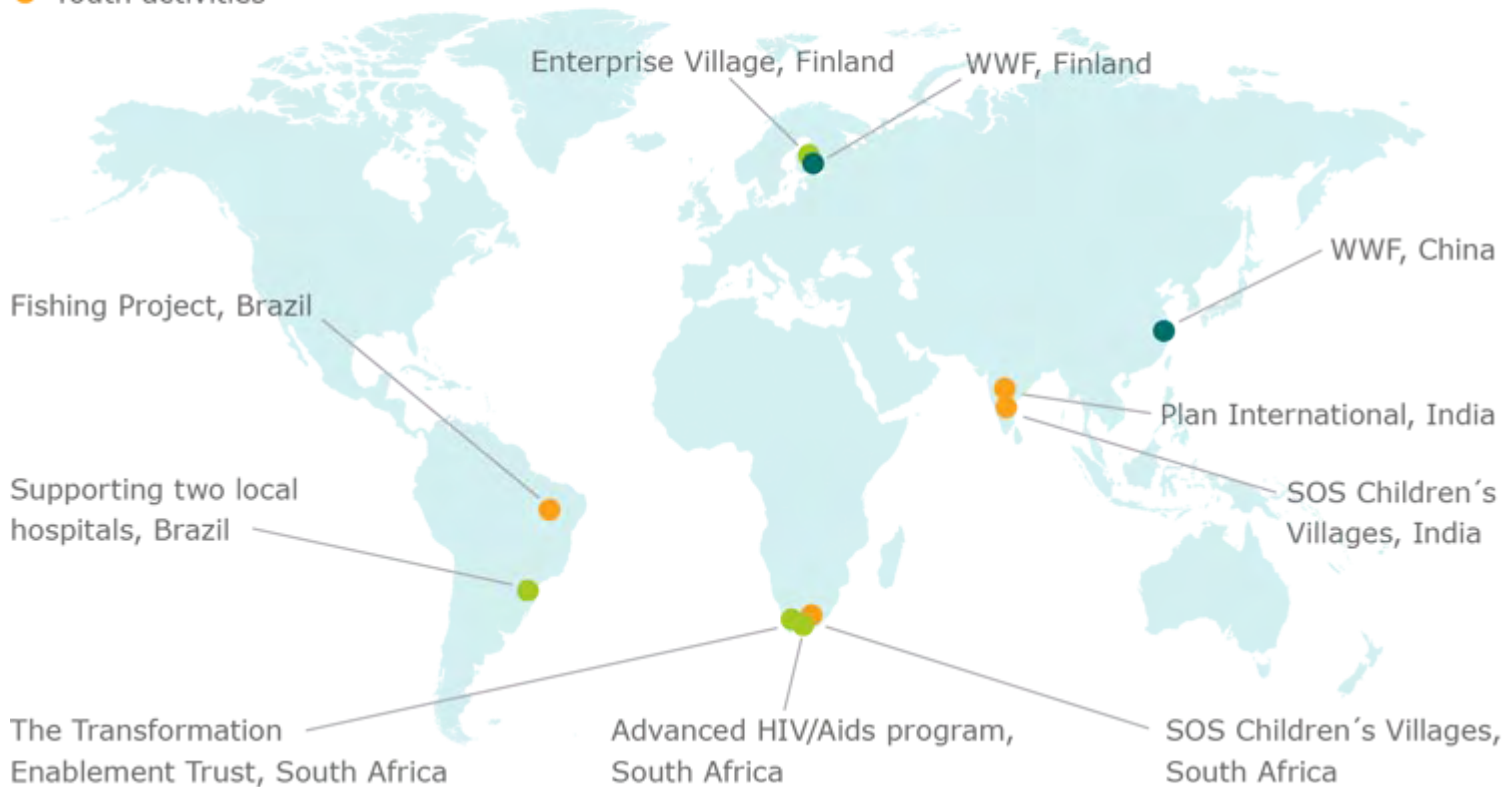
Sponsorship and donations

Examples of our sponsorship and donation initiatives in 2012

- Science, research and education
- Environmental protection and nature conservation
- Youth activities

Total amount of sponsorship projects → **349** pcs

Total amount of sponsoring → **1.4** EUR million



Our principles of sponsorships and donations have their foundation in Metso's Code of Conduct, in which we define also other important ethical issues, e.g. our commitment to the UN Declaration of Human Rights. Likewise, our sponsorship activities reflect the implementation of the Ten Principles of the UN Global Compact in our operations. We use sponsorships and donations to support the implementation of our strategy and to strengthen our corporate brand and recognition globally.

Metso defines sponsorship through the principles and terms described in the Advertising and Marketing Communication Practice, published by the International Chamber of Commerce (ICC) in August 2006. Accordingly, we endorse the definition stated in this document.

Metso chooses its sponsorship targets based on its strategic objectives - science, research and education, environmental protection, nature conservation and youth activities. To keep the focus in these target areas, we have also introduced other guiding principles to our sponsorship approach, since, as a business-to-business

company, we do not allocate resources for sponsorships targeting the general public, unless deemed appropriate for a specific issue. As we operate globally and in various cultures, we sponsor only projects that are universally accepted and respected. The principle of equality also means that we do not sponsor projects or initiatives related to politics or religious worship. For the same reason, we do not sponsor ideological organizations that have values and activities that lack unanimous community support.

Additionally, we do not sponsor professional sports on a national or international level. Our community involvement projects can, however, include support for local sports as youth activity or general recreation activity. We also do not sponsor activities that are commonly considered conflicting with the principles of sustainable development, such as motor sports.

Metso's sponsorship responsibilities lie at various levels of our business organizations. The responsibility includes the managing and monitoring of sponsorship projects related to their business and customer industries. Metso's Group Communications and Stakeholder Relations functions are responsible for national and international sponsorship projects.

Metso has a well-defined practical process for all its sponsorship projects. All of Metso's sponsorship projects must include a pre-agreement with the relevant partner, outlining the form, the focus and the desired outcome of the cooperation. Therefore, a written sponsorship cooperation agreement must always be drafted. Though we strive for long-term cooperation in sponsoring, we only make agreements that are a maximum of two years so that we can ensure agreements that are functional and flexible e.g. in terms of changes in the operating environment.

Cooperation with non-governmental organizations (NGOs)

As a global company, Metso is operating in many countries with local and international non-governmental organizations (NGOs). In many instances, NGOs can provide the needed operations, services and experience to support the local communities, people and environment.

Metso supported non-profit or non-governmental organizations and related activities during 2012 with EUR 1,377,718.

Examples of goals related to our focus areas

Total	EUR 1,377,718	100%
Youth activities	EUR 333,379	24%
Culture	EUR 258,544	19%
Science, research and education	EUR 44,969	3%
Environmental protection and nature conservation	EUR 40,523	3%
Sports	EUR 185,060	14%
Others	EUR 515,243	37%

The increase in total expenditure on sponsorships and donations in 2012 compared to 2011, about EUR 230,000, is mainly due to new social, well-being, health and cultural programs launched in Brazil and South Africa. In the new programs in Brazil, Metso has made use of the various incentives provided by the legislation encouraging companies to participate in local-level social and cultural programs. In South Africa, Metso's contributions are allocated to e.g. educational and health programs that fulfill also the criteria set by the national BBEE (Broad Based Black Economic Empowerment) policy.

Support for non-profit organizations



- Youth activities 24% (25%)
- Culture 19% (16%)
- Science, research and education 3% (8%)
- Environmental protection 3% (3%)
- Sports 14% (12%)
- Others 37% (36%)

Case: Metso's successful cooperation with Petrozavodsk State University

Metso and Petrozavodsk State University, PetrSU, have cooperated since 1993 in researching and developing automation systems to improve industrial companies' efficiency, occupational safety and environmental protection. Metso and Petrozavodsk State University have a long-term agreement on software design, and PetrSU employees and students are working side by side with Metso professionals. Petrozavodsk State University's strong tradition in mathematics and Metso's know-how and leadership in automation systems in global markets support each other in an excellent way.

The cooperation between Metso and Petrozavodsk State University is extensive. Every other year since 1994, Metso and PetrSU have organized a joint international science conference on new information technology in pulp and paper and energy economics. In addition, since 2001, employees of Petrozavodsk State University have participated in a total of 32 Metso Automation implementation projects in Russian companies, such as Surgutneftegaz, Sibur and Alrosa. In 2002, Metso and Petrozavodsk State University founded a PetrSU-Metso Automation Systems Center (PMASC) - a joint center for the university and Metso - where students design software for Metso's automation systems. The center currently has around 30 people working with Metso Automation projects. Since 2004, PetrSU has hosted a Metso Automation training center, where experts from Russian companies educate corporate professionals. So far, the center has educated over 275 professionals from 26 companies. The facilities and the center's equipment are also available to students and employees from PetrSU.

Petrozavodsk State University was founded in 1940 and currently has 19,000 students in 16 faculties. The university is educating IT professionals in eight specializing fields totaling 2,300 students. Within the faculty, a creative software youth club has been created that aims to educate young students in mathematics, algorithm theory and software programming. Every year, the club forms teams and sends them to the software programming world championships. The Petrozavodsk youth club teams have reached the finals six times already and have won a bronze medal twice and a silver medal once.

Case: Awarding perseverance in research

The Millennium Technology Prize awarded by the Technology Academy Finland was given this year to the open source software engineer **Linus Torvalds** and stem cell scientist **Dr. Shinya Yamanaka**. Metso has been a sponsor of the Millennium Technology Prize since its inception, and this was the fifth time the prize has been awarded.

Technological innovations are generated in an environment with an influx of inspiring fresh ideas and sound competition. We believe that it is important to give recognition to significant innovations that are built on solid technological training, research, and on the ability to combine and question existing knowledge. Through the sponsorship, Metso also wants to improve the environment for innovations, as well as inspire the youth to study natural sciences and to discover and invent. It is also important to promote the fact that innovations are born through interaction with colleagues and other partners and are a result of years of work.

The Millennium Technology Prize is a Finnish recognition awarded once every two years to technology innovators who significantly improve the quality of human life and well-being, today and in the future. Innovations encourage a new way of thinking and are a key asset in our business as well. Metso's own research and development focuses on energy, water and raw materials supply, and our network submitted around 200 patent applications in 2012.

Community involvement

Metso's presence in emerging markets is constantly growing and is reflected in new units being opened or existing ones expanded. Metso's local presence creates wealth and job opportunities, as well as business partnerships that are important and beneficial both to Metso and the local community. We encourage our units and employees to participate in a wide range of activities that bring wellbeing to the local community.

Sponsorships and donations are examples of means we use to develop and maintain interaction with important stakeholder groups. The principles and practices covering this area are defined in our Code of Conduct and in Metso's Principles of Sponsorships and Donations. We focus our sponsorships and support primarily on youth activities, science, research, education, and environmental and nature conservation.

Metso's efforts in hiring disabled persons

At Metso we promote equal opportunities and non-discrimination and value diversity in all of our operations. Our Code of Conduct guides our way, and in our recruitment we select and appoint employees based on their personal qualifications and skills for the job. We do not engage in or support discrimination in hiring, promotion, compensation, training opportunities, termination of employment, or retirement based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership or political affiliation.

We appreciate diversity in our employees' background, talent, insight, education and experience, and believe this contributes to our success and sustainability by enhancing innovativeness, flexibility and the ability to communicate with our stakeholders.

We promote equal opportunities and raise awareness among our employees, customers, suppliers and in the local community by developing respect for diversity in our operations.

Metso Brazil, for example, has implemented an extensive program based on national legislation to promote equal opportunities and in 2012 alone hired 75 new employees with a disability. By recruiting disabled persons, Metso Brazil is also changing the organizational culture to be more open and less biased and is preparing teams to integrate these new professionals.

Examples of our youth activities in 2012

Metso supports SOS Children's Villages in India and South Africa

Metso has a long-term support commitment with the SOS Children's Villages in South Africa and India. Since the 1990s, Metso has dedicated **Metso Houses** in the Children's Villages in South Africa in Rustenberg, North West Province, and in Vereeniging, Gauteng Province. In India, Metso has had five **Metso Houses** in Faridabad, in the state of Haryana, since 2007.

Metso and Plan Finland started cooperation to improve the quality of safe drinking water and sanitation in India

In 2012, Metso partnered with Plan Finland (Plan International) in a joint program with the objective to improve water and sanitation facilities in schools in Delhi. This cooperation is part of a wider project targeting 50 Indian schools in the districts of Lucknow, Vranasi, Fiazabad, Andra Pradesh and Patna. The project promotes student awareness and involvement in managing the environment in and around the schools, as well as their engagement in water conservation activities. The improvement in health conditions is also expected to help school enrollments and attendance and lead to lower drop-outs rates. This program is planned to last until the end of 2014.

Fishing Project, Brazil

Since 1990, Metso has been involved in the Fishing Project, *Projeto Pescar*, which complements the academic education of boys and girls from 16 to 18 years of age who come from the poor neighborhoods of Sorocaba.

This vocational training in metal workshop skills is provided in classrooms that are attached to Metso's Sorocaba facilities. Metso also gives employment to some of the trained youngsters and assists others in obtaining employment at other companies. The name was inspired by the proverb "give a man a fish and you feed him for a day; teach a man to fish and you feed him for a lifetime." To date, over 420 students have take part in this training.

The Transformation Enablement Trust - Sponsoring community development in South Africa

In South Africa, Metso is a sponsor of the Transformation Enablement Trust (TETMC). The majority of funding received from Metso goes towards local mining communities in the Northern Cape, and in the regions of Steelpoort and Rustenburg, where Metso's customers have operations. Metso is sponsoring a wide range of programs that are related to math, science, sports, AIDS counseling, housing, IT development, agriculture and small-scale farming, as well as commercial property investments through the organization.

Examples of our science, research and education projects in 2012

Teletón initiative

Since 2004, Metso has been supporting Teletón, an annual 24-plus-hour TV and radio broadcast that raises money for Teletón Children's Rehabilitation Centers for disabled children in Mexico. Teletón's mission to provide knowledge about physical disabilities sends a strong message about respect, equality and support to people in these conditions.

UN Women

Metso supports UN Women, an international organization promoting gender equality and empowerment of women around the world. In 2012, we chose the UN Women to be the recipient of our annual season's greeting sponsorship, thus continuing our practice of replacing the sending of printed greetings cards with support to promote values we share.

MetsoCultural

In 2005, Metso started the MetsoCultural project in Sorocaba, Brazil, with the goal to promote culture for the Sorocaba community sponsoring theater, classical music and Brazilian popular music. The project is materialized according to principles of Rouanet Law, which encourages cultural investments that can be used by firms and citizens to help finance cultural projects.

Metso Kids Club

In 2009, Metso's Sorocaba office expanded its social responsibility to the families of its own staff by starting the Metso Kids Club for the personnel's children. Metso Kids Club currently has 75 little friends under the age of 12 in the club. The main objective is to improve the relationship between parents and children, to promote good citizenship and to participate in building a sustainable society.

Metso supports youth development through Enterprise Village (Yrityskylä)

In Finland, Metso supports youth education and prevents social displacement through the Enterprise Village (Yrityskylä) program coordinated by the Economic Information Office in Finland. The program is targeted for sixth graders in elementary schools. This concept provides a unique way to learn about society, the role of companies and the importance of entrepreneurship. During the one-day Enterprise Village visit, the children play the role of an employee, receive a salary and function as part of society. The program aims to educate children about the working world and the basics of economics and society as well as their role in it. The program received the Global Best Award in Europe for the most innovative new educational program.

Examples of our environmental and nature conservation projects in 2012

Araucária, Brazil

The Metso Paper production site in Araucária, Brazil, has developed an environmental conservation area with an extensive environmental protection strategy. The production site has its own nature preservation area, an advanced waste management and recycling strategy, the facilities have maximum natural light, and the ventilation system operates on special solar panels. The production unit was designed to produce the lowest possible environmental impact regarding its own material and manufacturing process. The site also collects and uses rainwater and has its own waste water treatment plant, where 100% of domestic and industrial waste water is treated.

WWF

Metso has had cooperation with WWF Finland for about ten years. Metso and WWF Finland have cooperated in various campaigns and events during the successful partnership. Metso also participates globally in the annual WWF Earth Hour campaign and is sending a powerful message for action on the abatement of climate change. Metso continues to apply the WWF Green Office practices to reduce energy consumption and waste at the Corporate Office. In 2012, the cooperation theme was bio energy; Metso and WWF Finland jointly arranged a seminar on the perspectives of sustainable bio energy development.

Case: Contributing to the community through an advanced HIV/Aids program

Metso in South Africa embarked on an extensive HIV/Aids education and testing program with Metso employees. After a good response to the program, the next step was to educate the spouses of Metso employees. We targeted especially those living in rural areas who have no access to information, education or treatment. By educating our employees' spouses, we enable them to support their husbands, who are the bread winners in the households, and help them understand the impact of HIV/Aids in the workplace. The program is beneficial also to Metso, as healthy employees are able to perform at their best within a safe environment.

In 2012, the program was awarded as the most comprehensive program by Swedish Workplace HIV and Aids Program (SWHAP), which supports workplace programs on HIV in countries in Sub-Saharan Africa.

Breaking down cultural barriers

Metso's HIV/Aids program was created by Lindy Losper and Christelle Scheun, who work for Metso in South Africa and who have been arranging Employee Spouse Days at our locations in South Africa. So far, these events have been run in Isithebe, Rustenburg and Vereeniging. Spouse Day is an event held for all the female spouses of Metso employees. During Spouse Day, the guests attend a presentation on HIV/Aids and then are invited to voluntary testing and counseling. In addition, the spouses receive pamphlets, condoms and sanitary items. The response has been all around very positive - from the employees, their spouses and the local management.

According to Losper and Scheun, it was important in the beginning to show the business and personnel benefits of the program. That helped in breaking down cultural barriers, as topics related to relationships and sexuality are considered taboo in some African cultures.

The program will continue to evolve in the future. Currently, there is a process under way for identifying certain spouses who will be trained as Peer Educators, who can then provide HIV/aids support and training within their own community.

Case: WWF

Metso and WWF have been collaboration partners for about ten years. During this time Metso has supported WWF's Operation Mermaid, a campaign to save the Baltic Sea by reducing algae growth, preventing oil spills, protecting endangered species and abating overfishing. Metso has also rendered its support to the Naturewatch program, an environmental education program for schoolchildren. Our cooperation has also included joint seminars on biomass-based energy solutions and a series of roundtable discussions on forest and climate issues.

The seminar "Bioenergy solutions supporting common efforts," organized jointly by WWF Finland and Metso on May 15, 2012, brought together some 80 experts and decision makers from industry, government, parliament, universities and non-governmental organizations to discuss the opportunities offered by sustainable bioenergy. The seminar coincided with the publishing of the WWF Living Planet Report 2012 on the same day. Metso also acted as a main participant in a roundtable discussion on Climate and Forest, following the WWF activities of the Year of the Forest 2011.

WWF Earth Hour

Metso participated in the WWF Earth Hour for the sixth consecutive year, with over 40 Metso units in 15 countries taking part in the event. WWF Earth Hour is a global campaign striving to inspire people to take action to slow climate change and to send a message to the decision-makers by shutting off lights for one hour.

Green Office

In 2012, Metso continued to apply the WWF Green Office practices to reduce energy consumption and waste at the Corporate Office in Helsinki. The program was implemented in 2009.

Promoting sustainability with WWF in China

In 2012, Metso joined WWF China's initiative Business Alliance for Sustainability, a network of companies that support environmental work in China. One of the objectives of this activity is to provide a forum to introduce and promote solutions for environmental protection in China, e.g. technologies the industry can apply for energy-efficiency and for the reduction of raw materials use, as well as how to cut harmful emissions. The network, comprising of companies, environmental authorities and the research community, can effectively help in exchanging information and experiences. WWF China's initiative is a network of companies that support WWF's mission and sponsor it financially.

Case: SOS Children's village - a long-time partner of Metso

As a global company, Metso is operating in many countries where the well-being of children is severely endangered due to e.g. the loss of parents as a result of illnesses or abandonment. In many instances, non-governmental organizations can provide the needed services and experience to support children who otherwise lack their basic rights. SOS Children's Villages is known as a credible non-governmental organization in the field of children's rights, and for this reason Metso has extended long-term support for the SOS Children's Villages in South Africa and India as part of its role as a good corporate citizen.

Since the 1990s, Metso has dedicated **Metso Houses** in the Children's Villages in South Africa in Rustenberg, North West Province, and in Vereeniging, Gauteng Province. In India, Metso has had five Metso Houses in Faridabad, in the state of Haryana, since 2007.

The Children's Village in Faridabad consists of twenty family houses, where eight to ten children live together with an SOS mother in each home. SOS mothers are trained in child care to take on the role of the parent and ensure the physical and emotional well-being of the children. Metso supports six family houses annually. The Children's Village in Faridabad is just one example of how we can support the local community and sustainable development in the communities where we operate.

SOS Children's Villages was established in 1949 and is active in 133 countries. They are best known for the concept of providing for children in need of care, education and health care in an environment resembling the normal conditions of a family. This is often organized in the form of houses with 8 to 15 children living as a family and with a trained social worker acting as their mother. SOS India also runs programs for the local community, including education, health initiatives, vocational training and livelihood enhancement.

Other initiatives

Metso partners with Plan Finland to improve water and sanitation facilities in Indian schools

Metso continues its long-term cooperation with the international child centered development organization Plan Finland (Plan International), which strives to improve the quality of life of children in developing countries in a lasting manner. The joint program supports children's rights to water, health and development in schools in Delhi and will start in 2013.

Metso's support is part of Plan's multi-year water and sanitation program that aims to improve the quality of safe drinking water and sanitation overall in 50 schools in the districts of Lucknow, Varanasi, Faizabad, Delhi, Andhra Pradesh and Patna. Within the wider program, around 10,000 girls, boys and teachers will benefit from the improved water and sanitation facilities. The project will have positive effects especially on the girls because they will be better empowered to maintain their personal hygiene and health. It is estimated that the indirect benefits of the project will reach 5,000 families and households in the communities around the 50 schools.

Metso has identified India as one of its focus areas in the emerging markets. As it strengthens its position in all of the selected growth areas by adapting business practices and products to meet local needs, it also strives to bear its responsibility as a good corporate citizen through local community initiatives.

This project is similar to the one Metso and Plan Finland conducted in 2008-2010 in China, in the Chinhua area of Shaanxi Province.

4th edition of the Way to Peace

Metso Brazil joined the 4th edition of the Way to Peace (Caminho da Paz), an event created by the Brazilian branch of the NGO Abraham's Path. The activity includes jogging and running through the streets of São Paulo, starting from an athletic club called Monte Líbano (Mount Lebanon), through the Pinheiros region, and finally reaching another club called Hebraica. Each of those areas represents different people, especially the Arab and Jewish. The event aims to demonstrate that integration among people, races and different creeds is possible in a peaceful and harmonious way, as it happens in Brazil. Messages of peace, freedom and understanding are sent along the way. The race took place on September 23, 2012, and it is supported by the United Nations Alliance of Civilizations.

Transformation Enablement Trust - Sponsoring community development in South Africa

Metso supports sustainable development in South Africa by sponsoring a joint trust of companies operating within the mining industry. The majority of our funding benefits local mining communities in areas where our customers operate. For example, in the Northern Cape we have supported a math school for disadvantaged children. In South Africa, Metso is a sponsor of the Transformation Enablement Trust (TETMC). It was established four years ago, when several global mining industry companies needed a dedicated vehicle to coordinate the administration of their enterprise and socio-economic development programs in South Africa.

The TETMC was created with the specific objective of identifying, developing and fostering the growth of the emerging and social sectors of the mining, construction, automotive and agricultural industries. It sponsors a wide range of programs that are related to math, science, sports, AIDS, housing, IT development, agriculture and small-scale farming, as well as commercial property investments. The majority of funding received from Metso goes towards local mining communities in the Northern Cape and in the regions of Steelpoort and Rustenburg, where Metso's customers have operations.

Metso's support has, e.g., directed a black-owned enterprise that has set up a math school for disadvantaged children in the Northern Cape. Another example of a project that has been sponsored is the Hunger and Thirst Foundation. Established in 2006, the foundation was set up based on the realization that if a child can be reached at a young enough age, his or her destiny could be changed forever. The foundation offers underfed children food, a mentor, help with homework and coaching in sports.

The TETMC is part of the Broad-Based Black Economic Empowerment (B-BBEE) policy launched by the South African government. The trust's actions have been set up in complete compliance with legislation, and its programs have been verified by a government-appointed auditor for the B-BBEE scorecard. The communities that the TETMC sponsors are usually non-profit organizations or local black entrepreneurs. Altogether 85 percent of the contributions are granted to individuals or communities, the majority of which are black or owned by black entrepreneurs. The maximum administrative cost of the trust's actions is 15 percent of all contributions.

Metso Paper South America - living side by side with the surrounding environment

The Metso Paper production site in Araucária, Brazil, has developed a nature conservation area with an extensive environmental protection strategy. The 60,000 m² production site has a nature conservation area of 12,000 m², i.e. 20% of Metso Paper's property in Araucária. During the construction phase, the production unit developed an initiative to have the surrounding area well preserved, as it is a watershed area with river springs. This approach assures the sustainable integration of the local fauna and flora preservation area and the production sites.

The production site also has an advanced waste management and recycling strategy. All metal scraps are stored and handled inside the workshop, and 88% of the waste generated at the facility is sent to local recycling companies.

During construction of the production unit, sustainability was high on the agenda and low raw material consumption and low waste generation were key criteria. The production unit was also designed to produce the lowest possible environmental impact regarding its own material and manufacturing process. The production unit uses natural light to the maximum extent, and the ventilation system operates on special solar panels.

The building is also energy efficient; the equipment and installations were selected for their enhanced comfort and low consumption. The site also collects and uses rainwater, and the landscaping is designed for low water consumption. The site has its own waste water treatment plant where 100% of domestic and industrial waste water is treated. On average, 50% of the treated water is returned to the water system to supply toilets and gardening needs.

Fishing project, Brazil

Since 1990, Metso Brazil has supported the Fishing Project, Projeto Pescar, which complements the academic education of boys and girls from 16 to 18 years of age who come from the poor neighborhoods of Sorocaba, Brazil. It also provides them with vocational training and employment opportunities. The name was inspired by the proverb give a man a fish and you feed him for a day; teach a man to fish and you feed him for a lifetime.

The project develops personal and professional growth of young students who are in social need, e.g. are at risk of criminal activity or drug use. So far, over 420 young people have gone through the program and have become qualified for the labor market. Many of them have been employed by Metso, and we have assisted others in finding a job in other companies. The target is not only to help youngsters get their first job, but to ultimately move forward in life. The program has been successful, 90 percent of the participants are now employed and have stayed away from crime and drugs. Each course lasts one year and has about 18 participants. Today, about 30 percent of the participants are girls.

Metso is supporting local hospitals in Brazil

Promoting the well-being of local residents has been part of Metso's operations in Brazil for years. For example, we are supporting two hospitals in Curitiba. One of them is Santa Casa da Misericórdia Hospital, which is the oldest hospital in the Paraná State and thus plays a major role in the area's history. Built in the 1880s, the hospital building has been designated for historic preservation and is now being renovated. Outside support for the project is needed, since only about 60 percent of the total expenses are paid by the government. Local partners like Metso are funding the rest.

Metso is also involved with Hospital Pequeno Príncipe. It is Brazil's largest exclusively pediatric hospital, with 300,000 outpatients and 26,000 hospital admittances of children, from babies to adolescents under the age of 18, annually. Pequeno Príncipe's challenge - like that of most hospitals - is coping with financial issues and rising costs while maintaining quality and volume of services. The significance of support from partners such as Metso is continually growing. Through fundraising by partners, the hospital has been able to purchase a long list of new equipment, including dialysis machines, intensive care monitoring units and respirators, to name just a few. Metso chose this particular hospital because it is a reference for treating children and adolescents.

Health, safety and environment (HSE)

Health, safety and environment (HSE) is an essential element in all our activities in Metso, since many of our people across our different businesses work in potentially hazardous environments.

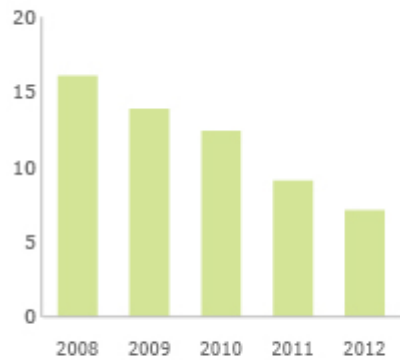
Prioritizing the health, safety and wellbeing of our employees, customers and partners is fundamental to everyone at Metso.

At Metso, we all have a responsibility for safety, both as individuals and collectively, and we also have the right to expect a safe working environment. Therefore, safeguarding the health of the people who work for Metso is fundamental. World-class safety is also a sign of quality; safe businesses are productive businesses. Our customers and other stakeholders expect us to deliver quality products and services, but they also expect us to do it with no harm to individuals or to the environment. This means that all Metso employees must actively look out for things that threaten health, safety and wellbeing and help to eliminate or control them. We believe that world-class safety comes from a combination of having the right attitude, making the right decisions and taking the right actions.

During 2012, we increased further our focus on developing health, safety and environmental issues by organizing various trainings for our personnel, and an especially strong focus was put on training for our management. Our HSE policy states that compliance with applicable laws and regulations is only a minimum and that we need to strive for performances above and beyond the rules and regulations in our operations. Metso has implemented a new way to support safety thinking by defining Metso's minimum safety standards. These standards include guidance for eight different and frequent tasks in our operations: lock out/tag out procedures, working at heights, lifting, working in confined spaces, operating tools and equipment, working with hazardous substances, personal protective equipment and maintaining good order. All Metso's operations are responsible for implementing the minimum safety standards in their local procedures and ensuring that local procedures are communicated to everyone working in their facilities and projects. The implementation of Metso's minimum standards will be completed in 2013.

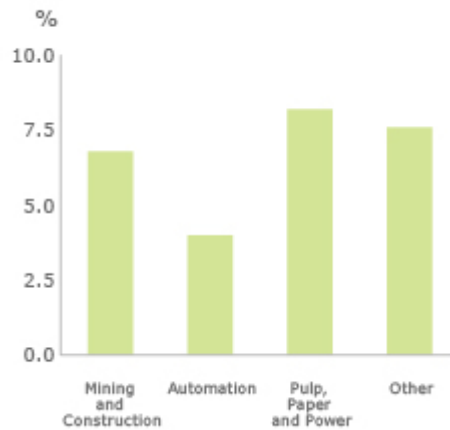
In addition to HSE trainings and minimum safety standards, in 2012 we had a broad range of global activities within Metso to raise awareness about health, safety and environmental issues and to train our personnel in order to prevent any accidents and near-misses in the future. In order to strengthen our local networks and cooperation, we organized HSE days in Sweden and North America for our local HSE professionals, with topics ranging from safe work wear to energy-efficiency investments. We also executed health and safety training modules for our business unit management and personnel to keep HSE issues high on the agenda on a grassroots level in our units globally. The implementation of our Metso Safe e-learning program continued in 2012 and has now reached most of our personnel around the world. We also improved our Group-wide monitoring by introducing HSE self-auditing and internal HSE assurance practices, which have been implemented in our operations from 2012 onwards. In addition, we developed our HSE Monitor reporting system, which currently covers 98% of our personnel globally. To raise awareness and enhance our uniform HSE practices and Metso's minimum safety standards, we introduced a global campaign, the Metso safety pledge. The campaign was implemented in all our production units around the world in 2012 with positive feedback received from our personnel.

LTIF at Metso



LTIF
Lost-time incident factor reflects the number of incidents resulting in an absence of at least one workday per million hours worked.

LTIF by segments in 2012



Health, Safety and Environmental policy

In 2012, Metso updated its health, safety and environment (HSE) policy and it was approved by Matti Kähkönen, Metso's President and CEO. It will be reviewed annually by the Metso Executive Team. Our HSE policy supports the development of a safe, healthy and well-managed work environment, and requires all of us to adopt good HSE behavior and to follow agreed rules and instructions in all our daily activities. Prioritizing the health, safety and occupational wellbeing of our employees, customers and partners is fundamental to everyone at Metso.

The policy also states our commitment to design sustainable solutions, products, innovations and services to help our customers improve their safety and environmental performance. We aim for the efficient use of energy, natural resources and materials and sustainable operations throughout the Group; and we aspire to minimize our environmental footprint throughout our value chain.

Metso's health, safety and environment (HSE) policy.



Health, Safety and Environment Policy

Health, Safety and Environment (HSE) is an essential element in all Metso's activities

We are committed to take personal responsibility for our health and safety. We believe that all injuries, incidents and health hazards can be prevented.

We strongly promote a safe and healthy working environment and the well-being of our employees.

We always emphasize our high HSE standards of conduct when dealing with customers, suppliers and other stakeholders. Compliance with applicable laws and regulations is only a minimum requirement.

We aspire to minimize our environmental footprint throughout the value chain.

To fulfill our HSE Policy we:

- require good HSE behavior and follow the rule and instructions that we have set in all our daily activities
- continuously improve our processes, practices and work environment
- design our solutions, products, innovations and services to help our customers improve their safety and environmental performance
- strive for efficient and sustainable use of energy, natural resources and materials in all our operations

November 2012



Matti Kähkönen
President and CEO

This policy is implemented by all Metso Group's divisions.

HSE targets and results

Metso's long-term objective is zero work-related incidents. Short term, by 2015, we target a lost-time incident factor (LTIF) of less than 5. LTIF reflects the number of incidents resulting in an absence of at least one workday per million hours worked.

All business units support the Group-level target with relevant target setting and action plans. Our long-term vision of zero work-incidents is monitored by corporate-level Key Performance Indicators. We also target to provide all our employees with a minimum of eight hours of safety training annually.

In 2012, the number of recordable work-related injuries was 778 (841). Recordable incidents are the sum of lost time, restricted work and medical treatment incidents. In 2012, unfortunately 1 (4) work-related fatality occurred. Metso's LTIF was 7.1 (9.1), while 64% of our units reached the Group-level LTIF target of less than 5. Metso is also monitoring its near-miss situations and the frequency. In 2012, the near-miss and risk observation factor at Metso was 256, an increase of 44% from 2011 due to safety campaigning.

The number of absence days in 2012 totaled 6.9 (4.9) days per person on average, 6.5 (4.6) days due to illness and 0.4 (0.3) days due to injury at work.

In the event of a fatality, Metso promptly launches a comprehensive investigation, and if required also involves the local authorities, and corrective actions are taken and implemented immediately. For every incident and fatality on Metso's premises, an HSE alert is distributed internally. Since 2008, Metso has been actively developing its health and safety reporting system to better analyze incidents and the reasons and trends leading up to them.

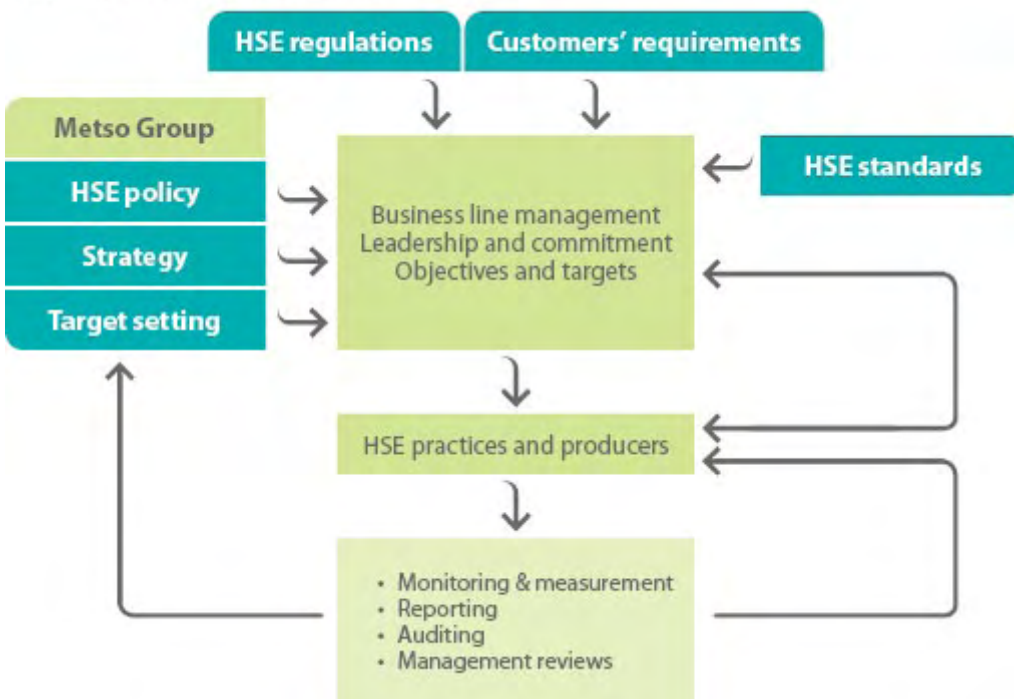
Since 2008, we have succeeded in reducing the LTIF by 66% (50%), mainly by increasing employee awareness of work safety and by encouraging every employee to take responsibility for work safety issues. The LTIF levels reported by Metso's units and operating countries vary, and there is still a lot of room for improvement in health and safety work.

HSE management

Safety leads to good quality and enhances profitability. Our customers expect us to deliver productive and high-quality products and services, but they also expect us to avoid risking the safety of our employees, our customers' employees and the environment.

We take a pre-cautionary approach by applying the requirements defined by our high HSE standards early in the development phase of our products and process solutions. In our own HSE management practices, we comply with ISO 14000 and OHSAS 18001 standards. 57% of our relevant operations are covered by ISO 14001 certification and 42% by OHSAS 18001 certification. We also strive to anticipate the development of HSE legislation on a national and international level.

HSE Operational model



Hierarchy of Metso HSE procedures



Our health, safety and environmental (HSE) management is organized according to a semi-decentralized model where our strategy, HSE policy and targets are set at the Group level, and the business line managements set business-specific targets, action plans and global instructions based on the Group's targets.

Metso's global HSE network supports the business lines in the monitoring, developing and communicating of safety practices. Each of our segments and business lines are represented in the global health and safety network that gathered four times and in our environmental network that gathered five times in 2012. The HSE networks define general health, safety and environmental guidelines and procedures for the Group level, e.g. the implementation of the HSE policy, and the practices and guidelines of our units' HSE activities. Defining focus areas for HSE activities, developing HSE management and sharing best practices are the responsibility of our HSE networks.

In addition, Metso has local networks in place that are organized by the business representatives responsible for HSE matters within their respective organizations. These networks define common practices and ensure compliance with the local legislation and with Metso's minimum safety standards. The local representatives are responsible for keeping the site managers aware of the changing HSE legislation and for helping them to develop the procedures.

HSE legislation

Due to the increasing amount of legislation and regulation in the area of health, safety and environment, there is a growing need for monitoring and forecasting the legislative environment around Metso from a Group-level perspective. Traditionally, our different business lines and units have covered the monitoring task independently, but a more integrated approach is needed in today's global business environment. Therefore, we investigate the appropriate level of HSE legislation monitoring and forecasting at the Group level. We consider this kind of operating model to have a lot of potential -from both the business and risk management point of view.

HSE development projects

2012 has marked a year of development and increased strength for Metso's HSE projects around the world. We are actively developing our HSE performance through a range of actions and development projects. We strive to manage our HSE actions comprehensively by supporting and strengthening our performance further according to our sustainability strategy.

Examples of our HSE development projects in 2012

- An award-winning idea to improve workplace safety

Metso acknowledges the best HSE initiative to improve the health and safety of the work environment with an annual award. The award aims to encourage new ways of improving workplace safety as well as to show appreciation for the persistent and hard work towards a safe workplace. In 2012, two active Metso professionals saw a place for improvement in the way lifting is done at Metso's production sites and conceptualized a new hoisting device that could replace the use of lifting slings. The men were declared the winners of the HSE category at the Metso Award finals in 2012. Their innovativeness, initiative and commitment to improve work safety convinced the jury and their efforts to develop a new lifting device were rewarded. The new hoisting device has now been developed further for production.

- Unifying Metso's packages brought significant savings in emissions and costs

Metso has optimized its transportation packaging with a unified brand look and feel. With Metso's wide range of products, also the packages varied immensely in size - from a few grams to 200 tons. The products travel from Metso's production units to customers. The packages were designed to be as eco-efficient as possible using recyclable materials in the packaging and filling materials; this enables us to use the same packages several times again. Packaging eco-efficiency was also the focus in minimizing colored logos and optimizing the package size based on the demand. Optimizing all Metso's packages and increasing the eco-efficiency led to a 40% decrease in packaging costs and reduced the amount of material needed for the packages.

- Effective planning of transportation adds up

Metso has developed a Transportation Gateway system that enables Metso to reduce its environmental impact by cutting CO₂ emissions and save money and time. Metso Transport Gateway (MTG) is an effective tool for transportation planning, monitoring and analyzing. MTG is a digital work desk for transportation professionals. It harmonizes the transportation process and way of working within a wide network, including Metso business units, customers, transportation partners and suppliers. As part of the Metso Transportation Optimization (MTO) project, the MTG system plays a very important role in unifying and harmonizing processes. The system leads the user to automatically use the most efficient routing solution and also offers the option to manually select from among the designated carriers. All locations utilize the same Metso-wide contracts and instructions.

- Supporting the health and wellbeing of our employees in Brazil

Metso has an on-going initiative in Brazil to promote the health and wellbeing of its employees. The Week of Quality Life program includes a vaccination campaign and health orientation with lectures related to a healthy lifestyle, sports and balanced nutrition. In addition, the program has its dedicated jogging team and massage services for relaxation. Currently, Metso has 70 runners who represent the company in various races in Brazil and abroad. Since 2005, the Metso Brazil jogging team has been participating in what has become a highly anticipated event, the largest Street Race of South America, São Silvestre.

Another program in Brazil, the Employees Sports Association (ESA), promotes well-being by providing access to a fitness center with additional sports activities such as soccer, volleyball and basketball. Also the employees' children, from 6 to 16 years old, are invited to the fitness center once a week to play sports.

Developing health and safety monitoring tools

In 2012, we continued to develop our health, safety and environmental (HSE) global reporting processes and our monitoring tools. We continued the implementation of our HSE monitoring system, which now covers approximately 98% of Metso's personnel. Accidents, first-aid situations, environmental damage, near-miss situations and observed risks related to occupational health and safety are entered into the HSE Monitor reporting tool.

We also use the HSE Monitor for safety discussions and HSE-related inspections within our organization, and it provides a platform for our HSE professionals as all incidents must be reported to the system. We investigate and analyze every near-miss situation and incident to prevent similar situations from happening. Similar incidents can be prevented in the future by developing our reporting systems and by investigating all near-misses and incidents.

At the factory level, the system accelerates our procedures for reviewing incidents and near-miss situations. In 2012, new functionalities, such as safety discussions and work place risk assessments, were added to our monitoring system.

Every employee at Metso is obligated to report all accidents, hazards and environmental damages to the HSE Monitor. All our employees are also obligated to fill out an accident notice in our reporting tool; the notice can be also submitted anonymously, and all our employees have the possibility to browse other notifications. The system also allows us to follow the notification process and all the actions taken in response to the report.

Comprehensive approach to health and safety training

Health and safety is a priority for our operations around the world, and we want to emphasize the importance of a safe working environment to all our employees and partners by raising the awareness of health and safety through education. We have set a company-wide target to provide eight hours of HSE training to all Metso's professionals every year.

In 2012, we continued health and safety awareness training program for Metso's management. The training program aims to make sure that our management has a clear and profound understanding of the significance of work safety from the legal, financial and human points of view. All Metso managers must understand their role in developing occupational safety and their responsibility in safety matters. The management training program had reached the management teams of our segments and business lines by the end of 2012. In 2013, the scope of the program will be broadened to meet regional needs. We will also strive to introduce new compliance training for our management during 2013.

Metso also has a comprehensive health and safety e-learning program in place that introduces our HSE standards, emphasizes the significance of work safety, and encourages and supports the attention to it for new Metso professionals and deepens the HSE knowledge of existing employees. Metso safety e-learning program can be studied either individually or together with a team. By 2012, nearly all Metso employees have gone through the e-learning program.

In the future, Metso has also set a goal to provide HSE training for our relevant stakeholders, e.g. for suppliers and customers.

New tools implemented for HSE auditing

During 2012, Metso strongly developed its safety culture e.g. by increasing its focus in HSE auditing practices, by launching a self-auditing practice and by starting an internal HSE assurance process targeted to all Metso's units globally.

The new mandatory HSE self-auditing tool includes a 12 elements model that enhances the development of good safety practices; and it will be implemented in 2013. The tool is targeted to our locations to enable them to make sure that they are following Metso's common safety standards and to identify and prioritize the development areas for their HSE work. The 12 elements model is a methodology for systematic development of safety matters created for Metso, including different aspects of safety. Each element will assess the maturity of safety systems at our production sites. The 12 elements include, e.g., HSE management, hazard and risk evaluation, training, ownership, leadership, and incident and accident management.

The self-auditing results are a base for the internal HSE assurance process that was started in 2012. The program runs thorough audits in Metso's locations globally, with the purpose of improving local HSE management systems. Our internal HSE audit process helps Metso's sites to implement good HSE practices and to makes sure that global HSE initiatives are implemented everywhere in Metso. The audit practice is part of an initiative signed by Metso's President and CEO Matti Kähkönen to ensure a safe working environment for everyone at Metso. Metso's internal HSE audit program will cover one third of our production units and major sites annually. The audits will be conducted by two lead auditors with a certified pool of internal auditors from the HSE network.

Other initiatives

- Global HSE days for Metso professionals

During 2012, we focused on tightening our internal HSE network and enhanced competence sharing across Metso with the aim to bring all personnel working with health, safety and environmental issues into closer contact beyond segment boundaries. We started with the largest operations areas and launched HSE days for local professionals both in Sweden and in North America during 2012. HSE days offers an opportunity to network and share knowledge and information with colleagues across the area. During 2013, we aim to continue with the process and organize HSE days in other countries where we have operations.

- Metso safety pledge initiative to raise awareness of our minimum safety standards

At Metso, a safe workplace is at the core of our company values and the forefront of our daily concerns. In 2012, we implemented our new global safety initiative, the Metso safety pledge. The initiative is about taking a personal safety pledge to ensure a safe workplace for everyone. The goal is to have every Metso colleague globally carefully review the checklist of Metso's minimum safety standards and commit to follow them. The minimum safety standards include guidelines for personal protective equipment (PPE), lifting, working at heights, operating tools and equipment, lock out/tag out procedures, confined spaces, working with hazardous substances and maintaining good order.

- Improved communications on HSE alert

A wide variety of risks and hazards are encountered across all Metso's activities; all Metso professionals have a duty to protect themselves and their colleagues in the workplace. Metso has a global process in place to report all incidents and near-misses in order to analyze and investigate them to make preventive actions for the future. The HSE alerts are available to all Metso employees via our intranet to raise awareness of work-related accidents and incidents and to ensure that communication is given across the entire organization in order to learn and to prevent similar incidents from happening in other locations. Sharing these alerts and recommendations is an important way for us to prevent accidents from occurring or reoccurring. We report all incidents through a notification chain within two hours of the incident; the person at the incident scene is responsible for sending a brief description of the incident to local business management and HSE representatives.

Metso's energy efficiency program

Energy efficiency actions of our own production in 2012

Alone in 2012 Metso saved

→ **2.4%**

of the energy of its own production, a total of 24,300 MWh.

Since the beginning of the program

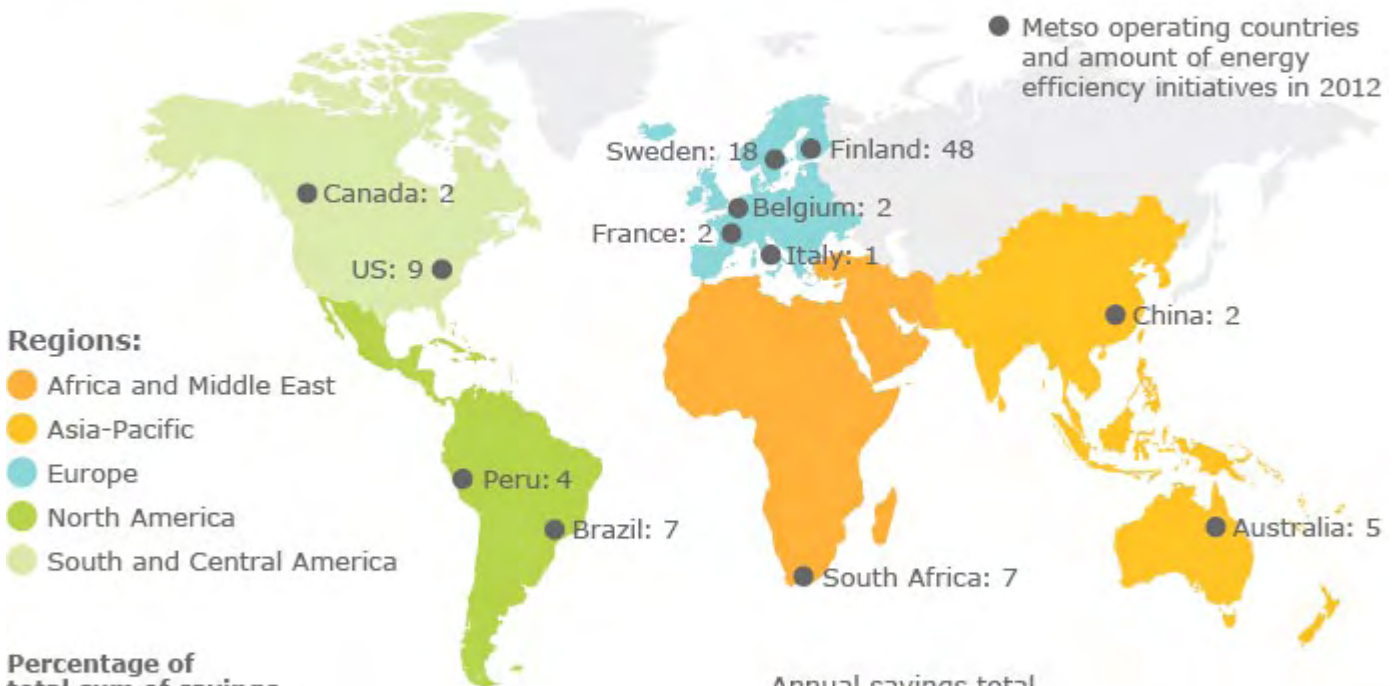
→ **5.2%**

of energy, a total of 52,000 MWh of energy has been saved through a wide range of actions around the world.

Total of

→ **55%**

of our production sites have participated in the program since 2010.



Percentage of total sum of savings



Annual savings total

→ **1.6 EUR million**

Annual invested total

→ **3.6 EUR million**



We strive to reduce the environmental footprint of our own production through a dedicated energy-

efficiency program that was introduced in 2009, while setting global, Group-wide targets for energy conservation and carbon dioxide emissions for our own production. Our global target is to reduce Metso's energy consumption and emissions by 15 percent by 2015 and by 20 percent by 2020 compared to our business volume. The majority of our reported CO₂ emissions come from the use of energy; therefore, decreasing energy consumption will reduce emissions - while also bringing financial benefits. In 2012 alone, Metso saved 2,4% of the energy of its own production, a total of 24 300 MWh. Since the beginning of the program, 5,2%, i.e. a total of 52 000 MWh of energy, has been saved through a wide range of actions around the world.

Mapping the opportunities to save energy and decrease carbon dioxide emissions was started in the most energy-intensive production units, our foundries. The mapping continued in 2012 and the studies have now been completed in most of our energy-intensive production units. Currently, about 75 percent of Metso's energy consumption has been mapped.

We have developed quarterly reporting metrics for each production site's energy-efficiency status and energy-savings actions; these metrics help to promote energy-efficiency improvements and monitoring at the Group level.

Identifying energy-efficiency improvements

We are conducting energy audits at the sites that have the highest energy consumption and the greatest potential for energy savings. Metso's top 30 sites with the highest energy consumption account for nearly 80 percent of Metso's total energy consumption and hence 80 percent of Metso's CO₂ emissions.

By the end of 2012, external audits of energy consumption were completed in most of the largest energy consuming production units. In 2013, we will continue the research work and move on to the less energy-intensive units and complete the mapping. The most significant savings targets found so far lie in the utilization of fuel, e.g. natural gas, and heat. Potential savings were also found outside the production process, e.g. in cooling, compressed air systems and building services.

In addition to external audits, we continued our internal research work and the implementation of measures to improve energy use, including the compiling of a global database for actions to improve energy efficiency.

2012 highlights of the energy program

Concrete results

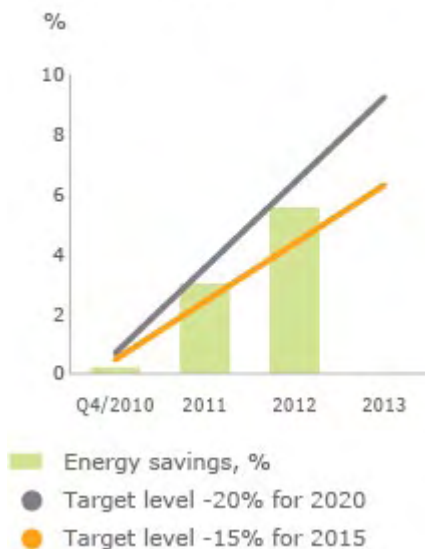
In 2012, over 100 different energy-efficiency projects were either started or implemented in Metso's own production; these projects totaled savings of 6,650 tons of carbon dioxide in 2012. Additionally, a number of smaller initiatives and actions have taken place globally in our production units.

Since the start of Metso's energy-efficiency program in 2009, it has implemented 223 projects that have led to carbon dioxide savings of 13,960 tons. Since starting the program, 52,000 MWh of energy, worth EUR 3.3 million, has been saved with investments of EUR 5.7 million; these investments have a payback time ranging from one to three years.

To speed up the energy and CO₂ savings within our production, we have a separate budget for energy and CO₂ investments.

In addition to energy saving action reporting, Metso is using both intensity and absolute targets in its energy and CO₂ emissions reductions program. An absolute target is used for some of the sites, while the rest of Metso's production sites are using an intensity target; the reason for this is that an absolute target is not suited for all Metso's sites, due to their operational model. Both the intensity and absolute targets are actively monitored and reported.

Summary of energy saving actions



Case: Renewal of compressed air units

We have renewed compressed air units and improved compressed air systems in many of Metso's production facilities as part of our global energy-efficiency program. Since the start of the program in 2010, improvements to the compressed air systems and equipment have resulted in an energy savings of nearly 3,600 MWh. This translates to an annual cost savings of over EUR 220,000, and the average payback period of the investments has been a little over 1.5 years. The savings achieved through the renewal of compressed air units and systems represents 10 percent of all savings achieved so far in Metso's energy-efficiency program. In the future, the cost savings will multiply, since they are accumulated on a yearly basis.

The energy savings of compressed air units and systems have been achieved through various actions. By replacing older compressors with newer technology that has more efficient controls and therefore more flexibility, we have been able to optimize the running times for different units.

Additionally, we have adjusted the settings of the compressed air units and improved leakage control in compressed air networks. We have also achieved excellent results by minimizing pressure level based on the need of the production equipment.

We will continue to improve our compressed air units and systems in 2013, and our aim is to spread the good results to other units. Compressed air units are typically used both in large and smaller production facilities; therefore, even small actions can add up to significant savings and the results achieved in one unit are often adaptable elsewhere.

Case: Water conservation through rain-water harvesting and recycling water

We have established an efficient water treatment system to conserve water in our Metso Park production facilities in Alwar, India. Metso Park is Metso's single largest greenfield investment and an example of how we build our new production sites to be efficient in terms of material and water usage.

Metso Park has a state-of-the-art water conservation system, which comprises its own bore wells, both a water treatment plant and a sewage treatment plant, and a rain-water harvesting system. The facilities were built to minimize the use of water. Production started at the site in 2010; now that the construction work is completed, the monthly water consumption is 3,000 m³.

The raw water is taken from two bore wells and processed at the site's own water treatment plant. The plant has two separate lines for treating drinking water and process water. All the waste water is processed at the site's own sewage treatment plant, which has a daily capacity of 100 m³. The treated waste water is used as flushing water as well as for gardening and irrigation. By using recycled water, we reduce the consumption of ground water.

The water harvesting system contains eight water harvesting wells that are used to collect rain water. The average charging capacity of each harvesting well varies from 22 m³ per hour to 25 m³ per hour. The harvested water is recharged to the ground water to keep its level from declining due to the water use in our production. We also monitor the level of ground water regularly.

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Case: Creating more energy-efficient lighting

We have renewed production hall lighting and improved lighting controls in our production facilities globally. The improvements have been part of our global energy-efficiency program. In total, the Group-level lighting renewals have helped us achieve an annual energy savings of nearly 5,000 megawatt hours per year since the start of the program in 2010. The annual cost savings have exceeded EUR 400,000, and the payback period of the investment is two years. The cost savings represents 13 percent of the total savings from our energy-efficiency program so far. The cost savings will continue to increase on a yearly basis, since they are accumulating.

In practice, we have replaced outdated lighting with new, more energy-efficient lighting, which enables us to preserve the existing light intensity with less energy. Modern energy-efficient lighting also produces less waste energy, such as heat. Additionally, we have automated the lighting controls and have optimized usage by installing, for example, timers, motion detectors and light level sensors.

E.g. our production site in Columbus, United States, has made significant improvements in production lighting and saves annually 290 MWh totaling to EUR 75 000 with 1,3 years of payback time.

We will continue to renew the lighting in our production facilities in 2013, and we will also be looking into using new technology, such as LED lighting. By documenting and verifying all the measures, we can share good practices and results from the lighting improvements with other units as well. Generally, there is more potential for improvements in smaller units, since most of our bigger units have already optimized their lighting.

Product sustainability

Sustainable products provide environmental, social and economic benefits over their entire life cycle, from the extraction of raw materials to decommissioning. For Metso, in practice this means that our products are safe to operate, economically feasible and efficient, and help our customers to minimize their environmental impacts.

The sources of product sustainability are innovation and continuous improvement of existing products. As stated in Metso's HSE policy, we design our solutions, products, innovations and services to help our customers improve their safety and environmental performance. Our ambition is to maintain our technology leadership with cost-efficient and environmentally sustainable products and process solutions.

Life-cycle thinking is a crucial aspect in providing safe, economically feasible and environmentally sustainable products. Our life cycle services help our customers to operate and maintain their equipment efficiently and safely, while our life cycle assessments provide us with the necessary information about the environmental profile of our products in order to help us and our customers make justified decisions.

Examples of our product safety improvements in 2012

In 2012 Metso Automation developed a new generation noise attenuation technology for ball valves. The new Q2-trim reduces noise by as much as 30 dB in gas flow control applications, compared to a valve that uses no noise attenuation. Metso Automation is also developing its valves to minimize the hazardous gas emissions from the process as our RTD efforts ensure that the valves meet the requirements of the latest stringent international standards.

Within the oil, gas and petrochemical industries the reliable operation of valves under extreme conditions, such as very high or very low temperatures. Valves for these industries and other demanding applications must pass type tests for example simulating fire. As requirements and testing norms evolve, Metso Automation is continuously carrying out type testing and development work on its valves.

Metso Pulp, Paper and Power developed its product safety procedures for rolls and roll transports in 2012. The need for development stems from legislation (machinery directive), according to which the entire life cycle of the product must be taken into account in every aspect, including product safety. The challenge faced by the PPP segment was that the instructions on roll transports were not reaching the customers, as they were getting lost because they were attached only to the packaging. Some action improvements were made during the year. A booklet was produced for the customer, with a presentation of the rolls, roll groups and securing, all illustrated with clear drawings.

In 2012 Metso Mining and Construction introduced two new track-mounted crushing plants, Lokotrack LT106 and Lokotrack LT120, for primary crushing stages, and a mobile screen, Lokotrack ST2.4. In developing these products, special attention was paid to safety and ease of maintenance. The service platforms are spacious, and they are accessed via easy-to-use ladders that fold for transport. The engine modules are also designed with a view to easy maintenance, and their easily removable cover panels are made of a composite. The drive belt covers are also made of a composite material that makes handling them substantially easier.

The new, eco-efficient and easy-to-maintain engine modules were also introduced in our other track-mounted crushing and screening plants. Furthermore, service platforms and accessways were improved in several products.

E.g. in Lokotrack LT106 the high pressure spraying system binds the dust with minimum water utilization and together with dust encapsulation improves working environment and enables crushing also in urban areas. And up to 30% lower fuel consumption through new more eco-efficient and economical Tier4 / Tier3 engine module, improved hydraulic system and larger crusher flywheel mass.

Safety really has come first when designing features for Lokotrack LT106. Risks have been minimized in

operating, transporting and servicing the unit. E.g. Hydraulically operated sidewalls and wedges are safe and eliminate any requirement for dangerous climbing. Low voltage electrical components have been coded and marked. And Protection gate over the crusher and spacious maintenance platforms according to standards guarantee safe operation. Also numerous emergency buttons and pull cords stop the conveyors instantly if necessary.

In Metso Mining and Construction, minimizing engine, dust and noise emissions are emphasized in product design and further improved with options such as high pressure water spraying system, feeder rubber bottom and encapsulated conveyors.

Innovation

Our research and technology development (RTD) activities focus on several important areas of sustainability, such as energy and raw materials efficiency, utilization of renewable and recycled raw materials and fuels, advanced process control technology and new solutions for the services business. In this way, our RTD strongly supports our growth strategy. Our RTD activities are based on cooperation with customers and on our network of research facilities and universities.

Improvement of the environmental impacts of our customers' operations is an integral part of our product and service portfolio. Metso's solutions produce added value for our customers during all phases of the production process life cycle, improve customer competitiveness and reduce adverse environmental impacts, either directly or indirectly, throughout the value chain.

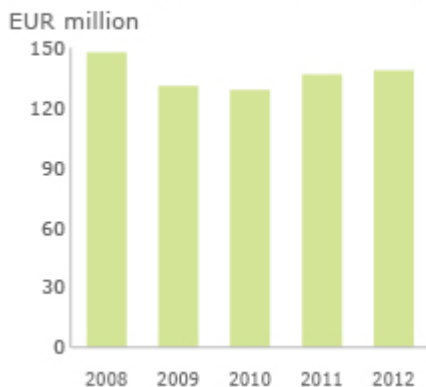
The environmental business solutions we offer are related particularly to the generation of renewable energy, the reduction of energy consumption in our customers' production processes, improved utilization of raw materials, enhanced water conservation, and the reduction of dust, noise, waste and emissions.

We also offer training, maintenance and services related to our products. We take care of the entire production process life cycle and help to ensure that the solutions are used correctly and in an environmentally sustainable manner.

As Metso is focusing on reduction of environmental impact in its RTD processes, most of our RTD projects are evaluated according to their environmental performance, a process that starts with identification of environmental aspects. Qualitative objectives are set for the most significant environmental issues, and the progress is followed during the entire development project.

Sustainability is an integral part of our product development and sustainability is implemented in our innovation process as well. The purpose of the innovation process is to ensure that the market and technology trends and the business strategy are combined into visions that are further refined into commercial products. The innovation process brings together experts from the different functions, right from the start of a development project.

RTD expenditure (including IPR expenses)



Case: Gasification technology replaces fossil fuels with renewable energy sources

During 2011 and 2012, Metso successfully developed and commercialized a gasification technology, which can substitute oil, natural gas and coal in energy production.

In Vaasa, Finland, Metso has integrated a biomass gasification plant with a coal-fired power plant, which enables safe and reliable utilization of biomass in the existing high-efficiency power boiler. The gasification plant was commissioned in December 2012, and it is the first time in the world that biomass gasification technology is being adopted on such a large scale.

The customer, Vaskiluodon Voima Oy, was looking for an efficient and competitive solution to replace coal in the existing combined heat and power plant. The Metso gasifier is based on circulating fluidized bed technology. It generates gas from biomass, which is combusted along with coal in the existing power boiler.

The concept combines the advantages of a separate biomass power plant, such as the ability to utilize a wide range of biomass, with the advantages of a fossil fuel plant, such as operation at high steam parameters and high cycle efficiency. This enables the customer to replace about 30-40 percent of coal with renewable fuels.

Biogas to be used as fuel for vehicles

In Gothenburg, Sweden, Metso is building a biomass gasification plant for Göteborg Energi. The aim of the customer's Gothenburg Biomass Gasification Project (GoBiGas) is to produce biogas through the thermal gasification of forest residues, such as branches and tree tops. A major advantage of biogas is that the existing natural gas grid can be used for distribution. The produced biogas will be fed into the city's gas network where the biogas is intended to be used as fuel for vehicles.

The selected technology is indirect gasification, which produces more purified and energy-intense gas in comparison to direct gasification technology. The difference between the technologies is that the air used as the fluidization medium in direct gasification is substituted with steam in indirect gasification, resulting in nitrogen-free gas. This is the first delivery of this kind of gasification technology for Metso. The gasification process is based on licensed technology provided by the Austrian company Repotec.

In the gasification plant, biomass is converted into combustible gas. This gas is purified and upgraded in a methanation process into biogas, which has a quality comparable to natural gas. The target is to convert 65 percent of the biomass to biogas and to raise overall energy efficiency to above 90 percent.

The gasification plant is a demonstration plant, and it is scheduled to be in operation in late 2013. The annual production of the gasification plant will be equivalent to 160 gigawatt-hours, and it has the capacity to deliver biogas for about 15-20,000 cars. In 2020, Göteborg Energi expects to deliver biogas equivalent to 1 terawatt-hour.

Case: Extracting lignin creates new possibilities for pulp mills

LignoBoost is a technology for extracting lignin from pulp mill black liquor. It gives pulp mills new potential to increase production, reduce costs and create new sources of income. Metso commercialized LignoBoost by building the first large-scale plant together with the pulp and paper company Domtar. The plant is situated in Domtar's pulp mill in Plymouth, North Carolina, US, and it started production in January 2013.

Lignin is a component of wood. LignoBoost makes it possible to extract lignin from the black liquor and to increase the liquor-burning capacity of chemical recovery boilers. For example, by removing 40 percent of the lignin in the black liquor, the pulp production can be increased by 20-25 percent.

The technology was developed by Innventia (then STFI-Packforsk) and Chalmers University of Technology. Metso purchased the LignoBoost technology in its entirety in an agreement with Innventia.

Renewable raw material for various applications

Extracted lignin has numerous profitable uses as a fuel. It is a good biomaterial that can be used directly at the site mill as fuel in a power boiler with high heat value or to replace oil in a lime kiln. Green energy produced from lignin can be profitably exported as process steam or power, or simply sold as fuel in the form of pellets or powder.

Furthermore, lignin has a high future potential as renewable raw material for various products in the chemical industry, such as for specialty chemicals as well as for carbon fibers. Exporting lignin as fuel or as feedstock for further refining not only provides pulp mills with new sources of income, but also provides future opportunities to utilize wood-based biomass as a substitute for fossil material.

There are several ongoing development projects in different parts of the world aiming at finding high value use of lignin.

Case: Gasification is an efficient use of waste

Lahti Energy Ltd.'s new Kymijärvi II is the first plant in the world to use gasified solid recovered fuel at such a large scale. The innovative technology used in this combined heat and power (CHP) plant was introduced by Metso. The plant, inaugurated in May 2012, received the Climate Act of the Year 2011 Award in Finland. The award was granted by the Sustainable Development Forum of the Finnish Energy Industries.

Solid recovered fuel, SRF, consists of various types of industrial, commercial and building site plastics, waste-wood and paper-based material as well as household energy waste. In one hour, the plant gasifies 360 m³ (equivalent to two truckloads) of solid recovered fuel. In the gasifier, SRF is turned into combustible product gas, which is cleaned, cooled and combusted in a high-efficiency gas boiler to produce steam for the steam turbine.

Major reduction of carbon dioxide emissions

Gasification is an optimal solution for using SRF to generate electricity and heat. Thanks to the state-of-the-art energy efficiency and low emissions, Kymijärvi II offers environmental benefits that can be achieved only by using the most efficient BAT-level technologies.

The plant produces 50 megawatts of electricity and 90 megawatts of district heat for the city of Lahti and its neighboring areas. The plant is expected to reduce carbon dioxide emissions by an estimated 410,000 tons a year compared to the same amount of electricity and heat generated using coal. Additionally, by replacing the use of hard coal, the gasification plant reduces other emissions as well. This was discovered in a lifecycle assessment of the plant, which measured the environmental performance of the plant over its entire life time.

Vast use of Metso solutions

Metso was the main supplier in the project delivering the circulating fluidized bed (CFB) gasification process, gas cleaning and cooling, steam boiler, environmental protection system and automation system for the entire plant. The production of electricity and heat is kept steady with the plant-wide Metso DNA automation system. Metso DNA controls all sub processes, including fuel reception, two gasifiers, gas cleaning lines, gas combustion, and a fresh water plant as well as district heat production.

The groundbreaking plant came about as a result of collaboration between various Metso businesses. Power and Automation worked in cooperation beyond organizational borders, tapping into our extensive competence in various sectors.

Case: Innovative technology to boost production efficiency in the paper industry

Metso has developed a new metal belt calendering technology that creates better print surfaces with less fiber materials and higher production efficiency. The developer of the technology, Mika Viljanmaa, was awarded with the prestigious Marcus Wallenberg Prize for his work in October 2012. The Marcus Wallenberg Prize was instituted to encourage scientific achievements within the forestry and related sectors.

The purpose of calendering is to improve the paper surface and thus the print quality. Compared to conventional calendering, metal belt calendering technology enables the manufacturing of paper and board with better surface smoothness at a desired level of stiffness and bulk, but using 3-10 percent less fiber raw material. To illustrate the results, for example, our customer was able to increase the production of milk cartons by over 700 million cartons annually by using metal belt calendering. The new technology also produces less topography variation in the end product than conventional calendering.

Metal belt calendering is based on two factors: an extremely long dwell time and the most effective plasticization. Effectively plasticized surfaces provide low surface roughness values, good printing quality and a low post-roughening tendency after calendering.

Platform technology for a wide range of applications

In addition to decreasing the use of fiber, metal belt calendering also has a major impact on production: it consumes less energy and yields higher production efficiency than other calendering concepts. In total, the technology enables a production increase of 20-40 percent.

Metal belt technology can become a wider technology platform. By enhancing production efficiency, competitiveness and sustainability, it has the potential to radically change paper- and board-making concepts. Thanks to its simple and compact design, the new concept is especially suitable for rebuilds to increase the capacity by removing existing production bottlenecks, such as Yankee dryers or wet stacks. It is partially suitable for low cost fibers, such as recycled fibers and thus enables the development of new cost-competitive paper and board products.

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Product safety

The safety of Metso products is one of the key drivers in product development. Metso's product safety procedures consider all aspects relevant to the safe installation, operation, service and maintenance of the products.



Metso's products are designed to meet all the relevant standards, norms and directives in the respective delivery countries. Metso's products are delivered with the appropriate information and instructions to ensure safe operation service and maintenance. In addition, Metso offers a wide range of life cycle services to ensure that all the products in use will continue to meet existing and future requirements throughout their life cycle.

Life cycle assessment

The scope of life cycle assessments has expanded

We are continuously developing our competence in the lifecycle assessments of our products. A life cycle assessment is a tool to define the potential environmental impacts related to a product or service over its entire life cycle.

By developing life cycle assessments, we want to improve our customers' ability to monitor and reduce the environmental impacts of their processes. Our customers and other stakeholders are increasingly interested in the environmental assessments of our products and supply chain. This kind of knowledge is also needed by both Metso and our customers to be able to comply with future legislative requirements.

Life cycle assessments also give us an opportunity to produce totally new knowledge. As a developer of new technologies, we are able to assess solutions that have not yet been subjected to research.

Integrating the results to product development

After a pilot project in 2010, we broadened the assessments to cover more products, and we developed the methodology and expanded the scope of the assessments. In 2012, for example, we expanded the scope of assessments to novel technologies by assessing the waste gasification plant we built for Lahti Energy Ltd. Another example is the inclusion of occupational safety in the assessments. This is one of the steps of looking into possibilities of assessing social impacts in addition to environmental impacts. Overall, the scale of the assessed products has ranged from smaller automation systems to entire plants.

The main focus during 2012 has been on building life cycle assessment into our research and product development processes. The aim is to use the results of the assessments to identify the relevant areas for product development. By integrating life cycle thinking into our product development, we can further reduce the environmental impact of our products.

In addition to product development, the results of the life cycle assessments can be used for communication and marketing purposes. By providing fact-based information on our products' environmental performance, we also support our customers in communicating with their stakeholders.

In 2013, we will further expand the coverage of the life-cycle assessments to include more products. The main focus will continue to be on supporting our research and product development with information from the assessments. We will also further develop cooperation with our customers and other stakeholders in relation to life cycle assessments.

Case: Environmental impacts of a paper machine assessed

Since our Group-wide life cycle assessment (LCA) pilot project, we have completed the analysis of an entire paper machine. However, the first life cycle assessment regarding Metso's paper machines was conducted more than a decade ago.

The product now assessed is a papermaking line delivered in 2009. The analysis also covered some new concepts that were still in the development phase at the time. By studying the whole paper machine, we were able to form a comprehensive picture of the emissions created throughout its life cycle. The assessment covered the entire life cycle of a paper machine, from manufacturing to decommissioning. The lifetime of the paper machine was set to 30 years, however, it can be much longer - some equipment has been in use for over 50 years.

Based on the results of the assessment, the energy use during operation has the most significant impact on the environment over the life cycle of a paper machine. Over 98 percent of the emissions are created during the use stage. The press and forming sections consume the most of electricity, whereas the cylinder dryer section is the biggest consumer of thermal energy. Therefore, the key issues in reducing environmental impact are energy efficiency and the fuel used in producing energy. Maximizing the efficiency of the heat recovery system can also achieve substantial environmental benefits.

We will use the results of the assessment to consider various solutions - for example, process solutions, machine construction and maintenance - in order to further reduce the environmental impacts of paper machines and thereby our customers' operations.

Environmental impacts of own production

Our production facilities develop their environmental operations in accordance with our health, safety and environmental (HSE) policy. The policy states that we cooperate with our stakeholders to develop best practices and processes to improve the efficient and sustainable use of energy and materials as well as to prevent pollution. We comply with environmental legislation and are committed to the principles of sustainable development in accordance with the ICC (International Chamber of Commerce) Business Charter. We comply with the ISO 14001 standard in the development of products and operations and in risk management. We are continuously improving the environmental performance of our operations and the know-how of our personnel. 57% of our relevant operations are covered by ISO 14001 certification. Metso is aware of the global problem of increasing biodiversity loss. However, our activities at our units do not cause significant impacts on biodiversity.

Environmental reporting system

Our environmental reporting system is based on GRI core indicators and is used in all 96 (98) of our production facilities. Our ownership in the production facilities within the sphere of the system is at least 50 percent.

Data collection is carried out with a web-based reporting tool that all the units have access to. Each unit has a designated environmental representative and the reported data is approved by the unit manager. The collection of environmental data as well as its analysis is coordinated at the Group level. Metso's energy efficiency targets require that the energy data is reported quarterly along with the unit-specific energy indices. All other environmental data, e.g. materials use, waste and water consumption, are reported annually. However, we aim to develop our reporting and to move to the quarterly reporting of our environmental data.

The index for the following environmental indicators is proportioned to Metso's net sales. For comparison, the baseline given for 2008 is 100.

Environmental figures

More environmental data is available on www.metso.com.

ENVIRONMENTAL BALANCE SHEET					
	2008	2009	2010	2011	2012
MATERIALS					
Ferrous metals, 1,000t	243.611	151.834	230.771	259.363	217.335
Non-ferrous metals, 1,000t	7.272	4.166	4.259	7.347	7.116
Paints, 1,000t	1.228	1.023	0.722	1.06	1.08
Solvents, 1,000t	0.848	0.5	0.43	0.60	0.61
Recycled materials, 1,000t	94.737	66.586	101.613	94.478	78.511
Cardboard, 1,000t	0.135	0.135	0.619	0.695	0.624
Wood, 1,000t	4.048	4.784	6.095	7.723	8.982
Paper, 1,000t	0.013	0.018	0.022	0.036	0.081
Plastics, 1,000t	0.078	0.054	0.252	0.271	0.195
ENERGY AND WATER					
ENERGY					
Electricity, TJ	1.831.56	1.489.67	1.733.94	1.786.97	1.644.07
District heat, TJ	574.37	546.05	747.09	560.00	549.69
Steam, TJ	43.78	63.21	98.3	95.54	74.89
Natural gas, TJ	786.55	716.02	825.39	870.64	840.06
Coal, TJ	404.24	300.71	198.83	120.32	66.26
Heavy fuel oil (HFO), TJ	194.91	177.04	32.21	13.59	11.25
Light fuel oil (LFO), TJ	79.53	56.68	64.46	50.53	29.28
Diesel, TJ	38.42	28.75	35.85	47.18	38.89
Gasoline, TJ	3.6	6.07	5.98	2.92	3.92
Liquified petroleum gas (LPG), TJ	51.8	54.74	73.3	73.96	81.73
WATER					
Water consumption, m3	1.814.4	1.485.0	1.844.4	1584.5	1286.8
AIR EMISSIONS					
CO ₂ , 1,000t	314.943	265.154	290.579	274.691	250.569
VOC, 1,000t	0.547	0.406	0.394	0.419	0.437
ENVIRONMENTAL BALANCE SHEET					
WASTE					
Hazardous, 1,000t	8.07	4.81	6.75	7.68	7.24
Non-hazardous, 1,000t	116.244	80.289	93.408	108.871	94.093

Emissions to air

In 2012, our carbon dioxide emissions totaled 250,569 (274,691) tons. This includes CO₂ emissions from our direct and indirect energy use (Scope 1 and 2). We reduced CO₂ emissions rising from our own operations by 9%. About 74 percent of our CO₂ emissions are created indirectly when purchased electricity, steam and district heat are produced elsewhere. In absolute terms, total CO₂ emissions have decreased, mostly due to decreased energy consumption. Our production has also become more energy efficient, which can be seen in a decreasing CO₂ emissions index.

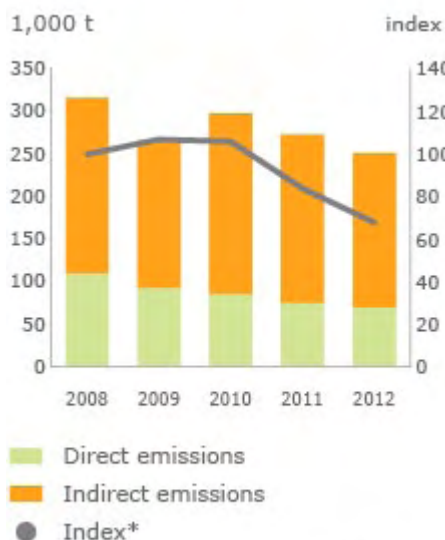
Emissions arising from business travel

Metso operates in more than 50 countries and has customers in over 140 countries. Business travel is an essential part of our business. According to our travel policy, Metso is striving to reduce its need for business travel by providing video conference equipment, in addition to possibilities to hold a web or telephone conference. Metso's travel policy also states that Metso's travel decisions should support environmentally friendly options whenever it is also economically feasible.

Metso currently monitors and reports Scope 3 emissions arising from business travel in Finland, Sweden and North America, which totals 38,2 thousand CO₂ tons in 2012 and accounts for 50% of Metso's work force. In other countries where we operate, the business travel data is monitored, but not systematically. During 2013, we will continue to develop our reporting system and processes and will strive to start more comprehensive reporting of Scope 3 emissions data. Metso increased its net sales by 13% in 2012, while at the same time its business has grown and so has the need for travel.

Most of our VOC emissions are created during the use of solvent-based chemicals in foundry and painting processes and in washing components. In 2012, our VOC emissions were 437 (419) tons. The VOC total and the VOC emissions index should only be used as a guideline, as the figure is not comprehensive for all Metso production units.

CO₂ emissions



*The index is proportioned to Metso's net sales. For comparison, the reference year is 2008 = 100 index value

VOC emissions

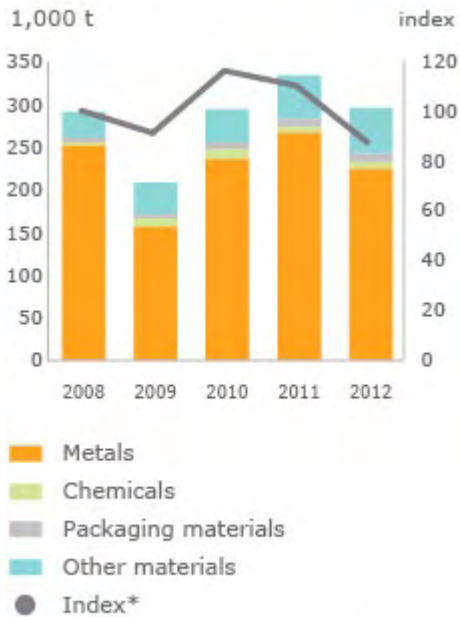


*The index is proportioned to Metso's net sales. For comparison, the reference year is 2008 = 100 index value

Materials

A large amount of the materials we use in our production are recyclable metals. In 2012, we used 224,451 (266,710) tons of metals, of which ferrous metals constituted approximately 97 percent. Other materials include chemicals and different packaging materials. Total materials use for Metso in 2012 was 295,852 (334,081) tons. We reduced 11 percent of our material use in 2012.

Materials use



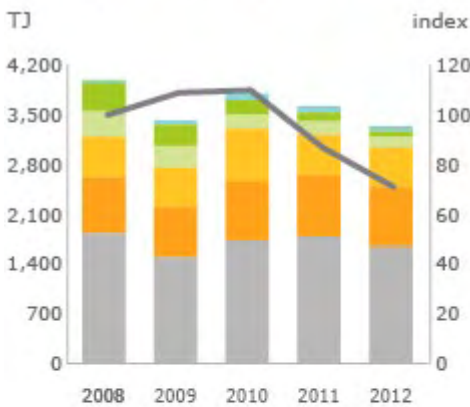
*The index is proportioned to Metso's net sales. For comparison, the reference year is 2008 = 100 index value

Energy

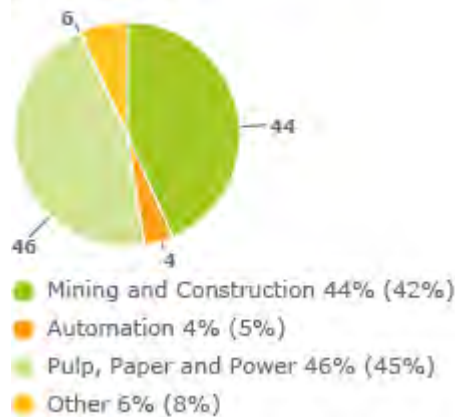
Some of Metso's production processes are energy intensive, e.g. iron and steel foundries. The majority of our energy consumption comes from indirect energy sources (electricity, district heat and steam), whereas natural gas is the major component of our direct energy consumption. The distribution of energy consumption among Metso's segments can be seen in the graph. Finland had the highest energy consumption, accounting for 40 percent of Metso's total energy consumption. In 2012, our energy consumption was 3,340 (3,621) TJ. The figure does not include the fuels used in transportation and vehicles, nor does it include employee travel and transportation. The figure representing oil in the energy consumption graph includes data for diesel, gasoline, heavy fuel oil, light fuel oil and liquefied petroleum gas consumption.

Only two of our units use coal in production. Metso's total coal consumption decreased by 45 percent compared to 2011, due to the full deployment of actions made in 2010 and 2011. Metso's district heat consumption also decreased slightly, due to warm autumn weather. The total energy consumption at Metso decreased approximately 8% compared to 2011. In accordance with Metso's energy efficiency program, the development of the energy index shows that Metso's production was more energy efficient in 2012 compared to 2011.

Energy consumption



Energy consumption per segment



- Electricity
- Natural gas
- District heat
- Oil
- Coal
- Steam
- Energy consumption index*

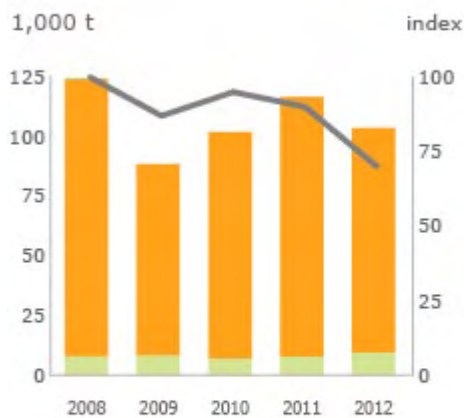
*The index is proportioned to Metso's net sales. For comparison, the reference year is 2008 = 100 index value

Waste

In 2012, we set a target to reduce the amount of waste in our own operations by 15% by 2020. During 2013, we have plans to improve the relevant metrics and data collection frequency related to waste data.

The waste at our operating sites includes metal, wood, cardboard, paper, municipal waste and foundry sand. The waste is reported as hazardous and non-hazardous waste and according to its treatment. Waste is recycled in compliance with local regulations and whenever possible. In 2012, our operations generated a total of 101,336 (116,551) tons of waste, of which 54 % (44%) was recycled. Hazardous waste is delivered to hazardous waste disposal facilities and includes substances such as oils, cutting fluids and paints. About 7,243 (7,680) tons of hazardous waste was generated. We decreased our annual waste by 13% in 2012.

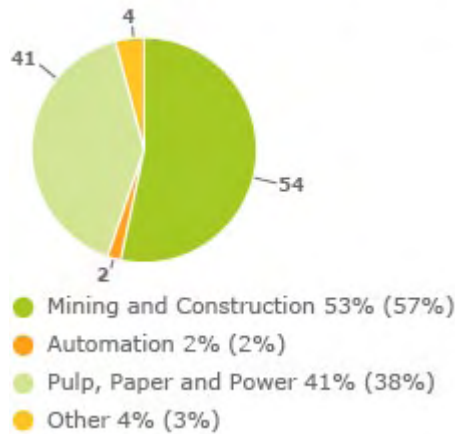
Annual waste / net sales



- Hazardous waste, 1,000 t
- Non-hazardous waste, 1,000 t
- Index, waste/net sales*

*The index is proportioned to Metso's net sales. For comparison, the reference year is 2008 = 100 index value

Annual waste per segment



Water

We use water for catering and sanitation purposes as well as for cooling purposes at our foundries. In 2012, our water consumption was 1,286,825 (1,584,491) m³, from which our municipal water use was 1,212,966 m³. In 2012, we further developed our water reporting and we are aiming to report also our water use without discharges, e.g. clean cooling water. Discharges to water are minor and not considered relevant to Metso's production operations. The modified water reporting indicators are still under development and hence not reported here, as the total figures are not yet comprehensive for all of Metso's production units.

In 2012, we set a target to reduce the water usage in our own operations by 15% by 2020. During 2013, we have plans to improve the relevant metrics and data collection frequency related to water data. In 2012 we reduced our water use by 19%.

Metso's production in water-stressed areas

Metso operates in over 50 countries around the world, including in areas that are water stressed. In 2012, 43 Metso's production units, totaling 42% of Metso's production globally, were located in water-stressed areas.

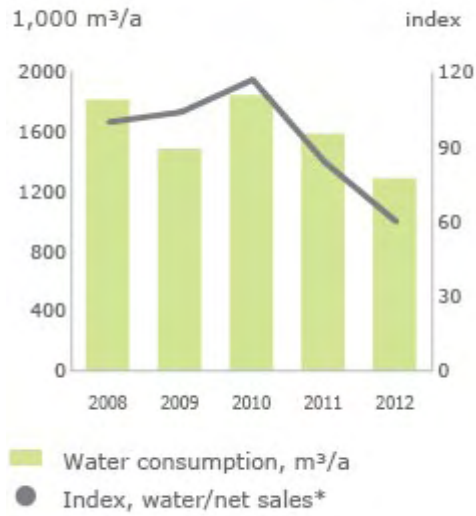
Metso's three largest water-consuming plants in water-stressed areas are located in China, India and South Africa, where Metso has initiated various actions to reduce the usage of water. For example, Metso's production unit in Xian, China, has decreased the external sale of steam, investigated leakages and repaired them. Metso's production site in India, Metso Park, is taking steps to reduce its water consumption. The site has its own sewage treatment plant, where it cleans its sewage water. The site also has a rain water collection reservoir and purification tank, where the production site cleans the rain water for use as drinking water. Metso's production site in Isithebe, South Africa, has investigated and searched all of its cooling systems for leakages and has added meters to monitor water usage more carefully.

Waste water management

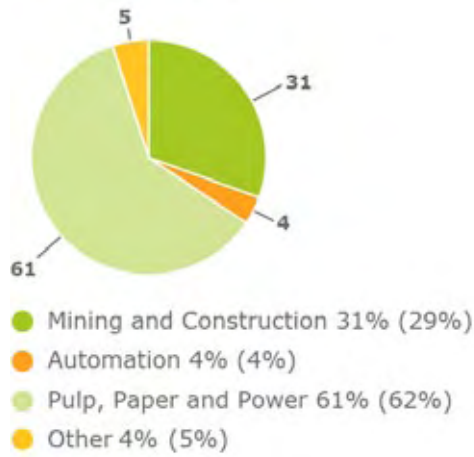
Metso reports its water usage data at the Group level annually and more frequently at the local level. Metso has set a goal to reduce its water consumption by 15% by 2020; this will also reduce the amount of waste water generated. Our water management work will concentrate on the sites with high consumption, but all production sites will participate in our water conservation targets.

Metso also monitors different waste water components, where necessary for environmental reasons. Based on each location's unique needs, several other local metrics may be monitored and reported at the local level. To reduce the waste water generated in our production, we started sharing best practices between Metso's production units back in 2010.

Water consumption/ net sales



Water consumption per segment



*The index is proportioned to Metso's net sales. For comparison, the reference year is 2008 = 100 index value

Reporting principles

Sustainable development is reflected in our daily work through overall management, including our business ethics and Code of Conduct, risk management, human resources, and health, safety and environmental work. Important subjects, such as compliance with laws and regulations, human rights, equal opportunities and non-discrimination, safety, sponsorship and the protection of the environment, are explained in more detail in Metso's Code of Conduct and apply to all Metso employees. Metso's sustainability work is based on strategy, policies, targets and objectives, as well as performance indicators set at the Group level and implemented in our operating units globally.

This year's Metso's Sustainability Report (i.e. Sustainability section in the Annual Report) consists of eight sections. The first section describes Metso's approach to sustainable business operations, our focus areas and our sustainability strategy, as well as highlights of our key themes and data for 2012. The second section focuses on Metso's sustainability management, including general operating principles. Metso people's key themes are presented in the third section of the report. Metso's corporate citizenship frameworks, including sponsorships and donations as well as community involvement projects are available in the fourth section. The fifth section focuses on Metso's health, safety and environment (HSE) issues, including policy and development projects, the energy efficiency program, product sustainability issues and Metso's HSE data, as well as highlights of 2012. The sixth section includes Metso's reporting principles; and the GRI and Global Compact index are presented in the seventh section of the report. The independent assurance report is available in section eight of the report.

Metso has been reporting sustainability goals and principles since 2002. Metso publishes its sustainability data annually and the reporting period is the financial year, i.e. January 1 to December 31. Metso's sustainability data for 2012 can be found in the Sustainability section of our Annual Report 2012. The other sections of the Annual Report serve as supplementary sustainability information.

Metso's sustainability reporting in 2012 is based on the core indicators of the Global Reporting Initiative's updated (GRI) G3.1 Guidelines. The Global Reporting Initiative is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework, which is under continuous improvement and is applied worldwide. We have selected the indicators from the G3.1 Guidelines that are most relevant to Metso in terms of our operations, products and stakeholders. We have self-declared our reporting to be Application Level B+ of the GRI G3.1 Guidelines.

The essential focus areas of sustainability for 2012 are illustrated in the materiality matrix in the Sustainability section of our Annual Report 2012. These focus areas have been carefully analyzed and selected by management representatives together with our sustainability team. The material themes have been identified also based on our encounters with different stakeholder groups.

Metso develops its Group-wide reporting and the scope of its sustainability monitoring actively and in cooperation with its stakeholders. Sustainability indices and raters, e.g., are driving companies' reporting performance forward by developing the indices and the complexity of the questions for global companies. Also non-governmental organizations (NGOs) along with society in general are demanding more transparency from business actors globally. In addition, Metso's internal stakeholders' dialogue is increasing on a global scale. Through active cooperation with all of Metso's stakeholders, we strive to create a more transparent and interactive platform for further cooperation and reporting structures.

The quantitative sustainability performance data in the Annual Report has been externally assured by PricewaterhouseCoopers Oy. PricewaterhouseCoopers Oy has also checked our reporting against GRI guidelines and has confirmed it to be Application Level B+ of the GRI G3.1 Guidelines. A comparison of Annual Report's sustainability content against the G3.1 Guidelines and the UN Global Compact initiative is presented in the Sustainability Report's section containing [the GRI and Global Compact Index](#).

Scope of our reporting

The scope of our reporting is the Metso Group, unless otherwise stated. Reporting excludes associated companies, joint ventures or companies that are our suppliers. The sustainability data is commonly presented at the Group or segment level. Any other division of the data reported is noted separately.

Metso's previous Annual Report with sustainability data was published in March 2012. Metso's sustainability performance in 2012 should be read together with other sections of the Annual Report 2012. Additional sustainability information can be found on our website, [Sustainability in Metso](#).

We present the comparable figures for 2011 in parentheses. Wherever the data for 2011 has been changed, it is indicated with a separate note.

Financial reporting

In our financial reporting, we follow the International Financial Reporting Standards (IFRS). Our financial reporting system data covers all Metso units. Each unit submits its financial report to the Group-wide reporting application, and the data is consolidated, validated and analyzed at both the reporting segment and corporate levels. Figures describing economic responsibility, excluding procurement data, are based on accounting and audited financial statements. Procurement data is unaudited. Purchases in the [table describing the value added by stakeholder group](#) have been derived from the reported numbers. To a certain extent, total purchases may include also other expense items. The purchases by country data has been collected separately from reporting units and the "by country division" is defined as the location of the supplier's domicile.

Sponsorship and donation expenditure data are collected annually from the relevant Metso units.

Health, safety and environmental reporting

The environmental data is collected according to the GRI G3.1 indicators and according to what we see as material to our business. The environmental data is collected from all our production facilities, which includes 96 (97) of our units. Along with Metso's energy-efficiency targets, the energy data is reported quarterly and all other environmental data annually. Data collection is carried out using a web-based reporting tool and the reported data is approved by the unit manager. At the corporate level, the data is consolidated, validated and analyzed. The data is used e.g. as an environmental risk management tool, for planning operational improvements and as a base for the Metso energy-efficiency program. As a result of our constant development work in our environmental reporting, the revision of estimates and some errors found, we have made several changes to our historical data.

Reporting of environmental expenses and responsibilities is based on the Finnish Accounting Act. Data related to our research and development activities is collected from our research and development units every six months. This is accomplished through a reporting chain that includes management at the unit, business line, segment and corporate level. Our reporting segments are responsible for the accuracy of the figures, after which the data is consolidated at the corporate level.

Our CO₂ emissions are calculated according to the principles of the GHG protocol. Metso's health and safety (HS) data is collected from all worldwide locations and covers 95 percent of Metso's operations. Data is managed and reported by each business line's HSE Manager. The Metso-level report is collected by the General Manager of HSE.

In 2012, Metso continued implementation of a worldwide health and safety data reporting system, the HSE Monitor, which enables further improvement of HSE reporting. The 'Lost-time incident factor' has been calculated based on incidents resulting in one or more days of absence and the estimated hours worked. The factor is calculated per million hours worked.

Reporting personnel data

Metso HR management is responsible for collecting and reporting personnel data with the help of HR Services, our internal support function established in 2010. The data covers the entire Metso Group. The personnel and wages data published in the financial statements is obtained in conjunction with financial reporting and managed by Metso's reporting specialists in a Group-wide database. In 2010, Metso began implementing a global HR information system. The implementation was completed in 2012 and the system now covers 97% of all Metso personnel. Our global HR system allows access to versatile and more comparable HR data globally. This data is uploaded to our reporting system for the annual reporting purposes. Together with harmonized global HR reporting principles that were introduced in 2011 we have reached excellent data quality for our personnel related reporting. The HR data reported in our Annual Report 2012 covers all of Metso, including the small units (3% of personnel) that are not covered by the global SAP HR system.

GRI and Global Compact Index

Comparison with Global Reporting Initiative guidelines and Global Compact principles.

Status

 Fully reported (F)

 Partly reported (P)

 Not reported (N)

AR = Annual Report 2012

GC = Global Compact

GRI G3.1 guidelines

Code	Content	Status	Online Annual Report 2012	Comments/Remarks
Profile				
1. Strategy and Analysis				
1.1.	The CEO's statement	F	<u>From the CEO</u>	
1.2.	Key impacts, risks and opportunities	F	<u>Sustainability at Metso, climate change, Metso sustainability statement, Sustainability is part of Metso's strategy, Sustainability targets and achievements, Financial targets and achievements, Strategy in action</u>	www.metso.com/risks
2. Organizational Profile				
2.1.	Name of the organization	F	<u>This is Metso, Essential Metso</u>	
2.2.	Primary brands, products and services	F	<u>This is Metso, Strategic must wins, Customer industries, Metso's businesses</u>	
2.3.	Operational structure	F	<u>This is Metso, Metso's businesses, Corporate governance</u>	
2.4.	Location of organization's headquarters	F	<u>This is Metso, Contact information</u>	

2.5.	Number of countries and location of operations	F	This is Metso , Global presence , Geographical key figures , Strategic must wins	
2.6.	Nature of ownership and legal form	F	Metso Financial statements 2012 .	Available in our Financial Statements, on the page 68-69 in the PDF-file. www.metso.com > Top shareholders
2.7.	Markets served	F	This is Metso , Global presence , Strategic must wins , Geographical key figure	
2.8.	Scale of reporting organization	F	This is Metso , Reporting principles , Group key figures	
2.9.	Significant changes	F	Reporting principles	
2.10.	Awards received in the reporting period	F	Sustainability indices	
3. Report Parameters				
3.1.	Reporting period	F	Reporting principles	
3.2.	Date of most recent previous report	F	Reporting principles	
3.3.	Reporting cycle	F	Reporting principles	
3.4.	Contact point for questions	F	Contact information	
Report Scope and Boundary				
3.5.	Process for defining report content	F	Sustainability management , Reporting principles , Prosperity for our stakeholders , Metso People , Corporate citizenship	
3.6.	Boundary of the report	F	Reporting principles	
3.7.	Limitations on the report's scope or boundary	F	Reporting principles	
3.8.	Basis for reporting subsidiaries and joint ventures	F	Reporting principles	
3.9.	Data measurement techniques and bases of calculations	F	Reporting principles	
3.10.	Explanations of re-statements	F	Reporting principles	
3.11.	Significant changes from previous reporting periods	F	Reporting principles	
3.12.	GRI content index	F	GRI content index	
3.13.	Assurance policy and practice	F	Reporting principles , Independent assurance report	

Code	Content	Status	Online Annual Report 2012	Comments/Remarks
4. Governance, Commitments and Engagement				
Governance				
4.1.	Governance structure	F	<u>Corporate Governance</u>	Corporate Governance Statement www.metso.com/governance
4.2.	Position of the Chairman of the Board	F	<u>Corporate Governance</u>	Corporate Governance Statement www.metso.com/governance
4.3.	Independence of the Board members	F	<u>Corporate Governance</u>	Corporate Governance Statement www.metso.com/governance
4.4.	Mechanisms for shareholder and employee consultation	F	<u>Human resources management, Corporate Governance</u>	
4.5.	Executive compensation and linkage to organization's performance	F	<u>Corporate Governance</u>	Management compensation are not directly linked to HSE indicators. Corporate Governance Statement www.metso.com/governance
4.6.	Processes for avoiding conflicts of interest	F	<u>General operating principles, Corporate Governance</u>	Follows corporate governance code, Corporate Governance Statement www.metso.com/governance
4.7.	Process for determining expertise	F	<u>Corporate Governance, General operating principles</u>	Follows corporate governance code and Metso's equal opportunity and diversity policy, Corporate Governance www.metso.com/governance
4.8.	Implementation of mission and values statements; code of conduct	F	<u>Management model, General operating principles, Metso sustainability statement</u>	www.metso.com Code of Conduct, Values
4.9.	Procedures of the Board for overseeing management of economic, environmental, and social performance, risk management and compliance with internationally agreed standards and principles.	F	<u>Management model, Risk and risk management, Corporate Governance</u>	Corporate Governance Statement www.metso.com/governance
4.10.	Processes for evaluating the Board's performance	F	<u>Corporate Governance</u>	Follows corporate governance code, Corporate Governance Statement www.metso.com/governance
Commitments to External Initiatives				
4.11.	Precautionary principle	F	<u>HSE management, Risk and risk management, Corporate Governance</u>	Corporate Governance Statement www.metso.com/governance , Risks and risk management www.metso.com/risks
4.12.	Voluntary charters and other initiatives	F	<u>General operating principles</u>	
4.13.	Memberships in associations	F	<u>Stakeholder dialogue/ Memberships in organizations</u>	

Code	Content	Status	Online Annual Report 2012	Comments/Remarks
Stakeholder Engagement				
4.14.	List of stakeholder groups	F	Stakeholder dialogue	
4.15.	Identification and selection of stakeholders	F	Stakeholder dialogue , Sustainability management , Corporate citizenship	Metso has identified its key stakeholders through sustainability materiality process.
4.16.	Approaches to stakeholder engagement	F	Stakeholder dialogue , Investor information , Strategic must wins	Read also from our Sustainability report cases
4.17.	Key topics raised through stakeholder engagement	F	Sustainability management , Stakeholder dialogue	
5. Management Approach and Performance Indicators				
	Economic management approach	F	Management model , Sustainability targets and achievements , Financial targets and achievements	
	Environmental management approach	F	Management model , HSE management , HSE targets and results , Sustainability targets and achievements	
	Social management approach	F	Management model , HSE management , Human resources management , Sponsorships and donations , Strategic must wins , Sustainability targets and achievements	
	Human rights approach	F	Sustainability at Metso , Sustainability management , General operating principles	
	Society approach	F	Sustainability at Metso , Sustainability management , Corporate citizenship	
	Product responsibility approach	F	Sustainability at Metso , Sustainability management , Sponsorships and donations , Product sustainability	
Economic Performance Indicators				
EC1	Economic value generated and distributed	F	Prosperity for our stakeholders	

Code	Content	Status	Online Annual Report 2012	Comments/Remarks
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	F	<u>Sustainability risks and opportunities</u> , <u>Climate change</u> , <u>Strategic must wins</u> , <u>Risk and risk management</u>	www.metso.com/risks
EC3	Coverage of the organization's defined benefit plan obligations	P	<u>Human resources management</u> , <u>Performance</u> , <u>Corporate governance</u> , <u>Financial statement</u>	
EC4	Significant financial assistance received from government	P	<u>Financial statement</u>	
EC5	Entry-level wage compared to minimum wage	P	<u>Wages and salaries</u> , <u>Personnel structure</u>	
EC6	Spending on local suppliers	P	<u>Sustainable supply chain</u> , <u>Prosperity for our stakeholders</u>	
EC7	Local hiring and proportion of senior management hired from the local community at locations of significant operation	N		
EC8	Infrastructure investments provided for public benefit	P	<u>Corporate citizenship</u> , <u>Global presence</u>	Community involvement cases
EC9	Significant indirect economic impacts	P	<u>Global presence</u> , <u>Prosperity for our stakeholders</u>	
Environmental Performance Indicators				
EN1	Materials used by weight or volume	F	<u>Material use</u> , <u>Environmental figures</u> , <u>Environmental impacts of our own production</u>	
EN2	Recycled materials used	P	<u>Material use</u> , <u>Environmental figures</u>	Recycled materials use is part of our environmental reporting. However, the data obtained is not yet comprehensive for all Metso production units and hence not included in this report.
EN3	Direct energy consumption	F	<u>Energy</u> , <u>Environmental figures</u> , <u>Environmental impacts of our own production</u> , <u>Energy efficiency program</u>	
EN4	Indirect energy consumption	P	<u>Energy</u> , <u>Environmental figures</u> , <u>Environmental impacts of our own production</u> , <u>Energy efficiency program</u>	

Code	Content	Status	Online Annual Report 2012	Comments/Remarks
EN5	Energy saved due to conservation and efficiency improvements	F	Energy efficiency program, Highlights of 2012 energy program	
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services	F	Strategic must wins, Innovation	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	P	Energy efficiency program	Energy efficiency is part of our environmental reporting. However, any absolute figure at the Group level showing reductions in indirect energy consumption cannot yet be obtained and hence is not included in this report.
EN8	Total water withdrawal	P	Water	Metso reports water consumption from all production facilities.
EN9	Water sources significantly affected	N		
EN10	Percentage and total volume of water recycled and reused	N		Total volume of water recycled is part of our environmental reporting. However, the data obtained is not yet comprehensive for all Metso production units and hence not included in this report.
EN11	Location and size of land holdings in biodiversity-rich habitats	N		Metso is aware of the global problem of increasing biodiversity loss. However, our activities at our units do not cause significant impacts on biodiversity.
EN12	Description of significant impacts of activities, products, and services on biodiversity	N		Metso is aware of the global problem of increasing biodiversity loss. However, our activities at our units do not cause significant impacts on biodiversity.
EN13	Habitats protected or restored	N		Metso is aware of the global problem of increasing biodiversity loss. However, our activities at our units do not cause significant impacts on biodiversity.
EN14	Managing impacts on biodiversity	N		Metso is aware of the global problem of increasing biodiversity loss. However, our activities at our units do not cause significant impacts on biodiversity.
EN15	Species with extinction risk with habitats in areas affected by operations	N		Metso is aware of the global problem of increasing biodiversity loss. However, our activities at our units do not cause significant impacts on biodiversity.
EN16	Total direct and indirect greenhouse gas emissions by weight	F	Emissions to air, Environmental figures	
EN17	Other relevant indirect greenhouse gas emissions	F	Environmental impacts of our own production,	

Code	Content	Status	Online Annual Report 2012	Comments/Remarks
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	P	Energy efficiency program , Highlights of the energy program , Emissions to air	
EN19	Emissions of ozone-depleting substances	N		Emissions of ozone-depleting substances from Metso's operations are minor and not considered relevant to Metso's productions.
EN20	SOx, NOx and other significant air emissions	F	Emissions to air , Environmental figures	SOx and NOx emissions are included in our environmental reporting. However, these emissions resulting from Metso's operations are minor and not considered relevant to Metso's productions. VOC emissions are reported.
EN21	Total water discharge	N		BOD, COD and TSS are included in our environmental reporting. However, these discharges resulting from Metso's operations are minor and not considered relevant to Metso's productions.
EN22	Total amount of waste	F	Waste , Environmental figures	
EN23	Significant spills	F		No significant spills were found in 2012
EN24	Transported, imported, exported or treated hazardous waste	P	Waste , Environmental figures	The total amount of hazardous waste can be found in the Environmental impacts of own production section.
EN25	Water bodies and habitats affected by discharges of water	N		BOD, COD and TSS are included in our environmental reporting as well as any negative effects these might have on the environment. However, these discharges resulting from Metso's operations are minor and not considered relevant to Metso's productions.
EN26	Mitigating environmental impacts of products and services	F	Product sustainability , Life cycle assessment , Product safety , Strategic must wins , Segment key figures	Product sustainability cases
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	P		Many parts of Metso's products are made of recycled steel and many products are also recyclable at end of life.
EN28	Significant fines and sanctions for non-compliance with environmental regulations	F		No significant non-compliance cases were reported in 2012

Code	Content	Status	Online Annual Report 2012	Comments/Remarks
EN29	Environmental impacts on transportation	N		At present, this information is not collected at the Group level. However, this is planned to be done in the future.
EN30	Total environmental protection expenditures and investments	P	<u>HSE management, HSE, Environmental impacts of our own production</u>	
GC 7	Support for precautionary approach to environmental challenges	F	<u>HSE management, General operating principles</u>	<u>Included in Metso's Code of Conduct www.metso.com</u>
GC 8	Initiatives to promote greater environmental responsibility	F	<u>Life cycle assessment, Environmental impacts of a paper machine assessed, Innovation, HSE management, Sustainability management, Replacing fossil fuels, Extracting lignin, Gasification of waste, Product safety, General operating principles</u>	<u>Included in Metso's Code of Conduct www.metso.com</u>
GC 9	Development and diffusion of environmentally friendly technologies	F	<u>Life cycle assessment, Innovation, Strategic must wins, Segment key figures,</u>	<u>Included in Metso's Code of Conduct www.metso.com</u>
Social Performance Indicators				
LA1	Breakdown of workforce	F	<u>Personnel structure</u>	
LA2	Breakdown of employee turnover and new employee hires	P	<u>Personnel structure, Changes in personnel structure</u>	
LA3	Employee benefits	P	<u>Human resources management</u>	
LA4	Coverage of collective bargaining activities	P	<u>Human resources management, General operating principles</u>	Metso does not track the degree of employee organization on Group level. However, the recognition of the right to collective bargaining is included in the Metso Code of Conduct.
LA5	Minimum notice period regarding operational changes	F		Metso complies with national legislation.
LA6	Representation in joint management-worker health and safety committees	P	<u>Human resources management, HSE management</u>	

Code	Content	Status	Online Annual Report 2012	Comments/Remarks
LA7	Rates of injury, occupational diseases, lost days, absenteeism and fatalities	P	<u>HSE targets and results</u> , <u>Sustainability highlights 2012</u> , <u>People summary</u>	
LA8	Education and prevention programs regarding serious diseases	N		This topic is not coordinated at the Group level.
LA9	Health and safety topics covered in formal agreements with trade unions	N		This topic is not coordinated at the Group level.
LA10	Average hours of training per year per employee by employee category	N		
LA11	Programs for skills management	F	<u>Learning and development</u>	
LA12	Employees receiving regular performance and career development reviews	P	<u>Learning and development</u>	
LA13	Composition of governance bodies and breakdown of employees	F	<u>Human resources management</u> , <u>Personnel structure</u> , <u>Board of directors</u> , <u>Executive team</u>	
LA14	Ratio of basic salary and remuneration of men to women	N		We do not engage in or tolerate discrimination based on gender. This data is not collected
GC 3	Freedom of association and the effective recognition of the right to collective bargaining	F	<u>Human resources management</u>	<u>Included in Metso's Code of Conduct www.metso.com</u>
GC 4	Elimination of all forms of forced and compulsory labor	F	<u>Human resources management</u>	<u>Included in Metso's Code of Conduct www.metso.com</u>
GC 5	Effective abolition of child labor	F	<u>Human resources management</u>	Included in Metso's Code of Conduct www.metso.com
GC 6	Elimination of discrimination in respect of employment and occupation	F	<u>Human resources management</u>	Included in Metso's Code of Conduct www.metso.com
Human Rights				
HR1	Investment agreements and contracts that include human rights clauses	P	<u>General operating principles</u>	Included in Metso's Code of Conduct www.metso.com

Code	Content	Status	Online Annual Report 2012	Comments/Remarks
HR2	Significant suppliers and contractors that have undergone human rights screening	P	<u>Sustainable supply chain</u>	The most significant suppliers are informed of Metso's Code of Conduct, which includes human rights issues, through Metso's Sustainable Supplier Criteria.
HR3	Employee training on policies and procedures concerning aspects of human rights	P	<u>General operating principles</u>	<u>Included in Metso's Code of Conduct www.metso.com</u>
HR4	Incidents of discrimination and actions taken	F		No incidents of discrimination were reported in 2012
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be at risk	P		<u>Included in Metso's Code of Conduct www.metso.com</u>
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor	P	<u>Sustainable supply chain</u>	<u>Included in Metso's Code of Conduct www.metso.com</u> supplier sustainability criteria. Based on conducted audits, no risk of child labour have been found in Metso's operations and significant suppliers.
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor	P	<u>Sustainable supply chain</u>	<u>Included in Metso's Code of Conduct www.metso.com</u> and supplier sustainability criteria. Based on conducted audits, no risk of child labour have been found in Metso's operations and significant suppliers.
HR8	Human rights-related training for security personnel	P		<u>Included in Metso's Code of Conduct www.metso.com</u>
HR9	Incidents of violations involving rights of indigenous people and actions taken	F		No incidents were reported in 2012
GC 1	Support for the protection of internationally proclaimed human rights	F	<u>General operating principles, Human resources management</u>	<u>Included in Metso's Code of Conduct www.metso.com</u>
GC 2	Certainty of not being complicit in human rights abuses	F		<u>Included in Metso's Code of Conduct www.metso.com</u>

Code	Content	Status	Online Annual Report 2012	Comments/Remarks
Society				
SO1	Operations with implemented local community engagement, impact assessments and development programs	P	Community involvement cases	
SO2	Number of business units analyzed for risks related to corruption	F	<u>Corporate governance, Risk and risk management</u>	Corporate Governance Statement www.metso.com/governance , Risks and risk management www.metso.com/risks
SO3	Employees trained in organization's anti-corruption policies	P	<u>General operating principles</u>	
SO4	Actions taken in response to incidents of corruption	F	<u>Corporate governance, Sustainability auditing and assurance</u>	<u>Included in Metso's Code of Conduct www.metso.com</u> . No incidents of corruption were reported in 2012
SO5	Public policy positions and participation in public policy development and lobbying	P	<u>Memberships in organizations, General operating principles</u>	
SO6	add. Contributions to political parties, politicians and related institutions	F	<u>General operating principles, Sponsorships and donations</u>	Metso does not make political contributions.
SO7	add. Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	F		<u>Included in Metso's Code of Conduct www.metso.com</u> . No incidents of corruption were reported in 2012
SO8	Fines and sanctions for non-compliance with laws and regulations	F		<u>Included in Metso's Code of Conduct www.metso.com</u> . No incidents of corruption were reported in 2012
GC 10	Work against corruption in all its forms, including extortion and bribery	F	<u>General operating principles, Sustainability auditing and assurance</u>	<u>Included in Metso's Code of Conduct www.metso.com</u> and Metso Global Anti-Corruption Policy. Any incidents can be reported anonymously through Metso's Whistleblower.
Product Responsibility				
PR1	Life cycle stages in which health and safety impacts of products are assessed	P	<u>Product sustainability, Life cycle assessment, Product safety</u>	
PR2	Non-compliance with regulations concerning health and safety impacts of products	F	<u>Product sustainability, Product safety, Financial statement</u>	No cases of compliance regarding product or services reported in 2012, however Metso has old pending asbestos claims and lawsuits within the United States.

Code	Content	Status	Online Annual Report 2012	Comments/Remarks
PR3	Type of product and service information required by procedures	N		
PR4	Non-compliance with regulations concerning product and service information and labeling	F	<u>Product safety</u>	No cases of non-compliance were reported in 2012
PR5	Practices related to customer satisfaction	P	<u>Stakeholder dialogue</u>	Regular feedback through our comprehensive sales and service network.
PR6	Adherence to marketing communications laws, standards and voluntary codes	P	<u>Sponsorships and donations, Investor information</u>	Corporate Governance Statement www.metso.com/governance
PR7	Non-compliance with regulations and voluntary codes concerning marketing communications	F		No cases of non-compliance were reported in 2012
PR8	Complaints regarding breaches of customer privacy	F		No complaints were reported in 2012
PR9	Fines for non-compliance concerning the provision and use of products and services	F		No cases were reported in 2012

Independent Assurance Report

To the Management of Metso Corporation

We have been engaged by the Management of Metso Corporation to perform a limited assurance engagement on the quantitative information on economic, social and environmental responsibility for the reporting period of January 1, 2012 to December 31, 2012, disclosed in Metso Corporation's Annual Report 2012 on Metso Corporation's website (hereinafter "Sustainability Reporting").

The scope of the Sustainability Reporting covers Metso Group.

Management's responsibility

The Management of Metso Corporation is responsible for preparing the Sustainability Reporting in accordance with the Reporting criteria as set out in Metso Corporation's reporting instructions and the Sustainability Reporting Guidelines of the Global Reporting Initiative (version 3.1).

Practitioner's responsibility

Our responsibility is to express a conclusion on the Sustainability Reporting based on our work performed. Our assurance report has been made in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Metso Corporation for our work, for this report, or for the conclusions that we have reached.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that cause us to believe that the Sustainability Reporting has not been prepared, in all material respects, in accordance with the Reporting criteria.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other disclosures in the Sustainability Reporting. The procedures selected depend on the practitioner's judgement, including an assessment of the risks of material misstatement of the Sustainability Reporting. Our work consisted of, amongst others, the following procedures:

- Interviewing senior management of Metso Corporation.
- Visiting Metso Corporation's Head Office as well as six production units in Canada, Finland, Portugal and Sweden.
- Interviewing employees responsible for collection and reporting of the information presented in the Sustainability Reporting at Metso Group level and at the different production units where our visits took place.
- Assessing how Metso Group employees apply Metso Corporation's reporting instructions and procedures.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.
- Testing the consolidation of information and performing recalculations on a sample basis.

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the Sustainability Reporting has not been prepared, in all material respects, in accordance with the Reporting criteria. Our assurance report should be read in conjunction with the inherent limitations of accuracy and completeness for sustainability information. This independent assurance report should not be used on its own as a basis for interpreting Metso Corporation's performance in relation to its principles of sustainability.

Helsinki, 4 March 2013

PricewaterhouseCoopers Oy

Sirpa Juutinen
Partner
Sustainability & Climate Change

Maj-Lis Steiner
Director, Authorised Public Accountant
Sustainability & Climate Change

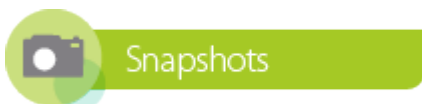
Corporate governance

We have prepared this corporate governance statement in accordance with recommendation 54 of the Finnish Corporate Governance Code published by the Securities Market Association, and it also covers other key corporate governance areas that we want to highlight for investors.

This corporate governance statement is issued separately from the Board of Director's report. We provide more detailed and updated information about our governance issues [on our website](#).

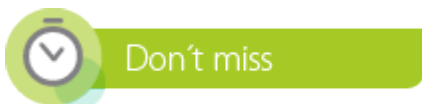


Our operations are guided by Metso's Code of Conduct, internal policies and guidelines as well as our values. [Read more about our compliance with laws and Code of Conduct.](#)



In the risk assessment for 2013, the availability and utilization of mergers and acquisitions as well as maintaining and developing our presence in emerging markets are seen as increased opportunities.

[Read more](#)



[Board of Directors](#)

[Executive team](#)

[Risk management 2012](#)

[Risk management goals for 2013](#)

The member
participation rate was

 **95%**

in the Board of Directors
meetings

Corporate governance

Metso Corporate Governance Statement

We have prepared this corporate governance statement in accordance with recommendation 54 of the Finnish Corporate Governance Code published by the Securities Market Association, and it also covers other key corporate governance areas that we want to highlight for investors.

This corporate governance statement is issued separately from the Board of Director's report. We provide more detailed and updated information about our governance issues on our website.

Regulatory framework

The duties of Metso Corporation's bodies are governed by Finnish legislation and the duties of its subsidiaries' bodies by the legislations of their place of business. Metso complies with the Finnish Corporate Governance Code ("the Code") issued by the Securities Market Association and which came into effect on October 1, 2010, as well as with the corporate governance principles defined by our Board of Directors; these principles are based on the Finnish Companies Act and the Finnish Securities Markets Act. The Code is publicly available on <http://cgfinland.fi/en/>. Metso complies with the Code entirely and has not deviated from its recommendations. In our decision-making and governance, we also comply with other Finnish legislation and regulations, our Articles of Association, the guidelines for insiders published by NASDAQ OMX Helsinki Ltd (hereinafter the Helsinki Exchange) as well as the Finnish Central Chamber of Commerce's Helsinki Takeover Code.

The Audit Committee of Metso's Board of Directors has reviewed this Corporate Governance Statement.

We prepare consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by EU, the Finnish Securities Markets Act as well as the applicable Finnish Financial Supervision Authority's standards and Helsinki Exchange's rules. The Board of Directors' report of Metso and the Parent Company financial statements are prepared in accordance with the Finnish Accounting Act and the guidelines and statements of the Finnish Accounting Board.

Governing bodies of Metso

Metso's supreme decision-making body is the Annual General Meeting of Shareholders. The Board of Directors (Board) and the President and CEO are responsible for the management of Metso. Other Metso executives have an assisting and supporting role. The Board seeks to ensure the compliance of good corporate governance principles within Metso.



Annual General Meeting of Shareholders

Every holder of Metso shares has the right to participate in the Annual General Meeting, and each share entitles its holder to one vote. Decisions are primarily made by a simple majority of votes, such as decisions on the approving the financial statements, payment of dividends, election of Board members and auditors and their remuneration, and discharging from liability the members of the Board and the President and CEO. A 2/3 qualified majority is required for some decisions: authorizing the Board to issue shares or to repurchase the company's own shares or amending the company's Articles of Association.

Participation in the Annual General Meeting requires that the shareholder is registered in Metso's shareholder register on the record date of the meeting, which is eight business days before the meeting, and that he/she registers for the meeting by the date mentioned in the meeting notice. The holder of a nominee-registered share may be entered temporarily in the shareholder register for participation in the Annual General Meeting, if the shareholder based on his/her holding has the right to be registered in the shareholder register on the record date. In addition, participation requires advance notice of participation at the latest by the date mentioned in the meeting notice.

Shareholders are entitled to have an issue put on the Annual General Meeting's agenda, provided that the issue requires a decision by the Annual General Meeting according to the Finnish Companies Act. The request must be submitted in writing to the Board early enough so that the issue can be included in the meeting notice. On our website we will announce the date by which the shareholder must notify the Board of an issue to be added to the Annual General Meeting agenda. The request is always deemed submitted early enough if the Board has been notified about it at least four weeks prior to the delivery of the meeting notice.

We publish a notice of the Annual General Meeting no more than three months and no less than three weeks before the meeting on the company's website or in one or more widely circulated newspapers or we deliver it directly to shareholders when required by law. Additionally, we publish the meeting notice as a stock exchange release immediately after the Board has decided on the convening of the Annual General Meeting. The Annual General Meeting agenda, decision-making proposals and meeting documents are available on our website at least three weeks prior to the meeting.

2012

The Annual General Meeting was held in Helsinki on March 29, 2012. A total of 1,591 shareholders representing about 54 percent of the company's votes participated in it either in person or by power of attorney. All members of the Board, the chairman of Metso's Nomination Board Kari Järvinen, Metso's President and CEO Matti Kähkönen, and Metso's Executive Team as well as the responsible auditor representing the audit firm appointed by the Annual General Meeting participated in the meeting. Eeva Sipilä, who was nominated for the first time as a Board candidate, was prevented from participating in the Annual General Meeting due to compelling reasons related to obligations in her principal job.

Annual general meeting of shareholders

The Annual General Meeting is the supreme decision-making body of Metso. The Annual General Meeting of Shareholders is held once a year before the end of June. It decides on the matters stipulated in the Finnish Companies Act and the Articles of Association. Such issues include:

- Adoption of the financial statements
- Use of the profit shown on the balance sheet
- Election of the Chairman, Vice Chairman and members of the Board and the decision on their remuneration
- Discharging from liability the members of the Board and the President and CEO
- Election of the Auditor and the decision on compensation
- Proposals made by the Board or a shareholder (e.g. amendments of the Articles of Association, the repurchase the company's own shares, share issue, giving special authorizations)

Nomination Board

The Nomination Board, established by decision of the Annual General Meeting, prepares proposals regarding the composition of the Board and remuneration to its members for the next Annual General Meeting. We have had this kind of procedure in place since 2004, at the proposal of Metso's largest shareholder Solidium (previously the Finnish State). The Nomination Board consists of representatives appointed by the four largest shareholders on a date annually defined by the Annual General Meeting. If a shareholder chooses not to exercise its right to appoint a representative to the Nomination Board, the right is transferred to the next largest shareholder. In addition, the Nomination Board includes the Chairman of the Board as an expert member. The Chairman of the Board convenes the Nomination Board, which elects its chairman from among its members.

Nomination Board ahead of 2013 AGM

Metso's four largest shareholders as of October 1, 2012, announced on October 8, 2012, the following representatives for the Nomination Board: Kari Järvinen (M.Sc. Engineering, MBA, b. 1962), Managing Director, Solidium Oy; Lars Förberg (M.Sc. Econ. & Bus. Adm., b. 1965), Managing Partner of Cevian Capital; Harri Sailas (M.Sc. Econ. & Bus. Adm., b. 1951), President and CEO of Ilmarinen Mutual Pension Insurance Company; and Matti Vuoria (Master of Laws, BA, b. 1951), President and CEO of Varma Mutual Pension Insurance Company. The Nomination Board elected Kari Järvinen as its Chairman, and Jukka Viinanen, Chairman of the Board of Directors, served as its expert member.

The Nomination Board convened three times and the participation rate of its members was 100 percent. On January 11, 2013, the Nomination Board provided Metso's Board its proposal for the Annual General Meeting to be held on March 28, 2013. The Nomination Board proposes that Jukka Viinanen, Mikael von Frenckell, Christer Gardell, Ozey K. Horton, Jr., Erkki Pehu-Lehtonen, Pia Rudengren and Eeva Sipilä be re-elected and that Mikael Lilius be elected as a new member. It is proposed to elect Jukka Viinanen as Chairman of the Board of Directors and Mikael von Frenckell as Vice Chairman of the Board of Directors.

The Nomination Board proposes that the members of the Board of Directors be paid the following annual remuneration: to the Chairman EUR 100,000; to the Vice Chairman and the Chairman of the Audit Committee EUR 60,000; and to the other members EUR 48,000 each. The Nomination Board furthermore proposes that for each meeting of the Board of Directors or the committees of the Board of Directors a fee of EUR 700 be paid to the members of the Board that reside in the Nordic countries, a fee of EUR 1,400 be paid to the members of the Board that reside in other European countries and a fee of EUR 2,800 be paid to the members of the Board that reside outside Europe. As a condition for the annual remuneration, the members of the Board are obliged to use 40% of the fixed annual remuneration for purchasing Metso shares.

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

Board of Directors

The Board oversees the management and operations of Metso. It also decides on significant matters related to strategy, investments, organization and finances.

Metso's Board consists of five to eight permanent members, which the Annual General Meeting elects for a term that lasts until the end of the next Annual General Meeting. Individuals who have reached the age of 68 years cannot be elected to the Board. Pursuant to the Finnish Act on Personnel Representation in the Administration of Undertakings, a personnel representative participates in the meetings as an invited expert with no voting rights or legal liability for the Board's decisions. There is no specific order of appointment of directors.

The Board is convened by the Chairman, or if the Chairman is unavailable, by the Vice Chairman. The Board has a quorum when more than half of the members are present and one of these is the Chairman or the Vice Chairman. A decision of the Board shall be carried by a majority of those present or, in the case of a tie, the Chairman shall have the casting vote. Metso's President and CEO Matti Kähkönen and CFO Harri Nikunen participate in the Board meetings, and General Counsel Aleksanteri Lebedeff acts as secretary of the Board. Other Metso Executive Team members and other executives participate in the meetings when needed.

Main duties of the board of directors

The Board's main duties include the following:

- To approve Metso's long-term goals and strategy
- To approve annual business and other major action plans
- To approve Metso's organizational structure and the principles for the incentive systems
- To appoint and to dismiss the President and CEO; to approve the appointment and dismissal of the Deputy to CEO, Metso Executive Team members and the Presidents of the reporting segments based on proposal by the President and CEO
- To monitor and evaluate the performance of the President and CEO and to decide upon his/her remuneration and benefits
- To ensure that the supervision of the accounting and financial matters is properly organized, and to ensure proper preparation of the interim and annual financial statements
- To ensure the adequacy of planning, information and control systems for monitoring the bookkeeping and handling of financial matters and risk management
- To make proposals for and convene the Annual General Meeting of Shareholders and Extraordinary Meetings of Shareholders
- To decide upon other matters that do not belong to day-to-day operations or matters that are of major importance, such as major investments, acquisitions and divestitures, and major joint ventures and loan agreements as well as major financial guarantees. The Board also decides upon principles, within the framework of which Metso's management can make decisions on investments, business acquisitions and divestitures, and financial guarantees

- To approve Metso's corporate policies in key management areas, like corporate governance, risk management, financial control, treasury, internal control, information security, corporate communications, human resources, environment and disclosure policy, and code of conduct. Metso's President and CEO approves more detailed and supplementary guidelines for application of the Board approved policies.

2012

The key theme of the Board's agenda was strategic development of Metso's business. The agenda covered Metso's global presence, HR processes, developing the services business, and regularly monitoring the financial development of Metso and its different businesses.

The Board carried out a self-assessment of its performance. The assessment consisted of a questionnaire and an interview of the Board members, conducted by the Chairman, which assessed e.g. the composition of the Board, efficiency and quality of the Board and its Committees' work, the Board's strategy work, collaboration between the Board and operative management, quality of information, materials, and reporting and control systems provided to and used by the Board. The results of the assessment are used in developing the Board work.

The 2012 Annual General Meeting elected seven members to the Board. Jukka Viinanen was elected as Chairman and Mikael von Frenckell as Vice Chairman. The Board members re-elected were Christer Gardell, Ozey K. Horton, Jr., Erkki Pehu-Lehtonen and Pia Rudengren. Eeva Sipilä was elected as a new member of the Board. Eija Lahti-Jäntti, the personnel representative, participated in the meetings as an invited expert within the limitations prescribed by corporate governance legislation. All Board members were independent of the company and independent of Metso's significant shareholders. The Board did not allocate to its members any specific operational focus areas to monitor. The Board met 13 times during 2012 and it made two unanimous resolutions without convening. The meeting participation rate by its members was 95 percent.

Board committees

The Board has two permanent committees: an Audit Committee and a Remuneration and HR Committee. The Board elects the members of the committees from among its members at its annual assembly meeting and monitors the activities of the committees. Both committees have charters approved by the Board.

Audit Committee

The Board's Audit Committee monitors the company's financial reporting and prepares issues for the Board related to the monitoring of our financial situation, financial reporting, auditing, and risk management. Among other things, the Audit Committee:

- Assesses Metso's draft financial statements and interim reports, accounting policies, accounting principles of significant or exceptional business transactions, management forecasts and statements relating to Metso's short-term outlook
- Assesses compliance with laws and provisions and with internal instructions, as well as assesses the efficiency of internal control and risk management
- Reviews Metso's Corporate Governance Statement
- Approves the audit plans of internal and independent auditors and follows up reporting related to these plans
- Prepares for the election of independent auditors, monitors the statutory auditing of the financial statements and consolidated financial statements, assesses and reviews the auditors' reports with the auditors, and assesses the quality and scope of the audit. Additionally, it assesses the independence of the auditors, particularly any impact on independence arising from other services they offer to Metso
- Assesses Metso's financial reporting and reporting methods in collaboration with the company's management, internal audit and an external auditor or other external experts
- Approves the procurement principles for external auditing services and an external auditor's annual auditing fees

- Maintains procedures enabling the receiving and processing of complaints related to accounting, internal control and internal auditing, and the possible anonymous and confidential reporting of misconduct, fraud, and accounting and auditing issues

The Audit Committee convenes at least four times per year. It consists of the committee's chairman and two members, all of whom are elected by the Board from among the members independent of the company. At least one of the members must be independent of significant shareholders. The Audit Committee members must have the qualifications necessary to perform the responsibilities of the committee and at least one member must have expertise specifically in accounting, bookkeeping or auditing.

2012

In addition to its regulatory duties, among other things, the Audit Committee discussed Metso's financing situation and reporting practices. In addition, the committee assessed Metso's tax issues and reviewed the success of business acquisitions made in recent years, and it monitored the progress of global ERP projects. Additionally, the Audit Committee reviewed the impairment tests performed on the intangible assets with indefinite useful lives. As a result of these tests, no impairment was recognized. The Audit Committee also reviewed Metso's Corporate Governance Statement. The Audit Committee did not use any external advisors.

The Audit Committee comprised Pia Rudengren (Chairman), Erkki Pehu-Lehtonen, Eeva Sipilä (starting March 29, 2012) and Maija-Liisa Friman (until March 29, 2012). All committee members are independent of the company and of significant shareholders. The Audit Committee convened five times, and member attendance was 100 percent. Metso's CFO Harri Nikunen was the secretary of the Audit Committee. Metso's President and CEO and the independent auditor also participated in the meetings.

Remuneration and HR Committee

Among other things, the Remuneration and HR Committee

- Reviews and monitors the competitiveness of Metso's remuneration and incentive systems and the development of the Human Resources related issues, such as competence and talent development and the successor planning of Metso's senior management
- Evaluates the performance and compensation of the President and CEO
- Prepares and makes proposals to the Board for the compensation and benefits of the President and CEO
- Makes proposals to the Board for the appointment of the Metso Executive Team members, based on the President and CEO's preparations
- Decides upon the remuneration and benefits of the Metso Executive Team members. The committee may authorize its chairman to decide upon the remuneration and benefits of these officers. The President and CEO submits the proposed remuneration and benefits of the other officers reporting to the President and CEO to the committee chairman for approval

The committee convenes at least twice a year and consists of the committee chairman and at least two members. All the members are independent of the company. The President and CEO participates in the meetings, except when the agenda includes items relating to him.

2012

The main tasks of the Remuneration and HR Committee included monitoring the realization of the 2012 performance bonus plan and planning of the 2013 plan. The committee used external advisors relating to the share-based incentive scheme and has ensured that the advisors were not simultaneously advisors to the HR department or the operating management.

The Remuneration and HR Committee comprised Jukka Viinanen (Chairman), Christer Gardell, Mikael von Frenckell and Yrjö Neuvo (until March 29, 2012). Merja Kamppari, Senior Vice President, HR, was the committee secretary. The committee convened five times during the year and the participation rate was 88 percent.

Board member meeting participation

The Board convened 13 times in 2012. The member participation rate was 95 percent. Additionally, the Board made two unanimous resolutions without convening. The Audit Committee convened five times, and the member participation rate was 100 percent. The Remuneration and HR Committee convened five times, and its member participation rate was 88 percent.

	Board	Audit committee	Remuneration and HR committee
Jukka Viinanen	13/13	-	5/5
	Board	Audit committee	Remuneration and HR committee
Maija-Liisa Friman (until March 29, 2012)	3/3	1/1	-
Mikael von Frenckell	12/13	-	5/5
Christer Gardell	12/13	-	4/5
Ozey K. Horton, Jr.	12/13	-	-
Yrjö Neuvo (until March 29, 2012)	3/3	-	1/2
Erkki Pehu-Lehtonen	13/13	5/5	-
Pia Rudengren	13/13	5/5	-
Eeva Sipilä (starting March 29, 2012)	8/10	4/4	-
Eija Lahti-Jääntti (personnel representative)	10/10	-	-

Management structure

President and CEO

The President and CEO manages Metso's operations in accordance with the Finnish Companies Act, corporate governance rules and the instructions given by the Board. The President and CEO is appointed - and, if necessary, dismissed - by the Board, and he reports to the Board about, e.g., Metso's financial situation, business environment and other significant issues. The President and CEO prepares the matters on the agenda of the Board and its committees and implements their decisions. Additionally, the President and CEO acts as Chairman of the Metso Executive Team (MET).

Metso Executive Team (MET)

The President and CEO and other members appointed by the Board constitute the Metso Executive Team. The MET assists the President and CEO in the preparation of matters, such as business plans, strategy, policies and other matters of joint importance.

Reporting segment management

The heads of the reporting segments report to Metso's President and CEO and provide him/her with information about their respective business's financial development and position, operational performance, operating environment development, customers and competitive situation. They are also responsible for the development of the business line operations and strategy, for implementing Metso's plans, strategies and operating policies within the business lines, and for collaboration between the business lines.

Subsidiary boards

The subsidiary boards ensure that operations in all Metso companies are managed in accordance with prevailing laws, regulations and operating policies. Metso's President and CEO, as chairman, and two to four other members appointed by the President and CEO, generally from the Metso Executive Team, constitute the boards of the major subsidiaries. The President and CEO decides on the possible additional responsibilities of the boards of holding and other similar companies belonging to Metso Group.

2012

The Metso Executive Team met 11 times during the year. Among its main tasks were strategic development of Metso's business and structure and monitoring financial development. The MET also focused on development of Metso's global presence, HR processes, development of the services business, as well as acquisitions and divestments. The Metso Executive Team also reviewed and updated Metso's strategy for the Board review.

Matti Kähkönen was Metso's President and CEO and Chairman of the Metso Executive Team. The other MET members were Andrew Benko, President, Mining and Construction segment; Perttu Louhiluoto, President, Automation segment; Pasi Laine, President, Pulp, Paper and Power segment, and Executive Vice President and Deputy to the CEO; Harri Nikunen, CFO; Merja Kamppari, Senior Vice President, HR; and Kalle Reponen, Senior Vice President, Strategy and M&A.

Main features of the internal control and risk management systems pertaining to the financial reporting process

The internal control mechanism seeks to ensure the company's compliance with applicable EU laws, regulations and our operating principles as well as the reliability of financial and operational reporting. Furthermore, the internal control mechanism seeks to safeguard the company's assets and to ensure overall effectiveness and efficiency of operations to meet Metso's strategic, operational and financial targets. Internal control practices are aligned with Metso's risk management process. The goal of risk management is to support Metso's strategy and

the achievement of objectives by anticipating and managing potential business threats and opportunities. The discussion below focuses on internal control and risk management related to the financial reporting process.

Metso's operating model of internal control and risk management related to financial reporting is designed to provide sufficient assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles (IFRS) and other requirements for listed companies. The overall system of internal control in Metso is based upon the framework issued by the Committee of Sponsoring Organizations (COSO) and comprises five principal components of internal control: the control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment

The Board of Directors bears the overall responsibility for the internal control over financial reporting. The Board has established a written formal working order that clarifies the Board's responsibilities and regulates the Board's and its committees' internal distribution of work. Furthermore, the Board has appointed an Audit Committee, the primary task of which is to ensure that established principles for financial reporting, risk management and internal control are adhered to and that appropriate relations are maintained with the company's auditors. The responsibility for maintaining an effective control environment and the ongoing work on internal control as regards the financial reporting is delegated to the President and CEO. The internal audit function reports all relevant issues to the Audit Committee and the President and CEO. The function focuses on developing and enhancing internal control over the financial reporting in Metso by proactively concentrating on the internal control environment and by monitoring the effectiveness of the internal control. Our internal steering instruments for financial reporting primarily comprise Metso's Code of Conduct, Internal Control Policy, Internal Control Standards, Treasury Policy and our accounting policies and reporting instructions, which define the accounting and reporting rules, and Metso's definition of processes and minimum requirements for internal control over financial reporting.

Risk assessment

Metso's risk assessment as regards financial reporting aims to identify and evaluate the most significant threats affecting the financial reporting at the Group, reporting segment, unit, function and process levels. The assessment of risk includes, for example, risks related to fraud and unlawful activities, as well as the risk of loss or misappropriation of assets. The risk assessment results in control targets through which we seek to ensure that the fundamental requirements placed on financial reporting are fulfilled. Information on the development of essential risk areas and the activities executed and planned in these areas as well as the measures to mitigate them are communicated regularly to the Audit Committee.

Control activities

We have established an internal Metso Compliance Program to ensure the correctness and credibility of our financial reporting and compliance with our governance principles in all our units. Its purpose is to create a coherent control environment at Metso by implementing proper, internal control principles for different business processes and to share internal control-related best practices. The program stems from the listing of Metso's share in the United States until 2007 and the Sarbanes Oxley Act (SOX) requirements we complied with in conjunction with the listing. The Metso Compliance Program affects all our units and is more flexible and in some respects more comprehensive than SOX reporting. In line with the SOX requirements, our control standards define the basic level for internal controls that all units must achieve. Our internal audit function, assisted by trained Metso testers from different parts of our organization, is responsible for the testing of the units. Unlike with the SOX system, independent auditors do not issue a separate statement on the functionality of our internal controls, although in their work they do widely utilize the documentation created in conjunction with the Metso Compliance Program.

Our Internal Control Standards are designed to ensure that local management in every Metso unit designs and effectively implements the most important monitoring procedures related to selected key financial and business administration processes in all Metso units. This is complemented with proper segregation of key duties and management oversight controls in the organizations. Properly established internal control mechanisms safeguard us also from possible misconduct. Internal Control Standards list the control standards for selected business processes, which are sales and project business, procurement, payroll, inventory, treasury, financial reporting, fixed assets and IT systems. For each of these processes, the tasks that must be segregated are also listed. The units document the control activities in use for each of their respective key business process. In Metso's Compliance Program the effectiveness of the monitoring procedures are assessed and tested. The program also requires the correction of any shortcomings.

2012

The integration of Metso's Compliance and internal audit activities continued as planned during the year. The use of testers for audit environment testing was active and the competence profile of the testers was diverse. Operative auditing focuses increasingly on the assessment of the assumption process of new systems taken into use and on the auditing of various special operative areas.

Information and communication

In order to secure an effective and efficient internal control environment, we seek to ensure that Metso's internal and external communication is open, transparent, accurate and timely. Information regarding internal steering instruments for financial reporting, i.e. accounting principles, financial reporting instructions and the disclosure policy are available on Metso's intranet. We arrange training for our personnel regarding internal control issues and tools. Metso's CFO and the head of internal audit report the results of the work on internal control as a standing item on the agenda of the Audit Committee. The results of the Audit Committee's work in the form of observations, recommendations and proposed decisions and measures are reported to the Board after every Audit Committee meeting.

Monitoring

The effectiveness of internal control related to financial reporting is monitored by the Board of Directors, the Audit Committee, the CEO, Group management, internal audit, and the management of the reporting segments and Group companies. Monitoring includes the follow up of monthly financial reports, review of the rolling estimates and plans, as well as reports from internal audit and quarterly reports by independent auditors. Our internal audit annually assesses the effectiveness of Metso's operations and the adequacy of risk management and reports the risks and weaknesses related to the internal control processes. Internal audit compiles an annual audit plan, the status and findings of which it regularly reports to Metso management, auditors and the Audit Committee. Furthermore, our internal audit and independent auditor meet regularly to coordinate the monitoring efforts.

2012

Program updates and new sections for compliance requirements, like the adoption of measures that are in line with the anti-corruption and anti-bribery policy were planned for 2013.

Compliance with laws and Code of Conduct

In all our operations we seek to comply with applicable laws and statutes as well as generally accepted practices. Additionally, our operations are guided by Metso's Code of Conduct, internal policies and guidelines as well as values. Our Code of Conduct describes Metso's corporate culture, commonly accepted practices and commitment to compliance with laws and regulations. They support Metso's responsible operations, sustainability and our success. The foundation of our Code of Conduct is the UN Universal Declaration of Human Rights, the UN Global Compact initiative, which we have endorsed, and the International Labor Organization's (ILO) declaration on Fundamental Principles and Rights at Work. When applicable, the OECD's Guidelines for Multinational Enterprises are also incorporated into our Code of Conduct.

We require that each one of our employees is familiar with the legislation and operating guidelines of their own areas of responsibility. Business management is responsible for the internal control of the operations in their respective sector. In conjunction with internal audits, we strive to ensure that everyone in the unit being audited is familiar with and compliant with the laws, regulations and principles relating to their own work. In addition to Metso's management, the due course of operations is monitored by the Board's Audit Committee, which reports any misconduct to the Board.

Internal audit

Metso's internal audit assesses the efficiency and appropriateness of our operations and examines the functioning of internal controls. It seeks to ensure the correctness of financial and operational reporting, compliance with applicable laws and regulations, and proper management of the company's assets.

Additionally, internal audit proactively encourages the development of risk management in Metso's various operations. The head of internal audit reports administratively to the CFO, but has direct access also to the President and CEO and to the chairman of the Audit Committee.

Reporting of suspected financial misconduct

Our guidelines on the prevention of financial misconduct define how suspected misconduct should be reported, how it is investigated and how the issue proceeds. Metso employees are encouraged to report suspected misconduct to their own supervisors, to other management or, if necessary, directly to internal audit. Additionally, Metso employees and partners can report suspicions of financial misconduct confidentially via the Whistleblower channel, which is maintained by an independent party. The report can be submitted in several languages via the Internet, by phone or by email, and anonymously if necessary. Suspected misconduct is investigated immediately and confidentially. Internal audit decides on how the matter will be investigated and reports the suspicion to the Audit Committee. The legal affairs and HR functions together implement any measures consequential to the misconduct.

2012

We received 10 reports of suspected financial misconduct via the Whistleblower channel. Additionally, internal audit received 16 direct contacts. A total of 19 cases were investigated, six of the suspicions were classifiable as misconduct. There were no cases of misconduct revealed in conjunction with internal audits. The cases of misconduct were reviewed by the Audit Committee in line with our guidelines on reporting misconduct. The cases did not have a significant impact on our financial results.

Auditors

According to the Articles of Association, Metso has one auditor, which must be a firm of public accountants certified by the Finnish Central Chamber of Commerce. The Board's Audit Committee prepares the auditor selection process. Since 2008, the policy when electing the auditor has been that the aggregate duration of the consecutive terms of a principal auditor may not exceed seven years. This means that Metso's principal auditor Roger Rejström can act in that capacity no later than for the audit of financial period 2019. There are no term limits regarding the duration of the auditing firm.

The auditor's statutory obligation is to audit the company's accounting, the Board of Directors' report, financial statements and administration for the financial year. The parent company's auditor must also audit the consolidated financial statements and other mutual relationships between Group companies.

In conjunction with our annual financial statements, the auditor gives Metso's shareholders an Auditor's Report as required by law. The auditor reports primarily via the Audit Committee and at least once a year to the Board. The Audit Committee evaluates the performance and services of the independent auditors each year and decides if there is a need to arrange an open tender process.

2012

The Audit Committee decided in autumn 2011 to invite tenders for Metso's auditor. As a result, the spring 2012 Annual General Meeting of Shareholders elected Authorized Public Accountant Ernst & Young Oy as the auditor, with Roger Rejström as principal auditor. Our auditor was last put out to tender in 2004. The fees related to auditing work in 2012 amounted to EUR 2.3 million.

Audit fees

EUR million	2008	2009	2010	2011	2012
Audit	2.7	2.5	2.5	2.6	2.3
Tax services	1.8	1.7	2.0	2.0	0.3
Other services	1.1	0.8	1.0	1.1	0.2
Total	5.6	5.0	5.5	5.7	5.9

Insiders

We comply with the NASDAQ OMX Helsinki Guidelines for Insiders. Our permanent insiders are not permitted to trade in Metso's issued securities during the 21 days immediately prior to the publication of a Metso interim review or financial statements release. The ownership of Metso securities by statutory insiders (insiders subject to the disclosure obligation) and their interest parties is public. Statutory insiders include the Chairman, Vice Chairman and members of the Board of Directors, the President and CEO and his deputy, the principally responsible auditor of a firm of public accountants and Executive Team members.

Additionally, Metso also has permanent company-specific insiders and separately identified project-specific insiders whose securities ownership is not public. We update the register of our statutory insiders in the Euroclear Finland Ltd's Sire system, where information on the ownership of securities can be obtained directly from the book-entry system.

Management remuneration

The objective of remuneration at Metso is to encourage employees as individuals and as team members to achieve the set financial and operational targets and to strive for excellent performance. Remuneration is aligned with Metso's financial performance, internal and external references and observing remuneration levels for similar positions among peer companies. Metso's remuneration package for key personnel and executives includes a competitive salary and employee benefits according to local market practices, short-term incentives based on predefined annual performance indicators and long-term incentives that align the interests of the key executives and shareholders.

Remuneration of the Board

The Annual General Meeting decides on the remuneration to the members of the Board for one term of office at a time. According to the decision of the 2012 Annual General Meeting, the annual fees paid to Board members were:

- Chairman of the Board EUR 100,000
- Vice Chairman of the Board EUR 60,000
- Chairman of the Audit Committee EUR 60,000
- Other Board members EUR 48,000

In addition, for Board members whose place of domicile is in the Nordic countries, a fee of EUR 700 per meeting was paid for each Board and committee meeting they attended. The meeting fee for members residing elsewhere in Europe was EUR 1,400 and for those residing outside of Europe EUR 2,800. Compensation for travel expenses and daily allowances was paid in accordance with Metso's travel policy.

Based on the decision of the Annual General Meeting in 2012, 40 percent of the Board's annual fees were used to buy Metso shares from the market. The shares were acquired within the two weeks following the April 28, 2012 publication of the interim report. Altogether, 5,544 shares were acquired, which is 0.004 percent of Metso's total share capital. There are no special terms or conditions associated with owning these shares. The number of shares acquired in this conjunction for Board members are listed in the table below.

Board member and number of shares

EUR	
Jukka Viinanen	1,346
Mikael von Frenckell	807
Christer Gardell	646
Ozey K. Horton, Jr.	646
Erkki Pehu-Lehtonen	646
Pia Rudengren	807
Eeva Sipilä	646
Total	5,544

The Board members, none of whom are employees of Metso, were paid annual remuneration and meetings fees totaling EUR 514,200 during the financial year that ended December 31, 2012. The Board members are not covered by Metso's bonus plans, share-based incentive schemes or pension plans.

Decision-making process and main principles of remuneration of the CEO and other Executive Team members

The Board of Directors decides on the remuneration, benefits and other terms of employment of the President and CEO. The Board's Remuneration and HR Committee decides on the compensation and benefits of the other Executive Team members based on the President and CEO's proposal and general principles approved by the Board.

The remuneration of Executive Team members, including the President and CEO, comprises a monthly total salary (including monthly salary and customary fringe benefits, such as a car and a mobile phone) as well as both short- and long-term incentives. Short-term incentives are annual performance bonuses decided by the Board. As long-term incentives, the Executive Team members are included in share ownership plans that are decided and implemented by the Board and for which share repurchase and share issue authorizations are obtained from the Annual General Meeting. There are no options outstanding or available from any of Metso's prior option programs.

Additionally, executive management benefits include a supplementary defined contribution pension plan for all members of the Executive Team, with the exception of President and CEO Matti Kähkönen, who had already earlier been in a supplementary defined benefit pension plan. Metso's Board has outlined that no new supplementary defined benefit pension plans will be introduced.

Performance bonuses

The Board annually confirms the terms and targets of our performance bonuses on the Group level. The amount of bonus payment, if any, is based on achieving set financial performance targets, such as EBITA and cash flow, of Metso and/or the business in question. In addition to these, also individual and/or team targets are used. The Remuneration and HR Committee evaluates the achievement of the predefined targets of the President and CEO. For the President and CEO and for other Executive Team members, the maximum annual performance bonus is currently 40-60 percent of their annual total salary.

Share-based incentive plans

The Board decides and implements Metso's share-based incentive plans, which are part of the remuneration program for Metso management. The purpose of the plans is to align the goals of Metso's shareholders and management to enhance the value of the company. The plans also aim to ensure commitment of management and to offer them a competitive, ownership-based reward scheme. The plans that started in 2009, 2010 and 2011 required participants to make a personal investment in Metso shares. In the share-based incentive plans that started in 2012 and 2013, shares will be allocated to participants based on the achievement of predefined targets and the personal investment in Metso shares is not required. Any shares to be potentially rewarded are acquired through public trading, and therefore the incentive plans will have no diluting effect on the share value.

Share Ownership Plan 2009-2011

In the share-based incentive plan for management approved by the Board in October 2008, the plan included a three-year earning period and required participants to make a personal investment in Metso shares. The plan's performance criteria (total shareholder return and earnings per share) achieved 69 percent of the maximum. In April 2012, the reward of a total 127,356 shares was paid to 82 individuals. The Executive Team's portion was 19,359 shares. The total reward, which includes the cash share used to cover taxes, corresponded to about 264,836 shares. The share transfer was carried out with a direct free share issue. Any shares earned must be held for a minimum of one year after the reward payment.

Share Ownership Plan 2010-2012

In October 2009, the Board approved a similar share-based incentive plan for management, Metso Share Ownership Plan 2010-2012. The plan included one three-year earning period, which began on January 1, 2010, and ended on December 31, 2012. The plan was initially targeted to about 100 Metso managers, of which 80 were participating at the end of 2012. The participants have invested in 45,600 shares (initial investment) and the rewards that can be paid on the basis of the plan correspond to a maximum total of 308,800 Metso shares. The reward from the plan consists of grants of the base matching shares and performance shares. The amount of base matching shares is based on Metso share price development and it can be 2.5 or 1.25 times the number of shares in the initial investment. The potential reward in the form of performance shares is based on the combination of Metso's Total Shareholder Return (TSR) over the three-year period and on the annual earnings per share (EPS) in 2010-2012. If the TSR is zero or negative over the three-year period, no performance shares shall be distributed. The maximum ratio of the performance shares for the President and CEO is six, for the other MET members five and for other participants four times of the number of shares in the initial investment. In addition to meeting the performance targets, receiving the reward requires that the participant holds the initial investment for the entire earning period and is employed by Metso until the reward payment. The amount of the potential reward will be determined in April 2013, and it will be paid in Metso shares in the first half of 2013. In countries where the employer has a payroll tax withholding obligation, Metso can pay a maximum of 60 percent of the reward in cash instead of shares, which is aimed to cover taxes and related payments. Any shares earned must be held for a minimum of one year after the reward payment. Members of the current Metso Executive Team can receive a maximum total of 51,325 shares as share rewards.

Share Ownership Plan 2011-2013

In September 2010, the Board approved a third, similar share-based incentive plan for management, Metso Share Ownership Plan 2011-2013. The plan includes one three-year earning period, which began on January 1, 2011, and will end on December 31, 2013. The plan was initially targeted to about 100 of Metso's key personnel, of which 68 were participating at the end of 2012. The participants initially invested in 34,515 shares, and the rewards that can be paid on the basis of the plan correspond to a maximum total of 236,748 Metso shares. The criteria for the reward payment and the terms and conditions of the plan are essentially the same as in the plans for 2009-2011 and for 2010-2012 described above. The amount of the potential reward will be determined in April 2014, and it will be paid in Metso shares, or partly in cash, in the first half of 2014. Members of the current Metso Executive Team can receive a maximum total of 77,400 shares as share rewards.

The participant's annual reward payments (valued at the share's market price at the transfer date) from these ownership plans cannot exceed in any year the participant's annual total salary, defined as taxable annual gross income without bonus and long-term incentives, multiplied by 1.5 at the record date.

Long-term Incentive Plan 2012-2014

In December 2011, Metso's Board decided to establish a new share-based incentive plan that has three performance periods, which are calendar years 2012, 2013 and 2014. The Board shall decide on the performance criteria targets and participants in the beginning of each performance period. In the 2012 performance period, 93 Metso management members were participating in the plan in the end of 2012, and the reward was based on the net sales growth of the services business, return on capital employed (ROCE) before taxes and earnings per share. The rewards to be paid on the basis of the 2012 performance period correspond to a maximum of 414,880 Metso shares. The Executive Team's share of the 2012 earnings period can be a maximum of 95,132 shares.

The reward from the 2012 performance period will be paid at the end of an approximately two-year vesting period in 2015, partly in company shares and partly in cash. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward to the participants.

In December 2012, the Board decided to continue the share-based incentive plan approved one year earlier. The plan for the 2013 performance period covers about one hundred Metso managers, and the potential reward

generated will be based on the same criteria as the 2012 performance period, i.e. net sales growth of Metso's services business, return on capital employed (ROCE) before taxes and earnings per share. The potential rewards to be paid on the basis of the 2013 performance period will correspond to a maximum total of 460,000 Metso shares. The Executive Team can receive a maximum reward of 92,392 shares. The potential reward from the 2013 performance period will be paid at the end of an approximately two-year vesting period in 2016, partly in company shares and partly in cash.

The reward for each performance period of the long-term incentive plan 2012-2014 may not exceed 120 percent of a participant's annual total base salary. If a participant's employment or service ends for reasons relating to the participant before the reward payment, no reward will be paid.

Remuneration paid to the President and CEO, Executive Vice President and other Executive Team members

2011

EUR	Annual salary	Paid performance bonus	Fringe benefits	Share-based payment	Total
President and CEO 1)	117,680	253,012	2,166	-	372,858
President and CEO 2)	419,357	190,113	12,349	-	621,819
Executive Vice President 3)	84,942	-	2,363	-	87,305
Executive Vice President 4)	304,900	200,340	9,500	-	514,740
Other Executive Team members	1,353,959	857,595	60,915	-	2,272,105
Total	2,280,474	1,501,060	87,293	-	3,868,827

1) Jorma Eloranta, until February 28, 2011

2) Matti Kähkönen, starting March 1, 2011

3) Matti Kähkönen, until February 28, 2011

4) Pasi Laine starting March 1, 2011

2012

EUR	Annual salary	Paid performance bonus	Fringe benefits	Share-based payment	Total
President and CEO	551,820	201,965	16,487	300,489	1,070,761
Executive Vice President	383,386	222,348	11,624	300,489	917,847
Other Executive Team members	1,504,274	428,050	74,326	776,085	2,782,735
Total	2,439,480	852,363	102,437	1,377,063	4,771,342

Additionally, Metso has subscribed pension plans for senior management and the beneficiaries include members of the Metso Executive Team. For the years ended December 31, 2011 and 2012, the pension insurance premium payments totaled approximately EUR 1.8 million and EUR 0.56 million, respectively.

Remuneration of the President and CEO

Metso's President and CEO Matti Kähkönen is entitled to participate in Metso's short- and long-term incentive programs according to the respective terms and conditions of those programs. The terms and conditions are decided by the Board. The Board assesses the work and performance of the President and CEO and decides on his remuneration. The remuneration of Matti Kähkönen is described in more detail in the following table.

Employment terms and conditions of President and CEO Matti Kähkönen

Base salary and fringe benefits

Total monthly salary EUR 45,000, including salary and fringe benefits (company car and mobile phone).

Short-term incentive (annual bonus)

Annual bonus can be earned in accordance with terms approved by the Board. The maximum bonus is 60 percent of total annual salary.

Long-term incentives

According to Metso's Share Ownership and Long-term Incentive Plans. In the share-based incentive plans starting in 2009, 2010 and 2011, the annual reward payment cannot exceed the annual total salary, defined as taxable annual gross income without annual bonus and long-term incentives, multiplied by 1.5. In the long-term incentive plan 2012-2014, the maximum bonus is 120 percent of the total annual salary.

Pension

Retirement age is 63 years. Kähkönen has a supplementary defined benefit pension plan. His total pension is 60 percent of average monthly earnings during the past four full calendar years prior to retirement.

Termination of assignment

Notice period for both parties is six months. Severance pay (if the company terminates the agreement) is six months' notice period compensation plus severance pay corresponding to the last total monthly salary multiplied by 18.

Board of Directors Dec 31, 2012

Current information on Metso's Board of Directors can be found on our websites, [Metso's management](#).



Jukka Viinanen

Born 1948
Finnish citizen.

Main occupation: Chairman of the Board.

M.Sc. Chemical Engineering.

Board member since 2008.
Chairman of the Board since 2009.
Chairman of Metso's Remuneration and HR Committee.

Independent of the company and independent of significant shareholder.

Metso shares Dec 31, 2012: 4,647

Key work experience: President and CEO of Orion Corporation 2000-2007; various management positions, Neste Corporation 1980-1999; President and CEO and Vice Chairman of the Board 1997-1999.



Mikael von Frenckell

Born 1947
Finnish citizen.

Main occupation: Chairman of the Board.

MSc. (Soc.)

Metso Board member since 2010.
Vice Chairman of the Board since 2012.
Member of the Metso's Remuneration and HR Committee.

Independent of the company and independent of significant shareholder.

Metso shares Dec 31, 2012: 101,932

Key work experience: Various management positions, Union Bank of Finland 1990-1995; various management positions (incl. Sponsor Oy, Ekström Oy).



Christer Gardell

Born 1960
Swedish citizen.

Main occupation: CEO.

MSc. Business Administration and Economics

Metso Board member since 2006.
Member of Metso's Remuneration and HR Committee.

Independent of the company and independent of significant shareholder.

Metso shares Dec 31, 2012: 1,771

Key work experience: Founder and Managing Partner, Cevian Capital, 2001-; CEO, AB Custos 1996-2001; Partner at Nordic Capital and McKinsey & Company.



Ozey K. Horton, Jr.

Born 1951
U.S. citizen.

Main occupation: Board professional, independent advisor.

MBA, BSE.

Metso Board member since 2011.

Independent of the company and independent of significant shareholder.

Metso shares Dec 31, 2012: 1,098

Key work experience: Various management positions, McKinsey & Company 1981-2011.



Erkki Pehu-Lehtonen

Born 1950
Finnish citizen.

Main occupation: Board professional

MSc. Mechanical Engineering.

Metso Board member since 2010.
Member of Board's Audit Committee.

Independent of the company and independent of significant shareholder.

Metso shares Dec 31, 2012: 2,521

Key work experience: President and CEO, Pöyry Plc 1999-2008; other management positions, Pöyry Plc, Neles-Jamesbury Inc. and Valmet Paper Machinery Inc.



Pia Rudengren

Born 1965
Swedish citizen.

Main occupation: Board professional.

MSc. Business Administration and Economics

Metso Board member since 2009. Chairman of Board's Audit Committee.

Independent of the company and independent of significant shareholder.

Metso shares Dec 31, 2012: 2,042

Key work experience: Board professional 2006-; Executive Vice President, W Capital Management AB 2001-2005; CFO, (member of the management team 1998-2001) Investor AB 1990-2001.



Eeva Sipilä

Born 1973
Finnish citizen.

Main occupation: Executive Vice President, CFO, Cargotec Corporation.

MSc. Econ., CEFA.

Metso Board member since 2012.
Member of Board's Audit Committee.

Independent of the company and of significant shareholders.

Metso shares Dec 31, 2012: 646

Key work experience: CFO, Cargotec Corporation 2008-; Senior Vice President, Investor Relations and Communications, Cargotec Corporation 2005-2008; Vice President, Investor Relations Metso Corporation 2002-2005.

Personnel representative

In accordance with the Finnish law on personnel participation, a personnel representative participates in the Board meetings as an invited expert. The representative does not have voting rights, nor is she or he legally responsible for Board decisions. The representative is elected by Metso's Finnish personnel groups for the same term as that of the Board members.



Eija Lahti-Jäntti

Born 1963
Finnish citizen.

Main occupation: Customer Services Coordinator.

Jäntti participates in the meetings of Metso's Board of Directors as an invited expert, and her term of office is the same as the Board members' term.

Employed by Metso since 1988.

Executive Team Dec 31, 2012

Current information on the Metso Executive Team can be found on our websites, [Executive team](#).



Matti Kähkönen

Born 1956
Finnish citizen.

Main occupation: President and CEO,
Chairman of the Executive Team since 2011.
Member of the Executive Team since 2001.
Joined the company in 1980.

MSc. (Eng.)

Metso shares Dec 31, 2012: 16,465

Key experience:
President, Metso Minerals 2006-2011; Metso Automation 2001-2006



Harri Nikunen

Born 1955
Finnish citizen.

Main occupation: CFO.
Member of the Executive Team since 2011.
Joined the company in 1994.

BA, Finance and Business Administration.

Metso shares Dec 31, 2012: 6,539

Key experience:
Various senior management positions, Metso 1994-2011; various finance management positions, Rosenlew Group 1986-1994.



Andrew Benko

Born 1949
U.S. citizen.

Main occupation: President,
Mining and Construction.
Member of the Executive Team since 2011.
Joined the company in 2001.

MSc. Engineering.

Metso shares Dec 31, 2012: 12,286

Key experience:

President, Metso's Equipment and Systems 2009-2011, and Mining business line 2007-2009; President, Minerals Processing business line 2001-2006; various top management positions at Svedala 1993-2001.



Perttu Louhiluoto

Born 1964
Finnish citizen

Main occupation: President, Automation.
Member of the Executive Team 2009 and since 2011. Joined the company 2008.

Master of Laws, MSc. Economics.

Metso shares Dec 31, 2012: 4,336

Key experience:

President, Energy and Environment Technology 2011; Senior Vice President, EMEA Market Area, Mining and Construction Technology 2009-2011; Senior Vice President, Operational Excellence, Metso Corporation 2008-2009; Partner, McKinsey & Company 2000-2008, various positions 1991-1999.



Pasi Laine

Born 1963
Finnish citizen

Main occupation: President,
Pulp, Paper and Power.
Executive Vice President and Deputy to CEO.
Member of the Executive Team since 2006.
Joined the company in 1998.

MSc. (Eng.).

Metso shares Dec 31, 2012: 13,574

Key experience:

President, Paper and Fiber Technology 2011; President, Energy and Environmental Technology 2008-2011; President, Metso Automation 2006-2008, Metso Automation's Field Systems Business Line 2003-2006.



Kalle Reponen

Born 1965
Finnish citizen

Main occupation: Senior Vice President,
Strategy and M&A.
Member of the Executive team since 2008.
Joined the company in 2006.

MSc. Economics.

Metso shares dec 31, 2012: 5,741

Key Experience:

Partner, MCF Corporate Finance 2003-2006; Head of Capital Goods, Nordea Corporate Finance 2000-2003; various positions, Wärtsilä Corporation 1991-2000.



Merja Kamppari

Born 1958
Finnish citizen.

Main occupation: Senior Vice President,
Human resources.
Member of the Executive Team since 2011.
Joined the company in 2009.

MSc, Economics.

Metso shares Dec 31, 2012: 3,708

Key experience:
Various top management HR positions, Nokia Networks and Nokia Siemens Networks 1994-2009.

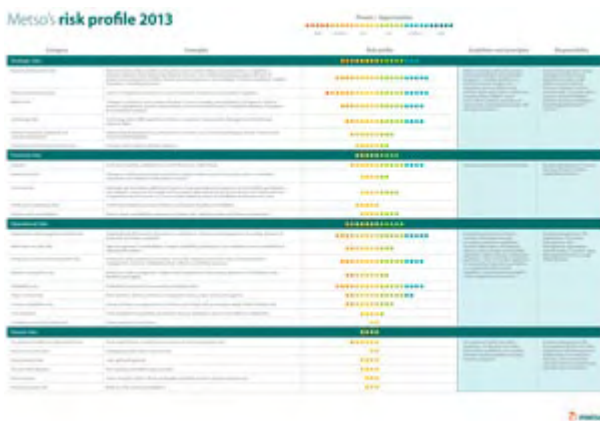
Risk and Risk Management

Metso uses risk management to support the achievement of its strategic and business goals and to ensure the continuity of its operations also in changing circumstances. We believe that ability to take risks and manage them effectively is an essential element of business success and shareholder value creation.

We define risks as uncertainties, which, if materialized, can either positively or negatively impact our chances of achieving our goals. So, risk is either an opportunity or a threat, or a combination of them. We assess the significance of a risk as a combination of probability and consequences of the occurrence.

Our comprehensive risk management approach emphasizes anticipation of risks and proactive actions and strives for a systematic, structured and timely approach. Risk management is embedded in all of our daily operations. Our risk management is established on the requirements of the ISO 31000 standard.

[See Metso's risk profile 2013 as a PDF-file >](#)



Risk management focus areas in 2012

Financial uncertainty in the euro zone, the US budget deficit, fluctuations in exchange rates and tightening financial market regulations increased the threats related to our operating environment. Increased uncertainty was experienced in the global economy, mainly due to a slowdown in India and China. This was reflected in our customer industries to some extent, but did not have a significant negative impact on market activity.

Our Enterprise Risk Management Policy renewed during 2011 was approved by the Metso Board in February 2012.

In connection with Risk Assessment workshops in the second half of 2012, we re-evaluated the content of our Risk Map that defines all our risks on the headline level. The risks with a clear sustainability and reputation connection were identified separately.

Based on the existing best practices, our crisis management protocols were defined in writing to cover both proactive and reactive approaches.

Also a general evaluation of existing insurance policies was conducted to ensure their relevance. The premium rates, terms, conditions and limits of all of our insurance programs are examined and optimized on a regular basis.

We continued to strengthen our global risk management network by defining more points of contact in our major operating countries. In addition, the core internal function-based supporting network was redefined to serve the crisis and incident needs more comprehensively. The focus of the network development work is to enhance the global two-way communication.

A renewed set of Risk Management Evaluation audit questions was introduced to ensure the continuous improvement of risk management operations at our units. The questions are derived from the risks listed on our risk map covering all four risk categories: strategic, financial, operational and hazard risks and their respective sub-categories.

When evaluating the level and implementation of risk management and risk management practices in our units, we use the Flexible Risk Management Evaluation (FRiME) concept. In 2012, the key FRiME findings were the following:

Strategic risks

- The management of strategic risks has strengthened further from the already good level.

Financial risks

- The management of financial risks is at a good level in general.

Operational risks

- The management of business interruption risks needs further improvement.
- The management of information security risks and the preparedness for crisis situations have improved significantly.

Hazard risks

- The management of premises security has improved, but preparedness for natural events has decreased slightly.

Most significant threats and opportunities

We define risks as uncertainties that can be both opportunities and threats for our business operations and strategy implementation. In our annual risk assessment, we systematically assess the significance and development of various risks.

In the risk assessment for 2013, the availability and utilization of mergers and acquisitions as well as maintaining and developing our presence in emerging markets are seen as increased opportunities. Similarly to the previous year's assessment, the impact of global economic cycles and uncertainty in global financial markets are seen as increasing threats in our operating environment.

The most significant factors creating threats and opportunities for Metso, based on the 2013 risk assessment:

- Availability of mergers and acquisitions and capacity to utilize them.
- Brand and reputation: ability to retain and strengthen position as the industry's leading company.
- Impact of global economic cycles on meeting strategic goals.
- Maintaining and developing presence in emerging markets.
- Stability of the financing sector and capital markets and the impact on the availability and cost of long-term financing for Metso and its customers.
- Ensuring sufficient competence and talent resources globally: maintaining a high level of business and leadership capability and ability to implement strategy.
- Maintaining competitive position and market share.
- Changes in customers' technology and production scope.
- Global sourcing capability: success in supply chain management.

Goals for 2013

We use risk management to support the achievement of our strategic and business goals and to ensure the continuity of our operations also in changing circumstances. We continue to focus on proactive measures and securing our operations, and on limiting adverse impacts and utilizing opportunities.

In 2013, the focus areas of our risk management work in addition to existing enterprise risk management operations include the development of a more systematic approach to logistics risk management and harmonization of the project risk assessment approach.